trsnyc

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2010

A Pension Trust Fund of the City of New York

Comprehensive Annual Financial Report

Teachers' Retirement Board

Teachers' Retirement System of the City of New York

Fiscal Year Ended June 30, 2010

COMPREHENSIVE ANNUAL FINANCIAL REPORT
A PENSION TRUST FUND OF THE CITY OF NEW YORK
FOR FISCAL YEAR ENDED JUNE 30, 2010

Prepared by Accounting Units

QUALIFIED PENSION PLAN

MR. NELSON SERRANO
Executive Director
Teachers' Retirement System

MR. PAUL J. RAUCCI
Chief Accountant
Teachers' Retirement System

MR. ROBERT C. NORTH, JR.
Chief Actuary

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK
55 Water Street
New York, NY 10041

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1. Introduction

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK
55 Water Street, New York, NY 10041 • www.trsnyc.org • 1 (888) 8-NYC-TRS

December 22, 2010

Dear Members of the Board of Trustees:

We are pleased to present herewith the Comprehensive Annual Financial Report of the Teachers' Retirement System of the City of New York (TRS) for the fiscal year ended June 30, 2010. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with TRS. To the best of our knowledge, the enclosed data is accurate in material respects and is reported in a manner designed to present fairly the financial position and results of the operations of TRS. All disclosures necessary to enable the reader to gain an understanding of the financial activities of TRS have been included.

The Comprehensive Annual Financial Report is presented in five sections: Introduction, Financial, Investment, Actuarial, and Statistical. The Introduction includes this transmittal letter, an organization chart, and a list of TRS' principal officials. The Financial Section includes Statements of Plan Net Assets Available for Pension Benefits, Statements of Changes in Plan Net Assets Available for Pension Benefits, the Independent Auditor's Report on the financial statements and schedules, and Management's Discussion and Analysis. The Investment Section includes investment information and tables that track investment yields and performance. The Actuarial Section contains the Actuary's certification letter, the Actuary's statements, a summary of actuarial assumptions and methods, and the actuarial tables. The Statistical Section includes financial and demographic information.

HISTORY OF THE PLAN—TRS was established as of August 1, 1917 under Chapter 303 of the Laws of 1917 and is governed by the Administrative Code of the City of New York and the New York State Retirement and Social Security Law. TRS covers all the teachers and administrative personnel employed by the Department of Education and certain employees of Charter Schools and the City University of New York.

FINANCIAL INFORMATION—The management of TRS is responsible for establishing and maintaining an internal control structure designed to ensure that TRS' assets are protected from loss, theft, or misuse, and to guarantee that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that [1] the cost of a control should not exceed the benefits likely to be derived from it; and [2] the valuation of costs and benefits requires estimates and judgment by management.

SOURCES OF REVENUES AND EXPENDITURES— Funds needed to finance the Plan's long-term benefit promises are accumulated through the collection of employer and member contributions and through income from investments. Primary expenses include benefit and survivor payments as well as investment and administrative expenses and refunds of contributions to terminated employees. An overview of revenue and expenses as well as asset and liability information is provided in the Management Discussion and Analysis of the Financial Section. Additional revenue and expense disclosures and trend data is provided in the report's Statistical Section.

FUNDING— The Plan's funding objective is to meet long-term benefit promises through employer and member contributions. Annual funding by employer contributions is determined through an actuarial valuation of all liabilities to the Plan with adjustments to allow for an incremental phase-in of newly assumed actuarial liabilities. As such, employer contributions have been increasing steadily in line with current membership liabilities.

The Plan's funding ratios are also developed as part of the Plan's actuarial valuation. The funding ratios are determined at specific points in time, are usually expressed in various relationships of assets to obligations, and, over time, can provide insight into the long-term financial trend of the Plan. One measure of the Plan's funded status, the ratio of Actuarial Asset Value to Entry Age Actuarial Accrued Liability, determined as of June 30, 2009, is 64%. Please refer to the report's Actuarial Section for a detailed discussion of the Plan's measures of funded status.

INVESTMENTS— The Administrative Code of the City of New York authorizes the investments of plan assets subject to the terms, conditions, limitations, and restrictions imposed by law for investments by savings banks and domestic life insurance companies. The New York State Retirement and Social Security Law and the Administrative Code establish the criteria for permissible equity investments. Plan assets are diversified over a range of investments, and multiple investment strategies are used to limit risk. Details concerning the criteria for TRS' investments may be found in the Notes to the Financial Statements. A detailed discussion of the Plan's investment strategies, asset classes and yield information is provided in the report's Investment Section.

The Plans' investments consist of the combined assets of its individual investment programs. At fiscal year end June 30, 2010, the Plan's investment programs consisted of the Fixed Return Fund (part of the New York City Pension Fund), the Diversified Equity Fund, the Stable-Value Fund, the International Equity Fund, the Inflation Protection Fund, and the Socially Responsive Equity Fund. The six investment programs are collectively referred to as the TRS Passport Funds.

PERFORMANCE SUMMARY— The performance of the Pension Fund yielded an annual return of 14.38%. The monthly Unit Value for the Diversified Equity Fund increased from $44.033 (July 2009) to $48.310 (July 2010), for an annual return of 14.11%. The Unit Value for the Stable-Value Fund decreased from $19.446 (July 2009) to $19.293 (July 2010), for an annual return of 3.18%. The Unit Value for the International Equity Fund increased from $7.319 (July 2009) to $7.937 (July 2010), for an annual return of 12.80%. The Unit Value for the Inflation Protection Fund increased from $8.980 (July 2009) to $10.114 (July 2010), for an annual return of 17.13%. The Unit Value for the Socially Responsive Equity Fund increased from $7.768 (July 2009) to $8.810 (July 2010), for an annual return of 17.96%. The annual returns include a 4% rate for the variable increment factor. The July Unit Values were based on the portfolio's return as of June 30.

PROFESSIONAL SERVICES—Consultants are appointed by the Teachers' Retirement Board to perform professional services that are essential to the effective and efficient operation of TRS. The Office of the Comptroller also provides investment services for the pension portfolio through independent advisors.

Actuarial services are provided by the Office of the Actuary of the City of New York, which is employed by the City's five major pension systems. The Chief Actuary's report and certifications are included in this Report.

The City's Corporation Counsel provides legal services to TRS in addition to private legal counsel providing services to the Variable Annuity and Tax-Deferred Annuity Programs.

Rocaton Investment Advisors, LLC is working as investment consultant to TRS.

All investment decisions are reviewed and approved by the Teachers' Retirement Board.

INDEPENDENT AUDIT—State statutes require an annual audit by independent certified public accountants. The accounting firm of Deloitte & Touche LLP was selected by the Teachers' Retirement Board. The Independent Auditor's Report on the financial statements and schedules is included in the Financial Section of this Report.

AWARDS—The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to TRS for its Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2009. This was the 22nd consecutive year that TRS was accorded this prestigious award.

In order to be awarded a Certificate of Achievement, TRS published an easily readable and efficiently organized Comprehensive Annual Financial Report. This Report satisfied both the generally accepted accounting principles and the applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA for consideration.

ACKNOWLEDGEMENTS— The compilation of the Report reflects the efforts of the TRS staff under the leadership of the Board of Trustees.

It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means for determining responsible stewardship for the assets contributed by the members and their employers.

The Report is available to both administrative personnel and members of TRS. We believe they will find this material informative and helpful.

Finally, we would like to take this opportunity to express our gratitude to the staff, the advisors, and the many people who have worked diligently to ensure the successful operation of TRS.

Sincerely,

Nelson Serrano
Executive Director

Paul J. Raucci
Chief Accountant

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Teachers' Retirement System of the City of New York

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

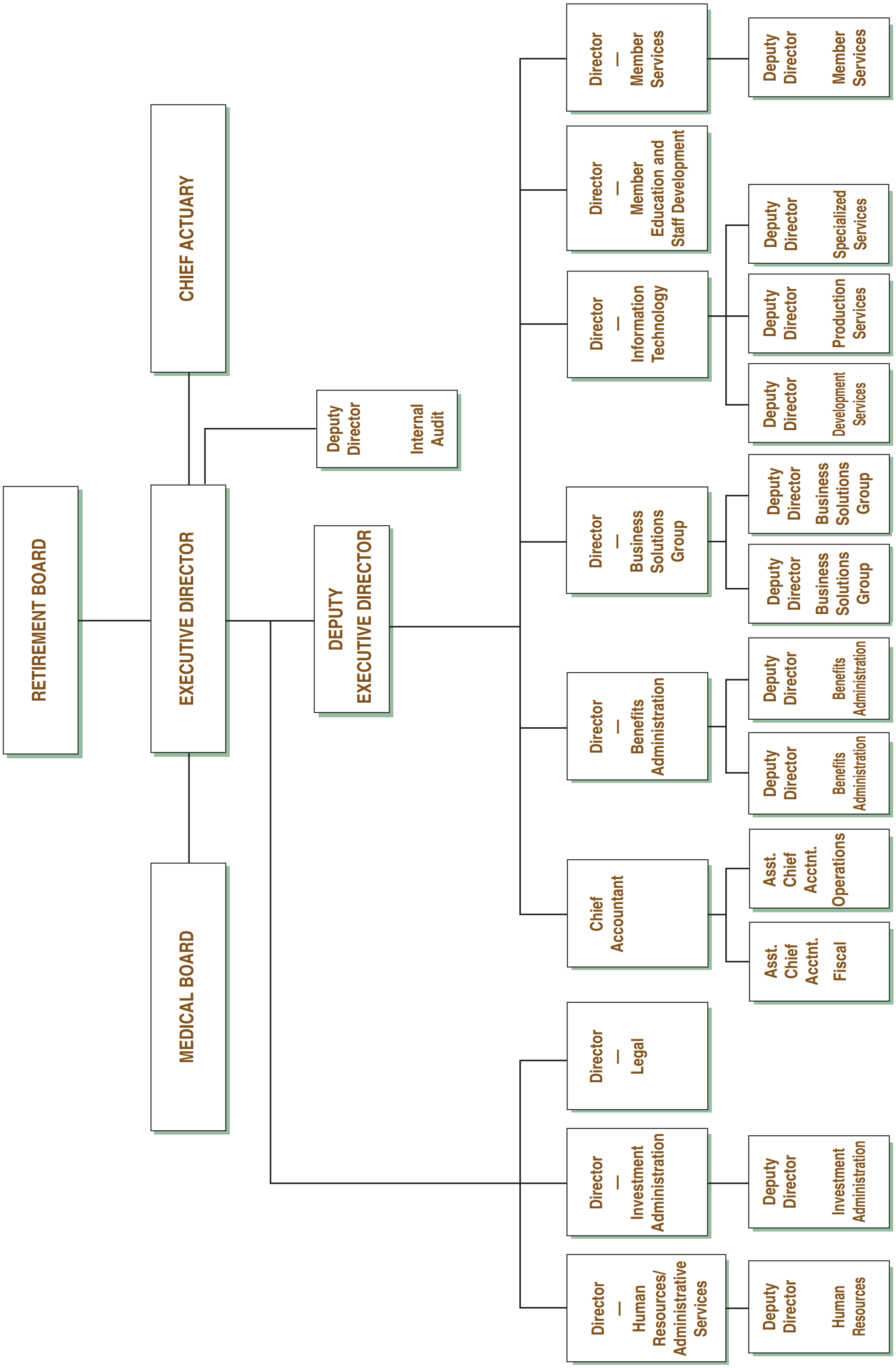
President

Executive Director

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

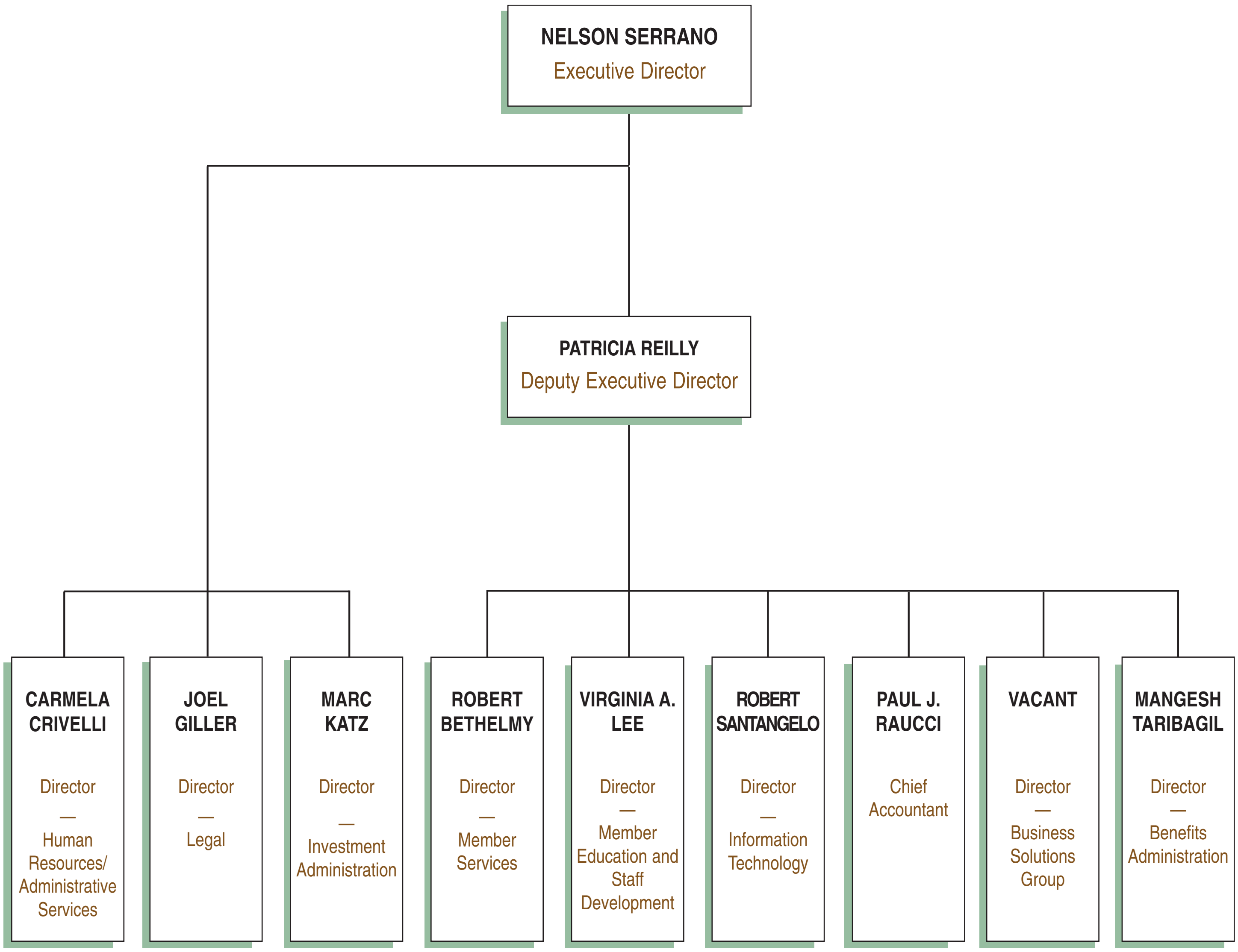
ORGANIZATION CHART

as of June 30, 2010



PRINCIPAL OFFICIALS

as of June 30, 2010



2. Financial Section

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
Teachers' Retirement System of The City of New York

We have audited the accompanying statements of plan net assets of the Teachers' Retirement System of The City of New York Qualified Pension Plan (the "Plan") as of June 30, 2010 and 2009, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets of the Plan as of June 30, 2010 and 2009, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the supplemental schedules, Schedule 1, Schedule 2, and Schedule 3, listed in the table of contents,are not a required part of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board ("GASB"). This supplementary information is the responsibility of Plan Management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of such required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Plan. The accompanying additional supplementary information as listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional supplementary information is also the responsibility of management. The additional supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introductory, Investment, Actuarial, Statistical Sections and Schedule 4- Funded Status Based on Entry Age Actuarial Cost Method within the Financial Section are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Plan. This supplementary information is also the responsibility of Plan management. Such supplementary information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.

Deloitte + Touche LLP

October 27, 2010

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK QUALIFIED PENSION PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2010 AND 2009

This narrative discussion and analysis of the Teachers' Retirement System of The City of New York's ("TRS" or the "Plan") financial performance provides an overview of the Plan's financial activities for the fiscal years ended June 30, 2010 and 2009. It is meant to assist the reader in understanding TRS' financial statements by providing an overall review of the financial activities during the two years and the effects of significant changes, as well as a comparison with prior years' activity and results. This discussion and analysis is intended to be read in conjunction with the Plan's financial statements.

Overview of Basic Financial Statements

The following discussion and analysis is intended to serve as an introduction to the Plan's basic financial statements. The basic financial statements are as follows:

- **The Statement of Plan Net Assets** — presents the financial position of the Plan at fiscal year-end. It indicates the assets available for payment of future benefits and any current liabilities that are owed as of the statement date. Investments are shown at fair value. All other assets and liabilities are determined on an accrual basis.

- **The Statement of Changes in Plan Net Assets** — presents the results of activities during the fiscal year. All changes affecting the assets and liabilities of the Plan are reflected on an accrual basis when the activity occurred, regardless of the timing of the related cash flows. In that regard, changes in the fair values of investments are included in the year's activity as net appreciation (depreciation) in fair value of investments.

- **The Notes to Financial Statements** — provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes present information about the Plan's accounting policies, significant account balances and activities, material risks, obligations, contingencies, and subsequent events, if any.

Required Supplementary Information — as required by the Governmental Accounting Standards Board (GASB) is presented after the Notes to the Financial Statements.

The financial statements are prepared in accordance with GASB Pronouncements.

Financial Highlights — Net assets of TRS are held in trust for the payment of future benefits to members and pensioners. The Plan's net assets were $26.4 billion, $23.1 billion and $32.3 billion as of June 30, 2010, 2009 and 2008, respectively. The Plan's employer contributions amounted to $2.6 billion, $2.3 billion and $1.9 billion for Fiscal Years 2010, 2009, and 2008, respectively. The Plan's benefit payments and withdrawals totaled $4.1 billion, $3.8 billion and $3.8 billion for Fiscal Years 2010, 2009 and 2008, respectively.

Plan Net Assets
June 30, 2010, 2009, and 2008
(In thousands)

	2010	2009	2008
Cash	$ 396	$ 419	$ 58
Receivables for investments sold	1,309,085	1,549,432	706,209
Receivables for accrued interest and dividends	151,902	151,278	158,788
Member loan receivables	169,778	151,110	137,853
Investments, at fair value	28,217,314	23,867,461	33,311,076
Collateral from securities lending	2,760,139	2,316,271	4,761,529
Other assets	119,239	77,950	94,581
Total assets	32,727,853	28,113,921	39,170,094
Accounts payable	299,818	265,300	344,649
Payables for investments purchased	3,247,414	2,432,987	1,747,216
Accrued benefits payable	13,649	13,450	10,410
Payables for securities lending	2,768,562	2,324,695	4,769,955
Total liabilities	6,329,443	5,036,432	6,872,230
Net assets held in trust for benefits	$ 26,398,410	$23,077,489	$32,297,864

Cash balances amounted to $396.0 thousand at June 30, 2010, a decrease of $23.3 thousand (-5.5%) from June 30, 2009. Cash balances consist of accounts used to reimburse the funds of the variable-return programs and accounts used for advance funding of the variable-return programs' investment managers. Cash balances amounted to $419.3 thousand at June 30, 2009, an increase of $360.9 thousand (618.0%) from June 30, 2008. The increase in cash account balances as of June 30, 2009, is attributable to the Plan's addition of three new variable-return programs at the beginning of Fiscal Year 2009.

Receivables for investment securities sold amounted to $1.3 billion at June 30, 2010, a decrease of $240.3 million (-15.5%) from June 30, 2009. This balance is principally composed of receivables for securities that have been sold but have not yet settled (*i.e.*, the cash has not been collected). The decrease resulted primarily from timing differences in settlement dates. Trades typically do not settle until a few days after the trade date. Receivables for investment securities sold amounted to $1.5 billion at June 30, 2009, an increase of $843.2 million (119.4%) from June 30, 2008. The increase resulted primarily from timing differences in settlement dates.

Receivables for accrued earnings amounted to $151.9 million as of June 30, 2010, an increase of $624.0 thousand (0.4%) from June 30, 2009. Changes in accrued earnings are impacted by the cumulative value of the interest or dividend bearing securities, discount rates, and interest-payable dates. Receivables for accrued earnings amounted to $151.3 million as of June 30, 2009, a decrease of $7.5 million (-4.7%) from June 30, 2008.

At June 30, 2010, member loan receivables amounted to $169.8 million, an increase of $18.7 million (12.4%) from the previous year. The increase reflects additional new loans issued to Tier III or Tier IV members. There were 14,923 new loans issued to Tier III or Tier IV members in Fiscal Year 2010, an increase of 2,180 (17.1%) from Fiscal Year 2009. At June 30, 2009, member loan receivables amounted to $151.1 million, an increase of $13.3 million (9.6%) from Fiscal Year 2008. There were 12,743 new loans to Tier III or Tier IV members in Fiscal Year 2009, an increase of 1,292 (11.3%) from Fiscal Year 2008.

Investments at June 30, 2010 were $28.2 billion compared to $23.9 billion at June 30, 2009, an increase of $4.3 billion (18.2%) from June 30, 2009. The $4.3 billion increase reflects the Plan's $3.3 billion net income for Fiscal Year 2010 and a $1 billion increase in the year over year amount of payables of investment purchases less receivables for investment sold. The increase in the Plan's investment balances during Fiscal Year 2010 also mirrored the increases of U.S. and International Equity markets. For the twelve month period, the Russell 3000 Index, a broad measure of U.S. equity markets, returned 15.7%. The Morgan Stanley Capital International Index for Europe, Australasia, and Far East (MSCI EAFE) Small Cap Index increased 6.4%. Investments at June 30, 2009 were $23.9 billion compared to $33.3 billion at June 30, 2008, a decrease of $9.4 billion (-28.3%) from June 30, 2008. The $9.4 billion decrease reflects the Plan's $9.2 billion net loss for Fiscal Year 2009 and a $157.5 million decrease in the year over year amount of payables of investment purchases less receivables for investment sold. The decline in TRS investment balances from Fiscal Year 2009 also mirrored the declines of U.S. and International Equity markets. For the twelve month period, the Russell 3000 Index, a broad measure of U.S. equity markets, returned -26.6%. The MSCI EAFE Small Cap Index declined -31.0%.

Other assets at June 30, 2010 totaled $119.2 million, a $41.3 million (53.0%) increase from June 30, 2009. The $41.3 million increase is almost entirely due to a $40.9 million Fiscal Year 2010 city employer contribution received in July 2010. The Plan's other assets at June 30, 2009 totaled $78.0 million compared to $94.6 million at June 30, 2008, a decrease of $16.6 million (-17.6%) from June 30, 2008.

Accounts payable at June 30, 2010 amounted to $299.8 million, a $34.5 million (13.0%) increase from June 30, 2009. The increase in accounts payable included a $27.0 million year over year increase in pension expenses attributed to the Pension Fund and a $6.7 million increase in balances due to depositories. Accounts payable at June 30, 2009 were $265.3 million, a $79.3 million (-23.0%) decrease from June 30, 2008.

Payables for investments purchased at June 30, 2010 amounted to $3.2 billion, an $814.4 million (33.5%) increase from June 30, 2009. Investments purchased are accounted for on a trade-date basis. The increase resulted from timing differences in settlement dates, similar to receivables for investments sold discussed earlier. Payables for investments purchased at June 30, 2009 amounted to $2.4 billion, a $685.8 million (39.3%) increase from June 30, 2008.

Accrued benefits payable at June 30, 2010 amounted to $13.6 million, a $199 thousand (1.5%) increase from June 30, 2009. The $199 thousand accrued benefits payable increase during Fiscal Year 2010 is attributed to an increase of pending benefits payable to retirees at year end. Accrued benefits payable at June 30, 2009 amounted to $13.5 million, a $3.0 million (29.2%) increase from June 30, 2008. The $3.0 million accrued benefit payable increase during Fiscal Year 2009 is attributed to an increase in the year end benefits payable to beneficiaries.

Changes in Plan Net Assets
Years Ended June 30, 2010, 2009, and 2008
(In thousands)

	2010	2009	2008
Additions:			
Member contributions	$ 138,075	$ 143,281	$ 142,308
Employer contributions	2,566,288	2,297,789	1,944,097
Net (payments to) receipts from other retirement systems	(2,109)	1,035	799
Net investment income (loss)	4,760,306	(7,892,778)	(3,157,851)
Securities — lending income	17,853	54,519	48,087
Total additions	7,480,413	(5,396,154)	(1,022,560)
Deductions:			
Administrative expenses	41,465	37,639	40,389
Benefits payments and withdrawals	4,118,027	3,786,582	3,781,978
Total deductions	4,159,492	3,824,221	3,822,367
Net increase (decrease)	$ 3,320,921	$(9,220,375)	$(4,844,927)

TRS received $138.1 million and $143.3 million in member contributions during Fiscal Years 2010 and 2009, respectively. The $138.1 million in member contributions represents a $5.2 million (-3.6%) decrease from Fiscal Year 2009. For Fiscal Year 2010, member contributions decreased due to a decrease in the number of new teachers hired and an increase in teachers attaining the required ten years of member contributions [under Chapter 126/00]. Additional salary deductions required for enrollees of the Age 55 Retirement Program (Chapter 19/08) are mandated into the Plan's contingent reserve fund and included in other employer contributions. The $143.3 million in member contributions during Fiscal Year 2009 represents a $1.0 million (0.7%) increase from Fiscal Year 2008. The $1.0 million increase in 2009 is attributable to salary increases provided under the 2007-2009 teachers' contract, offset by decreases in hiring new teachers and increases in members attaining the required ten years of member contributions under Chapter 126/00.

Employer contributions during Fiscal Year 2010 were $2.6 billion, a $268.5 million (11.7%) increase from Fiscal Year 2009. Employer contributions increased due to funding the impact of the new Age 55 Retirement Program, certain litigation settlements, and experience losses, including the phase-in of certain prior year asset losses. Employer contributions during Fiscal Year 2009 were $2.3 billion, a $353.7 million (18.2%) increase from Fiscal Year 2008.

The Plan's investment income for Fiscal Year 2010 was $4.8 billion, a $12.7 billion (gain) increase from Fiscal Year 2009. For Fiscal Year 2010, the net investment income reflects the appreciation in fair value of the Plan's investments, including both realized and unrealized gains. The appreciation was in line with the appreciation of the majority of financial indexes during the fiscal year. Gains on the appreciation in fair value of the Plan's investments for the Pension Fund, Diversified Equity Fund, the International Equity Fund, the Inflation Protection Fund, and the Socially Responsive Equity Fund totaled $3.4 billion, $401.7 million, $13.8 thousand, $2.8 million, $267.6 thousand and $421.1 thousand respectively. The aggregate gain of $3.8 billion on the appreciation in fair value of the Plan's investments was further enhanced by $1.1 billion in dividend and interest income and reduced by $129.1 million in investment expenses. The Plan experienced a $7.9 billion net investment loss during Fiscal Year 2009, a $4.7 billion (-149.9%) increase from Fiscal Year 2008. For Fiscal Year 2009, the net investment loss which includes both realized and unrealized losses, reflects the depreciation in fair value of the Plan's investments due to the recession that began in 2007 and severely worsened in the second quarter of Fiscal Year 2009. Losses on the depreciation in fair value of the Plan's investments for the Pension Fund, Diversified Equity Fund, the International Equity Fund, the Inflation Protection Fund, and the Socially Responsive Equity Fund totaled $7.5 billion, $1.5 billion, $366.6 thousand, $1.2 million, $22.6 thousand and $216.2 thousand respectively. The aggregate loss of $9.0 billion on the depreciation in fair value of the Plan's investments was somewhat offset by $1.2 billion in dividend and interest income.

Administrative expenses during Fiscal Year 2010 were $41.5 million, an increase of $3.8 million (10.2%) from Fiscal Year 2009. The increase in administrative expenses reflects an increase in the System's administrative expenses attributed to the Plan. (See notes to Financial Statements No. 7 Administrative Expenses.) The Plan's administrative expenses for Fiscal Year 2010 accounted for 78.4% of the System's administrative expenses. The System's administrative expenses have been $52.9 million, $53.2 million, and $53.6 million for Fiscal Years 2010, 2009, and 2008, respectively. Administrative expenses during Fiscal Year 2009 were $37.6 million, a decrease of 6.8% from Fiscal Year 2008. The Plan's administrative expenses for Fiscal Year 2009 accounted for 70.3% of the System's administrative expenses.

Benefits payments and withdrawals during Fiscal Year 2010 were $4.1 billion, a $331.4 million (8.8%) increase from Fiscal Year 2009. The $331.4 million increase in benefits payments and withdrawals was primarily due to a $134.9 million (4.6%) increase in annual retirement benefits and the $149.4 million portion of the $160 million minimum accumulation class action settlement (UFT lawsuit of 2005) paid or due to the retiree population. In addition, interest that is accumulated on behalf of and transferred monthly to the Tax-Deferred Annuity (TDA) Program increased by $49.6 million (6.5%) from Fiscal Year 2009. In total, benefits payments and withdrawals distributed during Fiscal Year 2010 were composed of 74.2% retirement benefits, 19.8% interest that is accumulated on behalf of and transferred to the TDA Program, 3.6% the minimum accumulation class action settlement (UFT lawsuit of 2005), and 2.4% refunds, death benefits, and loan-payment withdrawals. Also, benefits payments and withdrawals account for the funds disbursed to members from the Plan's Passport Funds. Fiscal Year 2010 disbursements, excluding the interest transferred to the TDA Program, are composed of 86.5% from the Fixed Return Fund, 12.7% from the Diversified Equity Fund, 0.7% from the Stable-Value Fund, and 0.1% from the International Equity, Inflation Protection, and Socially Responsive Equity Funds. Benefits payments and withdrawals during Fiscal Year 2009 were $3.8 billion, substantially the same as in Fiscal Year 2008. Benefits payments and withdrawals distributed during Fiscal Year 2009 were composed of 77.1% retirement benefits, 20.3% interest that is accumulated on behalf of and transferred to the TDA Program, and 2.6% refunds, death benefits, and loan payment withdrawals. Retirement benefits, including advance payments to new pending retirees, decreased 3.3% from Fiscal Year 2008. Retirement benefits decreased in Fiscal Year 2009 as retirement benefits withdrawn from the variable-return funds decreased $205.8 million (-32.8%) from Fiscal Year 2008. Interest accumulated on behalf of and transferred monthly to the TDA Program increased 18.4% from Fiscal Year 2008. Also, benefits payments and withdrawals account for the funds disbursed from the Plan's Passport Funds. Fiscal Year 2009 disbursements, excluding the interest transferred to the TDA Program, are composed of 85.5% from the Fixed Return Fund, 13.7% from the Diversified Equity Fund, and 0.8% from the Stable-Value Fund.

Investments

TRS uses the S&P 500 and Russell 3000 indices to provide benchmarks for domestic and private equity investment returns and the MSCI EAFE index for international equity returns. The Citigroup BB & B Rated and NYC indices are used to provide benchmarks for debt securities. The Wilshire Real Estate and NCREIF NPI indices and Citigroup's two-year US treasury fund are used to provide benchmarks for mortgage investments and investment contracts, respectively. TRS does not use benchmarks for short-term investments.

TRS earns additional investment income by lending its investment securities. The borrowers provide collateral to TRS that is valued in excess of the securities loaned. For the fiscal year ended June 30, 2010, net securities lending income amounted to $17.9 million compared with $54.5 million for Fiscal Year 2009. For the fiscal year ended June 30, 2009, net securities-lending income amounted to $54.5 million compared with $48.1 million for Fiscal Year 2008.

Investments held by TRS, including collateral from securities-lending transactions, are listed according to their investment classification in the following table:

Type of Investment (in thousands)	2010	2009	2008
Short-term investments	$ 1,558,882	$ 766,162	$ 910,447
Debt securities	6,575,241	6,090,602	7,651,227
Equity securities	17,312,995	14,690,914	21,975,618
Private equity	1,622,586	1,263,718	1,335,293
TIPS	923,785	819,318	1,190,941
Mortgages	129,129	116,480	98,905
Investment contracts	83,926	110,221	135,838
Promissory notes	10,770	10,046	12,807
Collateral from securities lending	2,760,139	2,316,271	4,761,529
Total	$30,977,453	$26,183,732	$38,072,605

Contact Information

This financial report is designed to provide a general overview of the Teachers' Retirement System's finances. Questions concerning any data provided in this report or requests for additional information should be directed to Paul J. Raucci, Chief Accountant, Teachers' Retirement System of The City of New York, 55 Water Street, New York, NY 10041.

