

Comprehensive
**Annual
Financial
Report** Fiscal Year
Ended June 30, 2011



Teachers' Retirement System 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, 2011**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
A PENSION TRUST FUND OF THE CITY OF NEW YORK
FOR FISCAL YEAR ENDED JUNE 30, 2011**

Prepared by Accounting Units
QUALIFIED PENSION PLAN

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Teachers' Retirement System

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Chief Actuary

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

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1. Introduction





December 22, 2011

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, 2011. 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, 2010, is 63%. 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 Plan’s investments consist of the combined assets of its individual investment programs. At fiscal year end June 30, 2011, 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 23.28%. The monthly Unit Value for the Diversified Equity Fund increased from \$48.310 (July 2010) to \$60.624 (July 2011), for an annual return of 30.51%. The Unit Value for the Stable-Value Fund decreased from \$19.293 (July 2010) to \$19.166 (July 2011), for an annual return of 3.32%. The Unit Value for the International Equity Fund increased from \$7.937 (July 2010) to \$9.947 (July 2011), for an annual return of 30.34%. The Unit Value for the Inflation Protection Fund increased from \$10.114 (July 2010) to \$10.978 (July 2011), for an annual return of 12.90%. The Unit Value for the Socially Responsive Equity Fund increased from \$8.810 (July 2010) to \$11.076 (July 2011), for an annual return of 30.75%. The annual returns include a 4% rate for the variable increment factor. The July Unit Value was 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, 2010. This was the 23rd 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, 2010

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.



Linda C. Danison

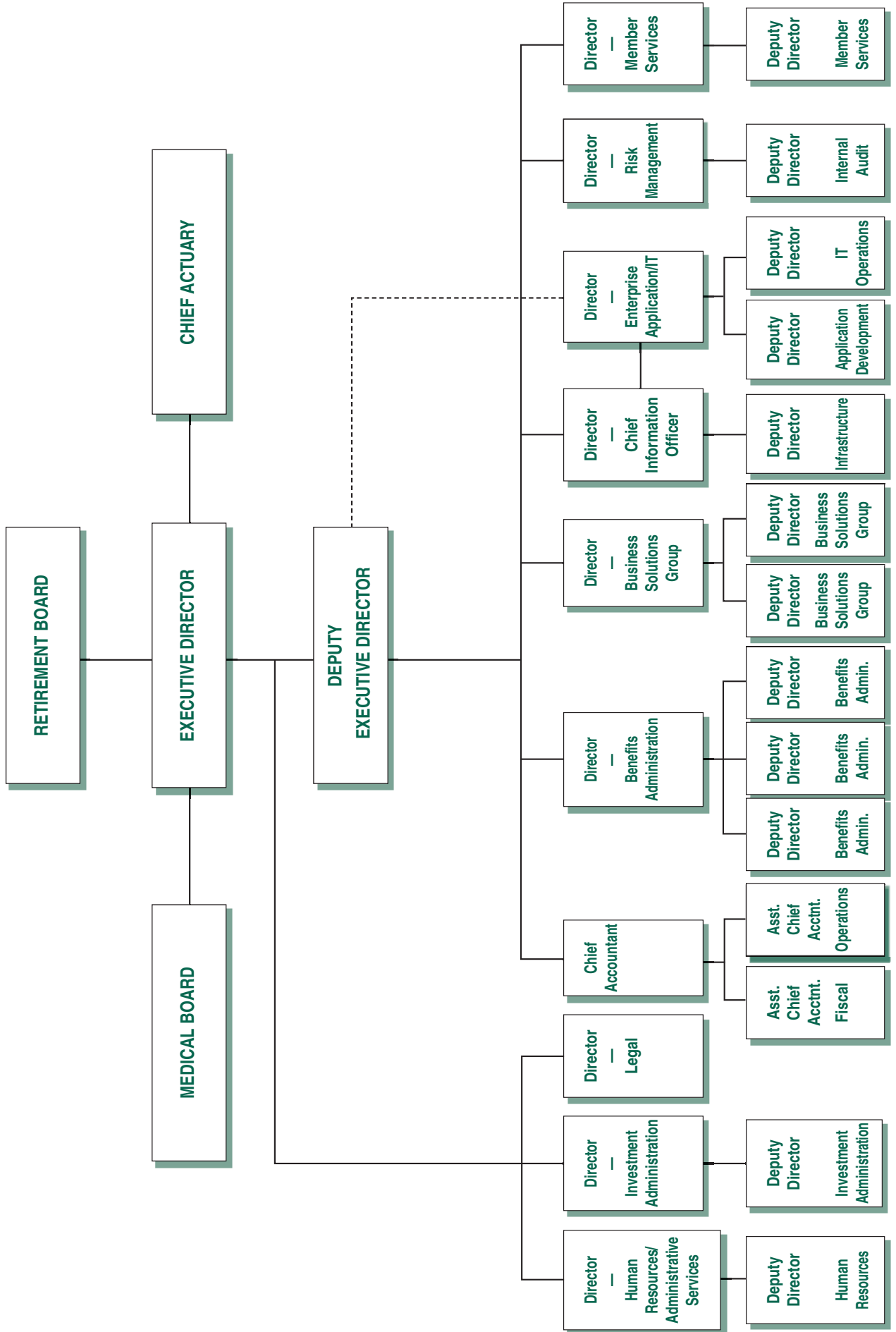
President

Jeffrey R. Emer

Executive Director

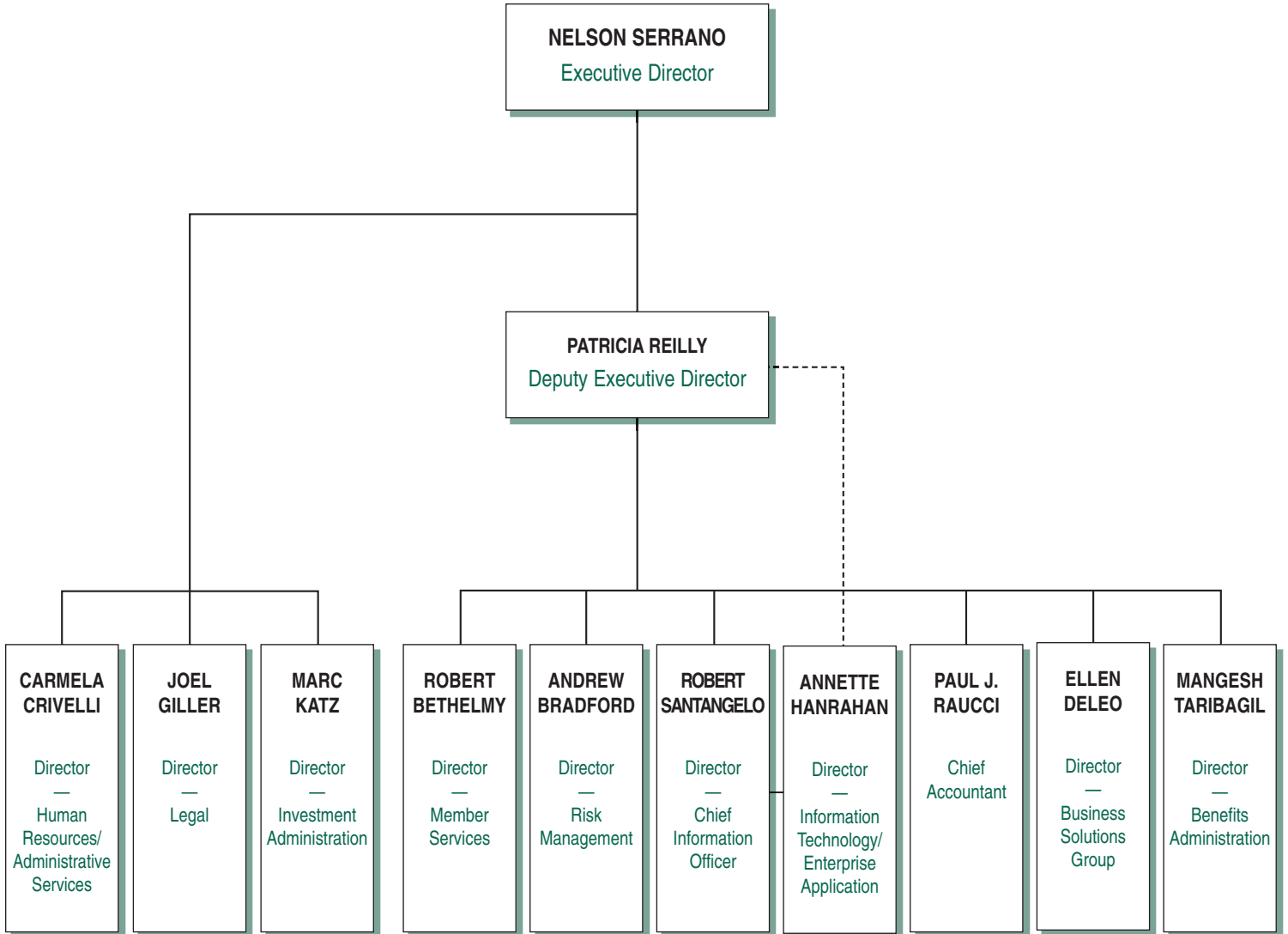
ORGANIZATION CHART

as of June 30, 2011



PRINCIPAL OFFICIALS

as of June 30, 2011



2. Financial



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, 2011 and 2010, 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, 2011 and 2010, 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 audits were conducted for the purpose of forming an opinion on the basic financial statements of the Plan. The accompanying additional supplementary information listed in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional supplementary information is the responsibility of management. The additional supplementary information has been subjected to the auditing procedures applied in our audits 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.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

The Introductory, Investment, Actuarial, and Statistical Sections 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, 2011

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) JUNE 30, 2011 AND 2010

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, 2011 and 2010. 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 \$33.6 billion, \$26.4 billion and \$23.1 billion as of June 30, 2011, 2010 and 2009, respectively. The Plan's employer contributions amounted to \$2.5 billion, \$2.5 billion and \$2.3 billion for Fiscal Years 2011, 2010, and 2009, respectively. The Plan's benefit payments and withdrawals totaled \$4.3 billion, \$4.1 billion and \$3.8 billion for Fiscal Years 2011, 2010 and 2009, respectively.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

Plan Net Assets
June 30, 2011, 2010, and 2009
(In thousands)

	2011	2010	2009
Cash	\$ 91	\$ 396	\$ 419
Receivables for investments sold	985,004	1,309,085	1,549,432
Receivables for accrued interest and dividends	134,680	151,902	151,278
Member loan receivables	180,913	169,778	151,110
Investments, at fair value	35,618,133	28,217,314	23,867,461
Collateral from securities lending	3,067,615	2,760,139	2,316,271
Other assets	<u>10,052</u>	<u>119,239</u>	<u>77,950</u>
Total assets	<u>39,996,488</u>	<u>32,727,853</u>	<u>28,113,921</u>
Accounts payable	340,379	299,818	265,300
Payables for investments purchased	2,967,537	3,247,414	2,432,987
Accrued benefits payable	10,996	13,649	13,450
Payables for securities lending	<u>3,076,039</u>	<u>2,768,562</u>	<u>2,324,695</u>
Total liabilities	<u>6,394,951</u>	<u>6,329,443</u>	<u>5,036,432</u>
Net assets held in trust for benefits	<u>\$ 33,601,537</u>	<u>\$ 26,398,410</u>	<u>\$ 23,077,489</u>

Cash balances amounted to \$91.2 thousand at June 30, 2011, a decrease of \$304.7 thousand (-77.0%) from June 30, 2010. 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 \$396.0 thousand at June 30, 2010, a decrease of \$23.3 thousand (-5.5%) from June 30, 2009.

Receivables for investment securities sold amounted to \$985.0 million at June 30, 2011, a decrease of \$324.1 million (-24.8%) from June 30, 2010. 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 \$1.3 billion at June 30, 2010, a decrease of \$240.3 million (-15.5%) from June 30, 2009. The decrease resulted primarily from timing differences in settlement dates.

Receivables for accrued earnings amounted to \$134.7 million as of June 30, 2011, a decrease of \$17.2 million (-11.3%) from June 30, 2010. Changes in accrued earnings are impacted primarily by the cumulative value of the interest or dividend bearing securities, as well as by changes in discount rates, and interest-payable 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.

At June 30, 2011, member loan receivables amounted to \$180.9 million, an increase of \$11.1 million (6.6%) from the previous year. The increase primarily reflects additional new loans issued to Tier III or Tier IV members. There were 15,607 new loans issued to Tier III or Tier IV members in Fiscal Year 2011, an increase of 684 (4.6%) from Fiscal Year 2010. At June 30, 2010, member loan receivables amounted to \$169.8 million, an increase of \$18.7 million (12.4%) from the previous year. 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.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

Investments at June 30, 2011 were \$35.6 billion compared to \$28.2 billion at June 30, 2010, an increase of \$7.4 billion (26.2 %) from June 30, 2010. The \$7.4 billion increase reflects the Plan's \$7.2 billion net income for Fiscal Year 2011 and the \$153.4 million decrease in the year over year amount of receivables for investment sold and other assets less payables of investment purchases. The increase also reflects large gains in equity markets, equity investments being approximately 70% of the Plan's total investment portfolio. For the twelve month period, the Russell 3000 Index, a broad measure of U.S. equity markets, returned 32.4%. The Morgan Stanley Capital International Index for Europe, Australasia, and Far East (MSCI EAFE) Small Cap Index increased 30.9%. 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 returned 15.7%. The MSCI EAFE Small Cap Index increased 6.4%.

Other assets at June 30, 2011 totaled \$10.1 million, a \$109.2 million (-91.6%) decrease from June 30, 2010. The \$109.2 million decrease was primarily due to a \$68.8 million decrease in funds due from the TDA program at year end and a July 2010 receipt of a \$40.9 million Fiscal Year 2010 city employer contribution. The Plan's 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 the \$40.9 million Fiscal Year 2010 city employer contribution received in July 2010.

Accounts payable at June 30, 2011 amounted to \$340.4 million, a \$40.6 million (13.5%) increase from June 30, 2010. The increase in accounts payable was due to a \$23.4 million increase in accrued investment expenses, a \$21.5 million net increase in balances due to depositories, less a \$4.3 million decrease in other payables. 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 increase in accrued investment expenses attributed to the Pension Fund and a \$6.7 million increase in net balances due to depositories.

Payables for investments purchased at June 30, 2011 amounted to \$3.0 billion, a \$279.9 million (-8.6%) decrease from June 30, 2010. Investments purchased are accounted for on a trade-date basis. The decrease resulted from timing differences in settlement dates, similar to receivables for investments sold discussed earlier. Payables for investments purchased at June 30, 2010 amounted to \$3.2 billion, an \$814.4 million (33.5%) increase from June 30, 2009.

Accrued benefits payable at June 30, 2011 amounted to \$11.0 million, a \$2.7 million (-19.4%) decrease from June 30, 2010. The \$2.7 million accrued benefits payable decrease during Fiscal Year 2011 is attributed to a decrease of pending benefits payable to beneficiaries at year end. Accrued benefits payable at June 30, 2010 amounted to \$13.6 million, a \$199.6 thousand (1.5%) increase from June 30, 2009. The \$199.6 thousand accrued benefits payable increase during Fiscal Year 2010 is attributed to an increase of pending benefits payable to retirees at year end.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

Changes in Plan Net Assets
Years Ended June 30, 2011, 2010, and 2009
(In thousands)

	2011	2010	2009
Additions:			
Member contributions	\$ 158,829	\$ 166,946	\$ 168,750
Employer contributions	2,525,111	2,537,417	2,272,320
Net (payments to) receipts from other retirement systems	737	(2,109)	1,035
Net investment income (loss)	8,865,552	4,760,306	(7,892,778)
Securities — lending income	<u>23,117</u>	<u>17,853</u>	<u>54,519</u>
Total additions	<u>11,573,346</u>	<u>7,480,413</u>	<u>(5,396,154)</u>
Deductions:			
Administrative expenses	39,549	41,465	37,639
Benefits payments and withdrawals	<u>4,330,670</u>	<u>4,118,027</u>	<u>3,786,582</u>
Total deductions	<u>4,370,219</u>	<u>4,159,492</u>	<u>3,824,221</u>
Net increase (decrease)	<u>\$ 7,203,127</u>	<u>\$ 3,320,921</u>	<u>\$(9,220,375)</u>

TRS received \$158.8 million and \$166.9 million in member contributions during Fiscal Years 2011 and 2010, respectively. The \$158.8 million in member contributions represents an \$8.1 million (-4.9%) decrease from Fiscal Year 2010. For Fiscal Year 2011, member contributions decreased due an increase in teachers attaining the required ten years of member contributions [under Chapter 126/00] and a decrease in prior service purchases, while the amount of new teachers hired held steady. The \$166.9 million in member contributions represents a \$1.8 million (-1.1%) 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].

