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Deputy Comptroller /  
Chief Investment Officer

THE CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
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**MEMORANDUM**

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

**FROM:** Larry Schloss

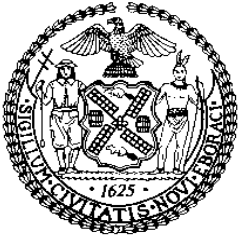
**DATE:** May 28, 2010

**RE:** **Teachers' Retirement System of the City of New York Investment Meeting  
June 3, 2010**

Enclosed is a copy of the public agenda for the June 3, 2010 Investment Meeting to be held at 55 Water Street, 16th Floor Conference Room beginning at 9:30 a.m.

Please remember to bring your **quarterly book** with you to the meeting; it will be mailed to you.

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



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

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John C. Liu  
COMPTROLLER

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

## **INVESTMENT MEETING**

**JUNE 3, 2010**

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

## **INVESTMENT MEETING**

**JUNE 3, 2010**

### **PUBLIC AGENDA**

	<b>Page</b>
I. Performance Reviews: (45 Minutes)	
• Flash Report (Handout)	---
• Quarterly Reports:	
➤ Overall Performance – March 31, 2010 (To be distributed)	
➤ ETI Quarterly Report – March 31, 2010	5
➤ Real Estate Quarterly Report – December 31, 2009	12
➤ Private Equity Quarterly Report – December 31, 2009	20

## **PUBLIC AGENDA**

## I. Performance Reviews:

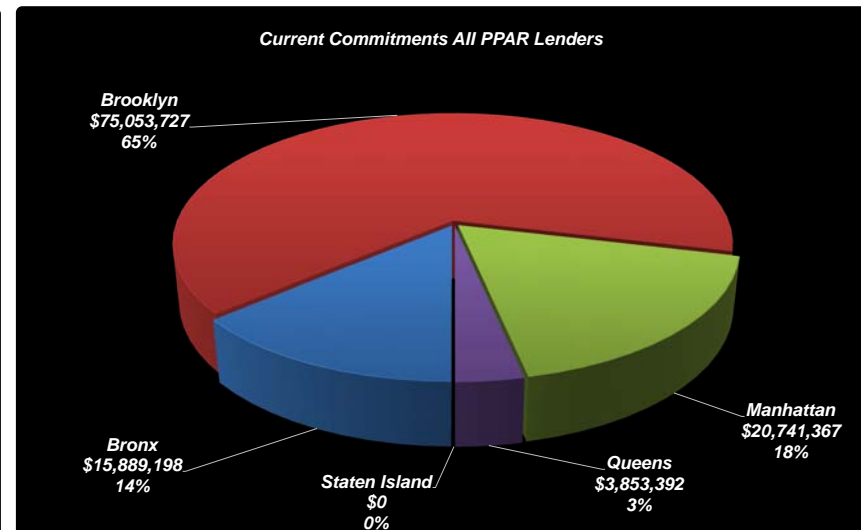
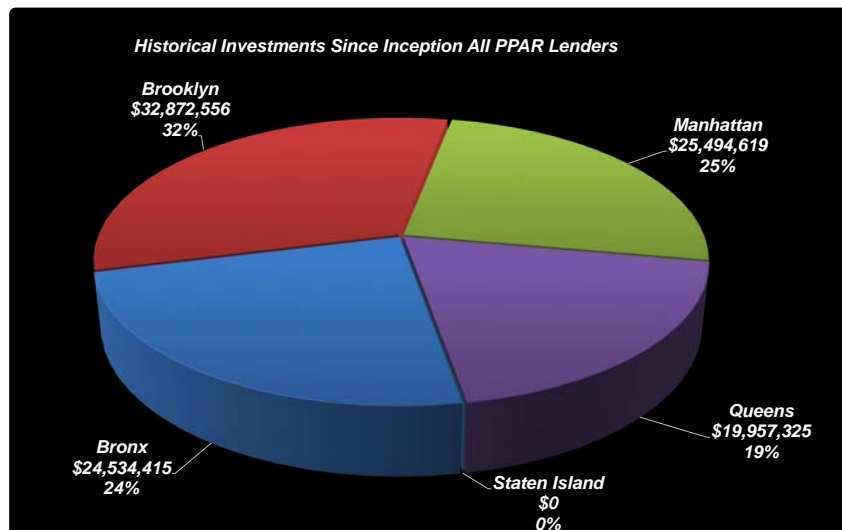
## **ETI QUARTERLY REPORT**

The City of New York - Office of the Comptroller  
Bureau of Asset Management  
TRS Economically Targeted Investments Quarterly Report  
Collateral Benefits as of 3/31/2010

**Public/Private Apartment Rehabilitation Program (PPAR)**

<b>Lenders*</b>	<b>CPC</b>		<b>NHS</b>		<b>CCD</b>		<b>CCB</b>		<b>NCBCI</b>		<b>LIIF</b>		<b>All Lender Totals</b>	
	<b>Dollars</b>	<b>Units</b>	<b>Dollars</b>	<b>Units</b>	<b>Dollars</b>	<b>Units</b>	<b>Dollars</b>	<b>Units</b>	<b>Dollars</b>	<b>Units</b>	<b>Dollars</b>	<b>Units</b>	<b>Dollars</b>	<b>Units</b>
<b>Contractual Commitments</b>	\$235,000,000	n/a	\$5,000,000	n/a	\$13,200,000	n/a	\$49,500,000	n/a	\$8,250,000	n/a	\$8,250,000	n/a	\$319,200,000	n/a
<b>Current Market Value</b>	\$62,154,411	n/a	\$526,485	n/a	\$1,672,282	n/a	\$793,773	n/a	\$196,484	n/a	\$1,787,233	n/a	\$67,130,668	n/a
<b>Commitments 1Q 10</b> (included in total)														
Bronx	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0
Brooklyn	4,316,916	169	0	0	0	0	0	0	50,457	6	0	0	4,367,373	175
Manhattan	0	0	0	0	1,227,683	50	919,741	61	316,763	18	0	0	2,464,187	129
Queens	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Staten Island	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>\$4,316,916</b>	<b>169</b>	<b>\$0</b>	<b>0</b>	<b>\$1,227,683</b>	<b>50</b>	<b>\$919,741</b>	<b>61</b>	<b>\$367,220</b>	<b>24</b>	<b>\$0</b>	<b>0</b>	<b>\$6,831,560</b>	<b>280</b>
<b>Delivered 1Q 10</b> (included in total)														
Bronx	\$1,540,000	64	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$1,540,000	64
Brooklyn	2,096,483	54	105,400	1	0	0	0	0	0	0	0	0	2,201,883	55
Manhattan	3,465,179	563	0	0	0	0	0	0	0	0	0	0	3,465,179	563
Queens	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Staten Island	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>\$7,101,661</b>	<b>681</b>	<b>\$105,400</b>	<b>1</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$7,207,061</b>	<b>682</b>
<b>Total Commitments</b>														
Bronx	\$15,006,448	1,022	\$0	0	\$882,750	76	\$0	0	\$0	0	\$0	0	\$15,889,198	1,098
Brooklyn	69,530,051	2,043	74,813	4	5,398,407	65	0	0	50,457	6	0	0	75,053,727	2,118
Manhattan	14,576,432	877	0	0	2,560,939	221	919,741	61	2,296,505	209	387,750	23	20,741,367	1,391
Queens	3,853,392	120	0	0	0	0	0	0	0	0	0	0	3,853,392	120
Staten Island	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>\$102,966,323</b>	<b>4,062</b>	<b>\$74,813</b>	<b>4</b>	<b>\$8,842,096</b>	<b>362</b>	<b>\$919,741</b>	<b>61</b>	<b>\$2,346,962</b>	<b>215</b>	<b>\$387,750</b>	<b>23</b>	<b>\$115,537,684</b>	<b>4,727</b>
<b>Historical Investments</b>														
Bronx	\$24,534,415	1,559	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$24,534,415	1,559
Brooklyn	29,601,134	1,256	255,400	3	1,230,570	113	0	0	0	0	1,785,452	174	32,872,556	1,546
Manhattan	23,888,805	1,583	252,445	15	375,120	33	780,290	87	197,959	13	0	0	25,494,619	1,731
Queens	19,957,325	826	0	0	0	0	0	0	0	0	0	0	19,957,325	826
Staten Island	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>\$97,981,679</b>	<b>5,224</b>	<b>\$507,845</b>	<b>18</b>	<b>\$1,605,690</b>	<b>146</b>	<b>\$780,290</b>	<b>87</b>	<b>\$197,959</b>	<b>13</b>	<b>\$1,785,452</b>	<b>174</b>	<b>\$102,858,915</b>	<b>5,662</b>