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TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK QUALIFIED PENSION PLAN

STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2010 AND 2009
(In thousands)

	2010	2009
ASSETS:		
Cash	$ 396	$ 419
Receivables:		
Investment securities sold	1,309,085	1,549,432
Accrued interest and dividends	151,902	151,278
Member loans (Note 5)	169,778	151,110
Total receivables	1,630,765	1,851,820
Investments — at fair value (Notes 2 and 3):		
Fixed Return Fund:		
Short-term investment fund	1,507,320	714,362
Debt securities:		
U.S. Government	3,182,966	2,940,840
Corporate	3,162,330	2,708,624
Foreign	29,821	76,250
Equity securities:		
Domestic	10,798,051	8,721,764
Private equity	1,622,586	1,263,718
Mutual funds:		
Domestic equity	20,500	17,399
International equity	3,451,234	3,066,300
Treasury inflation — protected securities	923,785	819,318
Mortgages	129,129	116,480
Promissory notes	10,770	10,046
Diversified Equity Fund:		
Short-term investments	32,266	39,268
Equity securities	3,023,468	2,857,046
Corporate Bonds	200,122	364,888
Stable-Value Fund:		
Short-term investments	19,051	11,731
Synthetic investment contracts	29,956	44,809
Managed investment contracts	47,658	58,906
Guaranteed investment contracts	6,312	6,506
International Equity Fund:		
Short-term investments	116	713
Corporate Bonds	2	-
Equity securities	13,320	21,364
Inflation Protection Fund:		
Short-term investments	77	59
Equity securities	3,729	4,271
Socially Responsive Equity Fund:		
Short-term investments	52	29
Equity securities	2,693	2,770
Collateral from securities lending	2,760,139	2,316,271
Total investments	30,977,453	26,183,732
Other assets	119,239	77,950
Total assets	32,727,853	28,113,921
LIABILITIES:		
Accounts payable	299,818	265,300
Payables for investment securities purchased	3,247,414	2,432,987
Accrued benefits payable	13,649	13,450
Securities lending (Note 2)	2,768,562	2,324,695
Total liabilities	6,329,443	5,036,432
PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (A schedule of funding progress for the Plan is presented in Schedule 1)	$26,398,410	$23,077,489

See notes to financial statements.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK
QUALIFIED PENSION PLAN

STATEMENTS OF CHANGES IN PLAN NET ASSETS
YEARS ENDED JUNE 30, 2010 AND 2009
(In thousands)

	2010	2009
ADDITIONS:		
Contributions:		
Member contributions	$ 138,075	$ 143,281
Employer contributions (Note 4)	2,484,074	2,223,644
Other employer contributions	82,214	74,145
Total contributions	2,704,363	2,441,070
Investment income (Note 2):		
Interest income	570,129	631,210
Dividend income	527,292	574,006
Net appreciation (depreciation) in fair value of investments	3,791,955	(8,996,021)
Total investment income (loss)	4,889,376	(7,790,805)
Less:		
Investment expenses	129,070	101,973
Net investment income (loss)	4,760,306	(7,892,778)
Securities-lending transactions:		
Securities-lending income	22,487	105,931
Securities-lending fees	(4,634)	(51,412)
Net securities-lending income	17,853	54,519
Other:		
Net (payments to) receipts from other retirement systems	(2,109)	1,035
Total additions	7,480,413	(5,396,154)
DEDUCTIONS:		
Benefits payments and withdrawals (Notes 1 and 2)	4,118,027	3,786,582
Administrative expenses (Notes 6 and 7)	41,465	37,639
Total deductions	4,159,492	3,824,221
INCREASE (DECREASE) IN PLAN NET ASSETS	3,320,921	(9,220,375)
PLAN NET ASSETS HELD IN TRUST FOR BENEFITS:		
Beginning of year	23,077,489	32,297,864
End of year	$ 26,398,410	$ 23,077,489

See notes to financial statements.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK QUALIFIED PENSION PLAN

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2010 AND 2009

1. PLAN DESCRIPTION

The City of New York ("The City") maintains a number of pension systems providing benefits for employees of its various agencies (as defined within New York State (State) statutes and City laws). The City's five major actuarially-funded pension systems are the Teachers' Retirement System of The City of New York-Qualified Pension Plan (the "Plan"), the New York City Employees' Retirement System (NYCERS), the New York City Board of Education Retirement System-Qualified Pension Plan (BERS), the New York City Police Pension Fund (POLICE) and the New York City Fire Department Pension Fund (FIRE). Each pension system is a separate Public Employee Retirement System (PERS) with a separate oversight body and is financially independent of the others.

The Plan is a cost-sharing, multiple-employer PERS. The Plan provides pension benefits for certain City public school teachers and certain other school and college teachers. The primary employers, in addition to The City, are The City University of New York and certain Charter Schools (collectively, the "Employer"). Substantially, all teachers in the public schools of The City become members of the Plan and certain other specified school and college personnel may become members on the first day of permanent employment.

The Plan functions in accordance with existing State statutes and certain City laws. It combines features of a defined benefit pension plan with those of a defined contribution pension plan. Contributions are made by the Employer and the members.

In June 1991, the Governmental Accounting Standards Board (GASB) issued Statement No. 14, *The Financial Reporting Entity*. The definition of the reporting entity is based primarily on the notion of financial accountability. In determining financial accountability for legally separate organizations, the Plan considered whether its officials appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or if there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Plan. The Plan also considered whether there are organizations that are fiscally dependent on it. It was determined that there are no component units of the Plan.

The Plan is included in the Pension and Other Employee Benefit Trust Funds section of The City's Comprehensive Annual Financial Report (CAFR).

Members of the Plan have the option to participate in a Tax-Deferred Annuity (TDA) Program, which provides members a means of deferring income tax payments on their voluntary tax-deferred contributions until the period after retirement or upon withdrawal of contributions. The TDA Program was created pursuant to Internal Revenue Code Section 403(b). Contributions to the TDA Program are made by the members only. The TDA Program is maintained as a separate plan and is not included in these financial statements.

At June 30, 2008 and 2007, the dates of the Plan's most recent actuarial valuations, the Plan's membership consisted of:

	2008	2007
Retirees and beneficiaries receiving benefits	69,775	68,492
Terminated vested members not yet receiving benefits	7,080	6,004
Other inactives *	10,890	10,666
Active members receiving salaries	112,472	109,868
Total	200,217	195,030

* Represents members who are no longer on payroll but not otherwise classified.

Under the One-Year Lag Methodology (OYLM) in effect for fiscal years beginning 2006, the actuarial valuation determines the Employer Contribution for the second following fiscal year. June 30, 2008 and 2007 are the dates used for calculating Fiscal Year 2010 and Fiscal Year 2009 Employer Contributions, respectively.

The State Constitution provides that the pension rights of public employees are contractual and shall not be diminished or impaired. In 1973, 1976 and 1983, amendments made to the State Retirement and Social Security Law (RSSL) modified certain benefits for employees joining the Plan on or after the effective date of such amendments. As such, benefits under the Plan fall into various categories based on the year when an employee joined the Plan. The service retirement benefits under the Plan are as follows:

- Members who joined prior to July 1, 1973 (Tier I) are entitled to service retirement benefits of 50% of "final salary" (as defined within State statutes and City laws) after 20 years of service; a portion is provided from member contributions, plus additional benefits equal to specified percentages (as defined within State statutes and City laws) per year of service of "final salary" for years in excess of the 20-year minimum. These additional benefits are increased, where applicable, by an annuity attributable to accumulated member contributions in excess of the minimum required balance and by any benefits attributable to the Increased-Take-Home-Pay (ITHP) contributions accumulated after the twentieth year of member qualifying service. ITHP represents amounts contributed by The City in lieu of members' own contributions. These amounts reduce the contributions that members would have to make to the Plan during their service and thereby increase their take-home pay. Members have the choice of waiving their ITHP reduction, which would reduce their take-home pay, but provide them with increased benefits upon retirement.

  In addition, these same members could elect a service retirement benefit with no minimum service requirement that provides an annual benefit for each year of service equal to a specified percentage (as described within State statutes and City laws) of "final salary" payable on attainment of age 55. This benefit is increased, where applicable, by an annuity attributable to the member's contributions and by any benefits attributable to the Employer's contributions with respect to such service under the ITHP contributions.

- Members who joined the Plan after June 30, 1973 and before July 27, 1976 (Tier II) have provisions similar to Tier I, except that the eligibility for retirement and the salary base for benefits are different and there is a limitation on the maximum benefit. This maximum limitation was subsequently eliminated under Chapter 574 of the Laws of 2000 for all Tier II members who retired after December 8, 2000. Members retiring prior to the age of 62 without 30 years of credited service experience an age-reduction factor in their retirement allowance. Effective February 27, 2008, active members were eligible to enroll in a 55 retirement age minimum and 25 credited years of service retirement option ("55/25 retirement option") enabling them to eliminate any age-reduction factor in their retirement allowance (Chapter 19 of Laws of 2008). Those choosing the 55/25 retirement option are required to make additional contributions of 1.85% of salary from February 28, 2008 until June 29, 2008, or until they have accumulated 25 years of credited service, whichever is later.

  For members enrolled in the Plan prior to July 27, 1976, ITHP contributions made on their behalf, as well as their own contributions, are invested, at their election, in a fixed-return fund or variable-return funds. Members can elect to invest in multiples of 5% and change their elections on a quarterly basis. The Plan guaranteed a 7.5% return on member contributions or ITHP contributions to the Fixed Return Fund (Fixed Annuity Program) until June 30, 1982, increased the guaranteed return to 8.0% as of July 1, 1982 and to 8.25% as of July 1, 1988 for members who enrolled in the Plan prior to July 27, 1976. (Members enrolled on or after July 27, 1976, receive a guaranteed return of 5.0% on member contributions) The variable-return funds include only member contributions and ITHP contributions made on their behalf, as described above, and are expressed in terms of units that are valued monthly based on investment experience. At retirement, monthly annuities attributable to member contributions and ITHP contributions can be paid in both fixed and variable amounts, based on the member's election, which can be changed quarterly on an annual, semi-annual or quarterly basis. Other benefits are paid only in fixed amounts. Variable annuities are not fixed in amount, but are based on investment experience through the preceding month.

- Members who joined the Plan on or after July 27, 1976 and prior to September 1, 1983 (Tier III) were mandated into Tier IV. However, these members could elect to remain in Tier III, which requires member contributions of 3.0% of salary for a ten-year period (Chapter 126 of Laws of 2000), reduces benefits by one half of the primary Social Security benefit attributable to service with the Employer and provides an annual cost of living escalator in pension benefits of not more than 3.0%. Members retiring prior to the age of 62 without 30 years of credited service experience an age-reduction factor in their retirement allowance. Effective February 27, 2008, active members were eligible to enroll in the 55 retirement age minimum and 25 credited years of service retirement option ("55/25 retirement option") enabling them to eliminate any age-reduction factor in their retirement allowance. Those choosing the 55/25 retirement option are required to make additional contributions of 1.85% of salary from February 28, 2008 until June 29, 2008, or until they have accumulated 25 years of credited service, whichever is later.

- Members who joined the Plan on or after September 1, 1983 (Tier IV) were required to make contributions of 3% of salary until termination of service. As of October 1, 2000, these members are not required to make contributions after the tenth anniversary of their membership date or completion of ten years of credited service, whichever is earlier (Chapter 126 of Laws of 2000). The annual benefit is 1.67% of "final average salary" per year of service for members with less than 20 years of service and 2% of "final average salary" per year of service for members with 20 to 30 years of service, plus a 1.5% addition of "final average salary" per year of service for service in excess of 30 years of service. Members retiring prior to the age of 62 without 30 years of credited service experience an age-reduction factor in their retirement allowance. Effective February 27, 2008, active members were eligible to enroll in a 55 retirement age minimum and 25 credited years of service retirement option enabling them to eliminate any age-reduction factor in their retirement allowance. Those choosing the age 55 retirement option are required to make additional contributions of 1.85% of salary from February 28, 2008 until June 29, 2008, or until they have accumulated 25 years of credited service, whichever is later. Members joining after February 27, 2008, are automatically enrolled in a 55 retirement age minimum and 27 credited years of service retirement program ("55/27 retirement program"). These members are required to make additional plan contributions of 1.85% of salary until they have accumulated 27 years of credited service.

  After December 10, 2009, new members under the 55/27 retirement program, who are represented by the United Federation of Teachers (UFT), are required to make contributions of 4.85% of salary until they have 27 years of credited service and contributions of 1.85% of salary thereafter.

  Under all service retirement categories, annuities attributable to member contributions are reduced on an actuarial basis for any loans with unpaid balances outstanding at the date of retirement.

  Subject to certain conditions, members become fully vested and eligible for benefits upon the completion of five years of service. After December 10, 2009, new members who belong to the UFT become fully vested upon completion of ten years of service.

  In addition, the Plan provides death benefits and retirement benefits on the occurrence of accidental or ordinary disability.

  During the Spring 2000 session, the State Legislature approved and the State Governor (Governor) authorized automatic Cost-of-Living Adjustments (COLA) for certain retirees and beneficiaries (Chapter 125 of the Laws of 2000).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

Basis of Accounting — The Plan uses the accrual basis of accounting where the measurement focus is on the flow of economic resources. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. Contributions from members are recognized when the Employer makes payroll deductions from Plan members' salary. Employer contributions are recognized when due and the Employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investment Valuation — Investments are reported at fair value. Securities purchased pursuant to agreements to resell are carried at the contract price, exclusive of interest, at which the securities will be resold. Fair value is defined as the quoted market value on the last trading day of the period, except for the Short-Term Investment Fund (STIF) (a money market fund), International Investment funds (the "IIF"), and Alternative Investment funds (the "ALTINVF"). The IIF are private funds of publicly traded securities that are managed by various investment managers on behalf of the Plan. Fair value is determined by Plan management based on information provided by the various investment managers. The investment managers determine fair value using the last available quoted price for each security owned adjusted by any contributions to or withdrawals from the fund during the period. The ALTINVF are investments for which exchange quotations are not readily available and are valued at estimated fair value as determined in good faith by the General Partner (GP). These investments are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results and other factors deemed relevant by the GP. Fair value is determined by plan management based on information provided by the various GP's after review by an independent consultant and the custodian bank for the fund.

Purchases and sales of securities are reflected on the trade date. Dividend income is recorded on the ex-dividend date. Interest income is recorded as earned on an accrual basis.

Investment Programs — Prior to July 1, 2008, the Plan's investments were composed of the assets of the following investment programs: the New York City Pension Fund (which includes a component, the Fixed Return Fund) and two variable-return funds — the Diversified Equity Fund and the Stable-Value Fund. As of July 1, 2008, the Plan's investment programs were expanded to include three new variable-return funds — the International Equity Fund, the Inflation Protection Fund, and the Socially Responsive Equity Fund. The six investment programs are collectively referred to as the TRS Passport Funds.

Assets of the Fixed Return Fund of the Plan are co-invested with certain assets of the TDA Program. The TDA Program is funded by voluntary member contributions. Assets of the variable-return funds of the Plan are co-invested with certain assets of the TDA Program and BERS. These financial statements reflect the Plan's proportionate share of the investments and the related activity of each of these programs.

Investment Presentation — In 2010, the Stable-Value Fund's synthetic investment contracts appears as its own investment class. Accordingly, 2009 amounts are presented separately from the Stable-Value Fund's short-term investments.

Income Taxes — Income earned by the Plan is not subject to Federal income tax.

Accounts Payable — Accounts payable is principally comprised of a reserve for investment and administrative expenses for the variable–return funds, investment expenses accrued to the Pension Fund and amounts owed to the Plan's banks for overdrawn bank balances. The Plan's practice is to fully invest cash balances in most bank accounts on a daily basis. Overdrawn balances result primarily from outstanding benefit checks that are presented to the banks for payment on a daily basis and these balances are routinely settled each day.

Benefits Payments and Withdrawals — Plan deductions are primarily due to benefits payments and withdrawals. Included in withdrawals is the interest fixed income (7% APR for UFT members after 12/10/09, 8.25% APR for non-UFT members and UFT members prior to 12/10/09) owed and transferred to the TDA program. TDA interest payments of $816.6 million and $767.0 million were classified as part of the benefit payments and withdrawals for Fiscal Year 2010 and Fiscal Year 2009.

Securities-Lending Transactions — State statutes and Board policies permit the Plan to lend its investments to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The Plan's custodian lends the following types of securities: short-term securities; common stock; long-term corporate bonds; U.S. Government and U.S. Government agency bonds; asset-backed securities; and international equities and bonds held in collective investment funds. In return, it receives collateral in the form of cash and U.S. Treasury and U.S. Government agency securities at 100% to 105% of the principal plus accrued interest for reinvestment. Management believes the Plan has limited credit risk exposure to borrowers because the amounts the Plan owed the borrowers equaled or exceeded the amounts the borrowers owed the Plan. In addition, the contracts with the Plan's custodian require borrowers to indemnify the Plan if the borrowers fail to return the securities and if the collateral is inadequate to replace the securities loaned or fail to pay the Plan for income distributions by the securities' issuers while the securities are on loan. All securities loans can be terminated on demand within a period specified in each agreement by either the Plan or the borrowers. Cash collateral is invested in the lending agents' short-term investment pools, which have a weighted average maturity of 90 days. Underlying fixed income securities have an average maturity of ten years.

During Fiscal Year 2003, the value of certain underlying securities became impaired because of the credit failure of the issuer. Accordingly, the carrying amount of the collateral reported in the Plan's Statements of Plan Net Assets for Fiscal Year 2003 was reduced by $25 million to reflect this impairment and reflect the net realizable value of the securities purchased with collateral from securities lending transactions. In May 2004, the Plan received $1.8 million from a distribution in bankruptcy proceeds from the defaulted issuer. Also, in Fiscal Years 2004, 2006, 2007, 2008, and 2009, the Plan received $5.7 million, $1.5 million, $2.2 million, $5.4 million, and $1.9 thousand partial settlements from parties involved in the initial purchase of the impaired security.

The securities lending program in which the Plan participates only allows pledging or selling securities in the case of borrower default.

GASB Statement No. 28, *Accounting and Financial Reporting for Securities-Lending Transactions*, requires that securities loaned as assets and related liabilities be reported in the Statements of Plan Net Assets. Cash received as collateral on securities-lending transactions and investments made with that cash are reported as assets. As of balance sheet date, the maturities of the investments made with cash collateral on average exceed the maturities of the securities loans by approximately 30 days. Securities received as collateral are also reported as assets if the government entity has the ability to pledge or sell them with a borrower default. Accordingly, the Plan recorded the investments purchased with the cash collateral from securities lending with a corresponding liability for securities lending. Securities on loan are carried at market value; the values as of June 30, 2010 and 2009 are $2.9 billion and $2.3 billion, respectively.

3. INVESTMENTS AND DEPOSITS

The Comptroller of The City of New York (the "Comptroller") acts as an investment advisor to the Plan. In addition, the Plan employs an independent investment consultant as an investment advisor. The Plan utilizes several investment managers to manage the long-term debt and equity portfolios. The managers are regularly reviewed, with regard to both their investment performance and their adherence to investment guidelines.

Concentration of Credit Risk

The Plan does not have any investments in any one entity that represent 5% or more of Plan net assets.

The legal requirements for Plan investments are as follows:

a. Fixed-income, equity and other investments may be made as permitted by New York State RSSL §§ 176-178(a) and Banking Law § 235, the New York City Administrative Code, and the Legal Investments for New York Savings Banks list as published by The New York State Banking Department, subject to Note 3(b).

b. Investments up to 25% of total Pension Fund assets may be made in instruments not expressly permitted by the State RSSL.

The Bank of New York Mellon (BNYM) is the primary custodian for significantly all securities of the Plan.

Cash deposits are insured by the Federal Deposit Insurance Corporation for up to $250,000 per Plan member and are, therefore, fully insured.

The information reflected in the Credit Ratings and in the Years to Maturity is derived from the Custodian's Risk and Performance Analytics Reporting System.

Credit Risk — Portfolios other than U.S. Government and related portfolios have credit rating limitations. Investment Grade portfolios are limited to mostly ratings of BBB and above except that they are also permitted a 10% maximum exposure to BB & B rated securities. While non-investment grade managers are primarily invested in BB & B rated securities, they can also invest up to 7% of their portfolio in securities rated CCC or lower. Not-rated securities are considered to be non-investment grade. The quality ratings of investments, by percentage of the rated portfolio, as described by nationally recognized statistical rating organizations, are as follows:

Investment Type*	S&P Quality Ratings								
June 30, 2010	AAA	AA	A	BBB	BB	B	CCC & Below	Short term	Not Rated	Total
U.S. Government	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %
Corporate bonds	2.16	3.95	12.23	16.84	12.51	15.54	3.95	-	6.10	73.28
Yankee bonds	0.17	0.11	0.13	0.05	-	-	-	-	0.04	0.50
Short-term:										
Commercial paper	-	-	-	-	-	-	-	-	0.08	0.08
Pooled funds	-	-	-	-	-	-	-	-	26.14	26.14
U.S. Agencies	-	-	-	-	-	-	-	-	-	-
Master Notes	-	-	-	-	-	-	-	-	-	-
Percent of rated portfolio	2.33 %	4.06 %	12.36 %	16.89 %	12.51 %	15.54 %	3.95 %	0.00 %	32.36 %	100.00 %

June 30, 2009	AAA	AA	A	BBB	BB	B	CCC & Below	Short term	Not Rated	Total
U.S. Government	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %
Corporate bonds	6.21	3.38	14.21	17.55	15.79	13.32	3.57	-	3.39	77.42
Yankee bonds	0.02	0.45	1.29	0.37	0.04	0.01	-	-	-	2.18
Short-term:										
Commercial paper	-	-	-	-	-	-	-	12.33	-	12.33
Pooled funds	-	-	-	-	-	-	-	-	8.07	8.07
Certificate of deposits	-	-	-	-	-	-	-	-	-	-
U.S. Treasuries	-	-	-	-	-	-	-	-	-	-
U.S. Agencies	-	-	-	-	-	-	-	-	-	-
Percent of rated portfolio	6.23 %	3.83 %	15.50 %	17.92 %	15.83 %	13.33 %	3.57 %	12.33 %	11.46 %	100.00 %

*U.S. Treasury Bonds, Notes and Treasury-inflation protected securities are obligations of the U.S. government or explicitly guaranteed by the U.S. government and therefore not considered to have credit risk and are not included above.

Custodial Credit Risk — Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Plan and are held by either the counterparty or the counterparty's trust department or agent but not in the Plan's name.

Consistent with the Plan's investment policy, the investments are held by the Plan's custodian and registered in the Plan's name.

All of the Plan's deposits are insured and/or collateralized by securities held by a financial institution separate from the Plan's depository financial institution.

All of the Plan's securities are held by the Plan's custodial bank in the Plan's name.

Interest Rate Risk — Interest rate risk is the risk that the fair value of investments could be adversely affected by the change in interest rates. Duration limits, in relation to a relevant benchmark, are used to control the portfolios' exposure to interest rate changes. Duration is limited to a range of -1 to 0.75 years. Duration range is a measure of the overall portfolio, while statements of the stated maturity reflect the specific maturities of the individual securities held. The lengths of investment maturities (in years), as shown by the percent of the rated portfolio, are as follows:

Years to Maturity
Investment Type

		Investment Maturities			
June 30, 2010	**Fair Value**	**Less than One Year**	**One to Five Years**	**Six to Ten Years**	**More than Ten Years**
U.S. Government	40.14 %	0.00 %	0.77 %	6.50 %	32.87 %
Corporate	40.48	2.71	11.95	17.45	8.37
Yankee bonds	0.27	-	0.07	0.16	0.04
Short term:					
Commercial paper	0.04	0.04	-	-	-
Pooled funds	14.44	14.44	-	-	-
U.S. Agencies	4.63	4.63	-	-	-
Master Notes	-	-	-	-	-
Percent of rated portfolio	100.00 %	21.82 %	12.79 %	24.11 %	41.28 %

		Investment Maturities			
June 30, 2009	**Fair Value**	**Less than One Year**	**One to Five Years**	**Six to Ten Years**	**More than Ten Years**
U.S. Government	45.72 %	0.00 %	0.89 %	5.42 %	39.41 %
Corporate	42.00	0.61	13.68	17.00	10.71
Yankee bonds	1.19	0.01	0.22	0.42	0.54
Short term:					
Commercial paper	6.69	6.69	-	-	-
Pooled funds	4.38	4.38	-	-	-
Certificate of deposits	-	-	-	-	-
U.S. Treasuries	-	-	-	-	-
U.S. Agencies	0.02	0.02	-	-	-
Percent of rated portfolio	100.00 %	11.71 %	14.79 %	22.84 %	50.66 %

Securities Lending Transactions

Credit Risk — The quality ratings of investments held as collateral for Securities Lending are as follows (in thousands):

Investment Type and Fair Value of Securities Lending Transactions	S&P Quality Ratings									
June 30, 2010	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**CCC & Below**	**Short Term**	**Not Rated**	**Total**
Government	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Corporate	408,191	549,867	132,266	-	4	101	-	-	3,980	1,094,409
Yankee	-	-	-	-	-	-	-	-	-	-
Short-term:										
Repurchase agreements	-	-	2,707	-	-	-	-	-	172,602	175,309
Reverse repurchase agreements	-	-	-	-	-	-	-	-	597,054	597,054
Certificates of deposit	-	148,211	400,256	-	-	-	-	-	-	548,467
Funding agreements	-	-	-	-	-	-	-	-	-	-
Master notes	-	-	-	-	-	-	-	-	134	134
Medium term notes	-	111	-	-	-	-	-	-	-	111
Commercial paper	-	-	45,577	-	-	-	-	-	777	46,354
Money market funds	-	-	52	-	-	-	-	-	123,897	123,949
Bank notes	-	-	-	-	-	-	-	-	-	-
Variable rate demand notes	28	5,497	5,110	-	-	-	-	-	-	10,635
U.S. Treasury	-	-	-	-	-	-	-	-	-	-
U.S. Agencies	261	-	-	-	-	-	-	-	-	261
Time deposit	41,283	-	122,173	-	-	-	-	-	-	163,456
Total	$449,763	$703,686	$ 708,141	$ -	$ 4	$ 101	$ -	$ -	$898,444	$2,760,139
Percent of Securities Lending Portfolio	16.30 %	25.49 %	25.66 %	- %	- %	- %	- %	- %	32.55 %	100.00 %
June 30, 2009	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**CCC & Below**	**Short Term**	**Not Rated**	**Total**
Government	$ 33,154	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 33,154
Corporate	418,524	210,371	560,619	-	-	-	-	-	5,617	1,195,131
Yankee	-	-	-	-	-	-	-	-	-	-
Short-term:										
Repurchase agreements	-	-	5,173	-	-	-	-	-	92,072	97,245
Reverse repurchase agreements	-	-	-	-	-	-	-	-	179,091	179,091
Certificates of deposit	-	-	978	-	-	-	-	-	-	978
Certificates of deposit — floaters	-	35,652	140,291	3,279	-	-	-	-	-	179,222
Funding agreements	-	74	-	-	-	-	-	-	-	74
Master notes	-	-	237	-	-	-	-	-	-	237
Medium term notes	-	1,622	-	-	-	-	-	-	-	1,622
Commercial paper	-	-	4,742	-	-	-	-	-	-	4,742
Money market funds	156	-	-	-	-	-	-	-	446	602
Bank notes	-	104,971	401,132	-	-	-	-	-	-	506,103
U.S. Treasury	959	-	-	-	-	-	-	-	-	959
U.S. Agencies	225	-	-	-	-	-	-	-	-	225
Time deposit	-	1,304	115,582	-	-	-	-	-	-	116,886
Total	$453,018	$353,994	$1,228,754	$3,279	$ -	$ -	$ -	$ -	$277,226	$2,316,271
Percent of Securities Lending Portfolio	19.56 %	15.28 %	53.05 %	0.14 %	- %	- %	- %	- %	11.97 %	100.00 %

Interest Rate Risk — The lengths of investment maturities (in years) of the collateral for Securities Lending are as follows (in thousands):

Years to Maturity
Investment Type

June 30, 2010	Fair Value	Less Than One Year	One to Five Years	Six to Ten Years	More Than Ten Years
	Investment Maturities				
Government	$ -	$ -	$ -	$ -	$ -
Corporate	1,094,409	568,670	513,058	7,502	5,179
Yankee	-	-	-	-	-
Short-term					
Repurchase agreements	175,309	175,309	-	-	-
Reverse repurchase agreements	597,054	597,054	-	-	-
Certificates of deposit	548,467	334,327	214,140	-	-
Funding agreements	-	-	-	-	-
Master notes	134	134	-	-	-
Medium term notes	111	111	-	-	-
Commercial paper	46,354	46,354	-	-	-
Money market funds	123,949	123,949	-	-	-
Bank notes	-	-	-	-	-
Variable rate demand notes	10,635	10,635	-	-	-
U.S. Treasury	-	-	-	-	-
U.S. Agencies	261	261	-	-	-
Time deposit	163,456	163,456	-	-	-
	$2,760,139	$2,020,260	$ 727,198	$ 7,502	$ 5,179
Percent of Securities Lending Portfolio	100.00 %	73.19 %	26.35 %	0.27 %	0.19 %

Years to Maturity
Investment Type

June 30, 2009	Fair Value	Less Than One Year	One to Five Years	Six to Ten Years	More Than Ten Years
	Investment Maturities				
Government	$ 33,154	$ 33,154	$ -	$ -	$ -
Corporate	1,195,131	763,115	432,016	-	-
Yankee	-	-	-	-	-
Short-term					
Repurchase agreements	97,245	97,245	-	-	-
Reverse repurchase agreements	179,091	179,091	-	-	-
Certificates of deposit	978	978	-	-	-
Certificates of deposit — floaters	179,222	179,222	-	-	-
Funding agreements	74	74	-	-	-
Master notes	237	237	-	-	-
Medium term notes	1,622	1,622	-	-	-
Commercial paper	4,742	4,742	-	-	-
Money market funds	602	602	-	-	-
Bank notes	506,103	401,132	104,971	-	-
U.S. Treasury	959	959	-	-	-
U.S. Agencies	225	225	-	-	-
Time deposit	116,886	116,886	-	-	-
	$2,316,271	$1,779,284	$ 536,987	$ -	$ -
Percent of Securities Lending Portfolio	100.00 %	76.82 %	23.18 %	- %	- %

4. CONTRIBUTIONS AND ACTUARIAL ASSUMPTIONS

The financial objective of the Plan is to fund members' retirement benefits during their active service and to establish Employer contribution rates that, expressed as a percentage of annualized covered payroll, will remain approximately level from year to year. Under current law, the Employer contributes statutorily-required contributions ("Statutory Contributions") that together with Member Contributions and investment income would ultimately be sufficient to accumulate assets to pay benefits when due.

Member Contributions — Members who joined prior to July 27, 1976, contribute by salary deductions on the basis of a normal rate of contribution that is assigned by the Plan at membership. This member normal rate, which is dependent upon age, years of prior service, and actuarial tables in effect at the time of membership, is determined so as to provide approximately one-fourth of the service retirement allowance at the earliest age for service retirement. For age at membership equal to 20 and with no prior service, the member normal rate is equal to 4.6%. For age at membership equal to 40 with no prior service, the member normal rate is equal to 3.6%.

Members who joined on or after July 27, 1976 are mandated to contribute 3% of salary. Effective October 1, 2000, these members are not required to make contributions after the tenth anniversary of their membership date or completion of ten years of credited service, whichever is earlier.

Effective February 27, 2008, active members were eligible to enroll in a 55 retirement age minimum and 25 credited years of service retirement option ("55/25 retirement option") enabling them to eliminate any age-reduction factor in their retirement allowance. Those choosing the age 55/25 retirement option are required to make additional contributions of 1.85% of salary from February 28, 2008 until June 29, 2008, or until they have accumulated 25 years of credited service, whichever is later. Members joining after February 27, 2008, are automatically enrolled in a 55 retirement age minimum and 27 credited years of service retirement program ("55/27 retirement program"). These members are required to make additional plan contributions of 1.85% of salary until they have accumulated 27 years of credited service. Chapter 504 of the Laws of 2009 (Chapter 504/09) provides that individuals joining TRS after December 10, 2009, who are represented by the UFT and who participate in the 55/27 retirement program, will be required to make pension contributions of 4.85% of salary until they have 27 years of credited service and contributions of 1.85% of salary thereafter. These members will become vested after ten years of credited service.

Also, under Chapter 504/09, all members of TRS represented by the UFT who participate in the Tax-Deferred Annuity Program (TDA), will receive an interest rate of 7.0% per annum credited to their TDA Fixed Funds accounts beginning December 10, 2009.

Employer Contributions — Statutory Contributions to the Plan, determined by the Plan's Chief Actuary of the Office of the Actuary (the "Actuary") in accordance with the State statutes and City laws, are generally funded by the Employer within the appropriate fiscal year.

The June 30, 2008 (Lag) actuarial valuation was used to determine the Fiscal Year 2010 Employer Contribution. There were no changes in actuarial assumptions and methods from the prior actuarial valuation. However, the actuarial assumptions were supplemented by additional assumptions used to value the benefits provided under Chapter 19 of the Laws of 2008. These assumptions were adopted by the Retirement Board during December 2008.

The June 30, 2007 (Lag) actuarial valuation was used to determine the Fiscal Year 2009 Employer Contribution. There were no changes in actuarial assumptions and methods from the prior actuarial valuation.

The Frozen Initial Liability Actuarial Cost Method is utilized by the Actuary to calculate the contributions from the Employer. Under this actuarial cost method, the Initial Liability was reestablished by the Entry Age Actuarial Cost Method as of June 30, 1999, but with the Unfunded Actuarial Accrued Liability (UAAL) not less than zero. The excess of the Actuarial Present Value (APV) of projected benefits of members as of the valuation date, over the sum of the Actuarial Asset Value (AAV) plus UAAL, if any, and the APV of future employee contributions is allocated on a level basis over the future earnings of members who are on the payroll as of the valuation date. Actuarial gains and losses are reflected in the employer normal contribution rate.

Chapter 85 of the Laws of 2000 (Chapter 85/00) re-established the UAAL and eliminated the Balance Sheet Liability (BSL) for actuarial purposes as of June 30, 1999. The schedule of payments toward the reestablished UAAL provides that the UAAL, if any, be amortized over a period of 11 years beginning Fiscal Year 2000, where each annual payment after the first equals 103% of its preceding annual payment.

Chapter 69 of the Laws of 2002 established the UAAL as of June 30, 2003, for an Early Retirement Incentive (Part A only). This UAAL was amortized on a level basis over a period of five years beginning Fiscal Year 2004.

Beginning with the June 30, 2004 (Lag) actuarial valuation, the Actuarial Asset Valuation Method (AAVM) was changed to a method which reset the AAV to Market Value (*i.e.*, "Market Value Restart") as of June 30, 1999. As of each June 30 thereafter the AAVM recognizes investment returns greater or less than expected over a period of six years.

Under this revised AAVM, any Unexpected Investment Returns (UIR) for Fiscal Years 2000 and later are phased into the AAV beginning the following June 30 at a rate of 15%, 15%, 15%, 15%, 20% and 20% per year (or cumulative rates of 15%, 30%, 45%, 60%, 80% and 100% over a period of six years).

The UIR for Fiscal Years 2000 to 2004 under the revised AAVM was set equal to the UIR under the prior AAVM.

For determining employer contributions for Fiscal Years 2000 through 2005 inclusive, the AAVM was changed as of June 30, 1999 to reflect a market basis for investments held by the Plan. This AAVM recognized expected investment returns immediately and phased in UIR.

Under this prior AAVM, any UIR for Fiscal Years 2000 through 2004, inclusive, were phased into the AAV beginning the following June 30 at a rate of 10%, 15%, 20%, 25% and 30% per year (*i.e.*, cumulative rates of 10%, 25%, 45%, 70% and 100% over a period of five years).

For assets of the variable-return programs, current market value is used.

