



Lawrence Schloss  
Deputy Comptroller /  
Chief Investment Officer

THE CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
BUREAU OF ASSET MANAGEMENT  
1 CENTRE STREET ROOM 736  
NEW YORK, N.Y. 10007-2341

TELEPHONE: (212) 669-8318  
FAX NUMBER: (212) 669-3445  
WWW.COMPTROLLER.NYC.GOV

EMAIL: SCHLOSS@COMPTROLLER.NYC.GOV

---

JOHN C. LIU  
COMPTROLLER

## MEMORANDUM

**TO:** Trustees  
Teachers' Retirement System of the City of New York

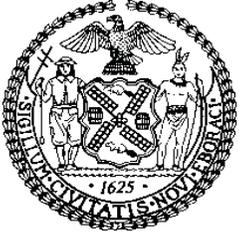
**FROM:** Larry Schloss

**DATE:** February 24, 2011

**RE:** **Teachers' Retirement System of the City of New York Investment Meeting –  
March 3, 2011**

Enclosed is a copy of the public agenda for the March 3, 2011 Investment Meeting.  
The meeting will be held at 55 Water Street, 16th Floor Conference Room (9:30am)

If you have questions about any agenda item, please give me a call at 212-669-8318.



THE CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
1 CENTRE STREET  
NEW YORK, N.Y. 10007-2341

---

**John C. Liu**  
COMPTROLLER

**TEACHERS' RETIREMENT SYSTEM OF  
THE CITY OF NEW YORK**

**INVESTMENT MEETING**

**MARCH 3, 2011**

# TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

## INVESTMENT MEETING

MARCH 3, 2011

### PUBLIC AGENDA

	<u>Page</u>
I. Performance Reviews: (35 Minutes)	
• Flash Report (Handout)	---
• Quarterly Reports:	
➤ Overall Performance – December 31, 2010 (To be distributed)	---
➤ ETI Quarterly Report – December 31, 2010	6
➤ Real Estate Quarterly Report – September 30, 2010	13
➤ Private Equity Quarterly Report – September 30, 2010	21

# **PUBLIC AGENDA**

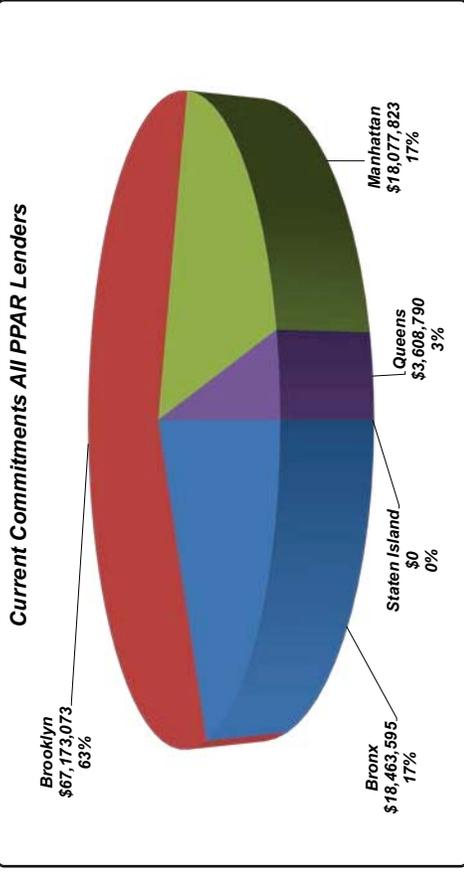
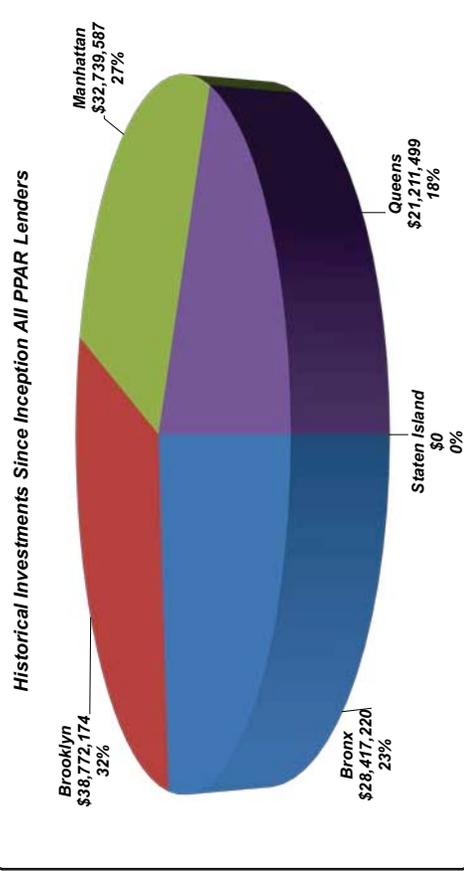
## I. Performance Reviews:

**FLASH REPORT**  
(Handout)

# **ETI QUARTERLY REPORT**

Public/Private Apartment Rehabilitation Program (PPAR)

Lenders*	GPC Dollars	NHS Units	CCD Dollars	GFSB Dollars	NCBCI Dollars	LIIF Dollars	All Lender Totals Dollars
Contractual Commitments	\$235,000,000	n/a	\$13,200,000	\$49,500,000	\$8,250,000	\$8,250,000	\$319,200,000
Current Market Value	\$78,632,766	n/a	\$2,211,977	\$1,732,756	\$191,286	\$1,741,918	\$85,110,868
Commitments 4Q '10 (included in total)	\$1,583,750	107	\$1,947,000	\$0	\$0	\$0	\$3,530,750
Bronx	4,009,408	96	0	0	0	0	4,009,408
Brooklyn	162,750	4	0	919,741	0	0	1,082,491
Manhattan	0	0	0	0	0	0	0
Queens	0	0	0	0	0	0	0
Staten Island	0	0	0	0	0	0	0
Total	\$5,755,908	207	\$1,947,000	\$919,741	\$0	\$0	\$8,622,649
Delivered 4Q '10 (included in total)	\$1,376,900	29	\$0	\$0	\$0	\$0	\$1,376,900
Bronx	1,722,020	141	107,847	0	0	0	1,829,867
Brooklyn	2,592,665	156	377,508	0	0	0	2,970,173
Manhattan	1,114,174	27	0	0	0	0	1,114,174
Queens	0	0	0	0	0	0	0
Staten Island	0	0	0	0	0	0	0
Total	\$6,805,759	353	\$485,355	\$0	\$0	\$0	\$7,291,114
Total Commitments	\$15,633,845	1,108	\$2,829,750	\$0	\$0	\$0	\$18,463,595
Bronx	61,234,735	2,021	5,290,560	54	50,457	597,320	67,173,073
Brooklyn	10,369,900	590	2,096,640	178	2,812,436	1,879,105	18,077,823
Manhattan	3,608,790	79	0	0	0	0	3,608,790
Queens	0	0	0	0	0	0	0
Staten Island	0	0	0	0	0	0	0
Total	\$90,847,270	3,798	\$10,216,950	\$919,741	\$2,862,892	\$2,476,426	\$107,323,280
Historical Investments	\$28,417,220	1,781	\$0	\$0	\$0	\$0	\$28,417,220
Bronx	35,318,093	1,562	1,338,417	124	0	1,785,452	38,772,174
Brooklyn	29,868,565	1,945	752,628	75	197,959	0	32,739,587
Manhattan	21,211,499	855	0	0	0	0	21,211,499
Queens	0	0	0	0	0	0	0
Staten Island	0	0	0	0	0	0	0
Total	\$114,815,377	6,143	\$2,091,044	\$1,667,990	\$197,959	\$1,785,452	\$121,140,480



**AFL-CIO Housing Investment Trust (HIT)**

Market Value \$185.8 million\*

**NYC Community Investment Initiative (NYCCII)**

**NYCCII PHASE II 2006-2012**

**Multifamily Investments Detail**

Borough	Dollars	Units
Bronx	\$52,827,900	802
Brooklyn	14,890,446	3,033
Manhattan	134,075,200	926
Queens	17,760,000	1,260
Staten Island	6,414,554	693
<b>Total</b>	<b>\$225,968,100</b>	<b>6,714</b>

**Single Family Investments Detail**

	Home Loans	Transactions	Member Loans	Total All NYC PF's
Bronx	\$93,916,790	427	89	155
Brooklyn	455,491,225	1,635	352	625
Manhattan	75,257,740	277	86	97
Queens	555,922,466	2,184	393	662
Staten Island	156,205,153	553	93	184
<b>Total</b>	<b>\$1,336,793,374</b>	<b>5,076</b>	<b>1,013</b>	<b>1,723</b>

