

# Benefits report

A publication of the  
Teachers' Retirement System  
of the City of New York



## Important Information about TRS' Passport Funds

As of January 1, 2018, the Bond Fund will become the Balanced Fund. Included inside are details about this transition, as well as a special pullout insert providing answers to common questions and a profile of the Balanced Fund.



## TRS Celebrates 100 Years!

As we reported in the last issue of *Benefits Report*, TRS will mark an historic milestone on August 1, 2017: our 100th birthday! When TRS was established in 1917, we were a relatively small organization, with nearly 21,000 in-service members, 1,400 retirees, and approximately \$750,000 in total assets.

Today, TRS supports 200,000 in-service members, retirees, and beneficiaries and we have \$75 billion across two retirement plans. As remarkable as that growth is, the numbers do not tell the entire story. To meet the evolving needs of our members, TRS introduced a host of benefits and services over the past century. These include a second retirement plan (the Tax-Deferred Annuity Program), flexible loan programs, expanded investment choices, a multifaceted Member Services Center, and a growing series of education programs.

Our focus on quality member services continues today. For example, TRS recently launched a redesigned, mobile-friendly website with expanded capabilities for online transactions, and additional features will be added in the years ahead. We are also modernizing our systems and operations, becoming more efficient and more responsive.

While we proudly commemorate our centennial throughout 2017, we are directing our energies toward "building better tomorrows."

(Continued on page 2)



# Spring 2017

### Also inside...

**TRS Website News:** TRS enhances login and registration security / 2

**Protect Your Loved Ones:** Update beneficiary information / 3

**Required Minimum Distributions:** Annual notifications mailed / 3

**Passport Fund News:** Bond Fund will become the Balanced Fund / 4

**Investment Results:** Performance update for our Passport Funds / 5

**Post-Retirement:** Starting a business / 6

**COLA 2017:** Rate announced / 7

**Go Green:** View your TRS statements online / 7

### In every issue...

**Publications:** A list of updated materials / 8

**Calendar:** Key dates to remember / 8

# New, More Secure Web Login Is Coming Soon

Later this year, TRS will introduce an enhanced login and registration process that will make it even safer for you to access the secure section of our website.

We're adding security images and two-factor identification to help ensure that you are the only one who is able to access your personal account information. If you do business online with your bank or financial services provider, the features we're introducing are probably familiar to you already.

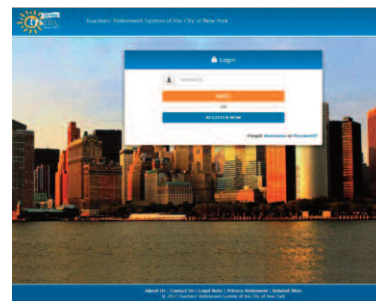
We plan to introduce our changes over the summer, although an exact date is not set. So what's changing?

- ✓ If you already have access to the secure section of our website, you won't have to register all over again. However, the first time you log in under the enhanced system, you'll be asked to select a security image that will be displayed to you upon subsequent logins. We'll also send you a verification code—by text, voice call, or email—whenever you tell us you've forgotten your password or when we don't recognize the computer you're using.
- ✓ If you haven't yet registered for access to the secure section of our website, the new process will take only a few minutes. After providing some account and contact information, you'll create a username and password and you'll choose a security image that you'll see on subsequent logins.

To complete your registration, we'll also email you a verification link.

We encourage all members to register on our website in order to have reliable and secure access to account information and online features around the clock. And remember, you can access our website at any time from anywhere you have a reliable internet connection.

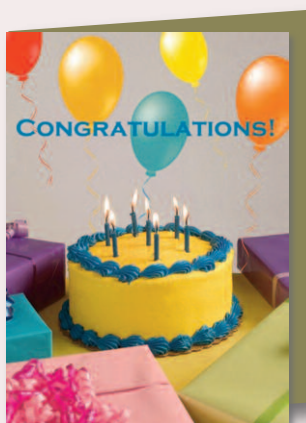
We trust you'll appreciate that these enhancements are part of TRS' ongoing effort to implement the industry's best practices and procedures concerning internet security. We'll post a news bulletin when we roll out the enhanced login and registration procedures later this year.



