

2023 Popular Annual Financial Report

As of June 30, 2023

Over a Century of Providing Retirement Security

A Message From the Executive Director & Chief Investment Officer

On behalf of the Retirement System's Board and staff, it is my pleasure to issue this *Popular Annual Financial Report (PAFR)* for the fiscal year ended June 30, 2023. This report summarizes NYSTRS' financial position for the 2023 fiscal year and corresponds to the *Annual Comprehensive Financial Report* available at NYSTRS.org.

NYSTRS is governed by a 10-member Board of Trustees representing various stakeholders. The Board sets policy and oversees operations consistent with its fiduciary obligations and to ensure the System meets its mission to provide our members with retirement security.

We proudly serve 448,785 active and retired members, including beneficiaries. The System also serves 827 employers – including public school districts, BOCES, institutions of higher education and charter schools that elect to participate.

The System is one of the 10 largest public funds in the U.S. based on portfolio size. NYSTRS is among the top-performing and best-funded public pension plans. Consistent receipt of required employee and employer contributions; a disciplined, risk-controlled investment policy; and partnerships with top-performing fund managers are major contributing factors to this stability. As a long-term investor with liabilities often not payable for three decades or more, Board and staff take a prudent approach to asset management.

The System's year-end net assets totaled \$137.2 billion. During the same period, benefits paid to retirees and beneficiaries were approximately \$8.2 billion. The plan's funded ratio as of June 30, 2022, the date of the most-recent annual actuarial valuation and calculated using the Actuarial Value of Assets, was 99.3%.

The System's total portfolio returned 9.0%, net of fees, for the fiscal year ended June 30, 2023. Our 30-year rate of return is 8.3%, net of fees.

As this report demonstrates, NYSTRS' Board and staff are committed to fulfilling our mission of providing our members with a secure pension. On behalf of all of us at NYSTRS, we are proud to provide vital pension benefits that our members count on each and every day. We remain committed to our reputation as one of the top public pension funds in the country based on assets. Equally important – we are dedicated to our vision to be the model for pension fund excellence and exceptional customer service.



Respectfully,

Thomas K. Lee
Executive Director & Chief Investment Officer



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Who We Are

NYSTRS was established in 1921 by an act of the state legislature. The Retirement System administers the fund from which public school teachers and administrators employed outside New York City receive retirement and ancillary benefits.

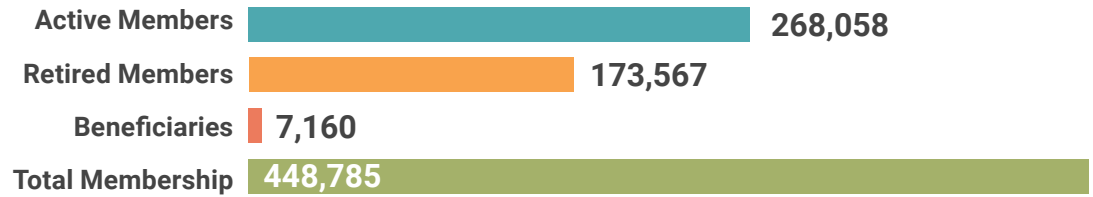
NYSTRS directs a defined benefit plan, with eligibility for benefits based on factors such as age, years of service and tier of membership. Eligible members receive a service retirement or disability pension; death benefits; the ability to borrow from member contributions; and, in some cases, coverage for beneficiaries.

Payments to eligible members and beneficiaries are guaranteed by law and cannot be diminished or impaired under New York's constitution. Benefit improvements, such as early retirement incentives, must be enacted into law by the state legislature and governor.

Defined benefit plans provide recipients a retirement income for as long as they live. This differs from defined contribution plans, such as 401(k)s, where a recipient can outlive accumulated savings.



Membership Snapshot



Membership in NYSTRS is mandatory for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York State public schools (excluding those in New York City), Boards of Cooperative Educational Services (BOCES), or charter schools that opt to participate as an employer in NYSTRS. Membership for teachers employed less than full time is optional.