Beginning with the June 30, 2008 (Lag) actuarial valuation, the AAV was recomputed retroactive to June 30, 1999, by re-characterizing amounts credited as interest on TDA Fixed Fund account balances as payouts instead of investment losses.

Chapter 125 of the Laws of 2000 (Chapter 125/00) provided eligible retirees and eligible beneficiaries with increased Supplementation as of September 2000 and with automatic Cost-of-Living Adjustments (COLA) beginning September 2001. Chapter 125/00 also provided for a five-year phase-in schedule for funding the additional actuarial liabilities created by the benefits provided by this law. Chapter 278 of the Laws of 2002 (Chapter 278/02) required the Actuary to revise the methodology and timing for determining the Statutory Contributions on account of the additional actuarial liabilities attributable to the benefits provided under Chapter 125/00 by extending the phase-in period for funding these liabilities from five years to ten years.

The impact of the ten-year phase-in of Chapter 278/02 was to postpone funding of the additional actuarial liabilities attributable to Chapter 125/00 resulting in greater Employer Contributions in later years.

Chapter 152 of the Laws of 2006 (Chapter 152/06) eliminated the ten-year phase-in. All actuarial liabilities attributable to Chapter 125/00 are now recognized in the actuarial valuation.

Statutory Contributions for Fiscal Years 2010 and 2009 were equal to the amounts calculated by the Actuary.

Funded Status and Funding Progress — One measure of the funded status of the Plan as of June 30, 2008, the most recent actuarial valuation date, based on the Frozen Initial Liability Actuarial Cost Method, the plan's funding method, is as follows (dollar amounts in thousands):

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
$32,227,375	$32,227,375	$ 0	100%	$7,926,648	0.0%

A schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits under the Plan's Actuarial Cost Method.

An additional schedule of funding progress, presented as supplementary information following the notes to the financial statements, presents multiyear trend information about whether actuarial values of plan assets are increasing or decreasing over time relative to AALs for benefits under the Entry Age Actuarial Cost Method.

Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2008 (Lag)
Actuarial Cost Method	Frozen Initial Liability
Amortization Method	
Initial Unfunded	Increasing Dollar
Remaining Amortization Period	
Initial Unfunded	NA
Asset Valuation Method	6-Year Smoothed Market
Actuarial Assumptions	
Projected Salary Increases *	In general, merit and promotion increases plus assumed general wage increases of 3.0% per year.
Investment Rate of Return *	8.0% per annum
COLAs *	1.3% per annum

* Developed assuming a long-term Consumer Price Inflation assumption of 2.5% per annum.

5. MEMBER LOANS

The balance of member loans receivable at June 30, 2010 and 2009, is $169.8 million and $151.1 million, respectively. Members are permitted to borrow up to 75% of their own contributions, including accumulated interest. Outstanding loan balances are insured in order to protect members' balances in case of death. In return for insurance coverage, Tier III and Tier IV members supplement their 7% (APR) loan interest payments with a 0.2% (APR) insurance fee. Upon termination of employment before retirement, certain members are entitled to refunds of their own contributions, including accumulated interest, less any loans outstanding.

6. RELATED PARTIES

The Comptroller has been appointed by law as custodian for Fixed Return Fund assets with discretionary authority. Securities are held by certain banks under custodial agreements with the Comptroller. The Comptroller, Financial Information Services Agency (FISA) and Office of Payroll Administration (OPA) provide cash receipt and cash disbursement services to the Plan. Actuarial services are provided to the Plan by the Office of the Actuary employed by the Boards of Trustees of The City's main pension systems. The City's Corporation Counsel provides legal services to the Plan. The City also provides other administrative services. The cost of providing such services amounted to $7.3 million and $7.7 million in Fiscal Years 2010 and 2009.

7. ADMINISTRATIVE EXPENSES

Chapter 593 of the Laws of 1996, effective July 1, 1996, authorized the Board of Trustees to draw upon its assets to pay the administrative expenses incurred by the Plan. Prior to Fiscal Year 1997, The City and Variable Annuity Programs had paid all administrative expenses. After Chapter 593, net administrative expenses incurred by the System are attributed to the Plan and the variable-return funds of the TDA program; the TDA program is not represented in these financial statements. The cost sharing is weighted and depends on an assessment of the prior year's administrative activities. The System's administrative expenses have been $52.9 million and $53.6 million for Fiscal Years 2010, 2009, respectively. In addition to these System administrative expenses, other City agencies attribute the cost for services rendered by them during the fiscal year. In Fiscal Year 2010, $7.3 million were incurred on behalf of the Plan by other City agencies, primarily the Comptroller's office. In Fiscal Year 2009, $7.7 million were incurred on behalf of the Plan by other City agencies, primarily the Comptroller's office.

8. CONTINGENT LIABILITIES AND OTHER MATTERS

Contingent Liabilities — In August 2002, a lawsuit was instituted on behalf of retired Plan members seeking service credit for work performed as "per session employment." Plaintiffs' request to proceed as a class action was granted by the lower court. Subsequently, the parties have reached a final agreement which is expected to result in substantial costs to the Employer.

In March 2005, the President of the UFT and three retired teachers commenced two related lawsuits alleging miscalculation of the retirement formula applicable to TRS members who retire under the 20-Year Pension Plan. Subsequently, the parties have settled with the Employer, agreeing to pay a sum of $160 million allocated to the plaintiffs according to a negotiated algorithm. In February 2010, the settlement was implemented.

Another lawsuit that was settled but not implemented was related to the inclusion of wages for class coverage into the calculation of retirement benefits. This is also expected to result in a substantial cost to the Employer.

The Plan also has certain other contingent liabilities. Management of the Plan, on advice from legal counsel, believes that such proceedings and contingencies will not have a material effect on Plan net assets or cause changes in Plan net assets. Under the State statutes and City laws that govern the functioning of the Plan, increases in the obligation of the Plan to members and beneficiaries ordinarily result in increases in the obligations of the Employer to the Plan.

Other Matters — During Fiscal Years 2010 and 2009, certain events described below took place that, in the opinion of Plan management, could have the effect of increasing benefits to members and/or their beneficiaries, and therefore, would increase the obligations of the Plan. The effect of such events has not been fully quantified. However, it is the opinion of Plan management that such developments would not have a material effect on Plan net assets held in trust for pension benefits or cause changes in Plan net assets held in trust for pension benefits.

Actuarial Audit — Pursuant to Section 96 of the New York City Charter, studies of the actuarial assumptions used to value liabilities of the five actuarially-funded New York City Retirement Systems (NYCRS) are conducted every two years. The most recently completed study was published by The Segal Company (Segal), dated November 2006, and analyzed experience for Fiscal Years 2002 through 2005. Segal made recommendations with respect to the actuarial assumptions and methods based on its analysis.

Currently, the Hay Group (Hay) is conducting a study of actuarial assumptions and analyzing experience for Fiscal Years 2006 through 2009. Hay has completed their study of Fiscal Years 2006 and 2007. An analysis of experience for Fiscal Years 2008 and 2009 is underway. Hay will recommend changes to the actuarial assumptions and methods in conjunction with the completion of their study of experience for Fiscal Years 2008 and 2009.

The Actuary is currently reviewing results from the Segal and Hay studies in preparation for recommending revised actuarial assumptions and methods.

Revised Actuarial Assumptions and Methods — In accordance with the ACNY and with appropriate practice, the Boards of Trustees of the five actuarially-funded NYCRS are to periodically review and adopt actuarial assumptions as proposed by the Actuary for use in the determination of Employer Contributions.

Based in part upon a review of an October 2003 experience study by Gabriel, Roeder, Smith & Company (GRS), the Actuary issued an August 31, 2005 report entitled "Proposed Changes in Actuarial Assumptions and Methods for Determining Employer Contributions for Fiscal Years Beginning On and After July 1, 2005 for the New York City Teachers' Retirement System" ("August 2005 Report"). Where required, the Retirement Board of the Plan adopted those changes to actuarial assumptions that required Board approval and the State Legislature and the Governor enacted Chapter 152/06 to provide for those changes to the actuarial assumptions and methods that required legislation, including the AIR assumption of 8.0% per annum.

New York State Legislation (only significant laws included) — Chapter 104 of the Laws of 2005, as amended by Chapter 93 of the Laws of 2005, created a presumptive eligibility for accidental disability in connection with the World Trade Center attack on September 11, 2001.

Chapter 105 of the Laws of 2005 states that a member killed in the U.S. Armed Forces on and after June 14, 2005 is deemed a Line-of-Duty death while on active payroll.

Chapter 152/06 provided for the changes in actuarial assumptions and methods that require legislation, including the continuation of the AIR assumption of 8.0% per annum and continuation of the current Frozen Initial Liability (FIL) Actuarial Cost Method and the existing Unfunded Actuarial (Accrued) Liability (UAL). In addition, Chapter 152/06 provides for elimination of the use of the ten-year phase-in of Chapter 278/02 for funding the additional actuarial liabilities created by the benefits provided by Chapter 125/00.

Chapter 445 of the Laws of 2006 (Chapter 445/06) created a presumptive eligibility for accidental death benefits in connection with the World Trade Center attack on September 11, 2001.

Chapter 5 of the Laws of 2007 amended Chapter 445/06 to clarify the World Trade Center accidental disability benefits payable to retirees who die in the first 25 years of retirement. It also amended Chapter 445/06 to include World Trade Center deaths as presumptive accidental death benefits in the Line-of-Duty.

Chapter 19 of the Laws of 2008 (Chapter 19/08) established retirement programs to permit Tier II and Tier IV current members of TRS to elect to retire between ages 55 and 62 without reduction provided they have 25 years of service, by paying an additional contribution of 1.85% of future pay. New members after February 27, 2008, are mandated into this plan and are required to have 27 years of service.

Chapter 489 of the Laws of 2008 expanded and redefined the eligibility provisions of the accidental disability and accidental death benefits that arise in connection with the World Trade Center attack on September 11, 2001.

Chapter 211 of the Laws of 2009 continued the valuation and other interest rates for one year to June 30, 2010 from June 30, 2009.

Chapter 504 of the Laws of 2009 (Chapter 504/09) provides that individuals joining TRS after December 10, 2009, who are represented by the United Federation of Teachers (UFT) and who participate in the 55/27 retirement program, will be required to make pension contributions of 4.85% of salary until they have 27 years of credited service and contributions of 1.85% of salary thereafter. These members will become vested after ten years of credited service.

Also, under Chapter 504/09, all members of TRS represented by the UFT who participate in the Tax-Deferred Annuity Program (TDA), will receive an interest rate of 7.0% per annum credited to their TDA Fixed Funds accounts beginning December 10, 2009.

Chapter 265 of the Laws of 2010 continued the valuation and other interest rates for one year to June 30, 2011 from June 30, 2010.

Chapter 286 of the Laws of 2010 technically corrects the definition of Final Average Salary (FAS) for certain TRS members to conform with current administrative practice.

* * * * * *

SCHEDULE 1

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK QUALIFIED PENSION FUND

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) SCHEDULE OF FUNDING PROGRESS (IN CONFORMITY WITH THE PLAN'S FUNDING METHOD) (In thousands)

Actuarial Valuation Date June 30	(1) Actuarial Asset Value (AAV) (A)	(2) Actuarial Accrued Liability (AAL)* (A)&(B)	(3) Unfunded AAL (UAAL) (C)(2)-(1)	(4) Funded Ratio (1)÷(2)	(5) Covered Payroll		(6) UAAL as a Percentage of Covered Payroll (3)÷(5)
2008 (Lag)	$ 32,227,375	$ 32,227,375	$ 0	100.0 %	$ 7,926,648		0.0 %
2007 (Lag)	33,854,152	33,856,737	2,585	100.0	7,222,471		0.0
2006 (Lag)	32,405,645	32,410,501	4,979	100.0	6,978,726		0.1
2005 (Lag)	32,865,126	32,872,322	7,196	100.0	6,273,910		0.1
2004 (Lag)#	33,149,251	33,159,690	10,439	100.0	6,175,940	**	0.2
2004	32,817,102	32,827,541	10,439	100.0	6,219,809		0.2

* Based on the Frozen Initial Liability Actuarial Cost Method.

\# Reflects revised actuarial assumptions and methods based on experience review.

** The annualized covered payroll under the One-Year Lag Methodology used for the Fiscal Year 2006 Employer Contribution differs from that as of June 30, 2004 to compute Fiscal Year 2005 Employer Contribution due to changes in actuarial assumptions and methods and more recent information on labor contract settlements.

Notes:

A. Beginning with the June 30, 2004 (Lag) actuarial valuation, the Actuarial Asset Valuation Method (AAVM) was changed to a method which reset the AAV to Market Value (*i.e.*, "Market Value Restart") as of June 30, 1999. As of each June 30 thereafter the AAVM recognizes investment returns greater or less than expected over a period of six years.

Under this revised AAVM, any Unexpected Investment Returns (UIR) for Fiscal Years 2000 and later are phased into the AAV beginning June 30, 2000 at rates of 15%, 15%, 15%, 15%, 20% and 20% per year (or cumulative rates of 15%, 30%, 45%, 60%, 80% and 100% over a period of six years).

The UIR for Fiscal Years 2000 to 2004 under the revised AAVM was set equal to the UIR under the prior AAVM.

(Schedule of Funding Progress Continued)

SCHEDULE 1

The prior AAVM was changed as of June 30, 1999 to reflect a market basis for investments held by the Plan and was made as one component of an overall revision of actuarial assumptions and methods as of June 30, 1999.

Under the AAVM used for the June 30, 1999 to June 30, 2004 actuarial valuations, any UIR for Fiscal Years 2000 and later were phased into the AAV beginning the following June 30 at a rate of 10%, 15%, 20%, 25% and 30% per year (*i.e.*, cumulative rates of 10%, 25%, 45%, 70% and 100% over a period of five years).

Beginning with the June 30, 2008 (Lag) actuarial valuation the AAV was recomputed retroactive to June 30, 1999, by re-characterizing amounts credited as interest on TDA Fixed Fund account balances as payouts instead of investment losses.

B. To effectively assess the funding progress of the Plan, it is necessary to compare the AAV and the AAL calculated in a manner consistent with the Plan's funding method over a period of time. The AAL is the portion of the Actuarial Present Value of pension plan benefits and expenses which is not provided for by future Employer normal costs and future Member Contributions.

C. The UAAL is the excess of the AAL over the AAV. This is the same as the unfunded frozen AAL, which is not adjusted from one actuarial valuation to the next to reflect actuarial gains and losses.

(Schedule of Funding Progress Concluded)

SCHEDULE 2

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK
QUALIFIED PENSION FUND

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(In thousands)

Fiscal Years Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2010	$ 2,484,074	100.0 %
2009	2,223,644	100.0
2008	1,916,520	100.0
2007	1,600,904	100.0
2006	1,316,611	100.0
2005	1,304,033	94.2

Under the requirements of Governmental Accounting Standards Board Statement Number 25 (GASB25), as amended by GASB Statement No. 50 (GASB50), the Annual Required Contribution (ARC) is determined through an actuarial valuation reflecting all liabilities of the Plan. The Employer Contribution to the Plan is determined in accordance with statute (*i.e.*, Statutory Contribution).

For Fiscal Year 2005, the difference between the ARC and the Statutory Contribution is the consequence of Chapter 278/02 which phased in over 10 years the additional actuarial liabilities attributable to the benefits provided by Chapter 125/00 (*i.e.*, automatic COLA). The Statutory Contribution of $1,228.3 million for Fiscal Year 2005 was computed in accordance with Chapter 278/02.

Chapter 152/06 eliminated the use of the ten-year phase-in of Chapter 278/02 beginning Fiscal Year 2006.

SCHEDULE 3

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK QUALIFIED PENSION PLAN

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) SCHEDULE OF ACTUARIAL METHODS AND ASSUMPTIONS

The information presented in the required supplementary schedules was determined as part of the actuarial valuations as of June 30, 2008 (Lag) and June 30, 2007 (Lag). These actuarial valuations were used to determine Employer Contributions for Fiscal Years 2010 and 2009, respectively. Additional information as of the last two actuarial valuations follows.

	June 30, 2008 (Lag)[1]	June 30, 2007 (Lag)[1]
Actuarial cost method	Frozen Initial Liability[2]	Frozen Initial Liability[2]
Amortization method for Unfunded Actuarial Accrued Liabilities	None.	None.
Remaining amortization period	None.	None.
Actuarial asset valuation method	Modified six-year moving average of market values with a "market value restart" as of June 30, 1999. For assets of Variable Annuity Program, current market value.	Modified six-year moving average of market values with a "market value restart" as of June 30, 1999. For assets of Variable Annuity Program, current market value.
Actuarial assumptions:		
Investment rate of return	8.0% per annum[3] (4.0% per annum for benefits payable under the Variable Annuity Programs).	8.0% per annum[3] (4.0% per annum for benefits payable under the Variable Annuity Programs).
Post-retirement mortality	Tables adopted by Retirement Board during Fiscal Year 2006.	Tables adopted by Retirement Board during Fiscal Year 2006.
Active service: withdrawal, death, disability, service retirement	Tables adopted by Retirement Board during Fiscal Year 2006.	Tables adopted by Retirement Board during Fiscal Year 2006.
Salary increases	In general, merit and promotion increases plus assumed general wage increases of 3.0% per annum.[3]	In general, merit and promotion increases plus assumed general wage increases of 3.0% per annum.[3]
Cost-of-living adjustments	1.3% per annum.[3]	1.3% per annum.[3]

1. Under the One-Year Lag Methodology, the actuarial valuation determines the Employer Contribution for the second following fiscal year.
2. Under this Actuarial Cost Method, the Initial Liability was reestablished as of June 30, 1999 by the Entry Age Actuarial Cost Method, but with the UAAL not less than $0. The financial results using this Frozen Initial Liability Actuarial Cost Method differ minimally from those that would be produced using the Aggregate Actuarial Cost Method.
3. Developed assuming a long-term Consumer Price Inflation of 2.5% per year.

SCHEDULE 4

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK QUALIFIED PENSION PLAN

SUPPLEMENTARY INFORMATION (UNAUDITED)
FUNDED STATUS BASED ON ENTRY AGE ACTUARIAL COST METHOD
(In thousands)

This Schedule is being provided by the Actuary for the Plan to improve the transparency and decision usefulness of this financial report.

The Actuarial Cost Method (ACM) used to develop the funding requirements for the Plan is the Frozen Initial Liability (FIL) ACM. Under this ACM, following establishment of any Initial Unfunded Actuarial Accrued Liabilities (UAAL), actuarial gains and losses are financed over the working lifetimes of active participants and are not identified as separate UAAL.

The funding status and funding progress information provided in this Schedule has been prepared using the Entry Age ACM where the Actuarial Present Value (APV) of any obligations of the Plan not provided by the APV of Future Contributions (Employer and Employee), as determined under the Entry Age ACM, equals the Actuarial Accrued Liability (AAL). Under the Entry Age ACM, the UAAL equals the AAL minus the Actuarial Value of Assets.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) – Entry Age (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2008 (Lag)	$32,227,375	$49,400,762	$17,173,387	65.2%	$7,926,648	216.7%
June 30, 2007 (Lag)	33,854,152	48,625,202	14,771,050	69.6%	7,222,471	204.5%
June 30, 2006 (Lag)	32,405,645	45,138,925	12,733,403	71.8%	6,978,726	182.5%
June 30, 2005 (Lag)	32,865,126	42,644,415	9,779,289	77.1%	6,273,910	155.9%
June 30, 2004 (Lag)	33,149,251	40,871,986	7,722,735	81.1%	6,175,940	125.0%

Note: Actuarial assumptions used are those shown in Schedule 3.

SCHEDULE 5

TEACHERS' RETIRMENT SYSTEM OF THE CITY OF NEW YORK QUALIFIED PENSION PLAN

ADDITIONAL SUPPLEMENTARY INFORMATION SCHEDULE OF ADMINISTRATIVE EXPENSES

PERSONNEL SERVICES		
Staff Salaries	$ 21,236,387	
Social Security	1,240,719	
Insurance (Health)	2,310,034	
Welfare Benefit Fund	951,523	
TOTAL PERSONNEL SERVICES		$25,738,663
PROFESSIONAL SERVICES		
Data Processing Support Services	5,770,503	
Temporary and Consulting Services	1,469,995	
Professional and Legal Services	551,934	
TOTAL PROFESSIONAL SERVICES		7,792,432
COMMUNICATION		
Telephone	398,183	
Postage	521,340	
Local Traveling Expenses*	31,919	
Non-Local Traveling Expenses**	22,352	
TOTAL COMMUNICATION		973,794
RENTALS		
Office Space	5,173,527	
Equipment Leasing	332,631	
TOTAL RENTALS		5,506,158
MISCELLANEOUS		
Utilities	331,980	
Supplies and Materials	61,483	
Maintenance, Repairs, and Services	334,664	
Office Equipment and Furniture	65,655	
Advertising Expenses	54,289	
Storage	89,825	
Printing	291,982	
Training Program	215,450	
Books	8,087	
Miscellaneous	60	
TOTAL MISCELLANEOUS		1,453,475
TOTAL ADMINISTRATIVE EXPENSES* **		**$41,464,522**

* *Includes Local Travel Fare $18,580, Courier $3,798, and Meals & Refreshments $8,560.*

** *Includes Hotels & Meals $10,244, Travel Fare $6,474, and Conferences $4,948.*

*** *The Plan's expenses account for 78% of total TRS administrative expenses, the balance or $11,451,814 paid by the TDA plan and loan service charge and other revenues. Other administrative expenses of $7,273,432 were paid on TRS' behalf by other City agencies under Regulation 85 of the New York State Superintendent of Insurance Regulations.*

See accompanying independent auditors' report.

SCHEDULE 6

TEACHERS' RETIRMENT SYSTEM OF THE CITY OF NEW YORK QUALIFIED PENSION PLAN

ADDITIONAL SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT EXPENSES AND SERVICES

	Assets Under Management	Investment Expenses
INVESTMENT CATEGORY		
Pension Fund	$24,838,491,834	$121,377,242
Diversified Equity and Int'l Equity Funds	3,269,295,269	4,718,732
Stable-Value Fund	102,977,625	145,576
Inflation Protection Fund	3,805,947	858
Socially Responsive Equity Fund	2,745,341	650
Other Investment Services		
Consultant		3,272,878
Legal		130,760
Provision for Expense Reduction		(576,967)
	$28,217,316,016 *	**$129,069,729**

** Excludes $2,760,138,657 in securities lending.*

See accompanying independent auditors' report.

3. Investment Section

Comprehensive Annual Financial Report
Teachers' Retirement System of the City of New York

The following are an Introduction to the Report on Investment Activity and a report of Economic & Market Commentary prepared by Rocaton Investment Advisors. Following these reports are disclosures of asset class allocation, sector returns, investment managers and other service fees, and bond and equity holdings. The disclosures are meant to supplement the Investment information of the Financial Section.

Introduction to Report on Investment Activity

Prepared by Rocaton Investment Advisors, LLC,
Investment Consultant to the Teachers' Retirement System of the City of New York

As of June 30, 2010, TRS offered six investment program options: the Fixed Return Fund, the Diversified Equity Fund, the Stable-Value Fund, the International Equity Fund, the Inflation Protection Fund, and the Socially Responsive Equity Fund. The structure of each of these programs differs depending upon its investment objective. These six programs and their objectives are described below.

The Pension Fund includes a) all funds that Tier I/II members invested in the Fixed Return Fund and b) all Tier III/IV QPP funds. The Fixed Return Fund currently provides Tier I/II participants with an 8.25% return. Tier III/IV members are credited 5% in their QPP accounts. The QPP Fixed Return Fund assets totaled $24.8 billion as of June 30, 2010. The overall Pension Fund earned a gross of fee return of 14.38% for the fiscal year ending June 30, 2010. As of June 30, 2010, this Fund had 42% U.S. equity investments, 14% non-U.S. equity investments, 5% private equity investments, 1% private real estate, 4% REITs, 33% fixed-income investments, and 2% in short-term investments. (Due to rounding, percentages may not add up to 100%.) The fund's long-term asset allocation policy is based on the fund's long-term investment horizon of more than 20 years. The investment structure has a significant emphasis on risk control. For example, as of June 30, 2010, approximately 94% of U.S. equity assets were invested in indexed or risk-controlled strategies. This emphasis on indexed and risk-controlled strategies also enables the program to more effectively control costs. The Fund's fixed-income holdings are primarily high quality U.S. securities with smaller allocations to sectors such as enhanced yield and convertibles securities.

The Diversified Equity Fund's objective is to provide participants with a diversified equity investment portfolio. As of June 30, 2010, the QPP Diversified Equity Fund had $3.3 billion in assets and had a net of fee return of 14.1% for the fiscal year ending June 30, 2010. This portfolio's target structure is a mixture of U.S. equities (70%), non-U.S. equities (15%), and defensive strategies (15%). The defensive sector is made up of convertible bond strategies and tactical asset allocation strategies. Tactical asset allocation strategies shift allocations to and within asset classes such as stocks, bonds, and cash, depending upon the managers' analysis of market conditions. The diversification of this portfolio beyond U.S. equities is intended to broaden diversification and help protect participants against significant market downturns within a single asset class (*i.e.*, U.S. stocks). Again, risk control and cost-effectiveness are a very important focus of the investment structure. For example, as of June 30, 2010, 91% of the assets in dedicated U.S. Equity strategies within the Diversified Equity Fund were invested in indexed and risk-controlled strategies.

The Stable-Value Fund is structured with the goal of preserving participants' capital and providing current income with a low level of volatility. As of June 30, 2010, the QPP Stable-Value Fund's assets totaled $103.0 million and the Fund earned a net of fee return of 3.2% for the fiscal year ending June 30, 2010. The Stable-Value Fund maintains a well-diversified portfolio of high-quality conventional and/or synthetic GICs, as well as short-term and cash equivalent securities. Synthetic GICs consist of a single bond or a portfolio of bonds, which are "wrapped" (*i.e.*, they receive a commitment from a bank or insurance company) to ensure book value for participant withdrawals. The Stable-Value Fund portfolio is conservatively managed and is focused on principal preservation.

The International Equity Fund invests primarily in the stocks of non-U.S. companies located in developed markets. The objective of this fund is to provide a return comparable to the return of the non-U.S. developed equity markets over a full market cycle. As of June 30, 2010, the QPP International Equity Fund's assets totaled $13.4 million. For the fiscal year ending June 30, 2010, the International Equity Fund returned 12.8%, net of fees.

The Inflation Protection Fund seeks exposure to multiple asset classes and markets. The objective of this fund is to provide a rate of return that exceeds inflation over a full market cycle. As of June 30, 2010, the QPP Inflation Protection Fund's assets totaled $3.8 million. For the fiscal year ending June 30, 2010, the Inflation Protection Fund returned 17.1%, net of fees.

The Socially Responsive Equity Fund invests primarily in stocks of large and mid-cap U.S. and non-U.S. companies that meet certain financial and social criteria. The objective of this fund is to provide a rate of return comparable to the broad equity market while reflecting social priorities. As of June 30, 2010, the QPP Socially Responsive Equity Fund's assets totaled $2.7 million. For the fiscal year ending June 30, 2010, the Socially Responsive Equity Fund returned 18.0%, net of fees.

In summary, all of the above investment programs are invested in well-diversified multi-manager portfolios. The investment strategies of these investment managers are monitored periodically for consistency with TRS' overall investment objectives.

Economic & Market Commentary

ECONOMIC REVIEW

For the one-year period ending June 30, 2010, global financial markets fared well, as global economies emerged from the 2008-2009 recession and carried on the momentum that was built during the 2nd quarter of 2009. Optimism over improving economic figures has risen as the U.S. Government and others around the world have used unprecedented amounts of stimulus to support their once struggling economies. World markets have shown resilience through 2010 despite headwinds over the past year, including sovereign debt issues in Europe and rising unemployment in the U.S. Inflation concerns have seemed to wither for the moment, as the focus has shifted to below average GDP growth and its subsequent effect, or lack thereof, on current unemployment. Bright spots include a potential stabilization of the U.S. housing market, continued government support, and positive global growth stemming from emerging markets. Strong capital market performance over the past year in various asset classes should be viewed as extremely positive, and the recent continuation of this momentum has placed doubt in the minds of those proclaiming a double-dip recession.

U.S. MARKETS REVIEW

Major domestic equity indices rose during the one-year period ending June 30, 2010. The Russell 3000 Index, a broad measure of the U.S. equity markets, returned 15.7% for the one-year period ending June 30, 2010. For the 12 months ending June 30, 2010, value stocks outperformed growth stocks as the Russell 3000 Value Index returned 17.6% versus the Russell 3000 Growth Index return of 14.0%.

For the year ending June 30, 2010, the Barclays Capital Aggregate Bond Index, a broad index of U.S. investment grade bonds, returned 9.5%.

INTERNATIONAL MARKETS REVIEW

The return for the MSCI EAFE index, a measure of the developed international equity markets, was 6.4% in U.S. dollar terms for the one-year period ended June 30, 2010. Of the following four regions, Japan, Pacific Basin ex-Japan, U.K., and Europe ex-U.K., Pacific Basin ex-Japan had the strongest performance for the one-year period, with a return of 18.6%. Europe ex-U.K. returned 5.3%, the U.K. equity market returned 8.6%, and Japan returned 0.9%. International small cap stocks outperformed foreign large cap companies for the 12-month period ending June 30, 2010, as the MSCI EAFE Small Cap Index returned 12.6%. The MSCI Emerging Markets Index returned 23.5% for the one-year period ending June 30, 2010. All of the performance information regarding non-U.S. markets is provided from the perspective of U.S.-based investors.

