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YOUR

Source

Information For Active NYSTRS Members

● SPRING
SUMMER

● 2009

DID YOU KNOW...



○ **Informing your employer of your intent to retire does not automatically trigger the NYSTRS retirement process? In order to begin collecting your NYSTRS pension, you must file an *Application for Retirement (RET-54)* with this System no earlier than 90 days prior to your date of retirement. For additional details on filing, visit our Web site at www.nystrs.org and watch our *Retirement Countdown* video, review our *Countdown to Retirement* pamphlet or print the retirement application. ♦**



NYS TEACHERS'
RETIREMENT SYSTEM

The Numbers Tell It All: *NYSTRS Pension Fund Is Secure*

"How can you tell us not to worry about our pension when the economic news is so bad?"

That was the reaction we received from some of our members in response to newsletter articles, Web headlines and other System communications issued over the past several months attempting to reassure the membership their NYSTRS benefits are secure. Based on what members see and hear in the media, the encouraging words seem strange.

Despite all the negative economic news, the fact is NYSTRS retired member benefits are safe and secure. Some facts to consider:

- ◆ The present value of all future benefits payable to retired members of this System was approximately \$47.5 billion at the close of our fiscal year. This total is substantially less than the total assets of the Retirement System.
- ◆ The Retirement System's funded ratio increased from 104.2% as of June 30, 2007, to 106.6% as of June 30, 2008. While we do not yet know what this ratio will be as of June 30, 2009, it will likely decrease. However, the System will remain extremely well funded. According to



the National Association of State Retirement Administrators (NASRA), we are one of the best funded retirement systems in the nation.

- ◆ The funds needed to meet our retirement payroll are readily available from interest and dividends earned on our holdings, as well as easily converted liquid assets such as U.S. treasuries, government-backed bonds and high-quality securities with short-term maturities. Currently, we need only a portion of the monies available to us in these highly liquid assets and cash equivalents to meet our payroll.
- ◆ Every month, Retirement System staff reviews cash flow needs for the next 12 months. This is done to ensure there is sufficient funding

in each of those months to pay promised benefits owed our retired members. If necessary, asset allocation adjustments are made in sufficient time to meet this monthly payroll.

Despite the facts, some are quick to say, "Yes, but you have lost billions of dollars in recent months. Why are you not talking about that?"

It is true the assets of the Retirement System have declined substantially during this significant market downturn. Specifically, our total net assets decreased from \$95.8 billion as of June 30, 2008, to \$68.3 billion as of March 31, 2009.

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NYS Teachers' Retirement System
10 Corporate Woods Drive
Albany, NY 12211-2395

OFFICE HOURS

Monday - Friday: 8:30 a.m. - 4:15 p.m.
Summer Hours:
Mon. - Thurs: 8 a.m. - 4:15 p.m.
Friday: 8 a.m. - 12:30 p.m.

WEB SITE

www.nystrs.org

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(800) 348-7298
(Albany-Area Calls: 447-2900)

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Deadline Nears for Selecting Annual Meeting Delegates

By June 1, employers must conclude the election of delegates responsible for attending the NYSTRS Annual Meeting of Delegates, held each November in Saratoga Springs. Questions about the election process in your district or on your campus should be directed to the chief administrative officer or local union president.

Education Law mandates elections be held between March 1 and June 1 in odd-numbered years, with the chief administrative officer (or a designee) responsible for conducting the vote. Many districts entrust this responsibility to the local bargaining unit. However, the Retirement System has no authority over the election process.

Elected delegates and their alternates will hold two-year terms beginning Aug. 1, and will represent their employers at the 2009 and 2010 Annual Delegates Meetings.

A delegate's primary responsibility is to elect a teacher member to the System's 10-member Retirement Board. There are three teacher members on the Board.

Delegates also act as liaisons between members in their district and the Retirement System. Delegates and alternates are elected as tickets and may not be split.

Only active NYSTRS members are eligible to serve as delegates or alternates to the annual meeting. (Retired teachers have their own representative on the Board, and the election process for this seat is handled via mail vote.)

Meeting details and other pertinent information will be mailed to delegates in September. Delegate information — including the meeting agenda and lodging alternatives — will also be available on the Delegates page of the Retirement System's Web site at www.nystrs.org. Employers with questions about the electing and reporting of delegates should refer to the Employers page of the System's Web site. ♦



www.nystrs.org



You don't have to wait for the latest issue of *Your Source* for timely information about your NYSTRS benefits. Visit our Web site day or night for:

- Legislative News
- Seminar Schedules
- Forms
- Informational Videos
- General Plan Information and much more

While you're there, be sure to create a MyNYSTRS account so you can access and manage your personal benefit information.