After an upgrade this summer, our website's login/registration screen will look like this.

## TRS Celebrates 100 Years

(Continued from page 1)



To make 2017 even more notable, more than 70 TRS retirees will also turn 100 years old this year, joining 150 other retirees who are already in the "century club." In recognition, TRS is mailing a special birthday card to those retirees who turn 100 years old in 2017.

Change was certainly a constant theme at TRS over the past century. The same was true of the world around us. For example, New York City's population grew by nearly half, to 8.5 million! And the price of just about

everything increased too. Just for fun, we compared some cost data from 1917 and 2017. Take a look and see for yourself just how much things have changed!

	1917	2017
Loaf of bread	7 cents	\$3.35
Dozen eggs	34 cents	\$3.14
Gallon of milk	18 cents	\$2.39
Subway ride	5 cents	\$2.75
Gallon of gasoline	15 cents	\$2.26
Median home price*	\$5,000	\$730,000
Median household income*	\$700	\$68,000

\* New York City

Sources: Nerdwallet.com, US Census Department

CORRECTION: The printed version of this newsletter included incorrect figures about New York City's population growth over the past century. Thank you to our members who noted this error. (6/28/2017)

# Check Beneficiary Information Online

**A**t retirement, you made careful elections about your survivors receiving benefits from TRS. We want to ensure that your beneficiaries receive all the benefits due to them. However, incomplete data on file may cause delays and complications, or result in unclaimed funds. So, it's a good idea to periodically review and update personal and beneficiary information online when possible.

**Here's what TRS can do:** If we don't have your beneficiary's Social Security number on file, we may contact you, requesting that you fill in the missing data online or in the provided form. (If your beneficiary does not have a Social Security number or is a charity or an organization, we would need a taxpayer identification number.)

**And here's what you can do:** If you receive notification from TRS, please provide the requested information about your beneficiaries.

## You May Have Unclaimed Funds

Incomplete data on file may also mean missed retirement payments for you, resulting in unclaimed funds. Typically, funds are unclaimed at TRS when we do not have current address information. If you think you may have missed a TRS retirement allowance payment, please access the "Unclaimed Funds" feature of our website to review the list of unclaimed pension funds issued by TRS since September 2000. If your name appears on the list, you should file an "Affidavit for Missing Check (and Authorization to Stop Payment)" (code BK2) with TRS to claim the missing payment.

# Look for Your RMD Information in the Mail

**M**embers who maintain Tax-Deferred Annuity (TDA) Program accounts and are at least 70½ years of age are required to receive a portion of their funds each year—their Required Minimum Distribution (RMD). In May, TRS mailed RMD packets to over 28,000 members.

The RMD packet indicates the amount you must receive for 2017 and explains your options for receiving payment. If you do nothing, TRS will issue a payment in the amount of your RMD by the filing deadline—ensuring that you comply with Internal Revenue Service (IRS) rules.

If you want to meet the IRS requirements earlier in the year, or use a different payment method, you'll need to inform TRS by filing the "RMD Election Form" (TD39) or online equivalent. The filing deadline for that election is October 31.

For more information, please refer to the *Required Minimum Distributions for Members* brochure on our website.



## Bond Fund Will Change in 2018

TRS will be changing our **Bond Fund**, one of the six TRS investment choices known as the Passport Funds. As of January 1, 2018, the **Bond Fund** will become the **Balanced Fund**. This new fund will provide our members with a moderately conservative balanced investment option that includes exposure to stocks and bonds.

### What You Need to Know

► As of January 1, 2018, TRS' Bond Fund will become the Balanced Fund—a moderately conservative investment option with more expected volatility than the Bond Fund—providing greater potential for return. We are informing you now so that you have opportunities to change your TRS investments as you see fit.

► You do not need to take any action. But if you want to make any changes to your TRS investment portfolio, you may do so on the normal quarterly schedule.

► A detailed “Q&A” and a profile of the Balanced Fund are included with this newsletter. We encourage you to read this information—especially if you are currently investing in the Bond Fund or are considering any investment changes.