Rocaton Investment Advisors, LLC

601 Merritt 7

Norwalk, Connecticut 06851

INVESTMENT SUMMARY

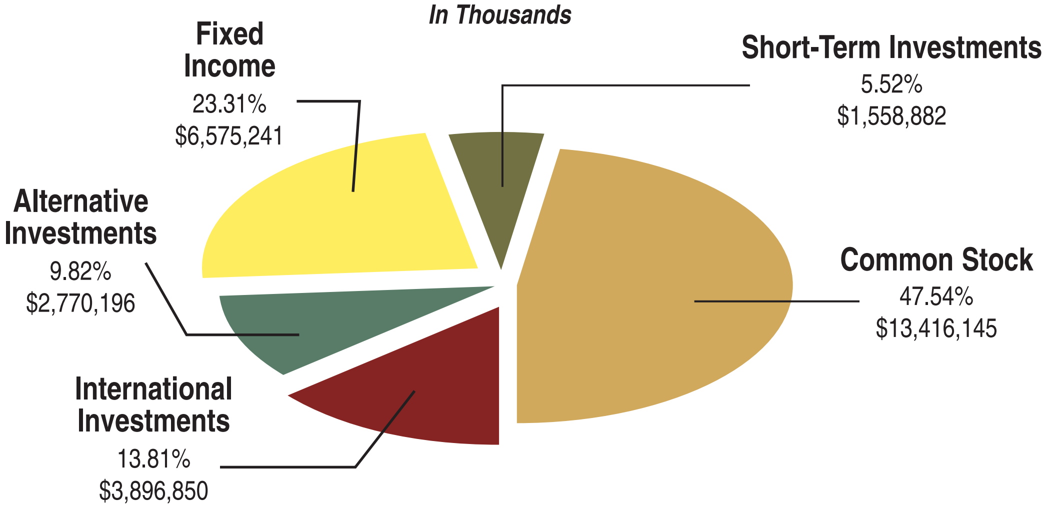
As of June 30, 2010

Type of Investment	Market Value *In Thousands*	Percent of Total Market Value
Fixed Income:		
Government Bonds	$3,182,966	11.28%
Corporate Bonds	3,362,452	11.92%
Foreign Bonds	29,823	0.11%
Total Fixed Income	$6,575,241	23.31%
Common Stock:		
Financial & Utility	$3,593,405	12.73%
Basic Industry	4,692,143	16.63%
Consumer & Service	2,855,582	10.12%
Technological	2,152,971	7.63%
Other	122,044	0.43%
Total Common Stock	$13,416,145	47.54%
International Investments	$3,896,850	13.81%
Alternative Investments:		
Private Equity	$1,622,586	5.75%
TIPS	923,785	3.27%
Mortgages	129,129	0.46%
Investment Contracts	83,926	0.30%
Promissory Notes	10,770	0.04%
Total Alternative Investments	$2,770,196	9.82%
Short-Term Investments	$1,558,882	5.52%
Total Investments	**$28,217,314***	**100.00%**

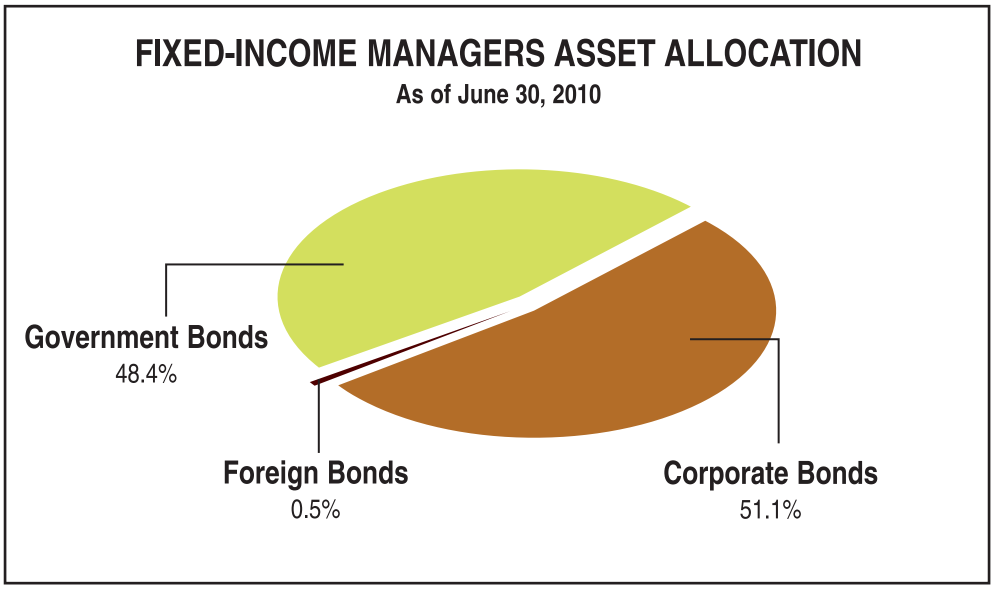
TOTAL ASSET ALLOCATION*

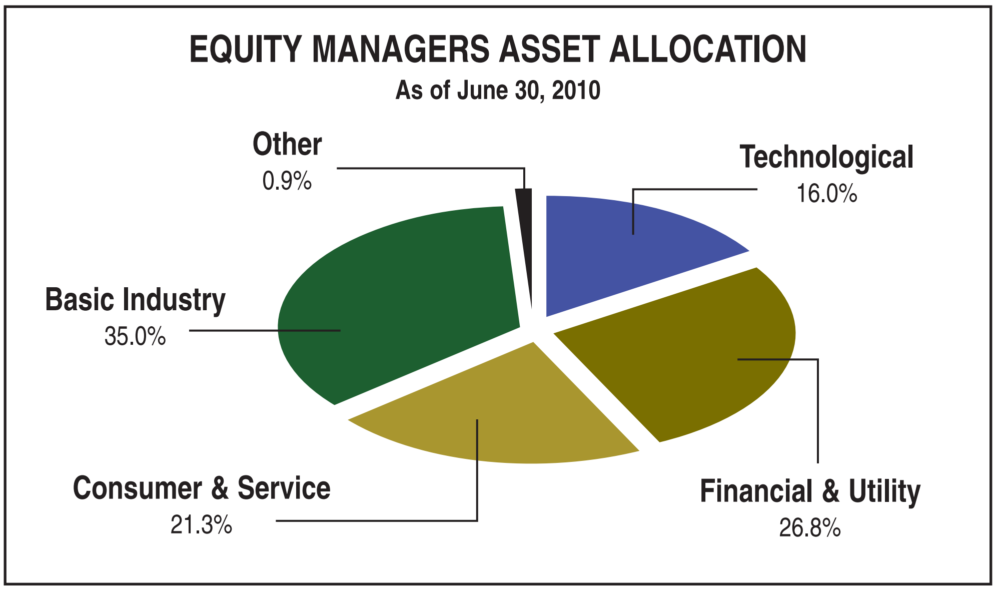
As of June 30, 2010

In Thousands

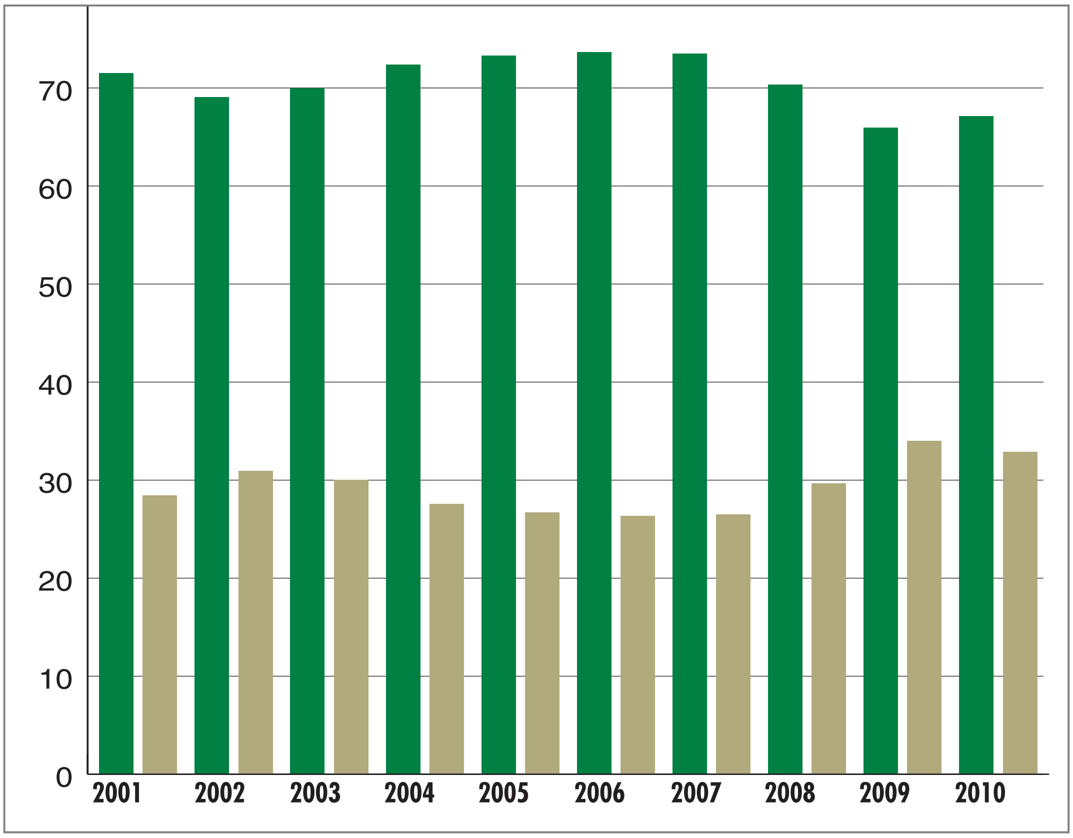


** Excludes $2,760,139 in securities lending.*


FIXED-INCOME MANAGERS ASSET ALLOCATION
As of June 30, 2010
Government Bonds
48.4%
Foreign Bonds
0.5%
Corporate Bonds
51.1%


EQUITY MANAGERS ASSET ALLOCATION
As of June 30, 2010
Other
0.9%
Technological
16.0%
Basic Industry
35.0%
Consumer & Service
21.3%
Financial & Utility
26.8%

CHANGES IN ASSET ALLOCATION FOR EQUITY AND FIXED-INCOME ASSETS OVER 10-YEAR PERIOD



Year	Equity	Fixed Income
2001	71.53%	28.47%
2002	69.06	30.94
2003	69.97	30.03
2004	72.40	27.60
2005	73.39	26.71
2006	73.66	26.34
2007	73.51	26.49
2008	70.35	29.65
2009	65.98	34.02
2010	67.11	32.89

ANNUALIZED INVESTMENT RESULTS

As of June 30, 2010

	Current Year 2010	Annualized 3 Year	5 Year
TRS Pension Fund[1]	14.38%	(4.23)%	2.55%
Benchmark: Policy Index[2]	14.93	(4.56)	2.19
TRS Diversified Equity Fund[3]	14.10%	(9.82)%	(0.31)%
Benchmark: Russell 3000[5]	15.72	(9.47)	(0.48)
TRS Stable-Value Fund[7]	3.18%	3.70%	3.80%
Benchmark: BofA Merrill Lynch 1-3 Year Treasury[8]	2.69	4.78	4.24
TRS International Equity Fund[3]	12.80%	N/A	N/A
Benchmark: MSCI EAFE[6]	6.37	(12.94)	1.35
TRS Inflation Protection Fund[3]	17.13%	N/A	N/A
Benchmark A: Barclays Capital US TIPS 1-10 Year Index[9]	8.51	7.02	5.06
Benchmark B: CPI (SA) + 5%[10]	6.11	6.55	7.30
TRS Socially Responsive Equity Fund[3]	17.96%	N/A	N/A
Benchmark: Standard & Poor's 500[4]	14.43	(9.81)	(0.79)

1 *All returns are gross of investment advisory fees except for the "Targeted" program allocation, which currently accounts for less than 0.2% of fund.*

2 *The "Policy Index" is a custom benchmark representing the weighted average return of the weighted benchmark indexes for each major investment program within the total fund and is calculated monthly based on adjusted policy weights at the beginning of each month.*

3 *Includes income; performance net of operational fees (advisory and custody) and administrative expenses.*

4 *Includes income; unmanaged index based on the common stock of 500 large capitalization U.S. companies. No fees reflected.*

5 *Includes income; unmanaged index representing approximately 98% of investable domestic common stocks. No fees reflected.*

6 *Morgan Stanley Capital International Europe, Australasia, and Far East unmanaged Index is a capitalization weighted index of publicly traded corporations in developed non-U.S. markets. No fees reflected.*

7 *Book Value; includes accrued interest, net of operational fees (advisory and custody), and administrative expenses.*

8 *The BofA Merrill Lynch 1-3 Year US Treasury & Agency Index is a subset of the BofA Merrill Lynch US Treasury & Agency Index including all securities with a remaining term to final maturity less than 3 years.*

9 *Formerly known as the Lehman US TIPS 1-10 Year Index.*

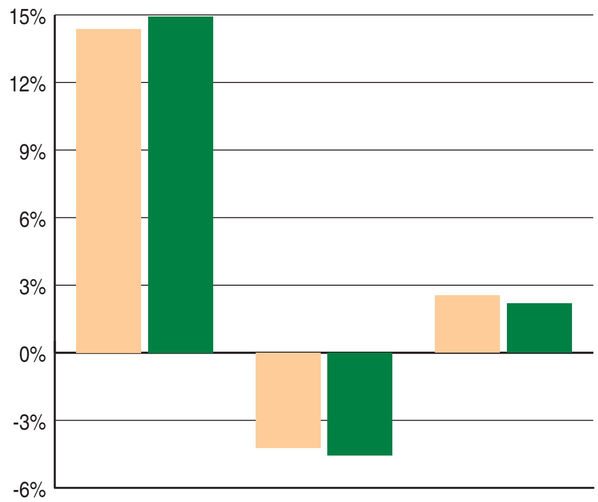
10 *The US Consumer Price Index as shown for the stated periods above is provided for June 30, 2010; CPI calculations are subject to subsequent revisions over time.*

The above information has been gathered from reliable sources, but TRS can only take responsibility for the accuracy of the information concerning its own investment programs.

ANNUALIZED INVESTMENT RESULTS

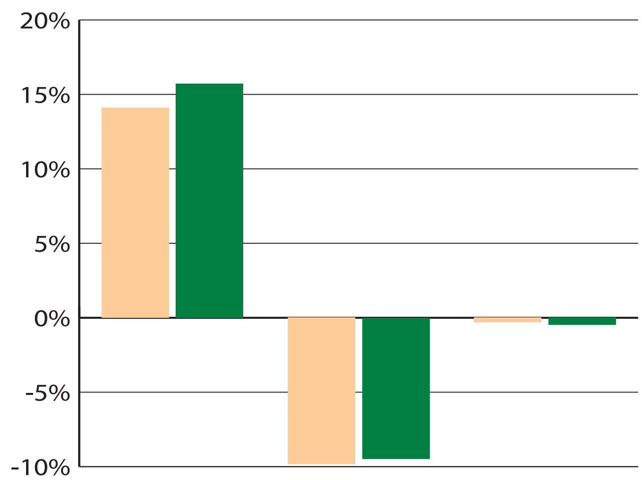
As of June 30, 2010

TRS Pension Fund



NUMBER OF YEARS	1	3	5
TRS	14.38%	(4.23)%	2.55%
Benchmark: Policy Index	14.93%	(4.56)%	2.19%

TRS Diversified Equity Fund

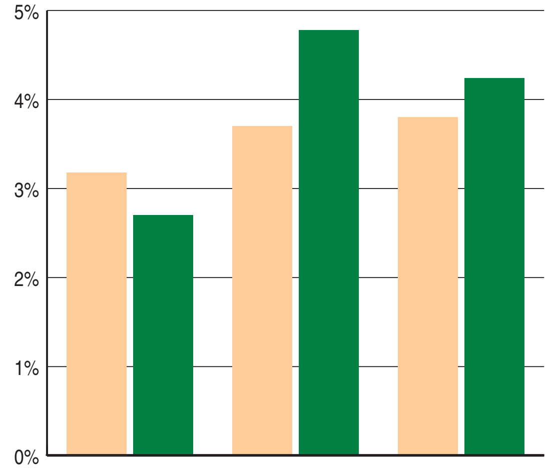


NUMBER OF YEARS	1	3	5
TRS	14.10%	(9.82)%	(0.31)%
Benchmark: Russell 3000	15.72%	(9.47)%	(0.48)%

ANNUALIZED INVESTMENT RESULTS *(Continued)*

As of July 30, 2010

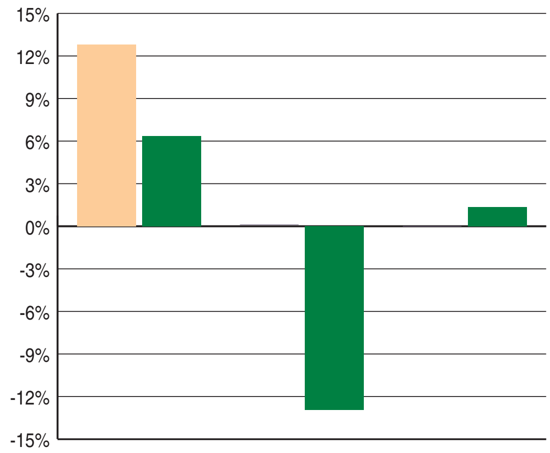
TRS Stable-Value Fund



NUMBER OF YEARS	1	3	5
TRS	3.18%	3.70%	3.80%
Benchmark: BofA ML 1-3 Year Treasury	2.69%	4.78%	4.24%

TRS International Equity Fund*

(Established on July 1, 2008)



NUMBER OF YEARS	1	3	5
TRS	12.80%	N/A	N/A
Benchmark: MSCI EAFE	6.37%	(12.94)%	1.35%

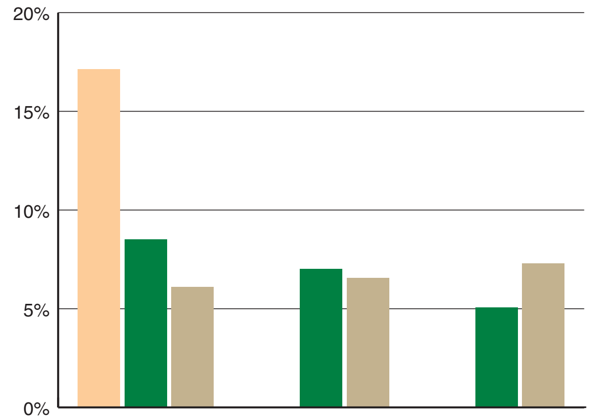
**TRS 3- and 5-year results are not available.*

ANNUALIZED INVESTMENT RESULTS *(Continued)*

As of July 30, 2010

TRS Inflation Protection Fund*

(Established on July 1, 2008)

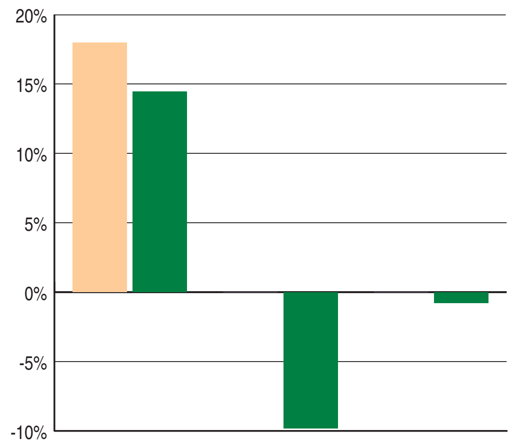


NUMBER OF YEARS	1	3	5
TRS	17.13%	N/A	N/A
Benchmark A: Barclays Capital	8.51%	7.02%	5.06%
Benchmark B: CPI (SA) +5%	6.11%	6.55%	7.30%

**TRS 3- and 5-year results are not available.*

TRS Socially Responsive Equity Fund*

(Established on July 1, 2008)



NUMBER OF YEARS	1	3	5
TRS	17.96%	N/A	N/A
Benchmark: Standard & Poors 500	14.43%	(9.81)%	(0.79)%

**TRS 3- and 5-year results are not available.*

SUMMARY OF INVESTMENT MANAGERS AND FEES
YEAR ENDED JUNE 30, 2010

INVESTMENT MANAGERS

Pension Fund-Fixed Income		
Advent Conv. Bonds	Investment Manager	$661,158
Barrow Hanley - Credit	Investment Manager	350,938
Blackrock	Investment Manager	1,248,151
Blackrock - SP Purpose Mtg	Investment Manager	28,666
Goldman Sachs - Mortgage	Investment Manager	91,047
Lord Abbett Conv Bonds	Investment Manager	222,591
Mackay Shields L.L.C.	Investment Manager	1,921,500
Neuberger Berman-Mortgage	Investment Manager	38,214
PIMCO Advisor	Investment Manager	904,043
Prudential - Credit	Investment Manager	228,043
Seix Investments	Investment Manager	762,088
Shenkman Capital	Investment Manager	1,505,379
Smith Breeden - Mortgage	Investment Manager	230,843
State Street - Govnt	Investment Manager	223,876
Stone Harbor Investment Partners	Investment Manager	926,307
TCW - Mortgage	Investment Manager	138,324
T. Rowe Price Associates Inc.	Investment Manager	2,136,107
Taplin, Canida, & Habacht	Investment Manager	467,942
Victory Conv. Bonds	Investment Manager	207,181
Wellington - Mortgage	Investment Manager	301,596
Pension Fund-Domestic Equity		
Adelante Capital Management	Investment Manager	949,455
Attucks Asset Management - AF	Investment Manager	229,122
Barclays Global Investors N.A	Investment Manager	162,684
Bivium Capital - BC	Investment Manager	313,272
Blackrock Carbon III	Investment Manager	22,501
Brown AM	Investment Manager	996,861
Capital Prospects - CP	Investment Manager	153,757
FIS Equity Russell 3000	Investment Manager	351,005
Lombardis Cap	Investment Manager	365,348
Morgan Stanley (Domestic Equity)	Investment Manager	383,756
Piedmont Inv	Investment Manager	439,829
Profit Inv. Mgmt	Investment Manager	434,382
Progress Asset Management - PIM	Investment Manager	384,913
Security Capital	Investment Manager	1,127,255
Seizert Cap	Investment Manager	358,497
Walden Asset Management	Investment Manager	194,123
Pension Fund-International		
Blackrock	Investment Manager	1,020,947
CONY Alliance MTA	Investment Manager	2,169,646
CONY Baillie MTA	Investment Manager	2,073,220
CONY ENV/Alt Energy MTA	Investment Manager	198,466
CONY ENV/Water MTA	Investment Manager	282,820
CONY Martin Currie MTA	Investment Manager	1,839,739
CONY Sprucegrove MTA	Investment Manager	1,664,914
CONY Thornburg MTA	Investment Manager	2,044,778

Continued on page 3.11

SUMMARY OF INVESTMENT MANAGERS AND FEES
YEAR ENDED JUNE 30, 2010 *(Continued)*

INVESTMENT MANAGERS

CONY Walter Scott MTA	Investment Manager	$2,427,716
F&C MTA	Investment Manager	479,436
F&C SGE MTA	Investment Manager	570,634
Mondrian MTA	Investment Manager	2,495,116
Philadelphia MTA	Investment Manager	742,671
Pension Fund-TIPS MTA		
Blackrock TIPS MTA	Investment Manager	175,000
PIMCO TIPS MTA	Investment Manager	536,442
State Street TIPS MTA	Investment Manager	15,346
Pension Fund-Enhanced Yield/Alternative		
ACS (CONY ETI)	Investment Manager	142,286
AEA Investors	Investment Manager	390,283
AFL-CIO Housing Investment	Investment Manager	591,280
Aisling Capital Partners	Investment Manager	158,692
Allegra Capital Partners IV, L.P.	Investment Manager	146,186
Ampersand 2006	Investment Manager	650,000
Apollo Investment Fund	Investment Manager	1,328,737
Apollo Real Estate	Investment Manager	74,412
Ares Corp. Opp Fund	Investment Manager	1,260,489
Arsenal Capital Partners, II	Investment Manager	342,855
Aurora Equity Capital Partners III	Investment Manager	362,614
AVE Europe Special Situations Fund	Investment Manager	356,631
AVE Special Situations FD V	Investment Manager	463,050
Avista Capital Partners, L.P.	Investment Manager	1,883,413
BDCM Opp Fund	Investment Manager	728,303
Blackstone Group	Investment Manager	2,063,026
Blackstone Mezz Partners	Investment Manager	346,955
Blackstone R E IV	Investment Manager	306,066
Blue Wolf Capital Fund II	Investment Manager	400,000
Bridgepoint Europe III, L.P.	Investment Manager	719,408
Canyon Johnson Realty Advisors	Investment Manager	306,137
Carlyle Group	Investment Manager	851,028
Carpenter Community Bancfund	Investment Manager	300,000
Catterton Partners VI, L.P.	Investment Manager	525,208
CCMP Capital Investors II	Investment Manager	307,744
CD & R Fund VII, L.P.	Investment Manager	1,336,055
Celtic Pharmaceutical Holding L.P.	Investment Manager	300,000
Citi Investment Fund	Investment Manager	583,589
CO Invest Prtnr Eur	Investment Manager	283,082
Coller Investment Management, Ltd.	Investment Manager	85,237
Constellation Ventures III	Investment Manager	322,755
Craton Equity Investors	Investment Manager	270,766
Credit Suisse Emerging Mgn Co	Investment Manager	286,544
Credit Suisse Emerging Mgn Fd	Investment Manager	522,548
Cypress Mech BK Partners II	Investment Manager	195,357
Emerald Infr Dev Fd	Investment Manager	548,647
Erasmus NYC Growth Fund L.P.	Investment Manager	345,065

Continued on page 3.12

SUMMARY OF INVESTMENT MANAGERS AND FEES
YEAR ENDED JUNE 30, 2010 *(Continued)*

INVESTMENT MANAGERS

Ethos Private Equity Fund	Investment Manager	$501,694
Fairview Capital Partners	Investment Manager	218,061
Fairview Emerg Mgrs Fd LP	Investment Manager	200,000
FdG Capital Partners L.L.C.	Investment Manager	711,579
First Reserve Fund XI	Investment Manager	869,451
Fourth Cinven Fund	Investment Manager	684,901
Freeman Spogli & Co., Inc.	Investment Manager	128,289
FT Ventures Fund III	Investment Manager	337,500
GF Capital Private Equity FD, L.P.	Investment Manager	300,000
GI Partners Fund II L.P.	Investment Manager	1,206,899
GSC Recovery III	Investment Manager	307,204
GSO Capital Opp	Investment Manager	274,064
Governance For Owners	Investment Manager	576,451
Halyard Capital II	Investment Manager	308,231
HM 2006 Sector Per Fund	Investment Manager	371,643
InterMedia Partners VII, L.P.	Investment Manager	481,739
J.P. Morgan Investment Management Inc.	Investment Manager	59,353
Landmark Equity Partners	Investment Manager	950,488
Lee Equity Partners	Investment Manager	735,099
Leeds Equity Partners V	Investment Manager	800,000
Leeds Weld Equity Partners IV	Investment Manager	131,332
Levine Leichtman Capital	Investment Manager	452,023
Lincolnshire Management, Inc.	Investment Manager	858,344
Markstone Capital Partners	Investment Manager	825,143
Midocean Partners III	Investment Manager	899,286
Montreux Equity Partners IV	Investment Manager	375,000
Nautic Partners VI	Investment Manager	400,000
New Mountain Investments	Investment Manager	1,048,124
New Spring Ventures II, L.P.	Investment Manager	300,000
NGN Biomed Opportunity II	Investment Manager	300,000
ONEX Partners III	Investment Manager	1,376,943
Paladin Homeland Security	Investment Manager	738,226
Palladium Equity Partners III	Investment Manager	691,708
PCGAM Clean Energy & Tech Fund	Investment Manager	578,864
Pegasus Partners IV	Investment Manager	529,248
Perseus Partners VII	Investment Manager	300,000
PIMCO Discovery	Investment Manager	14,892,772
Pine Brook CAP Partners	Investment Manager	512,133
PRE AMB Alliance Fd II	Investment Manager	103,755
PRE Amer Value	Investment Manager	259,156
PRE Blackstone Pre Ptn Eur III	Investment Manager	750,000
PRE Blackstone RE	Investment Manager	983,159
PRE Canyon Johnson UBN III	Investment Manager	406,250
PRE Capri Urban Investors, L.P.	Investment Manager	635,450
PRE Carlyle	Investment Manager	346,373
PRE Colony Realty Partners	Investment Manager	215,600
PRE Heitman America Fd	Investment Manager	217,871
PRE JPM Urban Ren Pty	Investment Manager	256,320
PRE JPMC Special Situations Fund	Investment Manager	148,192

Continued on page 3.13

SUMMARY OF INVESTMENT MANAGERS AND FEES
YEAR ENDED JUNE 30, 2010 *(Continued)*

INVESTMENT MANAGERS

PRE JPMC Strategic Property Fund	Investment Manager	$293,521
PRE Lehman Rep III	Investment Manager	144,384
PRE Metro Workforce Housing Fund	Investment Manager	308,737
PRE Prudential Prisa II	Investment Manager	387,426
PRE RREEF America	Investment Manager	214,348
PRE Stockbridge RE III	Investment Manager	620,910
PRE/Urban America II	Investment Manager	128,309
PRE Westbrook RE Fd VIII	Investment Manager	560,939
Prisa	Investment Manager	256,747
Prism Venture Parts	Investment Manager	630,000
Psilos Group Partners III	Investment Manager	625,000
Quadrangle Capital Partners II	Investment Manager	637,774
Quaker BioVentures II	Investment Manager	356,250
Relational Invest.	Investment Manager	235,680
Relativity Fund	Investment Manager	288,805
Ripplewood Holdings, L.L.C.	Investment Manager	70,239
Riverstone/Carlyne GLB	Investment Manager	513,831
RLJ Equity Partners Fd	Investment Manager	434,831
RRE Ventures	Investment Manager	986,286
SCP Private Equity Partners	Investment Manager	178,899
SCP Vitalife Partners II	Investment Manager	375,000
Shamrock Capital	Investment Manager	952,817
Silver Lake Partners	Investment Manager	1,088,877
Snow Phipps & Guggenheim	Investment Manager	306,056
Solera Capital, L.L.C.	Investment Manager	346,724
Starvest Prtnrs II	Investment Manager	436,903
Tailwind Capital Partners	Investment Manager	464,507
Terra Firma Cap III	Investment Manager	540,381
Thomas H Lee Equity Fund VI	Investment Manager	370,475
Thomas McNerney Ptnrs	Investment Manager	665,438
Thor Urban Propty FD II	Investment Manager	317,665
Tishman Speyer	Investment Manager	264,000
Torchlight Investors	Investment Manager	1,801,424
Trilantic Cap Ptnrs	Investment Manager	1,266,202
UBS Real Estate Separate Account	Investment Manager	281,328
US Power Fund, L.P.	Investment Manager	1,233,337
Vista Equity Partners III	Investment Manager	147,994
Vitruvian Partners	Investment Manager	755,973
VSS Communication Partners IV	Investment Manager	143,739
Yucaipa American Alliance Fund	Investment Manager	2,811,979
Yucaipa Corporation Initiatives II	Investment Manager	647,500
Welsh, Carson, Anderson & Stowe	Investment Manager	450,000
Investment Legal Fees		130,760
Consultant Fees		3,272,878

Diversified Equity Fund and International Equity Fund

Advent Conv. Bond	Investment Manager	$280,293
Alliance-Large Cap Group	Investment Manager	101,065
Amalgamated-S&P 1500	Investment Manager	11,692

Continued on page 3.14

SUMMARY OF INVESTMENT MANAGERS AND FEES
YEAR ENDED JUNE 30, 2010 *(Continued)*

INVESTMENT MANAGERS		
AXA Rosenberg-Intl Core	Investment Manager	$313,973
AXA Rosenberg-US Enh	Investment Manager	106,281
Bernstein-Intl Value	Investment Manager	252,245
BGI-Intl Alpha TILTS	Investment Manager	627,147
Cap. Guardian-Intl Sm Cap.	Investment Manager	104,032
Cardinal Small Cap Value	Investment Manager	71,421
CRM-Mid Value	Investment Manager	45,982
Goldman-Enhanced Core	Investment Manager	284,185
INTECH-Super Fund	Investment Manager	261,785
Lord Abbett Conv. Bond	Investment Manager	145,696
Lynmar Lrg. Cap. Gr.	Investment Manager	34,992
Martingale Large Cap	Investment Manager	112,684
MCM-Enhanced Asset Alloc.	Investment Manager	237,994
MCM-Russell 3000	Investment Manager	46,355
Profit Lrg. Cap. Core	Investment Manager	54,272
Pyramis Global	Investment Manager	68,487
Rainer Small/Mid	Investment Manager	174,736
Shapiro-Small Cap	Investment Manager	75,079
Sound Shore-Value	Investment Manager	147,545
Walter Scott-Int'l.	Investment Manager	282,881
Wellington-Lrg. Cap Core	Investment Manager	261,998
Zazove Conv. Bond	Investment Manager	327,541
Mellon Trust Co.	Custodial Bank	285,705
Interactive Data	Data Service	2,665
Stable-Value Fund		
Standish-Mellon Asset Mgmt.	Funding Advisor	$142,336
Mellon Global Securities Services	Custodial Bank	3,240
Inflation Protection Fund		
PIMCO	Mutual Fund	
Mellon Global Securities Services	Custodial Bank	$858
Socially Responsive Equity Fund		
Neuberger Berman SRF	Mutual Fund	
Mellon Global Securities Services	Custodial Bank	$650
Total Investment Expenses*		**$129,646,696**

* Total Investment Fees does not include $576,967 reduction in Variable Programs' provision for expenses.

LIST OF LARGEST BOND ASSETS HELD (BY MARKET VALUE)

As of June 30, 2010

Par Value		Interest Rate	Due Date	Market Value
$163,675,000.00	Federal Nat Mtg Assn TBA SFM	4.500%	07/01/39	$169,633,792.98
124,895,000.00	Federal Nat Mtg Assn TBA	5.000	07/01/39	132,135,007.03
114,300,000.00	Federal Home Ln Mtg Corp TBA Gold SFM	4.500	08/01/31	117,979,031.25
98,380,000.00	Federal Nat Mtg Assn TBA	5.500	07/01/39	105,604,781.25
86,755,000.00	Federal Home Ln Mtg Corp TBA Gold SFM	4.500	07/01/34	89,845,646.88
73,200,000.00	Federal Nat Mtg Assn TBA SFM	6.000	08/01/34	79,181,812.50
70,200,000.00	Federal Nat Mtg Assn TBA SFM	5.500	08/01/34	75,114,000.00
60,160,000.00	Federal Nat Mtg Assn TBA	6.500	07/01/39	65,884,600.00
58,300,000.00	Federal Home Ln Mtg Corp TBA Gold SFM	6.000	08/01/34	63,091,531.25

LIST OF LARGEST EQUITY ASSETS HELD (BY MARKET VALUE)

As of June 30, 2010

Company Name	Shares	Market Value
Exxon Mobil Corp.	6,213,469.00	$354,602,675.83
Apple Inc.	1,122,086.00	282,238,291.58
Microsoft Corp.	9,615,187.00	221,245,452.87
Proctor & Gamble Co.	3,547,889.00	212,802,382.22
Johnson & Johnson	3,562,853.00	210,422,098.18
International Business Machines Corp.	1,567,396.00	193,542,058.08
General Electric Co.	13,233,161.00	190,822,181.62
Bank of Amer Corp.	12,872,078.00	184,971,760.86
JP Morgan Chase & Co.	5,003,966.00	183,195,195.26
AT&T Inc.	7,315,242.00	176,955,703.98
Berkshire Hathaway Inc.	2,099,561.00	167,314,016.09
Chevron Corporation	2,453,584.00	166,500,210.24
Simon Ppty Group Inc.	1,989,953.00	160,688,704.75
Wells Fargo & Co.	6,000,035.00	153,600,896.00
Cisco Sys Inc.	7,109,548.00	151,504,467.88
Pfizer Inc.	9,823,092.00	140,077,291.92
Intel Corporation	6,923,499.00	134,662,055.55
Google Inc.	301,948.00	134,351,762.60
Coca-Cola Co.	2,637,928.00	132,212,951.36
Merck & Co.	3,735,829.00	130,641,940.13

Note: *The above tables reflect assets of both the Qualified Pension Plan (QPP) and Tax-Deferred Annuity (TDA) Program. The complete list of the assets held by TRS' six investment programs is included in the publication* Investment Portfolios*.*

4. Actuarial Section

OFFICE OF THE ACTUARY

75 PARK PLACE • 9TH FLOOR
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(212) 442-5775 • FAX: (212) 442-5777

ROBERT C. NORTH, JR.
CHIEF ACTUARY

December 9, 2010

Retirement Board
Teachers' Retirement System
of New York City
55 Water Street, 16th Floor
New York, NY 10041

Re: Actuarial Information for the Comprehensive Annual Financial Report ("CAFR") for the Fiscal Year Ended June 30, 2010

Dear Members:

The financial objective of the Teachers' Retirement System of the City of New York - Qualified Pension Plan (the "Plan") is to fund members' retirement benefits during their active service and to establish employer normal contribution rates that, expressed as a percentage of active member annualized covered payroll, would remain approximately level over the future working lifetimes of those active members and, together with member contributions and investment income, would ultimately be sufficient to accumulate assets to pay benefits when due.

An actuarial valuation of the Plan is performed annually as of the second June 30 preceding each fiscal year to determine the Employer Contributions to be paid for that fiscal year (i.e., June 30, 2008 (Lag) actuarial valuation to determine Fiscal Year 2010 Employer Contributions).

Under current law, Employers are required to contribute statutorily-required contributions ("Statutory Contributions") and these contributions are generally funded by Employers within the appropriate fiscal year.

Statutory Contributions for Fiscal Year 2010 were equal to the Annual Required Contributions as defined under Governmental Accounting Standards Board ("GASB") Statement Number 25 ("GASB 25") as amended by GASB Statement No. 50 ("GASB 50").

The Annual Required Contributions were computed in accordance with GASB 25 as amended by GASB 50 and are consistent with generally accepted actuarial principles.

Retirement Board
Teachers' Retirement System
of New York City
December 9, 2010
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Actuarial Assumptions and Methods

Provided in this Actuarial Section of the CAFR is a "Summary of Actuarial Assumptions and Methods in Effect for the June 30, 2008 (Lag) Actuarial Valuation." These actuarial assumptions and methods were first employed in the June 30, 2004 (Lag) actuarial valuation that was used to determine Fiscal Year 2006 Employer Contributions to the Plan and are referenced in the Summary of Actuarial Assumptions and Methods as the August 2005 Report.

These actuarial assumptions and methods are unchanged from those employed in the June 30, 2007 (Lag) actuarial valuation that was used to determine Fiscal Year 2009 Employer Contributions to the Plan.

Benefits and Census Data

A summary of the benefits applicable to Plan members included in the June 30, 2008 (Lag) actuarial valuation is shown later in this Actuarial Section of the CAFR.