Grand Total NYCCII Phase II \$1,562,761,474

Other-NYC Metro Area\*\* \$100,000,000 137

**NYCCII Phase I 2002 - 2005**

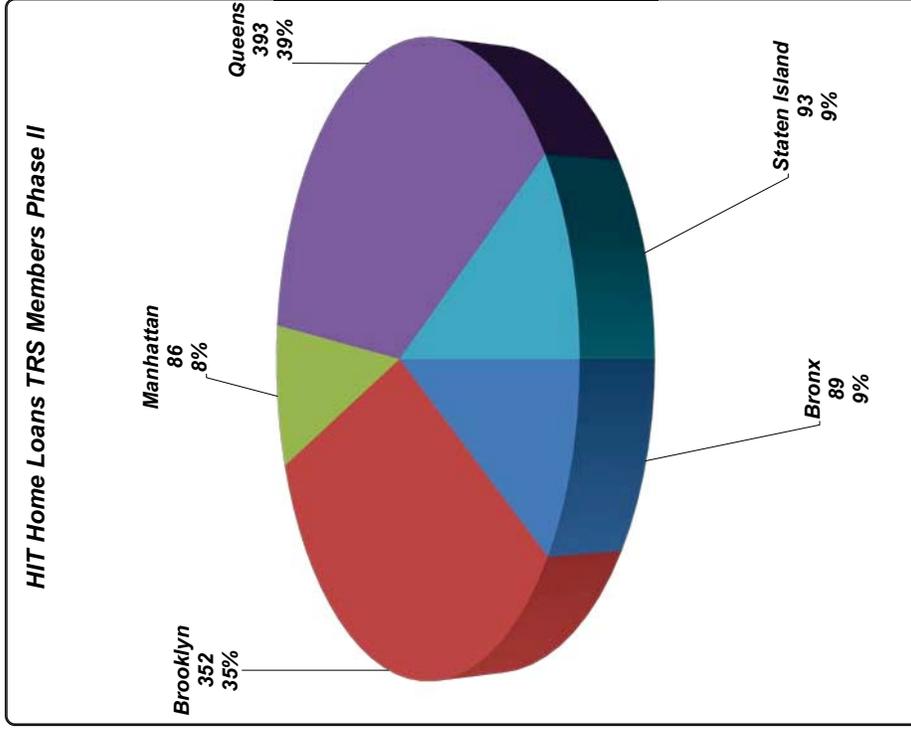
	Units	Member Loans	Total All NYC PFs
Multifamily Investments	12,337	n/a	na
Single Family Investments	n/a	133	446
<b>Total NYCCII Phase I</b>	<b>12,337</b>	<b>133</b>	<b>446</b>

**NYCCII Phases I & II**

	Units	Member Loans	Total All NYC PFs
Multifamily Investments	19,051	n/a	na
Single Family Investments	n/a	1,146	2,169
<b>Grand Total NYCCII Phases I &amp; II</b>	<b>19,051</b>	<b>1,146</b>	<b>2,169</b>

\*Interest is reinvested

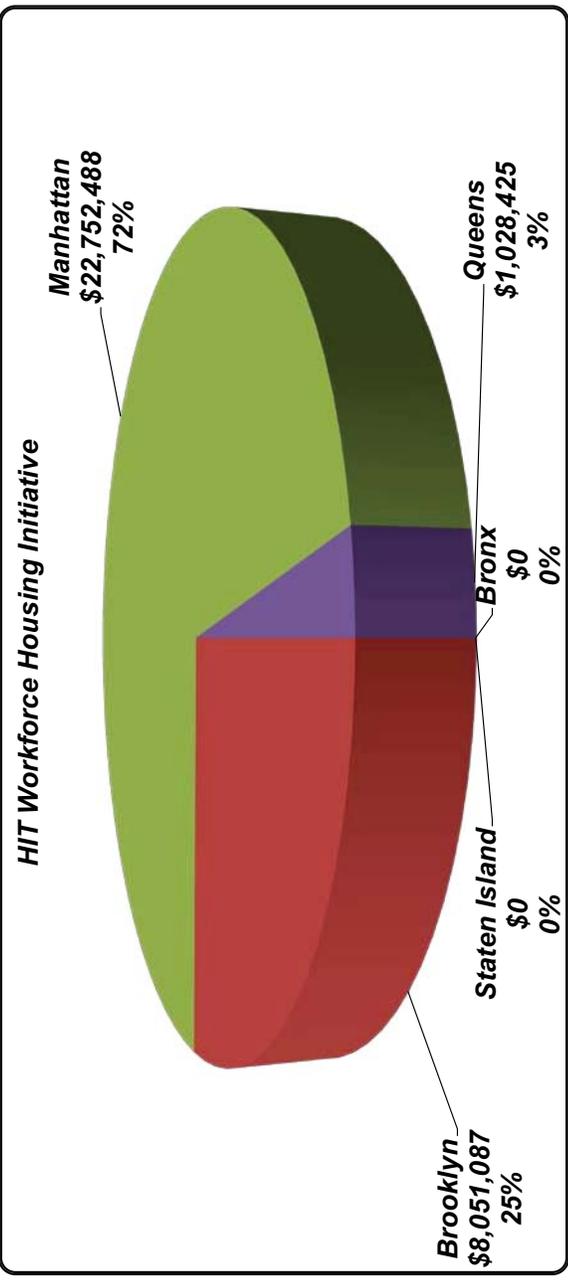
\*\*This investment is for a pediatric nursing facility in Yonkers, approximately 4 miles from the NYC border. It will finance a replacement facility for the Elizabeth Seton Pediatric Center, currently located in Chelsea, which is "one of only two pediatric nursing facilities in downstate New York, and the only one dedicated to long-term care." The new facility will have 137 beds and serve children from NYC, Westchester and Putnam Counties.



**AFL- CIO Housing Investment Trust (HIT)  
 NYC Workforce Housing Initiative 2009-2014**

**Investments Through 12/31/2010**

Workforce Investment Detail		Dollars	Workforce Housing Units
Borough		\$0	0
Bronx		8,051,087	422
Brooklyn		22,752,488	1,627
Manhattan		1,028,425	208
Queens		0	0
Staten Island		0	0
<b>Total</b>		<b>\$31,832,000</b>	<b>2,257</b>



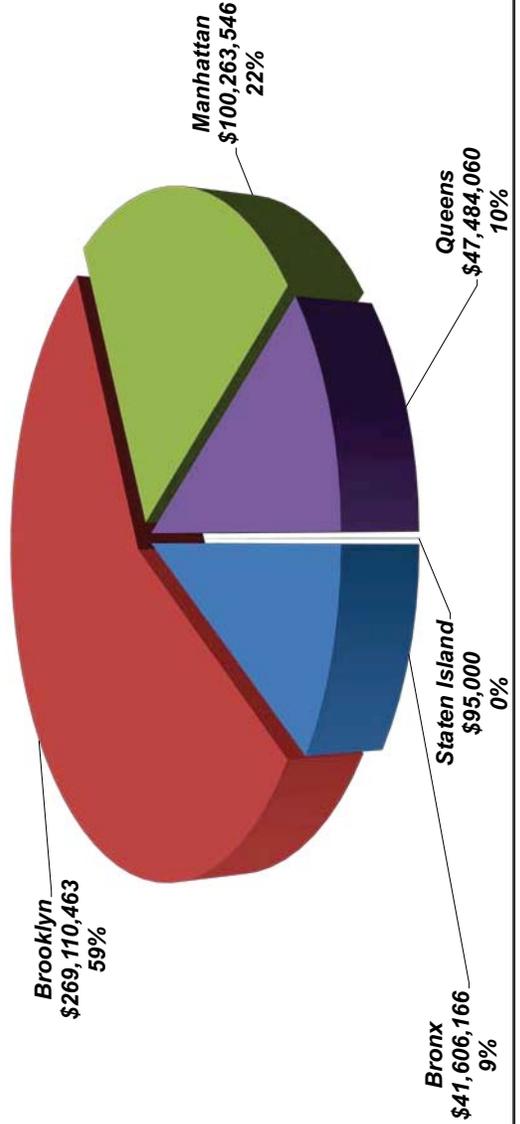
The City of New York -Office of the Comptroller  
 Bureau of Asset Management  
 TRS Economically Targeted Investments Quarterly Report  
 Collateral Benefits as of 12/31/2010

CPC Revolver

Revolver Current Commitments	\$458,559,235				
TRS Commitment Share	\$25,000,000				
TRS Market Value*	\$19,428,359				
	# Loans	\$ Committed	# Units Residential	# Units Commercial	
Bronx	30	\$41,606,166	1,309	29	
Brooklyn	88	269,110,463	3,003	48	
Manhattan	52	100,263,546	1,354	35	
Queens	13	47,484,060	360	16	
Staten Island	1	95,000	3	0	
<b>Grand Total NYC</b>	<b>184</b>	<b>\$458,559,235</b>	<b>6,029</b>	<b>128</b>	
Other NY State	61	\$159,964,827	1,921	44	

\* Equals the amount drawn down. Interest is paid monthly.

CPC Revolver NYC Commitments



ACCESS CAPITAL STRATEGIES (Since Inception 2/1/07)

All located Amount \$33 million (33% of total account)  
 Market Value \$40.8 million

Multifamily Investments Detail

	TRIS Investment	Total Units	# of LMI* Units
Borough			
Bronx	\$5,775,000	508	508
Brooklyn	4,356,000	404	404
Manhattan	19,821,915	2,949	1,811
Queens	3,844,500	762	762
Staten Island	0	0	0
<b>Total TRS Multifamily Investments</b>	<b>\$33,797,415</b>	<b>4,623</b>	<b>3,485</b>
<b>Multifamily Total All Systems</b>	<b>\$102,416,409</b>	<b>4,623</b>	<b>3,485</b>

Single Family Investments Detail

	TRIS Investment	Total Units	# of LMI* Units
Bronx	\$3,525,808	63	63
Brooklyn	9,848,226	158	158
Manhattan	888,966	16	16
Queens	12,270,024	189	189
Staten Island	5,677,662	91	91
<b>Total TRS Single Family Investments</b>	<b>\$32,210,686</b>	<b>517</b>	<b>517</b>
<b>Single Family Total All Systems</b>	<b>\$97,608,140</b>	<b>517</b>	<b>517</b>

