New York City Board of Education Retirement System

(A fiduciary fund of The City of New York)

Combining Financial Statements and
Supplemental Schedules
(Together with Independent Auditors' Report)

For the Years Ended June 30, 2017 and 2016

MARKS PANETH

ACCOUNTANTS & ADVISORS

NEW YORK CITY BOARD OF EDUCATION RETIREMENT SYSTEM

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
New York City Board of Education Retirement System:

Report on the Combining Financial Statements

We have audited the accompanying combining statements of fiduciary net position of the New York City Board of Education Retirement System Qualified Pension Plan ("QPP") and the New York City Board of Education Retirement System Tax-Deferred Annuity ("TDA") Program, which collectively comprise the New York City Board of Education Retirement System, (the "Systems"), a fiduciary fund of The City of New York, as of June 30, 2017 and 2016, and the related combining statements of changes in fiduciary net position for the years then ended, and the related notes to the combining financial statements, which collectively comprise the Systems' basic combining financial statements as listed in the table of contents.

Management's Responsibility for the Combining Financial Statements

Management is responsible for the preparation and fair presentation of these combining financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the combining financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these combining financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combining financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combining financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Systems' preparation and fair presentation of the combining financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Systems' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combining financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the combining financial statements referred to above present fairly, in all material respects, the combining fiduciary net position of the Systems as of June 30, 2017 and 2016, and the changes in combining fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule 1, Schedule 2, and Schedule 3, as listed in the table of contents, be presented to supplement the basic combining financial statements. Such information, although not a part of the basic combining financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic combining financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic combining financial statements, and other knowledge we obtained during our audit of the basic combining financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Marks Paneth LLP

October 27, 2017

This narrative discussion and analysis of the New York City Board of Education Retirement Systems ("BERS" or the "System") financial performance provides an overview of the System's combining financial activities for the Fiscal Years ended June 30, 2017 and 2016. It is meant to assist the reader in understanding the System's combining financial statements by providing an overall review of the combining financial activities during the years, the effects of significant changes, and a comparison of the prior years' activities and results. This discussion and analysis is intended to be read in conjunction with the System's combining financial statements. The System administers the BERS Qualified Pension Plan (the "QPP") and the BERS Tax-Deferred Annuity Program (the "TDA Program").

OVERVIEW OF BASIC COMBINING FINANCIAL STATEMENTS

The following discussion and analysis is intended to serve as an introduction to the System's basic combining financial statements. The basic combining financial statements, which are prepared in accordance with Governmental Accounting Standards Board ("GASB") pronouncements and include the financial statements of the QPP and the TDA Program, are as follows:

- **The Combining Statements of Fiduciary Net Position**—presents the financial position of the System at fiscal year-end. It provides information about: the nature and amounts of resources with present service capacity that the System presently controls (assets); consumption of net assets by the System that is applicable to a future reporting period (deferred outflow of resources); present obligations to sacrifice resources that the System has little or no discretion to avoid (liabilities); and acquisition of net assets by the System that is applicable to a future reporting period (deferred inflow of resources) with the difference between assets/deferred outflow of resources and liabilities/deferred inflow of resources being reported as net position. Investments are shown at fair value. All other assets and liabilities are determined on an accrual basis.

- **The Combining Statements of Changes in Fiduciary Net Position**—presents the results of activities during the fiscal year. All changes affecting the assets/deferred outflow and liabilities/deferred inflow of the System are reflected on an accrual basis when the activity occurred, regardless of the timing of the related cash flows. In that regard, changes in the fair values of investments are included in the year's activity as net appreciation (depreciation) in fair value of investments.

- **The Notes to Combining Financial Statements**—provide additional information that is essential to a full understanding of the data provided in the combining financial statements. The notes present information about the System's accounting policies, significant account balances and activities, material risks, obligations, contingencies, and subsequent events, if any.

- **Required Supplementary Information**—as required by GASB includes the management discussion and analysis and information presented after the notes to the combining financial statements.

FINANCIAL HIGHLIGHTS

QPP Fiduciary Net Position

During Fiscal Year 2017, QPP's net position held in trust for benefits stood at $4.09 billion, an increase of 20.00% from Fiscal year 2016. The increase in the net position during Fiscal Year 2017 was primarily due to an increase in the fair value of investments. Fair value of investments stood at $5.71 billion, an increase of 14.05% from Fiscal year 2016. Return on investments increased from 3.28% in Fiscal Year 2016 to 15.11% in Fiscal year 2017. Member contributions stood at $39.82 million, an increase of 3.21% from Fiscal Year 2016.

During Fiscal year 2016, QPP's net position in trust in benefits stood at $3.42 billion, a decrease of 1.09% from Fiscal Year 2015. The decrease in the net position during Fiscal Year 2016 was primarily due to lower member contributions and investment returns, combined with the increases in the interests due to members of the fixed program of TDA Program of the System, benefit payments and administrative expenses. Member contributions and net investment income decreased by 2.48% and 7.35% respectively. Interest due to the members of the fixed program of the TDA Program increased by 11.38%. Benefit payments and administrative expenses increased by 7.83% and 17.00% respectively.

QPP Fiduciary Net Position
June 30, 2017, 2016, and 2015
(In thousands)

	2017	2016	2015
Assets:			
Cash	$ 3,232	$ 327	$ 16,143
Receivables	155,750	166,060	95,756
Investments, at fair value	5,332,614	4,526,973	4,479,080
Collateral from securities lending	374,943	477,623	302,135
Other	160,453	124,031	106,254
Total assets	6,026,992	5,295,014	4,999,368
Liabilities:			
Accounts payable	13,884	6,907	6,199
Other liability	-	-	-
Payable for investment securities purchased	92,173	103,213	86,747
Accrued benefits payable	9,943	7,357	5,461
Due to the TDA Program's Fixed return fund from the System	1,436,478	1,283,481	1,144,817
Payables for securities lending	374,943	477,623	302,135
Total liabilities	1,927,421	1,878,581	1,545,359
Net position held in trust for benefits	$ 4,099,571	$ 3,416,433	$ 3,454,009

Total receivables decreased from $166.06 million in Fiscal year 2016 to $ 155.75 million in Fiscal Year 2017, a decrease of 6.21%. Receivables for investments were at $98.67 million in Fiscal Year 2017, a decrease of 17.12% from Fiscal Year 2016. Member loans increased by 2.54%.Other assets were at $160.45 million in Fiscal Year 2017, an increase of 29.37% from Fiscal year 2016. Included in the other assets is a liability from the TDA program towards the QPP program, which stood at $128.45 million in Fiscal Year 2017, an increase of 33.59% from Fiscal Year 2016. This liability from the TDA program towards the QPP program represents the adjustments made to the TDA Program as a result of accounting changes adopted within the comprehensive analysis of the TDA program of the system.

Total receivables increased from $95.75 million in Fiscal Year 2015 to $166.06 million at the close of Fiscal Year 2016. The increase in the receivables was primarily caused by the increase in the receivables for investment which went up by $68.22 million. Also included in these receivables are QPP member's outstanding loans for Fiscal Year 2016 and Fiscal Year 2015 which were at $46.75 million and $44.68 million respectively. Other assets increased to $124.03 million in Fiscal Year 2016, from $106.25 million in Fiscal Year 2015, a 16.73% increase. Included in the other assets is a liability from the TDA program towards the QPP program, which stood at $96.15 million and at $83.90 million for fiscal years 2016 and 2015 respectively.

The QPP's receivables and payables for investments are primarily generated through the timing differences between the trade and settlement dates for investment securities purchased or sold.

"Due to the TDA Program's Fixed return fund from the System" represents a liability to the TDA program. The liability of $1.43 billion in Fiscal Year 2017, is an obligation of the City of New York through the QPP. The liability in Fiscal Year 2017 increased by 11.92% from Fiscal Year 2016.The liability includes the TDA member's account balances for deposits invested in fixed investment program and the TDA Program's fixed and variable annuitants.

Changes in QPP Fiduciary Net Position

During Fiscal Year 2017, the QPP member contributions increased to $39.82 million, an increase of 3.21% from Fiscal Year 2016.

Changes in QPP Program Fiduciary Net Position
Years Ended June 30, 2017, 2016, and 2015
(In thousands)

	2017	2016	2015
Additions:			
Member contributions	$ 39,821	$ 38,581	$ 39,564
Employer contributions	288,233	265,532	258,099
Net investment income before securities lending transaction	856,632	160,828	174,503
Net securities lending income	5,878	3,316	2,663
TDA Program's interest income in the fixed return fund	(106,554)	(94,789)	(85,104)
Other — payments to other retirement systems & other revenues /expenses	(122,954)	(157,499)	(52,021)
Total additions	961,056	215,969	337,704
Deductions:			
Benefit payments and withdrawals	262,432	240,727	223,244
Administrative expenses	15,486	12,818	10,956
Total deductions	277,918	253,545	234,200
Net increase (decrease) in net position	683,138	(37,576)	103,504
Net position held in trust for benefits:			
Beginning of year	3,416,433	3,454,009	3,350,505
End of year	$ 4,099,571	$ 3,416,433	$ 3,454,009

In Fiscal Year 2016, the QPP member contributions slightly decreased to $38.58 million, a decrease of 2.48% from Fiscal Year 2015 contributions of $39.56 million.

Employer contributions received through the QPP Program for the Fiscal Years 2017 and 2016 were at $288.23 million and $265.53 million, an increase of 8.55% and 2.88% respectively. The Fiscal Year 2017 increase is primarily due to a net actuarial loss. Employer contributions are made on a statutory basis based on the One-Year Lag methodology.

The net investment income, including the security lending income increased from $164.14 million in Fiscal Year 2016, to $862.51 million in Fiscal year 2017. Return on investments increased from 3.28% in Fiscal Year 2016 to 15.11% in Fiscal year 2017.

Interest (to) from the TDA Program's fixed return fund represents a guarantee 8.25% interest as revenue from the fixed fund program. During Fiscal Year 2017, the interest to the TDA Program's fixed return fund stood at $106.55 million, an increase of 12.41% from Fiscal Year 2016.

Net Investment Income (Loss) to QPP from TDA Member Holdings in Fixed Return Fund:

Years Ended 2017,2016 and 2015 (in '000)	**2017**	**2016**	**2015**
Average proportion of investable assets from TDA	25.63%	25.03%	23.77%
Total NYC Pension Fund Net Investment Income	$ 854,992	$ 164,435	$ 174,876
Calculated earnings on TDA Members' Fixed Return Fund holdings	219,121	41,165	41,568
Less: Statutory Interest Payments to TDA	(106,554)	(94,789)	(85,104)
Net investment income (loss) from TDA	$ 112,567	$ (53,624)	$ (43,536)

The benefit payments and withdrawals increased from $240.72 million in Fiscal Year 2016 to $262.43 million in Fiscal Year 2017, an increase of 9.02%. During Fiscal Year 2016, plan benefits payments and withdrawals increased by 7.83%, from $223.24 million to $240.72 million. The increase in Fiscal Years 2017 and 2016 was primarily due to an increase in the pension benefits to retirees, which went up 9.46% and 6.12% respectively.

Administrative expenses showed an increase of 20.81% and 17.00% in Fiscal Years 2017 and 2016. The increase was primarily due to higher personnel expenses which increased by 18.20% and 28.75% respectively.

TDA Program Fiduciary Net Position

During Fiscal Year 2017, the TDA program's net position held in trust benefits stood at $1.80 billion, a net increase of 10.41% from Fiscal Year 2016.The increase in Fiscal Year 2017 was primarily due to increase in the member contributions and investment returns. Member contributions increased from $77.46 million to $85.76 million, a net increase of 10.72% from Fiscal Year 2016. Fair value of TDA investments stood at $463.16 million in Fiscal Year 2017, an increase of 8.87% from Fiscal Year 2016.