Not included in the summary of benefits are benefit provisions that, as of the date of this letter, have been passed by the New York State Legislature and await the signature of the Governor to become law. These benefit provisions would become applicable to certain members who join the Plan on and after enactment of this law.

Census data are submitted by the Plan's administrative staff and by the employers' payroll facilities and are reviewed by the Office of the Actuary ("OA") for consistency and reasonability.

A summary of the census data used in the June 30, 2008 (Lag) actuarial valuation is included in this CAFR. A summary of the census data used in the June 30, 2007 (Lag) actuarial valuation of the Plan is available in the June 30, 2009 CAFR.

Funded Status

The Funded Status of the Plan is usually expressed in various relationships of Assets to Liabilities.

With respect to the Funded Status of the Plan, included in the Financial Section of the CAFR is a Schedule of Funding Progress (Schedule 1).

Included in the Actuarial Section of the CAFR is a Solvency Test (i.e., Comparative Summary of Actuarial Values and Percentages Covered by Actuarial Value of Assets) as prescribed by the Government Finance Officers Association ("GFOA"). This Solvency Test represents an alternative approach to describing progress toward funding objectives.

In addition to the Schedule of Funding Progress and the Solvency Test, included for informational purposes in the Actuarial Section of the CAFR (following the Solvency Test) is an Additional Discussion of Plan Funding and Other Measures of Funded Status that provides different comparisons between the Assets and Liabilities of the Plan. Included in this Other Measures of Funded Status discussion is information consistent with the disclosure expectations of GASB 50.

Presentation Style and Sources of Information

The actuarial information herein is being presented in a manner believed to be consistent with the requirements of the GFOA and, where applicable, with GASB 25 which was adopted for financial reporting purposes beginning Fiscal Year 1995 and with GASB 50 which was adopted for financial reporting purposes beginning Fiscal Year 2008.

The Additional Discussion of Plan Funding and Other Measures of Funded Status represents additional information provided by the Actuary to assist those users who desire alternative disclosures.

As prescribed by GASB 25 as amended by GASB 50, included in the Financial Section of the CAFR are the following schedules prepared by the OA:

- Schedule of Funding Progress.
- Schedule of Employer Contributions.
- Schedule of Actuarial Assumptions and Methods.

The following schedules in the Actuarial Section of the CAFR were prepared by the OA:

- Summary of Actuarial Assumptions and Methods in Effect for the June 30, 2008 (Lag) Actuarial Valuation.

- Active Member Valuation Data.
- Retirants and Beneficiaries Added to and Removed from Rolls.
- Comparative Summary of Actuarial Values and Percentages Covered by Actuarial Value of Assets - Solvency Test.
- Additional Discussion of Plan Funding and Other Measures of Funded Status.
- Statutory vs. Annual Required Contributions.
- Summary of Plan Provisions.

The following information and schedules in other sections of the CAFR were prepared by the OA:

- Summary of Plan Membership.
- Schedule of Participating Employers.

If you have any questions about any of the information in this Actuarial Section or any of the actuarial information elsewhere presented in this CAFR, please do not hesitate to contact Mr. John R. Gibney, Jr., Mr. Edward Hue or me.

Retirement Board
Teachers' Retirement System
of New York City
December 9, 2010
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I, Robert C. North, Jr., am the Chief Actuary for the New York City Retirement Systems. I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Robert C. North, Jr., FSA, MAAA
Chief Actuary

RCN/bs

Att.

cc: Mr. J.R. Gibney
Mr. E. Hue
Mr. P.J. Raucci
Mr. N. Serrano

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SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS IN EFFECT FOR THE JUNE 30, 2008 (LAG) ACTUARIAL VALUATION

1. Based, in part, upon a review of an October 2003 experience study by Gabriel, Roeder, Smith & Company ("GRS"), the Actuary issued an August 31, 2005 Report entitled *Proposed Changes in Actuarial Assumptions and Methods for Determining Employer Contributions for Fiscal Years Beginning on and After July 1, 2005 for the New York City Teachers' Retirement System* ("August 2005 Report"). Where required, the Retirement Board of the Plan adopted those changes to actuarial assumptions that required Board approval and the State Legislature and the Governor enacted Chapter 152 of the Laws of 2006 ("Chapter 152/06") to provide for those changes to the actuarial assumptions and methods that required legislation, including the Actuarial Interest Rate ("AIR") assumption of 8.0% per annum.

Chapter 152/06 provided for the changes in actuarial assumptions and methods that require legislation, including the continuation of the AIR assumption of 8.0% per annum and continuation of the current Frozen Initial Liability ("FIL") Actuarial Cost Method and the existing Unfunded Actuarial Accrued Liability ("UAAL"). In addition, Chapter 152/06 provided for elimination of the use of the ten-year phase-in of Chapter 278 of the Laws of 2002 ("Chapter 278/02") for funding the additional actuarial liabilities created by the benefits provided by Chapter 125 of the Laws of 2000 ("Chapter 125/00").

In addition the Actuary proposed and the Retirement Board adopted on December 18, 2008 supplemental tables of probabilities of Service Retirement for those who become members of the Plan established under Chapter 19 of the Laws of 2008 ("Chapter 19/08")

2. The investment rate of return assumption is 8.0% per annum (4.0% per annum for benefits payable under the Variable Annuity Programs).

3. The mortality tables for service and disability pensioners were developed from an experience study of the Plan's pensioners. Sample probabilities are shown in Table 1.

4. Active Service tables are used to estimate various withdrawals from Active Service. Sample probabilities are shown in Table 2 for members withdrawing from Active Service due to death or disability, in Table 3 for members withdrawing for Other Than Death or Disability or Retirement and in Tables 4A and 4B for members withdrawing from Active Service after eligibility for Service Retirement.

5. A Salary Scale is used to estimate salaries at termination, retirement or death. Sample percentage increases are shown in Table 5. The Salary Scale includes a General Wage Increase ("GWI") assumption of 3.0% per annum.

6. The economic assumptions (*i.e.*, the assumed investment return rate, GWI rate and Cost-of-Living Adjustments ("COLA")) were developed assuming a long-term Consumer Price Inflation ("CPI") assumption of 2.5% per annum. The COLA assumption is 1.3% per annum.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS IN EFFECT FOR THE JUNE 30, 2008 (LAG) ACTUARIAL VALUATION (Cont'd)

7. The valuation assumes a closed group of members. Salaries of members on the valuation date are assumed to increase in accordance with the Salary Scale.

8. The Frozen Initial Liability Actuarial Cost Method is utilized by the Plan's Actuary to calculate the employer contributions. Under this Actuarial Cost Method, the Initial Liability was reestablished under the Entry Age Actuarial Cost Method as of June 30, 1999 but with the Unfunded Actuarial Accrued Liability ("UAAL") not less than $0.

Under this method, the excess of the Actuarial Present Value ("APV") of projected benefits of members as of the valuation date, over the sum of the Actuarial Asset Value ("AAV") plus UAAL, if any, and the APV of future employee contributions, is allocated on a level basis over the future earnings of members who are on payroll as of the valuation date. Actuarial gains and losses are reflected in the employer normal contribution rate.

All outstanding components of the UAAL are being amortized over closed periods.

Chapter 85 of the Laws of 2000 ("Chapter 85/00") reestablished the UAAL and eliminated the Balance Sheet Liability ("BSL") for actuarial purposes as of June 30, 1999.

The schedule of payments toward the reestablished UAAL provides that the UAAL, if any, be amortized over a period of 11 years beginning Fiscal Year 2000, where each annual payment after the first annual payment equals 103% of its preceding annual payment. However, the initial UAAL as of June 30, 1999 equaled $0 and no amortization period was required.

Chapter 69 of the Laws of 2002 established a UAAL as of June 30, 2003 for an Early Retirement Incentive (Part A only). This UAAL was amortized on a level basis over a period of five years beginning Fiscal Year 2004.

Note: Because the UAAL equals zero as of June 30, 2008, the financial results using the Frozen Initial Liability Actuarial Cost Method are the same as those that would be produced using the Aggregate Actuarial Cost Method.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS IN EFFECT FOR THE JUNE 30, 2008 (LAG) ACTUARIAL VALUATION (Cont'd)

9. One-Year Lag Methodology uses a June 30, 2008 ("Lag") valuation date to determine Fiscal Year 2010 Employer Contributions.

This methodology requires technical adjustments to certain components used to determine Fiscal Year 2010 Employer Contributions as follows:

- Present Value of Future Salary ("PVFS")

  The PVFS at June 30, 2008 is reduced by the value of salary projected to be paid during Fiscal Year 2009.

- Salary for Determining Employer Contributions

  Salary used to determine the employer Normal Cost is the salary projected to be paid during Fiscal Year 2010 to members on payroll at June 30, 2008.

- Present Value of Future Normal Costs ("PVFNC")

  The PVFNC at June 30, 2008 is reduced by the discounted value of the Fiscal Year 2009 Employer Contribution (after offsetting for any UAAL payments).

10. Beginning with the June 30, 2004 (Lag) actuarial valuation, the Actuarial Asset Valuation Method ("AAVM") was changed to a method that reset the AAV to Market Value (*i.e.*, "Market Value Restart") as of June 30, 1999. As of each June 30 thereafter the AAVM recognizes investment returns greater or less than expected over a period of six years.

Under this revised AAVM, any Unexpected Investment Returns ("UIR") for Fiscal Years 2000 and later are phased into the AAV beginning the following June 30 at a rate of 15%, 15%, 15%, 15%, 20% and 20% per year (or cumulative rates of 15%, 30%, 45%, 60%, 80% and 100% over a period of six years).

These revised averaging factors were applied against the UIR computed under the prior five-year AAVM used for Fiscal Years 2000 to 2004.

The revised AAVM was utilized for the first time in the June 30, 2004 (Lag) actuarial valuation to determine the Fiscal Year 2006 Employer Contribution in conjunction with the One-Year Lag Methodology and the revised economic and noneconomic assumptions.

The AAVM in effect for the June 30, 2008 (Lag) actuarial valuation is unchanged from the AAVM used in the June 30, 2007 (Lag) actuarial valuation.

Note that beginning with the June 30, 2008 (Lag) actuarial valuation, the AAV was recomputed retroactive to June 30, 1999, by re-characterizing amounts credited as interest on TDA Fixed Fund account balances as payouts instead of investment losses.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS IN EFFECT FOR THE JUNE 30, 2008 (LAG) ACTUARIAL VALUATION (Cont'd)

11. The Actuarial Present Value of Future Benefits ("APVB") as of June 30, 2008, used to determine Fiscal Year 2010 Employer Contributions, includes estimates of liabilities for:

- World Trade Center Disability Benefits
- World Trade Center Death Benefits
- TDA Fixed Funds
- Proposed litigation settlements

12. The Actuarial Assumptions and Methods are generally unchanged from the June 30, 2007 (Lag) actuarial valuation.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS IN EFFECT FOR THE JUNE 30, 2008 (LAG) ACTUARIAL VALUATION (Cont'd)

TABLE 1

Deaths among Service and Disability Pensioners

Percentage of Pensioners Dying within Next Year

	Service Pensioners		Disability Pensioners	
Age	**Males**	**Females**	**Males**	**Females**
40	.1151%	.0645%	1.5101%	2.9247%
45	.1891	.0984	1.6709	2.9247
50	.2631	.1543	1.8462	2.5618
55	.4126	.2339	2.0266	1.8705
60	.6163	.3832	2.2326	1.4957
65	1.0493	.6265	2.5427	1.4771
70	1.8461	1.0802	3.1342	1.9287
75	2.8830	1.7974	4.2347	3.0066
80	4.6919	3.0798	6.0619	4.8143
85	7.9915	5.8229	8.9692	7.3812
90	12.9028	10.3790	12.9554	11.4430
95	19.7210	17.5405	19.7210	17.5405
100	30.1977	28.6331	30.1977	28.6331
105	49.9036	47.3178	49.9036	47.3178
110	100.0000	100.0000	100.0000	100.0000

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS IN EFFECT FOR THE JUNE 30, 2008 (LAG) ACTUARIAL VALUATION (Cont'd)

TABLE 2

Withdrawals from Active Service (Due to Death or Disability)

Percentage of Active Members Separating within Next Year

	Accidental Disability		Ordinary Disability		Ordinary Death	
Age	**Males**	**Females**	**Males**	**Females**	**Males**	**Females**
20	.00%	.00%	.02%	.01%	.040%	.020%
25	.00	.00	.02	.01	.040	.020
30	.01	.00	.02	.01	.040	.020
35	.01	.01	.03	.02	.050	.025
40	.01	.01	.04	.06	.060	.030
45	.02	.01	.05	.09	.110	.055
50	.03	.02	.07	.10	.160	.080
55	.04	.02	.12	.13	.210	.105
60	.05	.03	.17	.15	.260	.130
65	.06	.04	.24	.17	.320	.160
70	NA	NA	NA	NA	NA	NA

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS IN EFFECT FOR THE JUNE 30, 2008 (LAG) ACTUARIAL VALUATION (Cont'd)

TABLE 3

Withdrawals for Other Than Death or Disability or Retirement

Percentage of Active Members Withdrawing within Next Year

Years of Service	Probability of Withdrawal
0	7.50%
5	4.00
10	2.00
15	1.25
20	1.00

TABLE 4A

Withdrawals from Active Service (After Eligibility for Service Retirement) Members Not Electing an Optional Retirement Plan*

Percentage of Eligible Active Members Retiring within Next Year

	Males					Females			
	With	With Unreduced Benefits				With	With Unreduced Benefits		
Age	Reduced Benefits	Years of Service Since First Elig.			Age	Reduced Benefits	Years of Service Since First Elig.		
		0-1	1-2	2+			0-1	1-2	2+
50	0.00%	0.00%	0.00%	0.00%	**50**	0.00%	0.00%	0.00%	0.00%
55	2.00	12.00	0.00	0.00	**55**	2.00	10.00	0.00	0.00
60	5.00	12.00	10.00	10.00	**60**	5.00	10.00	8.00	8.00
65	0.00	30.00	30.00	30.00	**65**	0.00	30.00	30.00	30.00
70	NA	100.00	100.00	100.00	**70**	NA	100.00	100.00	100.00

* Applies to members who did not voluntarily elect to participate in the 55/25 plan enacted under Chapter 19 of the Laws of 2008 and to members mandated into the 55/27 plan.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS IN EFFECT FOR THE JUNE 30, 2008 (LAG) ACTUARIAL VALUATION (Cont'd)

TABLE 4B

Withdrawals from Active Service (After Eligibility for Service Retirement)
Members Electing an Optional Retirement Plan*
Percentage of Eligible Active Members Retiring within Next Year

Males					Females				
	With Reduced	With Unreduced Benefits				With Reduced	With Unreduced Benefits		
Age	Benefits	Years of Service Since First Elig.			Age	Benefits	Years of Service Since First Elig.		
		0-1	1-2	2+			0-1	1-2	2+
50	0.00%	0.00%	0.00%	0.00%	50	0.00%	0.00%	0.00%	0.00%
55	2.00	40.00	0.00	0.00	55	2.00	40.00	0.00	0.00
60	5.00	40.00	30.00	20.00	60	5.00	40.00	30.00	20.00
65	0.00	30.00	30.00	30.00	65	0.00	30.00	30.00	30.00
70	NA	100.00	100.00	100.00	70	NA	100.00	100.00	100.00

*Applies to members who voluntarily elected to participate in the 55/25 plan enacted under Chapter 19 of the Laws of 2008.

TABLE 5

Salary Scale

Years of Service	Assumed Annual Percentage Increases Within Next Year*
0	11.00%
5	6.00
10	5.00
15	5.00
20	5.00
25	5.00
30	5.00
35	5.00
40	5.00

*Salary Scale includes a General Wage Increase assumption of 3.0% per annum.

Active Member Valuation Data

As of June 30	Number	Annual Payroll	Annual Average Salary	Percentage Increase (Decrease) in Average Salary
1999	86,682	$4,217,560,016	$48,656	5.4%
2000	91,494	4,721,526,309	51,605	6.1
2001	95,381	5,015,449,141	52,583	1.9
2002	95,678	5,469,239,283	57,163	8.7
2003	97,986	5,828,756,503	59,486	4.1
2004	105,391	6,219,808,501	59,017	(0.8)
2004 (Lag)	105,391	6,175,939,608[(1)]	58,600	(1.5)[(2)]
2005 (Lag)	104,850	6,273,909,925	59,837	2.1
2006 (Lag)	109,992	6,978,725,642	63,448	6.0
2007 (Lag)	109,868	7,222,471,073	65,738	3.6
2008 (Lag)	112,472	7,926,647,584	70,477	7.2
2009 (Lag)[(3)]	113,133	8,019,364,503	70,884	0.6

(1) The annualized covered payroll under the One-Year Lag Methodology as of June 30, 2004 used for the Fiscal Year 2006 Employer Contributions differs from that used to compute Fiscal Year 2005 Employer Contributions due to changes in actuarial assumptions and updated information on labor contract settlements.

(2) Decrease from June 30, 2003.

(3) Preliminary

Retirants and Beneficiaries Added to and Removed from Rolls

	Added to Rolls		Removed from Rolls		Rolls End of Year			
Ended June 30	Number	Annual Allowances**	Number	Annual Allowances	Number	Annual Allowances*	% Increase In Annual Allowances	Average Annual Allowances
1999	1,794	$147,046,596	1,537	$ 36,719,223	50,525	$1,604,299,434	7.4%	$31,753
2000	1,989	97,255,275	1,545	41,436,595	50,969	1,660,118,114	3.5	32,571
2001	2,723	171,487,630	1,712	83,599,498	51,980	1,748,006,246	5.3	33,628
2002	4,309	194,808,813	1,727	120,082,520	54,562	1,822,732,539	4.3	33,407
2003	5,014	258,523,666	1,443	50,572,541	58,133	2,030,683,664	11.4	34,932
2004***	6,264	415,127,840	1,669	53,234,112	62,728	2,392,577,392	17.8	38,142
2005 (Lag)	4,423	255,085,446	1,983	59,626,485	65,168	2,588,036,353	8.2	39,713
2006 (Lag)	4,207	231,094,649	1,799	55,372,752	67,576	2,763,758,250	6.8	40,899
2007 (Lag)	3,078	234,183,351	2,162	66,646,428	68,492	2,931,295,173	6.1	42,798
2008 (Lag)	3,252	75,074,813	1,969	64,757,835	69,775	2,941,612,151	0.4	42,159

* Allowances shown in table are those used in the actuarial valuation for the given fiscal year and are not adjusted for anticipated changes due to finalization of benefit calculation or contract settlements.

** Balancing Item – Amounts shown include changes due to benefit finalization, changes in benefit type (*e.g.*, Service to Accidental Disability), COLA increases and other changes.

*** Same amounts apply for June 30, 2004 (Lag) actuarial valuation.

Comparative Summary of Actuarial Values and Percentages Covered by Actuarial Value of Assets

Solvency Test
(Dollar Amounts in Thousands)

	Aggregate Accrued Liabilities for						
As of June 30	Accumulated Member Contributions	Current Retirants and Beneficiaries	Active Members' Employer Financed Portion	Actuarial Value of Assets	Percentage of Actuarial Values Covered by Actuarial Value of Assets		
	(A)	(B)	(C)	(D)	(A)	(B)	(C)
1999	$3,111,019	$15,748,859	$12,447,411*	$34,626,062	100%	100%	100%
2000	3,354,746	17,446,520	14,340,434*	36,142,435	100	100	100
2001	3,077,510	17,254,058	14,114,923*	35,410,230	100	100	100
2002	2,931,464	18,189,124	13,623,528*	34,177,750	100	100	96
2003	2,752,562	20,489,777	12,561,516	33,169,210	100	100	79
2004	2,628,369	24,460,479	11,465,947	32,817,102	100	100	50
2004 (Lag)	2,628,369	24,636,479	11,682,625	33,149,251	100	100	50
2005 (Lag)	2,624,824	26,590,313	11,418,808	32,865,126#	100	100	32
2006 (Lag)	2,724,814	27,934,371	11,960,437	32,405,645	100	100	15
2007 (Lag)	2,927,133	29,528,062	13,957,521	33,854,152	100	100	10
2008 (Lag)	2,898,027	29,182,084	14,743,596	32,227,375	100	100	1

* Amounts shown were revised in the Fiscal Year 2004 CAFR from amounts published earlier to include annuitization of Variable Funds.

\# Revised in the Fiscal Year 2008 CAFR to reflect updated information.

Also, see following "SOLVENCY TEST – NOTES."

Comparative Summary of Actuarial Values and Percentages Covered by Actuarial Value of Assets

Solvency Test—Notes

The ultimate test of financial soundness in a retirement system is its ability to pay all of its promised benefits when due. The retirement system's progress in accumulating assets to pay all promised benefits can be measured by comparing the Actuarial Value of Assets of the retirement system with the Aggregate Accrued Liabilities for:

(A) Accumulated Member Contributions;
(B) Current Retirants and Beneficiaries; and
(C) Active Members' Employer Financed Portion.

The Aggregate Accrued Liabilities are the APV of projected benefits produced by the projected benefit attribution approach prorated on service. The Aggregate Accrued Liabilities were calculated in accordance with Governmental Accounting Standards Board Statement No. 5 ("GASB 5").

This comparative summary allocated assets as if they were priority groups, somewhat similar to (but not identical to) the priority categories of Section 4044 of the Employee Retirement Income Security Act of 1974 ("ERISA").

The values in the table are dependent upon census data, benefit levels (which have changed on occasion over the past years), and the actuarial assumptions and methods employed at each valuation date. The most recent change in assumptions and methods occurred in the June 30, 2004 (Lag) valuation used to compute the employer contribution for Fiscal Year 2006. These underlying bases can be found within the Comprehensive Annual Financial Report for each respective year.

Beginning with the June 30, 2008 (Lag) actuarial valuation the AAV was recomputed retroactive to June 30, 1999, by re-characterizing amounts credited as interest on TDA Fixed Fund account balances as payouts instead of investment losses.

To fully evaluate trends in financial soundness, changes in assumptions need to be evaluated. For the valuation dates appearing in the Table, the Actuarial Interest Rate and the General Wage Increase assumptions were all equal to 8.0% per annum and 3.0% per annum, respectively.

ADDITIONAL DISCUSSION OF PLAN FUNDING AND OTHER MEASURES OF FUNDED STATUS

On-Going Funding of the Plan

Under the basic equation of pension funding, Contributions plus Investment Earnings pay for Benefits plus Expenses.

There are three major sources for financing those Benefits and Expenses paid from the Plan.

First, Member Contributions are established by statute and paid as percentages of member salaries.

Second, Investment Earnings reflect the rates of return achieved on the amounts of assets held in different asset classes in the Trust.

Third, Employer Contributions are determined by actuarial methodology to finance the Benefits payable by the Plan that are not provided by either Member Contributions or Investment Earnings and for the Administrative and Investment Expenses of the Plan.

This actuarial methodology includes demographic and certain tabular assumptions recommended by the Actuary and adopted by the Retirement Board, and certain economic assumptions and financing methods recommended by the Actuary, supported by the Retirement Board and, where required, enacted into law by the New York State Legislature and Governor.

Employer Contributions are particularly responsive to Investment Earnings and increase (decrease) on a smoothed basis whenever Investment Earnings are less (more) than expected.

For example, during Fiscal Years 2001 to 2003, the Assets of the Plan decreased because they earned less than expected. Consequently, over the following several years, the actuarial methodology responds by increasing Employer Contributions in order to bring the overall financial status of the Plan back into balance.

The New York City Charter requires an independent actuary to conduct an experience review of the Plan every two years. The Actuary utilizes this information and regularly proposes changes in actuarial assumptions and methods, most recently during Fiscal Year 2006.

These most recent changes, approved by the Retirement Board and implemented during Fiscal Year 2006, include (1) updated demographic assumptions, (2) full recognition of all Obligations of the Plan (i.e., removing the statutory phase-in of certain liabilities) and (3) revised methodologies for smoothing changes in Employer Contributions due to Plan experience. Together, these changes further enhance the long-term financial integrity of the Plan.

ADDITIONAL DISCUSSION OF PLAN FUNDING AND OTHER MEASURES OF FUNDED STATUS (Cont'd)

The ongoing process of actuarial rebalancing and periodic reviews of actuarial assumptions and methods by the Actuary and the Retirement Board, coupled with a financially responsible, long-duration employer like the City of New York (the "City") and other participating Employers that can afford some variability of Employer Contributions, help provide financial security for the Plan and its participants and reasonable intergenerational budget equity for taxpayers.

With the City and other participating Employers that have always paid and are expected to continue to pay the statutorily-required Employer Contributions as calculated by the Actuary and approved by the Retirement Board, changes in Employer Contributions represent the source for rebalancing the basic equation of pension funding.

Other Measures of Funded Status

Measures of Funded Status of the Plan are determined at specific points in time and are usually expressed in various relationships of Assets to Obligations. Assets as percentages of Obligations are referred to as Funded Ratios.

Comparisons of Funded Status over time provide insight into the evolving financial condition of the Plan.

The Other Measures of Funded Status presented herein provide somewhat different insights into the financial condition of the Plan and comparisons amongst these Other Measures of Funded Status can provide even more.

As noted, there are multiple, possible definitions of the Plan's Assets and Obligations. Some of these definitions of and comments on Assets and Obligations are set forth immediately hereafter. Additional observations about the meanings and usefulness of and the relationships amongst certain of the Funded Ratios are provided following the table of Funded Ratios.

Definition of and Comments on Assets

With respect to Assets, both Market Value of Assets ("MVA") and the Actuarial Value of Assets (or Actuarial Asset Value ("AAV")) are used to determine Funded Ratios.

In the case of the Plan, the AAVM currently in use provides for smoothing of the MVA by phasing any Unexpected Investment Returns (i.e., Investment Earnings greater or less than those expected under the actuarial assumption of 8.0% of AAV each year) into the AAV over a period of six years.

The advantage of using MVA is that it represents the tradable value of the Assets of the Plan at any point in time.

ADDITIONAL DISCUSSION OF PLAN FUNDING AND OTHER MEASURES OF FUNDED STATUS (Cont'd)

The advantage of using AAV is that it is smoothed to remove the volatility of MVA. The disadvantage of AAV is that it is not the tradable value of Assets in the marketplace and, therefore, does not show the volatility of the Assets.

Definition of and Comments on Obligations

With respect to Obligations, the Actuarial Accrued Liability ("AAL") under any particular Actuarial Cost Method ("ACM") is that portion of the APV of projected benefits which is not provided by future normal costs (employer and employee).

With respect to the Plan, where the ACM is the Frozen Initial Liability ("FIL") ACM, the AAL mathematically can be recast as the Unfunded AAL ("UAAL") plus the AAV. To the extent that the UAAL does not change much year to year, then the related AAL remains relatively consistent in value with the AAV each year.

With respect to the ongoing funding of the Plan, the use of the FIL ACM provides for amortizing actuarial gains and losses over the future working lifetimes of active employees. As used by the Plan, the FIL ACM generally results in funding that is more conservative (i.e., greater Employer Contributions) than that of most other Public Pension Plans.

The Entry Age Accrued Liability ("EAAL") is defined as the APV of projected benefits less the sum of the APV of future employee contributions and the APV of future employer entry age normal costs.

The EAAL is a required disclosure in accordance with Governmental Accounting Standards Board ("GASB") Statement Number 43 ("GASB 43") and GASB Statement Number 45 ("GASB 45") for Other Post-Employment Benefits ("OPEB") under certain ACM.

In accordance with GASB Statement Number 50 ("GASB 50"), beginning with Fiscal Year 2008, the EAAL is a required disclosure for Public Pension Plans that determine employer contributions using the Aggregate ACM.

The Entry Age ACM is the most-commonly utilized ACM for funding Public Pension Plans.

The Projected Benefit Obligation ("PBO") is defined as the proportion of APV of all benefits attributed by the Plan's benefit formula to employee service rendered prior to the valuation date. The PBO was required reporting under GASB Statement Number 5 ("GASB 5") prior to its replacement by GASB 25 and GASB 27.

The Accumulated Benefit Obligation ("ABO") is determined in the same manner as the PBO but without assuming future salary increases.

ADDITIONAL DISCUSSION OF PLAN FUNDING AND OTHER MEASURES OF FUNDED STATUS (Cont'd)

The Market Value Accumulated Benefit Obligation ("MVABO") is determined in the same manner as an ABO using the same actuarial assumptions except that projected benefit payments are discounted using annual yields on U.S. Treasury securities of like duration. The MVABO is sometimes described as a Mark-to-Market measure of Obligations or a Market Value of Liabilities ("MVL").

Table of Asset and Obligation Values

The following table presents the values of Assets and Obligations used to calculate alternative Funded Ratios.

Component Measures of Funded Status

(Dollar Amounts in Millions)

Valuation Date	Market Value of Assets (MVA)	Actuarial Asset Value (AAV)#	Actuarial Accrued Liability (AAL)*	Entry Age Accrued Liability (EAAL)**	Projected Benefit Obligation (PBO)**	Accumulated Benefit Obligation (ABO)**	Market Value Accumulated Benefit Obligation (MVABO)***	MVABO Equiv. Discount Yield (Per Annum)	MVABO Weighted Average Duration (Years)
6/30/99	$34,626.1	$34,626.1	$34,626.1	$32,542.5	$31,307.3	$27,929.8	$31,828.0	6.0%	11.5
6/30/00	36,751.2	36,142.4	36,147.6	36,743.6	35,141.7	31,150.1	35,581.1	6.0	11.8
6/30/01	31,593.0	35,410.2	35,414.5	36,140.1	34,446.5	30,721.5	36,393.4	5.7	11.6
6/30/02	27,025.9	34,177.8	34,181.1	36,531.2	34,744.1	30,677.2	36,575.1	5.8	10.9
6/30/03	26,078.0	33,169.2	33,182.7	37,622.9	35,776.9	31,945.0	42,682.0	4.6	11.8
6/30/04	28,975.4	32,817.1	32,827.5	40,486.9	38,554.8	35,175.5	43,053.6	5.5	11.1
6/30/04 (Lag)	28,975.4	33,149.3	33,159.7	40,872.0	38,947.5	35,277.6	43,223.1	5.5	11.2
6/30/05 (Lag)	30,492.2	32,865.1	32,872.3	42,644.4	40,633.9	37,033.8	51,957.2	4.2	13.0
6/30/06 (Lag)	32,206.7	32,405.5	32,410.5	45,138.9	42,619.6	38,580.8	47,892.4	5.4	11.9
6/30/07 (Lag)	37,142.8	33,854.2	33,856.7	48,625.2	46,412.7	42,362.9	53,151.3	5.2	12.0
6/30/08 (Lag)	32,297.9	32,227.4	32,227.4	49,400.8	46,823.7	41,911.8	57,275.0	4.5	12.1
6/30/09 (Lag)##	23,077.5	30,775.0	30,775.0	48,000.7	45,313.8	40,881.1	59,263.3	4.1	12.3

The AAV used for the June 30, 1999 to June 30, 2004 actuarial valuations assumes the AAV was reset to MVA as of June 30, 1999. As of each June 30 thereafter, the AAV recognizes Investment Returns greater or less than expected over a period of five years (six years beginning with the June 30, 2004 (Lag) actuarial valuation).

* Calculated in accordance with the Actuarial Cost Method (i.e., Frozen Initial Liability) and actuarial assumptions used for determining Employer Contributions.

** Calculated based on actuarial assumptions used for determining Employer Contributions.

*** Calculated based on actuarial assumptions used for determining Employer Contributions except that projected benefit payments are discounted using annual yields derived from U.S. Treasury Spot Rates as published by the U.S. Department of the Treasury Office of Thrift Supervision in its Selected Asset and Liability Price Tables. Also shown are the related MVABO Equivalent Discount Yield and the MVABO Weighted Average Duration.

The June 30, 2009 (Lag) figures are preliminary and are generally based on the same census data, actuarial assumptions and methods used to develop published, preliminary Fiscal Year 2011 employer contributions.

ADDITIONAL DISCUSSION OF PLAN FUNDING AND OTHER MEASURES OF FUNDED STATUS (Cont'd)

Table of Funded Ratios

The following table presents alternative Funded Ratios comparing Assets to Obligations, including: (1) AAV divided by AAL, (2) AAV divided by EAAL, (3) MVA divided by EAAL, (4) AAV divided by PBO, (5) MVA divided by PBO, (6) AAV divided by ABO, (7) MVA divided by ABO and (8) MVA divided by MVABO.

Funded Ratios								
Valuation Date	AAV/AAL	AAV/EAAL	MVA/EAAL	AAV/PBO	MVA/PBO	AAV/ABO	MVA/ABO	MVA/MVABO
6/30/99	100%	106%	106%	111%	111%	124%	124%	109%
6/30/00	100	98	100	103	105	116	118	103
6/30/01	100	98	87	103	92	115	103	87
6/30/02	100	94	74	98	78	111	88	74
6/30/03	100	88	69	93	73	104	82	61
6/30/04	100	81	72	85	75	93	82	67
6/30/04 (Lag)	100	81	71	85	74	94	82	67
6/30/05 (Lag)	100	77	72	81	75	89	82	59
6/30/06 (Lag)	100	72	71	76	76	84	83	67
6/30/07 (Lag)	100	70	76	73	80	80	88	70
6/30/08 (Lag)	100	65	65	69	69	77	77	56
6/30/09 (Lag)#	100	64	48	68	51	75	56	39

Preliminary.

Comments on Funded Ratios and Funding Methodology

With respect to the different Funded Ratios shown in the preceding table, the ratio of AAV/AAL is from the Schedule of Funding Progress (Schedule 1) presented in the Financial Section of this CAFR.

Due to the mathematics of the FIL ACM where AAL equals AAV plus UAAL, the AAV/AAL Funded Ratios tend to remain relatively constant from year to year and provide limited insight into the ongoing financial performance of the Plan.

ADDITIONAL DISCUSSION OF PLAN FUNDING AND OTHER MEASURES OF FUNDED STATUS (Cont'd)

The Other Measures of Funded Status shown in the preceding table provide different relationships between the Assets and Obligations of the Plan and are designed to offer additional insight into the Funded Status of the Plan that the Actuary believes useful to some users.

The ratios of AAV/EAAL reflect information that is now a required disclosure for certain Public Pension Plans that utilize the Aggregate ACM. This requirement also exists for certain OPEB plans under GASB 43 and GASB 45.