Other Investments Detail

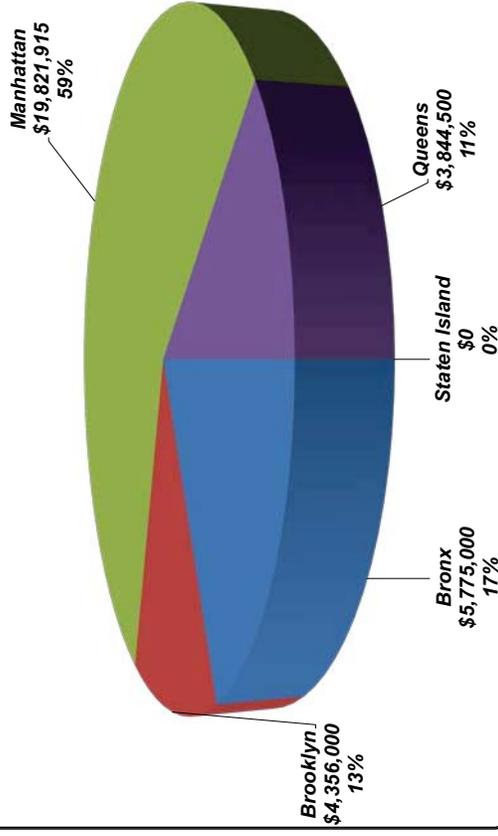
	TRIS Investment	# of Loans
Bronx	\$222,750	1
Brooklyn	1,778,832	8
Manhattan	802,859	5
Queens	179,333	3
Staten Island	0	0
<b>Total TRS Other Investments</b>	<b>\$2,983,774</b>	<b>17</b>
<b>Other Investments Total All Systems</b>	<b>\$9,041,740</b>	<b>17</b>

**Grand Total TRS** \$68,991,875

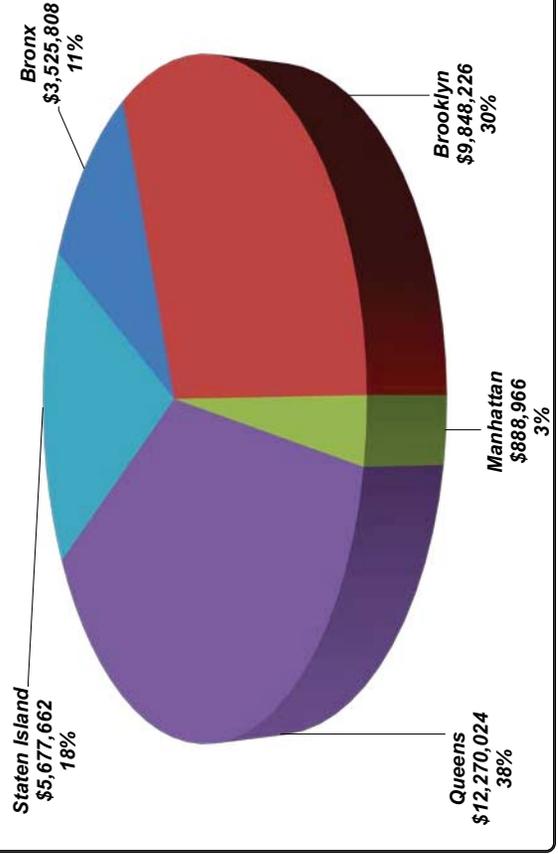
**Grand Total All Systems** \$209,066,289

\* LMI = Low or Moderate Income

Access Multifamily Investments Since Inception TRS



Access Single Family Investments Since Inception TRS



The City of New York Office of the Comptroller  
 Bureau of Asset Management  
 TRS Economically Targeted Investment Quarterly Report  
 Collateral Benefits as of 12/31/2010

	Assets (\$MM)	Trailing 1 Month	Trailing 3 Months	Trailing 6/30/2007 To Date	Year 1	Trailing 1 Year	Trailing 3 Years	5 Years	7 Years	9 Years	10 Years	11 Years	Trailing 15 Years	Since Inception	Data Start Date
TEACHERS															
AFL-CIO HOUSING INV TRUST	185.78	-1.13	-1.41	1.32	6.16	6.16	5.90	5.81	5.12	5.12	5.12	5.12	5.12	5.01	09/30/02
CPC -PPAR	78.63	0.54	2.67	2.43	9.14	9.14	9.38	8.54	8.45	8.45	8.45	8.45	8.45	8.29	10/31/01
ACCESS VOYAGEUR	40.76	-0.97	-0.45	0.88	5.36	5.36	7.44	****	****	****	****	****	****	7.12	02/28/07
CPC - REVOLVER	19.43	0.18	0.53	1.07	2.06	2.06	3.01	4.70	****	****	****	****	****	4.70	03/31/04
ERASMUS	16.31	****	****	****	****	****	****	****	****	****	****	****	****	****	10/31/05
CCD-PPAR	2.21	0.18	4.88	5.47	11.58	11.58	10.22	****	****	****	****	****	****	9.35	11/30/06
CCB-PPAR	1.73	-0.19	1.82	7.20	12.80	12.80	9.33	****	****	****	****	****	****	8.39	09/30/06
LIIF	1.71	-0.79	0.69	-1.60	4.34	4.34	****	****	****	****	****	****	****	5.74	07/31/09
NHS-PPAR	0.60	0.33	2.65	1.17	9.95	9.95	9.99	****	****	****	****	****	****	10.05	09/30/07
NCBCI	0.19	-0.31	0.97	-0.58	4.10	4.10	****	****	****	****	****	****	****	4.88	07/31/09
GNMA	0.17	0.66	2.11	0.06	3.95	3.95	5.14	7.05	6.76	6.76	6.76	6.76	6.63	10/31/01	
SHORT TERM INVESTMENTS	0.02	0.01	0.04	0.09	0.17	0.17	0.96	2.54	2.55	2.55	2.55	2.55	2.55	3.07	10/31/01
TOTAL TEACHERS TARGETED (w/cash)**	331.24	-0.57	-0.05	1.59	6.55	6.55	6.83	6.37	5.87	5.87	6.07	6.52	6.74	10.26	09/30/81
TOTAL TEACHERS TARGETED (w/o cash)**	331.21	-0.57	-0.04	1.61	6.63	6.63	6.89	6.41	5.89	5.89	6.15	6.53	6.82	9.02	11/30/84
TEACHERS CUSTOM BENCHMARK (no cash)		-0.85	-0.62	1.21	6.31	6.31	6.01	5.92	5.32	5.32	5.62	5.95	6.48	6.51	
BARCLAYS CAPITAL US AGGREGATE BOND INDEX		-1.08	-1.30	1.15	6.54	6.54	5.90	5.80	5.10	5.10	5.55	5.84	6.35	6.04	

\*Time periods greater than one year are annualized. Historical returns prior to April 2004 provided by Citigroup.

\*\* Returns are net of fees and exclude Erasmus.

## **REAL ESTATE QUARTERLY REPORT**

## Teachers' Retirement System of the City of New York

### Performance Measurement Report Third Quarter 2010

The Townsend Group

Cleveland, OH   Denver, CO   San Francisco, CA   London, UK   Hong Kong

## Table of Contents

I.	Performance Summary	Page 1
II.	Portfolio Composition	Page 3
III.	Portfolio Compliance	Page 4
IV.	Portfolio Diversification	Page 5
V.	Portfolio Detail	Page 6
	Portfolio Data Sheets	Exhibit A
	Glossary of Terms	Exhibit B
	Market Overview	Exhibit C

# The Townsend Group

## Performance Measurement Report

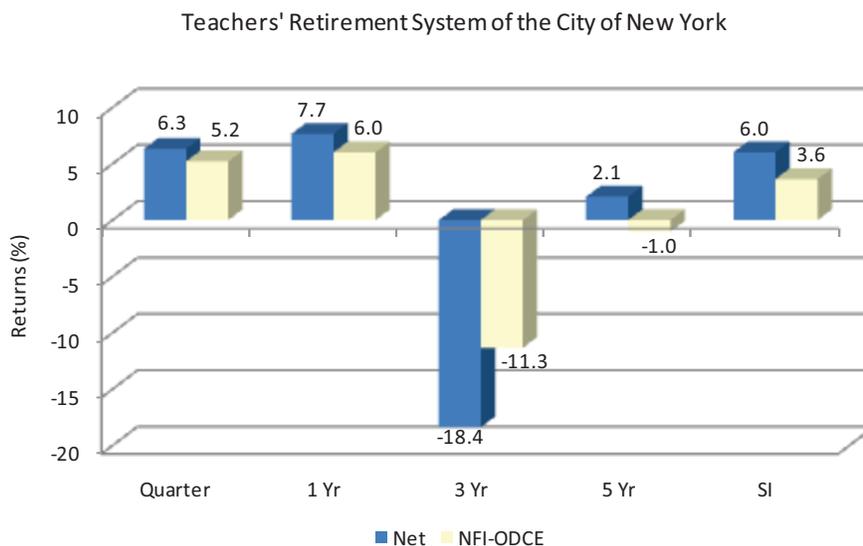
### TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

#### THIRD QUARTER 2010

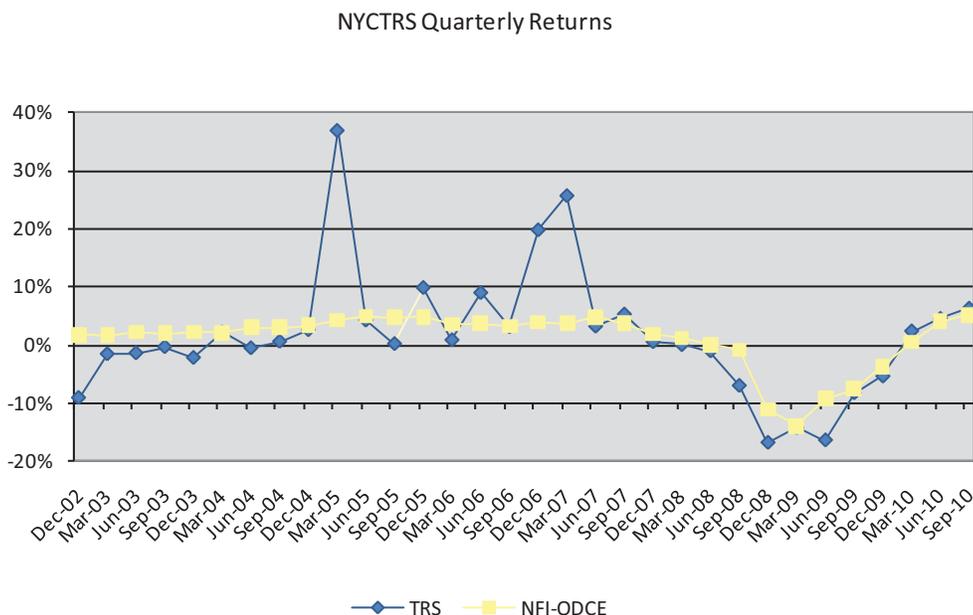
#### I. Performance Summary

At the end of the Third Quarter 2010, ("Quarter") The Teachers' Retirement System of the City of New York ("NYCTRS") Real Estate Portfolio ("Portfolio") had a cumulative market value of \$454 million. Total market value plus unfunded commitments was \$790 million, or 41.8% of the real estate allocation. During the Quarter, the Portfolio achieved a total gross return of 7.3% which was comprised of 1.0% income and 6.4% appreciation. The NCREIF Open-end Diversified Core Equity Index ("NFI-ODCE") reported a total net return of 5.2%. In addition, the Portfolio achieved a total net return of 6.3%.