Those employed by a New York State community college or the State University of New York (SUNY) generally may elect membership in NYSTRS, the New York State and Local Employees' Retirement System or the Optional Retirement Program. Some teachers and administrators who are not members of a New York State United Teachers (NYSUT) bargaining unit and whose estimated annual wages are \$75,000 or more may join the Optional Retirement Program instead of NYSTRS.

In New York, there are six tiers of membership, with different benefit structures and eligibility requirements for each tier. A member is placed in the tier in effect when the member joins NYSTRS.

NYSTRS serves 448,785 active and retired members, including beneficiaries. The System also serves 827 employers — including public school districts, BOCES, institutions of higher education and charter schools that elect to participate.

Supplementary Information

NYSTRS management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles. Plante Moran, PC performed an independent audit of such financial statements and expressed an unmodified opinion thereon. To view the financial statements and Plante Moran, PC's report, see the Financial section of our *Annual Comprehensive Financial Report* at NYSTRS.org.

In addition, recognition from various industry organizations demonstrates NYSTRS' commitment to excellence in financial reporting. Honors received within the fiscal year ended June 30, 2023 include:

- Certificate of Achievement for Excellence in Financial Reporting, awarded by the Government Finance Officers Association (GFOA) of the United States and Canada.
- Distinguished Budget Presentation Award, also awarded by GFOA.
- Public Pension Principles Achievement Award, presented by the Public Pension Coordinating Council.
- Award for Outstanding Achievement in Popular Annual Financial Reporting, also awarded by GFOA.

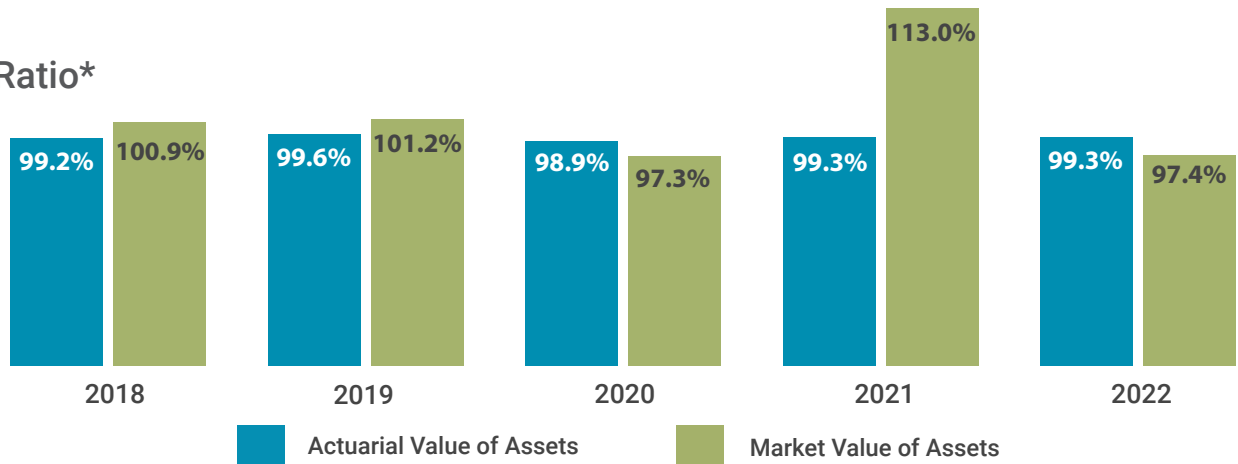
The information contained in this document came primarily from NYSTRS' *Annual Comprehensive Financial Report*, Fiscal Years Ended June 30, 2023 and 2022. A copy of that report is available at NYSTRS.org.

Financial Highlights

NYSTRS has made benefit payments on time and without fail since it was founded in 1921. The System's 2023 fiscal year-end net assets totaled \$137.2 billion. During the same period, benefits paid to retirees and beneficiaries were approximately \$8.2 billion.