During Fiscal Year 2016, the TDA Program's net position held in trust for benefits increased to $1.63 billion, a net increase of $118.72 million or 7.85% from Fiscal Year 2015. The increase in Fiscal Year 2016 was primarily due to an increase in member contributions, which went up by 3.43%.

TDA Program Fiduciary Net Position
June 30, 2017, 2016, and 2015
(In thousands)

	2017	2016	2015
Assets:			
Cash	$ 105	$ 205	$ 122
Receivables	42,281	40,455	41,264
Due to the TDA Program's Fixed return fund from the System	1,436,478	1,283,481	1,144,817
Investments, at fair value	457,248	409,776	419,530
Collateral from securities lending	5,917	15,642	29,607
Other	-	-	-
Total assets	1,942,029	1,749,559	1,635,340
Liabilities:			
Accounts payable	-	-	
Other liability	128,452	96,156	83,901
Payable for investment securities purchased	1,435	902	4,428
Accrued benefits payable	6,537	6,783	6,045
Payables for securities lending transactions	5,917	15,642	29,607
Total liabilities	142,341	119,483	123,981
Net position held in trust for benefits	$ 1,799,688	$ 1,630,076	$ 1,511,359

Receivables from QPP towards TDA program increased by 11.92% in Fiscal Year 2017, from $ 1.28 billion in Fiscal year 2016 to $1.43 billion in Fiscal Year 2017. TDA program's member loan outstanding increased from $38.92 million in Fiscal Year 2016 to $40.75 million in Fiscal Year 2017, an increase of 4.72% from Fiscal Year 2016.

At the end of Fiscal Year 2016, the TDA Program's fair value of variable investment including collateral security lending stood at $ 425.42 million, a decrease of 5.28% from Fiscal Year 2015. Receivable from QPP towards the TDA Program increased by 12.11% in Fiscal Year 2016, from $1.14 billion for Fiscal Year 2015 to $1.28 billion in Fiscal Year 2016.

Total receivables went from $41.26 million in Fiscal Year 2015 to $40.46 million at the end of Fiscal Year 2016. Included in these receivables, the TDA Program's member loans outstanding went from $36.51 million at the close of Fiscal Year 2015 to $38.92 million at the close of Fiscal Year 2016, a 6.60% increase.

The TDA Program's receivables and payables are primarily generated through the timing differences between the trade and settlement dates for investment securities purchased or sold within the variable return fund.

Other liability represents a liability from the TDA Program towards the QPP program, which stood at $128.45 million and $96.15 million for fiscal years 2017 and 2016 respectively. It represents the adjustments made to the TDA Program as the result of the accounting changes adopted within the comprehensive analysis of the TDA Program of the System.

Changes in TDA Program Fiduciary Net Position

During Fiscal Year 2017, member contributions to the TDA Program increased to $85.76 million, a 10.72% increase from $77.45 million contribution in Fiscal Year 2016. Net investment income increased from $1.05 million in Fiscal Year 2016 to $75.74 million in Fiscal Year 2017, a net increase of $74.69 million.

During Fiscal Year 2016, member contributions to the TDA Program increased to $77.46 million, a 3.43% increase from the $74.89 million contributed in Fiscal Year 2015.

Changes in TDA Program Fiduciary Net Position
Years Ended June 30, 2017, 2016, and 2015
(In thousands)

	2017	2016	2015
Additions:			
Member contributions	$ 85,765	$ 77,459	$ 74,890
Net investment income before securities lending transactions	75,633	855	22,769
Net securities lending income	106	194	181
TDA Program's interest income in the fixed return fund	106,554	94,789	85,104
Other — payments to other retirement systems & other revenues/expenses	(48,113)	(3,541)	4,448
Total additions	219,945	169,756	187,392
Deductions:			
Benefit payments and withdrawals	50,208	50,189	39,222
Administrative expenses	125	850	3,033
Total deductions	50,333	51,039	42,255
Net increase in net position	169,612	118,717	145,137
Net position held in trust for benefits:			
Beginning of year	1,630,076	1,511,359	1,366,222
End of year	$ 1,799,688	$ 1,630,076	$ 1,511,359

Benefit payments and withdrawals and administrative expenses stood at $50.21 million and $.125 million in Fiscal Year 2017.

The benefit payments and withdrawals experienced a $10.97 million (27.96%) increase from Fiscal Year 2015 to Fiscal Year 2016; the increase in Fiscal Year 2016 was due to an increase in death benefits from $ 4.13 million in Fiscal Year 2015 to $13.29 million in Fiscal Year 2016.

Investment Summary

Investments held by BERS' QPP and TDA Programs (which includes the fixed fund and the variable fund programs), including collateral from securities lending transactions from both programs, are listed according to their investment classification in the following table:

Investment Summary
(In thousands)

Fair Value	June 30, 2017	June 30, 2016	June 30, 2015
Short Term Investments	$ 57,514	$ 113,900	$ 215,612
Debt Securities	1,111,952	890,152	861,891
U.S. Equity Securities	636,126	726,951	784,214
Alternative Investments	612,677	506,922	385,819
Collective Trust Funds	3,371,593	2,698,824	2,651,074
Promissory Notes	-	-	-
Collateral Securities Lending	380,860	493,265	331,742
Total	$ 6,170,722	$ 5,430,014	$ 5,230,352

Because the QPP's liabilities are of a long-term nature, the assets of the QPP and the TDA Programs are invested with a long-term investment horizon. Assets are invested in a diversified portfolio of capital market securities. Investments in these assets are expected to produce higher returns, but are also subject to greater volatility and may produce negative returns. The system's investments increased by 15.11% in FY 2017, 3.82% in FY 2016, increased by 1.36% in Fiscal Year 2015.

CONTACT INFORMATION

This financial report is designed to provide a general overview of The New York City Board of Education Retirement System's finances. Questions concerning any data provided in this report or requests for additional information should be directed to the Chief Accountant, New York City Board of Education Retirement System, 65 Court Street, 16th Floor, and Brooklyn, New York 11201.

NEW YORK CITY BOARD OF EDUCATION RETIREMENT SYSTEM
COMBINING STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2017
(In Thousands)

	QPP	TDA Program	Eliminations	TOTAL
ASSETS:				
Cash	$ 3,232	$ 105	$ -	$ 3,337
Receivables:				
Investment securities sold	98,675	906	-	99,581
Accrued interest and dividends	9,080	618	-	9,698
Member loans	47,935	40,757	-	88,692
Other	60	-	-	60
Total receivables	155,750	42,281	-	198,031
Investments — at fair value				
Fixed return funds:				
Short term investments:				
Commercial paper	21,496	-	-	21,496
Short-term investment fund	30,587	-	-	30,587
Discount notes	-	-	-	-
Debt securities:	1,103,180	-	-	1,103,180
Equity securities	145,431	-	-	145,431
Alternative Investments	612,677	-	-	612,677
Collective Trust Funds				
International equity	1,251,628	-	-	1,251,628
Domestic Equity	1,738,135	-	-	1,738,135
Mortgage debt security	30,925	-	-	30,925
Treasury Inflation protected securities	236,943	-	-	236,943
Fixed Income	113,962	-	-	113,962
Collateral from securities lending	374,326	-	-	374,326
Variable return funds:				
Short term investments	513	4,918	-	5,431
Debt securities	828	7,944	-	8,772
Equities	46,309	444,386	-	490,695
Collateral from securities lending	617	5,917	-	6,534
Total investments	5,707,557	463,165	-	6,170,722
Due to the TDA Program's Fixed return fund from the System	-	1,436,478	(1,436,478)	-
Other assets	160,453	-	(128,452)	32,001
	-	-	-	-
Total assets	6,026,992	1,942,029	(1,564,930)	6,404,091
LIABILITIES:				
Accounts payable	13,884	-	-	13,884
Other liabiltiy	-	128,452	(128,452)	-
Payable for investment securities purchased	92,173	1,435	-	93,608
Accrued benefits payable	9,943	6,537	-	16,480
Due to the TDA Program's Fixed return fund from the System	1,436,478	-	(1,436,478)	-
Payables for securities lending	374,943	5,917	-	380,860
Total liabilities	1,927,421	142,341	(1,564,930)	504,832
NET POSITION HELD IN TRUST FOR BENEFITS:				
Benefits to be provided by QPP	4,099,571	-	-	4,099,571
Benefits to be provided by TDA Program	-	1,799,688	-	1,799,688
TOTAL NET POSITION HELD IN TRUST FOR BENEFITS:	$ 4,099,571	$ 1,799,688	$ -	$ 5,899,259

The accompanying notes are an integral part of these combining financial statements.

NEW YORK CITY BOARD OF EDUCATION RETIREMENT SYSTEM
COMBINING STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2016
(In Thousands)

	QPP	TDA Program	Eliminations	TOTAL
ASSETS:				
Cash	$ 327	$ 205	$ -	$ 532
Receivables:				
Investment securities sold	119,062	908	-	119,970
Accrued interest and dividends	247	626	-	873
Member loans	46,748	38,921	-	85,669
Other	3	-	-	3
Total receivables	166,060	40,455	-	206,515
Investments — at fair value				
Fixed return funds:				
Short term investments:				
Commercial paper	71,888	-	-	71,888
Short-term investment fund	35,933	-	-	35,933
Discount notes	-	-	-	-
Debt securities:	879,762	-	-	879,762
Equity securities	291,144	-	-	291,144
Alternative Investments	506,922	-	-	506,922
Collective Trust Funds				-
International equity	942,911	-	-	942,911
Domestic Equity	1,401,665	-	-	1,401,665
Mortgage debt security	28,956	-	-	28,956
Treasury Inflation protected securities	218,608	-	-	218,608
Fixed Income	106,684	-	-	106,684
Collateral from securities lending	476,001	-	-	476,001
Variable return funds:				-
Short term investments	571	5,508	-	6,079
Debt securities	976	9,414	-	10,390
Equities	40,953	394,854	-	435,807
Collateral from securities lending	1,622	15,642	-	17,264
Total investments	5,004,596	425,418	-	5,430,014
Due to the TDA Program's Fixed return fund from the System	-	1,283,481	(1,283,481)	-
Other assets	124,031	-	(96,156)	27,875
Total assets	5,295,014	1,749,559	(1,379,637)	5,664,936
LIABILITIES:				
Accounts payable	6,907	-	-	6,907
Other liabiltiy	-	96,156	(96,156)	-
Payable for investment securities purchased	103,213	902	-	104,115
Accrued benefits payable	7,357	6,783	-	14,140
Due to the TDA Program's Fixed return fund from the System	1,283,481	-	(1,283,481)	-
Payables for securities lending	477,623	15,642	-	493,265
Total liabilities	1,878,581	119,483	(1,379,637)	618,427
NET POSITION HELD IN TRUST FOR BENEFITS:				
Benefits to be provided by QPP	3,416,433	-	-	3,416,433
Benefits to be provided by TDA Program	-	1,630,076	-	1,630,076
TOTAL NET POSITION HELD IN TRUST FOR BENEFITS:	$ 3,416,433	$ 1,630,076	$ -	$ 5,046,509

The accompanying notes are an integral part of these combining financial statements.

NEW YORK CITY BOARD OF EDUCATION RETIREMENT SYSTEM
COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017
(In Thousands)

	QPP	TDA Program	TOTAL
ADDITIONS:			
Contributions			
Member contributions	$ 39,821	$ 85,765	$ 125,586
Employer contributions	288,233	-	288,233
Total contributions	328,054	85,765	413,819
Investment income			
Interest income	54,964	3,564	58,528
Dividend income	70,610	14,810	85,420
Net appreciation in fair value of investments	760,262	58,720	818,982
Total investment income	885,836	77,094	962,930
Less — investment expenses	(29,204)	(1,461)	(30,665)
Net investment income, before securities lending transactions	856,632	75,633	932,265
Securities lending transactions			
Securities lending income (loss)	6,118	117	6,235
Securities lending fees	(240)	(11)	(251)
Net securities lending income	5,878	106	5,984
Net investment income	862,510	75,739	938,249
Other — payments to other retirement systems & other revenues/expenses	(122,954)	(48,113)	(171,067)
TDA Program's interest income in the fixed return fund	(106,554)	106,554	-
Total additions	961,056	219,945	1,181,001
DEDUCTIONS:			
Benefit payments and withdrawals	262,432	50,208	312,640
Administrative expenses	15,486	125	15,611
Total deductions	277,918	50,333	328,251
NET INCREASE IN NET POSITION	683,138	169,612	852,750
NET POSITION HELD IN TRUST FOR BENEFITS:			
Beginning of year	3,416,433	1,630,076	5,046,509
End of year	$ 4,099,571	$ 1,799,688	$ 5,899,259

The accompanying notes are an integral part of these combining financial statements.

