

2011 Board of Trustees



R. Michael Kraus
President
Insurance Executive
Elected by
Board of Regents
First Elected 1992
East Aurora

David P. Keefe
Vice President
Retired Teacher Member
Elected by
NYSTRS Retirees
First Elected in 2004
Hempstead



Paul J. Farfaglia
Teacher Member
Elected by
Delegates
First Elected 2009
Liverpool



Dr. Phyllis S. Harrington
Administrator
Appointed by
Commissioner of Education
First Appointed 2010
Oyster Bay



Daniel J. Hogarty Jr.
Bank Executive
Elected by
Board of Regents
First Elected 2005
Troy



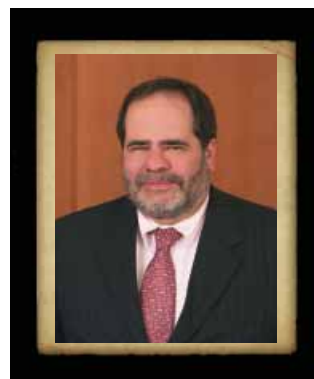
Karen E. Magee
Teacher Member
Appointed by
Commissioner of Education
First Appointed 2011
Harrison



Michael J. Masse
Bank Executive
Elected by
Board of Regents
First Elected 2009
Fayetteville



Dr. L. Oliver Robinson
Administrator
Appointed by
Commissioner of Education
First Appointed 2010
Clifton Park



Nicholas Smirensky
State Comptroller's
Representative
First Appointed 2007
Delmar



Timothy M. Southerton
Teacher Member
Appointed by
Commissioner of Education
First Appointed 2011
Sayville