Lenders :      The Community Preservation Corporation      Neighborhood Housing Services      CitibankCommunity Development      Carver Federal Savings Bank      NCB Capital Impact      Low Income Investment Fund



The City of New York -Office of the Comptroller  
Bureau of Asset Management  
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**AFL-CIO Housing Investment Trust (HIT)**  
**Market Value \$144.0 million**  
**NYC Community Investment Initiative (NYCCII)**

**NYCCII PHASE II 2006-2012**

**Multifamily Investments Detail**

Borough	Dollars	Units
Bronx	\$52,827,900	802
Brooklyn	14,890,446	3,033
Manhattan	44,075,200	436
Queens	17,760,000	1,260
Staten Island	6,414,554	693
<b>Total</b>	<b>\$135,968,100</b>	<b>6,224</b>

**Single Family Investments Detail**

	Home Loans	Transactions	Member Loans	Total All NYC PF's
Bronx	\$84,994,353	386	82	148
Brooklyn	394,565,297	1,400	301	556
Manhattan	61,795,284	226	74	84
Queens	468,522,835	1,847	340	593
Staten Island	134,973,568	480	80	164
<b>Total</b>	<b>\$1,144,851,337</b>	<b>4,339</b>	<b>877</b>	<b>1,545</b>

**Grand Total NYCCII Phase II** **\$1,280,819,437**

**Other-NYC Metro Area** **\$100,000.00** **137**

**NYCCII Phase I 2002 - 2005**

		Units	Member Loans	Total All NYC PF's
Multifamily Investments	\$249,123,500	12,337	n/a	na
Single Family Investments	348,300,563	n/a	133	446
<b>Total NYCCII Phase I</b>	<b>\$597,424,063</b>	<b>12,337</b>	<b>133</b>	<b>446</b>

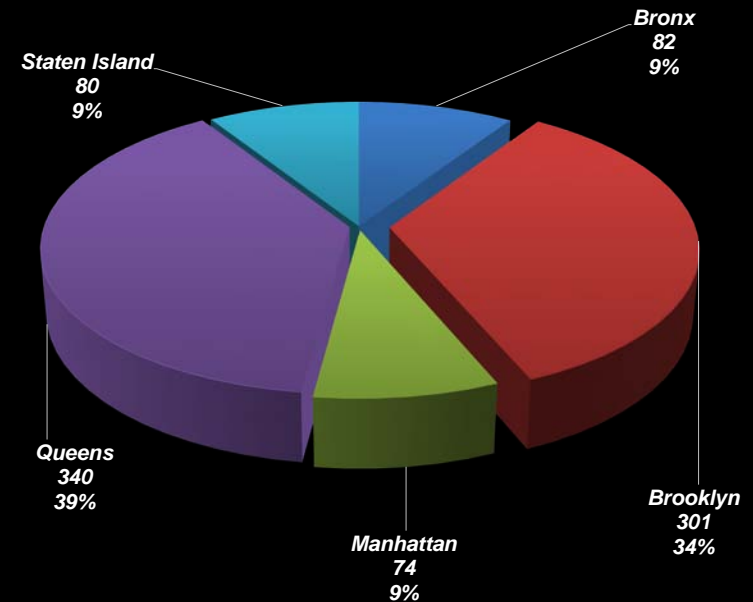
**NYCCII Phases I & II**

		Units	Member Loans	Total All NYC PF's
Multifamily Investments	\$385,091,600	18,561	n/a	na
Single Family Investments	1,493,151,900	n/a	1,010	1,991
<b>Grand Total NYCCII Phases I &amp; II</b>	<b>\$1,878,243,500</b>	<b>18,561</b>	<b>1,010</b>	<b>1,991</b>

\*Interest is reinvested

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

**HIT Home Loans To TRS Members Phase II**





The City of New York-Office of the Comptroller  
Bureau of Asset Management  
Teachers Economically Targeted Investments Quarterly Report  
Collateral Benefits as of 3/31/2010

8

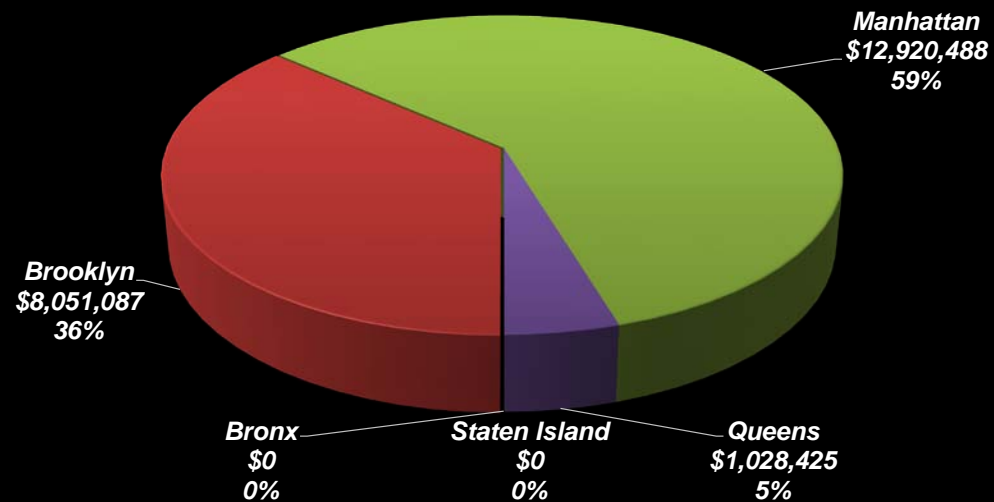
AFL- CIO Housing Investment Trust (HIT)  
NYC Workforce Housing Initiative 2009-2014

Investments Through 3/31/2010

Workforce Investment Detail

<u>Borough</u>	<u>Dollars</u>	<u>Units</u>
Bronx	\$0	0
Brooklyn	8,051,087	422
Manhattan	12,920,488	1,615
Queens	1,028,425	208
Staten Island	0	0
<b>Total</b>	<b>\$22,000,000</b>	<b>2,245</b>

**HIT Workforce Housing Initiative**



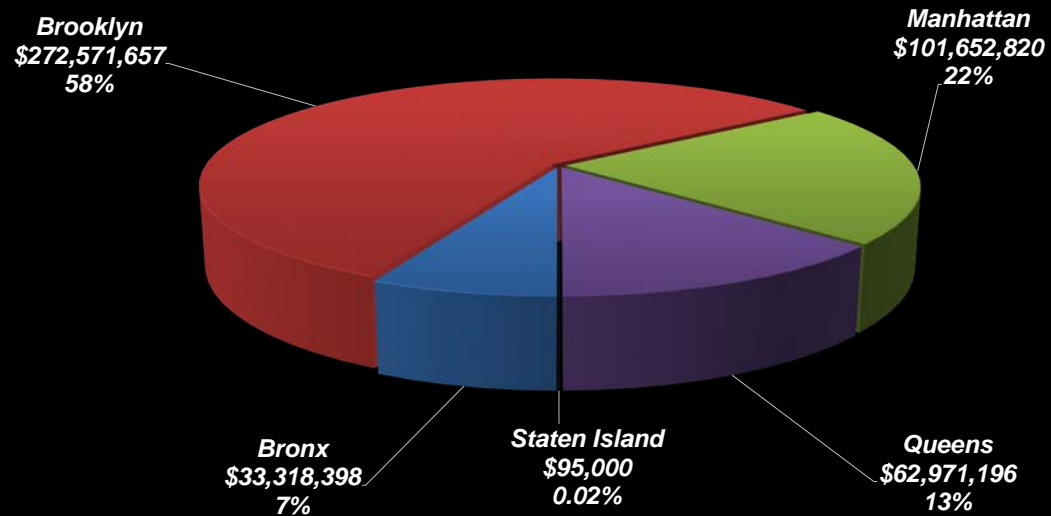
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TRS Economically Targeted Investments Quarterly Report  
Collateral Benefits as of 3/31/2010