Employer contributions during Fiscal Year 2011 were \$2.5 billion, a \$12.3 million (-0.5%) decrease from Fiscal Year 2010. Employer contributions during Fiscal Year 2010 were \$2.5 billion, a \$265.1 million (11.7%) increase from Fiscal Year 2009. Fiscal Year 2010 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.

The Plan's investment income for Fiscal Year 2011 was \$8.9 billion, a \$4.1 billion (86.2%) increase from Fiscal Year 2010. For Fiscal Year 2011, 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 indices 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 \$7.0 billion, \$845.4 million, \$2.3 thousand, \$3.6 million, \$101.4 thousand and \$850.1 thousand respectively. The aggregate gain of \$7.8 billion on the appreciation in fair value of the Plan's investments was further enhanced by \$1.2 billion in dividend and interest income and reduced by \$125.5 million in investment expenses. 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. 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,

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

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.

Administrative expenses during Fiscal Year 2011 were \$39.5 million, a decrease of \$1.9 million (-4.6%) from Fiscal Year 2010. The decrease in administrative expenses reflects a decrease 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 2011 accounted for 75.7% of the System's administrative expenses. The System's administrative expenses have been \$52.2 million, \$52.9 million, and \$53.2 million for Fiscal Years 2011, 2010, and 2009, respectively. Administrative expenses attributable to the Plan during Fiscal Year 2010 were \$41.5 million, an increase of 10.2% from Fiscal Year 2009. The Plan's administrative expenses for Fiscal Year 2009 accounted for 78.4% of the System's administrative expenses.

Benefits payments and withdrawals during Fiscal Year 2011 were \$4.3 billion, a \$212.6 million (5.2%) increase from Fiscal Year 2010. The \$212.6 million increase in benefits payments and withdrawals was primarily due to a \$178.1 million (5.6%) increase in payments to retirees. Fiscal Year 2011 retirement benefits included additional payments related to class coverage and per session pay (Nager lawsuit of 2002). In addition, interest that is accumulated on behalf of and transferred monthly to the Tax-Deferred Annuity (TDA) Program increased by \$37.5 million (4.6%) from Fiscal Year 2010. In total, benefits payments and withdrawals distributed during Fiscal Year 2011 were composed of 78.1% retirement benefits, 19.7% interest that is accumulated on behalf of and transferred to the TDA Program, and 2.2% 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 2011 disbursements, excluding the interest transferred to the TDA Program, are composed of 86.1% from the Fixed Return Fund, 13.2% from the Diversified Equity Fund, 0.6% 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 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.

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 Bank of America Merrill Lynch one to three year treasury indices 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, 2011, net

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

securities lending income amounted to \$23.1 million compared with \$17.9 million for Fiscal Year 2010. 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.

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)	2011	2010	2009
Short-term investments	\$ 2,509,253	\$ 1,558,882	\$ 766,162
Debt securities	7,001,242	6,575,241	6,090,602
Equity securities	22,581,155	17,312,995	14,690,914
Private equity	2,238,281	1,622,586	1,263,718
TIPS	1,037,416	923,785	819,318
Mortgages	170,994	129,129	116,480
Investment contracts	65,435	83,926	110,221
Promissory notes	14,357	10,770	10,046
Collateral from securities lending	<u>3,067,615</u>	<u>2,760,139</u>	<u>2,316,271</u>
Total	<u>\$38,685,748</u>	<u>\$30,977,453</u>	<u>\$26,183,732</u>

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

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

**STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2011 AND 2010**

(In thousands)

	2011	2010
ASSETS:		
Cash	\$ 91	\$ 396
Receivables:		
Investment securities sold	985,004	1,309,085
Accrued interest and dividends	134,680	151,902
Member loans (Note 5)	180,913	169,778
Total receivables	<u>1,300,597</u>	<u>1,630,765</u>
Investments — at fair value (Notes 2 and 3):		
Fixed Return Fund:		
Short-term investment fund	2,439,819	1,507,320
Debt securities:		
U.S. Government	3,770,005	3,182,966
Corporate	3,005,390	3,162,330
Foreign	27,436	29,821
Equity securities:		
Domestic	13,554,664	10,798,051
Private equity	2,238,281	1,622,586
Mutual funds:		
Domestic equity	-	20,500
International equity	5,568,802	3,451,234
Treasury inflation — protected securities	1,037,416	923,785
Mortgages	170,994	129,129
Promissory notes	14,357	10,770
Diversified Equity Fund:		
Short-term investments	43,151	32,266
Equity securities	3,434,373	3,023,468
Corporate bonds	198,409	200,122
Stable-Value Fund:		
Short-term investments	26,017	19,051
Synthetic investment contracts	17,988	29,956
Managed investment contracts	41,898	47,658
Guaranteed investment contracts	5,549	6,312
International Equity Fund:		
Short-term investments	233	116
Corporate bonds	2	2
Equity securities	15,103	13,320
Inflation Protection Fund:		
Short-term investments	18	77
Equity securities	4,440	3,729
Socially Responsive Equity Fund:		
Short-term investments	15	52
Equity securities	3,773	2,693
Collateral from securities lending	3,067,615	2,760,139
Total investments	<u>38,685,748</u>	<u>30,977,453</u>
Other assets	10,052	119,239
Total assets	<u>39,996,488</u>	<u>32,727,853</u>
LIABILITIES:		
Accounts payable	340,379	299,818
Payables for investment securities purchased	2,967,537	3,247,414
Accrued benefits payable	10,996	13,649
Securities lending (Note 2)	3,076,039	2,768,562
Total liabilities	<u>6,394,951</u>	<u>6,329,443</u>
PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$33,601,537</u>	<u>\$26,398,410</u>

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, 2011 AND 2010 (In thousands)

	2011	2010
ADDITIONS:		
Contributions:		
Member contributions	\$ 158,829	\$ 138,075
Employer contributions (Note 4)	2,468,973	2,484,074
Other employer contributions	<u>56,138</u>	<u>82,214</u>
Total contributions	<u>2,683,940</u>	<u>2,704,363</u>
Investment income (Note 2):		
Interest income	538,883	570,129
Dividend income	643,854	527,292
Net appreciation in fair value of investments	<u>7,808,361</u>	<u>3,791,955</u>
Total investment income	8,991,098	4,889,376
Less:		
Investment expenses	<u>125,546</u>	<u>129,070</u>
Net investment income	<u>8,865,552</u>	<u>4,760,306</u>
Securities-lending transactions:		
Securities-lending income	27,836	22,487
Securities-lending fees	<u>(4,719)</u>	<u>(4,634)</u>
Net securities-lending income	<u>23,117</u>	<u>17,853</u>
Other:		
Net receipts from (payments to) other retirement systems	<u>737</u>	<u>(2,109)</u>
Total additions	<u>11,573,346</u>	<u>7,480,413</u>
DEDUCTIONS:		
Benefits payments and withdrawals (Notes 1 and 2)	4,330,670	4,118,027
Administrative expenses (Notes 6 and 7)	<u>39,549</u>	<u>41,465</u>
Total deductions	<u>4,370,219</u>	<u>4,159,492</u>
INCREASE IN PLAN NET ASSETS	7,203,127	3,320,921
PLAN NET ASSETS HELD IN TRUST FOR BENEFITS:		
Beginning of year	<u>26,398,410</u>	<u>23,077,489</u>
End of year	<u>\$ 33,601,537</u>	<u>\$ 26,398,410</u>

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, 2011 AND 2010**

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.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

At June 30, 2009 and 2008, the dates of the Plan's most recent actuarial valuations, the Plan's membership consisted of:

	2009	2008
Retirees and beneficiaries receiving benefits	70,825	69,775
Terminated vested members not yet receiving benefits	7,486	7,080
Other inactives *	8,689	10,890
Active members receiving salaries	<u>113,132</u>	<u>112,472</u>
 Total	 <u>200,132</u>	 <u>200,217</u>

* 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, 2009 and 2008 are the dates used for calculating Fiscal Year 2011 and Fiscal Year 2010 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.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

- 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.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

- 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 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.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

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 2011 and 2010, the Stable Value Fund's synthetic investment contracts appears as its own investment class.

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 \$854.1 million and \$816.6 million were classified as part of the benefit payments and withdrawals for Fiscal Year 2011 and Fiscal Year 2010.

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, 2011 and 2010 are \$3.5 billion and \$2.9 billion, respectively.

New Accounting Standard Adopted — In fiscal year 2011, the Plan adopted one new statement on financial accounting standards issued by the Governmental Accounting Standards Board ("GASB"). GASB Statement No. 59, *Financial Instruments Omnibus*, updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The Plan has determined that GASB Statement No. 59 had no impact on the Plan's financial statements as a result of the implementation.

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.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

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									
	AAA	AA	A	BBB	BB	B	CCC & Below	Short term	Not Rated	Total
June 30, 2011										
U.S. Government	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %
Corporate bonds	1.76	3.58	12.33	16.04	8.74	10.43	2.60	-	3.63	59.11
Yankee bonds	0.11	0.07	0.11	0.05	-	-	-	-	0.05	0.39
Short-term:										
Commercial paper	-	-	-	-	-	-	-	29.02	-	29.02
Pooled funds	-	-	-	-	-	-	-	-	11.48	11.48
U.S. Agencies	-	-	-	-	-	-	-	-	-	-
Master Notes	-	-	-	-	-	-	-	-	-	-
Percent of rated portfolio	<u>1.87 %</u>	<u>3.65 %</u>	<u>12.44 %</u>	<u>16.09 %</u>	<u>8.74 %</u>	<u>10.43 %</u>	<u>2.60 %</u>	<u>29.02 %</u>	<u>15.16 %</u>	<u>100.00 %</u>
	S&P Quality Ratings									
June 30, 2010										
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	<u>2.33 %</u>	<u>4.06 %</u>	<u>12.36 %</u>	<u>16.89 %</u>	<u>12.51 %</u>	<u>15.54 %</u>	<u>3.95 %</u>	<u>- %</u>	<u>32.36 %</u>	<u>100.00 %</u>

*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.

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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 in relation to the benchmark. 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 June 30, 2011	Investment Maturities				
	Fair Value	Less than One Year	One to Five Years	Six to Ten Years	More than Ten Years
U.S. Government	40.77 %	0.11 %	2.34 %	5.58 %	32.74 %
Corporate	32.63	0.76	9.70	13.93	8.24
Yankee bonds	0.22	0.03	0.15	0.03	0.01
Short term:					
Commercial paper	16.01	16.01	-	-	-
Pooled funds	6.33	6.33	-	-	-
U.S. Agencies	4.04	3.97	-	-	0.07
Master Notes	-	-	-	-	-
Percent of rated portfolio	<u>100.00 %</u>	<u>27.21 %</u>	<u>12.19 %</u>	<u>19.54 %</u>	<u>41.06 %</u>

Investment Type June 30, 2010	Investment Maturities				
	Fair Value	Less than One Year	One to Five Years	Six to Ten Years	More than Ten Years
U.S. Government	40.14 %	- %	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	<u>100.00 %</u>	<u>21.82 %</u>	<u>12.79 %</u>	<u>24.11 %</u>	<u>41.28 %</u>

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Foreign Currency Risk — Foreign currency risk is the risk that changes in the exchange rates will adversely impact the fair value of an investment. Currency risk is present in underlying portfolios that invest in foreign stock and/or bonds. The currency markets have proven to be good diversifiers in a total portfolio context; therefore, the Plan has numerous managers that invest globally. In general, currency exposure is viewed as a benefit for its diversification reasons and not as an inherent risk within the portfolio.

Foreign Currency Holdings — As of June 30, 2011 and 2010 (amounts in U.S. dollars, in thousands):

Trade Currency	2011	2010
Euro Currency	\$ 1,216,777	\$ 802,210
British Pnd Sterling	985,376	687,265
Japanese Yen	906,421	736,138
Swiss Franc	350,885	66,236
Australian Dollar	233,826	202,296
Brazilian Real	158,041	-
South Korean Won	142,016	-
New Taiwan Dollar	134,949	-
Hong Kong Dollar	122,974	153,895
Swedish Krona	109,794	-
Singapore Dollar	105,122	1,024
Malaysian Ringgit	96,731	-
South African Rand	96,013	79,598
Indian Rupee	85,350	-
Canadian Dollar	76,133	83,455
Mexican Nuevo Peso	63,960	-
Danish Krone	60,895	50,444
Indonesian Rupiah	30,739	-
Norwegian Krone	24,503	18,728
Polish Zloty	19,335	-
Czech Koruna	19,038	-
Chilean Peso	14,764	-
Thai Baht	11,524	255,178
Hungarian Forint	7,542	-
Colombian Peso	7,092	-
Philippines Peso	5,260	-
Israeli Shekel	5,253	1,445
New Zealand Dollar	3,752	3,538
Egyptian Pound	1,534	-
Moroccan Dirham	68	-
	<u>68</u>	<u>-</u>
Total	<u>\$ 5,095,667</u>	<u>\$ 3,141,450</u>

Securities Lending Transactions

Credit Risk — The quality ratings of investments held as collateral for Securities Lending at June 30, 2011 and 2010, are as follows (in thousands):

Investment Type and Fair Value of Securities Lending Transactions	S&P Quality Ratings										CCC & Below	Short Term	Not Rated	Total	
	AAA	AA	A	BBB	BB	B	CCC & Below		Short Term	Not Rated					Total
June 30, 2011															
Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate	574,056	905,934	737,896	-	-	-	-	-	-	-	-	-	-	-	2,217,886
Yankee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term:															
Repurchase agreements	-	-	6,780	-	-	-	-	-	-	-	-	-	187,576	-	194,356
Reverse repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-	466,077	-	466,077
Certificates of deposit	-	-	64,973	-	-	-	-	-	-	-	-	-	-	276	64,973
Master notes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Medium term notes	-	1,126	-	-	-	-	-	-	-	-	-	-	-	-	1,126
Commercial paper	-	-	44,236	-	-	-	-	-	-	-	-	-	-	-	44,236
Money market funds	-	-	-	-	-	-	-	-	-	-	-	-	862	-	862
Time deposit	49,231	-	28,592	-	-	-	-	-	-	-	-	-	-	-	77,823
Total	\$623,287	\$907,060	\$ 882,477	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$654,791	\$ -	\$3,067,615
Percent of Securities Lending Portfolio	20.32 %	29.57 %	28.77 %	- %	- %	- %	- %	- %	- %	- %	- %	- %	21.34 %	- %	100.00 %
June 30, 2010															
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
Master notes	-	-	-	-	-	-	-	-	-	-	-	-	134	-	134
Medium term notes	-	111	-	-	-	-	-	-	-	-	-	-	-	-	111
Commercial paper	-	-	45,577	-	-	-	-	-	-	-	-	-	777	-	46,354
Money market funds	-	-	52	-	-	-	-	-	-	-	-	-	123,897	-	123,949
Variable rate demand notes	28	5,497	5,110	-	-	-	-	-	-	-	-	-	-	-	10,635
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 %

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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, 2011	Investment Maturities				
	Fair Value	Less Than One Year	One to Five Years	Six to Ten Years	More Than Ten Years
Government	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate	2,217,886	1,290,562	927,324	-	-
Yankee	-	-	-	-	-
Short-term					
Repurchase agreements	194,356	194,356	-	-	-
Reverse repurchase agreements	466,077	466,077	-	-	-
Certificates of deposit	64,973	64,973	-	-	-
Master notes	276	276	-	-	-
Medium term notes	1,126	1,126	-	-	-
Commercial paper	44,236	44,236	-	-	-
Money market funds	862	862	-	-	-
Time deposit	77,823	77,823	-	-	-
Total	\$3,067,615	\$2,140,291	\$927,324	\$ -	\$ -
Percent of Securities Lending Portfolio	100.00 %	69.17 %	30.83 %	\$ -	\$ -

Investment Type June 30, 2010	Investment Maturities				
	Fair Value	Less Than One Year	One to Five Years	Six to Ten Years	More Than Ten Years
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	-	-	-
Total	\$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 %

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.

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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 after December 10, 2009, 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.