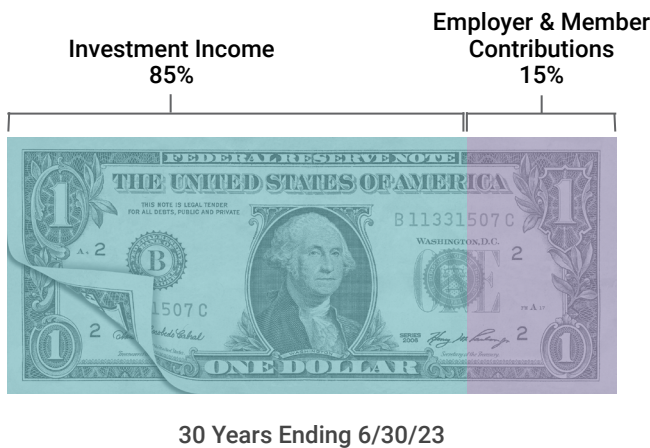
The System is one of the best-funded public pension plans in the nation. The System's funded ratio is 99.3% based on the actuarial value of assets as of June 30, 2022, the most-recent calculation available. The actuarial value of assets smooths the volatility inherent in the market value of assets by phasing in unexpected gains and losses over a period of five years.

Funded Ratio*



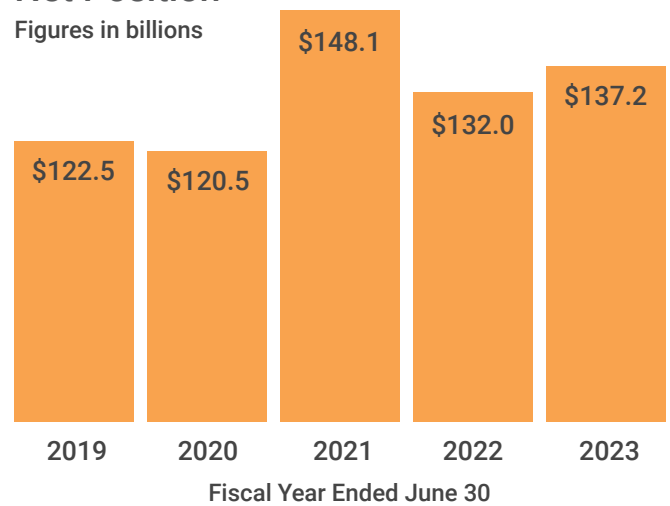
* Calculated using the Entry Age Normal Cost Method

Funding Sources



Net Position

Figures in billions



Other financial highlights for the fiscal year ended June 30, 2023:

- Contributions to be collected from employers totaled \$1.9 billion.
- The number of retired members and beneficiaries receiving benefits has been steadily increasing, leading to an increase in the retirement benefits paid. Retirement benefits paid in 2023, 2022, and 2021 were \$8.2 billion, \$8.0 billion, and \$7.7 billion, respectively.
- Over the past 30 years, NYSTRS' net position has increased nearly five fold despite paying out almost four times as much in benefits as contributions collected from employers and members over the same period.

Looking for more detailed information?

NYSTRS' *Annual Comprehensive Financial Report* offers more information about the System's financial status, investments and statistics. Visit the Library at NYSTRS.org to read the *Annual Comprehensive Financial Report*. To request a printed copy, email us at news@nystrs.org.

The Library of our website also includes a host of infographics that further illustrate the System's finances and statistics.

Investment Highlights

The System's assets are invested in the most prudent manner possible in order to achieve optimum long-term total returns with an appropriate level of risk. The System is committed to a disciplined, risk-controlled investment approach that focuses on thoughtful and prudent diversification of assets across a broad spectrum of capital market segments. The allocation of assets within the portfolio, as well as the fund's overall structure, are continuously reviewed and adjusted as appropriate to achieve these goals.

The System's total fund return, net of fees, for the fiscal year ended June 30, 2023 was 9.0%, compared to the assumed rate of return of 6.95%. Our 10-year and 30-year annualized net rates of return were 8.5% and 8.3%, respectively.