2011 Executive Staff



Thomas K. Lee
Executive Director &
Chief Investment Officer



**Sheila O.
Gardella**
Director of
Member Relations



**Frederick W.
Herrmann**
Managing Director
of Public Equities
(appointed effective 4/20/11)



**Arthur C.
Hewig**
Managing Director
of Operations



**Wayne
Schneider**
General Counsel



**Dhvani D.
Shah**
Managing Director
of Private Equity



**Lillyn L.
Teh**
Managing Director
of Public Equities



**John W.
Virtanen**
Managing Director
of Real Estate



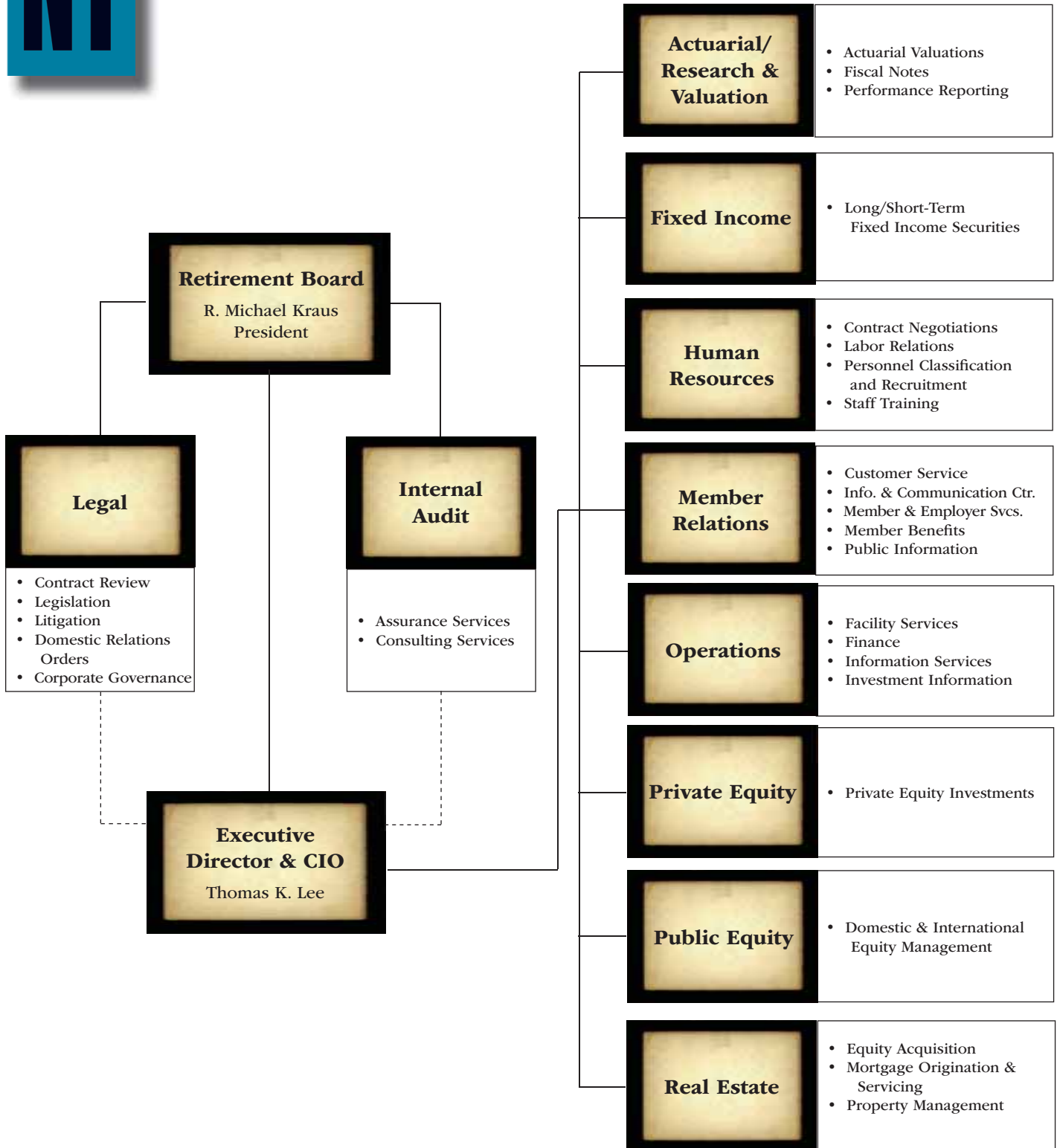
**Michael A.
Wolfe Jr.**
Managing Director
of Fixed Income



**Richard A.
Young**
Actuary



Organizational Structure





New York State Teachers' Retirement System
 10 Corporate Woods Drive
 Albany, NY 12211-2395
 (800) 356-3128 or (518) 447-2666 (Albany calls)
 Web Site: www.nystrs.org

Thomas K. Lee, Executive Director & CIO

TRUSTEES

| | |
|---|--------------|
| R. Michael Kraus <i>President</i> | East Aurora |
| David P. Keefe <i>Vice President</i> | Hempstead |
| Paul J. Farfaglia | Liverpool |
| Dr. Phyllis S. Harrington | Oyster Bay |
| Daniel J. Hogarty Jr. | Troy |
| Karen E. Magee | Harrison |
| Michael J. Masse | Fayetteville |
| Dr. L. Oliver Robinson | Clifton Park |
| Nicholas Smirensky | Delmar |
| Timothy M. Southerton | Sayville |

October 20, 2011

Trustees of the Retirement System Board:

On behalf of System staff, I present you with the Comprehensive Annual Financial Report (CAFR) of the New York State Teachers' Retirement System (NYSTRS or the System) for the fiscal year ended June 30, 2011. This report complies with all requirements governing the preparation and contents of annual reports.

History and Overview

NYSTRS, created in 1921 by an act of the state Legislature, administers the fund from which most New York State public school teachers and administrators receive retirement and ancillary benefits. The benefits provided to System members and retirees may not under the New York Constitution be diminished or impaired. A summary of NYSTRS benefits is provided on pages 16-19 of this report.