Take an online tour to learn more. ♦

The Fiscal Fitness of Your NYSTRS Pension

You may have seen or heard that public employee pensions are “too expensive” and should be replaced. The non-profit National Institute on Retirement Security (NIRS) is among the many groups that do not agree.

Your defined benefit (DB) pension, NIRS argues, actually makes good fiscal sense for employers. Likewise, the retirement benefits funded by these plans are good for the economy, so everyone benefits.

NIRS recently completed a series of studies designed to measure the cost and impact of DB plans throughout the country. For employers, the Washington, D.C.-based group concluded DB plans deliver better “bang for the buck” than Defined Contribution (DC) plans, such as 401(k) plans. According to the report, over the course of a member’s working life, “the embedded economic efficiencies of DB plans make them nearly half the cost of DC plans.”

To prove the point, an example was cited of a 62-year-old with a target retirement benefit of \$26,684. Under the DB plan, annual contributions of 12.5% of payroll would be required and \$355,000 would need to be set aside by age 62. In contrast, the DC plan would require annual contributions of 22.9% of payroll and \$550,000 would need to be set aside by age 62. As stated in the report, “The DB plan can do more with less, providing the same benefit for nearly \$200,000 less per participant.”

Here’s how: DC plans are individual focused and, in order to ensure she/he does not outlive retirement savings, the individual must save enough to live to a very old age — typically 95 to 100. By contrast, a DB plan pools the contributions of many people, with a goal of saving enough for an average life expectancy for each member of the plan. An average life expectancy, which actuaries calculate with a high degree of accuracy, is much lower than 95 to 100 — meaning it is necessary to set aside significantly less per DB plan member.

Another significant advantage to DB plans is they historically achieve higher investment returns than individual DC accounts. (This consistent pattern of higher returns is attributed to the ability of a DB plan to professionally manage assets at significantly lower fees.) Higher returns translate into lower contributions toward retirement. The NIRS model shows an annual return of just 1% more results in a cost savings of 26% during a person’s career.

Economic Stimulants

Just as NYSTRS members count on the income from their retirement benefits, state and local economies depend on pension dollars. DB retirees receive consistent, “recession-proof” incomes that are typically spent locally, NIRS points out.

In its February 2009 report “Pensionomics: Measuring the Economic Impact of State and Local Pension Plans,” NIRS found state and local pension benefit expenditures in 2006 were nearly \$151.7 billion nationwide — an economic stimulus that supported more than 2.5 million American jobs. Those same benefits supported over \$57 billion in tax revenue at the local, state and federal level.

The numbers are equally impressive here in New York. Of the more than 136,000 retired members and beneficiaries to whom NYSTRS provides services, approximately 75% live in New York State. That means the vast majority of the nearly \$5 billion paid out annually in benefits are poured right back into the state economy.

NIRS found benefit payments “may be especially important in stabilizing local economies during economic downturns, because... pension income is guaranteed, so retirees need not worry about reducing spending with every dip in the stock market.”

For more on the reports cited here, visit NIRS’ Web site at www.nirsonline.org. ♦

Pension Fund Is Secure...

from page 1

We emphasize again, however, that our funded ratio was 106.6% as of our most recent valuation — meaning actuarially there were sufficient assets to pay all promised benefits owed to retirees and their beneficiaries, as well as the accrued benefits of active members.

Ultimately, it will be necessary to increase the Employer Contribution Rate — a percentage of payroll charged to employers annually in order to properly fund the Retirement System — to ensure we will be able to fund the benefits accruing for our active members. However, because most of these liabilities will not come due for many years to come, there will be sufficient time to adequately fund these future obligations.

As has always been the case, we invest assets in the most prudent manner possible in order to achieve optimum long-term returns with an appropriate level of risk. It is exactly this long-term investment approach that helps us tolerate the volatility of the capital markets we are currently experiencing.

So we reiterate: Although the news reports about the state of our economy can be sobering, please know that your Teachers’ Retirement System pension remains safe. ♦

Plan TO WORK THIS SUMMER?

If you plan to spend your summer working for a New York state public employer in a position not reportable to NYSTRS, it may be to your benefit to join the retirement system to which the job is reportable.