Other highlights include:

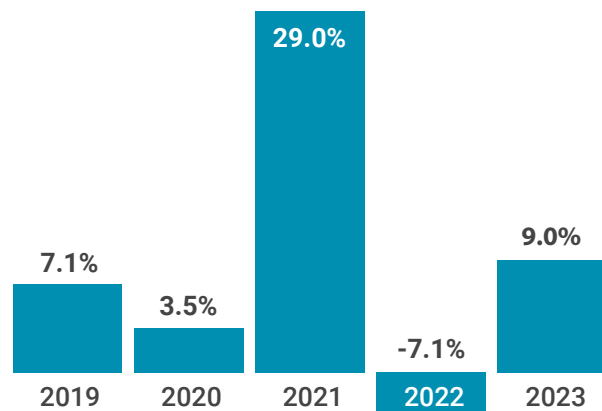
- For the fiscal year ended June 30, 2023, the System's investment income was \$11.4 billion. The strong appreciation was due to robust market returns, primarily in the equity segments of the investment portfolio.
- Over the past 30 years, NYSTRS has paid out \$147.4 billion in benefits and expenses while collecting \$38.4 billion in member and employer contributions. During the same period, the System's net assets have grown from \$29.5 billion to \$137.2 billion, with 85% of NYSTRS income generated by investment returns.
- More than half of the System's assets are managed internally. Managing assets internally keeps administrative costs down, which in turn leaves more money for paying benefits and future investments.

Investment Returns* (Net of Fees)

30-Year	8.3%
25-Year	6.8%
20-Year	8.0%
10-Year	8.5%
5-Year	7.6%

*As of 6/30/23

Investment Performance (Net of Fees)



Fiscal Year Ended June 30

Assets Under Management \$135.1 Billion as of June 30, 2023

**Internally
Managed
\$77.6B
57%**

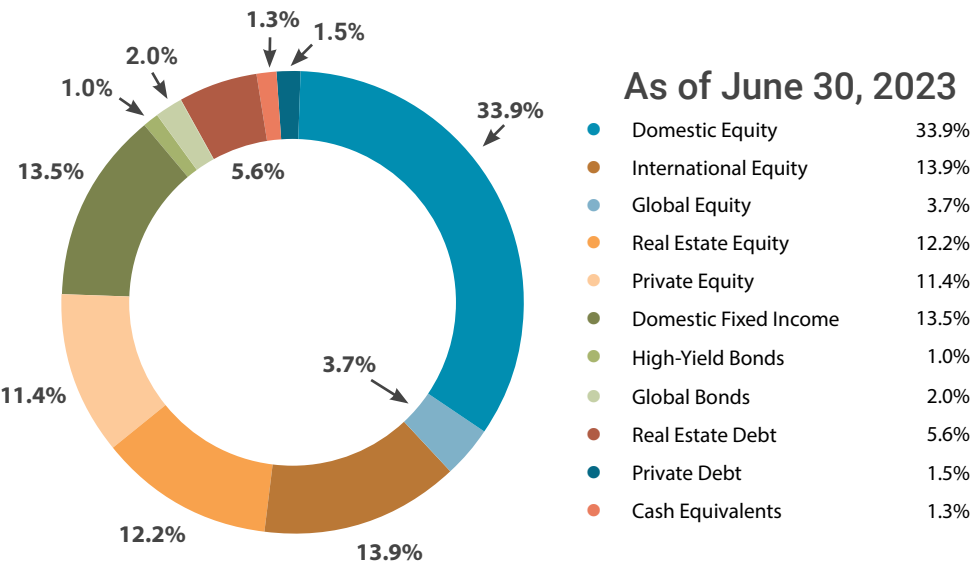
**Externally
Managed -
Active
\$44.6B
33%**