The following chart reflects the total net returns for the NYCTRS' Portfolio compared to the NFI-ODCE. The real estate market recovery is being driven by improving capital markets and not necessarily by improving fundamentals. However, fundamentals (vacancies, rents, etc.) have begun to recover in certain markets, while lower quality markets remain more volatile. Capital has returned first to core properties in gateway markets as the risk aversion theme continues. The cap rate spreads between primary and secondary markets are between 200-400 basis points, which are near all time highs. Similarly, the spread between value and core properties within each market is much higher and near all time highs. Spreads are expected to compress as investors increase their appetite for yield. Buyers of real estate have flocked to higher quality, and lower risk, core real estate where they can underwrite stable credit quality income streams, albeit at very competitive pricing. Tactical buying opportunities continue to exist in the core plus or value segment of the market where investors are willing to take on some real estate risk (i.e. vacancy). Transaction activity continued to improve and reflected growth during the quarter, albeit off of still relatively low absolute volumes. Credit availability continues to improve, particularly for core real estate where lenders are competing for new business. Historical data suggests that periods following major downturns are opportune times to pursue new investments on a selective basis. The benchmark established for the Portfolio is the NFI-ODCE net over rolling five-year periods.



The graph below shows the total net returns for the Portfolio by quarter since inception. NFI-ODCE total net return performance is also included. It is important to note the effects of the "J-curve" whereby fees on committed capital exceed distributions to the Portfolio due to minimal invested capital and the early stages of the value-added/opportunistic process in the underlying investments.



The table below reflects the returns for the Portfolio and the NFI-ODCE during pertinent time periods and segments these returns by their components: income, appreciation, and total return. The Portfolio's objective is to generate a total net return that exceeds the NFI-ODCE total net return measured over rolling five-year periods.

Returns (%)	Quarter				1 Year				3 Year				5 Year				Inception	
	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	TGRS	TNET
Teachers' Retirement System of the City of New York	1.0	6.4	7.3	6.3	4.1	6.7	11.0	7.7	3.0	-20.4	-17.9	-18.4	2.6	2.9	5.6	2.1	11.5	6.0
NFI-ODCE Value Weighted Index	1.6	3.9	5.5	5.2	6.8	0.2	7.0	6.0	5.8	-15.6	-10.6	-11.3	5.7	-5.6	-0.1	-1.0	4.6	3.6

**II. Portfolio Composition**

New York City Teachers Retirement System			
Total Plan Assets	09/30/10	\$	37,813
Real Estate Allocation (%)			5.0%
Real Estate Allocation (\$)		\$	1,891
Style Sector Allocation			
Core/Core Plus	40%	\$	756
Non Core	55%	\$	1,040
Non Core Emerging Manager	greater of \$85 million, or 5%	\$	95
Uncommitted Core		\$	472
Uncommitted Non Core		\$	573
Uncommitted Non Core Emerging Manager		\$	55
Funded (Market Value) and Committed Statistics			
Core/Core Plus			35.9%
Non Core			59.1%
Non Core Emerging Manager			5.0%
\$ Committed		\$	790
% Committed on Real Estate Allocation			41.8%
% Committed on Total Plan Assets			2.1%
Funded (Market Value) Statistics			
% Funded (Market Value) of Total Plan Assets			1.2%
% Funded (Market Value) of Total Real Estate Allocation			24.0%

Teachers		
Investment Cash Flow Summary		
	Quarter	To Date
Contributions	\$29.9	\$773.3
Distributions	-\$4.2	-\$257.8
Withdrawals	-\$5.9	-\$57.9

Contributions: Includes actual cash funded to the investment for acquisition and capital items during the quarter.

Distributions: Includes actual cash returned during the quarter from the investments which represents distributions of income from operations and profit.

Withdrawals: Includes cash returned from the investment as a result of return of capital.

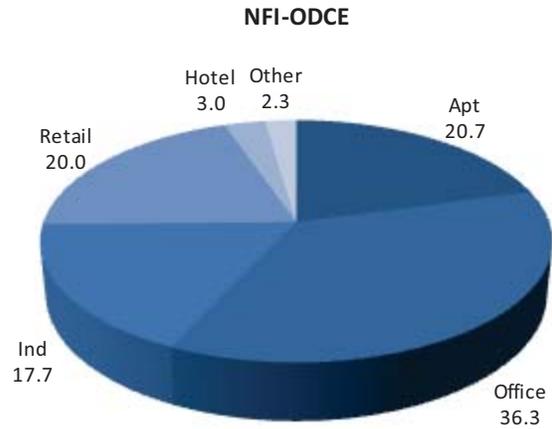
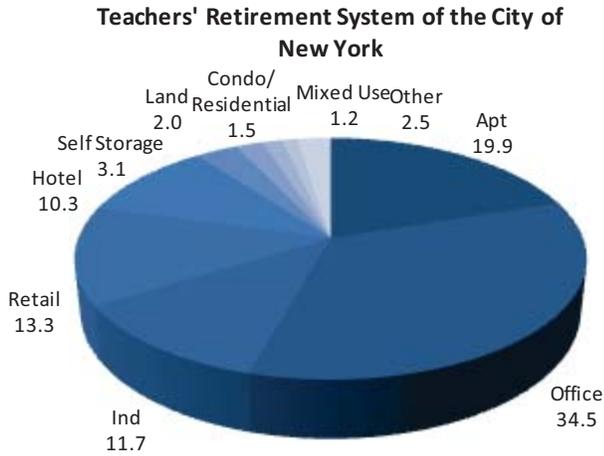
**III. Portfolio Compliance**

Category	Requirement	Portfolio Status
Benchmark	NFI-ODCE (net) over rolling five-year periods	<i>Portfolio returns in excess of benchmark.</i>
Portfolio Composition	Core/Core Plus (minimum of 40%) Non Core (minimum of 40%) Non Core Emerging (greater of \$85 million or 5% of the total real estate allocation)	<i>The portfolio is funded (market value) and committed at 41.8% of real estate allocation with a portfolio composition of 35.9% core, 59.1% non-core, and 5.0% emerging.</i>
Real Estate Allocation	Target of 5.0% Currently Funded at 1.2%	<i>Funded (market value) and committed dollars place the portfolio at 2.1% of total plan assets.</i>
Diversification	± 30% of NFI-ODCE Other property type (0%-15%)	<i>All property types and geographic locations are in compliance.</i>
LTV	50%	<i>Portfolio is in early stages of funding, but is out of compliance (58.0%).</i>
Manager Exposure	0%-25% of real estate allocation	<i>Manager exposure is within compliance ranges.</i>

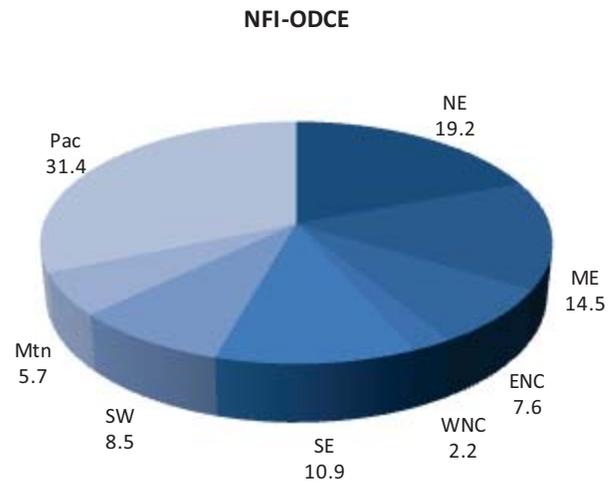
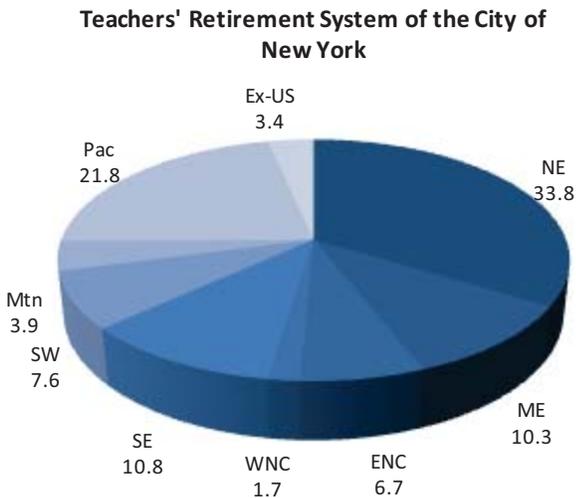
**IV. Portfolio Diversification**

The Investment Policy Statement (IPS) establishes ranges for diversification by property type and geographic region. These ranges are broad based and allow for investment in all major property types and all geographic regions. The diversification of the current portfolio by property type and geographic region is shown below and compared to diversification of the NFI-ODCE at the end of the Quarter.