NEW YORK CITY BOARD OF EDUCATION RETIREMENT SYSTEM
COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016
(In Thousands)

	QPP	TDA Program	Total
ADDITIONS:			
Contributions			
Member contributions	$ 38,581	$ 77,459	$ 116,040
Employer contributions	265,532	-	265,532
Total contributions	304,113	77,459	381,572
Investment income			
Interest income	44,782	3,340	48,122
Dividend income	51,328	5,988	57,316
Net appreciation in fair value of investments	79,014	(7,771)	71,243
Total investment income	175,124	1,557	176,681
Less — investment expenses	(14,296)	(702)	(14,998)
Net investment income, before securities lending transactions	160,828	855	161,683
Securities lending transactions			
Securities lending income	3,547	216	3,763
Securities lending fees	(231)	(22)	(253)
Net securities lending income	3,316	194	3,510
Net investment income	164,144	1,049	165,193
Other — payments to other retirement systems & other revenues/expenses	(157,499)	(3,541)	(161,040)
TDA Program's interest income in the fixed return fund	(94,789)	94,789	-
Total additions	215,969	169,756	385,725
DEDUCTIONS:			
Benefit payments and withdrawals	240,727	50,189	290,916
Administrative expenses	12,818	850	13,668
Total deductions	253,545	51,039	304,584
NET (DECREASE) INCREASE IN NET POSITION	(37,576)	118,717	81,141
NET POSITION HELD IN TRUST FOR BENEFITS:			
Beginning of year	3,454,009	1,511,359	4,965,368
End of year	$ 3,416,433	$ 1,630,076	$ 5,046,509

The accompanying notes are an integral part of these combining financial statements.

1. SYSTEM DESCRIPTION

The City of New York (the "City") maintains a number of pension systems providing benefits for employees of its various agencies (as defined within New York State ("State") statutes and City laws). The City's five major actuarially-funded pension systems are the New York City Board of Education Retirement System ("BERS" or the "System"), the New York City Employees' Retirement System ("NYCERS"), the Teachers' Retirement System of the City of New York ("TRS"), the New York City Police Pension Fund ("POLICE"), and the New York City Fire Pension Fund ("FIRE"). Each pension system is a separate Public Employee Retirement System ("PERS") with a separate oversight body and is financially independent of the other.

BERS administers the BERS Qualified Pension Plan (the "QPP") and the BERS Tax-Deferred Annuity Program (the "TDA Program"). BERS is the fiduciary for the QPP and the TDA Program, which are included under BERS in the Pension and Other Employee Benefit Trust Funds section of the City's Comprehensive Annual Financial Report ("CAFR").

The QPP is a cost-sharing, multiple-employer PERS. The QPP provides pension benefits for non-pedagogical employees of the Department of Education and certain other specific schools and certain employees of the New York City School Construction Authority (collectively, the "Employer"). Substantially, all Department of Education non-pedagogical permanent employees, other than members of TRS, become members of the QPP on the first day of permanent employment. Employees classified as noncompetitive, exempt or provisional by Civil Service are eligible to enroll in the QPP voluntarily. Membership date is governed by the date of filing.

The QPP functions in accordance with existing State statutes and City laws, which establish and amend the benefit terms and the employer and member contribution requirements. It combines features of a defined benefit pension plan with those of a defined contribution pension plan but is considered a defined benefit pension plan for financial reporting purposes. Contributions are made by the employer and the members.

At June 30, 2015 and June 30, 2014, the dates of the QPP's most recent completed actuarial valuations, the QPP membership consisted of:

	2015	2014
Retirees and beneficiaries receiving benefits	16,438	15,995
Terminated vested members not yet receiving benefits	237	195
Other inactives*	3,972	4,005
Active members receiving salary	24,903	25,182
Total	45,550	45,377

* Represents members who are no longer on payroll but not otherwise classified.

BERS is a fiduciary component unit of the City, and is reported and is included in the City's Comprehensive Annual Financial Report as a Pension and Other Employee Benefit Trust fund.

The TDA Program was created and is administered pursuant to the Internal Revenue Code Section 403(b) and existing State statutes and City laws. Certain members of the QPP have the option to participate in the TDA Program, which provides a means of deferring income tax payments on their voluntary tax-deferred contributions until the period after retirement or upon withdrawal of contributions.

Contributions to the TDA Program are made by the members only. The TDA Program is maintained as a separate plan.

At June 30, 2015 and June 30, 2014, the TDA Program participants consisted of:

	2015	**2014**
Contributing members	15,736	14,825
Retired members with TDA balances	5,530	5,184
% of QPP members contributing to TDA	41.5 %	38.5 %

Summary of Benefits

QPP Benefits

The State Constitution provides that pension rights of public employees are contractual and shall not be diminished or impaired. In 1973, 1976, 1983, and 2012, significant amendments made to the State Retirement and Social Security Law ("RSSL") modified certain benefits for employees joining the QPP on or after the effective date of such amendments. As such, benefits under the QPP fall into various categories based on the year when an employee joined the QPP. A brief overview follows:

- Members who joined prior to July 1, 1973 ("Tier 1") are entitled to service retirement benefits of 55% of "final salary" (as defined within State statutes and City laws) after 25 years of qualifying service and attainment of age 55, a portion of which is provided from member contributions. Additional benefits equal to a specified percentage per year of service of "final salary" are payable for years in excess of the 25-year minimum. These additional benefits are increased, where applicable, by an annuity attributable to accumulated member contributions in excess of the minimum required balance and by any benefits attributable to the Increased-Take-Home Pay ("ITHP") contributions accumulated after the 25th year of member qualifying service. ITHP represents amounts contributed by the City in lieu of members' own contributions. These amounts reduce the contributions that members would have to make to the QPP during their service and thereby increase their take-home pay. Members have the choice of waiving their ITHP reduction, which would reduce their take-home pay, but provide them with increased benefits upon retirement. Tier 1 members contribute on the basis of a normal rate of contribution which is assigned by the QPP at membership, and which is dependent upon age and actuarial tables in effect at the time of membership.

- In addition, these same members could elect a service retirement benefit with no minimum service requirement which provides an annual benefit for each year of service equal to a specified percentage (as described within State statutes and City laws) of "final salary", payable upon attainment of age 55. This benefit is increased, where applicable, by an annuity attributable to the member contributions and ITHP contributions.

- For all members who enrolled in the QPP prior to July 27, 1976, ITHP contributions made on their behalf as well as their own contributions are invested, at their election, in either the fixed return fund or the variable return fund, or 50% of such contributions in each. These investment elections can be changed every two years. The QPP guaranteed a 7.5% return on member contributions or ITHP contributions to the fixed return fund until June 30, 1982, increased the guaranteed return to 8% as of July 1, 1982, and to 8.25% as of July 1, 1988, for members who enrolled in the QPP prior to July 27, 1976 (5% on member contributions for members enrolled on or after July 27, 1976). The variable return fund includes only member contributions and ITHP contributions made on their behalf as described above and is expressed in terms of units, which are valued monthly, based on investment experience.

- Certain members of Tier 1 and Tier 2 have the right to make voluntary member contributions ("Voluntary Contributions") in excess of their required member contributions ("Required Contributions"). The investment of the Voluntary Contributions and the Required Contributions is directed by each member. A member may invest: (1) in the QPP's fixed return fund, which is credited with interest at the Statutory Interest Rate (currently 8.25% (7.0% for UFT members)), and/or (2) in the QPP's variable return fund. At the time of retirement or refund of contributions, a member's aggregate balance of actual Required Contributions and Voluntary Contributions, including the actual accumulated earnings thereon, less the outstanding balance of any member loans ("Net Actual Contributions"), may exceed ("Excess of Contributions") or fall short of ("Deficiency of Contributions") the member's Expected Balance. The Expected Balance is the sum of the Required Contributions which a member should have made during his or her credited service, plus the earnings that would have accumulated thereon at the Statutory Interest rate. The amount of the member's retirement annuity or the refund of contributions that he or she is entitled to is increased by any Excess of Contributions or reduced by any Deficiency of Contributions. The total value of active members' Excess of Contributions, net of all Deficiencies of Contributions, is $5.25 million and $5.58 million, for the years ended June 30, 2017 and 2016, respectively. Actuarial estimates of the impacts of Excesses and Deficiencies are incorporated into calculation of the QPP's net pension liability (see Note 5).

- Members who joined after July 1, 1973 and before July 27, 1976 ("Tier 2") have provisions similar to Tier 1, except that the eligibility requirements for retirement and the salary base for benefits are different and there was a limitation on their maximum benefit. This maximum benefit limitation was subsequently eliminated under Chapter 574 of the Laws of 2000 for all Tier 2 members who retired after December 8, 2000. Tier 2 members contribute on the basis of a normal rate of contribution which is assigned by the QPP at membership, and which is dependent upon age and actuarial tables in effect at the time of membership.

- Members who joined the QPP on or after July 27, 1976 and prior to September 1, 1983 ("Tier 3") were originally entitled to a retirement benefit upon the completion of ten years of service at age 62. The formula for this benefit was 1.67% of "Final Average Salary" ("FAS") per year of credited service for members with less than 20 years of service, or 2% of FAS per year of service for members with 20 to 30 years of service. Tier 3 benefits were reduced by one half of the primary Social Security benefit attributable to service with the employer, and provided an annual cost-of-living escalator in pension benefits of not more than 3%. Tier 3 required member contributions of 3% of salary for a period not to exceed 30 years. After September 1, 1983, all Tier 3 members were mandated into the Tier 4 plan. However, these members retain their Tier 3 rights. Effective October 1, 2000, Tier 4 members with Tier 3 rights, like other Tier 4 members, are not required to make contributions once the tenth anniversary of their membership date has passed, or upon completion of 10 years of credited service, whichever is earlier, and are eligible for a pension upon the completion of five years of credited service at age 62.

- Members who joined the QPP on or after September 1, 1983 and prior to April 1, 2012 ("Tier 4") are eligible for a pension upon the completion of five years of credited service at age 62. The annual benefit is 1.67% of FAS per year of service for members with less than 20 years of service, or 2% of FAS per year of service for members with 20 to 30 years of service, plus an addition of 1.5% of FAS per year of service for service in excess of 30 years of service. Tier 4 members were originally required to make contributions of 3% of salary until termination of service. As of October 1, 2000, these members are not required to make contributions after the tenth anniversary of their membership date or upon completion of ten years of credited service, whichever is earlier (Chapter 126 of Laws of 2000). Certain members retiring prior to the age of 62 experience an age-reduction factor in their retirement allowance.

- Effective June 28, 1995, active Tier 2 and Tier 4 members, excluding those who hold a position represented by the recognized teacher organization for collective bargaining purposes (currently, the United Federation of Teachers or "UFT"), were eligible to enroll in an early retirement program permitting them to retire at age 55 with 25 years of credited service ("55/25"), with no age reduction factor to their retirement allowance, or at age 50 with 25 years of credited service in a physically taxing position (Chapter 96 of the Laws of 1995). Additionally, Tier 4 members in non-UFT positions who joined BERS on or after June 28, 1995 and before April 1, 2012 were mandated into an early retirement program permitting them to retire at age 57 with 5 years of credited service ("57/5"), with no age reduction factor to their retirement allowance, or at age 50 with 25 years of credited service in a physically taxing position. Participants in the 55/25 and 57/5 early retirement programs are required to remit additional contributions of 1.85%, or 3.83% for physically taxing positions.

