



for retired members of the New York State Teachers' Retirement System

Benefit Payments Not Impacted by Financial Markets

Many of our members — particularly those who are retired — are understandably concerned the recent upheaval in the financial markets jeopardizes their NYSTRS benefits. Those fears are unfounded.

In reality, NYSTRS is one of the best funded public retirement systems in the nation. With assets totaling \$88 billion as of 9/30/08, there are sufficient funds on hand to pay promised benefits to all current retirees and to cover the accrued benefits of **all** active members — even those who may not collect their first payment for another 30 years.

Consider this: Our current retirement payroll is approximately \$5 billion. Almost 65% of the monies needed to meet this payroll come from dividends and interest earned on our holdings, as well as employer and member contributions. The remaining \$1.8 billion needed to make payroll is readily available from liquid, income-generating assets currently totaling more than \$11 billion. Liquid assets include high-quality securities with short-term maturities, as well as U.S. Treasuries and government-backed bonds.

Here is how the 10-member Board of Trustees and the System's investment professionals protect the long-term security of the retirement fund:

- **Advance Funding.** By pooling employer and member contributions and investing those assets throughout a member's career, the System is able to achieve returns and economies of scale no individual investor could duplicate. This long-

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NYSTRS Launches Revitalized Web Site



With a focus on enhancing the overall online experience for members, NYSTRS recently launched a completely redesigned and more user-friendly Web site. While the address remains the same (www.nystrs.org) little else will look familiar to frequent site visitors.

Among the improvements:

- ☐ The new site is easier to navigate for our four main constituencies: active members, retirees, delegates and employers. Color coding by group type will help members quickly and easily identify the section in which they are browsing. The information has also been streamlined, making items easier and more intuitive to locate.
- ☐ The Secure Area has been rebranded to MyNYSTRS. With a MyNYSTRS account, members and retirees can review their personal membership and benefit information, and schedule appointments with System representatives or reserve a seat at a Preretirement Planning Seminar. Registered members can now also change their address online, eliminating the need to fill out and mail a form. Additional self-service tools are being developed and will be added as they become available.
- ☐ The Web site's Library replaces the Publications tab and is designed as a one-stop shop for member access to various resources and tools. In addition to publications visitors can access a video (more will be added soon), press releases and other retirement planning tools.
- ☐ The Forms page has been restructured to simplify locating and printing System forms. They are arranged by group of interest or form type, making it quicker and easier to find the necessary forms.

NYSTRS is steadfastly committed to providing superior service to its members, and the redesigned Web site is one more sign of this commitment. Please let us know what you think of the extreme makeover by taking a brief online survey. You can access the survey in two ways:

1. From the NYSTRS homepage, choose the "Take a Survey" button (featuring an image of a computer mouse) found in the left menu.
2. From any page, find the icons toward the top of the page and below the top menu bar, and select the one resembling a piece of paper and a pencil. ♦

NYSTRS Resource

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Daniel J. Hogarty Jr.
Rosemary F. Jones
David P. Keefe
Sheila J. Salenger
Nicholas Smirensky

Thomas K. Lee, *Executive Director*

Winter 2008/2009

Notify us in writing or online with your MyNYSTRS account if your address changes.

2009 Benefit Payment Dates

Feb. 27	Aug. 31
March 31	Sept. 30
April 30	Oct. 30
May 29	Nov. 30
June 30	Dec. 31
July 31	

Farfaglia Replaces Retiring McLaughlin On Retirement System Board

Paul Farfaglia, a central New York teacher and chair of NYSUT's Pension and Retirement Committee, was unanimously elected to the NYSTRS Retirement Board by a record number of delegates attending the 88th Annual Delegates Meeting held Nov. 9-10 in Saratoga Springs.

Farfaglia will assume the teacher board member position currently held by Joseph P. McLaughlin, who is retiring from teaching. There are three teacher members on the 10-member Board, the others being Sheila J. Salenger of Niskayuna and Michael R. Corn of Barneveld. David P. Keefe of Hempstead serves as the retired teacher member. President of the Jordan-Elbridge Teachers Association for the past 20 years, Farfaglia



Joseph P. McLaughlin

is the first Tier 4 member to have a seat on the Board. About 240,000 of the System's 275,000 active members are Tier 4.

McLaughlin, an 18-year Board member and current Board President, received a standing ovation from those attending the November Delegates Meeting. He was lauded by delegates for being a strong advocate for members and for how well he carried out his fiduciary responsibilities. His activism at both NYSTRS and NYSUT earned him a reputation as a strong member advocate and shrewd financial steward.