Also, under Chapter 504/09, all members represented by the UFT will become vested after ten years of credited service. In addition all members 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.

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The June 30, 2009 (Lag) actuarial valuation was used to determine the Fiscal Year 2011 Employer Contribution. There were no changes in actuarial assumptions and methods from the prior actuarial valuation.

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 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.

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.

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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 2011 and 2010 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, 2009, 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)
\$30,774,981	\$30,774,981	\$ 0	100.0%	\$8,016,636	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.

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Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2009 (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.

Member and Employer Contributions Presentation —2010 financials have been revised to include employee contributions relating to the “55/25 retirement option” (\$28.9 million) as member contributions rather than other employer contributions.

5. MEMBER LOANS

The balance of member loans receivable at June 30, 2011 and 2010, is \$180.9 million and \$169.8 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 \$7.6 million and \$7.3 million in Fiscal Years 2011 and 2010.

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 \$52.2 million and \$52.9 million for Fiscal Years 2011, 2010, 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 2011, \$7.6 million were incurred on behalf of the Plan by other City agencies, primarily the Comptroller's office. In Fiscal Year 2010, \$7.3 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.” In January 2004, Plaintiffs' request to proceed as a class action was granted by the lower court. Subsequently, the parties reached an initial settlement in September 2007 and a final agreement in February 2010. In December 2010 the settlement was implemented resulting 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 Plan adjustment implemented in Fiscal Year 2011 is the inclusion of wages for class coverage into the calculation of retirement benefits. This also adds 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 2011 and 2010, 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.

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Currently, the Hay Group (Hay) is conducting a study of actuarial assumptions and analyzing experience for Fiscal Years 2006 through 2009. Hay has generally completed their study and prepared draft reports that are expected to be finalized by December 2011.

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.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

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 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.

Also, under Chapter 504/09, all members of TRS represented by the UFT will become vested after ten years of credited service. In addition all members 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.

Chapter 180 of the Laws of 2011 continued the valuation and other interest rates for one year to June 30, 2012 from June 30, 2011.

* * * * *

**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)
2009 (Lag)	\$30,774,981	\$30,774,981	\$ 0	100.0 %	\$8,016,636	0.0 %
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	32,410,624	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)

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)

**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
2011	\$ 2,468,973	100.0%
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

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).

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, 2009 (Lag) and June 30, 2008 (Lag). These actuarial valuations were used to determine Employer Contributions for Fiscal Years 2011 and 2010, respectively. Additional information as of the last two actuarial valuations follows.

	June 30, 2009 (Lag) ¹	June 30, 2008 (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

- Under the One-Year Lag Methodology, the actuarial valuation determines the Employer Contribution for the second following fiscal year.
- 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.
- Developed assuming a long-term Consumer Price Inflation of 2.5% per year.

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

**ADDITIONAL SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
Year Ended June 30, 2011**

PERSONNEL SERVICES		
Staff Salaries	\$ 20,384,121	
Social Security	1,159,800	
Insurance (Health)	2,509,663	
Welfare Benefit Fund	830,575	
TOTAL PERSONNEL SERVICES		\$24,884,159
PROFESSIONAL SERVICES		
Data Processing Support Services	4,541,850	
Temporary and Consulting Services	1,559,929	
Modernization Expenses	351,297	
Professional and Legal Services	420,330	
TOTAL PROFESSIONAL SERVICES		6,873,406
COMMUNICATION		
Telephone	303,580	
Postage	511,119	
Local Traveling Expenses*	28,450	
Non-Local Traveling Expenses**	34,904	
TOTAL COMMUNICATION		878,053
RENTALS		
Office Space	5,269,807	
Equipment Leasing	302,829	
TOTAL RENTALS		5,572,636
MISCELLANEOUS		
Utilities	325,165	
Supplies and Materials	66,508	
Maintenance, Repairs, and Services	355,334	
Office Equipment and Furniture	22,023	
Advertising Expenses	27,034	
Storage	90,832	
Printing	291,223	
Training Program	153,787	
Books	8,620	
TOTAL MISCELLANEOUS		1,340,526
TOTAL ADMINISTRATIVE EXPENSES***		\$39,548,780
<p>* Includes Local Travel Fare \$17,006, Courier \$1,686, and Meals & Refreshments \$9,758. ** Includes Hotels & Meals \$18,780, Travel Fare \$9,052, and Conferences \$7,072. *** The Plan's expenses account for 76% of total TRS administrative expenses, the balance or \$12,678,966 paid by the TDA plan and loan service charge and other revenues. Other administrative expenses of \$7,568,275 were paid on TRS' behalf by other City agencies under Regulation 85 of the New York State Superintendent of Insurance Regulations.</p>		
See Notes of Financial Statement No. 7 for the Corpus Expenses		

**TEACHERS' RETIREMENT 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	\$31,827,164,407	\$116,111,295
Diversified Equity and Int'l Equity Funds	3,691,271,324	5,054,965
Stable-Value Fund	91,452,348	174,191
Inflation Protection Fund	4,458,201	635
Socially Responsive Equity Fund	3,788,208	346
Other Investment Services		
Consultant		3,908,114
Legal		18,530
Provision for Expense Reduction		277,494
	\$35,618,134,488*	\$125,545,570

** Excludes \$3,067,614,998 in securities lending.*

3. Investment



TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

The following report on investment activity was prepared by Rocaton Investment Advisors. Following the reports are disclosures of asset class allocation, sector returns, investment management and other service fees, and bond and equity holdings. The disclosures supplement the investment information of the Financial Section.

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

As of June 30, 2011, 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 \$31.8 billion as of June 30, 2011. The overall Pension Fund earned a gross of fee return of 23.3% for the fiscal year ending June 30, 2011. As of June 30, 2011, this Fund had 40% U.S. equity investments, 18% non-U.S. equity investments, 5% private equity investments, 1% private real estate, 4% REITs, 31% fixed income investments and less than 1% in short-term investments (due to rounding, percentages may not add 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, 2011, approximately 95% 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, 2011, the QPP Diversified Equity Fund had \$3.7 billion in assets and had a net of fee return of 30.5% for the fiscal year ending June 30, 2011. This portfolio's target structure is a mixture of U.S. equities (71%), non-U.S. equities (14%), and defensive strategies (15%). The defensive sector is made up of convertible bond strategies, low volatility equity strategies and a tactical asset allocation strategy. 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, 2011, 75% 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, 2011, the QPP Stable-Value Fund's assets totaled \$91.5 million and the Fund earned a net of fee return of 3.3% for the fiscal year ending June 30, 2011. 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, 2011, the QPP International Equity Fund's assets totaled \$15.3 million. For the fiscal year ending June 30, 2011, the International Equity Fund returned 30.3%, 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, 2011, the QPP Inflation Protection Fund's assets totaled \$4.5 million. For the fiscal year ending June 30, 2011, the Inflation Protection Fund returned 12.9%, net of fees.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

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, 2011, the QPP Socially Responsive Equity Fund's assets totaled \$3.8 million. For the fiscal year ending June 30, 2011, the Socially Responsive Equity Fund returned 30.8%, 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 REVIEW

For the one-year period ending June 30, 2011, global financial markets continued to build upon the momentum that began in late 2009. While concerns regarding European sovereign debt and political uncertainty on both sides of the Atlantic continue to put recent gains in developed markets at risk of retreat, developing market outlook remains relatively resilient by comparison and the global economic recovery has continued over the year ending June 30, 2011. Spikes in commodity prices and fears of inflationary pressures in growing global economies have resulted in cautious economic forecasts that reflect a more modest future outlook. The headwinds of employment, credit and global growth showed some signs of improvement over the period, but continue to be monitored closely while the European fiscal situation remains at the forefront of concern. Bright spots, however, include the continued stabilization of the U.S. housing market, rising domestic exports 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, 2011. The Russell 3000 Index, a broad measure of the U.S. equity markets, returned 32.4% for the one-year period ending June 30, 2011. For the 12 months ending June 30, 2011, growth stocks outperformed value stocks as the Russell 3000 Growth Index returned 35.7% versus the Russell 3000 Value Index return of 29.1%.

For the year ending June 30, 2011, the Barclays Capital Aggregate Bond Index, a broad index of U.S. investment grade bonds, returned 3.9%.

INTERNATIONAL MARKETS REVIEW

The return for the MSCI EAFE Index, a measure of the developed international equity markets, was 30.9% in U.S. dollar terms for the one-year period ended June 30, 2011. Of the following four regions: Japan, Pacific Basin ex-Japan, U.K., and Europe ex-U.K., Europe ex-U.K. had the strongest performance for the one-year period, with a return of 38.1%. The Pacific Basin ex-Japan market followed closely with a return of 35.7% for the one-year period, while the U.K., and Japanese equity markets returned 34.1% and 13.2% respectively. International small cap stocks outperformed foreign large cap companies for the 12 month period ending June 30, 2011, as the MSCI EAFE Small Cap Index returned 36.9%. The MSCI Emerging Markets Index returned 28.2% for the one-year period ending June 30, 2011. 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

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

INVESTMENT SUMMARY

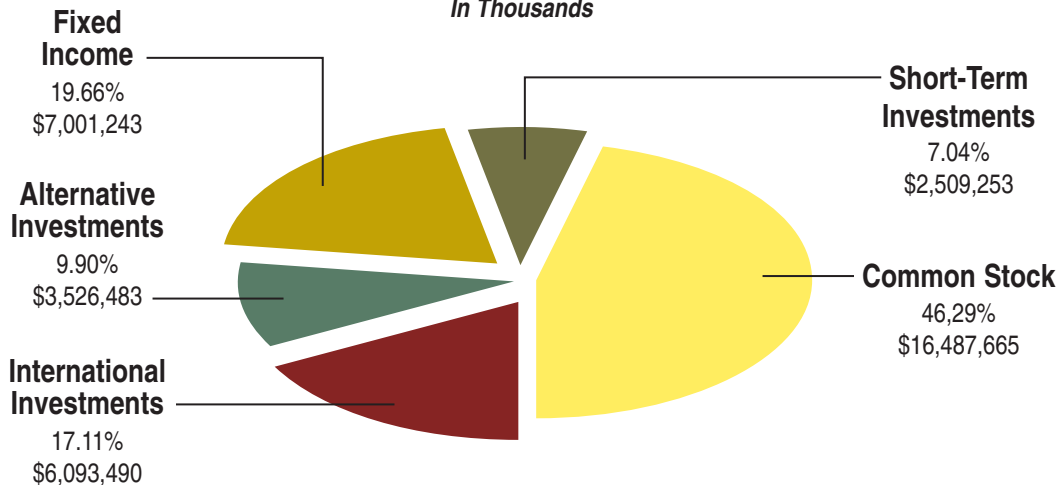
As of June 30, 2011

Type of Investment	Market Value <i>In Thousands</i>	Percent of Total Market Value
Fixed Income:		
Government Bonds	\$3,770,005	10.58%
Corporate Bonds	3,203,799	8.99%
Foreign Bonds	27,439	0.08%
Total Fixed Income	\$7,001,243	19.66%
Common Stock:		
Financial & Utility	\$4,043,380	11.35%
Basic Industry	6,354,928	17.84%
Consumer & Service	3,444,173	9.67%
Technological	2,543,466	7.14%
Other	101,718	0.29%
Total Common Stock	\$16,487,665	46.29%
International Investments	\$6,093,490	17.11%
Alternative Investments:		
Private Equity	\$2,238,281	6.28%
TIPS	1,037,416	2.91%
Mortgages	170,994	0.48%
Investment Contracts	65,435	0.18%
Promissory Notes	14,357	0.04%
Total Alternative Investments	\$3,526,483	9.90%
Short-Term Investments	\$2,509,253	7.04%
Total Investments	\$35,618,134*	100.00%

TOTAL ASSET ALLOCATION*

As of June 30, 2011

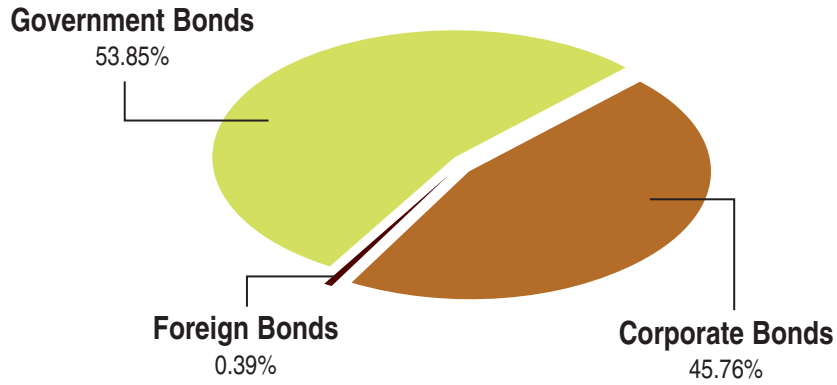
In Thousands



* Excludes \$3,076,039 in securities lending.

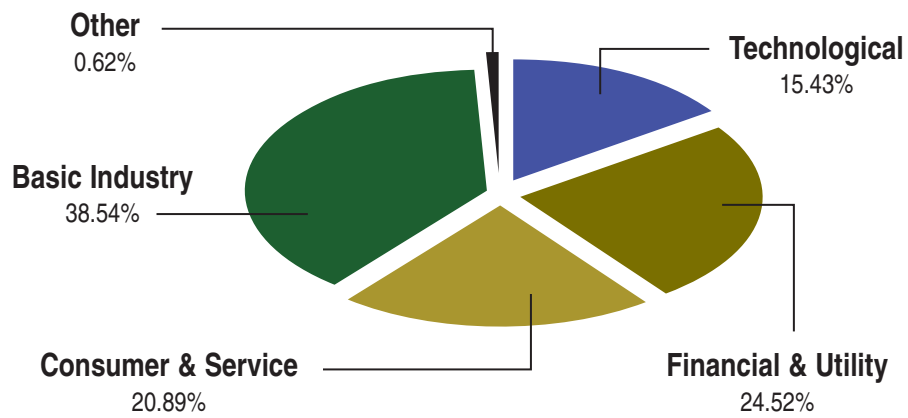
FIXED-INCOME MANAGERS ASSET ALLOCATION

As of June 30, 2011

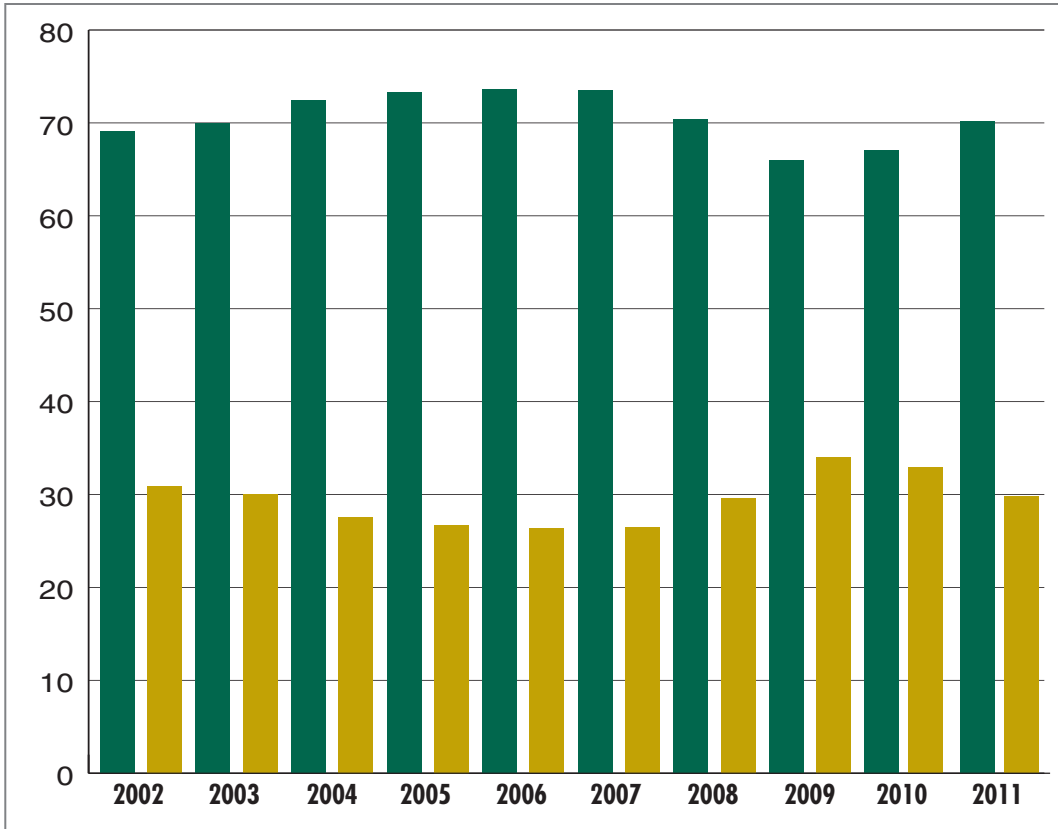


EQUITY MANAGERS ASSET ALLOCATION

As of June 30, 2011



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



Year	Equity	Fixed Income
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
2011	70.19	29.81

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

ANNUALIZED INVESTMENT RESULTS¹¹

As of June 30, 2011

	Current Year 2011	Annualized 3 Year	5 Year
TRS Pension Fund¹	23.28%	4.93%	4.94%
Benchmark: Policy Index ²	24.53	4.88	4.78
TRS Diversified Equity Fund³	30.51%	2.74%	2.84%
Benchmark: Russell 3000 ⁵	32.37	4.00	3.35
TRS Stable-Value Fund⁷	3.32%	3.36%	3.71%
Benchmark: BofA Merrill Lynch 1-3 Year Treasury ⁸	1.34	2.80	4.14
TRS International Equity Fund³	30.34%	3.82%	N/A
Benchmark: MSCI EAFE ⁶	30.93	(1.30)	1.96%
TRS Inflation Protection Fund³	12.90%	7.28%	N/A
Benchmark A: Barclays Capital US TIPS 1-10 Year Index ⁹	7.48	4.57	6.54%
Benchmark B: CPI (SA) + 5% ¹⁰	8.36	6.06	7.13
TRS Socially Responsive Equity Fund³	30.75%	7.61%	N/A
Benchmark: Standard & Poor's 500 ⁴	30.69	3.34	2.94%

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.