- Effective February 27, 2008, active Tier 4 members who hold a position represented by the recognized teacher organization for collective bargaining purposes (currently, UFT) were eligible to enroll in an early retirement program permitting them to retire at age 55 with 25 years of credited service ("55/25 UFT"), with no age reduction factor to their retirement allowance (Chapter 19 of the Laws of 2008). Those choosing the age 55 retirement option are required to make additional contributions of 1.85% of salary from February 28, 2008 until June 29, 2008, or until they have accumulated 25 years of credited service, whichever is later. UFT members in covered titles who joined after February 27, 2008 but before December 10, 2009, were automatically enrolled in a 55 retirement age minimum and 27 credited years of service retirement program ("55/27 UFT"). These members are required to make additional plan contributions of 1.85% of salary until they have accumulated 27 years of credited service.

- UFT members in covered titles who joined the QPP after December 10, 2009 and prior to April 1, 2012 are covered by 55/27 UFT, but are required to make contributions of 4.85% of salary until they have 27 years of credited service, and contributions of 1.85% of salary thereafter (Chapter 504 of the Laws of 2009). Additionally, QPP benefits for this population vest in 10 years, rather than 5 years, as for other Tier 4 members.

- Members who join the QPP on or after April 1, 2012 are subject to the provisions of Chapter 18 of the Laws of 2012 ("Chapter 18/12"), also known as "Tier 6". BERS members in Tier 6 are eligible for a pension upon the completion of ten years of credited service at age 63. The annual benefit is 1.67% of FAS for the first 20 years of credited service, plus an addition of 2% of FAS per year of service for service in excess of 20 years of service. Additionally, the FAS period is 5 years, rather than 3, and a cap is imposed on the maximum permissible FAS. Tier 6 members are required to make Basic Member Contributions ("BMC") until they separate from service or until they retire. The BMC rate is dependent on annual wages earned during a plan year and ranges from 3% for salaries less than $45,000 to 6% for salaries greater than $100,000. Tier 6 members become vested after ten years of service.

- Under all service retirement categories, annuities attributable to member contributions are reduced on an actuarial basis for any loans with unpaid balances outstanding at the date of retirement.

- Subject to certain conditions, members become fully vested as to QPP benefits upon the completion of five years of credited service, or ten years of credited service for Tier 4 55/27 UFT members who joined after December 10, 2009 and for Tier 6 members.

- The QPP provides death benefits and retirement benefits on the occurrence of accidental or ordinary disability.

- During the spring 2000 session, the State Legislature approved and the State Governor ("Governor") signed laws that provide automatic Cost-of-Living Adjustments ("COLA") for certain retirees and beneficiaries (Chapter 125 of the Laws of 2000). It also provides additional service credits for certain Tier 1 and Tier 2 members and reduced member contributions for certain Tier 3 and Tier 4 members (Chapter 126 of the Laws of 2000).

TDA Program Benefits

Contributions to the TDA Program are made by the participants only, and are voluntary. In order to contribute to the TDA Program, certain active members of the QPP are required to submit a salary reduction agreement and TDA enrollment request. A participant may elect to exclude an amount of his or her compensation from current taxable income (within the maximum allowed by the Internal Revenue Service) by contributing it to the TDA Program. The basic contribution limit, as of 2017 is $18,000 certain participants are permitted to make additional contributions, based on age or years of service. The additional contribution limit for 2017 is $6,000. Additionally, participants can elect to invest their contributions in either the fixed return fund or the variable return fund.

Benefits provided under the TDA Program are derived from participants' accumulated contributions and earnings on those contributions. No contributions are provided by the employer.

A participant may withdraw all or part of the balance of his or her account at the time of retirement, termination of employment, or under certain hardship conditions. Beginning January 1, 1989, the tax laws restricted withdrawals of TDA contributions and accumulated earnings thereon for reasons other than retirement or termination.

Contributions made after December 31, 1988, and investment earnings credited after that date, may only be withdrawn by active participants upon attainment of age 59½ or for reasons of hardship (as defined by Internal Revenue Service regulations). Hardship withdrawals are limited to contributions only.

Contributions made on or before December 31, 1989, and earnings credited on or before that date, may be withdrawn by active participants even before age 59½. A member who has received a withdrawal may not contribute to the TDA Program for the remainder of the current year.

If a member dies in active service or after retirement while his or her TDA account is in deferral, the full value of his or her account at the date of death is paid to the member's beneficiary(ies) or estate.

When a member resigns before attaining vested rights under the QPP, he or she may withdraw the value of his or her TDA Program account, or leave the funds in the account for a period of up to five years after the date of resignation. If a member resigns after attaining vested rights under the QPP, he or she may leave his or her funds in the TDA Program account, accruing earnings until reaching the age at which minimum distributions are required by IRS regulations. Once a member withdraws from the QPP, participation in the TDA Program will cease, and the member will receive a refund of the value of his or her account in the TDA Program.

When a TDA Program participant applies to retire from the QPP and has a positive TDA Program account balance, the participant has three options:

a. The participant may withdraw the total balance, either by receiving it as a taxable distribution or by rolling it over into an Individual Retirement Account (IRA);

b. The participant may defer distribution of the account; or

c. The participant may elect to receive the balance of the account as a life annuity. The available benefit options depend on the member's Tier.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SYSTEM ASSET MATTERS

Basis of Accounting—The QPP as well as the TDA Program use the accrual basis of accounting where the measurement focus is on a flow of economic resources. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred. Contributions from members are recognized when respective employers make payroll deductions from the QPP's members and the TDA Program participants. Employer contributions to the QPP are recognized when due, and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of governing the QPP and the TDA Program.

Investment Valuation—Investments are reported at fair value. Securities purchased pursuant to agreements to resell are carried at the contract price, exclusive of interest, at which the securities will be resold. Fair value is defined as the quoted market value on the last trading day of the period, except for the Short-Term Investment fund ("STIF") (a money market fund), International Investment funds ("IIF") and Alternative Investment funds ("ALTINVF"). The IIF are private funds of publicly traded securities which are managed by various investment managers on behalf of BERS. Fair value is determined by BERS management based on information provided by the various investment managers. The investment managers determine fair value using the last available quoted price for each security owned adjusted by any contributions to or withdrawals from the fund during the period. The ALTINVF are investments for which exchange quotations are not readily available and are valued at estimated fair value as determined in good faith by the General Partner ("GP"). These investments are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results and other factors deemed relevant by the GP. Fair value is determined by BERS management based on information provided by the various GP's after review by an independent consultant and the custodian bank for the fund.

Purchases and sales of securities are reflected on the trade date. Dividend income is recorded on the ex-dividend date. Interest income is recorded as earned on an accrual basis.

No investment in any one security represents 5% or more of QPP's net position held in trust for benefits.

Investment Programs—The System's assets are invested in two investment programs. These are the fixed return fund, which is managed by BERS, and the variable return fund (consisting primarily of equity securities), which is managed by TRS.

Under the fixed return program, members' TDA Program accounts are credited with the statutory rate of interest, currently 7% for UFT members and 8.25% for all other members. TDA Program members and certain Tier 1 and 2 QPP members may transfer their balances between the fixed return fund and the variable investment fund on a quarterly basis.

The QPP's assets within the variable return fund are co-invested with those assets of the TDA Program that are earmarked for the variable return fund. These financial statements reflect the QPP investment activity in the fixed return fund; as well as the variable return fund.

Income Taxes—Income earned by the QPP and the TDA Program is not subject to federal income tax until it is normally distributed. Other taxes apply in case of premature distributions.

Accounts Payable—Accounts payable is principally comprised of amounts owed by BERS for overdrawn bank balances. BERS's practice is to fully invest cash balances in most bank accounts on a daily basis. Overdrawn balances result primarily from outstanding benefit checks that are presented to the banks for payment on a daily basis and these balances are routinely settled each day.

Interest (to) from TDA Program's Fixed Return Fund— The statutory interest credited on TDA Program member account balances invested in the fixed return fund is reported as the "Interest (to) from TDA Program's Fixed Return Fund".

Securities Lending Transactions—State statutes and Board policies permit the System to lend its investments to broker-dealers and other entities for collateral, for the same securities in the future with a simultaneous agreement to return the collateral in the form of cash, treasury and U.S. Government securities. The Systems' agent lends the following types of securities: short term securities, common stocks, long-term corporate bonds, U.S. Government and U.S. Government agency bonds, asset-backed securities, and international equities and bonds held in collective investment funds. In return, the System receives collateral in the form of cash, U.S. Treasury and U.S. Government agency securities at 102% to 105% of the principal plus accrued interest for reinvestment. At June 30, 2017 and 2016, management believes that the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers equaled or exceeded the amounts the borrowers owed the System. The contracts with the System's Custodian require the Securities Lending Agent to Indemnify the System. In the situation when a borrower goes into default, the Agent will liquidate the collateral to purchase replacement securities. Any shortfall before the replacement securities cost and the collateral value is covered by the Agent. All Securities loans can be terminated on demand within a period specified in each agreement by either the System or the borrowers. Cash collateral is invested by the securities lending agent using approved Lender's Investment guidelines. The weighted average maturity is 45.35 days.

The securities lending program in which the System participates only allows pledging or selling securities in the case of borrower default.

GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, requires that securities loaned as assets and related liabilities be reported in the statements of plan net position. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. Securities received as collateral are also reported as assets if the government entity has the ability to pledge or sell them without a borrower default. Accordingly, the System recorded the investments purchased with the cash collateral as collateral from securities lending with a corresponding liability for securities lending. Securities on loan are carried at market value, the values reported by the QPP as of June 30, 2017 and 2016 are $366.54 million and $302.14 million, respectively. As of net position date, the maturities of the investments made with cash collateral on average exceed the maturities of the securities loans by approximately 30 days.

Government Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*. GASB 72 requires the System to use valuation techniques which are appropriate under the circumstances and are a market approach, a cost approach or income approach. GASB 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements.

3. INVESTMENTS AND DEPOSITS

The Comptroller of the City of New York (the "Comptroller") acts as an investment advisor to BERS. In addition, BERS employs an independent investment consultant as an investment advisor. BERS utilizes several investment managers to manage the long-term debt and equity portfolios. The managers are regularly reviewed, with regard to both their investment performance and their adherence to investment guidelines.

The BERS investment policy statement was ratified by the Board of Trustees in January 2009 and amended in October 2011 and January 2013, February 2015, and June 2016. It addresses investment objectives, investment philosophy and strategy, monitoring and evaluating performance, risk management, security lending protocol, and rebalancing investment mix. Assets may be invested in fixed income, equity and other vehicles as permitted by New York State RSSL § 176-178(a) and Banking Law § 235, the New York City Administrative Code, and the Legal Investments for New York Savings Banks list as published by the New York State Banking Department. However, investments up to 25% of total System assets may be made in instruments not expressly permitted by the RSSL.

The System does not possess an investment risk policy statement, nor does it actively manage its assets to specified risk targets. Rather, investment risk management is an inherent function of the System's asset allocation process. QPP and TDA Program assets are diversified over a broad range of asset classes and encompass multiple investment strategies aimed at limiting concentration risk.

State Street Bank and Trust Company is the primary custodian for the fixed return fund. The variable return fund assets are held in custody at Chase Bank.

Cash deposits are insured by the Federal Deposit Insurance Corporation for up to $250,000 per member of the System and are, therefore, fully insured.

Concentration of Credit Risk—The System does not have any investments in any one entity that represent 5% or more of the System's net position held in trust for benefits.

The legal requirements for the System's investments are as follows:

a. Fixed income, equity and other investments may be made as permitted by New York State RSSL §§ 176-178(a) and Banking Law § 235, the New York City Administrative Code, and the Legal Investments for New York Savings Banks list as published by The New York State Banking Department, subject to Note 3(b).

b. Investments up to 25% of total pension fund assets may be made in instruments not expressly permitted by the State RSSL.

