

OCEANFIRST FINANCIAL CORP
Form DEF 14A
March 30, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to ss. 240.14a-12

OceanFirst Financial Corp., Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

N/A

(2) Aggregate number of securities to which transactions applies:

N/A

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

N/A

(4) Proposed maximum aggregate value of transaction:

N/A

(5) Total fee paid:

N/A

- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

N/A

(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

N/A

(4) Date Filed:

N/A

OCEANFIRST FINANCIAL CORP.

975 HOOPER AVENUE

TOMS RIVER, NEW JERSEY 08754-2009

(732) 240-4500

April 17, 2007

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of OceanFirst Financial Corp. (the Company), the holding company of OceanFirst Bank. The Annual Meeting will be held on May 17, 2007, at 10:00 a.m., Eastern time, at the Crystal Point Yacht Club, 3900 River Road, at the intersection of State Highway 70, Point Pleasant, New Jersey, 08742.

The Notice of Annual Meeting and the proxy statement appearing on the following pages describe the formal business to be transacted at the Annual Meeting. Directors and officers of the Company, as well as a representative of KPMG LLP, the Company's independent registered public accounting firm, will be present at the Annual Meeting to respond to appropriate questions of the Company's stockholders.

It is important that your shares are represented this year whether or not you are personally able to attend the meeting. Your cooperation is appreciated since a majority of the common stock must be represented, either in person or by proxy, to constitute a quorum for the conduct of business. You may still vote your shares by proxy by signing and returning the enclosed proxy card promptly.

On behalf of the Board of Directors and all of the employees of the Company and OceanFirst Bank, we thank you for your continued interest and support.

Sincerely yours,

John R. Garbarino
President, Chief Executive Officer and

Chairman of the Board

OCEANFIRST FINANCIAL CORP.

975 HOOPER AVENUE

TOMS RIVER, NEW JERSEY 08754-2009

NOTICE OF 2007 ANNUAL MEETING OF STOCKHOLDERS

TIME AND DATE 10:00 a.m. on Thursday, May 17, 2007.

PLACE The Crystal Point Yacht Club, 3900 River Road, at the intersection of State Highway 70, Point Pleasant, New Jersey.

ITEMS OF BUSINESS

- (1) The election of two directors of the Company;
- (2) The ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2007; and
- (3) Such other matters as may properly come before the annual meeting or any adjournments thereof. The Board of Directors is not aware of any other business to come before the annual meeting.

RECORD DATE In order to vote, you must have been a stockholder at the close of business on March 27, 2007.

PROXY VOTING It is important that your shares be represented and voted at the meeting. You can vote your shares by completing and returning the proxy card or voting instruction card sent to you. Voting instructions are printed on your proxy card and included in the accompanying proxy statement. You can revoke a proxy at any time prior to its exercise at the meeting by following the instructions in the proxy statement.

John K. Kelly
Corporate Secretary

NOTE: Whether or not you plan to attend the annual meeting, please vote by marking, signing, dating and promptly returning the enclosed proxy card in the enclosed envelope.

OCEANFIRST FINANCIAL CORP.

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

MAY 17, 2007

This proxy statement is being furnished to stockholders of OceanFirst Financial Corp. (the "Company") the holding company of OceanFirst Bank (the "Bank") in connection with the solicitation by the Board of Directors of proxies to be used at the Annual Meeting of Stockholders to be held on May 17, 2007 at 10:00 a.m. Eastern time, at the Crystal Point Yacht Club, 3900 River Road, at the intersection of State Highway 70, Point Pleasant, New Jersey, 08742 and at any adjournment or postponement of the Annual Meeting. The Annual Report to Stockholders, including the consolidated financial statements of the Company and its subsidiaries for the fiscal year ended December 31, 2006, accompanies this proxy statement which is first being mailed to record holders on or about April 17, 2007.