**Property Type Diversification (%)**



**Geographic Diversification (%)**



## **PRIVATE EQUITY QUARTERLY REPORT**



SEPTEMBER 30, 2010

---

ALTERNATIVE INVESTMENT REPORT

# Teachers' Retirement System of the City of New York

One Presidential Boulevard, 4<sup>th</sup> Floor, Bala Cynwyd, PA 19004  
[www.hamiltonlane.com](http://www.hamiltonlane.com) | P 610.934.2222 | F 610.617.9853

# Teachers' Retirement System of the City of New York

## Third Quarter 2010 Report

---

### Content

[Section 1 – Market Update](#)

---

[Section 2 – Portfolio Update](#)

---

[Section 3 – Portfolio Assessment](#)

---

[Appendix A – Glossary of Terms](#)

---

[Appendix B – Disclosure Statements](#)

---

---

# Section 1:

## Market Update

# Teachers' Retirement System of the City of New York

## Third Quarter 2010 Report

---

### Third Quarter 2010

Over the last 18 months, most global economists have attempted to identify the 'shape' of the economic recovery. Some economists believe that current economic indicators suggest that a "W" shaped recovery is likely. However, many factors do not support a 'double-dip'. While growth has been slower than expected, the bulk of the world's major economies have experienced modest growth over the last three quarters. Unemployment in the U.S., while still at high levels, is largely attributable to job growth lagging population growth as opposed to a loss of existing jobs. Personal disposable spending continues to grow. That being said, much of this spending is being used to delever individuals' personal balance sheets. This trend of trimming personal debt may create a short-term headwind via reducing consumer spending, but over the long-term consumers will be better equipped to help grow the economy with ready cash.

Additionally, corporate earnings continue to reap the benefits of the dramatic cost cutting measures taken over the past eighteen months. However, most companies have been reticent to invest capital in labor or in new projects, leaving them flush with cash on their balance sheets, which, as with consumers, could be a sign that an increase in spending is on the horizon, especially when coupled with the historically low cost of capital. The anticipation is that the low cost of capital as well as the sustained availability of credit will continue under the watchful eye of Fed Chairman Bernanke.

Another major factor in the recovery will be China and its continued growth. Now the world's second largest economy, growing at base rates of 9.2% on average since 1995, China has invested considerable amounts of money in infrastructure, which will continue to serve as a catalyst for future growth. Furthermore, China makes up the bulk of commodity consumption globally, which continues to fuel growth. The Chinese government has also invested billions of dollars globally, and such investments have created jobs and growth in those countries. As with the U.S., the People's Bank of China recognizes the need to continue spending to sustain such growth. As a result, the likelihood of a continued recovery and the avoidance of a 'double dip' appears to be the most likely scenario.

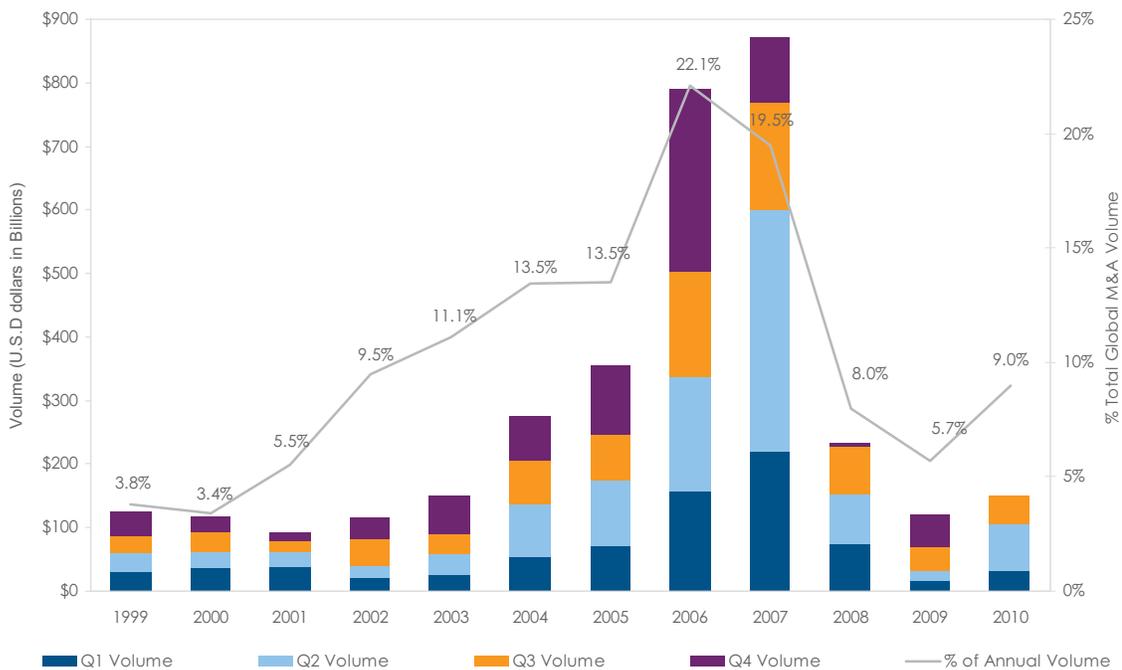
# Teachers' Retirement System of the City of New York

## Third Quarter 2010 Report

### Transaction Volume

After beginning to rebound in the fourth quarter of 2009 from historically low numbers, 2010 global LBO volume has already eclipsed full year 2009 levels through just three quarters. Transaction volume during the second quarter was higher than 32 of the past 44 quarters, and the third quarter saw a continuation of the uptick. According to Preqin, a total of 515 private-equity backed deals were announced in Q3 2010 – the largest number of transactions announced in any quarter post-credit crunch, representing an increase of more than 116% compared to the same period last year. This increase occurred during a period where purchase price multiples continued to rise, which resulted in transactions being executed at average prices that exceed those seen in the prior 18 months. Certainly, improved credit availability and continued decreases in interest rates have encouraged greater deal volume. In particular, the Carlyle Group has been especially active, beginning with their July take-private of NBTY (\$3.8 billion), a national vitamin and nutritional supplement manufacturer, followed by the additional take-privates of CommScope (\$3.9 billion) and Syniverse Technologies (\$2.6 billion), each announced in October.

### Global LBO Volume



(Source: Thomson Financial)

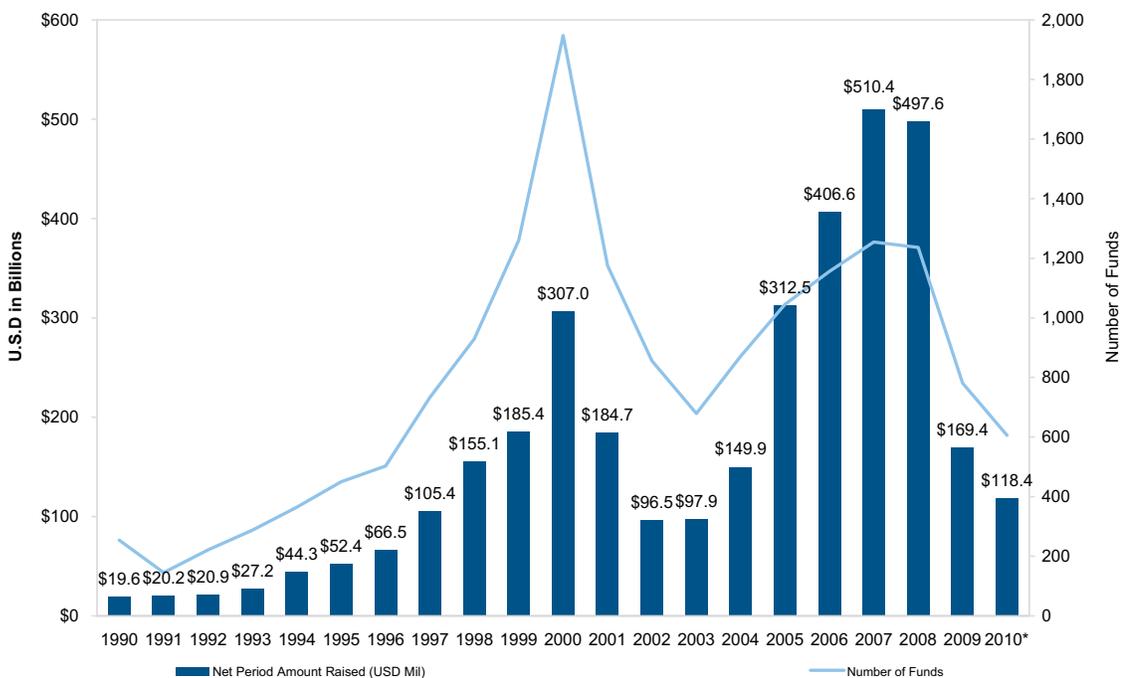
# Teachers' Retirement System of the City of New York

## Third Quarter 2010 Report

### Fundraising

Fundraising continues to be difficult, as fund managers are spending more time on the road marketing and generally raising less capital than initially targeted. Sixty percent of all managers currently on the road fundraising have yet to hold a first close. While deal volume continues to increase, there remains a significant amount of uninvested capital, approximately \$485 billion according to Pitchbook, sitting idle in general partner's coffers. However, despite the challenging environment, the total amount of capital raised, on an annualized basis, will be in line with 2004 numbers. The fourth quarter of 2010 is expected to see a slight increase in capital raised. Part of this increase, while likely not seen immediately, will come as a result of mega-funds, KKR and Providence Equity Partners formally launching their latest funds, each targeting in the \$8-10 billion range. While some investor sentiment may have dampened on mega-funds over the last few years, the cyclical return of these managers should provide an uptick in fundraising in 2011.