The information reflected in the credit ratings and in the Years to Maturity is derived from the Custodian's Risk and Performance Analytics Reporting System. Such information is prepared as a result of the Custodian's Risk Management Analysis

Credit Risk—Portfolios other than U.S. Government and related portfolios have credit rating limitations. Investment grade portfolios are limited to mostly ratings of BBB and above except that they are also permitted an exposure to BB & B rated securities. While non-investment grade managers are primarily invested in BB & B rated securities, they can also invest a percentage of their portfolio in securities rated CCC. Non rated securities, excluding short-term securities, are considered to be non-investment grade. The quality ratings of investments of the fixed return fund, by percentage of the rated portfolio, as described by nationally recognized statistical rating organizations, at June 30, 2017 and 2016 are as follows:

Investment Type June 30, 2017	S&P Quality Ratings AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC+ & Below	Not Rated	Total
U.S. Government	1.00 %	3.00 %	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	48.00 %	52.00 %
Corporate bonds	-	-	1.00	1.00	1.00	3.00	3.00	5.00	4.00	4.00	3.00	3.00	3.00	4.00	2.00	3.00	2.00	2.00	44.00
Short term:																			
Commercial paper	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.00	2.00
Pooled fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.00	2.00
Discount notes and T-bills	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio	1.00 %	3.00 %	1.00 %	1.00 %	1.00 %	3.00 %	3.00 %	5.00 %	4.00 %	4.00 %	3.00 %	3.00 %	3.00 %	4.00 %	2.00 %	3.00 %	1.00 %	55.00 %	100.00 %

Investment Type June 30, 2016	S&P Quality Ratings AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC+ & Below	Not Rated	Total
U.S. Government	1.00 %	2.00 %	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	33.00 %	36.00 %
Corporate bonds	1.00	1.00	1.00	1.00	1.00	3.00	4.00	7.00	5.00	5.00	3.00	4.00	3.00	4.00	3.00	2.00	3.00	3.00	54.00
Short term:																			
Commercial paper	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7.00	7.00
Pooled fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.00	3.00
Discount notes and T-bills	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio	2.00 %	3.00 %	1.00 %	1.00 %	1.00 %	3.00 %	4.00 %	7.00 %	5.00 %	5.00 %	3.00 %	4.00 %	3.00 %	4.00 %	3.00 %	2.00 %	3.00 %	46.00 %	100.00%

The quality ratings of investments of the variable return fund, by percentage of the rated portfolio, as described by nationally recognized statistical rating organizations, at June 30, 2017 and 2016, are as follows:

Investment Type Variable Funds June 30, 2017	AAA	AA	A	BBB	BB	B	CCC & Below	Not Rated	Total
	S&P Quality Ratings								
Government*	- %	- %	- %	- %	- %	- %	- %	- %	- %
Corporate bonds	2.05	2.15	7.60	13.84	5.17	3.08	0.32	18.81	53.02
Yankee bonds	0.71	0.69	-	0.25	-	-	-	-	1.64
Municipal bonds	0.22	0.02	-	-	-	-	-	-	0.24
U.S. Agencies	-	0.78	-	-	-	-	-	-	0.78
Short-term:									
Money Market Funds	-	-	-	-	-	-	-	44.31	44.31
Percent of rated portfolio	2.98 %	3.64 %	7.60 %	14.09 %	5.17 %	3.08 %	0.32 %	63.12 %	100.00 %

Investment Type Variable Funds June 30, 2016	AAA	AA	A	BBB	BB	B	CCC & Below	Not Rated	Total
	S&P Quality Ratings								
Government*	- %	- %	- %	- %	- %	- %	- %	- %	- %
Corporate bonds	2.35	1.37	6.82	12.40	5.94	2.81	-	19.43	51.12
Yankee bonds	-	-	-	-	-	-	-	0.06	0.06
Municipal bonds	-	0.24	-	-	-	-	-	-	0.24
U.S. Agencies	-	1.37	-	-	-	-	-	-	1.37
Short-term:									-
Money Market Funds	-	-	-	-	-	-	-	47.21	47.21
Percent of rated portfolio	2.35 %	2.98 %	6.82 %	12.40 %	5.94 %	2.81 %	0.00 %	66.70 %	100.00 %

*U.S. Treasury Bonds and other securities that are obligations of the U.S. government or explicitly guaranteed by the U.S. government are not considered by JP Morgan Chase, the Variable A Custodian, to have credit risk and are not included above.

Custodial Credit Risk—Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Custodial credit risk is the risk that, in the event of a failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the System, and are held by either the counterparty or the counterparty's trust department or agent but not in the System's name.

Consistent with the System's investment policy, the investments are held by the System's custodian and registered in the System's name.

All of the System's deposits are insured and are collateralized by securities held by a financial institution separate from the System's depository financial institution.

All of the System's securities are held by the System's custodial bank in the System's name.

Interest Rate Risk—Interest rate risk is the risk that the fair value of investments could be adversely affected by the change in interest rates. Duration limits are used to control the portfolios exposure to interest rate changes. In the investment grade core Fixed Income portfolios duration is limited to a range of one year shorter than the benchmark duration to 0.75 years longer than the duration of the benchmark indices. Duration range is a measure of the overall portfolio, while statements of the stated maturity reflect the specific maturities of the individual securities held. The System has no formal risk policy. The lengths of investment maturities for fixed return fund (in years), as shown by the percent of the rated portfolio, at June 30, 2017 and 2016 are as follows:

Years to Maturity	**Investment Maturities**				
Investment Type June 30, 2017	**Fair Value**	**Less Than One Year**	**One to Five Years**	**Six to Ten Years**	**More Than Ten Years**
U.S. Government	51.83 %	0.02 %	14.24 %	14.56 %	23.01 %
Corporate bonds	44.13	1.38	14.87	16.60	11.28
Short term:					
Commercial paper	1.52	1.52	-	-	-
Pooled fund	2.17	2.17	-	-	-
Discount Notes, US Gov. & T-Bills	0.35	0.35	-	-	-
Percent of rated portfolio	100.00 %	5.43 %	29.11 %	31.16 %	34.30 %

Years to Maturity	**Investment Maturities**				
Investment Type June 30, 2016	**Fair Value**	**Less Than One Year**	**One to Five Years**	**Six to Ten Years**	**More Than Ten Years**
U.S. Government	35.90 %	0.09 %	2.11 %	6.62 %	27.08 %
Corporate bonds	54.11	1.60	15.70	20.93	15.88
Short term:					
Commercial paper	7.36	7.36	-	-	-
Pooled fund	2.63	2.63	-	-	-
Discount Notes, US Gov. & T-Bills	-	-	-	-	-
Percent of rated portfolio	100.00 %	11.68 %	17.81 %	27.55 %	42.96 %

The lengths of investment maturities (in years) of the variable return fund, as shown by the percent of the rated portfolio, at June 30, 2017 and 2016 are as follows:

Years to Maturity	**Investment Maturities**				
Investment Type June 30, 2017	**Fair Value**	**Less Than One Year**	**One to Five Years**	**Six to Ten Years**	**More Than Ten Years**
U.S. Government	21.19%	0.73%	19.34%	1.12%	0.00%
Corporate Bonds	41.79	3.75	28.81	4.93	4.30
Yankee Bonds	1.29	-	1.29	-	-
Municipal Bonds	0.19	-	0.19	-	-
U.S. Agencies	0.62	-	0.62	-	-
Short term:					
Money Market	34.92	34.92	-	-	-
Percent of rated portfolio	100.00%	39.40%	50.25%	6.05%	4.30%

Years to Maturity	**Investment Maturities**				
Investment Type June 30, 2016	**Fair Value**	**Less Than One Year**	**One to Five Years**	**Six to Ten Years**	**More Than Ten Years**
U.S. Government	24.27%	0.14%	23.53%	0.60%	0.00%
Corporate Bonds	38.71	2.23	26.60	5.14	4.74
Yankee Bonds	0.05	-	0.05	-	-
Municipal Bonds	0.18	0.16	0.02	-	-
U.S. Agencies	1.04	-	1.04	-	-
Short term:					
Money Market	35.75	35.75	-	-	-
Percent of rated portfolio	100.00%	38.28%	51.24%	5.74%	4.74%

Foreign Currency Risk— Foreign currency risk is the risk that changes in the exchange rates will adversely impact the fair value of an investment. Currency risk is present in underlying portfolios that invest in foreign stock and/or bonds. The currency markets have proven to be good diversifiers in a total portfolio context; therefore, the System has numerous managers that invest globally. In general, currency exposure is viewed as a benefit for its diversification reasons and not as an inherent risk within the portfolio. The System has no formal risk policy.

In addition, the System has investments in foreign stocks and/or bonds denominated in foreign currencies. The System's foreign currency exposures as of June 30, 2017 and 2016 in the fixed return fund are as follows (amounts in thousands of U.S. dollars):

Trade Currency	**June 30, 2017**	**June 30, 2016**
Australian Dollar	$ 10,332	$ 13,121
Brazilian Real	24,417	23,754
British Pnd Sterling	113,439	112,906
Canadian Dollar	15,059	16,420
Chilean Peso	1,524	-
Colombian Peso	1,461	275
Czech Koruna	391	-
Danish Krone	21,164	19,128
Egyptian Pound	519	438
Euro Currency	237,420	165,129
Hong Kong Dollar	138,877	85,205
Hungarian Forint	684	94
Indian Rupee	49,722	32,811
Indonesian Rupiah	13,619	8,079
Israeli Shekel	2,306	596
Japanese Yen	140,072	123,143
Malaysian Ringgit	12,789	7,958
Mexican Nuevo Peso	9,106	7,085
Moroccan Dirham	1	1
New Taiwan Dollar	46,490	21,844
New Zealand Dollar	2,250	1,868
Norwegian Krone	14,219	11,699
Pakistan Rupee	179	7
Peruvian Nouveau Sol	151	-
Philippines Peso	2,344	1,848
Polish Zloty	8,641	5,483
Renminbi Yuan	82	553
Qatari Rial	3,466	2,416
Singapore Dollar	20,315	18,414
South African Rand	27,466	19,462
South Korean Won	79,634	50,175
Swedish Krona	38,247	29,410
Swiss Franc	58,996	49,253
Thai Baht	22,460	14,555
Turkish Lira	18,072	9,535
UAE Dirham	1,304	927
Total	$ 1,137,217	$ 853,593

The foreign currency exposures of the variable return funds as of June 30, 2017 and 2016 are as follows (amounts in thousands of U.S. dollars):

Trade Currency	**June 30, 2017**	**June 30, 2016**
Australian Dollar	$ 699	$ 946
Brazilian Real	540	973
British Pnd Sterling	3,762	4,859
Canadian Dollar	1,160	1,039
Chilean Peso	32	1
Czech Koruna	4	-
Danish Krone	399	178
Egyptian Pound	3	6
Euro Currency	7,211	8,081
Hong Kong Dollar	793	959
Indonesia Rupiah	113	-
Indian Rupee	1,894	2,415
Israeli Shekel	96	164
Japanese Yen	3,859	4,767
Malaysian Ringgit	450	496
Mexican Nuevo Peso	276	427
New Zealand Dollar	32	15
Norwegian Krone	265	255
Phillipines Peso	70	76
Polish Zloty	78	158
Singapore Dollar	587	776
South African Rand	849	1,227
South Korean Won	3,040	3,683
Swedish Krona	198	360
Swiss Franc	2,465	2,803
Taiwan Dollar	1,829	2,351
Thai Baht	515	305
Turkish Lira	429	456
Uae Dirham	75	120
Total	$ 31,724	$ 37,896

Securities Lending Transactions: *Credit Risk*— The quality ratings of investments held as collateral for Securities Lending are as follows:

Investment Type and Fair Value - Fixed Return Fund Securities Lending Transactions (In thousands) June 30, 2017	S&P Quality Ratings AAA	AA	AA-	A+	A	A-	BBB+ & Below	BB	B	CCC & Below	Not Rated	Total
U.S. Government	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Corporate bonds	-	-	-	-	-	-	-	-	-	-	-	-
Yankee bonds	-	-	-	-	-	-	-	-	-	-	-	-
Short term:												
Commercial paper	-	-	-	-	-	-	-	-	-	-	-	-
Mutual funds	-	-	-	-	-	-	-	-	-	-	-	-
Money market	-	-	-	-	-	-	-	-	-	-	-	
Bank notes	-	-	-	-	-	-	-	-	-	-	-	
U.S. Agency	-	-	-	-	-	-	-	-	-	-	-	-
Reverse repurchase agreements	-	-	24,754	51,165	100,566	55,000	5,000	-	-	-	105,542	342,027
Repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-	-	-	-	-	-
Certificates of deposit — floaters	-	-	-	-	-	-	-	-	-	-	-	-
Time deposit	-	-	-	-	-	-	-	-	-	-	-	-
Cash	-	-	-	31,972	-	-	-	-	-	-	-	31,972
Uninvested	-	-	-	-	-	-	-	-	-	-	327	327
Total	$ -	$ -	$ 24,754	$ 83,137	$ 100,566	$ 55,000	$ 5,000	$ -	$ -	$ -	$ 105,869	$ 374,326
Percent of securities lending portfolio	- %	- %	6.61 %	22.21 %	26.87 %	14.69 %	1.34 %	- %	- %	- %	28.28 %	100.00 %

Investment Type and Fair Value - Fixed Return Fund Securities Lending Transactions (In thousands) June 30, 2016	S&P Quality Ratings AAA	AA	AA-	A+	A	A-	BBB+ & Below	BB	B	CCC & Below	Not Rated	Total
U.S. Government	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Corporate bonds	-	-	-	-	-	-	-	-	-	-	-	-
Yankee bonds	-	-	-	-	-	-	-	-	-	-	-	-
Short term:												
Commercial paper	-	-	-	-	-	-	-	-	-	-	-	-
Mutual funds	-	-	-	-	-	-	-	-	-	-	-	-
Money market	35,129	-	-	-	-	-	-	-	-	-	-	35,129
Bank notes	-	-	-	-	-	-	-	-	-	-	2,182	2,182
U.S. Agency	-	-	-	-	-	-	-	-	-	-	-	-
Reverse repurchase agreements	-	-	38,161	44,262	174,765	-	29,362	-	-	-	105,171	391,721
Repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-	-	-	-	-	-
Certificates of deposit — floaters	-	-	-	-	-	-	-	-	-	-	-	-
Time deposit	-	-	-	-	-	-	-	-	-	-	-	-
Cash	-	-	-	-	46,408	-	-	-	-	-	-	46,408
Uninvested	-	-	-	-	-	-	-	-	-	-	561	561
Total	$ 35,129	$ -	$ 38,161	$ 44,262	$ 221,173	$ -	$ 29,362	$ -	$ -	$ -	$ 107,914	$ 476,001
Percent of securities lending portfolio	7.38 %	- %	8.02 %	9.30 %	46.46 %	- %	6.17 %	- %	- %	- %	22.67 %	100.00 %

Investment Type and Fair Value - Variable Return Fund
Securities Lending Transactions
(In thousands)

June 30, 2017	S&P Quality Ratings								
	AAA	AA	A	BBB	BB	B	CCC & Below	Not Rated	Total
U.S. Government	$ -	$ 1,500	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,500
Corporate bonds	-	-	-	-	-	-	-	-	-
Yankee bonds	-	-	-	-	-	-	-	-	-
Short term:									
Commercial paper	-	-	-	-	-	-	-	-	-
Mutual funds	-	-	-	-	-	-	-	-	-
Money market	-	-	-	-	-	-	-	-	-
Bank notes	-	-	-	-	-	-	-	-	-
U.S. Agency	-	-	-	-	-	-	-	-	-
Reverse repurchase agreements	-	-	-	-	-	-	-	-	-
Repurchase agreements	1,039	3,995	-	-	-	-	-	-	5,034
Certificates of deposit	-	-	-	-	-	-	-	-	-
Certificates of deposit — floaters	-	-	-	-	-	-	-	-	-
Time deposit	-	-	-	-	-	-	-	-	-
Cash	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	$ 1,039	$ 5,495	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,534
Percent of securities lending portfolio	15.90 %	84.10 %	- %	- %	- %	- %	- %	- %	100.00 %

Investment Type and Fair Value - Variable Return Fund
Securities Lending Transactions
(In thousands)

June 30, 2016	S&P Quality Ratings								
	AAA	AA	A	BBB	BB	B	CCC & Below	Not Rated	Total
U.S. Government	$ -	$ 4,844	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,844
Corporate bonds	-	-	-	-	-	-	-	-	-
Yankee bonds	-	-	-	-	-	-	-	-	-
Short term:									
Commercial paper	-	-	-	-	-	-	-	-	-
Mutual funds	-	-	-	-	-	-	-	-	-
Money market	-	-	-	-	-	-	-	-	-
Bank notes	-	-	-	-	-	-	-	-	-
U.S. Agency	-	-	-	-	-	-	-	-	-
Reverse repurchase agreements	-	-	-	-	-	-	-	-	-
Repurchase agreements	9,496	2,922	-	-	-	-	-	-	12,418
Certificates of deposit	-	-	-	-	-	-	-	-	-
Certificates of deposit — floaters	-	-	-	-	-	-	-	-	-
Time deposit	-	-	-	-	-	-	-	-	-
Cash	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	2	2
Total	$ 9,496	$ 7,766	$ -	$ -	$ -	$ -	$ -	$ 2	$ 17,264
Percent of securities lending portfolio	55.01 %	45 %	- %	- %	- %	- %	- %	1.00 %	100.00 %

Interest Rate Risk—The lengths of investment maturities (in years) of the collateral for Securities Lending are as follows:

Years to Maturity Fixed Return Fund (In thousands) June 30, 2017	**Investment Maturities**				
	Fair Value	**Less Than One Year**	**One to Five Years**	**Six to Ten Years**	**More Than Ten Years**
U.S. Government	$ -	$ -	$ -	$ -	$ -
Corporate bonds	-	-	-	-	-
Yankee bonds	-	-	-	-	-
Short term:					
Commercial paper	-	-	-	-	-
Mutual fund	-	-	-	-	-
Money market	-	-	-	-	-
Bank notes	-	-	-	-	-
U.S. Treasury	-	-	-	-	-
U.S. Agency	-	-	-	-	-
Reverse repurchase agreements	342,027	342,027	-	-	-
Repurchase agreements	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
Certificates of deposit—floaters	-	-	-	-	-
Time deposit	-	-	-	-	-
Cash	31,972	31,972	-	-	-
Uninvested	327	327	-	-	-
Total	$ 374,326	$ 374,326	$ -	$ -	$ -
Percent of securities lending portfolio	100.00 %	100.00 %	- %	- %	- %

Years to Maturity Fixed Return Fund (In thousands) June 30, 2016	**Investment Maturities**				
	Fair Value	**Less Than One Year**	**One to Five Years**	**Six to Ten Years**	**More Than Ten Years**
U.S. Government	$ -	$ -	$ -	$ -	$ -
Corporate bonds	-	-	-	-	-
Yankee bonds	-	-	-	-	-
Short term:					
Commercial paper	-	-	-	-	-
Mutual fund	-	-	-	-	-
Money market	35,129	35,129	-	-	-
Bank notes	2,181	2,181	-	-	-
U.S. Treasury	-	-	-	-	-
U.S. Agency	-	-	-	-	-
Reverse repurchase agreements	391,721	391,721	-	-	-
Repurchase agreements	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
Certificates of deposit—floaters	-	-	-	-	-
Time deposit	-	-	-	-	-
Cash	46,408	46,408	-	-	-
Other	562	562	-	-	-
Total	$ 476,001	$ 476,001	$ -	$ -	$ -
Percent of securities lending portfolio	100.00 %	100.00 %	- %	- %	- %

Years to Maturity Variable Return Fund (In thousands) June 30, 2017	**Fair Value**	**Investment Maturities: Less Than One Year**	**One to Five Years**	**Six to Ten Years**	**More Than Ten Years**
U.S. Government	$ 1,500	$ 208	$ 598	$ 376	$ 317
Corporate bonds	-	-	-	-	-
Yankee bonds	-	-	-	-	-
Short term:					
Commercial paper	-	-	-	-	-
Mutual fund	-	-	-	-	-
Money market	-	-	-	-	-
Bank notes	-	-	-	-	-
U.S. Agency	-	-	-	-	-
Reverse repurchase agreements	-	-	-	-	-
Repurchase agreements	5,034	5,034	-	-	-
Certificates of deposit	-	-	-	-	-
Certificates of deposit — floaters	-	-	-	-	-
Time deposit	-	-	-	-	-
Cash	-	-	-	-	-
Other	-	-	-	-	-
Total	$ 6,534	$ 5,242	$ 598	$ 376	$ 317
Percent of securities lending portfolio	100.00 %	80.22 %	9.15 %	5.76 %	4.86 %

Years to Maturity Variable Return Fund (In thousands) June 30, 2016	**Fair Value**	**Investment Maturities: Less Than One Year**	**One to Five Years**	**Six to Ten Years**	**More Than Ten Years**
U.S. Government	$ 4,844	$ 1,266	$ 1,573	$ 1,101	$ 904
Corporate bonds	-	-	-	-	-
Yankee bonds	-	-	-	-	-
Short term:					
Commercial paper	-	-	-	-	-
Mutual fund	-	-	-	-	-
Money market	-	-	-	-	-
Bank notes	-	-	-	-	-
U.S. Treasury	-	-	-	-	-
U.S. Agency	-	-	-	-	-
Reverse repurchase agreements	-	-	-	-	-
Repurchase agreements	12,418	12,418	-	-	-
Certificates of deposit	-	-	-	-	-
Certificates of deposit — floaters	-	-	-	-	-
Time deposit	-	-	-	-	-
Cash	-	-	-	-	-
Other	2	-	-	-	-
Total	$ 17,264	$ 13,684	$ 1,573	$ 1,101	$ 904
Percent of securities lending portfolio	100.00 %	79.27 %	9.11 %	6.38 %	5.24 %

For the years ended June 30, 2017 and 2016, the annual money-weighted rate of return on the System's fixed return fund investments, net of investment expense on the System's fixed return fund, was 15.33% and 0.20%.The money-weighted rate of return expresses investment performance, net of investment expense adjusted for the changing amounts actually invested.

In Fiscal Year 2015, the System adopted GASB Statement No. 72 ("GASB 72"), *Fair Value Measurement and Application*. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurements.

The System categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The System has the following recurring fair value measurements as of June 30, 2017 and June 30, 2016:

Fixed Return Funds GASB 72 Disclosure (In thousands)	**2017**			
	Level One	**Level Two**	**Level Three**	**Total**
INVESTMENTS—At fair value				
Short-term investments:				
Commercial paper	$ -	$ 21,496	$ -	$ 21,496
Short-term investment fund	-	30,587	-	30,587
Discount notes	-		-	-
Debt securities				
US Govertment and agency	-	595,874	-	595,874
Corporate and other	-	501,718	5,588	507,306
Equity securities	145,421	10	-	145,431
Alternative investments	-	-	612,677	612,677
Collective trust funds:				
International equity	1,251,481	-	147	1,251,628
Fixed income	-	5,254	108,708	113,962
Domestic equity	1,738,135	-	-	1,738,135
Mortgage debt security	-	6,135	24,790	30,925
Treasury inflation protected securities	-	236,943	-	236,943
Collateral from Securities lending	-	374,326	-	374,326
	$ 3,135,037	$ 1,772,343	$ 751,910	$ 5,659,290

Fixed Return Funds GASB 72 Disclosure (In thousands)	**2016**			
	Level One	**Level Two**	**Level Three**	**Total**
INVESTMENTS—At fair value				
Short-term investments:				
Commercial paper	$ -	$ 71,888	$ -	$ 71,888
Short-term investment fund	-	35,933	-	35,933
Discount notes	-	-	-	-
Debt securities		873,890	5,872	879,762
Equity securities	291,144	-	-	291,144
Alternative investments	-	-	506,922	506,922
Collective trust funds:				
International equity	926,562	16,349	-	942,911
Fixed income	1,682	8,047	96,955	106,684
Domestic equity	1,401,395	270	-	1,401,665
Mortgage debt security	-	6,213	22,743	28,956
Treasury inflation protected securities	-	218,608	-	218,608
Collateral from securities lending	-	476,001	-	476,001
	$ 2,620,783	$ 1,707,199	$ 632,492	$ 4,960,474

Note: Collective Trust Funds are reported using NAV

Equity and Fixed Income Securities—Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets issued by pricing vendors for these securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the various pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Debt and equity securities classified in Level 3 of the fair value are securities whose stated market price is unobservable by the market place; many of these securities are priced by the issuers or industry groups for these securities. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank. Collective Trust funds are reported using NAV. The Debt and equity securities held in Collective Trust Funds are held in those funds on behalf of the pension system and there is no restriction on the use and or liquidation of those assets for the exclusive benefit of the funds participants.