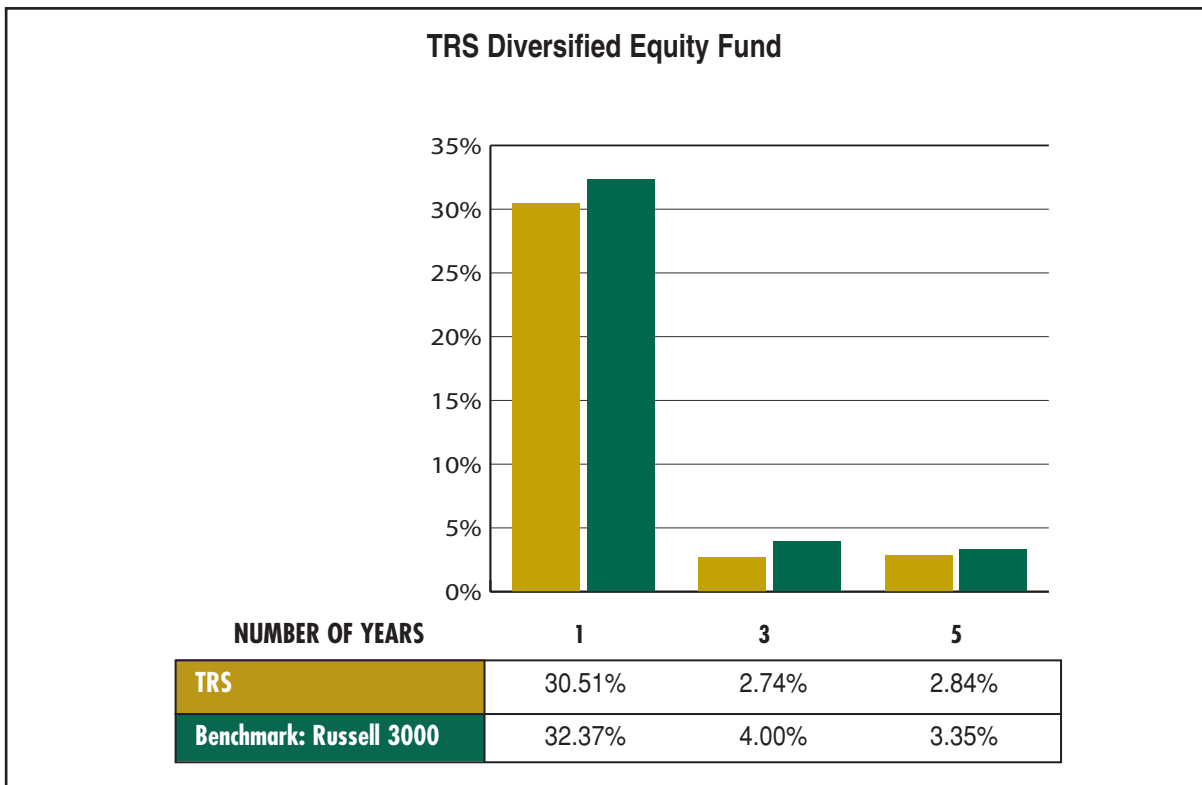
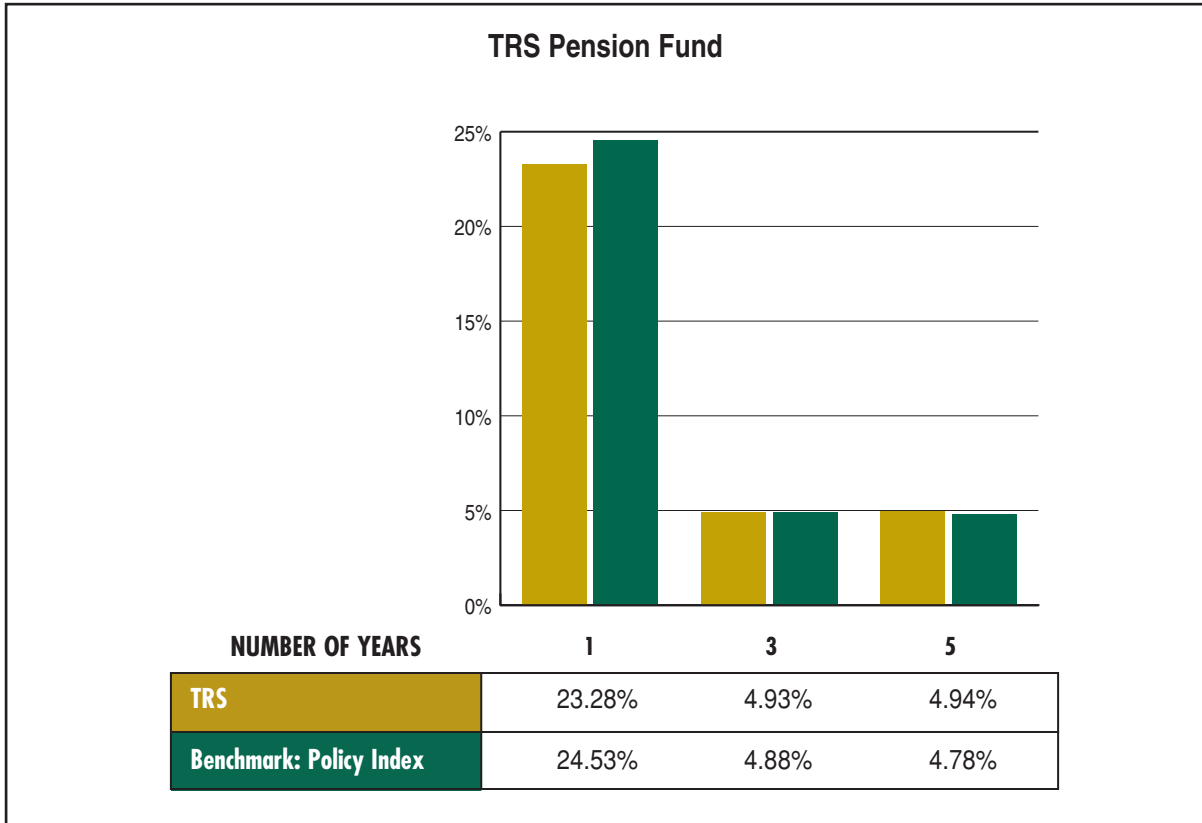
10 The US Consumer Price Index as shown for the stated periods above is provided for June 30, 2010; CPI calculations are subject to subsequent revisions over time.

11 Performance calculations reflect time-weighted compound returns.

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.

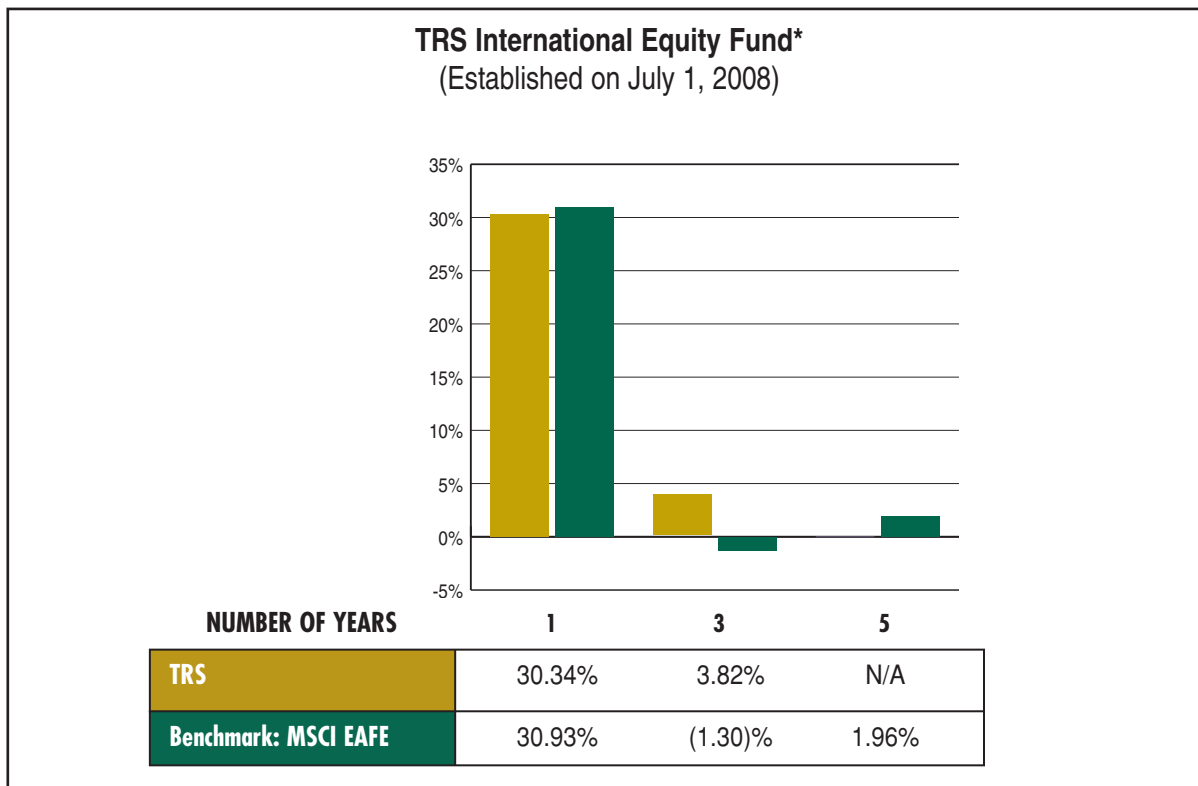
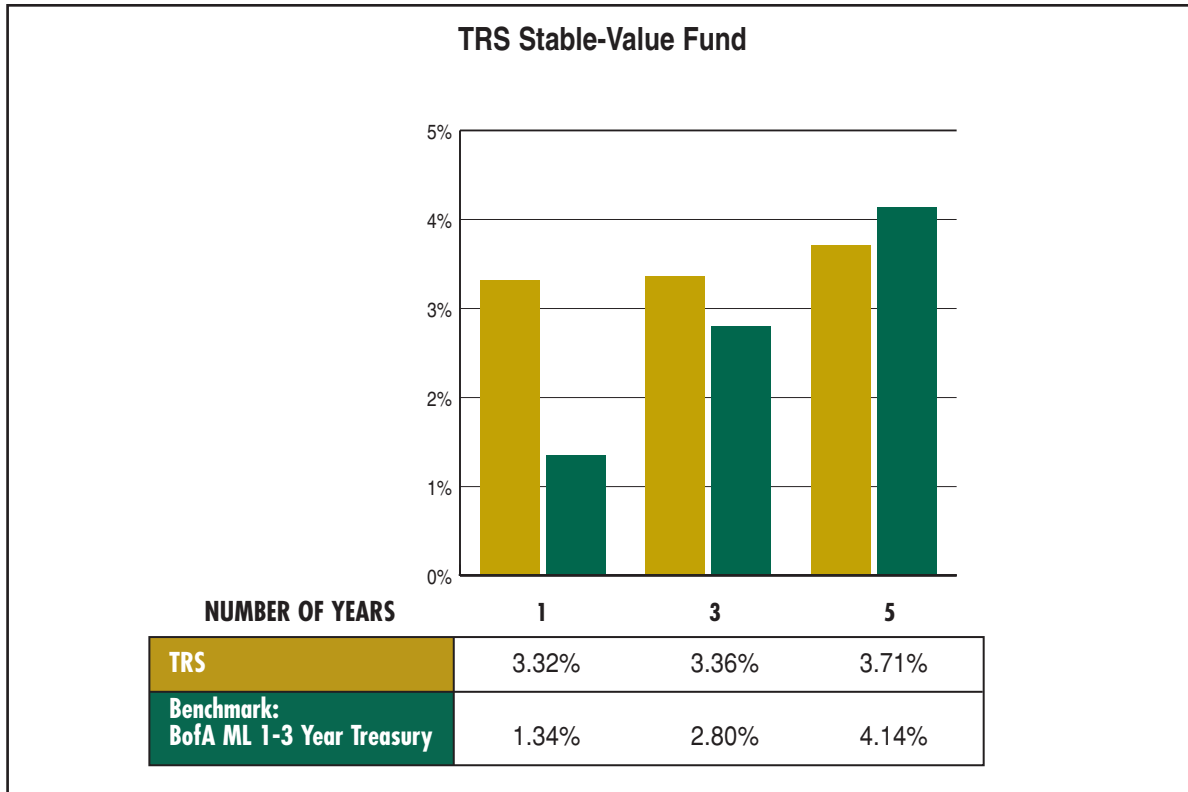
ANNUALIZED INVESTMENT RESULTS

As of June 30, 2011



ANNUALIZED INVESTMENT RESULTS (Continued)