### Global Fundraising



Source: ThomsonOne as of 10/15/2010  
 \*Note: 2010 is through 9/30/10 only

# Teachers' Retirement System of the City of New York

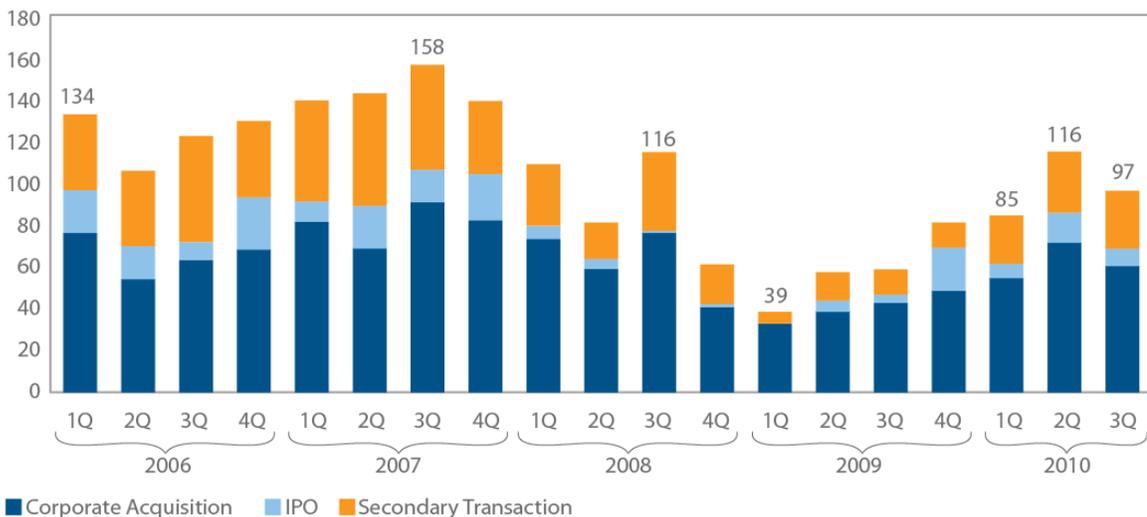
## Third Quarter 2010 Report

### Exit Activity

An interesting counterpoint to increasing deal volume is the concurrent increase in exit activity. As the prospect of higher taxation on carried interest looms large in the coming year, general partners are aggressively pursuing exits. Through the first three quarters of 2010, nearly 300 exits were completed, returning highly sought-after invested capital back to limited partners. As mentioned, favorable market conditions have been a significant driver of the rise in exit activity, which allowed general partners to not only exit mature portfolio companies, but sell them at accretive multiples to entry.

More than 63% of the third quarter's exits have come via strategic acquisitions. As noted, corporate balance sheets have reached record levels of cash, nearly \$2 trillion (for non-financial companies in the US), and they continue to be active. Another exit route which has had growing popularity is the secondary sale, or PE-to-PE transaction, accounting for more than 27% of the third quarter's exits. While this does generate liquidity for limited partners, in the case of larger private equity portfolios, these types of exits could have a netting effect on a limited partner's capital-at-risk.

### Private Equity Exits



Source: PitchBook

# Teachers' Retirement System of the City of New York

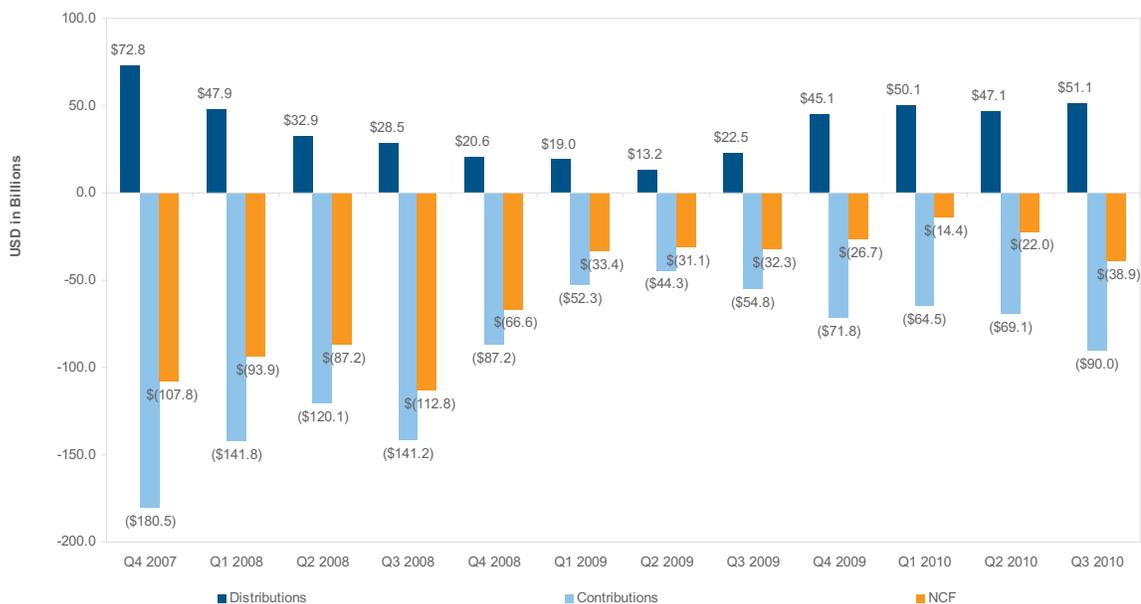
## Third Quarter 2010 Report

### Cash Flow Trends

As stated, both new deals and exits are on the rise. On an absolute level, distributions during the third quarter exceeded the prior eleven quarters, and contributions have experienced similar increases, outpacing the prior seven quarters. However, on a relative basis, contributions have increased more than 30% versus the second quarter. The sharp increase in contribution activity is in direct correlation with the spike in transaction volume, though transactions have taken considerable time to close. Further loosening of credit will likely expedite the full consummation of many of the transactions that remain both announced or pending.

With respect to distributions, secondary buyouts and strategic acquisitions continue to support the bulk of the realizations. The hope of a strong re-opening of the IPO window remains, though exits via this avenue have continued to account for a small percentage of the overall realizations in the market today.

### HL Universe Cash Flows



Source: Hamilton Lane quarterly return estimates as of 11/01/10

\*Fund level cash flow data of all funds in Hamilton Lane database (as of November 1, 2010) grouped by vintage year, then multiplied by the ratio of total PE commitments by vintage year (from ThomsonOne) over Hamilton Lane's commitments to generate a proxy for the PE universe

# Teachers' Retirement System of the City of New York

## Third Quarter 2010 Report

---

### Outlook

While the picture remains unclear for several global economies, many have once again exhibited an ability to move forward from recent downward pressures. GDP growth continues, albeit at slower than historical rates. General partners remain on the fundraising trail, and while conditions have made this task more difficult, 2010 totals will likely end up outpacing several of the past post-downturn periods. Pricing for new deals continues to increase, but this equates to more full valuations on the exit of these deals. Avenues for exit remain plentiful, as the market is seeing more strategic acquisitions and a continued increase of secondary buyouts. Cash flow magnitude remains relatively neutral on a net basis, and it does not appear evident that this balance will shift too significantly over the next few months.

---

## Section 2:

### Portfolio Update

# Teachers' Retirement System of the City of New York

## Third Quarter 2010 Report

### Portfolio Snapshot

Hamilton Lane was engaged by the Teachers' Retirement System of the City of New York in October 2010 to provide alternative investment consulting services in accordance with the investment objectives of the TRS Private Equity portfolio (the "Portfolio"). This report represents the review by Hamilton Lane of TRS's Portfolio and is based upon information made available to Hamilton Lane by the general partners sponsoring each of the partnership investments in the Portfolio as well as PCG Asset Management, LLC and is as of September 30, 2010, with highlights through December 31, 2010.

**Private Equity Target:** TRS has a target of 4% to Private Equity for 2010.

**Performance:** As of September 30, 2010, the Portfolio consists of 125 partnerships and 85 underlying fund managers. The Portfolio has generated a since inception internal rate of return ("IRR") of 6.83% and a total value multiple of 1.2x.

Portfolio Summary			
\$ millions	6/30/2010	9/30/2010	Change
Active Partnerships	125	125	-
Active GP Relationships <sup>(1)</sup>	85	85	-
Capital Committed <sup>(2)</sup>	\$3,372.0	\$3,382.4	\$10.4
Unfunded Commitment	\$1,446.2	\$1,361.1	(\$85.1)
Capital Contributed	\$2,206.5	\$2,315.5	\$109.0
Capital Distributed	\$828.1	\$869.6	\$41.5
Market Value	\$1,658.2	\$1,809.8	\$151.6
Total Value Multiple	1.1x	1.2x	0.1x
Since Inception IRR	5.83%	6.83%	100 bps
Avg. Age of Active Commitments	3.7 years	4.0 years	0.3 years

<sup>(1)</sup> The Active GP relationships include the General Partner Aldus, the manager of Erasmus New York City Growth Fund, L.P. According to the information provided to Hamilton Lane, the General Partner status for this fund is to be determined

<sup>(2)</sup> The "change" in capital committed from the prior year reflects currency adjustments from existing foreign denominated funds.