Alternative Investments—Alternative investments include private equity, real estate, opportunistic fixed income, and infrastructure investments. These are investments for which exchange quotations are not readily available and are valued at estimated fair value, as determined in good faith by the General Partner ("GP"). These investments are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results and other factors deemed relevant by the GP. The assets in our alternative investment program are classified as Level 3 assets. A more detailed explanation of the Level 3 valuation methodologies follows:

Investments in non-public equity securities are valued by the GP using one or more valuation methodologies outlined in Accounting Standard Codification ("ASC") 820, depending upon the availability of data required by each methodology. In some cases, the GP may use multiple approaches to estimate a valuation range. For the immediate time period following a transaction, the determination of fair value for equity securities, in which no liquid trading market exists, can generally be approximated based on the transaction price (absent any significant developments). Thereafter, or in the interim, if significant developments relating to such portfolio company or industry occur which may suggest a material change in value, the GP should value each investment by applying generally accepted valuation methods including: (1) the market approach (such as market transaction and comparable public company multiples, which are based on a measurement of the company's historical and projected financial performance with typical metrics including enterprise value/latest 12 months EBITDA or projected fiscal year EBITDA) or (2) the income or discounted cash flow approach.

In the market approach, valuation multiples that are relevant to the industry and company in the investments held should be considered and relied upon. Valuation multiples should be assessed and may be adjusted on a go-forward basis based on the business risk associated with the subject company in which the investment is held. In addition, the implied entry multiples should be considered as benchmarks in valuing unlisted equity. In circumstances where no financial performance metrics are available, the GP should rely on other non-financial related metrics applicable to relevant progress from the original investment date to the valuation date. In the income or discounted cash flow approach, forecasted cash flows that may be generated by the subject company are discounted to present value at an appropriate discount rate. These methodologies can be utilized to determine an enterprise value ("Enterprise Valuation Methodologies") from which net debt is subtracted to estimate equity value.

The determination of fair value using these methodologies should take into consideration a range of factors, including but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. Because of the subjective nature of estimated fair value of the private investments, such value may differ significantly from the values that would have been used had a ready market existed for these investments. These financial instruments have been classified as Level 3 in the fair value hierarchy.

Certain alternative investments have additional future commitments. Others have redemption notice requirements and redemption restrictions. Management does not believe these commitments, notice requirements, and redemptions restrictions have a material effect on the fair value of the portfolio of investments.

Variable-Return Funds
GASB 72 Disclosure
As of June 30, 2017
(In thousands)

	Level 1	Level 2	Level 3	Total
Variable return funds:				
Short term investments	$ -	$ 5,431	$ -	$ 5,431
Debt securities	-	8,703	69	8,772
Equities	411,141	79,551	3	490,695
Collateral from securities lending	-	6,534	-	6,534
	$ 411,141	$ 100,219	$ 72	$ 511,432

Variable-Return Funds
GASB 72 Disclosure
As of June 30, 2016
(In thousands)

	Level 1	Level 2	Level 3	Total
Variable return funds:				
Short term investments	$ -	$ 6,079	$ -	$ 6,079
Debt securities	-	10,390	-	10,390
Equities	391,311	44,475	21	435,807
Collateral from securities lending	-	17,264	-	17,264
	$ 391,311	$ 78,208	$ 21	$ 469,540

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.
Equity Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.
Equity securities classified in Level 3 of the fair value hierarchy are valued using discounted cash flow techniques.

4. CONTRIBUTIONS AND ACTUARIAL ASSUMPTIONS

The financial objective of the QPP is to fund members' retirement benefits during their active service and to establish employer contribution rates which, expressed as a percentage of annualized covered payroll, will remain approximately level from year to year. The Employer contributes amounts that, together with Member Contributions and investment income, would ultimately be sufficient to accumulate assets to pay benefits when due.

Contributions to the TDA program are made on a voluntarily basis by certain members of the QPP.

Member Contributions

- Members who joined the QPP prior to July 1, 1973 (“Tier 1”) contribute on the basis of a normal rate of contribution which is assigned by the QPP at membership, and which is dependent upon age and actuarial tables in effect at the time of membership. Tier 1 members can also make Increased Take Home Pay (“ITHP”) contributions, for which they can receive an additional annuity after retirement

- Members who joined after July 1, 1973 and before July 27, 1976 (“Tier 2”) also contribute on the basis of a normal rate of contribution which is assigned by the QPP at membership, and which is dependent upon age and actuarial tables in effect at the time of membership. Note that the actuarial tables are different in Tier 2. Tier 2 members can also make ITHP contributions, for which they can receive an additional annuity after retirement.

- Members who joined after July 27, 1976 and before April 1, 2012 (“Tier 4”) contribute 3% of salary until the earlier of the 10th anniversary of their membership date, or upon the completion of 10 years of credited service. Certain Tier 4 members are enrolled in special early retirement plans and must therefore also make Additional Member Contributions (“AMC”), depending on the specific plan.

- Members who joined on or after April 1, 2012 (“Tier 6”) are required to make Basic Member Contributions (“BMC”) until they separate from service or until they retire. The BMC rate is dependent on annual wages earned during a plan year and ranges from 3% for salaries less than $45,000 to 6% for salaries greater than $100,000. Certain Tier 6 members are enrolled in special early retirement plans and must therefore also make Additional Member Contributions (“AMC”), depending on the specific plan.

Employer Contributions—Statutorily-required contributions (“Statutory Contributions”) to the QPP, determined by the System’s Chief Actuary of the Office of the Actuary (the “Actuary”) in accordance with State statutes and City laws, are generally funded by the employer within the appropriate fiscal year.

5. QPP NET PENSION LIABILITY

The components of the net pension liability of the Employers at June 30, 2017 and 2016 were as follows:

(In thousands)	2017	2016
Total pension liability	$ 5,073,339	$ 4,800,698
Fiduciary net position *	4,099,571	3,416,433
Employers’ net pension liability	$ 973,768	$ 1,384,265
Fiduciary net position as a percentage of the total pension liability	80.80 %	71.20 %

* Such amounts represent the preliminary Systems’ fiduciary net position and may differ from the final Systems’ fiduciary net position.

Actuarial Methods and Assumptions—The total pension liability as of June 30, 2017 and 2016 were determined by actuarial valuations as of June 30, 2015 and June 30, 2014, respectively, that were rolled forward to develop the total pension liability to the respective fiscal year end. The following actuarial assumptions were applied to all periods included in the measurement:

Projected Salary Increases*	In general, merit and promotion increases plus assumed general wage increases of 3.0% per annum.
Investment Rate of Return*	7.0% per annum, net of investment expenses.
COLAs*	1.5% per annum for Auto COLA 2.5% per annum for escalation.

*Developed assuming a long-term Consumer Price Inflation assumption of 2.5% per annum.

Mortality tables for Service and Disability pensioners were developed from an experience study of the QPP. The mortality tables for beneficiaries were also developed from an experience review.

Pursuant to Section 96 of the New York City Charter, studies of the actuarial assumptions used to value liabilities of the five actuarially-funded New York City Retirement Systems (“NYCRS”) are conducted every two years.

Expected Rate of Return on Investments—The long-term expected rate of return on QPP investments was determined using a building-block method in which best-estimate ranges of expected real rates of return (i.e., expected returns, net of QPP investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
U.S. public market equities	30.00 %	5.70 %
International public market equities	13.00	6.10
Emerging public market equities	7.00	7.60
Private market equities	9.00	8.10
Fixed income (Core, TIPS, Opportunistic)	28.00	3.00
Alternatives (Real assets, Hedge funds)	13.00	4.70
Total	100.00 %	

Discount Rate—The discount rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable to the current Tier for each member and that Employer contributions will be made at rates as determined by the Actuary. Based on those assumptions, the QPP’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and non-active QPP members. Therefore, the long-term expected rate of return on QPP investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability of the Employers, calculated using the discount rate of 7.0%, as well as what the Employers’ net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

(In thousands)	1% Decrease (6%)	Discount Rate (7%)	1% Increase (8%)
Employers' net pension liability—June 30, 2017	$ 1,569,616	$ 973,768	$ 474,279

6. MEMBER LOANS

Members of the QPP are permitted to borrow up to 75% of their employee contribution account balances, including accumulated interest, subject to the limitations of Section 72 of the Internal Revenue Code. The balance of QPP member loans receivable at June 30, 2017 and 2016 is $47.93 million and $46.75 million, respectively. When a member withdraws from the QPP with an outstanding QPP loan balance, this outstanding QPP loan balance will be deducted from the refund of the member's contribution balance. When a member retires with an outstanding QPP loan balance, the member's retirement benefit will be reduced by the actuarial value of the amount of the outstanding QPP loan balance, unless this balance is paid off.

Members of the TDA Program are permitted to borrow up to 75% of their TDA Program account balances, including accumulated interest, subject to the limitations of Section 72 of the Internal Revenue Code. The balance of TDA Program member loans receivable at June 30, 2017 and 2016 is $40.75 million and $38.92 million, respectively.

7. RELATED PARTIES

The Comptroller has been appointed by law as custodian for the assets of the QPP and the TDA Program. QPP fixed return fund securities are held by certain banks under custodial agreements with the Comptroller. The Comptroller also provides cash receipt and cash disbursement services to the System. Actuarial services are provided to the System by the New York City Office of the Actuary. The City's Corporation Counsel provides legal services to the System. Other administrative services are also provided by the City. Costs of $1.32 million and $1.03 million were incurred on behalf of the System by other City agencies, primarily the Comptroller's Office for 2017 and 2016, respectively. The fixed return fund assets of the QPP are co-invested with those of the TDA Program. The variable return fund assets of the QPP are co-invested with those of the TDA Program and TRS (see Note 2). TRS holds the assets of the variable return fund.

8. ADMINISTRATIVE EXPENSES

In Fiscal Years 2017 and 2016, as per Chapter 307 of the New York State Laws of 2002, The Plan provided BERS with Corpus funding for administrative expenses in the amount of $15.61 million and $13.67 million, respectively.

9. CONTINGENT LIABILITIES AND OTHER MATTERS

Contingent Liabilities—The System has claims pending against it and has been named as a defendant in lawsuits and also has certain other contingent liabilities. Management of the System, on the advice of legal counsel, believes that such proceedings and contingencies will not have a material effect on the net position of the System or changes in the net position of the System. Under the existing State statutes and

City laws that govern the functioning of the System, increases in the obligations of the System to members and beneficiaries ordinarily result in increases in the obligations of the New York City Board of Education to the System.

Actuarial Audit—Pursuant to Section 96 of the New York City Charter, studies of the actuarial assumptions used to value liabilities of the five actuarially-funded New York City Retirement Systems ("NYCRS") are conducted every two years.