Paul Farfaglia

A summary of the meeting as well as highlights of many presentations given can be found on the Delegates page of the System Web site at www.nystrs.org. ♦

Did You Know...

Registered MyNYSTRS members can now update their address online at www.nystrs.org? Formerly known as the Secure Area, the MyNYSTRS portion of the System's Web site allows members who have an online account to access personal benefit and membership information around the clock. The interactive change of address form is the third self-service tool added to the site in the past year. Additional applications are under development and will be added as they become available. ♦

Benefit Payments Not Impacted by Financial Markets

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term investment approach allows us to accumulate the assets necessary to provide fully funded benefits in retirement. Also, employer contributions are recalculated annually to ensure the System remains at or near full funding.

- **Diversified Portfolios.** Our investment portfolios are broadly diversified both among and within asset classes. The System's forward-thinking yet conservative approach to investing has allowed us to take advantage of growth opportunities in the market while avoiding investments without a strong track record. This philosophy has served us well in the past, as evidenced by the fact the total portfolio tripled in less than 20 years, achieving double-digit returns in the majority of those years. Just as importantly, the System is well positioned to make gains as the economy rebounds.

The bottom line: NYSTRS has both the liquidity needed to pay promised benefits today and the accumulated assets that will allow it to continue to do so in the future. Despite market volatility, you can rest assured *your retirement fund is safe, secure and guaranteed by the New York State Constitution.* ♦

Highlights from NYSTRS' Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2008

President's Message

As the saying goes, the more things change, the more they stay the same. Since I penned my message for the 2007 version of this report, many changes have occurred both in the marketplace and at NYSTRS. Through it all, however, I am proud to say NYSTRS has maintained its stability.

The security of your NYSTRS pension, for example, remains unchanged despite the recent upheavals in the financial markets initially triggered by subprime loans. The Retirement System remains among the best funded in the nation and there are sufficient assets to pay promised benefits to all current members, both retired and active, for the long term.

The strength of System assets is attributable to the bright, hard-working and dedicated people who serve the System. From my fellow Board members to the people on the front line dealing one-on-one with our members, the quality of those serving New York's public educators is unsurpassed. I am continually impressed with how knowledgeable and caring System staff are and I know first-hand how much these skills are valued by the membership.

This customer-focused culture was fostered by former Executive Director George Philip and continues under Thomas K. Lee, who succeeded George prior to the midway point of the fiscal year. George served NYSTRS for almost 40 years, literally working his way up the management chain and retiring as one of the most respected public pension administrators in the nation. Like George, Tom embraces the philosophy of continuous improvement and re-examination of the status quo to benefit our members. The Board is pleased that the transition of leadership has been seamless and this has contributed to the stability of our system.

Additionally, the Board itself is not immune to change. Mike Glover resigned his Board seat at the end of the fiscal year to focus solely on his responsibilities as a BOCES superintendent. We thank him for his contributions and wish him the best.

After 18 years as a Board member, I have decided to retire from teaching and thus I will be leaving the Board when my term expires after the January 2009 Board meeting. Serving on the Board has been a tremendous experience and I am grateful to the teacher delegates who elected me for six terms. I worked with truly outstanding people through the years, many of whom will be life-long friends, and I will miss both the work and the people.

As you can see from this past year, change is inevitable. With it, however, comes an opportunity to grow and become stronger. Our Board and staff welcome this opportunity to continually combine their efforts to help ensure a sound financial future for our members.