Voting and Proxy Procedure

Who Can Vote at the Annual Meeting

You are entitled to vote your shares of the Company's common stock only if the records of the Company show that you held your shares as of the close of business on March 27, 2007. As of the close of business on that date, a total of 12,318,370 shares of OceanFirst Financial Corp. common stock were outstanding and entitled to vote. Each share of common stock has one vote. As provided in Article Fourth of the Company's Certificate of Incorporation, record holders of common stock who beneficially own in excess of 10% of the outstanding shares of common stock are not entitled to any vote in respect of the shares held in excess of this limit. A person or entity is deemed to beneficially own shares owned by an affiliate of, as well as by persons acting in concert with, such person or entity. The Company's Certificate of Incorporation authorizes the Board of Directors (i) to make all determinations necessary to implement and apply the limit, including determining whether persons or entities are acting in concert, and (ii) to demand that any person who is reasonably believed to beneficially own stock in excess of the limit supply information to the Company to enable the Board of Directors to implement and apply the limit.

Attending the Annual Meeting

If you are a beneficial owner of OceanFirst Financial Corp. common stock held by a broker, bank or other nominee (i.e., in "street name"), you will need proof of ownership to be admitted to the Annual Meeting. A recent brokerage statement or letter from a bank or broker are examples of proof of ownership. If you want to vote your shares of OceanFirst Financial Corp. common stock held in street name in person at the meeting, you must obtain a written proxy in your name from the broker, bank or other nominee who is the record holder of your shares.

Quorum and Vote Required

The Annual Meeting will be held only if there is a quorum. A majority of the outstanding shares of common stock entitled to vote and represented at the Annual Meeting constitutes a quorum. If you return valid proxy instructions or attend the meeting in person, your shares will be counted for purposes of determining whether there is a quorum, even if you abstain from voting. Broker non-votes also will be counted for purposes of determining the existence of a quorum. A broker non-vote occurs when a broker, bank or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner.

In voting on the election of directors, you may vote in favor of all nominees, withhold votes as to all nominees or withhold votes as to specific nominees. There is no cumulative voting for the election of directors. Directors must be elected by a plurality of the votes cast at the Annual Meeting. This means that the nominees receiving the greatest number of votes will be elected. Votes that are withheld and broker non-votes will have no effect on the outcome of the election.

In voting to ratify the appointment of KPMG LLP as the independent registered public accounting firm, you may vote in favor of the proposal, against the proposal or abstain from voting. To be approved, this matter requires the affirmative vote of a majority of the votes cast at the Annual Meeting. Broker non-votes and abstentions will not be counted as votes cast and will have no effect on the voting.

Voting by Proxy; Revocation of Proxy

This proxy statement is being sent to you by the Board of Directors of the Company for the purpose of requesting that you allow your shares of Company common stock to be represented at the Annual Meeting by the persons named in the enclosed proxy card. All shares of Company common stock represented at the Annual Meeting by properly executed and dated proxies will be voted in accordance with the instructions indicated on the proxy card. If you sign, date and return a proxy card without giving voting instructions, your shares will be voted as recommended by the Company's Board of Directors. **The Board of Directors recommends a vote FOR each of the nominees for director and FOR ratification of KPMG LLP as the independent registered public accounting firm.**

If any matters not described in this proxy statement are properly presented at the Annual Meeting, the persons named in the proxy card will use their own judgment to determine how to vote your shares. This includes a motion to adjourn or postpone the Annual Meeting in order to solicit additional proxies. If the Annual Meeting is adjourned or postponed, your Company common stock may be voted by the persons named in the proxy card on the new meeting date as well, unless you have revoked your proxy. The Company does not know of any other matters to be presented at the Annual Meeting.

You may revoke your proxy at any time before the vote is taken at the Annual Meeting. To revoke your proxy you must either advise the Corporate Secretary of the Company in writing before your common stock has been voted at the Annual Meeting, deliver a later dated and signed proxy card, or attend the Annual Meeting and vote your shares in person. Attendance at the Annual Meeting will not in itself constitute revocation of your proxy.

If your Company common stock is held in street name, you will receive instructions from your broker, bank or other nominee that you must follow in order to have your shares voted. Your broker, bank or other nominee may allow you to deliver your voting instructions via the telephone or the Internet. Please see the instruction form provided by your broker, bank or other nominee, that accompanies this proxy statement.