The ratios of AAV/PBO present information that was previously required under GASB 5 and is a comparable but somewhat different representation of the information shown in the Solvency Test presented earlier in this Section of the CAFR.

The ratios of MVA/MVABO provide information on Funded Status that is (1) independent of the asset allocation of the Plan, (2) exclusive of any advance recognition of expected asset risk premia (e.g., equity risk premium) and (3) absent any smoothing of asset values.

Inherent in its design, the MVA/MVABO Funded Ratio is expected to be volatile due to the impact of asset gains and losses without smoothing and the impact of changes in interest rates in the economy. Such volatility is a reflection of markets and can provide useful disclosure information. However, such volatility is not consistent with the needs of budgeting. Those budgeting needs are met by the actuarial assumptions and FIL ACM currently in use to determine Employer Contributions.

Comparing the MVA/EAAL to AAV/EAAL, MVA/PBO to AAV/PBO or MVA/ABO to AAV/ABO provides an opportunity to evaluate the degree of smoothing provided by the Actuarial Asset Valuation Method.

Comparing Funded Ratios based on the same Assets (i.e., MVA or AAV) but different definitions of Obligations (e.g., EAAL versus PBO versus ABO) provides an opportunity to evaluate the differences in those different definitions of Obligations.

Comparing AAV/PBO with AAV/ABO provides insight into the impact of expected salary growth on the value of benefits earned to date.

Comparing MVA/ABO with MVA/MVABO provides an opportunity to compare the impact of alternative interest rates on discounting the ABO.

It should also be noted that Measures of Funded Status are best examined with more consideration of their trends over time than their values at any given point in time.

Finally, over time, it should be noted that as the City and other participating Employers pay into the Plan the actuarially-determined Employer Contributions, all Funded Ratios can be expected to increase from their current levels.

Statutory vs. Annual Required Contributions

Fiscal Year Ended June 30	Statutory Contribution*	Annual Required Contribution	Employer Rate of Contribution**
2000	$ 181,769,965	$ 181,769,965	4.310%
2001	444,965,372	571,955,543	9.424
2002	509,931,588	607,762,939	10.167
2003	639,617,910	805,782,222	11.695
2004	920,264,167	1,015,331,185	15.788
2005	1,228,275,356	1,304,032,623	19.748
2006	1,316,610,517	1,316,610,517	21.293
2007	1,600,904,278	1,600,904,278	25.471
2008	1,916,519,629	1,916,519,629	27.386
2009	2,223,643,770	2,223,643,770	30.792
2010	2,484,073,500	2,484,073,500	31.604

* Represents total employer contributions accrued for fiscal year.

The Statutory Contributions for Fiscal Years 2001 and 2002 were computed in accordance with Chapter 125/00 which provided for a five-year phase-in of the additional actuarial liabilities attributable to Chapter 125/00.

The Statutory Contributions for Fiscal Years 2003 through 2005 were computed in accordance with Chapter 278/02 which extended from five to ten years the phase-in period for the funding of the additional actuarial liabilities attributable to Chapter 125/00.

Beginning Fiscal Year 2006, the Statutory Contributions were computed using a One-Year Lag Actuarial Valuation Methodology in accordance with Chapter 152/06 which also eliminated the use of ten-year phase-in of Chapter 278/02 for funding the additional actuarial liabilities attributed to Chapter 125/00.

** The employer rates of contribution equal the Statutory Contributions as percentages of the salaries of members who were on payroll or projected to be on payroll (under One-Year Lag Methodology) as of the preceding June 30 adjusted, where applicable, to be consistent with collective bargaining agreements estimated to be achieved.

CHRONOLOGY OF PLAN

TRS was established as of August 1, 1917 and, at the outset, the Teachers' Retirement Board adopted the mortality tables, service tables, and other tables necessary for calculating contribution rates and for preparing valuation figures. Periodic comparisons of the actual experience with the expected experience, as obtained by calculations from the latest adopted tables, have been made since August 1, 1917.

SUMMARY OF KEY PLAN BENEFIT AND FUNDING CHANGES

2009 Chapter 504 of the Laws of 2009 ("Chapter 504/09") provides that individuals joining TRS after December 10, 2009, who are represented by the United Federation of Teachers ("UFT") and who participate in the 55/27 retirement program, are required to make pension contributions of 4.85% of salary until they have 27 years of credited service and contributions of 1.85% of salary thereafter. These members become vested after ten years of credited service.

Also, under Chapter 504/09, all members of TRS represented by the UFT who participate in the Tax-Deferred Annuity Program ("TDA"), receive an interest rate of 7.0% per annum credited to their TDA Fixed Funds accounts beginning December 10, 2009.

2008 Chapter 19 of the Laws of 2008 ("Chapter 19/08") established retirement programs to permit Tier II, III, and Tier IV current members of TRS to elect to retire between ages 55 and 62 without reduction provided they have 25 years of service, by paying an additional contribution of 1.85% of future pay. New members after February 27, 2008 are mandated into this plan and are required to have 27 years of service.

Chapter 489 of the Laws of 2008 expanded and redefined the eligibility provisions of the accidental disability and accidental death benefits that arise in connection with the World Trade Center attacks on September 11, 2001.

2007 Chapter 5 of the Laws of 2007 amended Chapter 445/06 to clarify the World Trade Center accidental disability benefits payable to retirees who die in the first 25 years of retirement. It also amended Chapter 445/06 to include World Trade Center deaths as presumptive accidental death benefits in the Line-of-Duty.

2006 Chapter 152 of the Laws of 2006 provided for the changes in actuarial assumptions and methods that require legislation, including the continuation of the AIR assumption of 8.0% per annum and continuation of the current Frozen Initial Liability ("FIL") Actuarial Cost Method and the existing Unfunded Actuarial Accrued Liability ("UAAL"). In addition, Chapter 152/06 provided for elimination of the use of the ten-year phase-in of Chapter 278/02 for funding the additional actuarial liabilities created by the benefits provided by Chapter 125/00.

Chapter 445 of the Laws of 2006 ("Chapter 445/06") created a presumptive eligibility for accidental death benefits in connection with the World Trade Center attack on September 11, 2001.

2005 Chapter 104 of the Laws of 2005 as amended by Chapter 93 of the Laws of 2005 creates a presumptive eligibility for accidental disability in connection with the World Trade Center attack on September 11, 2001.

Chapter 105 of the Laws of 2005 states that a member killed in the U.S. Armed Forces on and after June 14, 2005 is deemed a Line-of-Duty death while on active payroll.

Chapter 133 of the Laws of 2005 provided a similar extension of the interest rates as did Chapter 133 of the Laws of 2004, for Fiscal Year 2006. The investment rate of return assumption for determining Employer contributions for Fiscal Year 2006 remains at 8.0% per annum until and unless changed following the proposals of the Actuary and the actions by the Retirement Board, the State Legislature and the Governor.

2004 Chapter 133 of the Laws of 2004 extended certain provision of Chapter 85/00 through Fiscal Year 2005. Thus, for Fiscal Year 2005, the interest rate used for Tier I and Tier II member contributions and ITHP Reserves remained at 8.25% per annum. The investment rate of return assumption for determining Employer Contributions for Fiscal Year 2005 remains at 8.0% per annum until and unless changed following the proposal of the Actuary and the actions by the Retirement Board, the State Legislature and the Governor.

Chapter 623 of the Laws of 2004 provided for an Excess Benefit Plan to be established which would provide benefits to those pensioners whose annual retirement benefits are limited because those benefits exceed the limitations set by IRC Section 415(b). The law is retroactive to July 1, 2000.

2003 Chapter 136 of the Laws of 2003 permitted certain Tier II members who are reemployed after retirement for other than disability and who received at least two years of service credit to be eligible for a recalculation of their retirement allowance.

Chapter 661 of the Laws of 2003 permitted members to change their option up to thirty days after the initial date of payability of their retirement allowance (for disability, up to the later of thirty days after approval of the disability retirement or the date of such retirement).

2002 Chapter 69 of the Laws of 2002 authorized an Early Retirement Incentive ("ERI") for certain members in eligible titles.

Chapter 106 of the Laws of 2002 expanded and reopened provisions for certain substitute teacher tier reinstatements.

Chapter 215 of the Laws of 2002 increased Tier IV Accidental Disability Retirement to 2/3 of Final Average Salary.

Chapter 278 of the Laws of 2002 revised the phase-in schedule of Chapter 125 of the Laws of 2000 for Fiscal Years 2003 and later.

Chapter 381 of the Laws of 2002 extended Chapter 558 of the Laws of 2001 provisions to age 55 increased service fraction members.

2001 Chapter 470 of the Laws of 2001 allowed members who received service credit for seniority and length of service purposes while on layoff due to the New York City fiscal crisis of the 1970's to also receive credit for such service for all pension purposes.

Chapter 532 of the Laws of 2001 allowed Tier I members to purchase up to 15 years of service that would have been creditable in another New York State Public Retirement System.

Chapter 558 of the Laws of 2001 allowed certain members on deferred retirement under the Career Pension Plan of the New York City Employees' Retirement System ("NYCERS") or the New York City Board of Education Retirement System ("BERS") to transfer membership into TRS. If such member has started receiving a pension, such pension must be returned without interest to NYCERS or BERS.

2000 Chapter 85 of the Laws of 2000 amended the Administrative Code of the City of New York to implement changes in actuarial assumptions and methods that require legislation.

Chapter 86 of the Laws of 2000 authorized an ERI for certain members in eligible titles.

Chapter 110 of the Laws of 2000 amended the language of legislation that later became Chapter 126 of the Laws of 2000, which provided for benefit enhancements for certain members of the City of New York retirement systems.

Chapter 125 of the Laws of 2000 provided eligible retirees with automatic annual Cost-of-Living Adjustments.

Chapter 126 of the Laws of 2000 provided for benefit enhancements (*i.e.*, elimination of member contributions for Tier III/IV members with more than 10 years of membership, additional pension credit for Tier I/II members of up to a maximum of 24 months of additional service retirement credit, and allowed Tier III/IV members to retire at age 55 with reduced benefits under the same formula as used for Tier II members) for certain members of the City of New York retirement systems.

Chapter 548 of the Laws of 2000 permitted certain members to purchase up to 3 years of credit for certain U.S. Military Service by paying 3% of imputed salary.

Chapter 552 of the Laws of 2000 permitted Tiers II/III/IV members with at least 2 years of credited service to receive credit for certain previous service in a New York State Public Retirement System ("NYSPRS").

Chapter 553 of the Laws of 2000 lowered the reduction factors for Tier IV members who retire before age 62 with less than 30 years of service.

Chapter 554 of the Laws of 2000 provided that Tiers II/III/IV members who joined prior to January 1, 2001 and who elected Death Benefit 1 will receive the greater of Death Benefit 1 or Death Benefit 2 coverage. New members on and after January 1, 2001 will only receive coverage under Death Benefit 2.

1999 Chapter 70 of the Laws of 1999 authorized an Early Retirement Incentive for certain members in eligible titles.

Chapter 409 of the Laws of 1999 amended Chapter 616 of the Laws of 1998 to include the death gamble benefit of Tier I.

Chapter 575 of the Laws of 1999 re-opened Chapter 666 of the Laws of 1990, which allows a retroactive transfer of pension credit under certain circumstances.

Chapter 581 of the Laws of 1999 allowed Tier II members to receive service credit while under a leave of absence for union activities.

Chapter 628 of the Laws of 1999 provided Tier I and Tier II members the opportunity to switch their retirement plans.

Chapter 646 of the Laws of 1999 provided active and future members the right to reinstate earlier membership by repaying prior member contributions with 5% interest.

Chapter 659 of the Laws of 1999 reduced the amount of service credit needed for Tier III/IV vested members to receive benefits at age 55 to 5 years.

1998 Chapter 7 (as amended by Chapter 47) of the Laws of 1998 authorized a retirement incentive for certain members in eligible titles.

Chapter 266 of the Laws of 1998 reduced the service required for Tier IV normal retirement benefits from 25 years to 20 years and permitted certain Tier III retirees to receive Tier IV benefits.

Chapter 366 of the Laws of 1998 increased the period of absence before loss of membership from 5 years to 7 years, provided member contributions are not withdrawn.

Chapter 388 of the Laws of 1998 provided a pre-retirement death benefit for certain vested members of the Plan.

Chapter 389 of the Laws of 1998 allowed members of the Plan to become vested after five years of service.

Chapter 390 of the Laws of 1998 ("Chapter 390/98") provided additional benefits for cost-of-living increases for certain retirees of the Plan. An initial increase for members who retired on or before Calendar Year 1992 is effective as of September 1998 as enacted by the City Council on August 27, 1998. A subsequent increase for members who retired on or before Calendar Year 1993 is effective as of September 1999 as enacted by the City Council on August 27, 1998.

Chapter 616 of the Laws of 1998 allowed Plan members who are terminally ill and eligible for disability retirement to elect advance payment of ordinary death benefit.

1997 Chapter 41 of the Laws of 1997 authorized a retirement incentive for certain persons in eligible titles who are public employees and who are members of the Plan.

Chapter 601 of the Laws of 1997 amended the Administrative Code of the City of New York and the Retirement and Social Security Law ("RSSL") to bring the Plan into compliance with the requirement of the Federal Older Workers' Benefit Protection Act of 1990 ("OWBPA").

1996 Chapter 30 of the Laws of 1996 established an ERI for certain members and was enacted by a Board Resolution.

Chapter 249 of the Laws of 1996 amended the schedules of payments toward the Unfunded Actuarial Accrued Liability ("UAAL") and Balance Sheet Liability ("BSL") to provide that the UAAL and BSL as of June 30, 1995 be amortized over a period of 15 years beginning Fiscal Year 1996, where the amount of each annual payment after the first is to equal 103% of the preceding annual payment.

Chapter 592 of the Laws of 1996 permitted excess earnings of the annuity fund to reduce employer contribution to the Plan.

Chapter 593 of the Laws of 1996 permitted corpus funding of administrative expenses after July 1, 1996.

Chapter 712 of the Laws of 1996 permitted the increase in investment of Plan assets in equities to 70%.

1995 Chapter 12 of the Laws of 1995 established an ERI for certain CUNY employees and was enacted by a resolution of CUNY's Board.

Chapter 74 of the Laws of 1995 amended Chapter 12 to offer the ERI to certain Board of Education employees.

Chapter 119 of the Laws of 1995 amended the General Municipal Law and the Administrative Code of the City of New York and provides for Supplemental Retirement Allowances for certain retirees.

Chapter 642 of the Laws of 1995 amended the Administrative Code of the City of New York in relation to the rate of regular interest used in calculating contributions to TRS, as well as to the crediting of special and additional interest to members and the allowance of supplementary interest on TRS funds.

1994 Chapter 633 of the Laws of 1994 amended the schedules of payments toward the UAAL and BSL to provide that the UAAL and BSL of June 30, 1993 be amortized over a period of 17 years beginning Fiscal Year 1994, where the amount of each annual payment after the first is to equal 103% of the preceding annual payment.

Chapter 675 of the Laws of 1994 amended the RSSL in relation to the maximum amount of compensation that may be used in the determination of pension benefits. The annual compensation of each employee taken into account under the plan for any year may not exceed $150,000 for plan years beginning after June 30, 1996. This figure is subject to cost-of-living adjustment. The State legislation grandfathers those who become members prior to July 1, 1996. This new law brings the New York City Retirement Systems into compliance with certain portions of the Tax Reform Act of 1986 and Internal Revenue Service regulations issued thereunder.

1992 Chapter 221 of the Laws of 1992 amended the Administrative Code of the City of New York, in relation to treatment of surplus, deficits and investment earnings of TRS' Tax-Deferred Annuity ("TDA") Program.

Chapter 494 of the Laws of 1992 provided an ERI for certain City University professional staff members of TRS.

1991 Chapter 178 of the Laws of 1991 became law on June 17, 1991. This law provided for a ERI for eligible employees of the Board of Education; this incentive granted up to three years of retirement credit.

Chapter 607 of the Laws of 1991 amended the funding provisions effective June 30, 1990. This law provided that the Consolidated UAAL and BSL as of June 30, 1990 be amortized over 20 years with non-level payments for the first five years. The schedule of payments for the combined UAAL and BSL components for the first five years is to be comparable in pattern to the schedule of payments that was in effect under the amortization schedules immediately prior to the change in funding provisions. The balance of the combined UAAL and BSL components at the end of five years is to be amortized using level payments over the remaining 15 years. The BSL component is to be amortized using level payments over 20 years from June 30, 1990.

1990 Chapter 210 became a law on June 6, 1990. This law provided for a ERI for eligible employees of CUNY, effective September 1, 1991.

Chapter 357 became a law on July 12, 1990. This law amended Chapter 835 of the Laws of 1987 in relation to medical review as provided by §13-522.1 of the Administrative Code of the City of New York. These provisions, which had been scheduled to expire on June 30, 1989, were made permanent.

Chapter 483 became a law on July 18, 1990. This law amended Chapter 296 of the Laws of 1984 by extending the elimination of mandatory retirement to tenured employees of CUNY.

Chapter 666 became a law on July 22, 1990. This law amended §13-503 of the Administrative Code of the City of New York in relation to the availability of additional pension benefits to certain retirees of other New York City retirement systems as the result of their joining TRS for an extended second public employment.

Chapter 878 became a law on July 25, 1990. This law amended the Administrative Code of the City of New York in relation to the rate and method of payment of regular interest, special interest, additional interest and supplementary interest to be credited by TRS.

Chapter 919 became a law on July 30, 1990, with an effective date of July 1, 1991. This law amended §§517 and 613 of the RSSL by permitting Tier III/IV members to borrow up to 75% of their accumulated contributions.

Chapter 948 of the Laws of 1990 became law on December 26, 1990. This law amended the funding provisions of the Retirement System effective June 30, 1990. The funding provisions were amended in relation to the interest rates used in the actuarial valuation of liabilities and amortization payments, for the purpose of calculating employer contributions. This law provided that an actuarial interest rate assumption of 9% per annum for TRS (4% per annum for benefits payable under the variable annuity programs) would be in effect for that purpose with respect to employer contributions due for Fiscal Years 1991-1995. However, this law was superseded by Chapter 607 of the Laws of 1991 before it was scheduled to take effect on June 30, 1990.

1989 Chapter 580 of the Laws of 1989 amended the funding provisions of the New York City Retirement Systems effective June 30, 1988 in relation to eliminating the deferred charge account.

Chapter 581 of the Laws of 1989 amended the funding provisions of the New York City Retirement Systems effective June 30, 1988 in relation to the interest rate used in the actuarial valuation of liabilities for the purpose of calculating employer contributions. The law provided that an 8.25% interest rate will be in effect for that purpose with respect to employer contributions due for Fiscal Years 1989 and 1990.

1988 Chapter 8 became a law on February 29, 1988. This law superseded many provisions of §13-680 of the Administrative Code of the City of New York in relation to the payment of supplemental retirement allowances to certain retirees.

Chapter 182 became a law in June 1988. This law amended §13-582 of the Administrative Code of the City of New York in relation to permitting deferral of the distribution of a member's TDA account to the latest date allowable by the Internal Revenue Code.

Chapter 273 became a law on July 19, 1988. This law amended §§13-568, 571, 581, and 582 of the Administrative Code of the City of New York in relation to the extent and frequency of participation in elections made by members and beneficiaries with respect to the Variable Annuity and TDA Programs.

Chapter 454 became a law on August 1, 1988, effective immediately, providing for the payment of monthly supplemental retirement allowances to certain spouses of deceased members or retirees. Generally, spouses of deceased members or retirees who are designated annuitants (*i.e.*, beneficiaries covered under Option I or Option IV-b, who, upon the death of the members or retirees, elect a monthly form of payment of the death benefit, rather than a lump sum) will be eligible to collect an extra $50 per month as supplemental retirement allowance, provided the member or retiree died prior to January 1, 1980. However, any spouse who may become eligible to receive, or who is already receiving, a supplemental retirement allowance is not eligible for this benefit. Payments to an eligible spouse will be effective on the later of either [a] the month following the one in which the member's or retiree's death occurred, or [b] July 1, 1983.

Chapter 522 became a law on August 2, 1988. This law amended the RSSL in relation to TRS membership. Generally, any Tier III/IV member who was employed by the Board of Education as a regular substitute for at least one term during one of the three school years immediately prior to July 27, 1976 would have the same rights and privileges as a Tier II member, provided (s)he filed the appropriate application prior to July 1, 1989.

Chapter 523 became a law on August 2, 1988. This law amended the RSSL in relation to TRS membership. Generally, any Tier II member who was employed by the Board of Education as a regular substitute for at least one term during one of the three school years immediately prior to July 1, 1973 would have the same rights and privileges as a Tier I member, provided (s)he filed the appropriate application prior to July 1, 1989.

Chapter 548 became a law on August 11, 1988. This law provided that pension service credit be granted to Tier III/IV members on leave of absence without pay for the purpose of conducting labor relations activity.

Chapter 768 became a law on December 26, 1988 to become effective January 1, 1990. This law amended the RSSL to include a new Article 15-A (§620) which provides that all TRS members and those who join TRS after this date will receive benefits payable subject to certain limitations of §415 of the Internal Revenue Code. The benefits payable will be subject to the greater of either [a] the limitations of §415 of the Internal Revenue Code, or [b] the accrued benefit of the member without regard to any benefit increases in accordance with plan amendments adopted after October 14, 1987.

Chapter 773 became a law on December 29, 1988. This law amended §13-521 of the Administrative Code of the City of New York in relation to providing certain benefits involving supplemental annuity contributions on behalf of certain Tier III/IV members.

Chapter 782 became a law on December 29, 1988. This law amended §§517 and 613 of the RSSL in relation to the treatment of Tier III/IV member contributions for income tax purposes under the provisions of the Internal Revenue Code.

Chapter 783 became a law on December 29, 1988. This law made certain technical changes to Chapter 782 of the Laws of 1988.

1986 Chapter 617 of the Laws of 1986 amended the RSSL by repealing the Article 14 and the Article 15 Ordinary Death Benefits provisions and replacing them with provisions nearly identical to the Death Benefits applicable to Article 11 TRS members.

Chapter 630 of the Laws of 1986, which amended §B20-37.0 and §13-540 of the Administrative Code of the City of New York, increased the insurance for loans taken by TRS members from $2,000 to $10,000, effective July 1, 1986.

Chapter 683 of the Laws of 1986 amends §4402-§4406, §4408, §3030, §3202, §3602 and §3635 of the Education Law and §236 of the Family Court Act to provide additional educational opportunity in the months of July and August in and after Fiscal Year 1988 for severely handicapped children. In addition, this law established the "Additional Employer Specific Skills Training Grant Program" to conduct summer employer-specific skill training in coordination with participating employers. Also, the bill covers allocations of costs and educational services required of youths incarcerated in a correctional facility.

Chapter 793 of the Laws of 1986 amended §6214 of the Education Law and §13-630 of the Administrative Code of the City of New York in relation to the new members of the instructional staff at community colleges within the City University of New York, who will be eligible to become TRS members. In addition, present members of the New York City Employees' Retirement System who are employed on the instructional staff at community colleges within the City University of New York will have the right, until June 30, 1987, to transfer to TRS.

1985 Chapter 910 of the Laws of 1985 made it possible for TRS to use modernized actuarial tables in computing pension benefits. The Teachers' Retirement Board approved a resolution adopting new mortality tables for the purpose of determining certain benefits. The implementation of such a resolution was contingent upon the enactment of legislation increasing regular interest from 4% to 7%. Chapter 910 was signed into law on August 19, 1985.

Chapter 911 of the Laws of 1985 authorized TRS to continue to assume an 8.0% rate of return on investments. The Teachers' Retirement Board approved a resolution adopting new actuarial assumptions for the purpose of determining employer contributions to TRS for Fiscal Year 1986. The implementation of such a resolution was contingent upon the enactment of State legislation which would maintain the assumed rate of return on investments at 8.0%. Chapter 911 of the Laws of 1985 was signed into law on August 19, 1985. As a result, the new actuarial assumptions were utilized to determine pension expenses for Fiscal Year 1986 and thereafter.

1984 Chapter 371 of the Laws of 1984 amended the Administrative Code of the City of New York in relation to the payment of supplemental retirement allowances to spouses of certain deceased retirees.

Chapter 658 of the Laws of 1984 amended §D49-40.0 of the Administrative Code of the City of New York, increasing the amount of Supplemental Retirement Allowance (SRA) payable to every eligible retiree from 3% of the retiree's maximum fixed retirement allowance (*i.e.*, the "base amount") for post-1971 retirees to 42% for pre-1959 retirees. In addition, the retirement allowance ceiling on which SRA is based was raised from $8,000 to $10,500. These benefit increases began in September 1986, and the increase in percentages occurred over a two-year period.

1983 Chapter 414 of the Laws of 1983 amended the RSSL by adding a new article—Article 15. This Law established a new state-wide pension plan, the Coordinated Retirement Plan, effective September 1, 1983, covering most employees joining on or after July 27, 1976. This Plan, which sets a normal retirement age of 62 and mandates 3% contributions by members, superseded the Plan (CO-ESC) enacted as Chapter 890 of the Laws of 1976. However, members who joined from July 27, 1976 through August 31, 1983 may elect to receive a benefit from CO-ESC or the Coordinated Plan, whichever provides greater benefits.

1982 Chapter 914 of the Laws of 1982 amended the Administrative Code of the City of New York in relation to employer contributions, the actuarial valuation, the determination and appraisal of the liabilities, the disposition of TRS' investment earnings, the crediting of special interest and additional interest to members, and the allowance of supplementary interest on TRS' funds. It further provided for the determining of obligations of the State, the City University of New York, and TRS in relation to certain employer contributions payable to TRS on account of employees of the senior colleges of the City University of New York.

1981 Chapter 422 of the Laws of 1981 provided new or additional supplemental pensions for certain pensioners and made the funding of these benefits the obligation of TRS.

1977 Chapter 976 of the Laws of 1977 amended TRS' funding provisions, effective July 1, 1977.

1973 Chapter 1046 of the Laws of 1973 established Article 11 of the RSSL, which imposed certain limitations on the benefits available to members joining TRS after June 30, 1973 and created Plans C and D, which are modifications of Plans A and B.

1970 Legislation in 1970 substantially revised TRS provisions. Chapter 274 established two new retirement plans effective July 1, 1970. Members who joined TRS on or after the effective date were required to choose either [1] The Twenty-Year Pension Plan (Plan A), or [2] The Age-55-Increased-Benefits Pension Plan (Plan B).

A member who joined TRS prior to the effective date could continue under his/her existing plan, or could elect one of these new plans, providing such election was made before the member had rendered two years of service after June 30, 1970.

Chapter 581 of the Laws of 1970 made it possible for the Teachers' Retirement Board to adopt Rules and Regulations establishing a Group Term Life Insurance Plan. In accordance with these Rules and Regulations, the first $50,000 of benefits on account of each death in active service will be payable from the funds of the Group Term Life Insurance Plan rather than from those of TRS. With respect to the Group Term Life Insurance Plan, the Teachers' Retirement Board adopted premium rates computed to be necessary to fund the benefits payable.

SUMMARY OF PLAN PROVISIONS

This section summarizes TRS' principal benefit provisions. The benefits available under the Coordinated Retirement Plan are provided by Article 15 of the RSSL. The benefits available under the Twenty-Year Pension Plan and Age-55-Increased-Benefits Pension Plan are provided by Chapter 274 of the Laws of 1970 as well as the restrictions prescribed by Article 11 of the Retirement and Social Security Law.

This Summary of Plan Provisions is applicable to Plan members included in the June 30, 2008 (Lag) actuarial valuation and include the provisions of Chapter 504/09.

COORDINATED RETIREMENT PLAN

A member whose date of membership is July 27, 1976 or later belongs to the Coordinated Retirement Plan.

SERVICE RETIREMENTS

Normal Service Retirement

Eligibility: A member is eligible to retire at age 62 with immediate payability after 5 or more years of service, subsequent to the date of membership.

After February 27, 2008, new members are eligible to retire at age 55 and later with immediate payability and without reduction after 27 years of service and are required to pay an additional 1.85% of future pay.

Current members as of February 27, 2008 were provided a one hundred eighty day period during which they were allowed to join a plan that permitted them to retire at age 55 and later with immediate payability and without reduction after 25 years of service, provided they pay an additional 1.85% of future pay.

Note: In the Coordinated Retirement Plan, Final Average Salary ("FAS") is the average salary earned during any three consecutive years providing the highest average salary. However, if salary earned during any year included in the three-year period exceed that of the average of the previous two years by more than 10%, the amount in excess of 10% will be excluded from the computation of FAS. Salary is defined as the regular compensation earned by, and paid to, a member.

Benefits:

{1} For a member with fewer than 20 years of service, the benefit is 1/60 times FAS (see note above) multiplied by years of service.

{2} For a member with at least 20 but fewer than 30 years of service, the benefit is 1/50 times FAS multiplied by years of service.

{3} For a member with 30 or more years of service, the benefit is 1/50 times FAS for each of the first 30 years of service plus 3/200 times FAS for each additional year.

Early Service Retirement

Eligibility: A member is eligible to retire at age 55 or later with immediate payability, after 5 or more years of service, subsequent to the date of membership.

Benefits: The pension is calculated similarly to the pension of a Normal Service Retirement, but it is reduced as follows:

{1} For a member who retires prior to age 62 with less than 30 years of service, his/her pension for service is reduced by 0.5% for each of the first 24 months that the payability date precedes age 62, and by 0.25% for each additional month.

After February 27, 2008, new members are eligible to retire at age 55 and later without reduction after 27 years of service and are required to pay an additional 1.85% of future pay.

Current members as of February 27, 2008 were provided a one hundred eighty day period during which they were allowed to join a plan that permitted them to retire at age 55 and later without reduction after 25 years of service, provided they pay an additional 1.85% of future pay.

{2} A member with 30 or more years of service receives no reduction in benefits because of early retirement.

Deferred Vested Benefit

Eligibility: A member who has 5 or more years of credited service upon termination of employment (ten years if represented by the UFT and hired after December 10, 2009), is entitled to a deferred vested benefit payable at age 55 or later. A member who elects payability before age 62 will receive a reduced benefit.

Benefits: The benefit formulas are the same as those set forth under a Normal Service Retirement and an Early Service Retirement. Should a member who elected to receive a vested deferred retirement allowance die before the attainment of payability age and had at least 10 years of service, the death benefit is 1/2 of the Ordinary Death Benefit in force on the last day of active service.

DISABILITY RETIREMENTS

Eligibility: A member is eligible for Ordinary Disability Retirement benefits if (s)he has completed 10 or more years of service and is incapacitated for performance of gainful employment. If the disability is judged to be the result of an accident in the performance of duty, the 10-year requirement is waived.

Benefits: The benefit is the greater of: (a) ⅓ of FAS (⅔ of FAS for a member if the disability is judged to be the result of an accident in the performance of duty); or (b) 1/60 times FAS multiplied by the credited service.

ORDINARY DEATH BENEFITS

Benefits: Upon joining TRS, a member must elect one of the following death benefits:

Death Benefit 1:

This benefit provides one month's salary for each year of service up to a maximum of three years' salary. If the member would have been eligible to receive an unreduced retirement allowance at the time of his/her death, the benefit is a lump sum that is actuarially equivalent to the retirement allowance which would have been payable had the member retired on the day before his/her death, if greater.

Death Benefit 2:

This benefit provides one year's salary for each year of service up to a maximum of three years' salary after three years of service. The benefits reduce after age 60 at the rate of 5% per year, to a maximum reduction of 50% of the benefit in effect at age 60.

A benefit is also payable upon death after retirement and is expressed as follows:

* If death occurs in the first year after retirement, 50% of the benefit in force immediately before retirement.

* If death occurs in the second year following retirement, 25% of the benefit in force immediately before retirement.

* If death occurs subsequently, 10% of the benefit in force at age 60 or immediately before retirement if retirement was earlier than age 60.

If retirement occurs after age 60, the minimum death benefit payable after retirement is 10% of the death benefit in force at age 60.

The Rules and Regulations adopted by the Teachers' Retirement Board in accordance with Chapter 581 of the Laws of 1970 provide that the first $50,000 of each benefit on account of death in active service is payable from the Group Term Life Insurance Plan. Only the amount in excess of $50,000, if any, is payable by TRS.

Members who joined TRS on or after July 27, 1976 and before September 1, 1983 are entitled to the following RSSL Article 14 Death Benefits, if greater (by ruling of the Court of Appeals in Public Employees' Federation v. Cuomo, dated June 29, 1984).

The Death Benefits under RSSL Article 14 are as Follows:

If Death Occurs Before Age 60 and Service is:			Maximum Benefits Effective	
At Least	**But Not More Than**	**Lump Sum Benefit**	**4/01/09 – 3/31/10**	**4/01/10 – 3/31/11**
1 Year	2 Years	One x Final Rate of Pay, But Not in Excess of:	$ 45,600	$ 46,800
2 Years	3 Years	Two x Final Rate of Pay, But Not in Excess of:	$ 91,100	$ 93,600
3 Years	Or More	Three x Final Rate of Pay, But Not in Excess of:	$113,900	$117,000

If death occurs at age 60, the benefits determined shall be reduced by 5%. If death occurs after age 60, there is an additional 5% reduction for each year that death occurs thereafter to a maximum of a 50% reduction.

The maximum lump-sum death benefit is subject to increase each April 1st at a maximum rate of 3% per annum based on the Consumer Price Index as of the previous December 31st.

Beneficiaries: The latest named beneficiary, duly designated on a TRS Form filed with TRS, will receive the death benefits. If none is designated, the benefits will be paid to the member's estate.

ACCIDENTAL DEATH BENEFITS

Eligibility: A beneficiary is entitled to the benefit if the member died before the effective date of retirement as a natural and proximate result of an accident sustained in the performance of duty, and if the accident was not caused by the member's willful negligence.

Benefits: The beneficiary receives a pension equal to 50% of the wages the member earned during the last year of actual service, but the application must be filed within 60 days of the member's death.

Other Provisions:

{1} If the eligible beneficiary becomes ineligible to continue to receive the benefits, the pension shall be continued for all other members of the next eligible class of beneficiaries, and if none, to each successive class.

{2} If the benefits paid do not exceed the amount of the ordinary lump-sum death benefit because of the absence of eligible beneficiaries, the difference is to be paid to the last eligible beneficiary, or if none, to the member's estate.