Joseph P. McLaughlin
President

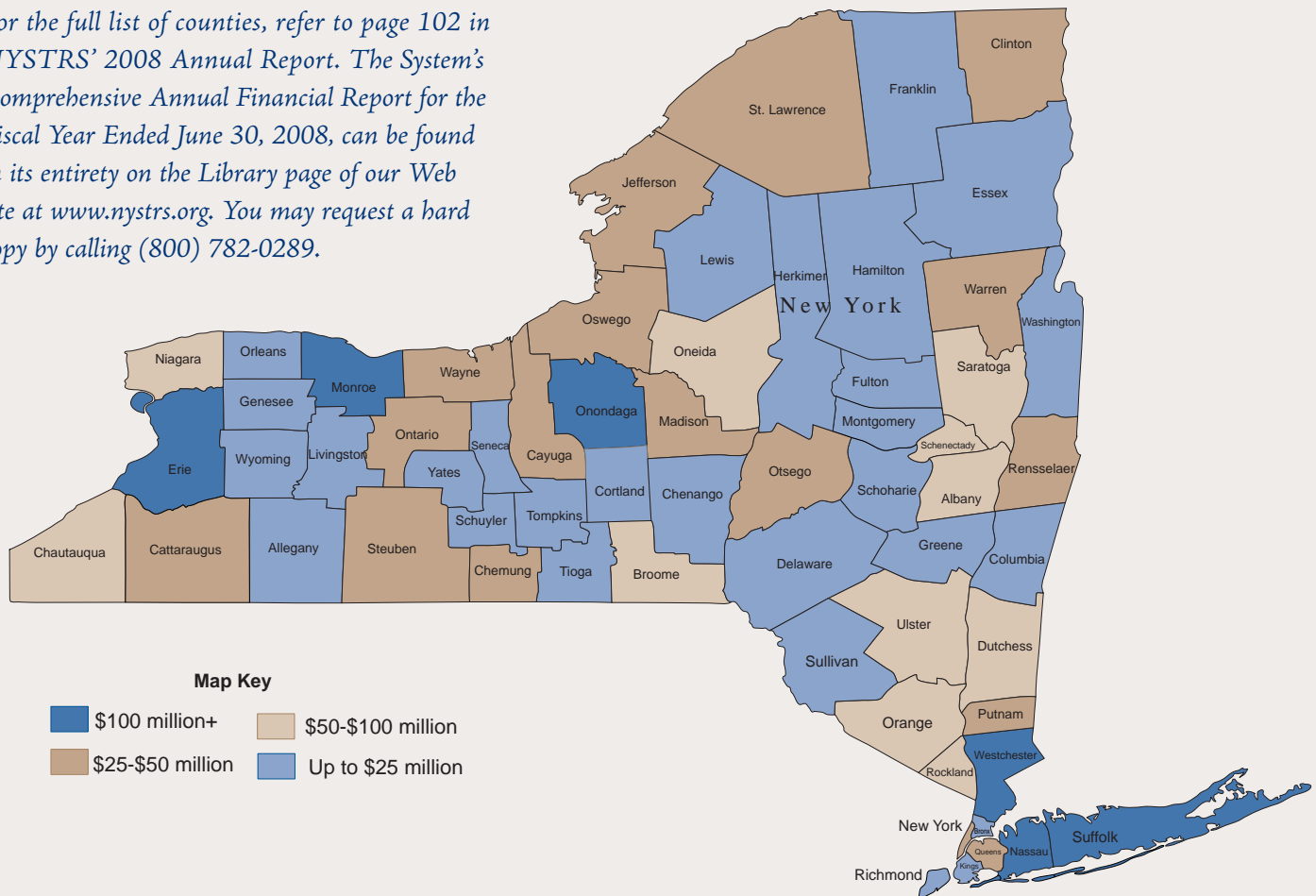
Asset Allocation — June 30, 2008

The most significant contributor to a fund's long-term investment performance is the allocation decision among the various asset classes, including equities, fixed income and real estate. The allocation process helps control risk and sets the guidelines to diversify the System's portfolio. The asset allocation policy adopted by the Board allows ranges around an optimal target allocation. The Retirement Board, with the assistance of an external consultant, reviews the asset allocation policy on an annual basis to analyze recent and historical investment experience. Since this is a long-term plan, adjustments to the allocation are usually made on an annual basis when necessary. The current targets, ranges and actual allocations are detailed below:

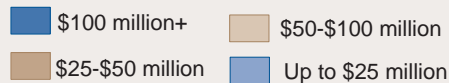
	<u>Target</u>	<u>Range</u>	<u>Actual</u>
Domestic Equity	46%	36-56%	47.7%
International Equity	15%	11-19%	12.9%
Real Estate	8%	4-12%	10.5%
Private Equity	5%	2-10%	6.0%
<i>Total Equities</i>	74%		77.1%
Domestic Fixed Income	18%	11-25%	16.3%
Mortgages	8%	5-11%	6.0%
Cash Equivalents	0%	0- 5%	0.6%
<i>Total Fixed Income</i>	26%		22.9%

Distribution of Benefits Paid by County as of June 30, 2008 — Top 20 Counties

For the full list of counties, refer to page 102 in NYSTRS' 2008 Annual Report. The System's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008, can be found in its entirety on the Library page of our Web site at www.nystrs.org. You may request a hard copy by calling (800) 782-0289.