Participants in OceanFirst Financial Corp. s and OceanFirst Bank s Benefit Plans

If you participate in the OceanFirst Bank Employee Stock Ownership Plan or the OceanFirst Bank Matching Contribution Employee Stock Ownership Plan (collectively the ESOP), or the OceanFirst Bank Retirement Plan, (the 401(k) Plan), you will receive a voting instruction form for each plan that reflects all shares you may vote under the particular plan. Under the terms of the ESOP, the trustee votes all shares held by the ESOP, but each participant in the ESOP may direct the trustee how to vote the shares of the Company common stock allocated to his or her account. The ESOP trustee, subject to the exercise of its fiduciary duties, will vote all unallocated shares of Company common stock held by the ESOP and allocated shares of Company common stock for which no voting instructions are received in the same proportion as shares for which it has received timely voting instructions. Under the terms of the 401(k) Plan, a participant is entitled to direct the trustee how to vote the shares of Company common stock in the plan credited to his or her account. The trustee will vote all shares for which no directions are given or for which timely instructions were not received in the same proportion as shares for which such trustee received timely voting instructions. The deadline for returning your voting instructions to each plan s trustee is May 11, 2007.

If you have any questions about voting, please contact our proxy solicitor, Georgeson Inc. by calling toll free at 866-413-8825.

CORPORATE GOVERNANCE

General

The Company periodically reviews its corporate governance policies and procedures to ensure that the Company meets the highest standards of ethical conduct, reports results with accuracy and transparency and maintains full compliance with the laws, rules and regulations that govern the Company's operations. As part of this periodic corporate governance review, the Board of Directors reviews and adopts best corporate governance policies and practices for the Company.

Corporate Governance Policies and Procedures

The Company has adopted a corporate governance policy to govern certain activities, including:

(1) the duties and responsibilities of the Board of Directors and each director;

(2) the composition and operation of the Board of Directors;

(3) the establishment and operation of Board committees;

(4) convening executive sessions of independent directors;

(5) succession planning;

(6) the Board of Directors' interaction with management; and

(7) the evaluation of the performance of the Board of Directors, its committees and of the Chief Executive Officer.

Effective February 21, 2007, upon the recommendation of the Corporate Governance/Nominating Committee, the Board adopted the stock ownership guidelines for non-employee directors and those executive officers named in the proxy statement ("proxy officers"). The Guidelines were adopted to better align the interests of the directors and proxy officers with those of the Company's stockholders. The Guidelines provide that each non-employee director must own shares of the Company's common stock equal in market value to three times the value of the combined annual director retainers received from the Company and the Bank. Current directors are expected to attain the minimum ownership within three years of adoption of the Guidelines. Newly elected directors must meet the Guidelines within three years of first being elected and qualified. For purposes of the Guidelines, the following shares count towards meeting the ownership requirements: 1) shares beneficially owned by the director and by immediate family members sharing the same household; 2) vested and unvested restricted stock awards; 3) shares acquired upon the exercise of stock options; and 4) shares held in trust where the director or an immediate family member is the beneficiary. Until the Guidelines are met, all retainers will be paid in Company stock, and a director must retain the net shares delivered upon

the vesting of restricted share awards or the exercise of stock options. Once achieved, the ownership guidelines must continue to be met during the period the director serves on the Board.

Similarly, the Guidelines require the CEO to own Company stock with a value equal to five times his annual base salary. The other proxy officers must own Company stock with a value equal to three times annual base salary. Each officer must meet the share ownership requirements within five years. Shares that count towards the Guidelines requirement include those shares listed under the directors share ownership requirements with the addition of shares held in the officer's ESOP and 401(k) account and the value of vested and unvested stock options, where such value is calculated as the cumulative expense recognized by the Company on its financial statements.

Code of Ethics and Standards of Personal Conduct

The Company and Bank have adopted a Code of Ethics and Standards of Personal Conduct that is designed to ensure that all directors, executive officers and employees of the Company and Bank, meet the highest standards of ethical conduct. The Code of Ethics and Standards of Personal Conduct requires that all directors, executive officers and employees avoid conflicts of interest, protect confidential information and customer privacy, comply with all laws and other legal requirements, conduct business in an honest and ethical manner and otherwise act with integrity and in the Company's best interest. Under the terms of the Code of Ethics and Standards of Personal Conduct, all directors, executive officers and employees are required to report any conduct that they believe in good faith to be an actual or apparent violation of the Code.

As a mechanism to encourage compliance with the Code of Ethics and Standards of Personal Conduct, the Company and Bank established procedures to receive, retain and treat complaints received regarding accounting, internal accounting controls or auditing matters. These procedures ensure that individuals may submit concerns regarding questionable accounting or auditing matters in a confidential and anonymous manner. The Code of Ethics and Standards of Personal Conduct also prohibits the Company from retaliating against any director, executive officer or employee who reports actual or apparent violations of the Code.