### Introducing the Balanced Fund

The Balanced Fund is the new name for the Bond Fund, effective January 1, 2018. The new name reflects the investment makeup of the new fund; it will invest in a generally balanced and static mix of 70% primarily in bonds and 30% stocks. The Fund will be rebalanced periodically.

The Balanced Fund's performance may fluctuate over a wide range in response to a variety of factors across U.S. and non-U.S. stock and bond markets, and the resulting returns of the Balanced Fund may be higher or lower than the Bond Fund's returns

have been. As with the Bond Fund, the Balanced Fund does not provide any type of guaranteed principal protection or guaranteed return, and it is possible to lose money by investing in the Balanced Fund. While some degree of volatility is expected in the market value of the Fund, the Fund is expected to be less volatile than equities over a full market cycle (typically multiple years) and therefore may also have less return potential over longer periods of time than equities.

All member investments in the Bond Fund as of December 31, 2017 will be invested automatically in the Balanced Fund in 2018.

### Investing in the Passport Funds

As a reminder, TRS' lineup of investment choices is known as the Passport Funds: six diverse choices to help you on the journey of a lifetime. All participants in our Tax-Deferred Annuity (TDA) Program may invest their TDA accounts in any combination of the Passport Funds. And all Tiers I/II members may invest a portion of their Qualified Pension Plan (QPP) accounts in any combination of the Passport Funds.

If you're investing in the Passport Funds, you may make changes to your investment portfolio on a quarterly basis. You can file a change at any time, and it will take effect at the start of the next available quarter (July 1, October 1, etc.). Just remember that TRS must receive your investment change request at least 60 days before the quarterly start date (or 30 days for changes on deferred TDA accounts). Please see our website for details on filing periods and forms to file.

# Semiannual Investment Results: 12/31/2016

## TRS Passport Funds

TRS' six Passport Funds are available to all Tax-Deferred Annuity (TDA) Program participants and members in Tier I or II for a portion of their funds in the Qualified Pension Plan (QPP).

TRS publishes investment results twice each year in this newsletter. For more recent investment results, please visit our website. For more details about the Passport Funds, please review our annual *Fund Profiles* booklet.

### Annualized Investment Returns

	1 Year	3 Years	5 Years	10 Years
Fixed Return Fund (TDA/UFT)*	7.00%	7.00%	7.00%	7.37%
Fixed Return Fund (All Others)*	8.25%	8.25%	8.25%	8.25%
Diversified Equity Fund	10.13%	6.06%	12.49%	5.64%
Bond Fund**	1.78%	1.28%	1.20%	N/A
International Equity Fund**	4.77%	-0.43%	7.05%	N/A
Inflation Protection Fund**	9.12%	1.08%	3.65%	N/A
Socially Responsive Equity Fund**	10.38%	6.80%	13.14%	N/A

\* Returns for the Fixed Return Fund are set by New York State Law. Currently, members affiliated with the United Federation of Teachers are credited with 7% annually on TDA investments in the Fund. Other members' TDA investments in the Fund, and any member's QPP investments in the Fund, are currently credited with 8.25% annually. Historical rates are published on our website. For retirees and annuitants who have Fixed Return Fund investments, the guaranteed return is factored into their monthly payments. Funds that members allocate to the Fixed Return Fund are invested with the Pension Fund.

\*\* Annualized investment performance is not available for all periods because of the fund's inception date. Please see the *Fund Profiles* booklet on our website for details.

### Five-Year Performance vs. Benchmarks

#### Diversified Equity Fund:

0.54% below Hybrid Benchmark

2.18% below Russell 3000

#### Bond Fund:

0.09% below Barclays 1-5 Year Government Credit Index

#### International Equity Fund:

0.50% below International Equity Composite Benchmark

#### Inflation Protection Fund:

3.43% above Fund Benchmark

#### Socially Responsive Equity Fund:

1.52% below Standard & Poor's 500 Index

### TRS Plans

TRS offers two plans to members.

