



Fund Profile: *Balanced Fund*

AUGUST 2017 UPDATE

Inception Date

January 1, 2018 (Bond Fund from 2012-2017; Stable-Value Fund from 1983-2011)

Total Fund Market Value¹

Approximately \$400 million

Fund Profile: Balanced Fund Objective

The investment objective of the Balanced Fund will be primarily to seek current income and some capital appreciation.

Strategy

The Balanced Fund invests in both stocks and bonds and targets a conservative mix of approximately 70% bonds and 30% stocks.

The Fund's bond allocation includes U.S. Treasuries, Agencies, short-term investment-grade Corporate Bonds, and some foreign securities. The Fund's bond allocation is passively managed and is benchmarked to the Bloomberg Barclays US 1-5 Year Government/Credit Float Adjusted Index.

The Fund's stock allocation is composed of U.S. and non-U.S. companies located in developed and emerging markets, traded on a variety of stock exchanges and denominated in a variety of currencies around the world. The Fund's stock allocation is passively managed against the FTSE Global All Cap Index.

The Fund's benchmark is the Balanced Fund Composite Benchmark, which is composed of 70% of the bond allocation's index cited above and 30% of the stock allocation's index cited above.

Investment Managers

The Fund is invested by investment managers selected by the Teachers' Retirement Board.

Risks

The Fund does not provide any type of principal protection or guaranteed level of income, and it is possible to lose money by investing in the fund. The value of an investment in this Fund may fluctuate over a wide range in response to a variety of factors across U.S. and non-U.S. stock and bond markets. The Fund is subject to a variety of risks, including but not limited to equity risk, interest rate risk, inflation risk, currency exchange rate, economic risk, political risk, and active management risk.

Fees and Expenses

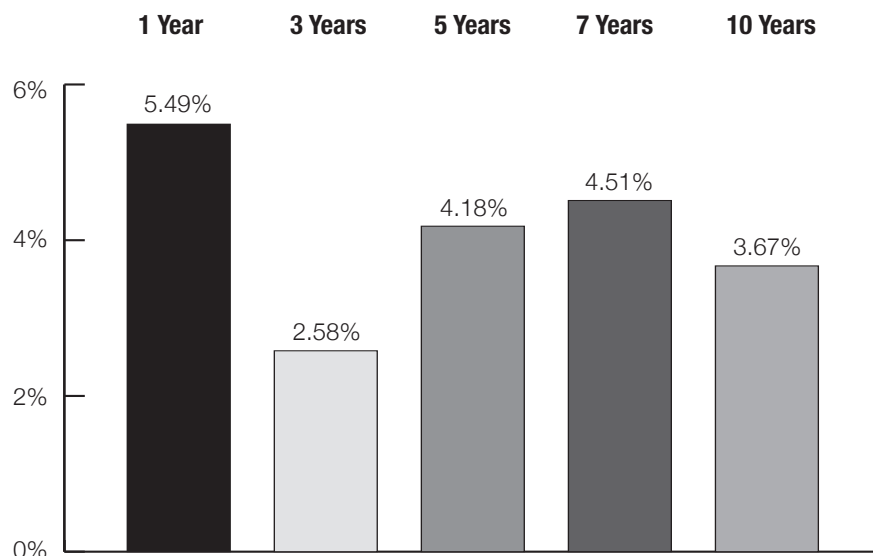
Administrative expenses for all Passport Funds (except the Fixed Return Fund) are set at 0.18% and are reflected in the unit value of each fund. Investment management and custodial fees for the Balanced Fund are projected to be less than 0.10% per year and are reflected in the unit value of the fund. These fees are subject to change over time.

¹ This fact sheet is an illustration that was constructed using estimates based on recent data to approximate the composition and performance of the Balanced Fund. Actual performance may vary.

Constructed Performance of the Balanced Fund^{1,2}

12 Months Ended									
6/30/17	6/30/16	6/30/15	6/30/14	6/30/13	6/30/12	6/30/11	6/30/10	6/30/09	6/30/08
5.49%	0.99%	1.32%	8.00%	5.30%	0.14%	10.80%	7.54%	-4.55%	2.57%

Annualized Returns as of 6/30/2017



Performance data represents past performance and is not a guarantee of future results. The investment return and principal value of an investment are not guaranteed.