Meetings of the Board of Directors

The Board of Directors of the Company and the Bank conduct business through meetings and the activities of the Boards and their committees. Board members are encouraged to attend all Board and Committee meetings. Their attendance and performance are among the criteria considered for re-nomination to the Board of Directors. During the fiscal year ended December 31, 2006, the Company's Board of Directors held 8 meetings. The Directors of the Company attended all of the Board meetings and the committee meetings held on which such Directors served during the fiscal year ended December 31, 2006. The Board of Directors of the Company maintains an Audit Committee, a Human Resources/Compensation Committee and a Corporate Governance/Nominating Committee.

Committees of the Board of Directors

The following table identifies the standing committees and their members as of December 31, 2006.

Director	Audit Committee	Corporate Governance/ Nominating Committee	Human Resources/ Compensation Committee
Joseph J. Burke	X*	X	
Angelo Catania	X		
John W. Chadwick			X
Carl Feltz, Jr.		X	X
Donald E. McLaughlin	X		
Diane F. Rhine			X*
John E. Walsh		X*	
<i>Number of Meetings in 2006</i>	5	3	2

* Chairperson

Audit Committee. The Board of Directors has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The Audit Committee acts under a written Charter adopted by the Board of Directors. The Charter is attached as Appendix I to this proxy statement. Each member of the Audit Committee is independent in accordance with the listing standards of the Nasdaq Stock Market (Nasdaq). The Audit Committee meets periodically with the independent registered public accounting firm and management to review accounting, auditing, internal control structure and financial reporting matters. The Board has determined that Joseph J. Burke, the Audit Committee Chairman, Angelo Catania and Donald E. McLaughlin are audit committee financial experts under the Rules of the Securities and Exchange Commission. The report of the Audit Committee required by the Rules of the Securities and Exchange Commission is included in this proxy statement. See *Proposal 2-Ratification of Independent Registered Public Accounting Firm Report of Audit Committee*.

Corporate Governance/Nominating Committee. The Corporate Governance/Nominating Committee of the Company takes a leadership role in shaping governance policies and practices, including recommending to the Board of Directors the corporate governance guidelines applicable to the Company and monitoring compliance with these policies and guidelines. In addition, the Corporate Governance/Nominating Committee is responsible for identifying individuals qualified to become Board members and recommending to the Board the director nominees for election at the next annual meeting of stockholders. The Committee also recommends to the Board director candidates for each committee for appointment by the Board. Each member of the Corporate Governance/Nominating Committee is independent in accordance with the listing standards of the Nasdaq. The Chairman of the Corporate Governance/Nominating Committee functions as lead independent director.

The Corporate Governance/Nominating Committee acts under a written Charter and the Corporate Governance Policy adopted by the Board of Directors. The Charter and the Policy are available on the Company's website (www.oceanfirst.com). The procedures of the Corporate Governance/Nominating Committee required to be disclosed by the rules of the Securities and Exchange Commission are included in this proxy statement. See *Corporate Governance/Nominating Committee Procedures*.

Human Resources/Compensation Committee. The Human Resources/Compensation Committee of the Company and the Bank (the Compensation Committee) meets to establish compensation for the executive officers and to review the incentive compensation programs when necessary. The Compensation Committee acts under a written Charter adopted by the Board of Directors. The Charter is available on the Company's website (www.oceanfirst.com). The Compensation Committee is also responsible for establishing certain guidelines and limits for compensation and benefit programs for other salaried officers and employees of the Company and the Bank. Each member of the Compensation Committee is independent in accordance with the listing standards of the Nasdaq. The report of the Compensation Committee required by the Rules of the Securities and Exchange Commission is included in this proxy statement. See *Executive Compensation - Compensation Committee Report on Executive Compensation*.

STOCK OWNERSHIP

The following table provides information as of March 27, 2007 with respect to the persons known by the Company to be the beneficial owners of more than 5% of its outstanding stock. A person is considered to beneficially own any shares of common stock over which he or she has, directly or indirectly, sole or shared voting or investment power.