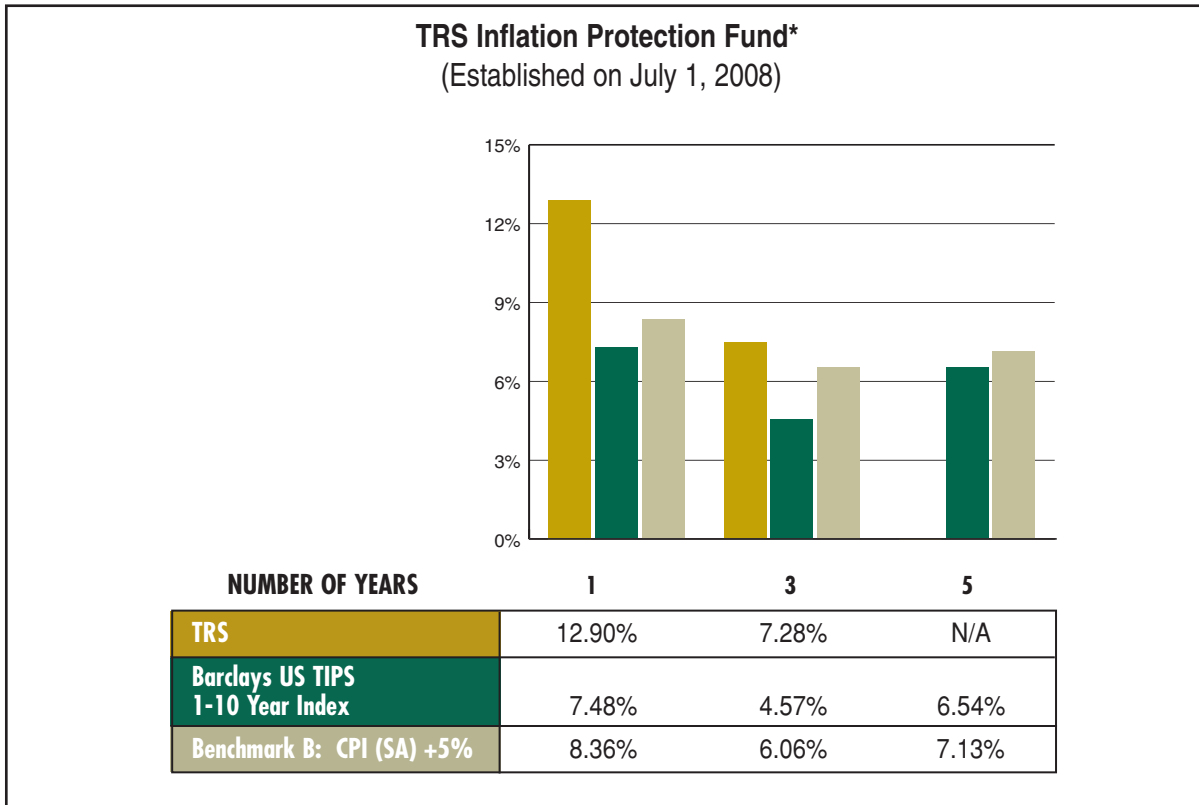
As of June 30, 2011



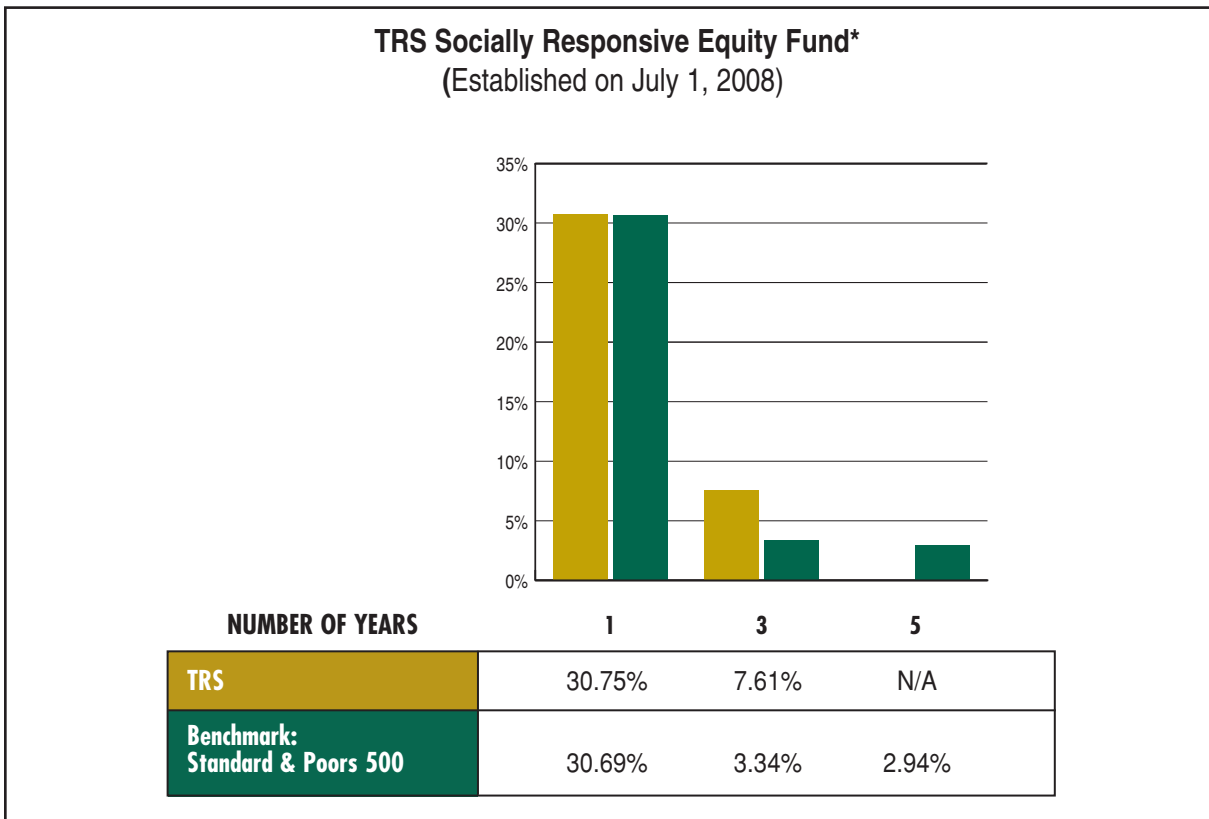
*TRS 5-year results are not available.

ANNUALIZED INVESTMENT RESULTS (Continued)

As of June 30, 2011



*TRS 5-year results are not available.



*TRS 5-year results are not available.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

**SUMMARY OF INVESTMENT MANAGERS AND FEES
YEAR ENDED JUNE 30, 2011**

INVESTMENT MANAGERS

Pension Fund-Fixed Income

Advent	Investment Manager	\$1,109,511
Lord Abbett Conv Bonds	Investment Manager	233,212
Victory Conv Bonds	Investment Manager	339,885
Blackrock	Investment Manager	769,583
Blackrock - SP Purpose Mtg	Investment Manager	18,250
Barrow Hanley - Credit	Investment Manager	388,090
Goldman Sachs - Mortgage	Investment Manager	97,115
Mackay Shields	Investment Manager	1,675,301
Neuberger Berman-Mortgage	Investment Manager	214,835
Pimco Advisor	Investment Manager	2,219,437
Prudential - Credit	Investment Manager	251,196
Seix	Investment Manager	769,120
Shenkman Cap.	Investment Manager	1,203,145
Smith Breeden - Mortgage	Investment Manager	244,972
State Street - Govnt	Investment Manager	319,240
Stone Harbor	Investment Manager	861,106
T. Rowe Price Associates Inc.	Investment Manager	2,083,214
Taplin, Canida, & Habacht	Investment Manager	510,975
Wellington - Mortgage	Investment Manager	321,760

Pension Fund-Domestic Equity

Adelante Cap. Management	Investment Manager	976,250
Morgan Stanley (Domestic Eq.)	Investment Manager	1,908,182
Attucks Asset Management - AF	Investment Manager	236,366
Bivium Capital - BC	Investment Manager	93,197
Capital Prospects - CP	Investment Manager	180,976
FIS Equity Russ 3000	Investment Manager	418,520
Progress Asset Management - PIM	Investment Manager	538,459
Brown AM	Investment Manager	1,564,507
Seizert Cap	Investment Manager	396,932
Piedmont Inv	Investment Manager	462,694
Profit Inv. Mgmt	Investment Manager	465,262
Lombardis Cap	Investment Manager	271,708
Blackrock Carbon III	Investment Manager	236,550
State Street R3000	Investment Manager	421,816
Walden Asset Mgmt	Investment Manager	265,578

Pension Fund-International

Blackrock	Investment Manager	1,041,760
CONY Alliance MTA	Investment Manager	1,106,065
CONY Baillie MTA	Investment Manager	2,367,663
CONY GT Blackrock MTA	Investment Manager	5,818,764
CONY Martin Currie MTA	Investment Manager	1,381,924
CONY Thornburg MTA	Investment Manager	2,347,206
CONY Walter Scott MTA	Investment Manager	2,685,956
CONY Sprucegrove MTA	Investment Manager	1,951,218
CONY ENV / Alt Energy MTA	Investment Manager	20,211
F&C SGE MTA	Investment Manager	619,057

Continued on page 3.11

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

**SUMMARY OF INVESTMENT MANAGERS AND FEES
YEAR ENDED JUNE 30, 2011 (Continued)**

INVESTMENT MANAGERS

Mondrian MTA	Investment Manager	\$2,635,992
Philadelphia MTA	Investment Manager	769,605
F & C MTA	Investment Manager	505,550
Pension Fund-TIPS MTA		
Blackrock TIPS MTA	Investment Manager	171,849
Pimco TIPS MTA	Investment Manager	749,948
State Street TIPS MTA	Investment Manager	4,266
Pension Fund-Enhanced Yield/Alternative		
ACS (CONY ETI)	Investment Manager	111,330
AEA Investors	Investment Manager	393,322
AFL - CIO Housing Investment	Investment Manager	820,115
Aisling Capital Partners	Investment Manager	141,306
Apollo Investment Fund	Investment Manager	440,033
Apollo Real Estate	Investment Manager	9,356
Ares Corp. Opp Fund	Investment Manager	1,747,214
Arsenal Capital Partners, II	Investment Manager	364,632
AVE Special Situations FD V	Investment Manager	2,141,544
AVE Euro SP Sists Fd	Investment Manager	484,418
Avista Capital Partners, L.P.	Investment Manager	1,130,823
BDCM Opp Fund	Investment Manager	1,330,122
Blackstone Group	Investment Manager	1,038,395
Blackstone Mezz Partners	Investment Manager	273,857
Blue Wolf Capital Fund II	Investment Manager	727,888
Bridgepoint Europe III, L.P.	Investment Manager	649,290
Carlyle Group	Investment Manager	226,448
Catterton Partners VI , L.P.	Investment Manager	379,122
CCMP Capital Investors II	Investment Manager	241,951
CD & R Fund VII, L.P.	Investment Manager	815,142
CO Invest Prtnr Eur	Investment Manager	181,624
Constellation Ventures III	Investment Manager	239,265
Craton Equity Investors	Investment Manager	164,800
Credit Suisse Emergind Mgn Co	Investment Manager	160,512
Credit Suisse Emergind Mgn Fd	Investment Manager	554,795
Cypress Mech BK Partners II	Investment Manager	66,416
Ethos Private Equity Fund	Investment Manager	1,106,659
Fairview Capital Partners	Investment Manager	203,120
Fairview Emerg Mgrs Fd LP	Investment Manager	256,478
FDG Capital Partners L.L.C.	Investment Manager	188,842
First Reserve Fund XI	Investment Manager	647,376
Freeman Spogli & Co., Inc.	Investment Manager	66,108
Fourth Cinven Fund	Investment Manager	1,000,147
FT Ventures Fund III	Investment Manager	170,929
GF Capital Private Equity FD, L.P.	Investment Manager	84,112
GI Partners Fund II L.P.	Investment Manager	1,811,292
GSC Recovery III	Investment Manager	435,478
GSO Cap. Opp	Investment Manager	549,024
Governance For Owners	Investment Manager	4,546,422

Continued on page 3.12

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

SUMMARY OF INVESTMENT MANAGERS AND FEES
YEAR ENDED JUNE 30, 2011 (Continued)

INVESTMENT MANAGERS

Halyard Capital II	Investment Manager	\$386,542
HM 2006 Sector Per Fund	Investment Manager	312,971
InterMedia Partners VII, L.P.	Investment Manager	465,031
J.P. Morgan Inversment Management Inc.	Investment Manager	722,065
Landmark Equity Partners	Investment Manager	37,593
Lee Equity Partners	Investment Manager	631,911
Leeds Eq Partners V	Investment Manager	371,342
Leeds Weld Equity Partners IV	Investment Manager	842,039
Levine Leichtman Cap	Investment Manager	299,031
Lincolnshire Management, Inc.	Investment Manager	498,447
Midocean Partners III	Investment Manager	985,109
Montreux Equity Partners IV	Investment Manager	342,736
Nautic Partners VI	Investment Manager	300,235
New Mountain Investments	Investment Manager	1,112,854
New Spring Ventures II, L.P.	Investment Manager	50,000
NGN Biomed Opportunity II	Investment Manager	174,688
ONEX Partners III	Investment Manager	321,694
Paladin Homeland Security	Investment Manager	692,363
Palladium Equity Partners III	Investment Manager	663,271
PCGAM Clean Energy & Tech Fund	Investment Manager	248,425
Pegasus Partners IV	Investment Manager	355,846
Perseus Partners VII	Investment Manager	355,231
PIMCO Disco	Investment Manager	13,296,261
Pine Brook CAP Partners	Investment Manager	231,098
PRE AMB Alliance Fd II	Investment Manager	74,132
PRE Amer Value	Investment Manager	261,609
PRE Blackstone RE	Investment Manager	368,888
PRE Canyon Johnson UBN III	Investment Manager	556,360
PRE Capri Urban Investors, L.P.	Investment Manager	793,328
PRE Carlyle	Investment Manager	204,673
PRE Colony Realty Partners	Investment Manager	236,252
PRE Heitman America Fd	Investment Manager	215,401
PRE H/2 SP OPP FD	Investment Manager	45,336
PRE JPMC Strategick Property Fund	Investment Manager	504,717
PRE JPMC Special Situations Fund	Investment Manager	171,647
PRE Lasalle US Prty Fd	Investment Manager	97,092
PRE Lehman Rep III	Investment Manager	76,616
PRE Metro Wkforce Housing Fund	Investment Manager	295,618
PRE RREEF America	Investment Manager	361,293
PRE Stockbridge RE III	Investment Manager	399,397
PRE/Urban America II	Investment Manager	159,655
PRE Westbrook RE Fd VIII	Investment Manager	525,000
Prisa	Investment Manager	773,413
Prism Venture Parts	Investment Manager	520,000
Psilos Group Partners III	Investment Manager	414,340
Quadrangle Capital Partners II	Investment Manager	655,227
Quaker BioVentures II	Investment Manager	139,286
Relational Invest.	Investment Manager	5,329
Relativity Fund	Investment Manager	320,917

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TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

**SUMMARY OF INVESTMENT MANAGERS AND FEES
YEAR ENDED JUNE 30, 2011 (Continued)**

INVESTMENT MANAGERS

Ripplewood Holdings, L.L.C.	Investment Manager	\$53,418
Riverstone / Carlyne GLB	Investment Manager	249,457
RLJ Equity Partners Fd	Investment Manager	267,678
RRE Ventures	Investment Manager	1,139,169
SCP Private Equity Partners	Investment Manager	61,724
SCP Vitalife Partners II	Investment Manager	202,500
Silver Lake Partners	Investment Manager	475,326
Shamrock Capital	Investment Manager	167,948
Snow Phipps & Guggenheim	Investment Manager	272,504
Solera Capital, L.L.C.	Investment Manager	215,930
Starvest Prtnrs II	Investment Manager	408,332
Tailwind Capital Partners	Investment Manager	538,739
Terra Firma Cap III	Investment Manager	680,183
Thomas H Lee Equity Fund VI	Investment Manager	279,852
Thor Urban Propty FD II	Investment Manager	149,984
Torchlight Investors	Investment Manager	108,445
Trident V. LP	Investment Manager	838,525
Trilantic Cap Ptnrs	Investment Manager	1,426,734
UBS Real Estate Separate Account	Investment Manager	336,704
Vista Equity Partners III	Investment Manager	343,119
VSS Communication Partners IV	Investment Manager	9,877
Vtruvian Partners	Investment Manager	1,013,534
Yucaipa American Alliance Fund	Investment Manager	2,236,730
Yucaipa Corporation Initiatives II	Investment Manager	618,889
Investment Legal Fees		18,530
Consultant Fees		3,908,114

Diversified Equity Fund and International Equity Fund

Advent Conv. Bond	Investment Manager	104,040
Alliance-Large Cap Group	Investment Manager	77,009
Amalgamated-S&P 1500	Investment Manager	14,000
Aronson Johnson Ortiz	Investment Manager	38,585
Bernstein-Intl Value	Investment Manager	294,631
BGI-Intl Alpha TILTS	Investment Manager	620,013
Cardinal Small CAP Value	Investment Manager	149,338
CRM-Mid Value	Investment Manager	150,803
Goldman-Enhanced Core	Investment Manager	851
INTECH-Super Fund	Investment Manager	295,777
Martingale Large Cap	Investment Manager	161,738
MCM-Enhanced Asset Alloc.	Investment Manager	186,437
MCM - Russell 3000	Investment Manager	53,428
Profit Lrg Cap Core	Investment Manager	157,096
Pyramis Global	Investment Manager	355,427
Rainer-Small/Mid	Investment Manager	258,410
Shapiro-Small Cap	Investment Manager	191,093
Sound Shore-Value	Investment Manager	175,715
Thornburg Invt Magt. IEP	Investment Manager	90,087
Walter Scott - Int'l.	Investment Manager	383,762

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TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

SUMMARY OF INVESTMENT MANAGERS AND FEES
YEAR ENDED JUNE 30, 2011 (Continued)