**Portfolio Exposures:** The Corporate Finance/Buyout strategy represents 71% of the Portfolio's total exposure, Venture Capital accounts for 11%, Special Situation represents 10%, Distressed Debt represents 5%, Secondaries represent 2% and Mezzanine accounts for the remaining 1%. The Portfolio has significant exposure to North America; 83% of the underlying company market value based in the region.

# Teachers' Retirement System of the City of New York

## Third Quarter 2010 Report

### Portfolio Overview

#### Commitments

The table below highlights the funds that closed during 2010.

Year-to-Date Commitments - 2010			
Closing Date	Partnership	Investment Strategy	Commitment Amount
12/17/10	Trident V, L.P.	Corporate Finance/Buyout	\$35.0
<b>Total</b>			<b>\$35.0</b>

During the third quarter of 2010, the Portfolio completed no new investments. Subsequent to the third quarter of 2010 the Portfolio made an additional commitment of \$35.0 million, detailed below:

**Trident V, L.P. (\$35.0 million)** the fund will seek to make control oriented investments in cash flow or service companies with proven business models and quality management teams. The General Partner has opportunistically made investments in balance-sheet oriented companies in response to severe dislocations in the financial services space. Given the current environment, the fund anticipates that several of these investments will be made by the partnership including up to 20% in bank investments.

The table below details performance of the Portfolio in comparison with two comparable Hamilton Lane clients as of September 30, 2010.

Competitive Pension Plan Statistics			
	NYC Teachers	Plan A	Plan B
Allocation to Private Equity	4%	10%	10%
Since-Inception Return as of 9/30/10	6.83%	12.68%	6.77%*

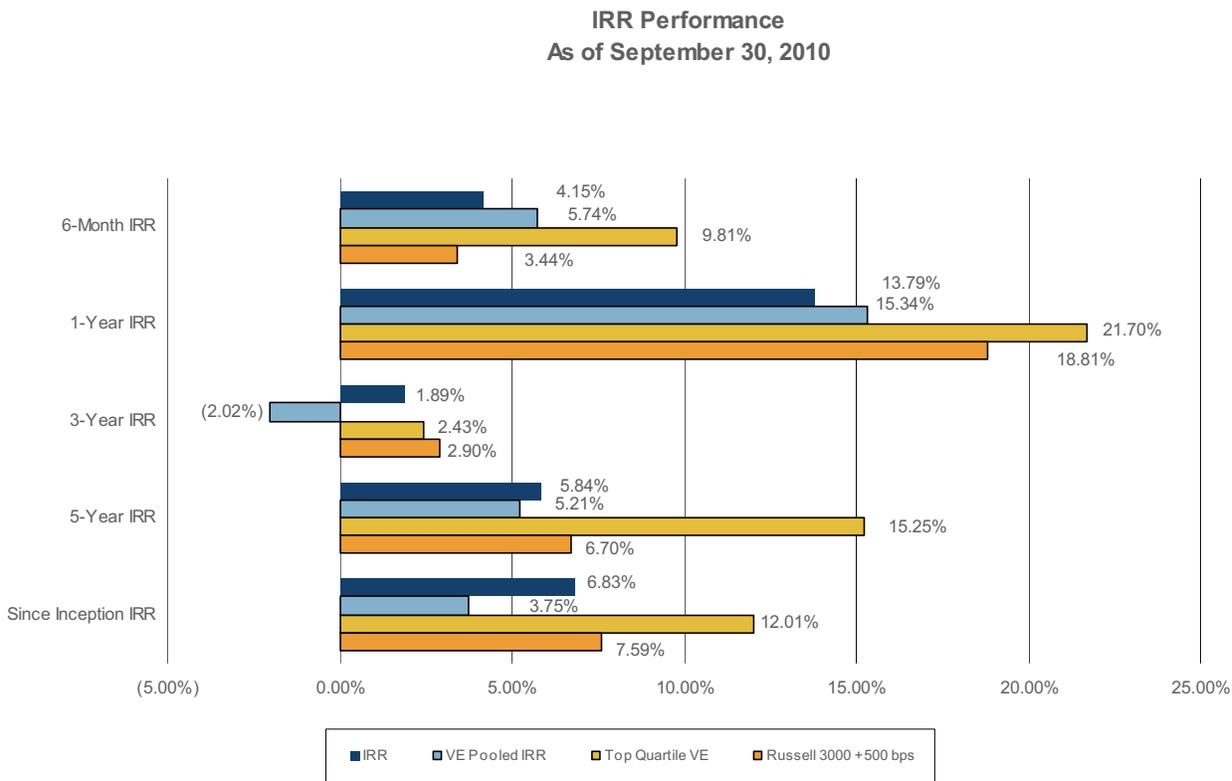
\* Data as of 6/30/2010

# Teachers' Retirement System of the City of New York

## Third Quarter 2010 Report

### Performance

The chart below is a graphical depiction of the IRR performance of the Portfolio with respect to 1-, 3-, 5-, and since-inception time periods. The Portfolio is benchmarked against the VE Pooled IRR and the Russell 3000 plus 500 basis points.



*Note: Since Inception IRR for VE benchmarks represent the returns for funds within latest 10 vintage years, the closest available benchmark to the inception date of NYC Teachers Portfolio. The Russell 3000 Total return index incorporates the Long Nickels methodology where the assumption is that the capital is being invested and withdrawn from the index on the days the capital was called and distributed from the underlying fund managers. This calculation includes a 5% premium.*

- As private equity is a long-term asset class, the most significant time horizons are the ten year and since inception time periods.
  - Performance on a since-inception basis for the third quarter of 2010 increased by 100 basis points, with the Portfolio generating an IRR of 6.83%. Performance for the one-year time horizon was 13.79%.

## Teachers' Retirement System of the City of New York

### Third Quarter 2010 Report

The table below details quarterly performance of the Portfolio for the year ending September 30, 2010.

Portfolio Summary					
in \$ millions	Quarter Ending				Year Ending
	12/31/2009	3/31/2010	6/30/2010	9/30/2010	9/30/2010
Beginning Market Value	\$1,399.4	\$1,532.0	\$1,629.7	\$1,658.2	\$1,399.4
Paid-in Capital	102.7	66.5	88.8	109.0	367.0
Distributions	(39.7)	(36.2)	(46.0)	(41.5)	(163.4)
<b>Net Value Change</b>	<b>69.6</b>	<b>67.4</b>	<b>(14.3)</b>	<b>84.1</b>	<b>206.8</b>
Ending Market Value	\$1,532.0	\$1,629.7	\$1,658.2	\$1,809.8	\$1,809.8
<b>Unfunded Commitments</b>	<b>\$1,590.0</b>	<b>\$1,532.8</b>	<b>\$1,446.2</b>	<b>\$1,361.1</b>	<b>\$1,361.1</b>
Total Exposure	\$3,122.0	\$3,162.5	\$3,104.4	\$3,170.9	\$3,170.9
Point to Point IRR	4.85%	4.35%	(0.86%)	4.98%	13.79%
Since Inception IRR	5.65%	6.58%	5.83%	6.83%	6.83%

- Over the past twelve months, the Portfolio has generated an IRR of 13.79% and has experienced a total of \$206.8 million in net value gain.
- Blackstone V was the top performing partnership for the year ended September 30, 2010, generating a net value increase of \$15.3 million and a point-to-point IRR of 36.43%.
  - Blackstone V distributed \$1.0 million during the year to the Portfolio. The partnership called \$10.1 million for the year ending September 30, 2010, for both new and follow-on investments.

# Teachers' Retirement System of the City of New York

## Third Quarter 2010 Report

### Value Drivers

The table below displays the Portfolio's top five performance drivers by net value change for the quarter ending September 30, 2010.

Top Five Performing Investments for the Quarter Ending September 30, 2010				
Investment Name	Vintage Year	Net Value Change (\$ Millions)	Point-to-Point IRR	Since Inception IRR
Avenue Europe Special Situation Fund, L.P.	2008	\$5.3	18.5%	23.46%
Yucaipa American Alliance Fund II, L.P.	2008	5.2	10.13%	24.00%
The Fourth Cinven Fund	2006	4.4	17.72%	1.06%
Pegasus Partners IV, L.P.	2007	3.7	13.64%	32.11%
Celtic Pharmaceutical Holdings, L.P.	2004	3.7	17.43%	15.84%

- The above five partnerships generated a net value increase of \$22.3 million in the third quarter 2010.
  - Avenue Europe Special Situations Fund, a 2008 buyout partnership, which was moved during the quarter from the Private Equity Portfolio to the Opportunistic Fixed Income Portfolio, was the top performing investment for the quarter, generating a net value change of \$5.3 million for the third quarter. The partnership neither called nor distributed capital in the third quarter.
  - Yucaipa American Alliance Fund II, a 2008 buyout partnership, was the second best performing partnership for the third quarter, generating \$5.2 million in net value change. Portfolio holdings were previously marked at 1.2x cost as of June 30, 2010 and were marked up to 1.3x cost as of September 30, 2010. Capital calls for the third quarter totaled \$5.1 million for the partnership.

The table below shows the Portfolio's bottom five performance drivers by net value change for the quarter ending September 30, 2010

Bottom Five Performing Investments for the Quarter Ending September 30, 2010				
Investment Name	Vintage Year	Net Value Change (\$ Millions)	Point-to-Point IRR	Since Inception IRR
Yucaipa Corporate Initiatives Fund II, L.P.	2008	(\$1.4)	(17.8%)	(33.69%)
HM 2006 Sector Performance Fund, L.P.	2007	(1.3)	(10.1%)	(16.20%)
Prism Venture Partners V-A, L.P.	2005	(1.1)	(10.7%)	(11.31%)
Markstone Capital Partners, L.P.	2004	(0.5)	(2.5%)	(0.08%)
Thomas McNerney & Partners, L.P.	2002	(0.5)	(5.5%)	1.23%

- The above five partnerships generated a net value decrease of \$4.8 million in the second quarter 2010.