**Externally
Managed -
Passive
\$12.9B
10%**

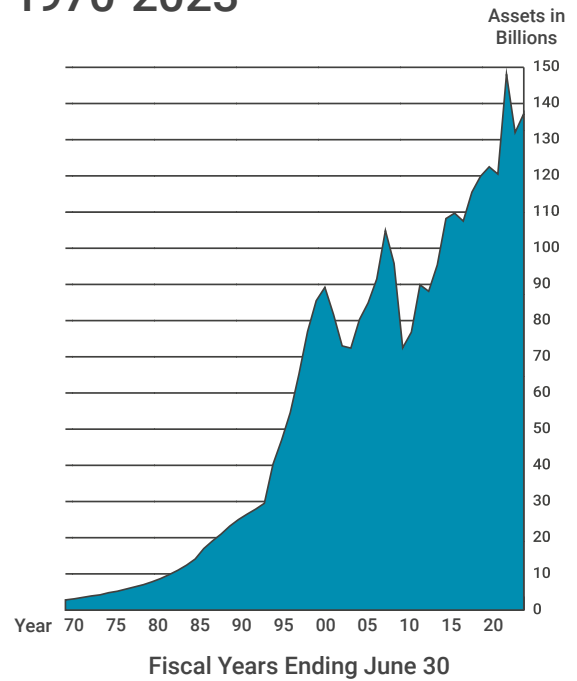
Internal management of assets means lower investment fees. Lower fees mean more money for benefits and investing, and a lighter burden for employers and the taxpayers who fund them.

Asset Allocation

The most significant contributor to a fund's long-term investment performance is asset allocation. The allocation process helps control risk and ensures the overall portfolio is broadly diversified. NYSTRS' Board, with the assistance of an external consultant, reviews the asset allocation policy on an annual basis.



Growth of Net Assets 1970-2023



Committed to The Highest Ethical Standards of Conduct

NYSTRS strives to model strong ethical values within the pension industry. Our Board and staff take their fiduciary responsibilities seriously and are committed to operating in an environment of transparency.

System staff adhere to the following guiding principles of ethics and conduct:

Ensure compliance with all applicable laws, ethical and professional standards, and NYSTRS' policies and procedures.

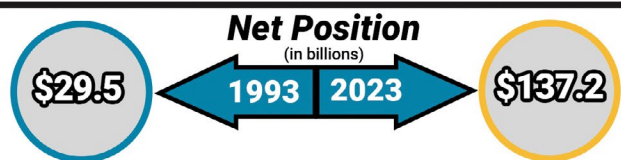
Protect the interest of stakeholders, including members, employers and the public.

Act with integrity at all times to prevent a violation of public trust.

Guard the privacy of stakeholder information.

Adhere to NYSTRS' Internal Asset Management Code of Professional Conduct in managing NYSTRS funds.

NYSTRS: A 30-Year Snapshot



Figures in billions for the 30-year period ending 6/30/2023.



Actuarial Highlights

NYSTRS' primary objective is to properly fund retirement and ancillary benefits so sufficient assets are accumulated in order to pay benefits as they come due. To ensure this happens, an actuarial valuation of the System's assets and liabilities is performed annually utilizing the Aggregate Cost Method, as specified by law. In this method, actuarial gains and losses are spread over the average future working lifetime of active members.

Benefits provided by the Retirement System are funded from three sources: investment income, member contributions and employer contributions.

For the 30-year period ended June 30, 2023, 85% of NYSTRS' income came from investment returns. Over that same period, 2% of income came from member contributions, which vary by tier and are fixed in statute as follows:

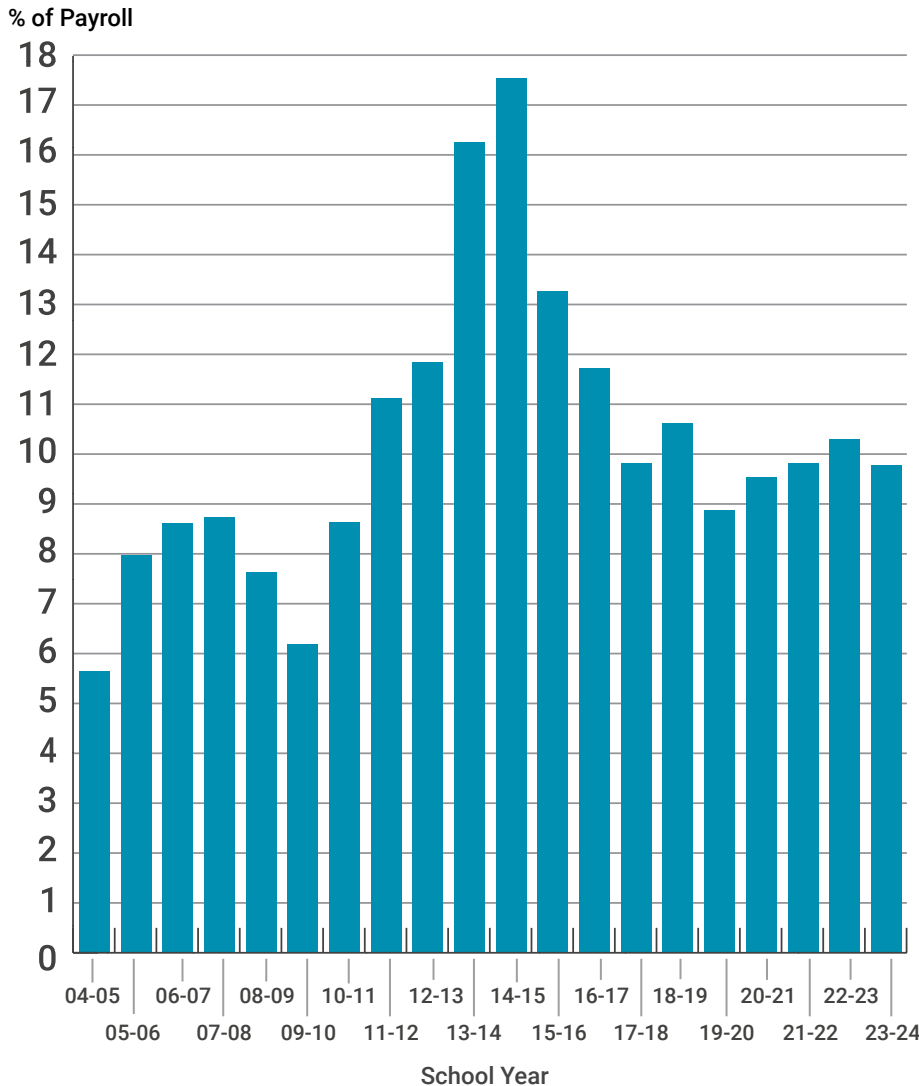
- Tier 1 and 2 members (those first entering the System before July 27, 1976) are not required to contribute.
- Tier 3 and 4 members (those first entering the System on or after July 27, 1976 and before January 1, 2010) contributed 3.0% of salary for the first 10 years of service or membership, whichever occurred first.

- Tier 5 members (those first entering the System on or after January 1, 2010 and before April 1, 2012) contribute 3.5% of salary each year throughout their active membership.
- Tier 6 members (those first entering the System on or after April 1, 2012) contribute between 3.0% and 6.0% of salary each year throughout their active membership in accordance with a schedule based upon salary earned.

Employers help fund pensions by contributing a percentage of compensation they pay to NYSTRS members. This percentage, known as the Employer Contribution Rate (ECR), is established annually in accordance with an actuarial valuation of System assets and liabilities. The ECR, which over the last eight years ranged between 8.86% to 11.72%, accounted for about 13% of NYSTRS income between 1993 and 2023.

An ECR of 10.29% was applied to member payroll for the July 1, 2022 to June 30, 2023 school year. These funds were collected by NYSTRS in fall 2023. An ECR of 9.76% is applicable to 2023-2024 school year salaries. The payments associated with this rate will be collected in the fall of 2024.

Employer Contribution Rates



Our Strategic Objectives

Governance Structure: Promote a governance model to appropriately manage System finances and risk, and maintain a positive reputation.

Shared Accountability: Foster an environment of shared accountability, awareness, commitment and integrity.

Customer Service: Maintain a high level of customer service and confidence.

Safeguard System Funds: Safeguard System funds and invest them in a prudent and diversified manner in order to achieve optimum long-term returns with an appropriate level of risk.

Quality Workforce: Ensure a quality workforce.