The System is governed by a 10-member Board of Trustees, which sets policy and oversees operations consistent with applicable law. A staff of approximately 400 is responsible for the day-to-day administration. NYSTRS serves 826 employers — including public school districts, BOCES, institutions of higher education and charter schools that elect to participate. NYSTRS has more than 427,000 active and retired members (see accompanying chart).

| Membership Figures as of 6/30/2011 | |
|---|---------|
| Total Membership: | 427,278 |
| Active Members: | 280,435 |
| Retired Members/ Beneficiaries: | 146,843 |
| Members Added: | 8,929 |
| Members Retired: | 8,423 |
| <i>See page 87 for additional membership information.</i> | |

The retirement fund is one of the 10 largest in the U.S., based on portfolio size and total membership. NYSTRS is also consistently among the top performing public pension funds, particularly within the teacher retirement system universe. Consistent, uninterrupted employee and employer contributions throughout the System's history are major contributing factors to this stability. The fund's long-term success is also attributable to the knowledge and commitment exhibited by members of the Board and System staff. Our energy is devoted to protecting the long-term security of the fund while providing exceptional customer service in all aspects of our operation.

Awards

The System's commitment to providing superior service to all is evidenced by the recognition consistently received from various professional organizations. Within the past year alone, honors received included:

A Certificate of Achievement for Excellence in Financial Reporting, awarded by the Government Finance Officers Association (GFOA) of the United States and Canada. Given in recognition of the System's 2010 Comprehensive Annual Financial Report, the award certifies that the report was prepared in conformity with the highest standards in government accounting and financial reporting.

The Distinguished Budget Presentation Award for the fiscal year July 1, 2010 through June 30, 2011, also awarded by GFOA. To be eligible for this recognition, the budget document must meet established criteria as a policy document, operations guide, financial plan and communications device.

The Public Pension Principles Achievement Award, presented by the Public Pension Coordinating Council. The criterion to qualify for this award includes compliance with specific principles in the areas of benefits, actuarial valuation, financial reporting, investment and disclosure.

Legislation

Since the publication of the last annual report, the following NYSTRS program bills were enacted into law:

Chapter 553 of the Laws of 2011 allows vested Tier 3, 4 and 5 NYSTRS members who have permanently ceased teaching to withdraw from membership in NYSTRS to enable them to obtain credit for their New York teaching service in a public employee retirement system in another state.

Chapter 554 of the Laws of 2011 increases from 5% to 10% the portion of retirement system assets that may be invested in commercial real estate.

Noteworthy Actions

New Board Members

Teachers Timothy M. Southerton of Sayville and Karen E. Magee of West Harrison, and administrators Dr. Phyllis S. Harrington of Oyster Bay and Dr. L. Oliver Robinson of Clifton Park, were appointed to the System's Board by New York's commissioner of education. Mr. Southerton, an educator with more than three decades of service, filled the seat left vacant by the passing of Michael R. Corn. Ms. Magee, a teacher since 1984, replaced Sheila Salenger, who retired from teaching. Dr. Harrington, superintendent of schools at Oyster Bay-East Norwich, replaced Dr. Rosemary F. Jones, who retired from public education. Dr. Robinson, superintendent of schools at Shenendehowa, filled the position previously held by Dr. James N. Baldwin, who accepted a state Education Department position.

Executive Staff Change

Frederick W. Herrmann joined NYSTRS in April as managing director of public equities, succeeding Lillyn Teh. He oversees a Retirement System portfolio valued at more than \$50 billion. Mr. Herrmann was most recently managing director/portfolio manager at BlackRock Financial Management Inc. in New York City, where he was responsible for several quantitatively based domestic and international equity products, including select mutual fund accounts. He previously held a similar portfolio management position at Weiss, Peck and Greer LLC, also in New York City.

Significant Litigation

There were several significant court cases affecting NYSTRS, namely:

New Century Financial Federal Securities Class Action

NYSTRS was appointed lead plaintiff in the New Century Financial federal securities class action lawsuit in 2007. That case settled during the fiscal year for \$124.1 million.