Beneficiaries: Beneficiaries are prescribed in the following order:

{1} A surviving spouse who has not renounced survivorship rights in a separation agreement, or has not remarried;

{2} Surviving children until age 25;

{3} Dependent parents whose eligibility shall be determined in accordance with regulations promulgated by the Teachers' Retirement Board;

{4} Any other person who qualifies as a dependent on the final income tax return the member filed in the year preceding his/her year of death, until such person reaches 21 years of age.

THE TWENTY-YEAR PENSION PLAN AND AGE-55-INCREASED-BENEFITS PENSION PLAN

A member who elects the Twenty-Year Pension Plan may cancel such election at any time, in which case (s)he will become eligible for the benefits provided by the Age-55-Increased-Benefits Pension Plan and vice versa.

See the end of this section for Definitions of terms used in these plan descriptions.

SERVICE RETIREMENT

Twenty-Year Pension Plan

Eligibility:

{1} A member who joined TRS prior to July 1, 1973 and who elects the Twenty-Year Pension Plan is eligible to retire after having completed 20 years of service, with benefits to begin on the payability date. Regardless of the number of years of service, such a member who has elected the Twenty-Year Pension Plan and who is at least 55 years of age may retire with benefits payable immediately by canceling his/her election of the Twenty-Year Pension Plan, thereby becoming eligible for the benefits under the Age-55-Increased-Benefits Pension Plan.

{2} A member who joined TRS after June 30, 1973 must also have rendered five years of continuous service immediately prior to retiring and must have attained age 55.

Benefits: The service retirement allowance for a member who joined prior to July 1, 1973, is the sum of the following:

{1} 50% of the average salary, reduced by an annuity which is the actuarial equivalent of the minimum accumulation;

{2} an annuity which is the actuarial equivalent of the accumulated deductions; and

{3} for service in excess of 20 years, (a) a pension for Increased-Take-Home Pay which is the actuarial equivalent of the Reserve for Increased-Take-Home Pay credited in such years, and (b) 1.2% of the average salary for each such year prior to July 1, 1970 and 1.7% of the average salary for each such year beginning on that date.

If a member who joined TRS after June 30, 1973 retires prior to age 62 with less than 30 years of service, his/her pension for service is reduced by 0.5% for each of the first 24 months that the payability date precedes age 62, and by 0.25% for each additional month.

Current members as of February 27, 2008 were provided a one hundred and eighty day period during which they were allowed to join a plan that permitted them to retire at age 55 and later with immediate payability and without reduction after 25 years of service, provided they pay an additional 1.85% of future pay.

Age-55-Increased-Benefits Pension Plan

Eligibility: {1} A member who joined TRS prior to July 1, 1973 and who either elects the Age-55-Increased-Benefits Pension Plan or who cancels his/her election of the Twenty-Year Pension Plan may retire after having attained age 55 with benefits payable immediately upon retirement.

{2} A member who joined TRS after June 30, 1973 must also have rendered five years of continuous service immediately prior to retiring and must have attained age 55.

Benefits: The service retirement allowance consists of a pension for service, a pension for Increased-Take-Home Pay, and an annuity.

The pension for service is equal to 1.2% of the average salary multiplied by years of service prior to July 1, 1970, plus 1.53% of the average salary multiplied by years of service after June 30, 1970. The pension for Increased-Take-Home Pay is the actuarial equivalent of the Reserve for Increased-Take-Home Pay, and the annuity is the actuarial equivalent of the member's accumulated deductions.

If a member who joined TRS after June 30, 1973 retires prior to age 62 with less than 30 years of service, his/her pension for service is reduced by 0.5% for each of the first 24 months that the payability date precedes age 62, and by 0.25% for each additional month.

Current members as of February 27, 2008 were provided a one hundred eighty day period during which they were allowed to join a plan that permitted them to retire at age 55 and later with immediate payability and without reduction after 25 years of service, provided they pay an additional 1.85% of future pay.

ORDINARY DISABILITY RETIREMENT

Eligibility: Regardless of the Plan elected, a member who has completed 10 or more years of City service preceding the occurrence of disability, for causes other than an accident in the actual performance of duty, is entitled to an ordinary disability retirement allowance.

Benefits: If, at the time of becoming disabled, the member could have retired for service with benefits payable immediately, the ordinary disability allowance will be the same as the service retirement allowance without reduction on account of age. For all other members, the ordinary disability allowance is computed in the same manner as though the member had been eligible for service retirement under the Age-55-Increased-Benefits Pension Plan with benefits payable immediately, but never less than the allowance that would have been payable under the provisions in effect prior to July 1, 1970.

ACCIDENT DISABILITY RETIREMENT

Eligibility: A member is entitled to an accident disability retirement allowance upon the occurrence of a disability caused by an accident in the actual performance of duty.

Benefits: The retirement allowance will consist of a pension equal to three-fourths of the average salary in the last five years, plus a pension which is the actuarial equivalent of the Reserve for Increased-Take-Home-Pay, and an annuity purchased with the member's accumulated deductions. The pensions are subject to reduction for Workers' Compensation benefits granted on account of the accident.

VESTED DEFERRED RETIREMENT ALLOWANCE

Eligibility: A member who either resigns or is dismissed from service would receive a benefit equal to his/her accumulated deductions. However, a member who is eligible for benefits under the Age-55-Increased-Benefits Pension Plan and who has at least 5 years of service immediately preceding resignation may instead elect to receive a deferred vested allowance.

Benefits: This allowance is computed in the same manner as the retirement allowance for service retirement under the Age-55-Increased-Benefits Pension Plan, except that the allowance is deferred to age 55. Should a member who elected to receive a vested deferred retirement allowance and who had 10 years of service die before the attainment of age 55, the death benefit is 1/2 of the Ordinary Death Benefit in force on the last day of service.

ORDINARY DEATH BENEFITS

Benefits: Upon the death of a member in active service, a benefit is paid to his/her estate or to such person(s) as (s)he shall have nominated.

Members who joined TRS before July 1, 1973

* If a member completed less than 10 years of City Service, the benefit is equal to the compensation earnable by the member in the six months immediately preceding death.

* If the total number of years of City Service is greater than 10, but less than 20, the benefit is equal to the compensation earnable by the member during the 12 months immediately preceding death.

* If the total number of years of City Service exceeds 20, the benefit is equal to twice the compensation earnable by the member during the 12 months immediately preceding death.

* In addition, the member's accumulated deductions and the Reserve for Increased-Take-Home-Pay are paid to the member's estate or to the designated beneficiary.

The benefits payable on account of such a member who, at the time of his/her death, would have been eligible for service retirement is either the benefit described above or a lump sum that is actuarially equivalent to the retirement allowance which would have been payable had the member retired on the day before his/her death, whichever is larger.

Members who joined TRS between July 1, 1973 and July 27, 1976 must choose between the two following death benefits so that, upon the member's death, benefits are paid pursuant to the member's election:

Death Benefit 1: This benefit provides one month's salary for each year of service, up to a maximum of three years' salary. In addition, the member's accumulated deductions are payable. If the member would have been eligible to receive an unreduced retirement allowance at the time of his/her death, the benefit is a lump sum that is actuarially equivalent to the retirement allowance which would have been payable had the member retired on the day before his/her death, if greater.

Death Benefit 2: In addition to a refund of the member's accumulated deductions, this benefit provides one year's salary for each year of service up to a maximum of three years' salary after three years of service. The benefit reduces after age 60 at the rate of 5% per year, to a maximum reduction of 50% of the benefits in effect at age 60.

A benefit is also payable upon death after retirement and is expressed as follows:

* If death occurs in the first year after retirement, 50% of the benefit in force immediately before retirement.

* If death occurs in the second year following retirement, 25% of the benefit in force immediately before retirement.

* If death occurs subsequently, 10% of the benefit in force at age 60 or immediately before retirement if retirement was earlier than age 60.

If retirement occurs after age 60, the minimum death benefit payable after retirement is 10% of the death benefit in force at age 60.

The Rules and Regulations adopted by the Teachers' Retirement Board in accordance with Chapter 581 of the Laws of 1970 provide that the first $50,000 of each benefit on account of death in active service is payable from the Group Term Life Insurance Plan. Only the amount in excess of $50,000, if any, is payable by TRS.

ACCIDENTAL DEATH BENEFITS

Eligibility: A member is entitled to accidental death benefits upon the occurrence of death caused by an accident in the actual performance of duty and not the result of willful negligence.

Benefits: The accidental death benefits are (a) a lump-sum equal to the Reserve for Increased-Take-Home-Pay and (b) a pension equal to one-half of the average salary in the last five years payable annually to the widow until remarriage or death, or if there is no widow, to a child or children until the attainment of age 18 of the youngest child, or if there is no widow, or child, to the dependent parents, and (c) a lump-sum equal to the member's accumulated deductions and Reserve for Increased-Take-Home-Pay payable to the member's estate or to the designated beneficiary. Alternatively, if the member joined TRS prior to July 1, 1973, the beneficiary may elect to receive a lump sum that is actuarially equivalent to the retirement allowance which would have been payable if the member had retired on the day before the member's death, provided that the death occurred after the member became eligible to retire for service. The pension is subject to reduction because of Workers' Compensation benefits granted on account of the accidental death.

AUTOMATIC ANNUAL COST-OF-LIVING ADJUSTMENTS ("COLA")

Eligibility: COLA are payable to members who are either at (1) least age 62 and have been retired for at least 5 years or (2) at least age 55 and have been retired for at least 10 years. Additionally, COLA are payable to members who retired for disability after being retired for 5 or more years and beneficiaries receiving accidental death benefits who have been receiving them for at least 5 years.

Benefits: Starting with benefits for September 2001, the annual increase for COLA is equal to 50% of the increase in the CPI-U based on the year ending March 31, rounded to the next higher .1%, not less than 1% nor greater than 3% of the first $18,000 of the sum of maximum retirement allowance and prior COLA.

COLA are payable during the life of the retired member. One half of the amount is also payable after the member's death and during the life of the spouse beneficiary if such retired member had elected one of the options under the Administrative Code which provides that benefits are to be continued for the life of such spouse after the death of the retired member, and where the death of such retired member occurred or occurs more than thirty days after the effective date of the retirement of such member.

DEFINITIONS

Accumulated Deductions—The total contributions the member made to his/her Annuity Savings Account, with regular and special interest thereon.

Average Salary—{1} For a member who joined prior to July 1, 1973, salary earnable in the last year of the most recent three-year period during which (s)he held no more than one position, or the average annual salary earnable in any five consecutive years designated by the member. {2} For a member who joined after June 30, 1973, the average salary earned during any three consecutive years which provides the highest average salary. However, if the salary earned during any year included in this three-year period exceeds the average of the previous two years by more than 20%, the amount in excess of 20% is excluded from the computation.

City Service—All service as an employee of the City.

Minimum Accumulation—The difference between: {1} the amount of required contributions during the member's first 20 years of City Service accumulated with interest to the member's payability date, and {2} the amount of the Reserve for Increased-Take-Home-Pay on the date such period of 20 years is completed.

New Entrant—With minor exceptions, a teacher appointed to the public schools after August 1, 1917.

Payability Date—For members who elected the Twenty-Year Pension Plan, the date on which the Service Retirement allowance begins, which is the latest of {1} the date when the member retires, or {2} the date when (s)he attains age 55, or {3} the date when the member could have completed 25 years of City Service had (s)he remained active. For all other members, the retirement allowance begins on the date of retirement.

Present Teacher—A teacher in the public schools on August 1, 1917 and certain other specified school and college members.

Prior Service—All City Service and all teaching and supervisory service in schools maintained by the City prior to September 16, 1917, for the present teachers and, in the case of a New Entrant, prior to the date of appointment.

Reserve For Increased-Take-Home-Pay—A reserve of 2.5%, 5%, or 8% of the member's salary pursuant to the provisions of §13-546 of the Administrative Code of the City of New York, accumulated with regular and additional interest.

OPTIONS ON RETIREMENT OR DEATH

A member, upon retirement, may receive his/her basic retirement allowance in monthly installments throughout life with all payments ending at death, or may elect to receive the actuarial equivalent in the following optional forms.

Members who joined prior to July 27, 1976:

{1} For members who joined prior to July 1, 1973, a cash refund allowance under which reduced payments will be made during life with a provision that, in case of death before such payments have equaled the present value of the retirement allowance at the date of retirement, the balance shall be paid to the designated beneficiary or estate in a lump sum. For members who joined after June 30, 1973, this option is only available with regard to the annuity.

{2} A ten-year or five-year certain and life allowance under which reduced payments will be made during life with a provision that in case of death within ten or five years of retirement, the balance that would have been payable had the member survived for ten or five years shall continue to be paid to the designated beneficiary or estate.

{3} A joint-and-survivor allowance under which reduced payments will be made during life with a provision that upon the member's death, the same payments or one-half of such payments shall be continued throughout the life of such other person(s) as the member shall have designated.

{4} Such other actuarial equivalent optional forms as may be certified by the Actuary and approved by the Teachers' Retirement Board. By resolution, the Teachers' Retirement Board has approved an option under which reduced payments will be made during life with a provision that, upon the member's death, a sum specified by the member at the time of retirement shall be paid to the designated beneficiary or estate.

Upon a member's death, the beneficiary may elect to receive the actuarial equivalent of the lump-sum otherwise payable in one of the following forms: 1) An annual amount payable for life in monthly installments, all payments ending at death; or 2) A cash refund allowance under which reduced payments will be made during life, with a provision that, in case of death before such payments have equaled the lump-sum payable upon the member's death, the balance shall be paid to the designated beneficiary or estate. This is only available to the beneficiary of a member who joined prior to July 1, 1973.

Members who joined on or after July 27, 1976:

{1} The same five-year or ten-year certain and life allowance as described in #2 above.

{2} A joint-and-survivor allowance under which reduced payments will be made during life with a provision that upon the member's death, 100%, 75%, 50% or 25% of such payments shall be continued throughout the life of such other person(s) as the member shall have designated.

CONTRIBUTIONS

TRS benefits are financed by employee and employer contributions and from earnings on TRS' invested funds.

MEMBER CONTRIBUTIONS

Coordinated Retirement Plan (Article 15):
A member of this Plan is mandated to contribute 3% of annual wages during all the years of coverage. If a member resigns or is otherwise terminated from City Service prior to eligibility for a benefit, all of his/her contributions with 5% interest will be refunded upon request.

Beginning October 1, 2000, Tier 3 and 4 members will not be required to make basic required contributions after the 10^{th} anniversary of their membership date or completion of ten years of City Service, whichever is earlier. New members after February 27, 2008 and members who elected to join the 55/25 plan pay an additional 1.85% of pay for all years of service. New members after December 10, 2009 who are represented by the UFT are required to contribute 4.85% of salary for the first 27 years of service and 1.85% of salary thereafter.

Twenty-Year Pension Plan:
A member of this Plan is required to contribute a percentage of salary which, if paid from the date of entry until the date of completion of 20 years of City Service, would provide at the payability date, an annuity of approximately one-eighth of the member's final salary as of the completion of 20 years of City Service. Tier 2 members who elected to join the 55/25 plan pay an additional 1.85% of pay.

Age-55-Increased-Benefits Pension Plan:
A member of this Plan is required to contribute a percentage of salary, which if paid to the age for service retirement under the law in effect prior to July 1, 1970, would provide an annuity equal to approximately 1% of the average annual compensation during the last five years of service multiplied by years of service. Tier 2 members who elected to join the 55/25 plan pay an additional 1.85% of pay.

Member contributions are accumulated with interest in individually maintained accounts. Except under Article 15, upon retirement, the amount to the member's credit (*i.e.*, Accumulated Deductions) is used to purchase his/her annuity on the basis of the tables adopted by the Teachers' Retirement Board. Upon death in service, the death benefits, including the Accumulated Deductions, are paid to the beneficiary and, on termination of employment other than by death or retirement, the Accumulated Deductions are returned to the member.

Loans: Subject to certain limitations, a member not covered under Article 15 may borrow an amount not exceeding 75% of the member's Accumulated Deductions. Effective July 1, 1991, subject to certain limitations, a member covered under Article 15 may borrow an amount not exceeding 75% of the member's Accumulated Deductions, provided it can be repaid with interest within five years by payroll deductions. Beginning 30 days after the inception of the loan, the amount of the unpaid portion of the loan is insured in full. Should the borrower subject to Article 15 retire before the loan is repaid, the actuarial equivalent of the outstanding loan is deducted from his/her retirement allowance.

ITHP: In general, the retirement and death benefits payable to or on account of members are supplemented by the Reserve For Increased-Take-Home-Pay, accumulated from City contributions at a rate equal to the Increased-Take-Home-Pay factor times salary. In general, the total benefit is equal to the benefit that would have been paid if the members' rates of contributions had not been reduced by the Increased-Take-Home-Pay rate. However, the Reserve For Increased-Take-Home-Pay is not payable upon the death of a member who joined after June 30, 1973.

Beginning July 1, 1960, on a year-to-year basis, the required contributions of members were reduced by an Increased-Take-Home-Pay factor initially equal to 2.5% of salary. The following table shows effective periods and Increased-Take-Home-Pay factors.

PERIOD	INCREASED-TAKE-HOME-PAY FACTOR
Board of Education Employees	
07/01/60 – 06/30/61	2.5%
07/01/61 – 08/31/67	5.0%
09/01/67 – 08/31/68	8.0%
Board of Higher Education Employees	
09/01/67 – 08/31/68	5.0%
Twenty-Year and Age-55-Increased-Benefits Pension Plan Members	
09/01/68 – 06/30/70	8.0%
07/01/70 – 12/31/75	5.0%
01/01/76 and later	2.5%
Article 15 Members	
All	0.0%

EMPLOYER CONTRIBUTIONS

The Frozen Initial Liability Actuarial Cost Method is utilized by the Plan's Actuary to calculate the contributions due from the participating employers.

The Statutory Contributions are accrued by the Plan and are funded by the participating employers on a current basis. The Statutory Contributions amounted to $2,484,073,500 for the Fiscal Year ended June 30, 2010.

In addition to the Statutory Contributions, the employers make payments for the benefit of certain members of the Plan who have attained the maximum grade of their salary schedule, in accordance with amendments to the Administrative Code of the City of New York. Teachers at maximum grade have $400 per annum paid on a monthly basis to their accounts, while $550 per annum is paid on a monthly basis to the accounts of supervisory personnel at maximum grade.

VARIABLE ANNUITY PROGRAMS

Diversified Equity: Beginning January 1, 1968, members were given the option to participate in a variable annuity program now known as the Diversified Equity (Variable A) Fund, thereby providing a means which can reasonably be expected to protect a portion of their retirement income against the effect of increases in the cost of living. The monthly Variable Annuity payment is a fixed number of units, the value of which varies each month to reflect the financial experience of the investments which are almost entirely in common stocks.

On January 1, 1968, the effective date of the Diversified Equity Fund, a unit was assigned an arbitrary value of $10. Each month thereafter, the unit value changed, reflecting the investment experience of the common stock fund during the preceding month. Since January 1, 1968, the value of a unit of the Diversified Equity Fund varied between a high of $76.533 during April 2000 and a low of $5.453 during October 1974. The monthly unit value of the Diversified Equity Fund was $48.310 during July 2010.

Stable-Value: Beginning July 1, 1983, members were given the option to participate in a second variable annuity program, now designated the Stable–Value (Variable B) Fund. The Stable-Value Fund is income-oriented and is intended to be less volatile than the Diversified Equity Fund. The monthly Variable Annuity payment is a fixed number of units, the value of which varies each month to reflect the financial experience of the investments, which may include guaranteed investment contracts with insurance companies, long-term bonds, money market instruments, etc.

On July 1, 1983, the effective date of the Stable-Value Fund, a unit was assigned an arbitrary value of $10. Each month thereafter, the unit value changed, reflecting the investment experience of the changes in market value and income received from the investments in the fund during the preceding month. Since July 1, 1983, the value of a unit of the Stable-Value Fund varied between a high of $19.750 during September 2002 and the low of $10 at inception on July 1, 1983. The monthly unit value of the Stable-Value Fund was $19.293 during July 2010.

International Equity: Beginning July 1, 2008, members were given the option to participate in a third variable annuity program, designated the International Equity (Variable C) Fund. The International Equity Fund is capital growth oriented. The monthly Variable Annuity payment is a fixed number of units, the value of which varies each month to reflect the financial experience of the investments, which invests in non – U.S. equities as compared with the Diversified Equity Fund which invests primarily in U.S. equities.

On July 1, 2008, the effective date of the International Equity Fund, a unit was assigned an arbitrary value of $10. Each month thereafter, the unit value changed, reflecting the investment experience of the changes in market value and income received from the investments in the fund during the preceding month. Since July 1, 2008, the value of a unit of the International Equity Fund varied between a high of $10.000 at its inception on July 2008 and the low of $6.048 during March 2009. The monthly unit value of the International Equity Fund was $7.937 during July 2010.

Inflation Protection: Beginning July 1, 2008, members were given the option to participate in a fourth variable annuity program, designated the Inflation Protection (Variable D) Fund. The Inflation Protection Fund seeks to provide a rate of return that exceeds inflation. The monthly Variable Annuity payment is a fixed number of units, the value of which varies each month to reflect the financial experience of the investments, which may include fixed income investments, bonds, real estate commodities, etc.

On July 1, 2008, the effective date of the Inflation Protection Fund, a unit was assigned an arbitrary value of $10. Each month thereafter, the unit value changed, reflecting the investment experience of the changes in market value and income received from the investments in the fund during the preceding month. Since July 1, 2008, the value of a unit of the Inflation Protection Fund varied between a high of $10.219 during May 2010 and the low of $8.012 during March 2009. The monthly unit value of the Inflation Protection Fund was $10.114 during July 2010.

Socially Responsive Equity: Beginning July 1, 2008, members were given the option to participate in a fifth variable annuity program, designated the Socially Responsive Equity (Variable E) Fund. The Socially Responsive Equity Fund is capital growth oriented while investing in equities from socially responsible companies. The monthly Variable Annuity payment is a fixed number of units, the value of which varies each month to reflect the financial experience of the investments, which is a mutual fund that attempts to avoid investing in companies that do not reflect social priorities.

On July 1, 2008, the effective date of the Socially Responsive Equity Fund, a unit was assigned an arbitrary value of $10. Each month thereafter, the unit value changed, reflecting the investment experience of the changes in market value and income received from the investments in the fund during the preceding month. Since July 1, 2008, the value of a unit of the Socially Responsive Equity Fund varied between a high of $10.000 at its inception on July 1, 2008 and the low of $6.844 during March 2009. The monthly unit value of the Socially Responsive Equity Fund was $8.810 during July 2010.

A member may elect to place part or all of his/her contributions and the City's contributions for Increased-Take-Home-Pay in either variable annuity program. The normal pension for service which is provided by the City will be paid in fixed dollars. Subject to certain prescribed limitations, a member may periodically elect either to participate in the variable annuity programs or to revoke a previous election.

Individual accounts of the members' own contributions are maintained in each variable annuity savings fund. Individual accounts, based on the City's contribution for Increased-Take-Home-Pay, are maintained in the Variable Pension Accumulation Funds. Deposits in these accounts are credited in terms of units, the value of which is determined at the beginning of each month and remains unchanged during that month.

5. Statistical Section

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding how the information in the Financial Section relates to the Teachers' Retirement System Qualified Pension Plan's (the "Plan") overall financial condition. The following are the categories of the various schedules that are included in this Section:

Financial Trend Information
Schedules 1 through 3 contain trend information to help the reader understand how the Plan's financial performance and well-being have changed over time.

Demographic and Economic Information of In-Service Members
Schedules 4 and 5 offer demographic and economic information of in-service members to help the reader understand how the Plan's future benefit payments will be affected by this segment of the membership population.

Benefit Payment and Demographic and Economic Information of Retired Members
Schedules 6 through 13 present information to help the reader assess the Plan's current and future benefit payment obligations based on financial and demographic information of retired members.

Operating Expense Information
Schedule 14 contains trend information as it relates to investment expenses of the Plan.

Investment Revenue Information
Pages 5.11-5.15 contain information on the performance of the investments of the various funds of the Plan.

SCHEDULE 1: NET ASSETS AND CHANGES IN NET ASSETS

In Thousands

Year Ended	Pension Fund	Diversified Equity	Stable-Value	International Equity	Inflation Protection	Socially Responsive Equity	Net Assets	Changes in Net Assets
2001	$23,022,666	$8,160,629	$409,696	N/A	N/A	N/A	$31,592,991	($5,158,205)
2002	20,233,820	6,419,695	372,399	N/A	N/A	N/A	27,025,915	(4,567,076)
2003	20,005,958	5,741,992	330,039	N/A	N/A	N/A	26,077,990	(947,925)
2004	22,660,649	6,023,946	290,809	N/A	N/A	N/A	28,975,404	2,897,414
2005	24,305,041	5,930,704	256,425	N/A	N/A	N/A	30,492,170	1,516,766
2006	26,025,602	5,958,485	222,630	N/A	N/A	N/A	32,206,717	1,714,547
2007	30,513,823	6,431,897	197,071	N/A	N/A	N/A	37,142,791	4,936,074
2008	27,054,108	5,072,017	171,739	N/A	N/A	N/A	32,297,864	(4,844,927)
2009	19,795,757	3,113,828	148,256	14,667	2,715	2,266	23,077,489	(9,220,375)
2010	23,140,827	3,107,689	129,595	13,803	3,754	2,742	26,398,410	3,320,921

SCHEDULE 2: 2010 CHANGES IN NET ASSETS

In Thousands

	Pension Fund	Diversified Equity	Stable-Value	International Equity	Inflation Protection	Socially Responsive Equity	Net Assets
2009 Net Assets	$ 19,795,757	$ 3,113,828	$148,256	$14,667	$ 2,715	$ 2,266	$ 23,077,489
Member Contributions	136,224	1,722	104	16	8	1	138,075
Employer Contributions	2,565,979	296	10	2	1	-	2,566,288
Interest & Misc. Income	564,709	18,214	4,832	199	28	-	587,982
Dividend Income	482,223	44,254	-	484	318	13	527,292
Realized Profit/Loss	351,177	39,395	-	1,368	32	179	392,151
Unrealized Profit/Loss	3,035,537	362,324	14	1,452	235	242	3,399,804
Benefit Payments	(2,845,733)	(418,544)	(22,468)	(1,445)	(288)	(210)	(3,288,688)
Refunds & Withdrawals	(11,248)	(1,446)	(72)	(16)	-	-	(12,782)
Interest Paid to TDA Funds	(816,557)	-	-	-	-	-	(816,557)
Transfer to Other Systems	(2,109)	-	-	-	-	-	(2,109)
Interfund Transfer	43,807	(41,293)	(644)	(2,840)	713	257	-
Provision for Expenses*	(158,939)	(11,061)	(437)	(84)	(8)	(6)	(170,535)
2010 Net changes	$ 3,345,070	$ (6,139)	$ (18,661)	$ (864)	$ 1,039	$ 476	$ 3,320,921
2010 Net Assets	$ 23,140,827	$ 3,107,689	$129,595	$13,803	$ 3,754	$ 2,742	$ 26,398,410

** Includes Administrative and Investment Expenses.*

SCHEDULE 3: CHANGES IN NET ASSETS

In Thousands

	1	2	3	4	5	6	7	8	9	10	11
Year Ended June 30*	Net Member Contributions	Employer Contributions	Net Investment Income	Transfer from/to Other Systems	TDA Fixed Interest Payments	Total Retirement Benefits	Loans Closed at Retirement	Withdrawals	Other Benefits**	Administrative Expenses	Change in Net Assets
2001	$129,783	$466,289	($3,667,165)	$9,706	($137,942)	($1,747,993)	($45,778)	($80,116)	($54,414)	($30,575)	($5,158,205)
2002	87,386	531,952	(3,018,483)	(631)	(160,986)	(1,822,719)	(90,563)	(126,425)	65,916	(32,523)	(4,567,076)
2003	81,877	660,915	999,941	(7,888)	(215,720)	(2,030,663)	(134,065)	(33,067)	(233,800)	(35,455)	(947,925)
2004	97,858	940,588	4,819,288	(1,764)	(307,353)	(2,392,559)	(130,455)	(28,463)	(71,134)	(28,592)	2,897,414
2005	124,539	1,248,704	3,311,302	3,215	(375,114)	(2,588,036)	(82,811)	(18,239)	(73,234)	(33,560)	1,516,766
2006	141,056	1,338,338	3,609,769	(401)	(451,631)	(2,763,758)	(56,817)	(14,917)	(53,154)	(33,938)	1,714,54
2007	143,786	1,622,743	6,787,568	(453)	(547,396)	(2,931,296)	(82,811)	(16,869)	(1,633)	(37,565)	4,936,074
2008	142,308	1,944,097	(3,109,764)	799	(648,015)	(3,065,092)	(55,832)	(17,194)	4,155	(40,389)	(4,844,927)
2009	143,281	2,297,789	(7,838,259)	1,035	(767,007)	(2,874,313)	(33,042)	(12,592)	(79,805)	(37,639)	(9,220,375)
2010	138,075	2,566,288	4,778,159	(2,109)	(816,557)	(3,023,960)	(30,338)	(12,782)	(234,390)	(41,465)	3,320,921

Total Retirement Benefits By Type

Year Ended June 30*	6a Service Retirement Allowances	6b Ordinary Disability Retirement Allowances	6c Accident Disability Retirement Allowances	6d Survivors' Benefits	6 Total Retirement Benefits
2001	($1,634,192)	($32,038)	($14,211)	($67,552)	($1,747,993)
2002	(1,708,372)	(31,315)	(14,020)	(69,012)	(1,822,719)
2003	(1,913,853)	(31,772)	(14,590)	(70,448)	(2,030,663)
2004	(2,266,439)	(33,638)	(15,606)	(76,876)	(2,392,559)
2005	(2,453,049)	(35,480)	(16,711)	(82,796)	(2,588,036)
2006	(2,619,238)	(37,816)	(18,324)	(88,380)	(2,763,758)
2007	(2,776,467)	(39,190)	(19,942)	(95,697)	(2,931,296)
2008	(2,888,552)	(42,663)	(22,621)	(111,256)	(3,065,092)
2009	(2,714,932)	(38,990)	(21,200)	(99,191)	(2,874,313)
2010	(2,858,762)	(40,619)	(22,770)	(101,809)	(3,023,960)

* *Benefit Payment categories for 2001-2009 take into account retirement valuation reports.*

** *Other Benefits consists of Retiree Advances, delayed interest payments, Active Death Payments, and, excluding Fiscal Year 2010, adjustment of retirement benefits based on retirement valuation reports. Also, Fiscal Year 2010 includes $149,406 minimum accumulation settlement and Fiscal Year 2002 includes a credit of $215,243 to record member loan receivables.*

Note: *Benefit payments include columns 5, 6, 7, 8, and 9.*

SCHEDULE 4: PARTICIPATING EMPLOYERS

As of June 30, 2008 (Lag)

Employer	Number of In-Service Members*	Annual Payroll*
NYC Department of Education and City University of New York	112,121	$7,904,802,949
Charter Schools**		
Beginning with Children	31	2,074,622
Future Leaders Institute	28	1,743,331
Harriet Tubman	16	837,612
Kipp Academy	29	2,036,848
Kipp AMP	28	1,886,745
Kipp Infinity	18	961,357
Opportunity	62	3,561,130
Renaissance	47	3,065,520
UFT Elementary	63	3,468,880
Wildcat	29	2,208,590
SUBTOTAL		21,844,635
TOTAL	**112,472**	**$7,926,647,584**

* *The number of in-service employees and their corresponding Annual Payroll include only current active members receiving salary as of each June 30th.*

** *Kipp Academy, Renaissance, and Wildcat Charter Schools became participating employers in 2001. Beginning with Children Charter School became a participating employer in 2002. Future Leaders Institute, Harriet Tubman, Opportunity, and UFT Elementary Charter Schools became participating employers in 2006. Kipp AMP and Kipp Infinity Charter Schools became participating employers in 2009.*

SCHEDULE 5: TABLE OF AVERAGE SALARIES OF IN-SERVICE MEMBERS

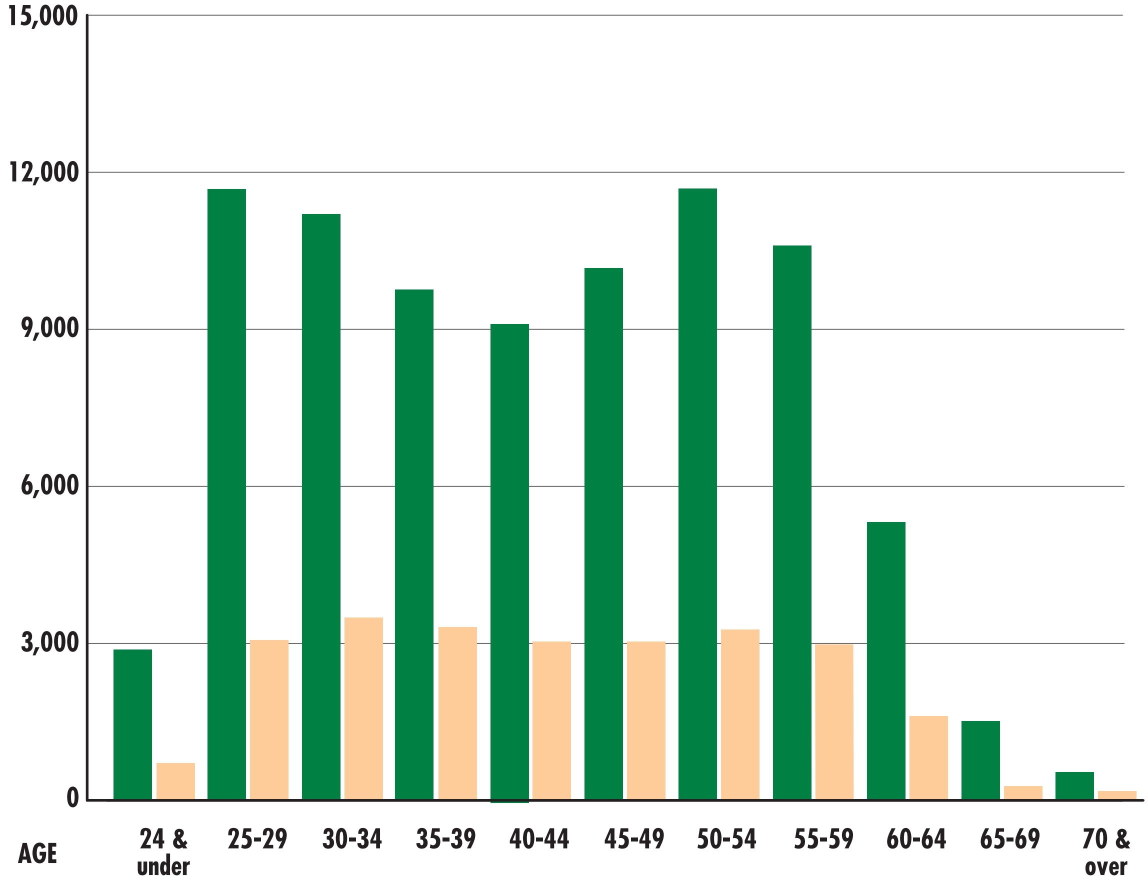
As of June 30, 2009

MEN			WOMEN		
Age	Number of In-Service Members	Average Salaries	Age	Number of In-Service Members	Average Salaries
24 & under	723	$49,183	24 & under	2,860	$50,070
25-29	3,063	57,226	25-29	11,678	57,227
30-34	3,490	67,437	30-34	11,198	66,001
35-39	3,309	74,802	35-39	9,755	69,544
40-44	3,029	78,218	40-44	9,149	68,898
45-49	3,028	80,449	45-49	10,166	70,687
50-54	3,258	85,224	50-54	11,689	74,430
55-59	2,988	86,138	55-59	10,599	76,898
60-64	1,610	81,579	60-64	5,317	72,036
65-69	472	71,970	65-69	1,518	65,481
70 & over	180	60,934	70 & over	540	58,681
TOTAL	**25,150**	**$74,973**	**TOTAL**	**84,470**	**$68,392**
TOTAL ANNUAL SALARIES		$1,885,564	TOTAL ANNUAL SALARIES		$5,777,113