The NYSTRS Retiree

As of 6/30/23

171,560

Retirees receiving a service retirement benefit

2,007

Retirees receiving a disability benefit

\$45,023*
Average Maximum annual benefit

79%
of benefits paid to New York State residents

28*
Average years of service at retirement

72%
Female



*All retirees as of 6/30/23 receiving a service retirement benefit.

Statistical Highlights

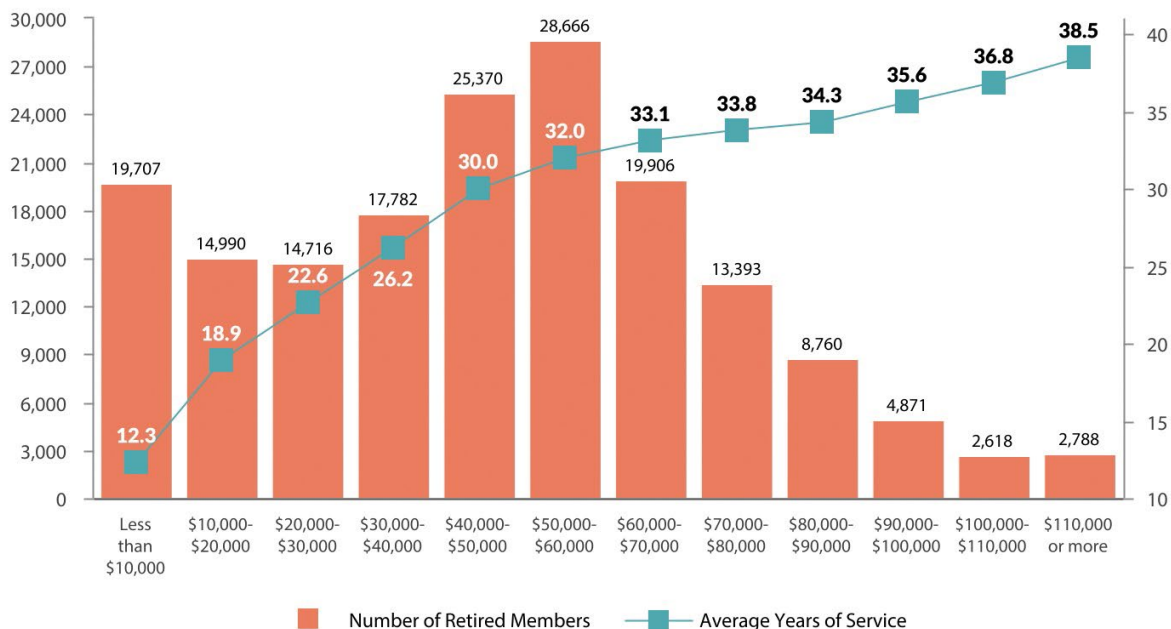
Statistics provide historical perspective, context and detail. When considered together with the financial statements, a more complete picture of factors impacting NYSTRS' economic condition is revealed.

As of June 30, 2023, retirees receiving a service retirement worked an average of nearly 28 years to earn their retirement benefit. Some additional statistical highlights:

- The average Maximum annual benefit for service retirees as of June 30, 2023 is \$45,023 representing about 48% of a member's final average salary at retirement.
- 49% of active members have 10 years or less of service.
- 34% of active members are 39 years of age or younger, meaning it will be 16 years or more before they will be eligible to collect a retirement benefit – providing time to accumulate the additional assets needed to fund the benefit.
- 40% of NYSTRS members are Tier 6 – a figure that will grow as more members join. Because these members pay higher employee contributions than their predecessors, employer costs should decline over time.

For more robust statistical analysis, refer to NYSTRS' full *Annual Comprehensive Financial Report* at NYSTRS.org.