**CPC Revolver**

Revolver Current Commitments	\$470,609,071			
TRS Commitment Share	\$25,000,000			
TRS Current Market Value*	\$17,930,230			
	<u># Loans</u>	<u>\$ Committed</u>	<u># Units Residential</u>	<u># Units Commercial</u>
Bronx	32	\$33,318,398	1,071	31
Brooklyn	100	272,571,657	3,099	58
Manhattan	56	101,652,820	1,465	37
Queens	17	62,971,196	475	22
Staten Island	1	95,000	3	0
<b>Grand Total NYC</b>	<b>206</b>	<b>\$470,609,071</b>	<b>6,113</b>	<b>148</b>
Other NY State	77	\$204,389,992	2,846	58

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

**CPC Revolver NYC Commitments**



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

Allocated Amount \$33 million (33% of total account)  
Market Value \$39.4 million

**Multifamily Investments Detail**

Borough	TRS Investment	Total Units	# of LMI* Units
Bronx	\$5,775,000	508	508
Brooklyn	4,356,000	404	404
Manhattan	19,068,003	2,815	1,677
Queens	3,844,500	762	762
Staten Island	0	0	0
<b>Total TRS Multifamily Investment</b>	<b>\$33,043,503</b>	<b>4,489</b>	<b>3,351</b>
<b>MultifamilyTotal All Systems</b>	<b>\$100,131,826</b>	<b>4,489</b>	<b>3,351</b>

**Single Family Investments Detail**

Borough	TRS Investment	Total Units	# of LMI* Units
Bronx	\$2,873,265	43	43
Brooklyn	6,916,540	98	98
Manhattan	485,112	9	9
Queens	7,628,710	113	113
Staten Island	3,956,184	53	53
<b>Total TRS Single Family Investments</b>	<b>\$21,859,811</b>	<b>316</b>	<b>316</b>
<b>Single Family Total All Systems</b>	<b>\$66,241,853</b>	<b>316</b>	<b>316</b>

**Other Investments Detail**

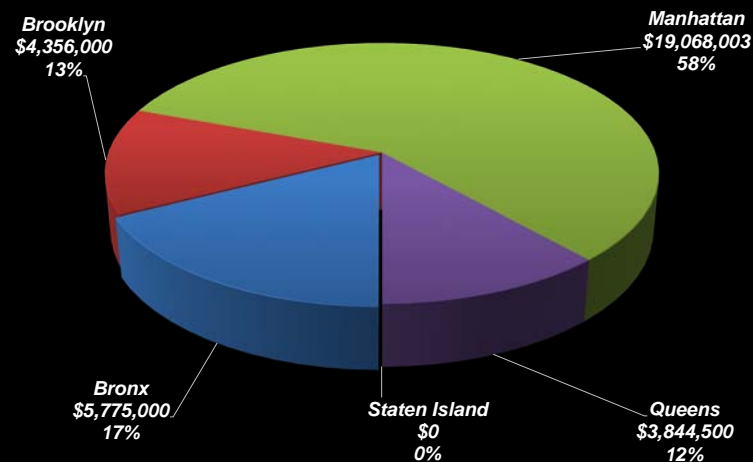
Borough	TRS Investment	# of Loans
Bronx	\$222,750	1
Brooklyn	1,778,833	8
Manhattan	802,859	5
Queens	179,333	3
Staten Island	0	0
<b>Total TRS Other Investments</b>	<b>\$2,983,775</b>	<b>17</b>
<b>Other InvestmentsTotal All Systems</b>	<b>\$9,041,740</b>	<b>17</b>

**Grand Total TRS** **\$57,887,089**

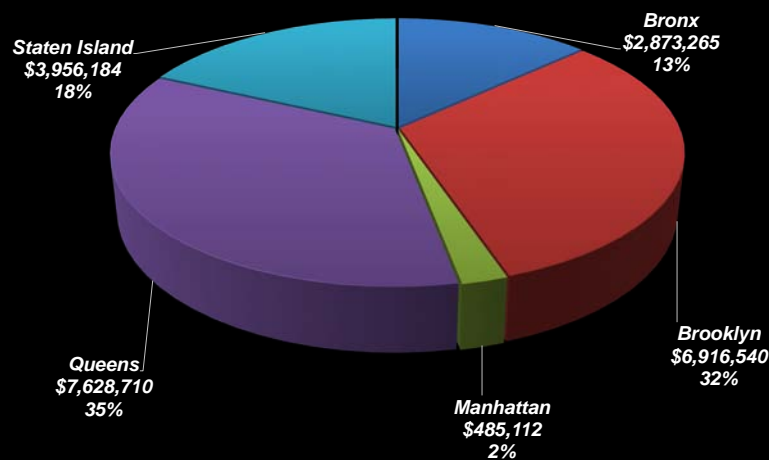
**Grand Total All Systems** **\$175,415,419**

\* LMI = Low or Moderate Income

**Access Multifamily Investment Since Inception TRS**



**Access Single Family Investments Since Inception TRS**



**The City of New-York Office of the Comptroller**  
**Bureau of Asset Management**  
**TRS Economically Targeted Investment Quarterly Report**  
**Collateral Benefits as of 3/31/2010**

	Assets (\$MM)	Trailing 1 Month	Trailing 3 Months	6/30/2007 3/31/2010	Year To Date	Trailing 1 Year	Trailing* 3 Years	Trailing* 5 Years	Trailing* 7 Years	Trailing* 9 Years	Trailing* 10 Years	Trailing* 11 Years	Trailing* 15 Years	Since Inception	Data Start Date
<b>TEACHERS</b>															
AFL-CIO HOUSING INV TRUST	144.03	-0.03	2.08	4.86	2.08	5.77	6.26	5.61	4.89	****	****	****	****	4.97	09/30/02
CPC -PPAR	62.15	1.43	2.85	8.22	2.85	10.36	9.59	8.46	8.10	****	****	****	****	8.30	10/31/01
ACCESS VOYAGEUR	39.35	-0.12	2.02	5.95	2.02	6.81	7.99	****	****	****	****	****	****	7.80	02/28/07
CPC - REVOLVER	17.93	0.16	0.47	1.54	0.47	2.10	4.32	5.22	****	****	****	****	****	5.02	03/31/04
ERASMUS	16.31	****	****	****	****	****	****	****	****	****	****	****	****	****	10/31/05
LIIF	1.79	0.55	2.12	****	2.12	****	****	****	****	****	****	****	****	5.94	07/31/09
CCD-PPAR	1.67	0.87	2.42	7.22	2.42	8.08	9.11	****	****	****	****	****	****	8.75	11/30/06
SHORT TERM INVESTMENTS	0.50	0.01	0.03	0.15	0.03	0.30	2.09	3.11	2.69	****	****	****	****	3.33	10/31/01
CCB-PPAR	0.79	1.03	1.99	6.53	1.99	8.93	7.68	****	****	****	****	****	****	7.16	09/30/06
NHS-PPAR	0.53	2.32	3.95	15.09	3.95	16.22	****	****	****	****	****	****	****	10.09	09/30/07
GNMA	0.25	0.01	1.65	6.29	1.65	6.29	7.41	7.78	6.70	****	****	****	****	6.96	10/31/01
NCBCI	0.20	0.35	1.51	****	1.51	****	****	****	****	****	****	****	****	4.33	07/31/09
TOTAL TEACHERS TARGETED (w/cash)**	285.50	0.31	2.13	5.53	2.13	6.66	6.89	6.25	5.63	6.47	7.03	6.55	7.72	10.38	9/30/1981
TOTAL TEACHERS TARGETED (w/o cash)**	283.85	0.32	2.15	5.60	2.15	6.74	6.93	6.28	5.65	6.47	7.14	6.60	7.36	9.11	11/30/1984
TEACHERS CUSTOM BENCHMARK (no cash)		-0.06	1.70	5.09	1.70	6.01	6.26	5.65	5.04	5.78	6.45	6.18	7.12		
BARCLAYS CAPITAL US AGGREGATE BOND INDEX		-0.12	1.78	5.81	1.78	7.69	6.14	5.44	4.81	5.61	6.29	5.88	6.71		