Project Lead the Way Cases

NYSTRS determined that service with Project Lead the Way (PLTW), a private educational foundation, rendered by seven active and retired members of NYSTRS was not public service creditable in NYSTRS. The Appellate Division of the Supreme Court, Third Department sustained NYSTRS' determination, holding NYSTRS had a rational basis for its determination that each of the individuals did not render service for a NYSTRS participating employer.

Sullivan v. Paterson

The plaintiffs challenged Chapter 45 of the Laws of 2010 as unconstitutional insofar as the retirement incentive provided by Chapter 45 is limited to members in positions represented by bargaining units affiliated with NYSUT. The lawsuit named as defendants Governor Paterson, State Comptroller DiNapoli as sole trustee of the New York State and Local Employees' Retirement System, and NYSTRS. The State Supreme Court issued a decision upholding the constitutionality of Chapter 45 of the Laws of 2010, finding that the Legislature acted rationally in limiting the incentive to classroom teachers who are almost exclusively represented by NYSUT locals. An appeal of that decision is pending in the Appellate Division of the Supreme Court, Third Department.

Financial Information

Members of the NYSTRS Board, who serve without pay, have a fiduciary responsibility to safeguard the fund used to pay guaranteed retirement and ancillary benefits to the System's more than 427,000 members and beneficiaries. The System's pension obligations for this population are well funded. Strict governmental requirements for transparency and public accountability as established by the Governmental Accounting Standards Board (GASB), as well as state and federal laws, are rigorously followed. Consistently favorable audits of System finances from a variety of independent sources affirm this.

The design, implementation and administration of appropriate internal controls protecting the security of assets are the responsibility of System management. The internal control framework has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that the valuation of costs and benefits require estimates and judgments by management. To ensure the validity of these controls, a system of both external and internal checks and balances exists. Financial information and internal controls are subject to audit by the New York State Department of Insurance (which merged with the State's Department of Banks effective Oct. 3, 2011 to form the Department of Financial Services) and the Retirement System's Internal Audit Department. In addition, KPMG LLP, an independent certified public accountant, whose unqualified opinion appears on page 23 of this report, audits the financial statements. An audit of our actuarial methods, assumptions and valuations was completed in 2010 by Buck Consultants, who concluded the actuarial valuation of the System fairly represented the actuarial position and funding requirements of the System. These oversight mechanisms provide scrupulous and transparent adherence to applicable regulations.

Major System expenses result from retirement benefit payments, death benefits and refunds of contributions to certain eligible members and beneficiaries. The increase in retirement benefit payments from 2010 to 2011 is attributable to a net increase of 5,127 retirees and beneficiaries (details are found on page 31 in the *Notes to Financial Statements-Plan Description*). Also see the *Benefits and Return of Contributions by Type* chart on pages 102-103 for more information.

For an overview of NYSTRS' financial activities for the fiscal year ended June 30, 2011, see *Management's Discussion and Analysis* beginning on page 24. This section provides explanations and further details of the information provided in the financial statements, its notes and required supplementary information.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the System. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the System.

Funding

Funds used to pay promised benefits come from employer contributions, member contributions and investment income. These assets are professionally managed and invested on a long-term basis using sound investment policies. See *Statements of Changes in Plan Net Assets* on page 30 for more information.

The employer contribution rate (ECR) — expressed as a uniform percentage of member payroll — is set annually at the level necessary to properly fund benefits. The rate is established in accordance with an actuarial valuation of System assets and liabilities. The most recently adopted ECR of 11.11% will apply to 2011-12 member salaries and will be paid by employers in fall 2012. The rates are set well in advance so school districts can budget for this expense.

The System's year-end net assets totaled \$89.9 billion. During the same period, benefits paid to retirees and beneficiaries rose to approximately \$5.7 billion.