¹ This fact sheet is an illustration that was constructed using estimates based on recent data to approximate the composition and performance of the Balanced Fund. Actual performance may vary.

² Characteristics and constructed performance shown for the Balanced Fund reflect the historical performance of 70% of the Bloomberg Barclays US 1-5 Year Government/Credit Float Adjusted Index and 30% of the historical performance of the FTSE Global All Cap Index. Actual performance may vary.

Note: Annualized returns as of 3/31/2017 were published incorrectly in the printed Spring 2017 *In-Service News* and *Benefits Report*. Correct figures as of 3/31/2017 are as follows: 4.89% (1 Year); 2.64% (3 Years); 3.59% (5 Years); 3.88% (7 Years); 3.75% (10 Years).

Additional Information

The July 1, 2017 edition of TRS' annual *Fund Profiles* publication includes updated information about the Balanced Fund. Additional information, including a statement of investments and a listing of investment managers, will be available in future editions of TRS' *Investment Portfolios* publication. *Investment Portfolios* is published annually as of June 30, the end of TRS' fiscal year, and may be obtained by accessing our website at www.trsnyc.org.

PASSPORT FUNDS
T R S N Y C

Q & A: Bond Fund Becomes the Balanced Fund

Below are answers to common questions about the upcoming changes to TRS' Bond Fund. If you have additional questions, you may contact a Member Services Representative at 1 (888) 8-NYC-TRS. However, you may wish to consult with a registered financial advisor if you have more technical questions; TRS representatives are not investment professionals and cannot give investment advice.

Q1) What is happening to the Bond Fund?

A1) As of January 1, 2018, TRS will be changing the investment guidelines and the name of the Bond Fund. The Fund will be transitioning to a new investment approach and will be renamed the Balanced Fund.

TRS members' investments that are in the Bond Fund as of December 31, 2017 will become investments in the Balanced Fund effective January 1, 2018, unless members have provided TRS with other instructions about their specific accounts. This change applies to investments in both the Qualified Pension Plan (QPP) and the Tax-Deferred Annuity (TDA) Program, for both retired and non-retired members.

Q2) Why is the Bond Fund changing?

A2) TRS is committed to providing a broad and diverse array of investment choices, and that includes a conservative option—with lower risk and lower potential return. Since 2012, this conservative option has been the Bond Fund. However, given the investment profile of all the other Passport Funds, the Teachers' Retirement Board has decided that TRS' conservative option needed some more return potential in order to be competitive. That is why the Balanced Fund, which has some exposure to global equities, will replace the Bond Fund.

Q3) How will the Balanced Fund be different from the Bond Fund?

A3) The investment objective of the Balanced Fund will be primarily to seek current income and some capital appreciation. Whereas the Bond Fund invests primarily in high-quality bonds, the Balanced Fund will invest in both stocks and bonds. The Fund will generally target a conservative mix of approximately 70% bonds and 30% stocks.

The Balanced Fund's bond allocation includes U.S. Treasuries, Agencies, short-term investment-grade Corporate Bonds, and some foreign securities. In addition, the Fund's stock allocation is composed of U.S. and

non-U.S. companies located in developed and emerging markets, traded on a variety of stock exchanges and denominated on a variety of currencies around the world.

The Balanced Fund, like the Bond Fund, is expected to continue providing members with a conservative investment option. The difference is that the Bond Fund carries lower risk and lower potential return over longer time periods than the Balanced Fund, which may have more exposure to equity and some more return potential.

Although the Balanced Fund's returns may be more competitive than the Bond Fund's returns, it should be noted that neither fund provides any type of principal protection or guaranteed level of income. The value of an investment in the Balanced Fund may fluctuate over a wide range in response to a variety of factors across stocks and bonds markets. Please note that past performance is not a guarantee of future results.

Q4) What do I have to do?

A4) *You are not required to take any action.* If you do nothing, any investment you have in the Bond Fund will become an investment in the Balanced Fund automatically as of January 1, 2018. If you do not have any investments in the Bond Fund, this change will not affect you directly.