INVESTMENT MANAGERS

Wasatch Advisors Inc.	Investment Manager	\$9,779
Wellington-Lrg. Cap Core	Investment Manager	443,283
Wellington Magt.Co IEP	Investment Manager	261,590
Zazove Conv. Bond	Investment Manager	398,640
Bank of New York Mellon	Maintenance Fee	28,547
AXA Rosen-Intl Core	Fee Refund	(114,022)
Lord Abbett Conv. Bond	Fee Refund	(55,487)
Mellon Trust Co.	Custodial Bank	324,397
Stable-Value Fund		
Standish Mellon Asset Mgmt.	Funding Advisor	171,844
Mellon Global Securities Services	Custodial Bank	2,347
Inflation Protection Fund		
PIMCO	Mutual Fund	
Mellon Global Securities Services	Custodial Bank	635
Socially Responsive Equity Fund		
Neuberger Berman SRF	Mutual Fund	
Mellon Global Securities Services	Custodial Bank	346
Total Investment Expenses*		\$125,268,076

* Total Investment Fees does not include \$277,494 reduction in Variable Programs' provision for expenses.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

**LIST OF LARGEST BOND ASSETS HELD
(BY MARKET VALUE)**

As of June 30, 2011

Par Value		Interest Rate	Due Date	Market Value
\$178,045,000.00	Govt Nat Mtg Assn I TBA SFM	4.000%	07/15/39	\$181,355,524.23
171,810,000.00	Federal Nat Mtg Assn TBA 30YR SFM	4.500	07/01/39	177,742,814.07
142,890,000.00	Federal Home Ln Mtg Corp TBA 30YR Gold SFM	5.000	07/01/35	151,597,359.38
117,830,000.00	Federal Nat Mtg Assn TBA 30YR	6.000	07/01/39	29,428,890.63
109,020,000.00	Federal Nat Mtg Assn TBA 30YR	5.500	07/01/39	117,877,875.00
104,930,000.00	Federal Home Ln Mtg Corp TBA 30YR Gold SFM	4.500	07/01/34	108,389,410.94
87,500,000.00	Govt Nat Mtg Assn I TBA 30YR SFM	5.000	07/01/39	94,773,437.50
85,020,000.00	Federal Nat Mtg Assn TBA 15YR SFM	4.000	07/01/24	88,553,643.75
81,055,000.00	Federal Home Ln Mtg Corp TBA 30YR Gold SFM	4.000	07/01/40	80,979,010.94

**LIST OF LARGEST EQUITY ASSETS HELD
(BY MARKET VALUE)**

As of June 30, 2011

Company Name	Shares	Market Value
Exxon Mobil Corp.	2,174,310.000	\$176,945,347.80
Apple Inc.	389,047.000	130,591,406.49
International Business Machines Corp.	554,134.000	95,061,687.70
AT&T Inc.	2,842,293.000	89,276,423.13
Chevron Corporation	866,774.000	89,139,038.16
Microsoft Corp.	3,364,608.000	87,479,808.00
Johnson & Johnson	1,201,213.000	79,904,688.76
General Electric Co.	4,200,005.000	79,212,094.30
Procter & Gamble Co.	1,124,145.000	71,461,897.65
Pfizer Inc.	3,463,696.000	71,352,137.60
Wells Fargo & Co.	2,280,048.000	63,978,146.88
Philip Morris International Inc.	944,902.000	63,091,106.54
JP Morgan Chase & Co.	1,507,689.000	61,724,787.66
Google Inc.	112,969.000	57,205,242.22
Coca-Cola Co.	815,528.000	54,876,879.12
Oracle Corp.	1,653,785.000	54,426,064.35
Bank of America Corp.	4,796,440.000	52,568,982.40
PepsiCo Inc/NC	733,134.000	51,634,627.62
Intel Corp.	2,248,082.000	49,817,497.12
Citi Group Inc.	1,193,168.000	49,683,515.52

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

4. Actuarial





OFFICE OF THE ACTUARY

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ROBERT C. NORTH, JR.
CHIEF ACTUARY

December 9, 2011

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, 2011

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, 2009 (Lag) actuarial valuation to determine Fiscal Year 2011 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 2011 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.

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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, 2009 (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, 2008 (Lag) actuarial valuation that was used to determine Fiscal Year 2010 Employer Contributions to the Plan.

Benefits and Census Data

A summary of the benefits applicable to Plan members included in the June 30, 2009 (Lag) actuarial valuation is shown later in this Actuarial Section of the CAFR.

Included in the summary of benefits are benefit provisions that have been passed by the New York State Legislature and enacted as Chapter 504 of the Laws of 2009. These benefit provisions became applicable to certain members who join the Plan on and after December 10, 2009.

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, 2009 (Lag) actuarial valuation is included in this CAFR. A summary of the census data used in the June 30, 2008 (Lag) actuarial valuation of the Plan is available in the June 30, 2010 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).

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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 requirements 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 information provided by the Actuary to assist those users who desire additional 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, 2009 (Lag) Actuarial Valuation.

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Teachers' Retirement System
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- Active Member Valuation Data.
- Retirants and Beneficiaries Added to and Removed from Rolls.
- Funded Status based on Entry Age Actuarial Cost Method.
- 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.

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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,

A handwritten signature in black ink, appearing to read "Robert C. North, Jr.", written in a cursive style.

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

RCN/srh

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, 2009 (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 under 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, 2009 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, 2009 (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, 2009, 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, 2009 (LAG) ACTUARIAL VALUATION
(Cont'd)**

9. One-Year Lag Methodology ("Lag") uses a June 30, 2009 valuation date to determine Fiscal Year 2011 Employer Contributions.

This methodology requires technical adjustments to certain components used to determine Fiscal Year 2011 Employer Contributions as follows:

- Present Value of Future Salary ("PVFS")

The PVFS at June 30, 2009 is reduced by the value of salary projected to be paid during Fiscal Year 2010.

- Salary for Determining Employer Contributions

Salary used to determine the employer Normal Cost is the salary projected to be paid during Fiscal Year 2011 to members on payroll at June 30, 2009.

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

The PVFNC at June 30, 2009 is reduced by the discounted value of the Fiscal Year 2010 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, 2009 (Lag) actuarial valuation is unchanged from the AAVM used in the June 30, 2008 (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, 2009 (LAG) ACTUARIAL VALUATION**

(Cont'd)

11. The Actuarial Present Value of Future Benefits ("APVB") as of June 30, 2009, used to determine Fiscal Year 2011 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, 2008 (Lag) actuarial valuation.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

**SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
IN EFFECT FOR THE JUNE 30, 2009 (LAG) ACTUARIAL VALUATION
(Cont'd)**

TABLE 1

Deaths among Service and Disability Pensioners

Percentage of Pensioners Dying within Next Year

<u>Age</u>	<u>Service Pensioners</u>		<u>Disability Pensioners</u>	
	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>
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	2.9554	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

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
 IN EFFECT FOR THE JUNE 30, 2009 (LAG) ACTUARIAL VALUATION
 (Cont'd)

TABLE 2

Withdrawals from Active Service (Due to Death or Disability)

Percentage of Active Members Separating within Next Year

<u>Age</u>	<u>Accidental Disability</u>		<u>Ordinary Disability</u>		<u>Ordinary Death</u>	
	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>
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

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

**SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
IN EFFECT FOR THE JUNE 30, 2009 (LAG) ACTUARIAL VALUATION
(Cont'd)**

TABLE 3

Withdrawals for Other Than Death or Disability or Retirement
Percentage of Active Members Withdrawing within Next Year

<u>Years of Service</u>	<u>Probability of Withdrawal</u>
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

<u>Age</u>	<u>Males</u>				<u>Females</u>				
	<u>With Reduced Benefits</u>	<u>With Unreduced Benefits</u>			<u>Age</u>	<u>With Reduced Benefits</u>	<u>With Unreduced Benefits</u>		
		<u>Years of Service Since First Elig.</u>	<u>Years of Service Since First Elig.</u>	<u>Years of Service Since First Elig.</u>			<u>Years of Service Since First Elig.</u>	<u>Years of Service Since First Elig.</u>	<u>Years of Service Since First Elig.</u>
		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	2.00	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.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

**SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
IN EFFECT FOR THE JUNE 30, 2009 (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

<u>Males</u>					<u>Females</u>				
<u>Age</u>	<u>With Reduced Benefits</u>	<u>With Unreduced Benefits</u>			<u>Age</u>	<u>With Reduced Benefits</u>	<u>With Unreduced Benefits</u>		
		<u>Years of Service Since First Elig</u>	<u>Years of Service Since First Elig</u>	<u>Years of Service Since First Elig</u>			<u>Years of Service Since First Elig</u>	<u>Years of Service Since First Elig</u>	<u>Years of Service Since First Elig</u>
		<u>0-1</u>	<u>1-2</u>	<u>2+</u>			<u>0-1</u>	<u>1-2</u>	<u>2+</u>
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	10.00	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

<u>Years of Service</u>	<u>Assumed Annual Percentage Increases Within Next Year*</u>
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.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

ACTIVE MEMBER VALUATION DATA

<u>As of June 30</u>	<u>Number</u>	<u>Annual Payroll</u>	<u>Annual Average Salary</u>	<u>Percentage Increase (Decrease) in Average Salary</u>
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)	113,132	8,016,635,700	70,861	0.5
2010 (Lag) ⁽³⁾	111,647	7,979,671,378	71,472	0.9

(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 methods and updated information on labor contract settlements.

(2) Decrease from June 30, 2003.

(3) Preliminary.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

<u>Ended June 30</u>	<u>Added to Rolls</u>		<u>Removed from Rolls</u>		<u>Rolls End of Year</u>		<u>% Increase Annual Number</u>	<u>Average Annual Allowances</u>
	<u>Number</u>	<u>Annual Allowances**</u>	<u>Number</u>	<u>Annual Allowances</u>	<u>Number</u>	<u>Annual Allowances*</u>		
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
2009 (Lag)	3,115	6,288,013	2,065	73,586,895	70,825	2,874,313,269	(2.3)	40,583

* 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.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

FUNDED STATUS BASED ON ENTRY AGE ACTUARIAL COST METHOD

(As shown in Financial Statement for Fiscal Year ended June 30, 2011)

(Dollar Amounts 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, 2009 (Lag)	\$30,774,981	\$47,988,459	\$17,213,478	64.1%	\$8,016,636	214.7%
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: This schedule is based on actuarial assumptions used for determining Employer Contributions.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

**COMPARATIVE SUMMARY OF ACTUARIAL VALUES AND PERCENTAGES COVERED
BY ACTUARIAL VALUE OF ASSETS**

**SOLVENCY TEST
(Dollar Amounts in Thousands)**

As of June 30	Aggregate Accrued Liabilities for				Actuarial Value of Assets (D)	Percentage of Actuarial Values Covered by Actuarial Value of Assets (A) (B) (C)
	Accumulated Member Contributions (A)	Current Retirees and Beneficiaries (B)	Active Members' Employer Financed Portion (C)	Actuarial Value of Assets (D)		
1999	\$3,111,019	\$15,748,859	\$12,447,411*	\$34,626,062	100%	100%
2000	3,354,746	17,446,520	14,340,434*	36,142,435	100	100
2001	3,077,510	17,254,058	14,114,923*	35,410,230	100	100
2002	2,931,464	18,189,124	13,623,528*	34,177,750	100	96
2003	2,752,562	20,489,777	12,561,516	33,169,210	100	79
2004	2,628,369	24,460,479	11,465,947	32,817,102	100	50
2004 (Lag)	2,628,369	24,636,479	11,682,625	33,149,251	100	50
2005 (Lag)	2,624,824	26,590,313	11,418,808	32,865,126#	100	32
2006 (Lag)	2,724,814	27,934,371	11,960,437	32,405,645	100	15
2007 (Lag)	2,927,133	29,528,062	13,957,521	33,854,152	100	10
2008 (Lag)	2,898,027	29,182,084	14,743,596	32,227,375	100	1
2009 (Lag)	2,823,873	27,862,679	14,620,140	30,774,981	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 the Market Value of Assets ("MVA") and the Actuarial Value of Assets (or Actuarial Asset Value ("the 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.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

**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	7,275.0	4.5	12.1
6/30/09 (Lag)	23,077.5	30,775.0	30,775.0	47,988.5	45,306.7	40,883.2	59,266.2	4.1	12.3
6/30/10 (Lag)##	26,398.4	31,135.4	31,135.4	49,516.4	46,728.0	42,668.0	65,816.6	3.6	12.7

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, 2010 (Lag) figures are preliminary and are generally based on the same census data, actuarial assumptions and methods used to develop published, preliminary Fiscal Year 2012 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
6/30/10 (Lag)#	100	63	53	67	56	73	62	40

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.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

STATUTORY VS. ANNUAL REQUIRED CONTRIBUTIONS

<u>Fiscal Year Ended June 30</u>	<u>Statutory Contribution*</u>	<u>Annual Required Contribution</u>	<u>Employer Rate of Contribution**</u>
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
2011	2,468,973,357	2,468,973,357	31.114

* 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

2010 Chapter 286 of the Laws of 2010 ("Chapter 286/10") refined the method used to compute the Final 3-year Average Salary for members who have extended breaks in service and who would be impacted by Kingston Limits on the older salaries.

2009 Chapter 504 of the Laws of 2009 ("Chapter 504/09") provides that individuals joining TRS after December 10, 2009, 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.

Also, under Chapter 504/09, all members represented by the United Federation of Teachers ("UFT") will become vested after ten years of credited service. In addition, all members 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.

2008 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 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,

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

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.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

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.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

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.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

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.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

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.

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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.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

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

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

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.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

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.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

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, 2009 (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.

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.

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.

After December 10, 2009, new members under the 55/27 retirement program 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.

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.

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- 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 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

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

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) $\frac{1}{3}$ of FAS ($\frac{2}{3}$ of FAS for a member if the disability is judged to be the result of an accident in the performance of duty); or (b) $\frac{1}{60}$ 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.

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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		
<u>At Least</u>	<u>But Not More Than</u>	<u>Lump Sum Benefit</u>	<u>4/01/09 – 3/31/10</u>	<u>4/01/10 – 3/31/11</u>
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 {1} If the eligible beneficiary becomes ineligible to continue to receive the

Provisions: 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.

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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.

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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.

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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.

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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.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

- {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 10th 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.

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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 \$2,468,973,357 for the Fiscal Year ended June 30, 2011.

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 \$60.624 during July 2011.

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 \$19.166 during July 2011.

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,

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

2008, the value of a unit of the International Equity Fund varied between a high of \$10.352 during May 2011 and the low of \$6.048 during March 2009. The monthly unit value of the International Equity Fund was \$9,947 during July 2011.

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 \$11.160 during May 2011 and the low of \$8.012 during March 2009. The monthly unit value of the Inflation Protection Fund was \$10.978 during July 2011.

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 \$11.505 during May 2011 and the low of \$6.844 during March 2009. The monthly unit value of the Socially Responsive Equity Fund was \$11.076 during July 2011.

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



TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

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.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

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
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
2011	29,942,258	3,523,126	112,117	15,626	4,527	3,883	33,601,537	7,203,127

SCHEDULE 2: 2011 CHANGES IN NET ASSETS

In Thousands

	Pension Fund	Diversified Equity	Stable-Value	International Equity	Inflation Protection	Socially Responsive Equity	Net Assets
2010 Net Assets	\$ 23,140,827	\$ 3,107,689	\$ 129,595	\$ 13,803	\$ 3,754	\$ 2,742	\$ 26,398,410
Member Contributions	157,445	1,264	98	11	10	1	158,829
Employer Contributions	2,524,892	208	9	1	1	-	2,525,111
Interest & Misc Income	534,906	22,556	4,439	99	-	-	562,000
Dividend Income	587,162	56,057	-	247	379	9	643,854
Realized Profit/Loss	2,260,410	189,232	-	1,240	-	-	2,450,882
Unrealized Profit/Loss	4,698,025	656,130	2	2,371	101	850	5,357,479
Benefit Payments	(2,984,436)	(458,230)	(20,975)	(1,628)	(345)	(286)	(3,465,900)
Refunds & Withdrawals	(9,039)	(1,622)	(36)	-	-	-	(10,697)
Interest Paid to TDA Funds	(854,073)	-	-	-	-	-	(854,073)
Transfer to other Systems	737	-	-	-	-	-	737
Interfund Transfer	38,485	(38,638)	(587)	(468)	635	573	-
Provision for Expenses*	(153,083)	(11,520)	(428)	(50)	(8)	(6)	(165,095)
2011 Net changes	\$ 6,801,431	\$ 415,437	\$ (17,478)	\$ 1,823	\$ 773	\$ 1,141	\$ 7,203,127
2011 Net Assets	\$ 29,942,258	\$ 3,523,126	\$ 112,117	\$ 15,626	\$ 4,527	\$ 3,883	\$ 33,601,537

* Includes Administrative and Investment Expenses.