All members participate in the Qualified Pension Plan (QPP), a defined-benefit plan that is funded by employer contributions and member contributions. TRS also administers a Tax-Deferred Annuity (TDA) Program, a supplemental defined-contribution plan available to members. The TDA Program is funded by member contributions.

QPP Total Investments\*

**\$46.1 Billion**

TDA Total Investments\*

**\$29.2 Billion**

\* As of 12/31/2016 (unaudited)

## Act II: Starting Your Own Business

The idea of employees working past their official “retire-by” date is nothing new. Many retired individuals look to stay active in many ways, including continuing to work in some fashion. However, what is a relatively new—and growing—trend is that of retirees becoming entrepreneurs.

According to the Ewing Marion Kauffman Foundation, in 2016, people age 55-64 accounted for roughly 26% of all new entrepreneurs, up sharply from about 15% in 1996, and 23% in 2013.

### *Some reasons for these developments*

One explanation is that retiring workers have spent many years as someone else’s employee and have a desire to be their own boss. Others may want to pursue a second career dedicated to interests and subject areas apart from their first career. And aside from earning extra income, running a business can keep retirees physically and mentally active.

Advances in technology have also made it easier to start a business. With access to the internet, a laptop and/or a smart phone, retirees can easily set up a knowledge-based business in their homes. The internet also affords the opportunity for online businesses, such as information curation (*i.e.*, researching and compiling information for clients).

Perhaps most significantly, years of work experience under their belts and a retirement nest egg in the bank can be a good formula for entrepreneurial success among retirees.

### *Businesses that retirees find attractive*

For many teachers, TRS members included, a business devoted to tutoring or teaching their subject area of knowledge or expertise is an obvious choice. However, many other options exist for retired education professionals. There are different ways to leverage coaching and consulting skills, such as through writing or blogging.

Another growth area to consider is elder care. Our aging population needs a myriad of services

that younger, more able-bodied individuals can do—everything from shopping to preparing meals, running errands, providing transportation to doctor’s appointments, housekeeping, or helping pay bills and organize medical paperwork. Many retirees already have experience providing care for aging parents, which makes elder care a natural fit.

Also popular are business ventures that help other retirees stay fit and active. An entrepreneur in the so-called “active living” arena who loves to travel might want to organize tours. Someone who enjoys biking or skiing could arrange sport-related trips for more active seniors. Retirees interested in nutrition or healthy living might want to be sales reps for healthy products, while workout enthusiasts could consider teaching exercise or yoga classes.

### *Minimizing the “risk” in the risk/reward ratio*

Along with the benefits, would-be entrepreneurs need to consider the potential downside of starting their own business from scratch. Specifically, there are some important pitfalls to keep in mind:

- ♦ Investing too much personal or retirement money in a business venture. It’s best for most retirees to start a small business that is not capital intensive. New entrepreneurs should consider crowd-funding as an alternate source of funding, or even donations (*e.g.*, Kickstarter.com, Indiegogo.com).
- ♦ Launching a business without adequately assessing personal risk. Instead of opening an antique store, someone who collects antiques might want to start by selling some valued possessions on eBay or other auction sites.
- ♦ Not being mindful that older entrepreneurs have a shorter time horizon to recover from a potential losing venture.
- ♦ Being burdened with start-up costs. Not everyone has to incorporate, though it can be done relatively cost effectively. Speak to your accountant or tax professional about setting up an LLC or an S corporation.

- ◆ Committing to expensive office leases or equipment purchases. Many businesses can be run from people's homes these days. Also, shared office space is available in virtually every city or community, and can be quite cost effective.

### Getting started

So, if you're interested in starting your own business, you should consider the following:

- ◆ How much time do you want to spend working?
- ◆ What kind of flexibility do you require?
- ◆ Do you want to work from a fixed location or be able to work virtually?

#### Sources to aid seniors thinking of starting a business:

- The Small Business Administration offers free online courses geared toward older entrepreneurs: [www.sba.gov/content/50-entrepreneurs](http://www.sba.gov/content/50-entrepreneurs).
- AARP also offers some online tools that may be helpful in deciding whether entrepreneurship is for you: [www.aarp.org/work/self-employment](http://www.aarp.org/work/self-employment).