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

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

## **REAL ESTATE QUARTERLY REPORT**

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

### Performance Measurement Report Fourth Quarter 2009

The Townsend Group

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

## Table of Contents

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

# The Townsend Group

## Performance Measurement Report

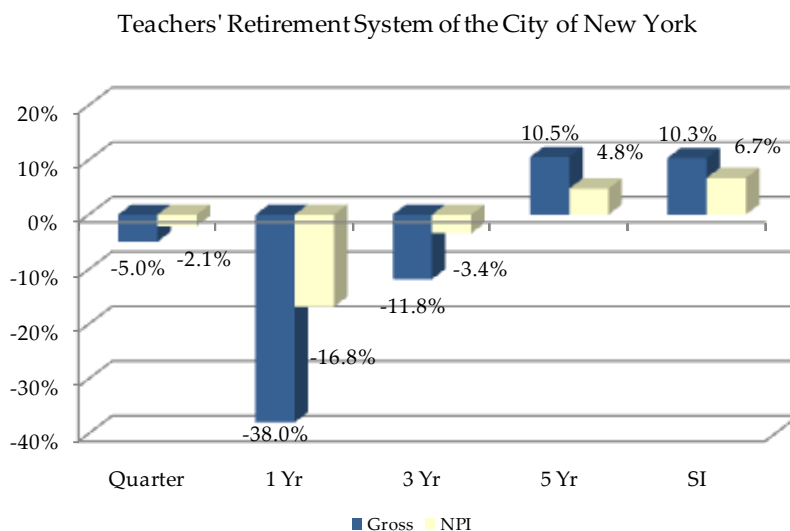
### TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

#### FOURTH QUARTER 2009

#### I. Performance Summary

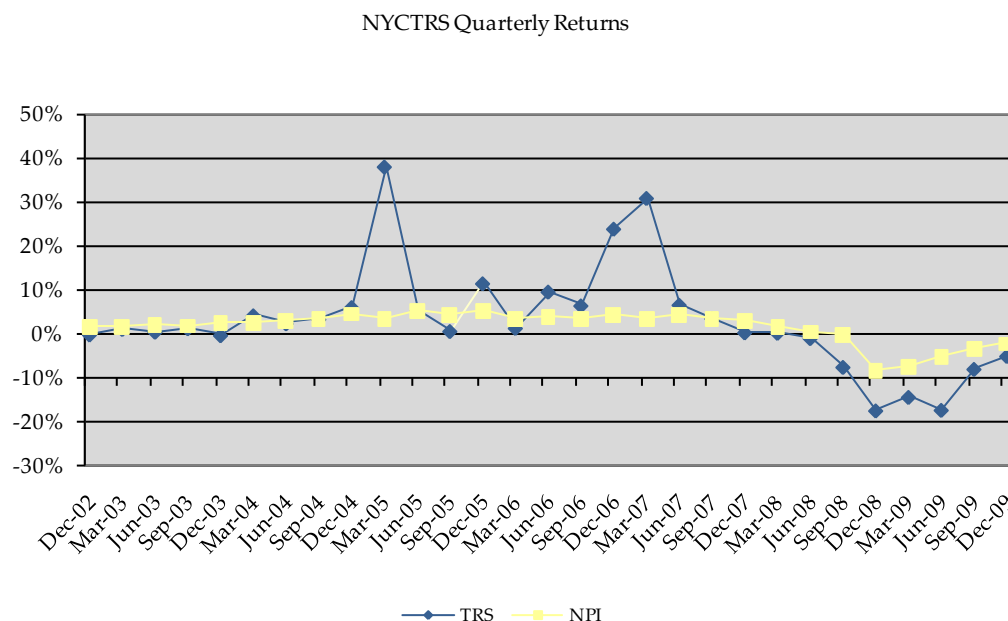
At the end of the Fourth Quarter 2009, ("Quarter") The Teachers' Retirement System of the City of New York ("NYCTRS") Real Estate Portfolio ("Portfolio") had a cumulative market value of \$356 million. Total market value plus unfunded commitments was \$753 million, or 42.6% of the real estate allocation. During the Quarter, the Portfolio achieved a total gross return of (5.0)% which was comprised of 0.9% income and (5.8)% appreciation. The NCREIF Property Index ("NPI") reported a total gross return of (2.1)%. In addition, the Portfolio achieved a total net return of (5.4)%.

The following chart reflects the total gross returns for the NYCTRS' Portfolio compared to the NPI. The pace of private equity real estate value declines slowed in the Fourth Quarter. Different valuation policies have led certain funds to delay write-downs into the Quarter, but more broadly, the value declines have slowed as managers were quick to recognize a market correction. As the market attempts to regain its footing the focus will be on fundamentals. As occupancies and rents continue to be impacted, valuation adjustments may continue. While stabilization appears close at hand, a full recovery may not be realistic for quarters to come as job markets in the US struggle to improve. At the same time, most investment managers and advisors have been focusing on distressed opportunities over the last 12-18 months. However, much of this opportunity has not yet materialized. Townsend has been actively working with the manager and investor universes to understand what opportunities are likely to present themselves in the current market and how best to maximize value. As it relates to new opportunities for NYCTRS, Townsend has focused on several investment themes as mentioned in the 2010 annual plan presentations, such as debt and core strategies. The benchmark established for the Portfolio is the NPI plus 100 basis points over rolling five-year periods.





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



The table below reflects the returns for the Portfolio and the NPI during pertinent time periods and segments these returns by their components: income, appreciation, and total return. The Portfolio's objective is to generate a total gross return that exceeds the NPI total gross return by 100 basis points, measured over rolling five-year periods.

	Quarter				1 Year				3 Year		5 Year		Inception	
	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
New York City Teachers Retirement System	0.9%	-5.8%	-5.0%	-5.4%	2.7%	-39.8%	-38.0%	-37.9%	-11.8%	-13.3%	10.5%	6.8%	10.3%	4.7%
NPI	1.6%	-3.7%	-2.1%		6.2%	-22.0%	-16.8%		-3.4%		4.8%		6.7%	

**II. Portfolio Composition**

New York City Teachers Retirement System			
Total Plan Assets	12/31/09	\$	35,347
Real Estate Allocation (%)			5.0%
Real Estate Allocation (\$)		\$	1,767
Style Sector Allocation			
Core/Core Plus	40%	\$	707
Non Core	55%	\$	972
Non Core Emerging Manager	greater of \$84 million, or 5%	\$	88
Uncommitted Core		\$	447
Uncommitted Non Core		\$	518
Uncommitted Non Core Emerging Manager		\$	49
Funded and Committed Statistics			
Core/Core Plus			34.5%
Non Core			60.2%
Non Core Emerging Manager			5.3%
\$ Committed		\$	753
% Committed on Real Estate Allocation			42.6%
% Committed on Total Plan Assets			2.1%
Funded Statistics			
% Funded of Total Plan Assets			1.0%
% Funded of Total Real Estate Allocation			20.1%