You can belong to multiple New York state retirement systems. This is important because should you ever wish to combine your memberships, service and salaries from both systems may be considered in calculating your retirement benefit.

However, please remember you cannot earn more than one year of credit in each July 1 – June 30 school year. So while the additional salary you earn may be includable in your benefit calculation, any additional credit accrued will not be added to your total service once a full year is achieved. ♦



MyNYSTRS Gets a Fresh New Look

Coming soon to your MyNYSTRS account: A new-and-improved design and additional self-service tools requested by our members.

By early summer, the System will unveil a re-designed MyNYSTRS — the area of www.nystrs.org where registered users can review their membership and benefit information, schedule appointments, calculate loans and much more. The new look, which will mirror the recent redesign of other areas of the System's Web site, will make it easier to locate and review information specific to you. When complete, personal data will be at your fingertips in a secure environment that is more streamlined and user friendly.

Among recent service improvements was the addition of a Loans page. Visit here to review loan summaries, track loan histories, calculate a loan and even apply for a loan online. The interactive Loan Calculator utilizes

actual data posted to your NYSTRS account and the online application allows you to file your loan request electronically, shortening processing time and saving you postage costs.

Other online self-service tools include a change of address function and an appointment scheduler. The latter allows you to book an appointment for a benefits consultation or reserve a seat at a Preretirement Planning Seminar.

More tools allowing you to transact NYSTRS business electronically are being developed and will be added in the coming months. Our goal with these new features is to make your online experience with NYSTRS quick, convenient and productive.

If you don't already have a MyNYSTRS account, take a tour to see how helpful an account can be. Registering for an account takes just minutes and allows you access to your information on your schedule. ♦



Your information on your schedule.

MyNYSTRS.

Preparing for Retirement

For many NYSTRS members, final exams this June may actually signal the beginning of something else: retirement. If you're one of those nearing the end of your teaching career, here's a quick monthly checklist to make sure you're ready to make the transition:

May

Keep an eye on any legislative proposals that could affect your benefits in retirement by monitoring the Pending Legislation page of our Web site. Also, review your employer's policy for retracting or altering your date of retirement, as some consider a letter of resignation or retirement irrevocable.

Remember, too, that notifying your employer of your intent to retire is not the same as notifying NYSTRS. You must file a separate *Application for Retirement* (RET-54) with NYSTRS in order to receive your pension. This application is available on our Web site's Forms page.

June

Time to file that retirement application with NYSTRS. You can file the application as late as your retirement date, which for most is July 1, as they are contracted to work through June 30. However, if you want your first benefit payment made on the last business day in July, your paperwork needs to be filed by June 14.

It is on this application you make your benefit payment choice (the Maximum or an option), decide on tax withholdings and provide banking information for the direct deposit of your monthly benefit payment.

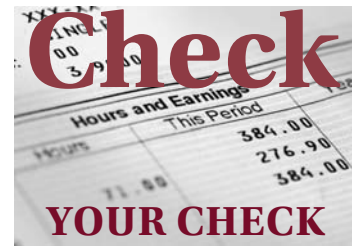
Your retirement application must be signed in the presence of a notary, and you'll want to send the application via certified or registered mail.

July

Retirement begins! Review your benefit papers carefully and make sure the payment option you selected is still right for you. Remember: You have only 30 days from the official date of retirement to make any changes.

Answers to many of your retirement questions can be found on our Web site at www.nystrs.org. You can review our publication *Path to Retirement*, watch the informational "Retirement Countdown" video, or print a copy of our *Countdown to Retirement* pamphlet. If you have a MyNYSTRS account, once you retire you can even track the processing of your retirement application.

Our information representatives are available to help you at any stage of the retirement process. Call us at (800) 348-7298, Ext. 6250. ♦



○ | If you have 10 years of NYSTRS membership or 10 years of credited service, your employer should not be taking 3% contributions from your pay to help fund your retirement benefit. If it appears these contributions continue to be deducted and you have already received a letter from NYSTRS indicating your contributions requirement has been met, please bring the letter to your employer's payroll or business office and request that the appropriate adjustments be made.

If you are unsure about your years of service or membership, refer to your personal *Benefit Profile*, a copy of which was mailed to you late in 2008. You can also access your *Profile* online at www.nystrs.org if you have a MyNYSTRS account. Creating an account is fast and easy, and gives you the ability to check your personal benefit information online any time, day or night. ♦

Salaries Includable in Tier 3-4 FAS Calculations

While “retirement” is most often associated with longer-tenured Tier 1 members, more and more Tier 3 and 4 members are meeting retirement eligibility requirements. If you are among them, it is important to know what salaries are includable in the calculation of your final average salary (FAS).