The plan's funded ratio as of June 30, 2010, the date of the most-recent annual actuarial valuation and calculated in accordance with GASB Statement No. 50, was 100.3%. Details of our funding progress may be obtained by turning to page 81.

Investments

The System's investment portfolio is risk controlled through prudent diversification of assets across a broad spectrum of capital market segments. This strategy is employed in an effort to achieve optimum long-term returns with an appropriate level of risk. This strategy has served the System well over the long term as it remains one of the best-funded public pension systems in the nation.

Strong earnings were realized for the second consecutive year. For the fiscal year ended June 30, 2011, the total portfolio returned 23.2%, up from 12.1% the previous year.

Asset allocation and portfolio construction are reviewed annually and adjusted accordingly in order to take advantage of existing market conditions.

Refer to pages 51-74 for further information on NYSTRS' investments. A listing of our equity and fixed income holdings can be viewed on our Web site at www.nystrs.org.

Acknowledgements

This Comprehensive Annual Financial Report is prepared by NYSTRS' staff and reviewed by external auditors prior to publication. The intent of the publication is to provide complete and reliable information for making management decisions, determining compliance with legal provisions and determining responsible stewardship of System assets.

The full report is available on the System's Web site at www.nystrs.org. A summary of the report is printed each year in the newsletters NYSTRS distributes to both its active and retired members. Printed copies are available upon request.

While we were pleased with our investment performance this past fiscal year and are proud to remain among the top public pension systems in the nation, we were deeply saddened by the passing of long-time Trustee Michael R. Corn and the retirement of Trustee Sheila J. Salenger. Both were tireless advocates for our members and highly respected within the public pension community. Their passion and perspective will be missed.

Both Mr. Corn and Ms. Salenger were shining examples of what makes NYSTRS an industry leader: its people. I am proud of the System's Board and staff, and their dedication to serving New York's public educators with excellence. Their knowledge and attention to detail provide the foundation for our stability and success.

NYSTRS will remain vigilant in its devotion to providing our members with a secure future. As we accomplish this mission, we will model pension fund excellence and exceptional customer service.

Respectfully submitted,



Thomas K. Lee
Executive Director & Chief Investment Officer



Dear NYSTRS Members, Administrators and Teachers:

I have been a member of the NYSTRS Retirement Board for 20 years and Board president since 2009, and each time we clear a hurdle a new challenge inevitably arises. Yet individually and collectively, the people of this organization continue to press on and achieve results that sometimes border on astounding.

Take our 23.2% return on investments for the fiscal year ended June 30, 2011 for example. Who could have foreseen that just two years after global financial conditions left all portfolios — including ours — to absorb substantial losses that we would post our single largest one-year return in 25 years? It is a testament to the knowledge, dedication and resiliency of the NYSTRS' team.

R. Michael Kraus

Due in large part to the prudent investment of our assets, the System remains fully funded. Almost 90% of the System's assets are generated from these investment returns.

We cannot, however, take all the credit for our continued stability. Public pension funding is a shared responsibility and we would not be where we are without consistent, uninterrupted employer and member contributions. In New York, we are fortunate to have a funding framework that values making contributions on time and in the full amount. States that have taken "pension holidays" or made reduced contributions are now dealing with the devastating effects of these decisions in the form of underfunded plans.

Plans like NYSTRS have proven time and again that professionally managed, well-funded plans are the most efficient and cost-effective way of providing steady, secure benefits for retirees. The National Institute on Retirement Security goes so far as to say defined benefit plans like those administered by NYSTRS actually save taxpayers money, as compared to funding a comparable 401(k) plan.

I thank my fellow Board members, Tom Lee and his entire staff for their dedicated service to our members. Providing outstanding customer service is our organizational hallmark. It is part of our culture, something for which we all take great pride.

It is because of our strong financial and values-based foundation that I am certain the System will continue to meet every challenge, and that our members will remain among the best served worldwide.

A handwritten signature in cursive script that reads "R. Michael Kraus".