- ◆ Would running a franchise business make more sense than starting a business from scratch?
- ◆ What subject matter in particular excites you?

### Focus on what you enjoy doing

If you really enjoyed your first career, think about recreating it in another setting or reallocating your skill set to another field of endeavor. If you were all too happy to retire, you might consider doing something else that you've always wanted to do. Whatever kind of business you decide to start, you'll probably be happier in your second career if it's an endeavor that you've chosen for yourself.

## COLA Increases for 2017

For the first time since 2013, New York State's Cost-of-Living Adjustment, or COLA, for eligible retirees has risen above 1%. The new rate is 1.2%, effective September 2017.

The COLA is based on 50% of the Consumer Price Index increase for the year, as of March 31<sup>st</sup>. The amount can range from 1% to 3% and is calculated on the lesser of an eligible retiree's fixed maximum retirement allowance or \$18,000.

To be eligible, you must:

- ✓ Be at least 62 years old and have been retired for five years, or
- ✓ Be at least 55 years old and have been retired for 10 years or more.

Certain other disability retirees, surviving spouses, and other beneficiaries are eligible for the COLA.

Please note that the New York State COLA is different than the federal Social Security and Supplemental Income COLA.

## Pick Paperless for Your TDA Quarterly Statements

Did you know you can stop receiving printed statements in the mail?

If you log in to the secure section of our website, you can manage how you would like to receive statements for your TDA Program account. Whether you choose the "Paper" or "Paperless" option, account statements are always available for viewing on the website, and TRS sends you an email when each new statement becomes available. But if you elect "Paperless," you can avoid that clutter in your mailbox and go a little bit greener!



## Publications

The following TRS publications have been updated since our last issue and are available on our website:

- *Investment Portfolios*
- *TDA Program Summary*

## Calendar

**July 2017:** Expected distribution of EFT Quarterly Statements for the second quarter of 2017.

**July 1, 2017:** Effective date of retiree investment election changes received by May 1, 2017 (QPP changes, TDA annuitant changes) or May 31, 2017 (changes for deferred TDA accounts).

**August 2017:** Expected distribution of TDA Quarterly Statements for the second quarter of 2017 to retirees with TDA Deferral status.

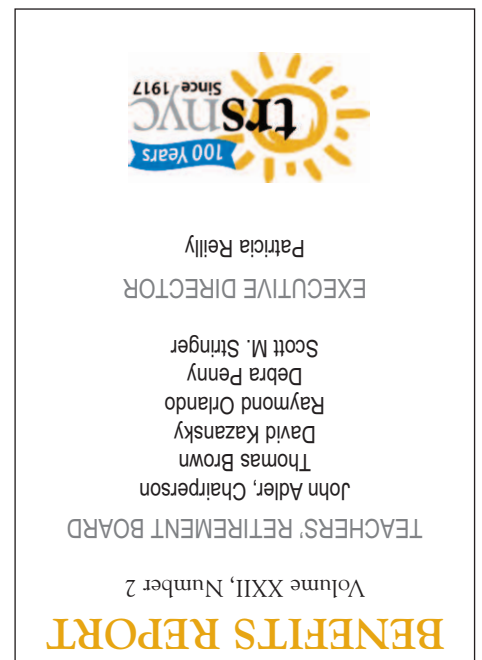
**October 2017:** Expected distribution of EFT Quarterly Statements for the third quarter of 2017.

**October 1, 2017:** Effective date of retiree investment election changes received by August 1, 2017 (QPP changes, TDA annuitant changes) or August 31, 2017 (changes for deferred TDA accounts).

Mailing of monthly retirement benefit checks generally occurs three business days before the end of each month.

Please remember that TRS' offices will be closed on the official New York City holidays occurring **July 4**, **September 4**, and **October 9, 2017**. On Fridays from July 7 through September 8, we will close at 1:00 p.m.

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# Fund Profile: *Balanced Fund*

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## **Inception Date**

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

## **Total Fund Market Value<sup>1</sup>**

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, and short-term investment-grade Corporate Bonds. The Fund's bond allocation is passively managed and is benchmarked to the Bloomberg Barclays U.S. Intermediate Bond Index.