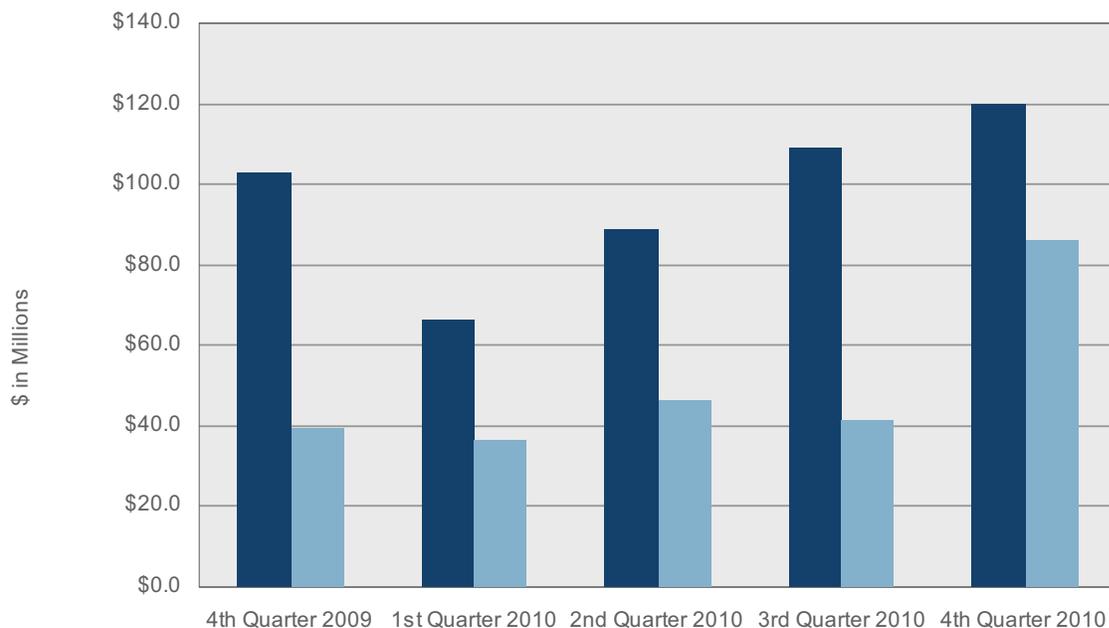
## Teachers' Retirement System of the City of New York

### Third Quarter 2010 Report

- Yucaipa Corporate Initiatives Fund II, a 2008 vintage year strategy partnership, was the worst performing partnership in the third quarter 2010, generating (\$1.4) million in net value loss. There was no distribution activity and there was minimal capital call activity in the third quarter. The portfolio's prior cost multiple was 1.1x as of June 30, 2010. Holdings were written down to 0.7x cost as of September 30, 2010.
- HM 2006 Sector Performance Fund, a 2007 mid-market buyout fund, was the second bottom performing partnership for the quarter, experiencing a net value loss of (\$1.3) million. There was no distribution activity and there was minimal capital call activity in the third quarter.

### Cash Flow Drivers

The chart below highlights the cash flows of the Portfolio over the past five quarters ended December 31, 2010.



Paid-In Capital	\$102.7	\$66.5	\$88.8	\$109.0	\$119.7
Capital Distributed	\$39.7	\$36.2	\$46.0	\$41.5	\$86.3

■ Paid-In Capital    ■ Capital Distributed

- For the year ended September 30, 2010, the Portfolio was cash flow negative with contributions outpacing distributions by \$203.6 million. Contribution and distribution activity have picked up since the first quarter 2010. Distribution activity from the first quarter 2010 to the fourth quarter 2010 has increased by nearly 2.5x, while contribution activity increased 1.8x.

## Teachers' Retirement System of the City of New York

### Third Quarter 2010 Report

---

- During the third quarter, Avista Capital Partners II distributed \$7.3 million which represented the largest amount received by the Portfolio.
  - This distribution was a result of proceeds from FDR Holdings, a supplier of drilling and production services for the oil industry and ACP Marcellus, an energy and utilities company.
- GI Partners III called the most capital, calling \$10.2 million for the quarter ending September 30, 2010.
  - This capital was called for investments in ViaWest, First Republic Bank, Alconbury Airfield, SoftLayer Technologies, Flatiron Crossing and GI-STAG.
- During the fourth quarter of 2010, capital contributions increased by 10%, while distributions increased by approximately 108% from the prior quarter.
  - During the fourth quarter, Vista Equity Partners III distributed \$11.7 million which represented the largest amount received by the Portfolio.
    - This distribution was a result of a partial sale and recapitalization proceeds from Sunquest Information Systems.
  - Avista Capital Partners II called the most capital, calling \$9.4 million for the quarter ending December 31, 2010.

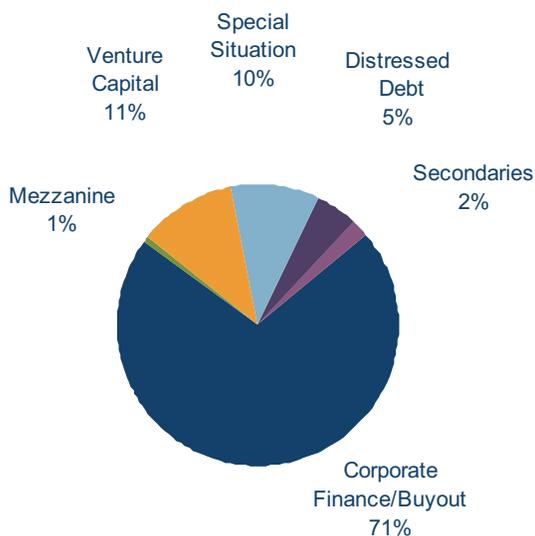
# Teachers' Retirement System of the City of New York

## Third Quarter 2010 Report

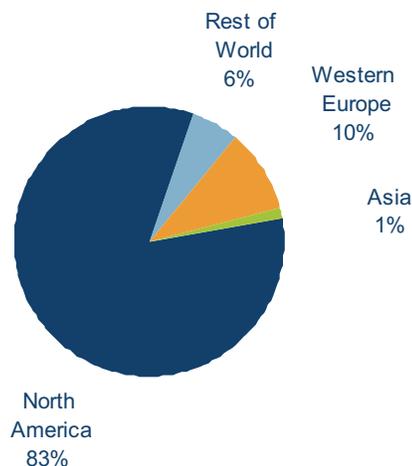
### Portfolio Exposures

The pie charts below represent the strategic and geographic diversification of the Portfolio as of September 30, 2010. Strategy is measured by total exposure, which is the sum of the market value and the unfunded commitments and provides a snapshot of the Portfolio's future diversification. Geography is measured by the Portfolio's exposed market value of the underlying portfolio companies.

**Strategic Diversification  
by Total Exposure  
As of September 30, 2010**



**Underlying Investment Diversification  
by Geographic Location  
As of September 30, 2010**



- The Portfolio is focused in the Corporate Finance/Buyout strategy, with 71% of the total exposure attributable to this strategy.
- With respect to geography, the Portfolio is concentrated in North America, with 83% of the Portfolio's underlying market value attributable to this region.
  - The remaining 17% of the Portfolio's exposure is diversified between Western Europe, Asia and 'Rest-of-World.'

# Teachers' Retirement System of the City of New York

## Third Quarter 2010 Report

### Private Equity Company Exposure

The table below identifies the top ten underlying companies held by private equity partnerships as measured by exposed market value as of September 30, 2010. As noted in the second column, the values of companies held by several partnerships have been aggregated.

Top 10 Portfolio Holdings by Exposed Market Value September 30, 2010			
Company Name	Partnership	Exposed Valuation (\$ Millions)	% of Total Portfolio
AmeriCold Realty Trust	Yucaipa American Alliance Fund I, L.P. Yucaipa American Alliance Fund II, L.P.	\$42.4	2.3%
Sunquest Information Systems, Inc.	Vista Equity Partners Fund III, L.P.	14.3	0.8%
Nycomed Holdings A/S	Avista Capital Partners II, L.P. Avista Capital Partners, L.P. Coller International Partnership IV, L.P.	13.4	0.7%
LeverageSources, L.P.	Apollo Investment Fund VII, L.P.	12.4	0.7%
Molycorp Minerals, LLC	Pegasus Partners IV, L.P.	11.9	0.6%
Ceridian Corporation	Ares Corporate Opportunities Fund II, L.P. Thomas H. Lee Equity Fund VI, L.P.	11.5	0.6%
Allied Holdings , Inc.	BDCM Opportunity Fund II, L.P. Yucaipa American Alliance Fund I, L.P.	11.4	0.6%
Calypso	USPF II Institutional Fund, L.P. USPF III Institutional Fund, L.P.	11.0	0.6%
Avago Technologies	Silver Lake Partners II, L.P.	10.7	0.6%
U.S. Foodservice	Clayton, Dubilier & Rice Fund VII, L.P. Erasmus New York City Growth Fund, L.P.	10.6	0.6%
<b>Total</b>		<b>\$149.6</b>	<b>8.1%</b>

Note: Undisclosed debt securities are not included in this analysis. (Celtic Pharmaceutical Holdings, L.P. holdings are not included in the analysis due to the lack of information reported by the General Partner at September 30, 2010).

- As of September 30, 2010, the top ten companies represent just over 8% of the total Portfolio's market value, or \$149.6 million.
- AmeriCold Realty Trust, a real estate investment trust which operates 102 temperature controlled warehouses, is the Portfolio's largest exposure and is held in two partnerships.
- Six of the ten top holdings are held in multiple partnerships within the portfolio.