Map Key



<u>County</u>	<u>Annual Benefit</u>	<u>County</u>	<u>Annual Benefit</u>	<u>County</u>	<u>Annual Benefit</u>
Suffolk	\$701,128,510	Orange	\$93,290,995	Broome	\$62,886,096
Nassau	362,199,541	Saratoga	88,764,346	Chautauqua	54,728,641
Erie	352,093,249	Rockland	87,006,022	Schenectady	50,451,885
Monroe	242,638,981	Albany	83,904,523	Ontario	47,467,893
Westchester	227,286,377	Oneida	82,079,602	Oswego	42,845,521
Onondaga	153,486,314	Niagara	76,272,813	New York	42,417,002
Dutchess	94,578,940	Ulster	69,349,628		

Cost-of-Living Adjustment Increases 2001 - 2008

Commencing September	Fiscal Year Ending March 31 CPI	Applicable COLA Percentage	Maximum Annual Base Benefit Amount	Maximum Monthly COLA Increase	Cumulative Maximum Monthly COLA	Average Monthly COLA Increase	Cumulative Average Monthly COLA
2001	2.92%	1.5%	\$18,000	\$22.50	\$22.50	\$18.80	\$18.80
2002	1.48%	1.0%	\$18,000	\$15.00	\$37.50	\$12.64	\$31.44
2003	3.02%	1.6%	\$18,000	\$24.00	\$61.50	\$20.32	\$51.76
2004	1.74%	1.0%	\$18,000	\$15.00	\$76.50	\$12.85	\$64.61
2005	3.15%	1.6%	\$18,000	\$24.00	\$100.50	\$20.68	\$85.29
2006	3.36%	1.7%	\$18,000	\$25.50	\$126.00	\$22.09	\$107.38
2007	2.78%	1.4%	\$18,000	\$21.00	\$147.00	\$18.29	\$125.67
2008	3.98%	2.0%	\$18,000	\$30.00	\$177.00	\$26.24	\$151.91

New Law Alters Rules for Working in Retirement

A new law intended to strengthen transparency and accountability in employee hiring and reporting impacts retired educators and employers seeking to hire them.

Chapter 640 of the Laws of 2008 reformed the process by which a retired public employee may obtain a Section 211 waiver for working in retirement. Under this section of Retirement and Social Security Law, the waiver allows a retired public employee to earn more than the legislated earnings limit (currently \$30,000) and still receive a public pension.

The new law prevents a retired public employee from working in the same or similar position for one year from the retiree's date of retirement from a New York State public retirement system. Exceptions may be granted by the entity issuing the waiver, but only after providing sufficient evidence that the exception is warranted.

The effective date of the new law was Oct. 7, 2008. Waivers issued prior to that date were not affected by the changes.

Please note 211 waivers are **not** granted by the applicable retirement system. Rather, they are issued by the entity with jurisdiction over the employment performed in retirement. Only the following may issue a 211 waiver: The New York State Department of Education; the Chancellor of the New York City Department of Education; the Trustees of the City University of New York; a SUNY or community college president; and the New York State or New York City Civil Service Commission. Questions about waivers should be addressed to the relevant issuing entity.

The new law also increases the disclosure and reporting obligations of school districts and Boards of Cooperative Educational Services (BOCES), and bars attorneys from simultaneously serving a district as an employee and independent contractor.

Retired New York State public employees who earn less than the legislated earnings limit do not need to obtain a waiver. Provided they do not exceed the limit, they may continue to collect their public pensions in full.

Additionally, public employees may have unlimited earnings in retirement in the following cases:

- Private or federal employment.
- Public employment outside of New York State.
- As an elected official, inspector of elections, poll or ballot clerk commissioner of deeds, juror or notary public.
- Working as a consultant for a New York State public employer IF your date of membership is prior to May 31, 1973, AND your contract has been received and reviewed by NYSTRS.
- All employment – including New York State public service – beginning in the calendar year the member turns 65.◆

New York's Freedom of Information Law: How it Impacts NYSTRS and its Members

For more than three decades, New York State's Freedom of Information Law (FOIL) has helped shed light on government proceedings. Created with the belief that "a free society is maintained when government is responsive and responsible to the public," the law aims to foster greater understanding of and participation in state and local government.

Since NYSTRS members are New York public educators with salaries and benefits paid for with state taxpayer dollars, much of our members' employment and benefit information is considered a matter of public record. As such, anyone may request access to these records by filing a FOIL request with any entity that may maintain records containing public information.

NYSTRS receives many such requests each year. By law, we are obligated to provide the requestor with information the law defines as a matter of public record. This includes:

- Employer, salary and service credit information;

- Retirement benefit information, including date of retirement; and,
- NYSTRS membership data, such as date and tier of membership.