Teachers		
Investment Cash Flow Summary		
	Quarter	To Date
Contributions	\$14.4	\$709.3
Distributions	-\$1.5	-\$250.1
Withdrawals	\$0.0	-\$48.2

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

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

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

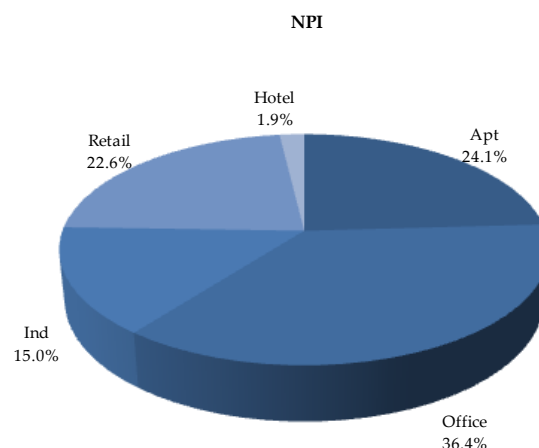
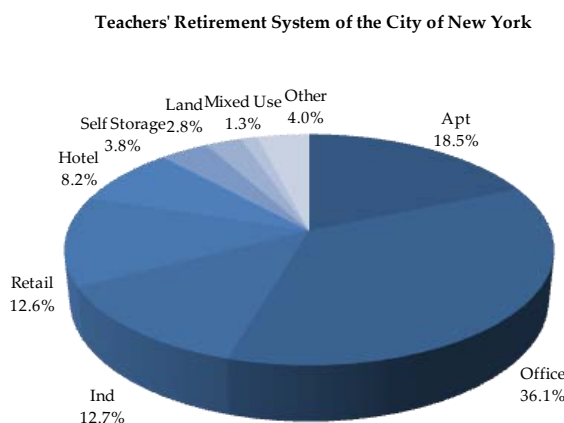
**III. Portfolio Compliance**

Category	Requirement	Portfolio Status
Benchmark	NPI+100 (gross) over rolling five-year periods	<i>Portfolio returns in excess of benchmark.</i>
Portfolio Composition	Core/Core Plus (minimum of 40%) Non Core (minimum of 40%) Non Core Emerging (greater of \$84 million or 5% of the total real estate allocation)	<i>The portfolio is committed at 42.6% of real estate allocation with a portfolio composition of 34.5% core, 60.2% non-core, and 5.3% emerging (strictly on commitments to date).</i>
Real Estate Allocation	Target of 5.0% Currently Funded at 1.0%	<i>Funded and committed dollars place the portfolio at 2.1% of total plan assets.</i>
Diversification	$\pm 30\%$ of NPI Other property type (0%-15%)	<i>All property types and geographic locations are in compliance.</i>
LTV	50%	<i>Portfolio is in early stages of funding, but is out of compliance (62.4%).</i>
Manager Exposure	0%-25% of real estate allocation	<i>Manager exposure is within compliance ranges.</i>

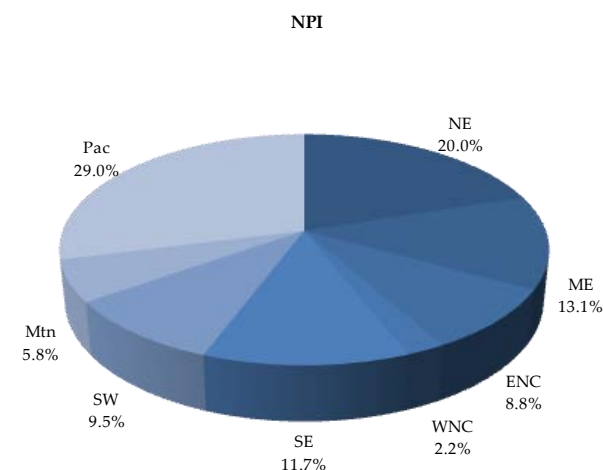
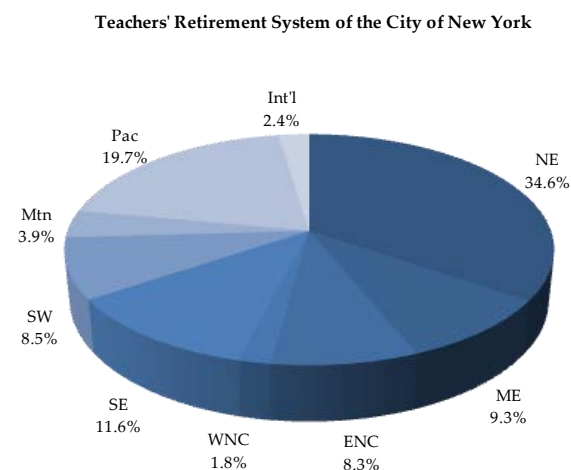
#### IV. Portfolio Diversification

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

##### Property Type Diversification



##### Geographic Diversification



## **PRIVATE EQUITY QUARTERLY REPORT**



TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

# Private Equity Portfolio Report

## Fourth Quarter 2009



# Table of Contents

## Introduction

### **1** Executive Summary

### **3** Program Summary

Portfolio Review

### **5** Activity Detail

Actions & Events

Performance

Exposure

## Appendices

Exhibit I

Market Review

Exhibit II

Portfolio Status Report

Exhibit III

Vintage Year Report

Exhibit IV

Annual Contributions, Distributions  
and Net Cash Flows

Exhibit V

Appendices to Executive Summary

Exhibit VI

Funds in Focus and Below Expectations  
Report

Exhibit VII

Definitions

Exhibit VIII

Investment Summaries

## EXHIBITS

## Exhibit I &gt;

**Market Review.** General examination of the private equity industry during the quarter.

## Exhibit II &gt;

**Portfolio Status Report.** Sets forth in detail all the investments constituting the portfolio, capital commitments and other return information.

## Exhibit III &gt;

**Vintage Year Report.** Sets forth in detail all of the investments by vintage year.

## Exhibit IV &gt;

**Annual Contributions, Distributions and Net Cash Flows.** Presents a graphical picture of annual contributions, distributions and net cash flows.

## Exhibit V &gt;

**Appendices to the Executive Summary.** Describes recent significant events, top portfolio company holdings and pending investments.

## Exhibit VI &gt;

**Funds in Focus and Below Expectations Report.** Provides detail on each of the current investments with watch or below expectations with concern ratings.

## Exhibit VII &gt;

**Definitions.** Defines different metrics throughout the report.

## Exhibit VIII &gt;

**Investment Summaries.** Provides details on each of the current investments.

## Introduction

This report contains confidential information provided to PCG Asset Management, LLC (the “Advisor” or “PCG AM”) solely for the purpose of evaluating the Teachers’ Retirement System of the City of New York (“TRS”) private equity portfolio. This information shall be maintained as confidential and shall not be provided to anyone other than the TRS, its officers, employees and lawful agents.

TRS or (the “System”) established the Alternative Investment Program (the “Program”) on January 1, 1997 on behalf of its beneficiaries to participate in attractive long-term investment opportunities and to provide diversification to its overall pension investment portfolio. During the third quarter of 2003, TRS established a separate real estate allocation. As of January 1, 2005, the System’s real estate investments are the responsibility of Townsend.

The Quarterly Review (the “Review”) has been prepared by PCG AM to cover the significant events that occurred during the period with respect to the Program’s portfolio of partnership investments. To complete PCG AM’s independent analysis, information was requested and obtained from TRS’ representatives, Bank of New York (the custodian for TRS) and the general partners of the individual partnerships; while PCG AM has reconciled the information across various sources, it relies on the data provided by the aforementioned parties.

PCG AM has endeavored to reflect the information received in its independent analysis of the Program’s performance and current portfolio valuation accurately. Individual partnerships are subject to an annual audit and PCG AM reviews each general partner’s valuation methodology. Subsequent monitoring reports will reflect future developments, as well as refine the analysis of past activities as information is received.