Distribution of the Annual Benefit* of All Retired Members – as of June 30, 2023

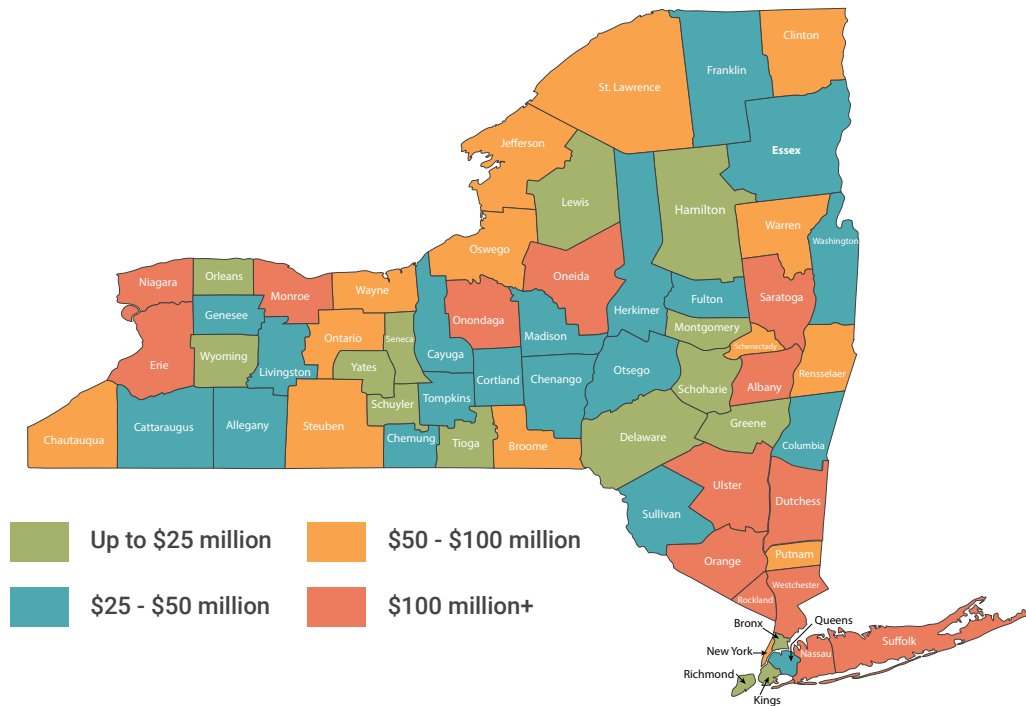


*Maximum annual retirement benefit including supplementation and COLA.

Benefits Paid by County

Benefits Paid to NYS Residents as of 6/30/2023

During the fiscal year ended June 30, 2023, NYSTRS distributed \$8.2 billion in benefits, with 79% of that total paid to New York state residents. The \$6.5 billion in System benefits paid to New Yorkers has a significant impact on state and local economies as shown in the chart below.



Annual Benefits Paid* (In Billions)

In State:	\$6.5
Out of State:	\$1.7
Total:	\$8.2

(Computed on the optional annual benefit including supplementation and COLA.)

**Annual benefits paid in this chart may differ from retirement benefit payments that appear elsewhere in the Annual Comprehensive Financial Report (ACFR) because this chart reflects the rate of annual payment for retired members and their beneficiaries in pay as of the last day of the fiscal year.*

To see total payments and number of benefit recipients by county, refer to page 133 of the ACFR at NYSTRS.org.

The Top 20

County	Annual Benefit	County	Annual Benefit
Suffolk	\$1,140,516,823	Albany	\$140,480,232
Nassau	597,611,888	Oneida	133,847,697
Erie	512,525,997	Rockland	126,551,230
Westchester	421,518,993	Niagara	111,175,873
Monroe	407,916,592	Broome	95,417,646
Onondaga	289,291,945	Ontario	88,942,136
Saratoga	179,665,033	Chautauqua	83,835,594
Orange	176,880,930	Schenectady	77,445,854
Dutchess	175,303,517	Rensselaer	72,731,609
Ulster	142,015,017	St. Lawrence	68,340,637



New York State Teachers' Retirement System

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NYSTRS.org

Mission:

To provide our members with a secure pension.

Vision:

To be the model for pension fund excellence and exceptional customer service.

Values:

- Integrity
- Excellence
- Respect
- Resourcefulness
- Diversity
- Diligence
- Balance