R. Michael Kraus
President

Types of Benefits

NYSTRS provides service, vested and disability retirement benefits, as well as death benefits.

Membership Tiers

System members are organized using a tier structure based on date of membership. There are five tiers, each with different benefit structures and eligibility rules.

- Tier 1: Membership prior to 7/1/73
- Tier 2: Membership 7/1/73 — 7/26/76
- Tier 3: Membership 7/27/76 — 8/31/83
- Tier 4: Membership 9/1/83 — 12/31/09
- Tier 5: Membership on or after 1/1/10

Eligibility for Service Retirement

Under Tiers 1-4, members may retire and receive a service retirement benefit at age 55 if credited with five years of New York State service. Retirement for Tier 1 members is also possible with fewer years of service under certain circumstances. Tier 5 members vest with 10 years of state service credit.

Tier 1 members may retire at any age with 35 years of service. The creditable service under Benefit Enhancement legislation, described below, greatly increases the number of members eligible under this provision.

Tier 3 members are also entitled to the benefits under Tier 4. Because of the improvements in Tier 4, most Tier 3 members retire under the provisions of Tier 4. When the benefits under one tier are obviously better, an eligible member will automatically receive the better benefits.

Service Retirement Benefit

A Tier 1 member is eligible to retire at age 55 under the Career Plan without a reduction in benefits if credited with at least 20 years of state service. The pension for 20 years of New York State service rendered after July 1, 1959, is 40% of final average salary. With few exceptions, the maximum pension under the Career Plan is 79% of final average salary. This includes the two years of service added under the Benefit Enhancement legislation.

A Tier 2 member may retire at age 55 without a reduction in benefits if credited with at least 30 years of service. The pension for 30 years of service is 60% of final average salary. The maximum pension payable under Tier 2 is also 79% of final average salary, including two years of service added under the Benefit Enhancement legislation.

A Tier 4 member, and a Tier 3 member retiring under Tier 4, may retire at age 55 without a reduction in benefits if credited with at least 30 years of service. The pension for 30 years of service is 60% of final average salary. Each year beyond 30 years increases the pension 1½% of final average salary.

A Tier 5 member may retire at age 57 without a reduction in benefits if credited with at least 30 years of service.

Benefit Enhancement (Article 19)

New York State law enacted in 2000 provides up to two additional years of service credit at retirement for Tier 1 and 2 members who meet the eligibility requirements. It also allows Tier 3 and 4 members to cease making 3% required contributions when they have been a member for 10 years or have 10 years of total service credit, whichever occurs first. Tier 5 members are not entitled to any Benefit Enhancement.

Pension Formulas

A retirement benefit is determined by the formula: pension factor x final average salary = pension. The pension factor under each tier for a service retirement is calculated using the percentages as shown in the chart to the right.

Final Average Salary

Final average salary is defined as the average of the member's three highest consecutive school years of regular salary, excluding termination pay, retirement bonuses, pay for unused sick leave or accumulated vacation, and increases in salary which exceed certain limitations.

Members who joined the System prior to June 17, 1971 are entitled to a five-year final average salary without the limitations of the three-year final average salary if the five-year final average salary is greater.

Vested Retirement

NYSTRS members who cease employment with five or more years of credited service are eligible for a vested retirement. Ten years are required for Tier 5. The vested benefit is payable at age 55 and is calculated using the same factors as a service retirement benefit. However, if vested members choose to withdraw their member contributions or transfer membership to another NYS public retirement system, they will not be eligible for a NYSTRS benefit. Tier 3, 4 and 5 members with 10 or more years of service can only withdraw under the specific provisions of Chapter 553 of the Laws of 2011. (See *Legislation*, page 11.)

Disability Retirement

Generally, members credited with at least 10 years of New York State service (five years for Tier 3 members) who become disabled as defined by applicable statute are entitled to a disability retirement benefit from the System. In most cases, the minimum disability benefit is one-third of final average salary. For Tier 3, 4 and 5 members who become disabled as the result of an accident sustained in the performance of their teaching duties, the five-year or 10-year eligibility requirement is waived.