Name and Address Of Beneficial Owner	Number of Shares Owned	Percent of
		Common Stock Outstanding
OceanFirst Bank, Employee Stock Ownership Plan (ESOP) & Matching Contribution ESOP 975 Hooper Avenue Toms River, New Jersey 08754-2009	2,255,095(1)	18.31%
OceanFirst Foundation 1027 Hooper Avenue Toms River, New Jersey 08754-2009	1,479,593(2)	12.01%
Private Capital Management 8889 Pelican Bay Boulevard Naples, Florida 34108	773,768(3)	6.28%
John R. Garbarino 975 Hooper Avenue Toms River, New Jersey 08754-2009	763,993(4)	6.05%

(1) Includes 149,773 shares acquired by the OceanFirst Bank Matching Contribution ESOP, as a result of a spin-off from the OceanFirst Bank ESOP effective December 27, 2006. Under the terms of the ESOP and the Matching Contribution ESOP, the Trustee will vote all allocated shares held in the ESOP and the Matching Contribution ESOP in accordance

with the instructions of the participants. As of March 27, 2007, 1,371,710 shares and 130,233 shares had been allocated under the ESOP and the Matching Contribution ESOP, respectively, and 733,612 shares and 19,540 shares remain unallocated under the ESOP and the Matching Contribution ESOP, respectively. Under the ESOP and the Matching Contribution ESOP, unallocated shares and allocated shares as to which voting instructions are not given by participants are to be voted by the Trustee in a manner calculated to most accurately reflect the instructions received from participants regarding the allocated stock so long as such vote is in accordance with the fiduciary provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

(2) All shares of Common Stock held by the Foundation must be voted in the same ratio as all other shares of the Company's Common Stock on all proposals considered by stockholders of the Company.

(3) Based upon SEC Form 13G by Private Capital Management dated February 14, 2007, which reflects 764,718 shares owned by Private Capital Management and 9,050 shares owned by its Chief Executive Officer, Bruce Sherman.

(4) Includes 319,836 vested options under various OceanFirst option plans.

The following table provides information as of March 27, 2007, about the shares of the Company common stock that may be considered to be beneficially owned by each director, nominee for director and the named executive officers listed in the table under *Executive Compensation Summary Compensation Table*, and by all such directors and executive officers of the Company as a group. A person may be considered to beneficially own any shares of common stock over which he or she has, directly or indirectly, sole or shared voting or investment power. Unless otherwise indicated, each of the named individuals has sole voting power and sole investment power with respect to the shares shown.

Name	Number of Shares			Percent of Common Stock Outstanding (2)
	Number of Shares Owned (excluding options)(1)	That May Be Acquired Within 60 Days by Exercising Options	Total Number of Shares Beneficially Owned	
Directors				
Joseph J. Burke (10)	7,183	600	7,783	.06%
Angelo Catania (10)(12)	2,210	600	2,810	.02%
John W. Chadwick (9)(10)	9,776	19,600	29,376	.24%
Carl Feltz, Jr. (10)	94,732	19,600	114,332	.93%
John R. Garbarino (3)(4)(11)	444,157	319,836	763,993	6.05%
Donald E. McLaughlin (5)(10)	66,690	19,600	86,290	.70%
Diane F. Rhine (6)(10)	47,327	19,600	66,927	.54%
James T. Snyder (10)	52,457	19,600	72,057	.58%
John E. Walsh (7)(10)	16,389	59,860	76,249	.62%
Named Executive Officers who are not also Directors				
Michael J. Fitzpatrick (3)(13)	132,902	116,784	249,686	2.01%
John K. Kelly (3)(8)(14)	96,315	38,426	134,741	1.09%
Vito R. Nardelli (3)(15)	4,392	37,646	42,038	.34%
Robert M. Pardes (3)(16)	27,655	122,088	149,743	1.20%
All directors and named executive officers as a group (13 persons)	1,002,185	793,840	1,796,025	13.70%

(1) Each person effectively exercises sole (or shared with spouse or other immediate family members) voting power as to shares reported as of the Record Date.