* *The member count and the annual payroll include only those who were on the June 30th payroll.*

IN-SERVICE MEMBERS ON PAYROLL—DISTRIBUTION BY AGE

As of June 30, 2009



	24 & under	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70 & over
WOMEN	2,860	11,678	11,198	9,755	9,149	10,166	11,689	10,599	5,319	1,518	540
MEN	723	3,063	3,490	3,309	3,029	3,028	3,258	2,988	1,610	472	180

SCHEDULE 6: MEMBER BENEFITS BY TYPE

In Thousands

Year Ended June 30	Retirement Benefits	Non-Retirement Benefits	Member Benefits
2004	$2,392,559	$201,589	$2,594,148
2005	2,588,036	151,884	2,739,920
2006	2,763,758	109,971	2,873,729
2007	2,931,296	84,444	3,015,740
2008	3,065,092	51,677	3,116,769
2009	2,874,313	132,670	3,006,983

Note: *Member Benefits does not include TDA Fixed Interest Payments or Withdrawals.*

SCHEDULE 7: AVERAGE ANNUAL BENEFIT PAYMENT AMOUNTS

	SERVICE RETIREMENT BENEFITS		ORDINARY (NON-DUTY) DISABILITY BENEFITS		ACCIDENTAL (DUTY) DISABILITY BENEFITS		SURVIVORS' BENEFITS	
Year Ended June 30	Number	Average Annual Allowance	Number	Average Annual Allowance	Number	Average Annual Allowance	Number	Average Annual Benefit
2004	57,033	$39,739	1,801	$18,677	459	$34,000	3,434	$22,387
2005	59,275	41,384	1,876	18,912	479	34,888	3,538	23,402
2006	61,457	42,619	1,988	19,022	516	35,512	3,615	24,448
2007	62,235	44,613	1,993	19,664	545	36,590	3,719	25,732
2008	63,343	45,603	2,043	20,883	573	39,478	3,822	29,109
2009	64,281	42,235	2,037	19,141	589	35,993	3,918	25,317

SCHEDULE 8: AVERAGE YEARS OF SERVICE OF NEW RETIREES

Average Years of Service

Year Ended June 30	Men	Women	Men and Women	Total Number of Retirees
2000	27.8	23.8	25.0	1,989
2001	29.8	25.1	26.8	2,723
2002	32.2	27.8	29.4	4,309
2003	33.4	29.0	30.6	5,014
2004	32.8	29.0	30.3	6,264
2005	30.9	27.5	28.3	4,104
2006	29.7	25.9	26.8	3,997
2007	28.7	26.3	26.9	2,715
2008	28.3	25.8	26.4	2,838
2009	26.7	25.1	25.5	2,699

Schedule 9: Retirees' Average Monthly Benefit Payments and Final Average Salary Organized by Years of Credited Service

	Year*	Survivor	Other**	Under 5 Yrs***	5 - 9 Yrs	10 - 14 Yrs	15 - 19 Yrs	20 - 24 Yrs	25 - 29 Yrs	30 - 35 Yrs	35 & up Yrs	Total
Retirees	2001	3,184	16,924	26	114	1,532	3,085	4,241	9,981	8,499	4,393	51,979
Retirees	2002	3,299	19,517	30	120	1,552	3,132	4,278	9,857	8,427	4,349	54,561
Retirees	2003	3,354	20,490	30	158	1,659	3,277	4,449	10,223	9,559	4,933	58,132
Retirees	2004	3,434	17,137	33	256	2,021	3,693	4,994	11,433	12,638	7,088	62,727
Retirees	2005	3,538	14,197	37	373	2,392	4,040	5,508	12,090	14,378	8,615	65,168
Retirees	2006	3,615	12,447	38	439	2,623	4,337	6,033	12,706	15,745	9,593	67,576
Retirees	2007	3,666	8,672	47	641	3,081	4,799	6,685	13,334	17,030	10,537	68,492
Retirees	2008	3,777	8,011	51	739	3,313	4,995	7,092	13,514	17,415	10,874	69,781
Retirees	2009	3,878	7,546	54	832	3,476	5,121	7,390	13,933	17,609	10,986	70,825
Retirees	2010****	3,953	6,394	59	934	3,709	5,310	7,829	14,557	18,139	11,391	72,275

	Year	Under 5 Yrs***	5 - 9 Yrs	10 - 14 Yrs	15 - 19 Yrs	20 - 24 Yrs	25 - 29 Yrs	30 - 34 Yrs	35 & up Yrs
Avg Monthly Benefit	2001	$404	$543	$701	$1,305	$1,883	$3,014	$3,963	$5,054
Avg Monthly Benefit	2002	$259	$469	$692	$1,254	$1,854	$2,951	$3,840	$4,868
Avg Monthly Benefit	2003	$258	$127	$701	$1,228	$1,841	$2,923	$3,905	$5,007
Avg Monthly Benefit	2004	$324	$273	$732	$1,264	$1,926	$3,099	$4,253	$5,495
Avg Monthly Benefit	2005	$460	$334	$741	$1,288	$1,986	$3,191	$4,400	$5,710
Avg Monthly Benefit	2006	$610	$368	$773	$1,319	$2,061	$3,327	$4,590	$6,001
Avg Monthly Benefit	2007	$896	$524	$816	$1,367	$2,155	$3,500	$4,776	$6,210
Avg Monthly Benefit	2008	$996	$506	$839	$1,387	$2,152	$3,452	$4,717	$6,151
Avg Monthly Benefit	2009	$998	$519	$855	$1,379	$2,095	$3,348	$4,451	$5,774
Avg Monthly Benefit	2010****	$1,073	$609	$872	$1,336	$2,172	$3,466	$4,592	$5,976

	Year	*Under 5 Yrs****	*5 - 9 Yrs*	*10 - 14 Yrs*	*15 - 19 Yrs*	*20 - 24 Yrs*	*25 - 29 Yrs*	*30 - 34 Yrs*	*35 & up Yrs*
Final Average Salary	2001	$17,936	$27,993	$31,673	$33,271	$39,018	$45,754	$52,630	$56,919
Final Average Salary	2002	$18,400	$28,344	$31,505	$33,502	$39,425	$45,939	$52,770	$57,182
Final Average Salary	2003	$18,400	$28,178	$32,101	$34,145	$40,376	$47,033	$55,211	$59,745
Final Average Salary	2004	$19,542	$30,620	$33,848	$35,719	$42,577	$49,632	$60,766	$67,475
Final Average Salary	2005	$21,125	$32,062	$35,371	$37,207	$44,482	$51,312	$63,832	$72,380
Final Average Salary	2006	$22,914	$32,765	$36,498	$38,207	$46,592	$53,196	$65,820	$74,640
Final Average Salary	2007	$26,668	$36,178	$38,348	$40,419	$48,902	$55,302	$67,802	$76,827
Final Average Salary	2008	$27,614	$36,927	$39,399	$41,535	$50,662	$56,679	$68,899	$78,148
Final Average Salary	2009	$27,306	$38,280	$40,348	$42,379	$51,881	$58,811	$69,802	$79,190
Final Average Salary	2010****	$28,056	$39,632	$41,401	$43,566	$53,567	$61,429	$71,226	$80,400

* *Retiree figures for 2001-2009 take into account retirement valuation reports.*

** *Refers to retirees with a payment setup processed by a previous database system. The current payment system was initiated in 1998.*

*** *Retirees include Service Retirement, Accidental Disability, and Ordinary Disability. The majority of retirees with under 5 yrs. of service are Accidental Disability.*

**** *Retiree figures for 2010 include Service or FAS retirement revision cases previously categorized as "Other."*

Note: *If elected, total monthly benefits for Tier I and Tier II members depend on current unit value.*

SCHEDULE 10: SERVICE RETIREMENT ALLOWANCES

As of June 30, 2009

	MEN			WOMEN	
Age	Number of Retirees	Average Annual Allowance	Age	Number of Retirees	Average Annual Allowance
under 30	0	-	under 30	0	-
30-34	0	-	30-34	0	-
35-39	0	-	35-39	0	-
40-44	0	-	40-44	0	-
45-49	0	-	45-49	0	-
50-54	0	-	50-54	0	-
55-59	1,024	$57,064	55-59	2,626	$53,027
60-64	5,674	59,533	60-64	9,106	50,740
65-69	4,331	51,560	65-69	9,183	40,495
70-74	3,218	46,531	70-74	6,863	34,299
75-79	2,670	44,951	75-79	5,889	31,979
80-84	2,096	40,859	80-84	4,837	30,125
85-89	1,094	37,946	85-89	3,049	26,944
90 & over	504	35,880	90 & over	2,117	26,291
TOTAL	**20,611**	**$50,193**	**TOTAL**	**43,670**	**$38,480**

TOTAL ANNUAL ALLOWANCES PAID $1,034,528,731

TOTAL ANNUAL ALLOWANCES PAID $1,680,402,743

SCHEDULE 11: ORDINARY DISABILITY RETIREMENT ALLOWANCES

As of June 30, 2009

	MEN			WOMEN	
Age	Number of Retirees	Average Annual Allowance	Age	Number of Retirees	Average Annual Allowance
under 30	0	-	under 30	0	-
30-34	0	-	30-34	0	-
35-39	1	$23,866	35-39	7	$18,942
40-44	6	21,956	40-44	20	17,842
45-49	17	19,764	45-49	52	18,279
50-54	30	20,664	50-54	139	19,821
55-59	85	22,775	55-59	291	22,188
60-64	128	22,807	60-64	365	19,662
65-69	85	20,929	65-69	249	16,096
70-74	46	17,772	70-74	129	14,880
75-79	25	19,362	75-79	90	13,115
80-84	22	18,387	80-84	66	15,103
85-89	16	26,833	85-89	61	16,060
90 & over	16	26,675	90 & over	91	19,448
TOTAL	**477**	**$21,610**	**TOTAL**	**1,560**	**$18,386**

TOTAL ANNUAL BENEFITS PAID $10,307,838

TOTAL ANNUAL BENEFITS PAID $28,682,636

SCHEDULE 12: ACCIDENT DISABILITY RETIREMENT ALLOWANCES

As of June 30, 2009

	MEN			WOMEN	
Age	Number of Retirees	Average Annual Allowance	Age	Number of Retirees	Average Annual Allowance
under 30	0	-	under 30	0	-
30-34	0	-	30-34	1	$26,446
35-39	2	$39,237	35-39	2	44,365
40-44	1	39,529	40-44	4	32,908
45-49	4	25,464	45-49	8	30,503
50-54	9	43,480	50-54	23	29,493
55-59	16	42,207	55-59	75	37,315
60-64	69	39,581	60-64	96	33,501
65-69	38	43,542	65-69	66	38,484
70-74	19	40,079	70-74	44	29,357
75-79	14	36,472	75-79	38	29,548
80-84	9	37,017	80-84	17	37,905
85-89	4	34,151	85-89	22	32,759
90 & over	2	39,241	90 & over	6	33,998
TOTAL	**187**	**$40,067**	**TOTAL**	**402**	**$34,098**
TOTAL ANNUAL BENEFITS PAID		**$7,492,528**	**TOTAL ANNUAL BENEFITS PAID**		**$13,707,507**

SCHEDULE 13: SURVIVORS' BENEFITS—QPP

As of June 30, 2009

	MEN			WOMEN	
Age	Number of Beneficiaries	Average Annual Benefit	Age	Number of Beneficiaries	Average Annual Benefit
under 30	8	$25,834	under 30	10	$25,904
30-34	4	12,761	30-34	7	19,457
35-39	6	10,286	35-39	7	21,542
40-44	12	9,312	40-44	19	17,749
45-49	18	10,133	45-49	40	16,755
50-54	20	16,771	50-54	46	13,848
55-59	56	17,986	55-59	94	32,302
60-64	96	24,686	60-64	178	34,102
65-69	104	27,848	65-69	261	31,149
70-74	106	22,284	70-74	288	32,380
75-79	125	22,731	75-79	411	29,082
80-84	186	21,294	80-84	511	25,758
85-89	182	21,619	85-89	490	23,491
90 & over	199	19,295	90 & over	434	22,240
TOTAL	**1,122**	**$21,534**	**TOTAL**	**2,796**	**$26,835**
TOTAL ANNUAL BENEFITS PAID		**$24,160,797**	**TOTAL ANNUAL BENEFITS PAID**		**$75,030,489**

SCHEDULE 14: NUMBER AND COST OF INVESTMENT AND ADMINISTRATIVE SERVICES

Year Ended	Investment Agent Count	Investment Expenses	**TRS Employees Count	Administrative Expenses
2001	56	$31,628,480	301	$30,574,547
2002	68	$31,185,102	305	$32,522,535
2003	81	$38,055,768	326	$35,455,475
2004	83	$40,928,503	330	$28,592,264
2005	101	$60,183,462	333	$33,559,785
2006	114	$63,308,733	369	$33,937,944
2007	144	$81,687,843	371	$37,564,973
2008	170	$96,652,601	391	$40,389,281
2009	200	$101,973,449	379	$37,639,366
2010	206*	$129,069,729*	369	$41,464,522

* *2010 details are found in the schedule* Summary of Investment Managers and Fees *of the Investment Section.*
** *Employee count does not include Consultants or Temporary Employees.*

PENSION FUND
Performance Highlights
Fiscal Year 2010

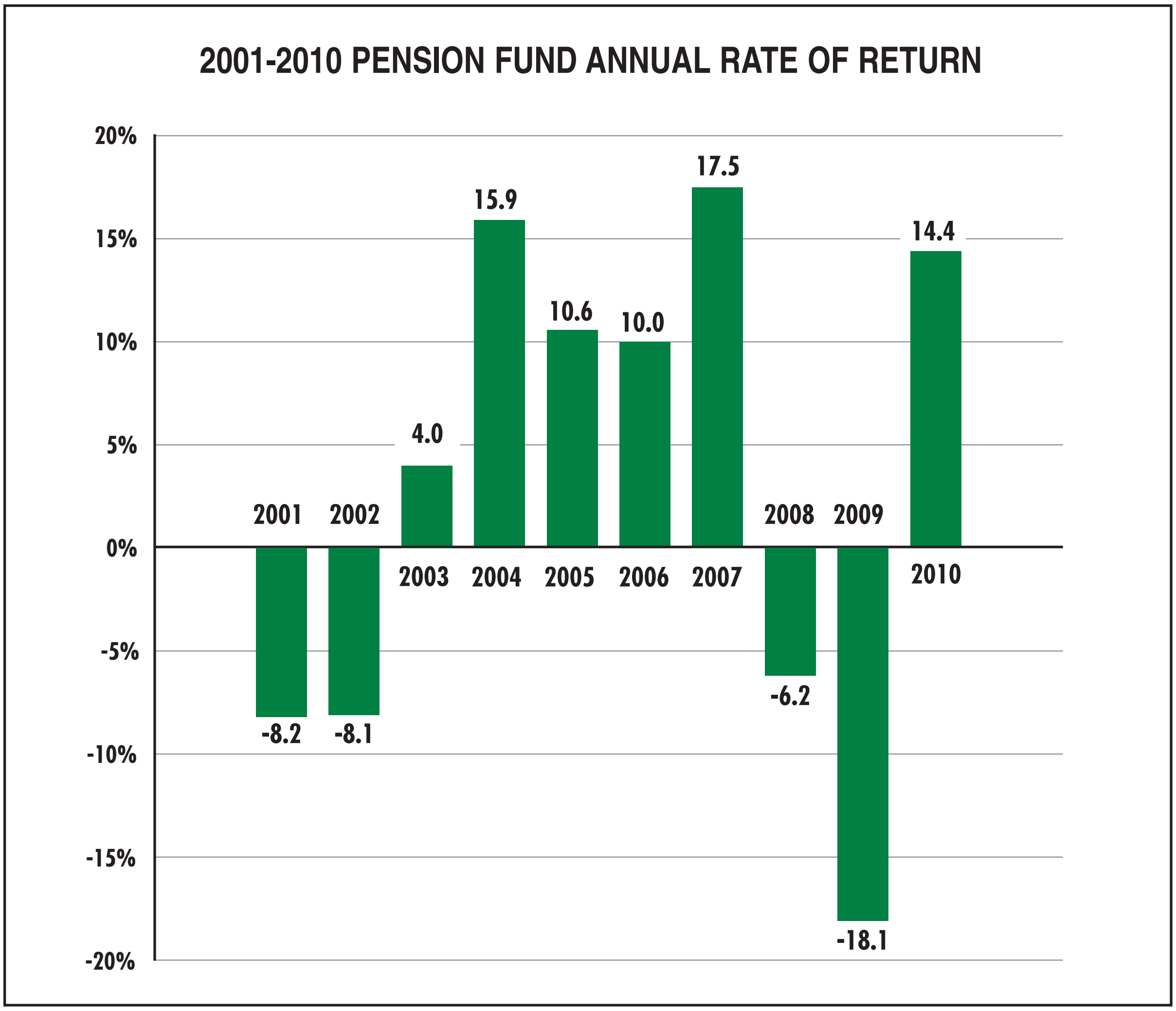
Return: 14.38%

Total Investments: $24.838 Billion

During Fiscal Year 2010, the Pension Fund's portfolio, consisting primarily of equities and fixed-income instruments, yielded a gross return of 14.38%. This was an increase from the -18.12% return for Fiscal Year 2009.

The Pension Fund includes all pension contributions to the Qualified Pension Plan (QPP) made by Tiers III/IV members; all pension contributions invested in the Fixed Return Fund by Tiers I/II members; all contributions to the Tax-Deferred Annuity (TDA) Program that are invested in the Fixed Return Fund; and all investment return associated with these funds. (Note: This CAFR reports on the QPP only; the Total Investments figure above does not reflect any TDA investments.) The Fixed Return Fund provides an annual rate of return that is set by the New York State Legislature in accordance with applicable laws.

The Comptroller of the City of New York invests the Pension Fund's holdings in a diversified portfolio, as authorized by the Teachers' Retirement Board. This portfolio consists of U.S. and international equities and fixed-income instruments, with smaller allocations to private equity and real estate investments.



DIVERSIFIED EQUITY FUND
Performance Highlights
Fiscal Year 2010

Return: 14.11%
Total Investments: $3.256 Billion

For the one-year period ending June 30, 2010, the Diversified Equity Fund returned 14.11%, after fees and expenses. For the same period, the Russell 3000 Index, which includes no fees and provides a passive representation of the overall U.S. stock market, returned 15.72%. The Fund invests in a diversified blend of investment strategies, which historically has made it less volatile over long time periods than the overall U.S. equity market.

Over the same one-year period, the Diversified Equity Fund underperformed its hybrid benchmark's return of 14.29%. The hybrid benchmark, which includes no fees, reflects the Fund's target allocations to non-U.S. equities and defensive strategies. The hybrid benchmark is composed of 70% Russell 3000 Index, 15% Morgan Stanley Capital International Europe, Australasia, and Far East (MSCI EAFE) Index, and 15% Defensive Strategies Composite Benchmark.

For the three-year period ending June 30, 2010, the Diversified Equity Fund had an annualized return of -9.81% after fees and expenses, which trailed the Russell 3000 Index's -9.47% annualized return. For the five-year period ending June 30, 2010, the Fund had an annualized return of -0.30% after fees and expenses, which was ahead of the Russell 3000's -0.48% annualized return. Due to its diversified structure, the Fund has exhibited less performance volatility than the Russell 3000 Index over the same five-year period. The Fund's annualized returns were behind the hybrid benchmark's annualized returns of -8.82% and 0.25%, respectively, over the same three- and five-year periods.

As of June 30, 2010, approximately 78% of the Diversified Equity Fund's portfolio was invested in the U.S. stock market. The Fund's portfolio also contained approximately 14% in international stocks and approximately 8% in fixed income, cash-equivalents, and other securities as of year-end. The international stock and the fixed-income allocations contribute to portfolio diversification. During the five years ending June 30, 2010, the international equity allocation added to the portfolio's overall performance, as the international equity composite annualized return was 0.43%.

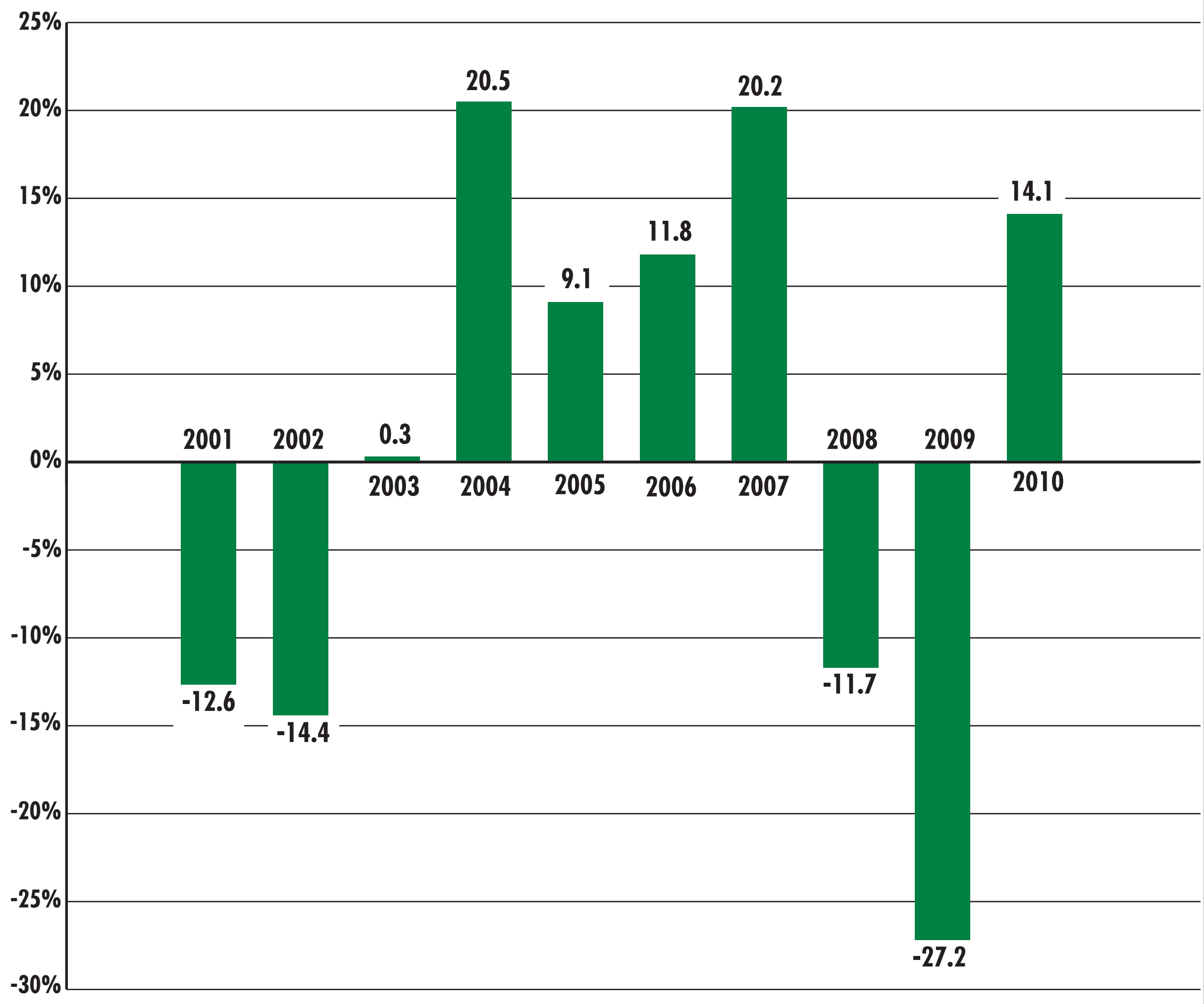
The Diversified Equity Fund utilizes a number of different investment strategies managed by professional money management firms. These strategies are classified into the component sectors described here. Returns after fees and expenses for all of the Fund's component sectors for the one-year period ending June 30, 2010 are as follows:

- The Passive Core sector earned a return of 15.91%, outperforming the Russell 3000 Index's return of 15.72%.
- The Active Domestic Equity sector returned 14.08%, underperforming the Russell 3000 Index. This sector is predominantly allocated to the risk-controlled composite, which returned 13.55%. A smaller allocation to the eclectic composite returned 12.54%.
- The Defensive Strategies sector returned 15.19%, outperforming the Defensive Strategies benchmark (currently 65% Russell 3000 Index/35% Barclays Capital Long Treasury Bond Index), which returned 15.10%. The Defensive Strategies

sector is designed to provide a diversification benefit to the overall Fund and has generally been beneficial to the Fund during periods of market decline. The Tactical Asset Allocation portfolio managers within this sector, which can each modify the mix of equity, bonds, and cash equivalents, were positioned, in aggregate, with approximately 67% equity exposure, 33% fixed-income exposure, and 0% cash/other exposure in their portfolios as of June 30, 2010. The convertible bond portfolios within this sector provide exposure that has a hybrid of equity and fixed-income characteristics. The fixed-income exposure of the overall Diversified Equity Fund comes from the Defensive Strategies sector.

- The International Equity sector earned 7.15%, outperforming its MSCI EAFE benchmark of 6.37%.

2001-2010 DIVERSIFIED EQUITY FUND ANNUAL RATE OF RETURN*



* *After expenses*

STABLE-VALUE FUND
Performance Highlights
Fiscal Year 2010

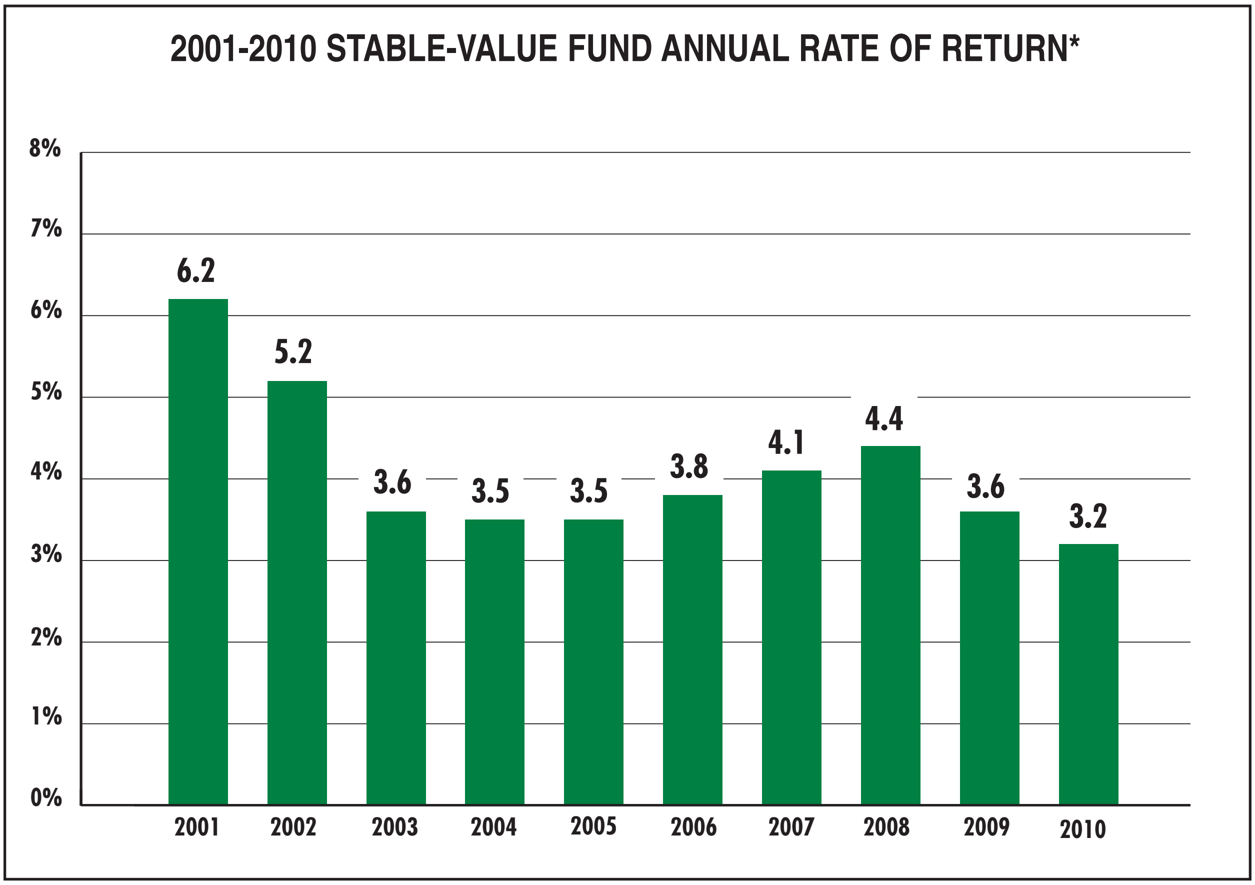
Return: 3.18%

Total Investments: $102.978 Million

The Stable-Value Fund is composed of a well-diversified portfolio of high-quality conventional and synthetic Guaranteed Investment Contracts (GICs), as well as cash equivalent securities. Synthetic GICs consist of a single bond or a portfolio of bonds, which are "wrapped" (*i.e.*, they receive a commitment from an insurance company or bank) to ensure book value for participant withdrawals. The Fund is conservatively managed and is focused on principal preservation.

The Stable-Value Fund earned 3.18% after fees and expenses for the one-year period ending June 30, 2010. The Fund, which is valued at cost, outperformed a market-valued benchmark, the BofA Merrill Lynch 1-3 Year Treasury Index. This index's one-year return was 2.69%. Over three- and five-year periods ending June 30, 2010, the Fund returned 3.70% and 3.80%, respectively, trailing the Index's return of 4.78% and 4.24%, respectively.

Over the one-year period ending June 30, 2010, the Federal Reserve held the Fed Funds rate steady at a range of 0.00% to 0.25%, its lowest levels ever. Based on a measure of yield typically called the "yield to worst," the yield of the Barclays Capital Aggregate 1-3 Year Index was 1.36% on June 30, 2010, having fallen from 2.29% 12 months prior. This illustrates to some degree the opportunity for new investments made within the Stable-Value Fund. The decrease in yields relative to the past year creates reinvestment opportunities at lower rates.



** After expenses*

INTERNATIONAL EQUITY FUND
Performance Highlights
Fiscal Year 2010

Return: 12.80%

Total Investments: $13.438 Million

The International Equity Fund is composed of five active non-U.S. equity managers, which invest primarily in the stocks of non-U.S. companies located in developed markets. The International Equity Fund began on July 1, 2008.

For the one-year period ending June 30, 2010, the Fund returned 12.80% after fees and expenses; its benchmark, the MSCI EAFE Index, returned 6.37%. Since its inception, the Fund has returned -7.34% versus the -14.30% return of the MSCI EAFE Index for the same period. The total return of this Fund reflects the performance of the underlying managers, as well as the impact of cash flows into and out of the Fund.

INFLATION PROTECTION FUND
Performance Highlights
Fiscal Year 2010

Return: 17.13%

Total Investments: $3.806 Million

The Inflation Protection Fund uses an actively managed mutual fund that seeks exposure to multiple asset classes including, but not limited to, various real return strategies with a goal of providing, over a full market cycle, a real rate of return that exceeds inflation. The Inflation Protection Fund began on July 1, 2008.

For the one-year period ending June 30, 2010, the Fund returned 17.13% after fees and expenses versus the Barclays Capital U. S. TIPS 1-10 Year Index-L Series' return of 8.51%. The Consumer Price Index (CPI) and the CPI for All Urban Consumers (Seasonally Adjusted) Plus 5% returned 1.11% and 6.11%, respectively, for the same period. Since its inception, the Fund has returned 4.58% versus the 3.15% return of the Barclays Capital U.S. TIPS 1-10 Year Index-L Series for the same period. The total return of this Fund reflects the performance of the underlying manager, as well as the impact of cash flows into and out of the Fund.

SOCIALLY RESPONSIVE EQUITY FUND
Performance Highlights
Fiscal Year 2010

Return: 17.96%

Total Investments: $2.745 Million

The Socially Responsive Equity Fund invests in an actively managed mutual fund with a goal of providing a return comparable to the broader equity market over a full market cycle while reflecting social priorities. The Socially Responsive Equity Fund began on July 1, 2008.

For the one-year period ending June 30, 2010, the Fund returned 17.96% after fees and expenses; its benchmark, the Standard & Poor's 500 Index, returned 14.43%. Since its inception, the Fund has returned -2.37% versus the -8.11% return of the Standard & Poor's 500 Index for the same period. The total return of this Fund reflects the performance of the underlying manager, as well as the impact of cash flows into and out of the Fund.

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