Pension Formulas for Service Retirement

Tier 1

- 2% x years of NYS service since July 1, 1959, including any applicable benefit enhancement credit.
- 1.8% x years of NYS service before July 1, 1959.
- 1% x years of out-of-state service prior to NYSTRS membership (10-year maximum).*
- 5% reduction in pension for each full year of NYS service under 20 years (prorated for partial years with a maximum reduction of 50%).

Tier 2

- Computed under the Tier 1 formula, including applicable benefit enhancement credit and/or the 5% reduction for each year of NYS service under 20 years. (Note: Tier 2 members cannot claim out-of-state service unless it was credited under a previous Tier 1 membership.)
- A prorated reduction of up to 27% when retirement occurs before age 62 with credit for less than 30 years of NYS service.
- No reductions if the member is age 62 with at least 20 years of service, or if credit totals 30 years or more.

Tier 3**

- 1⅓% x years of NYS service if credited with less than 20 years, or 2% x years of NYS service if credited with 20 to 30 years.
- 60% maximum for 30 years or more.
- A prorated reduction of up to 30% when retirement occurs before age 62 with credit for less than 30 years of NYS service.
- No reductions if the member is age 62, or if credit totals 30 years or more.
- At age 62 (or at retirement, if older), benefit reduced by 50% of primary Social Security benefit accrued while in NYS public employment.

Tier 4

- 1⅓% x years of NYS service if credited with less than 20 years, or 2% x years of NYS service if credited with 20 to 30 years.
- 60% plus 1½% for each year of NYS service beyond 30 years.
- A prorated reduction of up to 27% when retirement occurs before age 62 with credit for less than 30 years of NYS service.
- No reductions if the member is age 62, or if credit totals 30 years or more.

Tier 5

- 1⅓% x years of NYS service if credited with less than 25 years, or 2% x years of NYS service if credited with 25 to 30 years.
- 60% plus 1½% for each year of NYS service beyond 30 years.
- A prorated reduction of up to 38% when retirement occurs before age 62 with credit for less than 30 years of service.
- No reduction if the member is age 62, or if credit totals 30 years or more of service and the member is at least age 57.

**Any portion of this credit that brings the total service credit beyond 35 years is excluded from the pension calculation. Benefit Enhancement credit is not used to establish the 35-year threshold.*

***Tier 3 members are entitled to receive either the benefits under Tier 3 or 4, whichever are greater.*

Disability benefits are subject to the review and approval of the System’s Medical Board and Retirement Board. The members of the Medical Board are:

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|---|--|--|
| <p>HARVEY R. BERNARD, M.D.</p> <p>Diplomate of the American Board of Surgeons</p> <p>Professor Emeritus of Surgery at Albany Medical College</p> | <p>RICHARD P. PROPP, M.D.</p> <p>Diplomate of the American Board of Internal Medicine</p> <p>Diplomate of the American Board of Hematology</p> <p>Associate Clinical Professor of Medicine and Admissions Committee Member at Albany Medical College</p> <p>Medical Director (Ret.), Patient Safety Center, New York State Department of Health</p> | <p>MELVIN J. STEINHART, M.D.</p> <p>Chief of Psychiatric Consultation-Liaison Service</p> <p>Professor Emeritus of Clinical Psychiatry</p> <p>Professor Emeritus of Clinical Medicine at Albany Medical College</p> |
|---|--|--|

Member Contributions

Tier 3 and 4 members are mandated to contribute 3% of their salary to the Retirement System until they have been a member for 10 years or have 10 years of service credit, whichever occurs first. Tier 5 members are required to contribute 3.5% of their salary throughout their active membership. These contributions are not included in the member’s gross income for federal income tax purposes until they are distributed or made available to the member, generally at retirement as part of a retirement benefit or upon withdrawal from the System. The member’s salary prior to the reduction is used in all benefit calculations.