We are providing this information in advance so that you may make informed decisions about any TRS investments you may have in the Bond Fund or other Passport Funds.

Q5) What will happen to my Bond Fund balance if I do nothing?

A5) As mentioned above, if you do nothing, any investment that you have in the Bond Fund will become an investment in the Balanced Fund automatically as of January 1, 2018. However, if you wish to change your TRS investment portfolio (e.g., to move funds out of or into your Bond account), you may do so by filing an investment election with TRS at any time. Investment elections would take effect on the next available quarterly start date; see Q8 for more information.

Q6) Should I move my investment in the Bond Fund to one of the other Passport Funds? Or should I let my Bond balance be invested in the Balanced Fund?

A6) The answer depends on your own financial circumstances. A registered financial advisor may be helpful in determining what choices are best for your individual situation. TRS cannot provide financial advice.

Q7) Can I still invest money in the Bond Fund?

A7) Yes, through December. The Bond Fund can receive new contributions and funds converted from the other Passport Funds during 2017, but any balance you have in the Bond Fund at the end of 2017 will be invested in the Balanced Fund as of January 1, 2018.

Similarly, any conversions of funds into the Bond Fund that are still in progress as of January 1, 2018 will continue into the Balanced Fund. For example, you may elect a conversion from one of the other Passport Funds into the Bond Fund, over six months starting October 1, 2017. In this example, you would be purchasing units of the Bond Fund in October, November, and December. Those units would become Balanced Fund units as of January 1, 2018; then, in January, February, and March, you would be purchasing Balanced Fund units to complete your conversion of funds.

Q8) Do I need to make a decision now?

A8) No. However, TRS is notifying you about the changes to the Bond Fund now, so that you have sufficient time to consider how these changes will affect you.

If you wish, you can file to change your investment elections at any time, and your changes would take effect on the next available quarterly start date: July 1, October 1, January 1, or April 1. But please keep in mind the following:

- *All fund conversions occur gradually*—in 1, 3, 6, 9, or 12 monthly installments, depending on the duration you elect.
- *You must file for investment election changes well before the quarterly start dates.* For retirees and TDA annuitants, TRS must receive investment elections at least 60 days before the quarterly start date. For in-service members and members with TDA Deferral status, TRS must receive investment elections at least 30 days before the quarterly start date.

This publication should not be solely relied upon, as it is based on currently available information that is subject to change. TRS suggests that you consult with a registered financial advisor if you have any technical questions concerning this information. In all cases, the specific provisions of the governing laws, rules, and regulations prevail.

Specific filing deadlines and investment election change forms are available on our website at www.trsnyc.org. Please note that, if you have a balance in the Bond Fund, TRS will contact you by letter.

Q9) Are there any changes to the other investment choices?

A9) No. At this time, the other five Passport Funds remain the same.

Q10) What will be the opening unit value for the Balanced Fund?

A10) The January 2018 unit value will be determined based on the December 2017 unit value for the Bond Fund and the December 2017 performance of the Bond Fund.

Q11) What will be the fees and expenses for the Balanced Fund?

A11) Administrative expenses for all Passport Funds (except the Fixed Return Fund) are set at 0.18% and are reflected in the unit value of each fund. Each fund (except the Fixed Return Fund) also bears investment management and custodial fees, which are reflected in the unit value of each fund. The average annual fee for the Balanced Fund is estimated to be less than 0.10% and is subject to change over time for a variety of reasons, such as a change in the size of the Fund. Information on fees and expenses is provided annually in TRS' *Fund Profiles* publication.

Q12) Where can I get more information about the Balanced Fund and the other Passport Funds?

A12) Please read the profile for the Balanced Fund that is included with this Q&A. This profile includes information about the objective, strategy, investment managers, and investment risks for the Balanced Fund, and other illustrative information. The same information will be included in the July 1, 2017 edition of *Fund Profiles*. Additional information, including a statement of investments and a listing of investment managers, will be available in future editions of TRS' *Investment Portfolios* publication. *Investment Portfolios* is published annually as of June 30, the end of TRS' fiscal year.

All publications are available from our website.



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