## Important Notes and Other Information

### PORTFOLIO PERFORMANCE CALCULATIONS

The portfolio’s performance is summarized primarily using three methods:

**An internal rate of return (IRR).** The IRR takes into account the timing of an investment’s cash flows. Calculating a fund’s IRR since inception, given the long-term nature of alternative equity investments (generally ten to twelve years), is one of the most appropriate means of measurement.

**The total value multiple.** Reflects the total capital generated compared to the total capital invested. This measurement is a simplified means of measuring the value created by a fund, without consideration for time.

**The performance assessment method of measurement.** Developed by PCG AM, this measurement takes into account a broader spectrum of data when calculating the performance of an investment, including age of investment, peer comparisons, total value multiple and IRR. Based on this data, each investment is assigned a rating by PCG AM on an annual basis indicating whether the investment is performing at, above or below expectations. Investments less than 24 months old are considered too early to be meaningful.

### CURRENCY CONVERSION

The Program includes commitments to funds denominated in Euros and Canadian Dollars. For purposes of this report, 1.0 Euro is equal to 1.4321 U.S. Dollars and 1.0 Canadian Dollar is equal to 0.9506 US Dollars as of December 31, 2009. Cash flows are converted to U.S. Dollars at the spot conversion rate on that date, and subsequently reconciled with the custodial bank to reflect the actual conversion rate.



# Executive Summary

## TRS Alternative Investment Program (the "Program")

### PRIVATE EQUITY PORTFOLIO

The Program was established on January 1, 1997 on behalf of its beneficiaries to participate in attractive long-term investment opportunities and to provide diversification to its overall pension investment portfolio.

### PERFORMANCE OBJECTIVE

The Program's objective is to create significant, long-term net returns to TRS. As of quarter-end the total program has achieved a return of 5.6% since inception. TRS' private equity program is young with a weighted average age of commitments of 3.4 years.

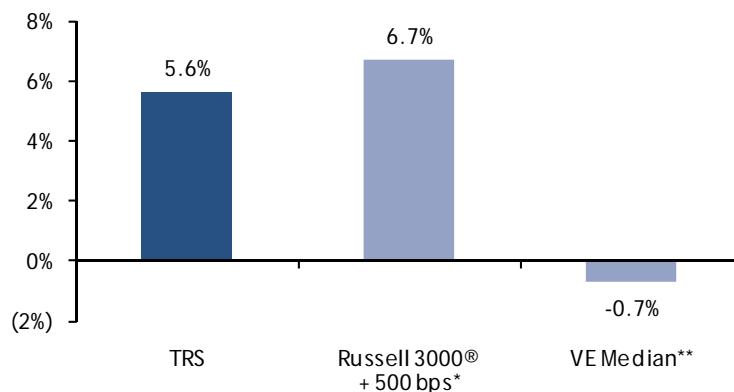
### INVESTMENT PACING

The 2010 Annual Plan calls for annual private equity commitments of \$250-\$450 million per year over the next four years (2010-2013). TRS' current allocation to private equity is 4.3%, which slightly exceeds its target exposure to private equity. Due to the denominator effect caused by the decline in TRS' remaining assets, PCG AM projects that TRS' private equity allocation has the potential to continue to exceed its target of 4.0% in future years.

### RETURN BENCHMARK

The Program's performance is measured against two benchmarks:

1. A dollar-weighted public benchmark, which produced the return that would have been earned if TRS' private equity cash flows were invested in the Russell 3000® Index\* plus a 500 basis points liquidity premium (*the Opportunity Cost Benchmark*)
2. The Venture Economics Median Return (*the Relative Benchmark*).



\*Data is dollar-weighted Long-Nickels calculation of quarterly changes in the Russell 3000® Index. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell ® is a trademark of Russell Investment Group.

\*\*Venture Economics data reflects *All US Private Equity Funds* Median Quartile IRR at *December 31, 2009* for funds with vintage years from 1999 to 2009. Note: Data is continuously updated and is therefore subject to change.

**PORTFOLIO EXPOSURE**

Figures may not add due to rounding

Investment Sector	Proposed Target	FMV	Unfunded	Total
Corporate Finance	60-80%	71.2%	69.2%	70.2%
Venture Capital	10-20%	11.5%	10.3%	10.9%
Distressed and Mezzanine	5-15%	9.1%	2.9%	6.0%
Secondary, Fund of Funds and Co-Investments	0-10%	8.1%	17.6%	12.9%
Grand Total		100%	100%	100%

**PROGRAM DEVELOPMENTS**

Subsequent to quarter-end, the TRS Board did not approve any additional commitments to new partnerships.

# Portfolio Summary

## Portfolio Review

### NEW COMMITMENTS

During the quarter, TRS did not close on any commitments to new partnerships. (See Activity Detail).

### PROGRAM IRR<sup>1</sup>

The IRR of the Program since inception increased 120 basis points from the prior quarter to 5.6% as of quarter-end.

### CONTRIBUTIONS INCREASED

Contributions increased 34.8% over the prior quarter but decreased 33.7% from same time period last year. The most recent four quarter average for the TRS' contributions is \$77.2 million.

### DISTRIBUTIONS INCREASED

Distributions increased 82.7% from the prior quarter and 170.4% from the same time period last year. The most recent four quarter average for the TRS' distributions is \$19.5 million.

### Recent Investment Activity

\$ Million | Figures may not add due to rounding

	2008	2009			
	Q4	Q1	Q2	Q3	Q4
Starting Valuation	\$1,170.6	\$1,166.9	\$1,185.8	\$1,270.7	\$1,399.1
Contributions	\$153.6	\$53.2	\$77.9	\$75.6	\$101.9
Distributions	(\$14.7)	(\$4.9)	(\$11.8)	(\$21.7)	(\$39.7)
Appreciation/(Depreciation)	(\$142.6)	(\$29.4)	\$18.7	\$74.5	\$69.4
Ending Valuation	\$1,166.9	\$1,185.8	\$1,270.7	\$1,399.1	\$1,530.7
Unfunded Commitments	\$1,822.5	\$1,798.6	\$1,718.2	\$1,659.8	\$1,576.5
Total	\$2,989.5	\$2,984.5	\$2,988.8	\$3,058.9	\$3,107.2
IRR Since Inception	3.6%	2.3%	2.6%	4.4%	5.6%
Weighted Avg. Age of Commitments (yrs)	2.4	2.6	2.9	3.1	3.4

<sup>1</sup>It should be noted that partnership investments held less than two years generally tend to have low or negative returns, which are not meaningful, due to the fact that management fees and other costs have not been offset by capital gains typically generated by more mature portfolio investments (this is termed the J-curve effect). Due to significant new commitments and drawdowns associated with new funds, the J-curve effect is being magnified.

## Program Summary

Active, Exited and Overall Program Performance

\$ Million | Figures may not add due to rounding

	September 30, 2009	December 31, 2009
Total Pension Assets	33,990.9	35,727.2
Allocation to Private Equity (4% Target)	4.1%	4.3%
<b>NUMBER OF MANAGERS</b>	<b>87</b>	<b>87</b>
<b>NUMBER OF INVESTMENTS</b>	<b>125</b>	<b>125</b>
Capital Committed	\$3,382.6	\$3,382.6
Capital Contributed	\$1,948.7	\$2,050.6
Capital Distributed	\$706.4	\$746.1
FMV	\$1,399.1	\$1,530.7
Total Value	\$2,105.5	\$2,276.8
Unfunded Commitments	\$1,659.8	\$1,576.5
Total Value Multiple	1.08x	1.11x
IRR	4.4%	5.6%

- As of quarter-end TRS had contributed \$2.1 billion, equivalent to 61% of total commitments.
- Approximately \$1.6 billion of capital commitments remain outstanding, and approximately \$0.7 billion has been distributed to TRS.
- Many of the Program's partnership investments are still early in their investment cycles as evidenced by the weighted average age of 3.4 years.