- (2) Percentages with respect to each person or group of persons have been calculated on the basis of 12,318,370 shares of the Company's Common Stock, the number of shares of Company Common Stock outstanding and entitled to vote as of March 27, 2007, plus the number of shares of Company Common Stock which such person or group of persons has the right to acquire within 60 days of March 27, 2007 by the exercise of stock options.
- (3) Includes 42,989; 45,024; 38,094; 1,654 and 12,411 shares held in trust pursuant to the ESOP which have been allocated to Messrs. Garbarino, Fitzpatrick, Kelly, Nardelli, and Pardes, respectively, as of December 31, 2006. Such persons have sole voting power, but no investment power, except in limited circumstances, as to such shares.
- (4) Includes 14,445 shares owned by Mr. Garbarino's wife and 9,288 shares held by Mr. Garbarino and his wife as co-Trustees.
- (5) Includes 4,821 shares owned by Mr. McLaughlin's wife.
- (6) Includes 700 shares for which Ms. Rhine acts as custodian.
- (7) Includes 770 shares held by Mr. Walsh's wife as custodian.
- (8) Includes 6,474 shares owned by Mr. Kelly's wife and 6,000 shares held by Mr. Kelly's wife as custodian.
- (9) Includes 2,400 shares held by Mr. Chadwick as Trustee.
- (10) Includes 710 unvested shares. On February 15, 2006, each non-employee director was awarded 345 unvested shares which vest at a rate of 20% per year commencing February 15, 2007 under the OceanFirst Financial Corp. Amended and Restated 1997 Incentive Plan. On February 21, 2007 each non-employee director was awarded 434 unvested shares which vest at a rate of 20% per year commencing March 1, 2008 under the 2006 Stock Incentive Plan.

- (11) Includes 7,635 unvested shares. On February 15, 2006, Mr. Garbarino was awarded 4,658 unvested shares which vest at a rate of 20% per year commencing February 15, 2007 under the OceanFirst Financial Corp. Amended and Restated 1997 Incentive Plan. On February 21, 2007 Mr. Garbarino was awarded 3,909 unvested shares which vest at a rate of 20% per year commencing March 1, 2008 under the 2006 Stock Incentive Plan.
- (12) Includes an award of 500 unvested shares. On January 18, 2006, Mr. Catania was awarded 1,000 unvested shares which vest at a rate of 50% per year commencing January 18, 2007.
- (13) Includes 1,303 unvested shares. On February 21, 2007 Mr. Fitzpatrick was awarded 1,303 unvested shares which vest at 20% per year commencing March 1, 2008 under the 2006 Stock Incentive Plan.
- (14) Includes 434 unvested shares. On February 21, 2007 Mr. Kelly was awarded 434 unvested shares which vest at 20% per year commencing March 1, 2008 under the 2006 Stock Incentive Plan.
- (15) Includes 1,303 unvested shares. On February 21, 2007 Mr. Nardelli was awarded 1,303 unvested shares which vest at 20% per year commencing March 1, 2008 under the 2006 Stock Incentive Plan.
- (16) Includes 1,303 unvested shares. On February 21, 2007 Mr. Pardes was awarded 1,303 unvested shares which vest at 20% per year commencing March 1, 2008 under the 2006 Stock Incentive Plan.

PROPOSALS TO BE VOTED ON AT THE MEETING

Proposal 1. Election of Directors

The Company's Board of Directors currently consists of eight directors. James T. Snyder, who is a current director of the Company, has reached the Company's mandatory retirement age of 72 and therefore will not stand for re-election at this meeting. In January 2007, the Board determined not to fill the vacancy created by Mr. Snyder's retirement, and instead reduced the number of directors from nine to eight. All of the directors are independent under the current listing standards of Nasdaq, except for John R. Garbarino, President and Chief Executive Officer of the Company and the Bank. The Board is divided into three classes with three-year staggered terms, with approximately one-third of the directors elected each year. Each of the members of the Board also serves as a director of the Bank. The Board of Directors' nominees for election this year, to serve for a three year term or until their respective successors have been elected and qualified, are Messrs. Donald E. McLaughlin and John E. Walsh both of whom are currently directors of the Company and the Bank.

It is intended that the proxies solicited by the Board of Directors will be voted for the election of the nominees named above. If any nominee is unable to serve, the persons named in the proxy card will vote your shares and approve the election of any substitute proposed by the Board of Directors. Alternatively, the Board of Directors may adopt a resolution to reduce the size of the Board. At this time, the Board of Directors knows of no reason why any nominee might be unable to serve.