First, understand you are eligible for a three-year FAS calculation. While some Tier 1 members may qualify for the better of a three- or five-year FAS, this option was not included in the laws that created subsequent tiers. Tier 2 members are also eligible only for the three-year calculation.

Your FAS is the average of your highest three consecutive years of salary earned. Typically this is your final three years of employment, but it can be any three-year period in your salary history.

Determining which three-year period to use requires more than a glance at totals, however. While most payments related to educational instruction of students will be allowed, there are many other types of payments that cannot be used to determine pensionable salary.

The chart above is a general overview of what payments can and cannot be included. This is not intended to be an exhaustive, all-inclusive list. It is provided for reference purposes only.

A final determination of allowable payments will be made when your retirement application is processed.

The 3-Year FAS <i>can</i> include payments for:	The 3-Year FAS <i>cannot</i> include:
<ul style="list-style-type: none">■ Full-time teaching services;■ Coaching;■ Tutoring;■ Summer school;■ Chaperoning;■ Workshops;■ Driver education;■ Supervision of traditional after-school clubs; and,■ Teaching or administration of educational after-school programs.	<ul style="list-style-type: none">■ Non-regular compensation (i.e., bonuses, taxable fringe benefits, payments in lieu of health insurance);■ Employer contributions into a tax sheltered account;■ Payments made outside contract terms;■ Payments made on eve of retirement;■ Buyouts;■ Payments for services ordinarily done by classified positions, consultants, or independent contractors;■ Payments used to purchase health insurance through the district;■ Pay for duties not reasonably incidental to that of an administrator or full-time teacher (e.g., bus driver, district clerk, clerk of the board); or,■ Compensation for computer maintenance, master teacher presenter, or similar roles.

Another factor to keep in mind: There are limits to how much your salary can increase year-to-year during the FAS years. For Tiers 3 and 4 members, the increase cannot exceed 10% of the average of the previous two years' salaries. Since each year included in the three-year FAS calculation is compared to the previous two years of salary, System staff actually reviews five consecutive years of salary.

For more information on the calculation of retirement benefits visit the Library page of our Web site at www.nystrs.org and select the publication *Active Members' Handbook*. ♦

The trouble with retirement is that you never get a day off.