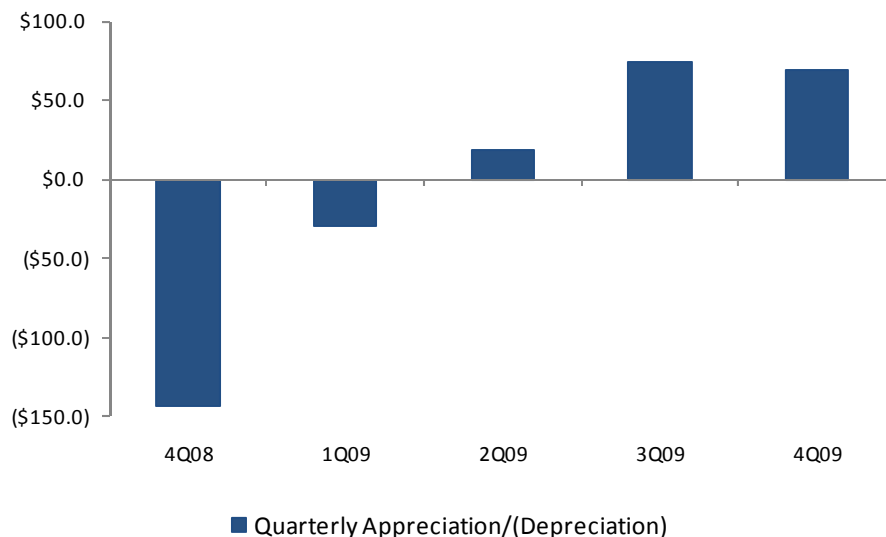
# Activity Detail

## Actions & Events

### RECENT INVESTMENT ACTIVITY

Investment Name	Month Authorized	Date Closed	Amount Committed
<u>Closed During Current Quarter:</u>			
N/A			
<u>Closed Subsequent to Quarter End:</u>			
N/A			

- Overall, the Program appreciated by \$69.4 million, or 4.7% during the quarter.
- Net of cash flows, 46 funds reported losses totaling \$12.8 million compared to 74 funds reporting gains totaling \$82.2 million. Three funds had not drawn capital as of quarter-end and two funds had no activity during the quarter.
- During the quarter, contributions totaled approximately \$101.9 million and distributions totaled \$39.7 million.



## Performance

As an overview, the following table compares investments by vintage year (i.e., by initial draw down date of the fund).

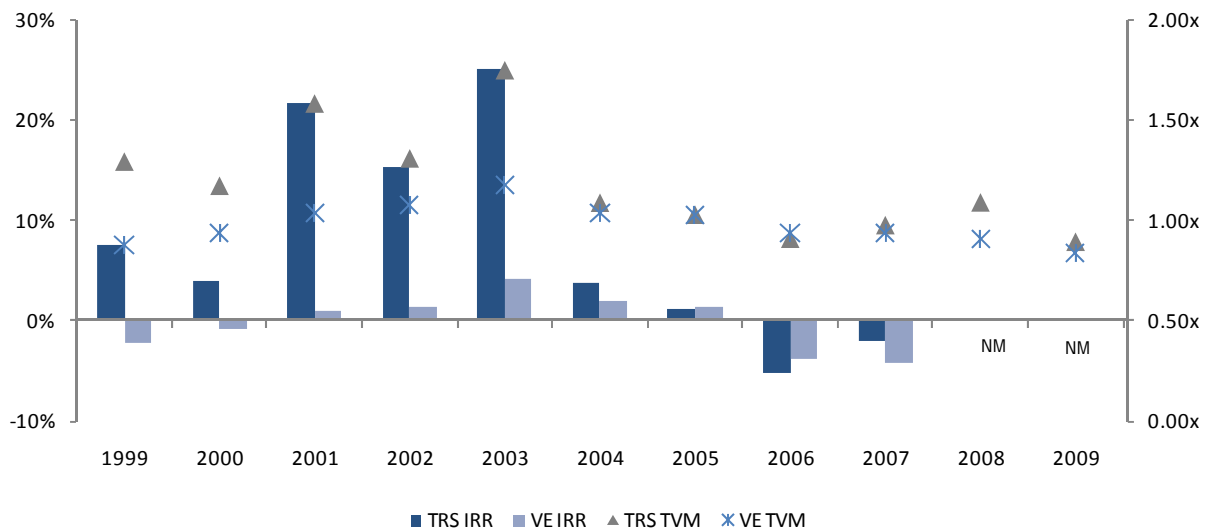
### Vintage Year Review

\$ Million

VINTAGE YEAR <sup>1</sup>	COMMITMENT	MULTIPLE	IRR	VE MULTIPLE <sup>2</sup>	VE IRR <sup>2</sup>
1999	\$95.0	1.29x	7.5%	0.88x	(2.3%)
2000	\$83.0	1.17x	4.0%	0.94x	(0.9%)
2001	\$80.0	1.59x	21.8%	1.04x	1.0%
2002	\$150.0	1.31x	15.3%	1.08x	1.4%
2003	\$85.0	1.75x	25.2%	1.18x	4.2%
2004	\$266.4	1.09x	3.8%	1.04x	1.9%
2005	\$344.3	1.03x	1.3%	1.03x	1.3%
2006	\$635.4	0.91x	(5.2%)	0.94x	(3.8%)
2007	\$627.7	0.98x	(1.9%)	0.94x	(4.2%)
2008	\$850.8	1.09x	NM	0.91x	NM
2009	\$77.5	0.89x	NM	0.84x	NM
2010	\$87.5	N/A	NM	N/A	NM
<b>Total</b>	<b>\$3,383</b>	<b>1.11x</b>	<b>5.6%</b>	<b>0.97x</b>	<b>(0.7%)</b>

<sup>1</sup>NM - IRRs are generally not meaningful during the early years of a partnership's life. PCG classifies the IRRs of all funds as NM for the first two years.

<sup>2</sup>Venture Economics data reflects *All US Private Equity Funds* Median Quartile TVPI & IRR at December 31, 2009. Note: Data is continuously updated and is therefore subject to change.



## PERIODIC RETURNS VS. RUSSELL 3000® INDEX

AS OF 31 DEC 2009	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION
Portfolio IRR	10.4%	1.1%	5.3%	5.6%
Russell 3000®*	30.2%	-2.5%	0.6%	1.6%
Russell 3000® + 500 bps*	36.1%	2.0%	5.5%	6.7%
<i>Difference</i>	<i>-25.7%</i>	<i>-0.9%</i>	<i>-0.2%</i>	<i>-1.1%</i>

\*Data is dollar-weighted Long-Nickels calculation of quarterly changes in the Russell 3000® Index. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell ® is a trademark of Russell Investment Group.

## Exposure

Each of the portfolio investments is allocated to an investment sector based on its primary investment strategy. The sectors include the following: corporate finance (large, medium and small sized), venture capital and special situations (distressed, mezzanine, co-investments, secondaries, and fund-of-funds).