Refer to Note 5 for the results of the most recent actuarial audits for the QPP.

Revised Actuarial Assumptions and Methods—In accordance with the ACNY and with appropriate practice, the Boards of Trustees of the five actuarially-funded NYCRS are to periodically review and adopt actuarial assumptions as proposed by the Actuary for use in the determination of Employer Contributions.

New York State Legislation (only significant laws since Fiscal Year 2012 included)

Chapter 18 of the Laws of 2012 ("Chapter 18/12") placed certain limitations on the Tier 3 and Tier 4 benefits available to participants hired on and after April 1, 2012 in most New York State PERS, including BERS. These changes are sometimes referred to as Tier 6.

Chapter 3 of the Laws of 2013 ("Chapter 3/13") implemented changes in the actuarial procedures for determining Employer Contributions beginning Fiscal Year 2012. In particular, Chapter 3/13 continued the One-Year Lag Methodology ("OYLM"), employed the Entry Age Actuarial Cost Method ("EAACM"), established an Actuarial Interest Rate ("AIR") assumption of 7.0% per annum, net of investment expenses, and defined the amortization of Unfunded Actuarial Accrued Liabilities ("UAAL").

Chapter 489 of the Laws of 2013 extended the Notice of Participation filing deadline to September 11, 2014 for vested members to file a sworn statement indicating participation in the World Trade Center Rescue, Recovery, and Clean-up Operations.

Chapter 427 of the Laws of 2014 ("Chapter 427/14") provides non-contributory retirement service credit for members called to active military duty on or after September 11, 2001 and prior to January 1, 2006 who did not receive their full salary from a participating employer and is otherwise eligible to receive retirement service credit for such service. Such member would not be required to make member contributions to receive such credit.

Chapter 510 of the Laws of 2015 ("Chapter 510/15") clarifies for Tier 6 the definition of multiple employers for the purpose of exclusion of wages and changes the plan year for contributions from plan year April 1 to March 31 to plan year January 1 to December 31.

Chapter 41 of the Laws of 2016 was enacted on May 31, 2016. This amendment removes the specified periods of time, medal requirements, and theaters of operation in which military service would had to have been rendered for a service purchase pursuant to New York State Retirement and Social Security Law ("RSSL") § 1000. Accordingly, for a member to be eligible to purchase service credit pursuant to RSSL § 1000 for pre-membership military service, the member need only have been honorably discharged from the military; all other requirements of RSSL § 1000 remain the same. This law is not retroactive and does not permit retired members to purchase service credit.

Chapter 326 of the Laws of 2016, enacted on September 11, 2016, extends the deadline to file a Notice of Participation in the World Trade Center Rescue, Recovery, and Clean-up Operations to September 11, 2018. Proper filing of a Notice of Participation is a requirement for a member to be eligible for a World Trade Center disability or death benefit.

Chapter 438 of the Laws of 2016, enacted on November 14, 2016, amends Retirement and Social Security Law Section 43 to eliminate restrictions upon transferring between public retirement systems.

NEW YORK CITY BOARD OF EDUCATION RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
QUALIFIED PENSION PLAN
SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS
(In thousands)

	2017	2016	2015	2014
Total pension liability:				
Service cost	$ 168,625	$ 153,107	$ 147,898	$ 142,687
Interest	346,509	320,315	299,592	288,162
Change of benefit terms	-	-	-	-
Differences between expected and actual experience	19,938	(75,907)	50,148	-
Changes of assumptions	-	183,677	-	-
Benefit payments and withdrawals	(262,432)	(240,727)	(223,244)	(214,315)
Net change in total pension liability	272,640	340,465	274,394	216,534
Total pension liability—beginning	4,800,698	4,460,233	4,185,839	3,969,305
Total pension liability—ending (a)	5,073,338	4,800,698	4,460,233	4,185,839
Plan fiduciary net position:				
Employer contributions	288,233	265,532	258,099	214,590
Member contributions	39,821	38,581	39,564	37,193
Net investment income	862,510	164,144	177,166	875,453
Payment of interest on TDA program fixed return funds	(106,554)	(94,789)	(85,104)	(206,615)
Benefit payments and withdrawals	(262,432)	(240,727)	(223,244)	(214,315)
Administrative expenses	(15,486)	(12,818)	(10,956)	(9,776)
Other	(122,954)	(157,499)	(52,021)	(70,916)
Net change in plan fiduciary net position	683,138	(37,576)	103,504	625,614
Plan fiduciary net position—beginning	3,416,433	3,454,009	3,350,505	2,653,652
Plan fiduciary net position—ending (b)	4,099,571	3,416,433	3,454,009	3,279,266
BERS' net pension liability—ending (a)-(b)	$ 973,767	$ 1,384,265	$ 1,006,224	$ 906,573
Plan fiduciary net position as a percentage of the total pension liability	80.80 %	71.20 %	77.40 %	78.34 %
Covered-employee payroll[1]	$ 1,052,171	$ 1,008,056	$ 1,016,822	$ 989,168
City's net pension liability as percentage of covered-employee payroll	92.50 %	137.30 %	99.00 %	91.65 %

Additionally in accordance with GASB No. 67, Paragraph 50, such information was not readily available for periods prior to 2014.

1. Projected Employee Payroll at Time 1.0 under One-Year Lag Methodology.

NEW YORK CITY BOARD OF EDUCATION RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
QUALIFIED PENSION PLAN
SCHEDULE OF EMPLOYERS' CONTRIBUTIONS
(In thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	$ 288,233	$ 265,532	$ 258,099	$ 214,590	$ 196,246	$ 213,651	$ 180,191	$ 147,349	$ 134,225	$ 143,100
Contributions in relation to the actuarially determined contribution	288,233	265,532	258,099	214,590	196,246	213,651	180,191	147,349	134,225	143,100
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 1,052,171	$ 1,008,056	$ 1,016,822	$ 989,168	$ 886,186	$ 879,476	$ 880,656	$ 826,782	$ 755,516	$ 729,098
Contributions as a percentage of covered-employee payroll	27.39 %	26.34 %	25.38 %	21.69 %	22.15 %	24.29 %	20.46 %	17.82 %	17.77 %	19.63 %

(Continued)

NEW YORK CITY BOARD OF EDUCATION RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
QUALIFIED PENSION PLAN
NOTES TO SCHEDULE OF EMPLOYERS' CONTRIBUTIONS

The above actuarially determined contributions were developed using a One-Year Lag Methodology, under which the actuarial valuation determines the employer contribution for the second following fiscal year (e.g. Fiscal Year 2017 contributions were determined using an actuarial valuation as of June 30, 2015). The methods and assumptions used to determine the actuarially determined contributions are as follows:

Valuation Dates	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009–June 30, 2006
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Frozen Initial Liability[1]
Amortization method for unfunded actuarial accrued liabilities:							
Initial unfunded	Increasing dollar	Increasing dollar	Increasing dollar	Increasing dollar	Increasing dollar	Increasing dollar	NA[2]
Post-2010 unfundeds	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar	NA[2]
Remaining amortization period:							
Initial unfunded	17 years (closed)	18 years (closed)	19 years (closed)	20 years (closed)	21 years (closed)	22 years (closed)	NA[2]
2010 ERI	1 year (closed)	2 years (closed)	3 years (closed)	4 years (closed)	5 years (closed)		
2011 Actuarial gain/loss	11 years (closed)	12 years (closed)	13 years (closed)	14 years (closed)	15 years (closed)	NA	NA[2]
2012 Actuarial gain/loss	12 years (closed)	13 years (closed)	14 years (closed)	15 years (closed)	NA	NA	NA[2]
2013 Actuarial gain/loss	13 years (closed)	14 years (closed)	15 years (closed)	NA	NA	NA	NA[2]
2014 Actuarial gain/loss	14 years (closed)	15 years (closed)	NA	NA	NA	NA	NA[2]
2015 Actuarial gain/loss	15 years (closed)	NA	NA	NA	NA	NA	NA[2]
Actuarial Asset Valuation (AAV) method	Modified six-year moving average of market values with a "Market Value Restart" as of June 30, 2011. The June 30, 2010 AAV is defined to recognize Fiscal Year 2010 investment performance.[4]	Modified six-year moving average of market values with a "Market Value Restart" as of June 30, 2011. The June 30, 2010 AAV is defined to recognize Fiscal Year 2010 investment performance.[4]	Modified six-year moving average of market values with a "Market Value Restart" as of June 30, 2011. The June 30, 2010 AAV is defined to recognize Fiscal Year 2011 investment performance.[4]	Modified six-year moving average of market values with a "Market Value Restart" as of June 30, 2011. The June 30, 2010 AAV is defined to recognize Fiscal Year 2011 investment performance.[4]	Modified six-year moving average of market values with a "Market Value Restart" as of June 30, 2011. The June 30, 2010 AAV is defined to recognize Fiscal Year 2011 investment performance.	Modified six-year moving average of market values with a "Market Value Restart" as of June 30, 2011. The June 30, 2010 AAV is defined to recognize Fiscal Year 2011 investment performance.	Modified six-year moving average of market values with "Market Value Restart" as of June 30, 1999.

(Continued)

See Independent Auditors' Report

Valuation Dates	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009– June 30, 2006
Actuarial assumptions:							
Assumed rate of return[3]	7.0% per annum, net of investment expenses	7.0% per annum, net of investment expenses	7.0% per annum, net of investment expenses	7.0% per annum, net of investment expenses	7.0% per annum, net of investment expenses	7.0% per annum, net of investment expenses	8.0% per annum, gross of investment expenses
Post-retirement mortality	Tables adopted by Board of Trustees during Fiscal Year 2016	Tables adopted by Board of Trustees during Fiscal Year 2016	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2006
Active service: withdrawal, death, disability, service retirement	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2006[4]
Salary increases[3]	In general, merit and promotion increases plus assumed general increases of 3.0% per year.	In general, merit and promotion increases plus assumed general increases of 3.0% per year.	In general, merit and promotion increases plus assumed general increases of 3.0% per year.	In general, merit and promotion increases plus assumed general increases of 3.0% per year.	In general, merit and promotion increases plus assumed general increases of 3.0% per year.	In general, merit and promotion increases plus assumed general increases of 3.0% per year.	In general, merit and promotion increases plus assumed general increases of 3.0% per year.
Cost-of-living adjustments[3]	1.5% per annum for Auto COLA. 2.5% per annum for Escalation.	1.5% per annum for Auto COLA. 2.5% per annum for Escalation.	1.5% per annum for Auto COLA. 2.5% per annum for Escalation.	1.5% per annum for Auto COLA. 2.5% per annum for Escalation.	1.5% per annum for Auto COLA. 2.5% per annum for Escalation.	1.5% per annum for Auto COLA. 2.5% per annum for Escalation.	1.3% per annum

1. Under this actuarial cost method, the Initial Liability was reestablished as of June 30, 1999, by the Entry Age Actuarial Cost Method but with the unfunded actuarial accrued liability (UAAL) not less than $0.

The financial results using this Frozen Initial Liability Actuarial Cost Method are the same as those that would be produced using the Aggregate Actuarial Cost Method.

2. In conjunction with Chapter 85 of the Laws of 2000, there is an amortization method. However, the June 30, 1999 UAAL for the QPP equaled $0 and no amortization period was required.

3. Developed using a long-term Consumer Price Inflation assumption of 2.5% per year.

4. As of June 30, 2014 (Lag) valuation, the AAV is constrained to be no more than 20% of Market Value.

NEW YORK CITY BOARD OF EDUCATION RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
QUALIFIED PENSION PLAN
SCHEDULE OF INVESTMENT RETURNS

The following table displays annual money-weighted rate of return, net of investment expense, for each of the past four fiscal years:

Fiscal Year Ended	Money-Weighted Rate of Return
June 30, 2017	15.33%
June 30, 2016	0.20%
June 30, 2015	3.15%
June 30, 2014	19.51%

Note: In accordance with GASB No. 67, paragraph 50. Such information was not readily available for periods prior to 2014.