~ Abe Lemons

Board Meeting Highlights — January 29, 2009

- ◆ **Acknowledged** and thanked Board President Joseph P. McLaughlin for his 18 years of service as a NYSTRS trustee and wished him well on his pending retirement.
- ◆ **Elected** R. Michael Kraus as president of the Board and Iris Wolfson as vice president.
- ◆ **Considered** a private equity investment in Hellman & Friedman Capital Partners VII L.P., and authorized the System to invest up to \$200 million in that fund, subject to the satisfactory completion of due diligence.
- ◆ **Ratified** the following action taken by the Retirement Board's Finance Committee since the previous Board meeting:
 - Authorization to join with its venture partner SL Green Realty Corp. to market for sale the office building at 919 Third Ave. in New York City.
- ◆ **Ratified** the following action taken by the Executive Director since the previous Board meeting:
 - Approval of a seven-year, \$43 million first mortgage financing covering a portfolio of grocery-anchored retail centers located in Charlottesville, VA (Hollymead Town Center); Manassas, VA (Signal Hill Shopping Center); and, Jacksonville, FL (John's Creek Center).
- ◆ **Ratified** the following actions of the Retirement Board taken by mail vote since the previous Board meeting:
 - Authorization for the creation of internally managed funds tracking the S&P 100, S&P 500 and S&P 600 Indices.
 - Authorization for the renewal of an investment consultant contract for the 2009 calendar year.
- ◆ **Renewed** the agreement with Barclays Global Investors to manage a portion of the System's portfolio as an enhanced passive international equity manager, for one year, effective March 15, 2009.
- ◆ **Renewed** the agreement with Black Rock Financial Management Inc. to manage a portion of the System's assets in Commercial Mortgage Backed Securities (CMBS), for one year, effective April 3, 2009.
- ◆ **Renewed** the agreement with ING Clarion Capital to manage a portion of the System's assets in CMBS, for one year, effective March 30, 2009.
- ◆ **Renewed** the agreement with Iridian Asset Management L.L.C. to manage a portion of the System's portfolio as an active domestic large capitalization equity manager, for one year, effective April 1, 2009.
- ◆ **Renewed** the agreement with JP Morgan Fleming Asset Management to manage a portion of the System's portfolio as a core international equity manager, for one year, effective March 14, 2009.
- ◆ **Renewed** the agreement with Pyramis (Fidelity) Management Trust Company to manage a portion of the System's portfolio as a core international equity manager, for one year, effective February 28, 2009.
- ◆ **Renewed** the agreement with Wellington Management Company L.L.P. to manage a portion of the System's portfolio as a benchmark agnostic international equity manager, for one year, effective March 1, 2009 and placed the company on the System's watch list.
- ◆ **Renewed** the agreement with Capital Guardian Trust Co. to manage a portion of the System's portfolio as an active international equity manager, for one year, effective May 1, 2009.
- ◆ **Renewed** the agreement with StepStone Group L.L.C. to serve as the System's private equity consultant, for one year, effective February 1, 2009.
- ◆ **Authorized** the Executive Director to terminate the System's agreement with Citigroup Alternative Investments L.L.C. to manage a portion of the System's portfolio in an international (non-U.S.) real estate investment strategy, and further authorized reallocation of the funds it manages to other System managers that invest using the same strategy.
- ◆ **Approved** a change to the System's Investment Policy Manual allowing covered call options to be written on securities earmarked to be sold as part of portfolio rebalancing or enhancing of portfolio yield.
- ◆ **Authorized** the Executive Director to renew the System's membership in the National Coalition on Health Care for the year ending Dec. 31, 2009.
- ◆ **Authorized** the Executive Director to renew the System's membership in the Council of Institutional Investors for the year ending Dec. 31, 2009.
- ◆ **Accepted** changes to the Internal Audit Department charter.
- ◆ **Honored** Sandra Sorell (*Continual Contribution to Excellence*) and Matthew Warner (*Significant Contribution for the Year*) as NYSTRS' 2008 Excellence Award winners.◆

Board Meeting Highlights — April 29, 2009

- ◆ **Renewed** the agreement with Adelante Capital Management LLC to manage a portion of the System's portfolio by actively investing in real estate investment trusts (REITs) and real estate operating companies (REOCs) securities, for one year, effective July 1, 2009.
- ◆ **Renewed** the agreement with Cohen & Steers Capital Management Inc. to manage a portion of the System's portfolio by actively investing in REIT and REOC securities, for one year, effective July 1, 2009.
- ◆ **Renewed** the agreement with Cohen & Steers Capital Management Inc. to manage a portion of the System's portfolio by actively investing in REIT and REOC securities in an income-oriented account, for one year, effective July 1, 2009.
- ◆ **Renewed** the agreement with RREEF America LLC to manage a portion of the System's portfolio by actively investing in REIT and REOC securities, for one year, effective July 1, 2009.
- ◆ **Ratified** the following actions taken by the Retirement Board's Finance

Committee since the previous Board meeting:

- An investment of up to \$100 million in Credit-Suisse Seasoned Primaries III L.P.
 - An investment of up to \$100 million in Lexington Capital Partners VII L.P.
 - An investment of up to \$100 million in Parish Capital III L.P.
 - An investment of up to the Euro equivalent of \$50 million in Parish Capital Europe II L.P.
- ◆ **Ratified** the acquisition of up to \$25 million of the preferred shares issued by the Donohue Schriber Realty Group Inc., as approved by the Executive Director since the previous Board meeting.
 - ◆ **Accepted** the Retirement System's operating budget and internal audit plan for the 2009-2010 fiscal year.
 - ◆ **Approved** a resolution to amend the Retirement System's Rules and Regulations regarding the size of the Investment Advisory Committee.



- ◆ **Appointed** Jack V. Malvey to the System's Investment Advisory Committee for a three-year term ending Dec. 31, 2012.
- ◆ **Considered** a report from investment consultant Callan Associates on the structure of the System's international equity program and approved a recommendation to utilize the ACWI ex-U.S. index as the benchmark for a portion of this program.
- ◆ **Approved** resolutions acknowledging the pending retirements of William S. O'Brien (31 years of service) and Daniel J. Barzowskas (22 years of service).◆

See January 2009 Board Meeting Highlights on page 7.

New York State Teachers' Retirement System
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