SCHEDULE 3: CHANGES IN NET ASSETS

In Thousands

Year Ended June 30*	1	2	3	4	5	6	7	8	9	10	11
Net Member Contributions	Net Contributions	Employer Contributions	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
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)	(55,632)	(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
2011	158,829	2,525,111	8,888,669	737	(854,073)	(3,340,041)	(39,998)	(10,593)	(85,965)	(39,549)	7,203,127

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
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)
2011	(3,161,293)	(43,659)	(25,935)	(109,154)	(3,340,041)

* Benefit Payment categories for 2002-2010 take into account retirement valuation reports.

** Other Benefits consists of Retiree Advances, delayed interest payments, Active Death Payments, and, excluding Fiscal Year 2011, 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.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

SCHEDULE 4: PARTICIPATING EMPLOYERS

As of June 30, 2009 (Lag)

Employer	Number of In-Service Members*	Annual Payroll*
NYC Department of Education and City University of New York	112,710	\$7,989,366,033
Charter Schools**		
Beginning with Children	40	2,713,297
Future Leaders Institute	31	1,896,626
Harriet Tubman	31	1,696,731
Kipp Academy	23	1,708,114
Kipp AMP	13	938,237
Kipp Infinity	34	2,424,406
Opportunity	76	4,637,942
Renaissance	47	3,236,500
UFT Elementary	79	4,413,749
UFT Green Dot	11	805,565
Voice	8	563,419
Wildcat	29	2,235,111
SUBTOTAL		\$27,269,697
TOTAL	113,132	\$8,016,635,700

* 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 Wild 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. UFT Green Dot and Voice Charter Schools became participating employers in 2010.

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

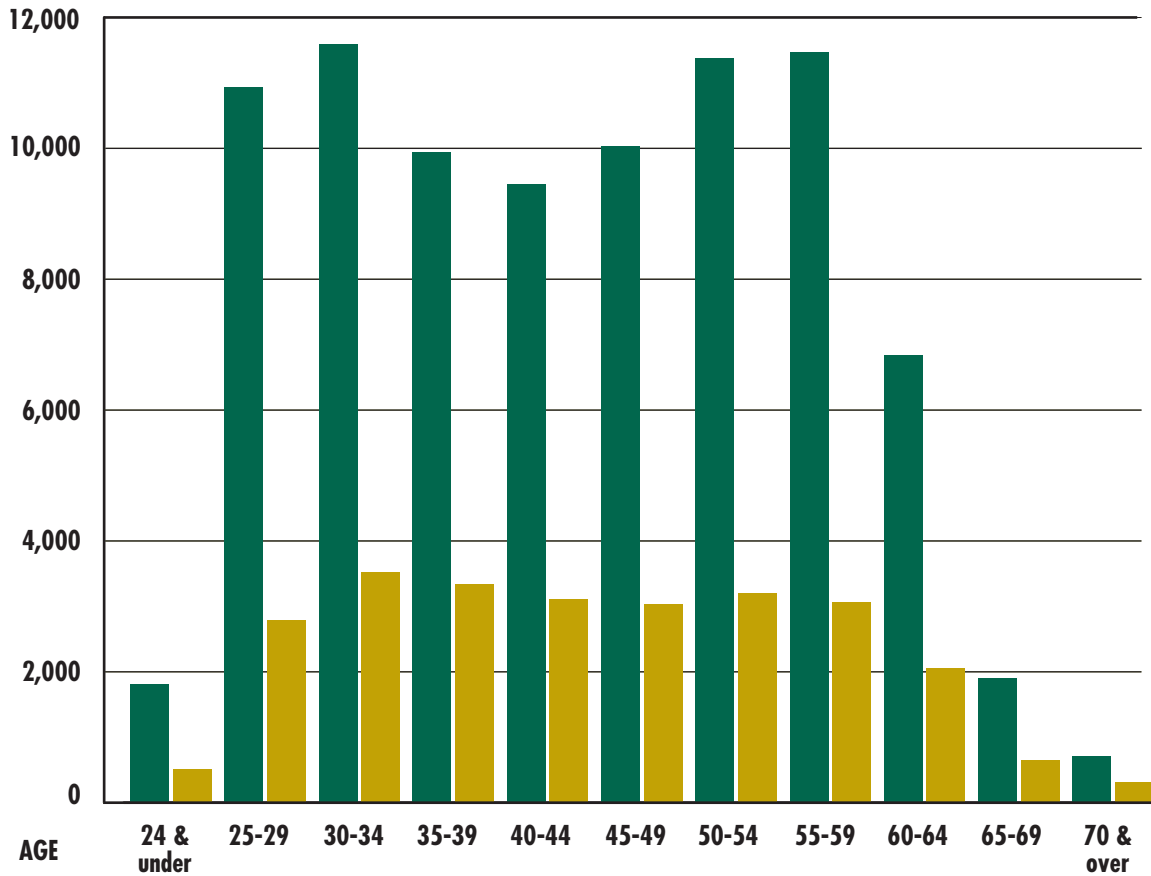
As of June 30, 2010

MEN			WOMEN		
Age	Number of In-Service Members	Average Salaries	Age	Number of In-Service Members	Average Salaries
24 & under	521	\$48,282	24 & under	1,813	\$48,527
25-29	2,782	57,143	25-29	10,929	57,364
30-34	3,523	67,852	30-34	11,596	66,837
35-39	3,344	75,643	35-39	9,937	70,679
40-44	3,111	78,408	40-44	9,456	69,945
45-49	3,028	81,316	45-49	10,034	71,313
50-54	3,208	85,376	50-54	11,372	74,234
55-59	3,060	87,151	55-59	11,463	78,124
60-64	2,061	85,671	60-64	6,832	77,566
65-69	649	78,733	65-69	1,896	71,390
70 & over	320	77,087	70 & over	712	64,989
TOTAL	25,607	\$76,508	TOTAL	86,040	\$69,974
TOTAL ANNUAL SALARIES		\$1,959,150	TOTAL ANNUAL SALARIES		\$6,020,521

* 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, 2010



WOMEN	1,813	10,929	11,596	9,937	9,456	10,034	11,372	11,463	6,832	1,896	712
MEN	521	2,782	3,523	3,344	3,111	3,028	3,208	3,060	2,061	649	320

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

SCHEDULE 6: MEMBER BENEFITS BY TYPE

In Thousands

Year Ended June 30	Retirement Benefits	Non-Retirement Benefits	Member Benefits
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
2010	3,017,755	270,933	3,288,688

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

SCHEDULE 7: AVERAGE ANNUAL BENEFIT PAYMENT AMOUNTS

Year Ended June 30	SERVICE RETIREMENT BENEFITS		ORDINARY (NON-DUTY) DISABILITY BENEFITS		ACCIDENTAL (DUTY) DISABILITY BENEFITS		SURVIVORS' BENEFITS	
	Number	Average Annual Allowance	Number	Average Annual Allowance	Number	Average Annual Allowance	Number	Average Annual Benefit
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
2010	65,734	43,381	2,068	19,500	619	36,849	3,935	26,170

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
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
2010	26.6	25.8	26.0	3,173

**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	3,299	19,517	30	120	1,552	3,132	4,278	9,857	8,427	4,349	54,561
Retirees	3,354	20,490	30	158	1,659	3,277	4,449	10,223	9,559	4,933	58,132
Retirees	3,434	17,137	33	256	2,021	3,693	4,994	11,433	12,638	7,088	62,727
Retirees	3,538	14,197	37	373	2,392	4,040	5,508	12,090	14,378	8,615	65,168
Retirees	3,615	12,447	38	439	2,623	4,337	6,033	12,706	15,745	9,593	67,576
Retirees	3,666	8,672	47	641	3,081	4,799	6,685	13,334	17,030	10,537	68,492
Retirees	3,777	8,011	51	739	3,313	4,995	7,092	13,514	17,415	10,874	69,781
Retirees	3,878	7,546	54	832	3,476	5,121	7,390	13,933	17,609	10,986	70,825
Retirees	3,935	6,493	59	934	3,709	5,310	7,829	14,557	18,139	11,391	72,356
Retirees	3,988	6,279	60	1,040	3,937	5,466	8,163	15,057	18,401	11,529	73,920
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	\$259	\$469	\$692	\$1,254	\$1,854	\$2,951	\$3,840	\$4,868			
Avg Monthly Benefit	\$258	\$127	\$701	\$1,228	\$1,841	\$2,923	\$3,905	\$5,007			
Avg Monthly Benefit	\$324	\$273	\$732	\$1,264	\$1,926	\$3,099	\$4,253	\$5,495			
Avg Monthly Benefit	\$460	\$334	\$741	\$1,288	\$1,986	\$3,191	\$4,400	\$5,710			
Avg Monthly Benefit	\$610	\$368	\$773	\$1,319	\$2,061	\$3,327	\$4,590	\$6,001			
Avg Monthly Benefit	\$896	\$524	\$816	\$1,367	\$2,155	\$3,500	\$4,776	\$6,210			
Avg Monthly Benefit	\$996	\$506	\$839	\$1,387	\$2,152	\$3,452	\$4,717	\$6,151			
Avg Monthly Benefit	\$998	\$519	\$855	\$1,379	\$2,095	\$3,348	\$4,451	\$5,774			
Avg Monthly Benefit	\$1,073	\$609	\$872	\$1,336	\$2,172	\$3,466	\$4,592	\$5,976			
Avg Monthly Benefit	\$1,194	\$568	\$951	\$1,459	\$2,394	\$4,004	\$5,451	\$7,556			
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	\$18,400	\$28,344	\$31,505	\$33,502	\$39,425	\$45,939	\$52,770	\$57,182			
Final Average Salary	\$18,400	\$28,178	\$32,101	\$34,145	\$40,376	\$47,033	\$55,211	\$59,745			
Final Average Salary	\$19,542	\$30,620	\$33,848	\$35,719	\$42,577	\$49,632	\$60,766	\$67,475			
Final Average Salary	\$21,125	\$32,062	\$35,371	\$37,207	\$44,482	\$51,312	\$63,832	\$72,380			
Final Average Salary	\$22,914	\$32,765	\$36,498	\$38,207	\$46,592	\$53,196	\$65,820	\$74,640			
Final Average Salary	\$26,668	\$36,178	\$38,348	\$40,419	\$48,902	\$55,302	\$67,802	\$76,827			
Final Average Salary	\$27,614	\$36,927	\$39,399	\$41,535	\$50,662	\$56,679	\$68,899	\$78,148			
Final Average Salary	\$27,306	\$38,280	\$40,348	\$42,379	\$51,881	\$58,811	\$69,802	\$79,190			
Final Average Salary	\$28,056	\$39,632	\$41,401	\$43,566	\$53,567	\$61,429	\$71,226	\$80,400			
Final Average Salary	\$28,895	\$40,803	\$42,607	\$44,701	\$55,226	\$63,830	\$72,377	\$81,273			

* Retiree figures for 2002-2010 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 2011 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.

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

SCHEDULE 10: SERVICE RETIREMENT ALLOWANCES

As of June 30, 2010

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	836	\$55,188	55-59	2,234	\$51,764
60-64	5,207	60,668	60-64	9,337	52,708
65-69	4,920	54,074	65-69	9,792	42,640
70-74	3,286	47,828	70-74	7,225	35,742
75-79	2,691	46,342	75-79	5,951	32,913
80-84	2,156	42,428	80-84	4,981	31,044
85-89	1,204	39,103	85-89	3,208	28,571
90 & over	515	37,195	90 & over	2,191	26,604
TOTAL	20,815	\$51,293	TOTAL	44,919	\$39,716

TOTAL ANNUAL ALLOWANCES PAID \$1,067,656,739 **TOTAL ANNUAL ALLOWANCES PAID \$1,783,982,477**

SCHEDULE 11: ORDINARY DISABILITY RETIREMENT ALLOWANCES

As of June 30, 2010

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	\$19,990	35-39	6	\$18,311
40-44	5	25,959	40-44	21	18,704
45-49	13	19,019	45-49	51	19,685
50-54	36	22,207	50-54	141	21,315
55-59	81	23,401	55-59	279	21,699
60-64	129	23,362	60-64	365	20,326
65-69	92	21,438	65-69	276	17,363
70-74	49	19,008	70-74	147	14,225
75-79	24	19,403	75-79	93	13,965
80-84	21	19,535	80-84	68	14,808
85-89	11	23,144	85-89	50	16,517
90 & over	18	27,785	90 & over	91	18,536
TOTAL	480	\$22,167	TOTAL	1,588	\$18,694

TOTAL ANNUAL BENEFITS PAID \$10,639,946 **TOTAL ANNUAL BENEFITS PAID \$29,686,566**

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

SCHEDULE 12: ACCIDENT DISABILITY RETIREMENT ALLOWANCES

As of June 30, 2010

MEN			WOMEN		
Age	Number of Retirees	Average Annual Allowance	Age	Number of Retirees	Average Annual Allowance
under 30	0	0	under 30	0	-
30-34	0	0	30-34	1	\$26,446
35-39	1	\$37,013	35-39	4	51,062
40-44	2	40,495	40-44	3	32,452
45-49	2	29,276	45-49	14	32,312
50-54	9	40,108	50-54	30	32,829
55-59	16	44,497	55-59	59	38,210
60-64	61	39,488	60-64	110	35,775
65-69	47	44,615	65-69	80	37,492
70-74	20	41,278	70-74	37	32,391
75-79	14	35,965	75-79	43	29,497
80-84	11	37,090	80-84	19	35,588
85-89	5	34,082	85-89	19	35,636
90 & over	1	38,195	90 & over	11	30,389
TOTAL	189	\$40,745	TOTAL	430	\$35,136
TOTAL ANNUAL BENEFITS PAID		\$7,700,813	TOTAL ANNUAL BENEFITS PAID		\$15,108,636

SCHEDULE 13: SURVIVORS' BENEFITS—QPP

As of June 30, 2010

MEN			WOMEN		
Age	Number of Beneficiaries	Average Annual Benefit	Age	Number of Beneficiaries	Average Annual Benefit
under 30	7	\$22,736	under 30	10	\$26,551
30-34	6	23,125	30-34	10	19,514
35-39	5	22,098	35-39	8	23,643
40-44	10	9,568	40-44	15	20,360
45-49	20	8,947	45-49	41	15,062
50-54	24	16,167	50-54	49	16,017
55-59	44	16,601	55-59	72	29,782
60-64	98	23,931	60-64	197	35,985
65-69	104	30,194	65-69	266	31,691
70-74	114	23,756	70-74	293	32,853
75-79	124	22,886	75-79	399	30,822
80-84	177	22,809	80-84	490	26,743
85-89	177	22,203	85-89	498	24,650
90 & over	190	20,219	90 & over	487	22,617
TOTAL	1,100	\$22,402	TOTAL	2,835	\$27,633
TOTAL ANNUAL BENEFITS PAID		\$24,641,693	TOTAL ANNUAL BENEFITS PAID		\$78,338,741

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

SCHEDULE 14: NUMBER AND COST OF INVESTMENT AND ADMINISTRATIVE SERVICES

Year Ended	Investment Agent Count	Investment Expenses	**TRS Employees Count	Administrative Expenses
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	\$37,639,364
2010	206	\$129,646,695	369	\$41,464,523
2011	188*	\$125,545,571*	368	\$39,548,780