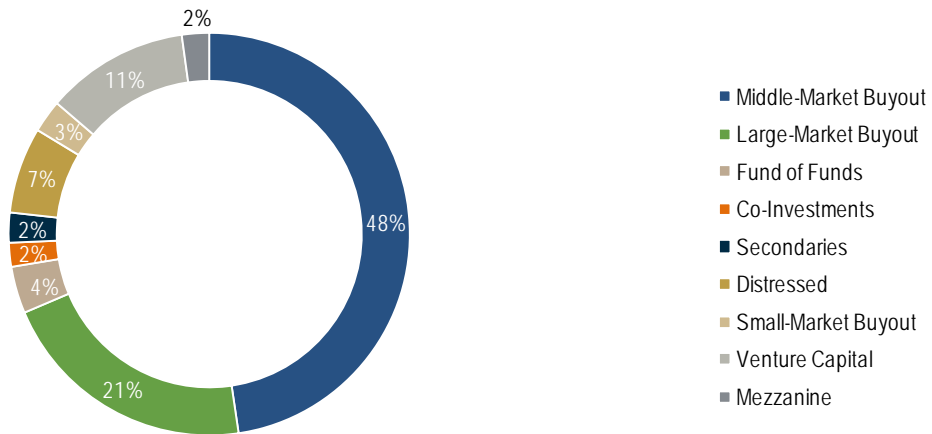
### Program Exposure

Aggregate Portfolio Exposure as of Quarter-End | Based on Fair Market Value + Unfunded

Figures may not add due to rounding | \$ in millions

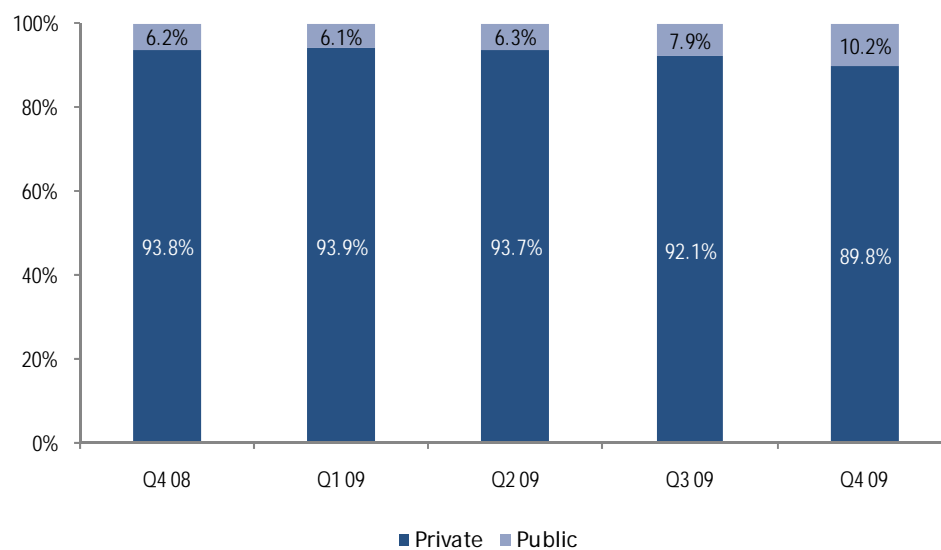
INVESTMENT SECTOR	TARGET	MARKET VALUE	%	UNFUNDED	%	TOTAL	%
Corporate Finance	60-80%	\$1,090.6	71.2%	\$1,091.5	69.2%	\$2,182.1	70.2%
Lrg Corp.		320.4	20.9%	388.6	24.7%	709.1	22.8%
Med Corp.		729.9	47.7%	630.0	40.0%	1,359.9	43.8%
Small Corp.		40.3	2.6%	72.9	4.6%	113.1	3.6%
Venture Capital	10-20%	\$176.2	11.5%	\$162.6	10.3%	\$338.8	10.9%
Distressed and Mezzanine	0-10%	\$139.8	9.1%	\$45.1	2.9%	\$184.9	6.0%
Distressed		106.4	7.0%	29.8	1.9%	136.3	4.4%
Mezzanine		33.4	2.2%	15.3	1.0%	48.7	1.6%
Secondary, Fund of Funds and Co-Investments		\$124.2	8.1%	\$277.3	17.6%	\$401.4	12.9%
Co-Investments		29.6	1.9%	40.4	2.6%	70.0	2.3%
Fund-of-Funds		57.8	3.8%	159.3	10.1%	217.1	7.0%
Secondaries		37.1	2.4%	58.4	3.7%	95.5	3.1%
Other		-0.3	0.0%	19.2	1.2%	18.9	0.6%
Investment Type Total:		\$1,530.7	100.0%	\$1,576.5	100.0%	\$3,107.2	100.0%
USA and Canada	70-100%	\$1,365.9	89.2%	\$1,370.5	86.9%	\$2,736.4	88.1%
International	0-30%	\$164.8	10.8%	\$206.1	13.1%	\$370.8	11.9%
Geographic Focus Total:		\$1,530.7	100.0%	\$1,576.5	100.0%	\$3,107.2	100.0%

Exposure by Investment Strategy\*  
Based on Fair Market Value



\*Please note that the 'Other' Investment Sector is excluded from this allocation due to its temporally negative fair market value resulting from timing differences in the accrual of fees and expenses versus capital contributions.

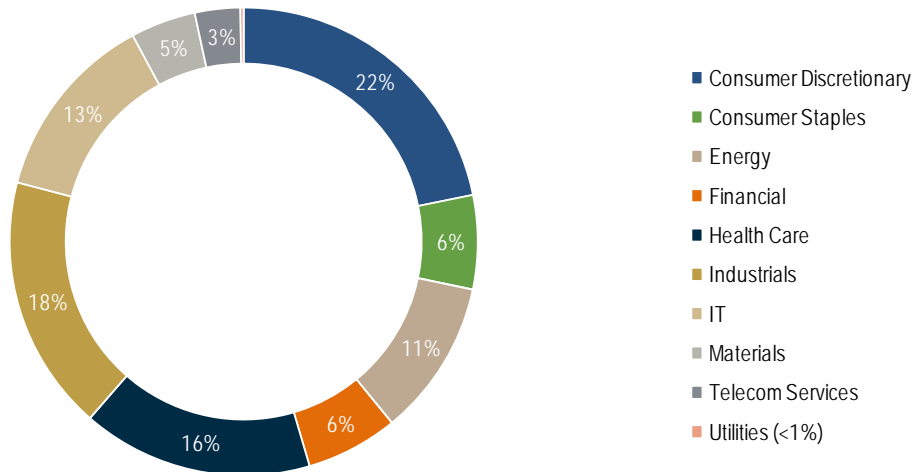
Public vs. Private Exposure  
Based on Fair Market Value of Portfolio Companies





### Exposure by Industry\*

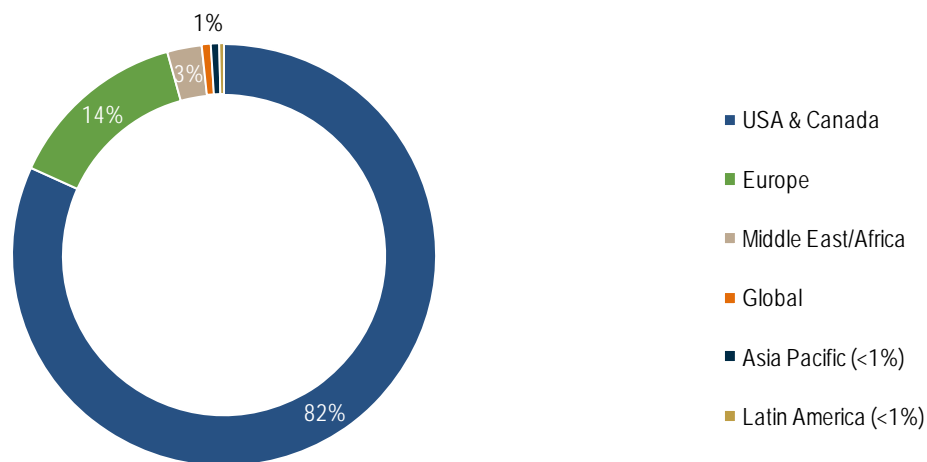
Based on Fair Market Value of Portfolio Companies



\*Please note that a small percentage of the portfolio's fair market value as reported by the general partners is presented without industry and geographic information. Such data has been excluded from these allocations along with Fund-of-Funds and Secondaries.

### Exposure by Geography\*\*

Based on Fair Market Value of Portfolio Companies



\*\*Please note that a small percentage of the portfolio's fair market value as reported by the general partners is presented without geographic information. Such data has been excluded from these allocations.