The Fund's stock allocation is comprised 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 MSCI All Country World Index Net Index.

The Fund's benchmark is the Balanced Fund Composite Benchmark, which is composed of 70% Bloomberg Barclays U.S. Intermediate Aggregate Bond Index and 30% MSCI All Country World Index Net Index.

## **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. These fees are subject to change over time.

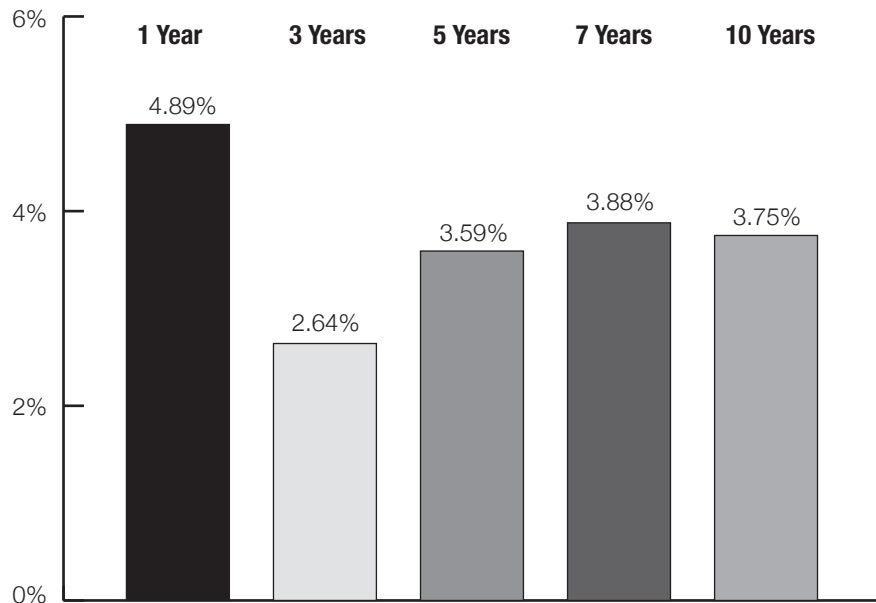
<sup>1</sup> This fact sheet is an illustration that was constructed using estimates based on recent data to approximate the composition of the Balanced Fund on or around January 1, 2018. Actual data may vary.

**Constructed Performance of the Balanced Fund<sup>1,2</sup>**

12 Months Ended									
3/31/17	3/31/16	3/31/15	3/31/14	3/31/13	3/31/12	3/31/11	3/31/10	3/31/09	3/31/08
4.89%	0.04%	3.06%	5.33%	4.72%	2.61%	6.62%	18.76%	-12.30%	6.35%

**Annualized Returns as of 3/31/2017**

CORRECTION: The printed version of this newsletter included incorrect values in this Annualized Returns chart. We regret the error. (6/28/2017)



**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.**

**Additional Information**

The July 1, 2017 edition of TRS’ annual *Fund Profiles* publication will include 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](http://www.trsnyc.org).

<sup>1</sup> This fact sheet is an illustration that was constructed using estimates based on recent data to approximate the composition of the Balanced Fund on or around January 1, 2018. Actual data may vary.

<sup>2</sup> Characteristics and performance shown for the Balanced Fund are those of the Barclays Capital 1-5 Year Government/Credit Index. This index represents the major markets in which the Balanced Fund is expected to invest. Actual data may vary.

*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.*



# Q & A: Bond Fund Becomes the Balanced Fund

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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, with 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, and short-term investment-grade Corporate Bonds. In addition, the Fund's stock allocation is comprised 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. The Bond Fund is still available to accept new contributions (from in-service members) and funds converted from the other Passport Funds. 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.

Specific filing deadlines and investment election change forms are available on our website at [www.trsnyc.org](http://www.trsnyc.org). Please note that, if you have a balance in the Bond Fund, TRS will contact you by letter later this year; this mailing will include the necessary forms to change your investments.

**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 July 1, 2017 edition of *Fund Profiles* is expected to include 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.

All publications are available from our website.



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