* 2011 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 2011

Return: 23.28%

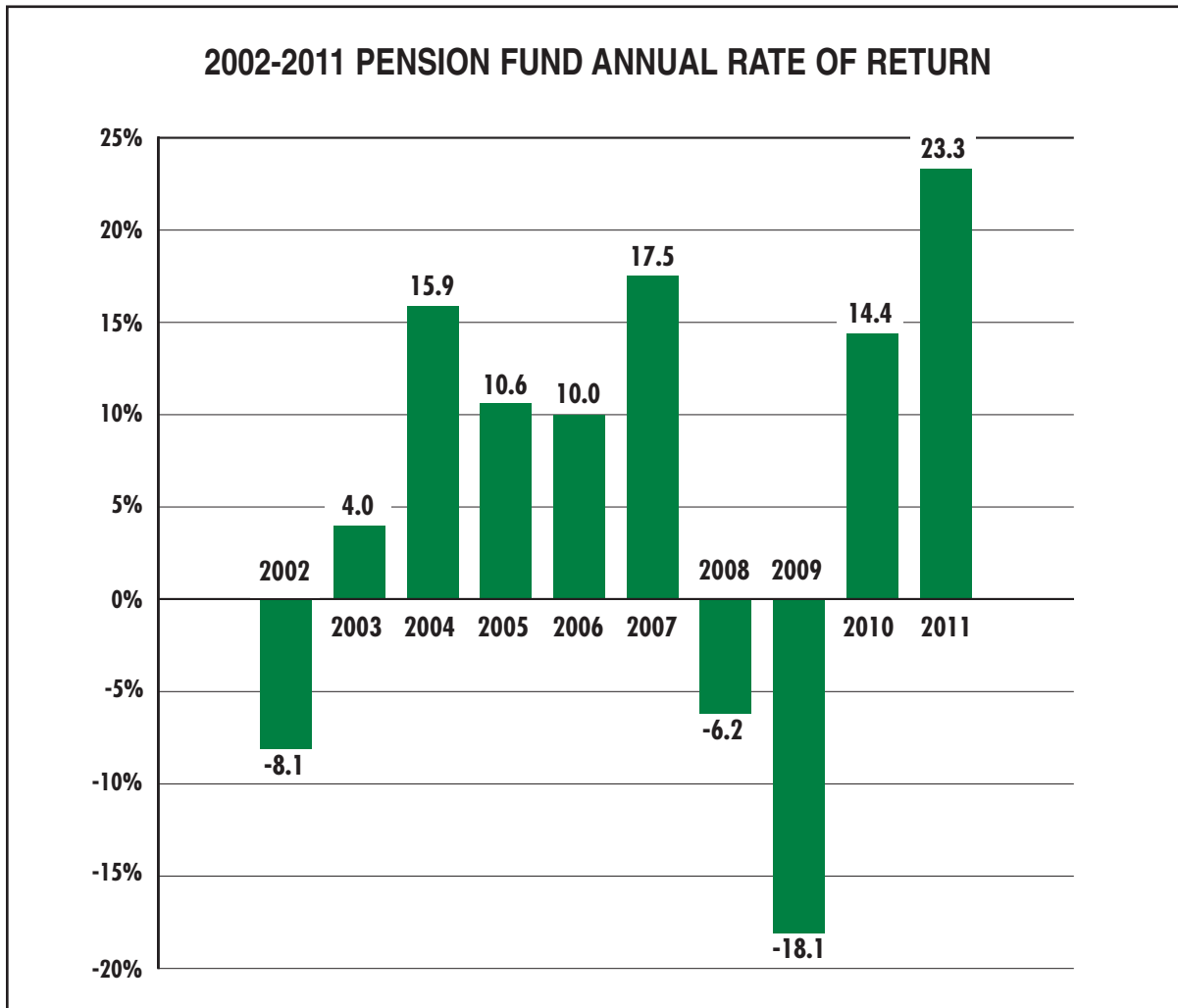
Total Investments: \$31.827 Billion

During Fiscal Year 2011, the Pension Fund's portfolio, consisting primarily of equities and fixed-income instruments, yielded a gross return of 23.28%. This was an increase from the 14.38% return for Fiscal Year 2010.

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 2011

Return: 30.51%**Total Investments: \$3.676 Billion**

For the 12 month period ending June 30, 2011, the U.S. equity market, as measured by the Russell 3000 Index, returned 32.37%. The Russell 3000 Index includes no fees and provides a passive representation of the overall U.S. stock market. For the same 12 month period ending June 30, 2011, the Diversified Equity Fund returned 30.51%, after fees. The fund invests in a diversified blend of investment strategies that historically have made the Diversified Equity Fund less volatile over long time periods than the overall U.S. equity market. The hybrid benchmark, which includes no fees, is constructed based upon a passive reflection of the Diversified Equity Fund's target asset allocation among domestic stocks, domestic fixed-income securities, and international equities. The hybrid benchmark is 70% Russell 3000 Index, 15% MSCI EAFE Index and 15% Defensive Strategies benchmark. Over the 12 month period ending June 30, 2011, the Diversified Equity Fund outperformed the hybrid benchmark's return of 30.36% by 15 basis points, or 0.15%.

For the three year period ending June 30, 2011 the Diversified Equity Fund returned 2.74% annualized, 126 basis points, or 1.26%, behind the Russell 3000 Index's 4.00% annualized return. For the five year period ending June 30, 2011, the Diversified Equity Fund returned 2.84%, annualized after fees, which was 51 basis points behind the Russell 3000's 3.35% annualized return. Due to its diversified structure, the Diversified Equity Fund has exhibited less performance volatility than the Russell 3000 Index over the same five year period. The Diversified Equity Fund's after fee returns were behind the hybrid benchmark's

annualized returns of 3.56% and 3.53%, respectively, over the three and five year periods ending June 30, 2011.

As of June 30, 2011, approximately 78% of the Diversified Equity Fund's portfolio was invested in the U.S. common stock market. The Diversified Equity 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.

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 for all of the Diversified Equity Fund's component sectors for the one year period ending June 30, 2011 are as follows:

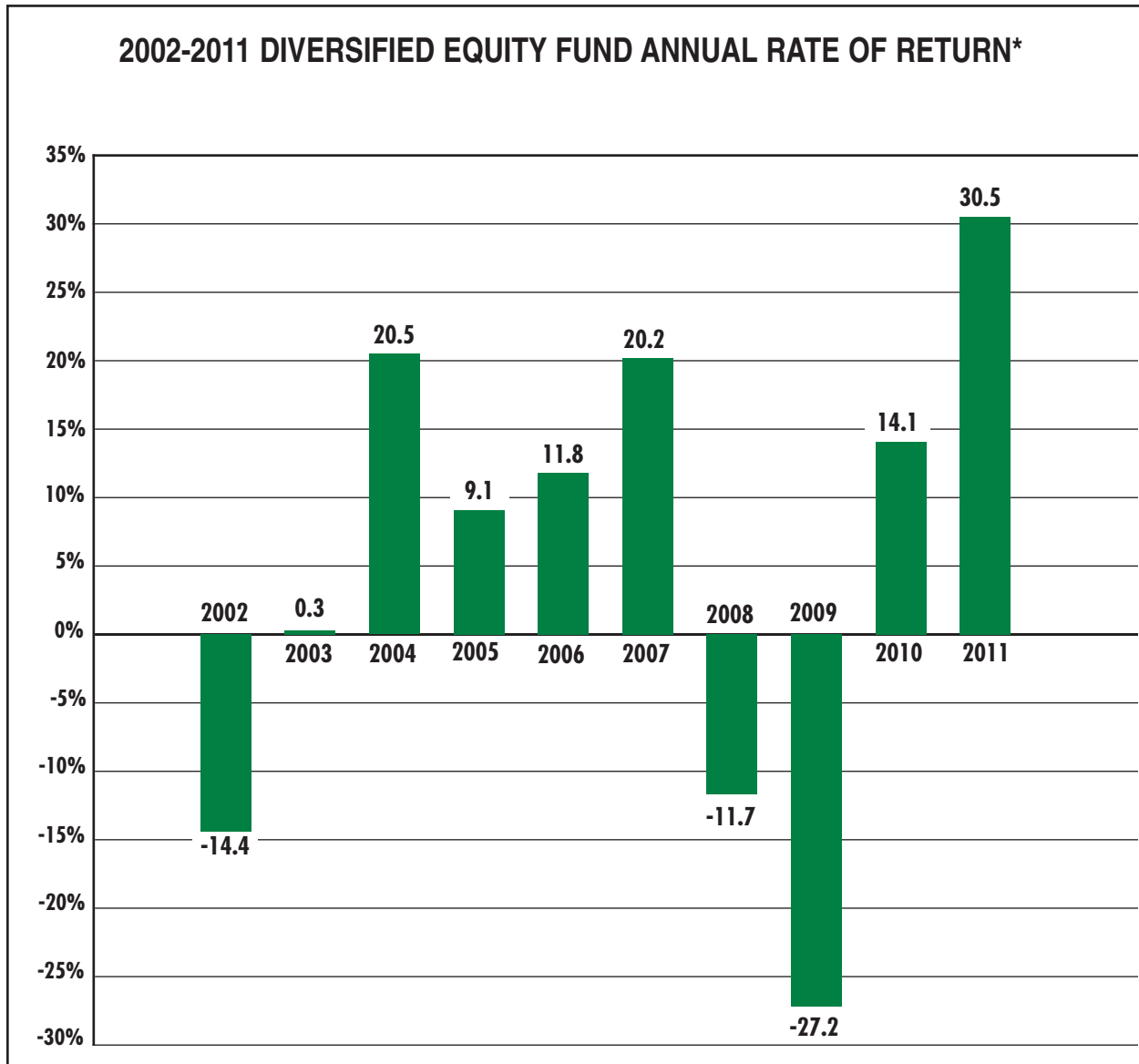
- The Passive Core (or index) sector earned a return of 32.37%, matching the Russell 3000 Index's return over the same period.
- The Active Domestic Equity sector is comprised of various actively managed equity strategies. For the one year period ending June 30, 2011 the Active Domestic Equity sector returned 33.88%, outperforming the Russell 3000 Index's return of 32.37%, over the same period.
- The Defensive Strategies sector returned 20.34%, outperforming the Defensive Strategies benchmark (currently 65% Russell 3000 Index / 35% Barclays Capital Long Treasury Bond Index), which returned 20.19%. The Defensive Strategies sector is designed to provide a diversification benefit to the overall fund

TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

and its relative performance has generally been beneficial to the fund during periods of market decline. The Tactical Asset Allocation manager within this sector, which can modify its mix of equity, bonds and cash equivalents, was positioned with approximately 60% equity and approximately 40% fixed income exposure in their portfolio as of June 30, 2011. During the first half of 2011, two “low-volatility” equity strategies were added to the Defensive Strategies sector. These strategies invest in a portfolio of stocks that on average have tended to have

less volatility than the broad equity market, with a goal of providing somewhat less performance volatility over full market cycles than the broad equity market. 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 30.61%, underperforming its MSCI EAFE benchmark by 32 basis points.



* After expenses

STABLE-VALUE FUND
Performance Highlights
 Fiscal Year 2011

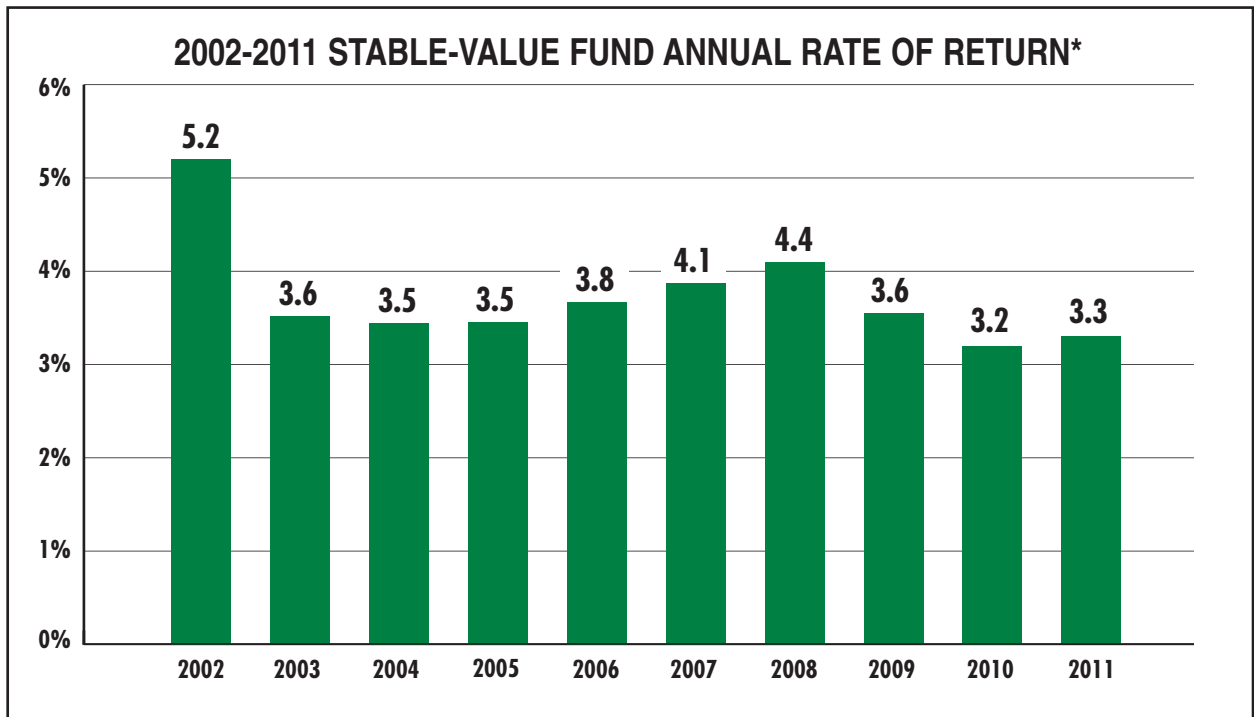
Return: 3.32%

Total Investments: \$91.452 Million

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

The Stable-Value Fund earned 3.32% after fees for the one year period ending June 30, 2011. The Stable-Value Fund’s return trailed the Ryan Three-Year GIC Index, which returned 2.98%. This index measures the return of the ten highest yielding three-year GICs (Guaranteed Insurance Contracts) issued by insurance companies. Unlike the Ryan Index, the Stable-Value Fund had a shorter maturity portfolio, invested in a diverse group of instruments in addition to insurance company

GICs and was managed to meet the specific cash flow needs of the plan. The Stable-Value Fund, which was valued at cost, outperformed a market-valued benchmark, the Bank of America Merrill Lynch 1-3 Year Treasury Index. This index’s one year return was 1.34%. Over the three and five year periods ending June 30, 2011 the Stable-Value Fund returned 3.36% and 3.71%, respectively. For the same three and five year periods, the Bank of America Merrill Lynch 1-3 Year Treasury Index returned 2.80% and 4.14%, respectively. Over the twelve month period ending June 30, 2011 the Federal Reserve held the Fed Funds rate steady at a range of 0.00% to 0.25%, its lowest levels ever. The yield (based on a measure of yield typically called the “yield to worst”) of the Barclays Capital Aggregate 1-3 Year Index, which was somewhat reflective of the opportunity set for new investments made within the Stable-Value Fund, was 0.87% on June 30, 2011, having fallen from 1.36% 12 months prior. The decrease in yields relative to the past year results in reinvestment opportunities at lower rates.



* After expenses

INTERNATIONAL EQUITY FUND

Performance Highlights

Fiscal Year 2011

Return: 30.34%

Total Investments: \$15.338 Million

As of June 30, 2011, the International Equity Fund was primarily comprised of 6 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 6/30/2011 the International Equity Fund

returned 30.34% versus its benchmark, the MSCI EAFE Index, which returned 30.93%. Since the July 1, 2008 inception, the fund has returned 3.82%, 512 basis points ahead of its benchmark, the MSCI EAFE Index, which returned -1.30% for the same period. The total return of this option reflects 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 2011

Return: 12.90%

Total Investments: \$4.458 Million

The Inflation Protection Fund primarily invests in 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 6/30/2011 the Inflation Protection Fund returned 12.90% versus the

Barclays Capital US TIPS 1-10 Year Index's return of 7.48%. The Consumer Price Index (CPI) and CPI+5% returned 3.36% and 8.36%, respectively, for the one year period ending 6/30/2011. Since the July 1, 2008 inception, the fund has returned 7.28%, 271 basis points ahead of its benchmark, the Barclays Capital US TIPS 1-10 Year Index, which returned 4.57% for the same period. The total return of this option reflects performance of the underlying manager as well the impact of cash flows into and out of the fund.

SOCIALLY RESPONSIVE EQUITY FUND

Performance Highlights

Fiscal Year 2011

Return: 30.75%

Total Investments: \$3.788 Million

The Socially Responsive Equity Fund primarily invests in an actively managed mutual fund with a goal of providing a return comparable to the large capitalization U.S. 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 6/30/2011,

the Socially Responsive Equity Fund returned 30.75% versus the S&P 500 Index's return of 30.69%. Since the July 1, 2008 inception, the fund has returned 7.61%, 427 basis points ahead of its benchmark, the S&P 500 Index, which returned 3.34% for the same period. The total return of this option reflects performance of the underlying manager as well as the impact of cash flows into and out of the fund.



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