The Board of Directors recommends a vote FOR the election of Messrs. Donald E. McLaughlin and John E. Walsh.

Information With Respect to Nominees, Continuing Directors and Certain Executive Officers

Information regarding the Board of Directors nominees for election at the Annual Meeting, as well as information regarding the continuing directors and the executive officers listed in the table under *Executive Compensation Summary Compensation Table* who are not directors (also referred to herein as *Named Executive Officers*), is provided below. Unless otherwise stated, each individual has held his or her current occupation for the last five years. The age indicated for each individual is as of December 31, 2006. The indicated period of service as a director includes service as a director of OceanFirst Bank.

Nominees for Election of Director

Donald E. McLaughlin is a Certified Public Accountant, retired. In 2005 he retired from Donald E. Mc Laughlin, CPA, P.C. Mr. McLaughlin has served on the Board of Directors since 1985. He is 59 years of age.

John E. Walsh is a licensed professional engineer and has been employed with Schoor DePalma, Inc., an engineering firm, since 2001, currently as Executive Vice President. Prior to that time he was President of Bay Pointe Engineering Associates, Inc. Neither Schoor DePalma Inc. or Bay Pointe Engineering Associates, Inc. is an affiliate of the Company. Mr. Walsh has served on the Board of Directors since 2000. He is 53 years of age.

Directors Continuing in Office

The following directors have terms ending in 2008:

Joseph J. Burke is a Certified Public Accountant. He is a retired partner with KPMG LLP. KPMG LLP is not an affiliate of the Company. Mr. Burke has been a member of the Board since January 19, 2005. He is 59 years of age.

Angelo Catania is the managing member of HomeStar Services LLC, an air conditioning, heating and plumbing services company, where he has been employed since February 2005. Prior to that time he was President and Chief Operating Officer of Petro, Inc. Neither HomeStar Services LLC nor Petro, Inc. is an affiliate of the Company. He has been a member of the Board since January 18, 2006. He is 57 years of age.

John R. Garbarino has served as Chairman, President and Chief Executive Officer of the Company since 1996. He has served in various capacities for the Bank since 1971, and has been a member of the Bank's senior management since 1979. In 1985 he was elected President and Chief Executive Officer of the Bank. He has been a member of the Bank's Board of Directors since 1984, and was appointed Chairman of the Board in 1989. He is 57 years of age.

The following directors have terms ending in 2009:

John W. Chadwick retired as the General Manager of Point Bay Fuel, a petroleum products distributor in late 2006. Point Bay Fuel is not an affiliate of the Company. Mr. Chadwick has been a member of the Board of Directors since 2002. He is 65 years of age.

Carl Feltz, Jr. is a registered architect and is a principal in the firm of Feltz & Frizzell Architects, LLC. Feltz & Frizzell Architects, LLC is not an affiliate of the Company. Mr. Feltz has been a member of the Board of Directors since 1990. He is 68 years of age.

Diane F. Rhine is a partner in Citta Rhine, LLC, a real estate company. Citta Rhine, LLC is not an affiliate of the Company. Ms. Rhine has served on the Board of Directors since 1997. She is 57 years of age.

Named Executive Officers Who Are Not Also Directors

Michael J. Fitzpatrick has been Executive Vice President and Chief Financial Officer of the Company since 1995. He has also been Executive Vice President and Chief Financial Officer of the Bank since 1992. Mr. Fitzpatrick has been employed by the Bank since 1992. He is 51 years of age.

Vito R. Nardelli has been Executive Vice President, Chief Operating Officer of the Bank since September 2005. He has been employed with the Bank since June 1, 2004. Prior to that date he was employed in the banking industry for approximately 30 years, most recently as Director of Retail Banking for The Trust Company of New Jersey and, until 2003, as Division President of the Dime Savings Bank of New Jersey. He is 57 years of age.

Robert M. Pardes is Executive Vice President and Chief Lending Officer of the Bank. He was Executive Vice President and head of the Residential Loan Division until 2004. Mr. Pardes has been employed by the Bank since 2000. Prior to 2000 he served as President of Columbia Home Loans, LLC, formerly Columbia Equities, Ltd., an independent mortgage banking corporation, until it was acquired by the Bank in 2000. He is 47 years of age.