Tier 1 and 2 members are not required to contribute to the System. Tier 1 and 2 members who have made contributions to the annuity savings fund (ASF) can withdraw them with interest upon retirement, or receive an annuity throughout retirement in addition to the employer-funded pension described earlier. The annuity is based on total member contributions, life expectancy, date of membership and choice of benefit.

Transfer and Prior Service

Under certain circumstances, members are eligible to transfer membership to or from another New York State public retirement system, or request reinstatement of a former membership in another NYS public retirement system. Credit for NYS public employment prior to joining NYSTRS and active duty military service is also creditable in certain situations.

Ordinary Death Benefits

An employer-funded death benefit is paid if a member dies in service and certain eligibility requirements are met. In addition, if a member dies before retirement, any contributions made by the member to the System, plus interest, are paid to the designated beneficiary.

Tier 1 Death Benefit

The amount of the employer-provided death benefit under Tier 1 is the greater of:

- a. Three times the last 12 months of earnings to a maximum of \$20,000,

OR

b. One-twelfth ($\frac{1}{12}$) of the member's last 12 months of earnings (exclusive of any form of termination pay) for each year of credited New York State service to a maximum of three times such earnings with 36 or more years of New York State service,

OR

c. The Death Gamble provision. Under the Death Gamble, if a member dies in active service while eligible for retirement without a benefit reduction, the beneficiary is entitled to the pension reserve which would have been used to pay the retirement benefit computed under Section 510 of the Education Law.

Tiers 2-5 Death Benefit

If a Tier 2, 3 or 4 member who joined prior to January 1, 2001, dies before retirement and a death benefit is payable, NYSTRS will pay to the beneficiary a death benefit calculated under Paragraph 2, unless the member selected Paragraph 1 and that calculation is higher. Tier 4 members joining on or after January 1, 2001, and all Tier 5 members are covered only by Paragraph 2.

Paragraph 1 — One-twelfth ($\frac{1}{12}$) of the member's last 12 months of regular earnings for each year of credited New York State service to a maximum of three times such earnings with 36 or more years of New York State service, or the Death Gamble benefit.

Paragraph 2 — One year's salary after a year of member service, increasing each year to a maximum of three years' salary after three or more years of member service. This benefit declines after age 60 at the rate of 4% per year, but never falls below 60% of the original death benefit otherwise payable.

Tier 2-5 members who teach until retirement will also have a survivor's death benefit if death occurs after retirement. This is separate from any choice of a Maximum retirement benefit or option.

| | |
|---------------------|---|
| 1st Year | 50% of benefit at retirement |
| 2nd Year | 25% of benefit at retirement |
| 3rd & Ensuing Years | 10% of benefit at age 60, if any, or at retirement if earlier |

Accidental Death Benefit

An accidental death benefit is payable in the form of a pension to the beneficiaries of Tier 3, 4 and 5 members who die as the result of an accident sustained in the performance of their teaching duties.

Vested Member Death Benefit

A vested member death benefit is payable to the designated beneficiary or the estate of any member who has 10 or more years of credited service and does not meet the in-service eligibility requirement for an ordinary death benefit.

The amount of the benefit is half the amount of the ordinary death benefit which would have been paid if the member's death had occurred on the last day of creditable service.

Retirement Options

At the time of retirement, a member may elect the Maximum retirement benefit with no protection for a beneficiary, or one of many actuarially equivalent options (i.e., lump sum, survivor, guarantee or alternative) providing protection for a beneficiary or beneficiaries.

Cost-of-Living Adjustment (COLA)

All eligible current and future retired members will receive an automatic COLA based on 50% of the Consumer Price Index increase from one March to the next. It will be a minimum of 1% and a maximum of 3% of the first \$18,000 of the retiree's Maximum benefit and is effective each September. Most service retirees must be age 62 and retired five years to be eligible.

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