Rest assured, however, personal information is exempt from disclosure under the law, as it is considered an invasion of privacy. As such, NYSTRS will never provide the following personal information:

- Social Security number or NYSTRS EmplID;
- Date of birth or age;
- Home address, telephone number or other means of contact;
- Retirement benefit option selected;
- Retirement type (service vs. disability retirement, for example); or,
- Beneficiary information.

While neither of the above lists of public and private information are comprehensive, they provide a reasonable representation of the types of information in these categories. For more information about the Freedom of Information Law, visit the Committee on Open Government at



www.dos.state.ny.us/coog/coogwww.html.

The issue of what constitutes a public or private record came to light recently when several New York newspapers submitted FOIL requests to the System seeking salary and/or benefit information for all of our more than 400,000 members. In some cases, the information provided was posted on the newspaper's Web site.

As previously stated, if the information requested is considered a public record, the System must provide it. How the information is used by the requestor is beyond NYSTRS' control. The System has neither the legal authority to request an explanation of how the information will be used nor the right to deny information based on how it will be used by the requestor.

The bottom line is this: As a state entity, records maintained by NYSTRS are subject to FOIL. NYSTRS will continue to evaluate and respond to FOIL requests in accordance with the provisions of the law, utilizing the protections built into the statute to guard our members' rights to privacy.◆

NYSTRS Board Meeting Highlights – October 30, 2008

◆ **Ratified** the following actions taken by the Retirement Board's Finance Committee since the previous Board meeting:

- An investment of the Euro equivalent of \$100 million in Charterhouse Capital Partners IX, subject to the satisfactory completion of due diligence.
- An investment of \$50 million in HIPEP VI - Asia Pacific Fund L.P., subject to the satisfactory completion of due diligence.
- The extension of the OMP Development Joint Venture for one year with the option to extend the program for an additional year at staff discretion, subject to the satisfactory completion of due diligence.

◆ **Ratified** the following actions taken by the Executive Director since the previous Board meeting:

- An investment of up to \$50 million, or an amount not to exceed 20% of the fund's total commitments, in U.S. Industrial REIT III LLC, a closed-end private REIT sponsored by USAA Real Estate Company. Approval is subject to the satisfactory completion of due diligence.
- A seven-year, \$29.7 million first mortgage financing for Chandler Festival in Chandler, Arizona.
- A seven-year, \$18.9 million first



mortgage financing for Chandler Gateway in Chandler, Arizona.

- The purchase of an up to \$75 million (but not less than \$50 million) interest in the existing \$1.3 billion first mortgage on a 50-story Class A office building at 767 Fifth Ave. in New York City.
- ◆ **Renewed** the agreement with Citigroup Alternative Investments LLC to manage a portion of the System's portfolio as an international (non-U.S.) real estate investment manager, for one year, effective Dec. 1, 2008.
- ◆ **Renewed** the agreement with EII Realty Securities Inc. to manage a portion of the System's portfolio as an international (non-U.S.) real estate investment manager, for one year, effective Dec. 7, 2008.
- ◆ **Renewed** the agreement with LaSalle Investment Management (Securities) L.P. to manage a portion of the System's portfolio as an international (non-U.S.) real estate investment manager, for one year, effective Dec. 1, 2008.
- ◆ **Renewed** the agreement with RREEF America L.L.C. to manage a portion of the

System's portfolio as an international (non-U.S.) real estate investment manager, for one year, effective Dec. 1, 2008.

◆ **Renewed** the agreement with State Street Global Advisors to manage a portion of the System's portfolio as a passive international equity manager, for one year, effective Feb. 18, 2009.

◆ **Renewed** the agreement with Callan Associates Inc. to act as a general investment, real estate and private equity consultant, for one year, effective Feb. 1, 2009.

◆ **Reappointed** Daniel J. Bukowski and Robert G. Wade to three-year terms on the Investment Advisory Committee, effective Jan. 1, 2009.

◆ **Reappointed** Paul J. Dolinoy, Blake Eagle and Thomas P. Mahoney to three-year terms on the Real Estate Advisory Committee, effective Jan. 1, 2009.

◆ **Accepted** changes to the Investment Policy Manual, reflecting updates approved by the Retirement Board through the July 2008 Board Meeting.

◆ **Accepted** the report of KPMG LLC on the financial statements of the Retirement System as of June 30, 2008, and for the 2007-2008 plan year ended on that date.

◆ **Approved** the System's 2009 legislative program. ◆

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