John K. Kelly has been Senior Vice President and General Counsel of the Bank since 1990. He was Vice President and General Counsel of the Bank from 1988 until 1990. Mr. Kelly has been Senior Vice President and Corporate Secretary of the Company since 1995. He has been Corporate Secretary of the Bank since 2002. Mr. Kelly has been employed by the Bank since 1988. He is 57 years of age.

Proposal 2. Ratification of Appointment

of the Independent Registered Public Accounting Firm

OceanFirst Financial Corp. s independent registered public accounting firm for the fiscal year ended December 31, 2006 was KPMG LLP. Acting on the recommendation of the Audit Committee, the Board of Directors reappointed KPMG LLP to continue as the independent registered public accounting firm for the Company for the fiscal year ending December 31, 2007, subject to ratification of such appointment by the stockholders. If stockholders do not ratify the appointment of KPMG LLP as the Company s independent registered public accounting firm, the Audit Committee may consider other independent registered public accounting firms.

Representatives of KPMG LLP will be present at the Annual Meeting. They will be given an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions from stockholders present at the Annual Meeting.

The Board of Directors recommends that you vote FOR ratification of the appointment of KPMG LLP as the independent registered public accounting firm of the Company.

Audit Fees

The following table sets forth the fees billed to the Company for the fiscal years ended December 31, 2006 and December 31, 2005 by KPMG LLP:

	2006	2005
Audit fees	\$ 340,000	\$ 340,000
Audit related fees (1)	40,000	40,000
Tax related fees (2)	60,000	71,000
Other fees		
	\$ 440,000	\$ 451,000

(1) Audit-related fees are excluded from Audit Fees because the services were not required for reporting on the Company s consolidated financial statements. Such fees are principally related to audits of financial statements of employee benefit plans and audit procedures relating to the U.S. Department of Housing and Urban Development (HUD) reporting requirements.

(2) Consists of tax filing and tax related compliance and other advisory services. The Audit Committee believes that the provision of non-audit services by KPMG LLP is compatible with maintaining KPMG LLP s independence.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of the Independent Registered Public Accounting Firm

The Audit Committee is responsible for appointing, setting compensation, and overseeing the work of the independent registered public accounting firm. In accordance with its Charter, the Audit Committee approves, in advance, all audit and permissible non-audit services to be performed by the independent registered public accounting firm. Such approval process ensures that the independent registered public accounting firm does not provide any non-audit services to the Company that are prohibited by law or regulation.

During the year ended December 31, 2006, 100% of the audit related fees, tax related fees and other fees set forth above were approved by the Audit Committee.

Report of the Audit Committee

The Company's management is responsible for the Company's internal controls and financial reporting process. The Director of Internal Audit reports directly to the Audit Committee. The Director of Internal Audit conducted a risk assessment of the organization and submitted and implemented an internal audit plan for 2006.

The independent registered public accounting firm is responsible for performing an independent audit of the Company's financial statements and issuing an opinion on the conformity of these financial statements with generally accepted accounting principles. The Audit Committee oversees the Company's internal controls and financial reporting process on behalf of the Board of Directors.

The Audit Committee reviewed and discussed the annual financial statements with management and the Company's independent registered public accounting firm. As part of this process, management represented to the Audit Committee that the financial statements were prepared in accordance with generally accepted accounting principles. The Audit Committee also received and reviewed written disclosures and a letter from the independent registered public accounting firm regarding their independence as required under applicable standards for independent registered public accounting firms of public companies. The Audit Committee discussed with the independent registered public accounting firm the contents of such materials, their independence and additional matters required under Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T, including the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements.

In addition, the Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by the Independence Standards Board Standard No. 1 (Independence Discussions With Audit Committees), as adopted by the Public Company Accounting Oversight Board in Rule 3600T and has discussed with the independent registered public accounting firm, the independent registered public accounting firm's independence from the Company and its management. In concluding that the registered public accounting firm was independent, the Audit Committee considered, among other factors,

whether the non-audit services provided by the independent registered public accounting firm were compatible with the independent registered public accounting firm's independence.

The Audit Committee discussed with the Company's independent registered public accounting firm the overall scope and plans for their audit. The Audit Committee meets with the independent registered public accounting firm, with and without management present, to discuss the results of their examination, their evaluation of the Company's internal controls, and the overall quality of the Company's financial reporting.

In performing all of these functions, the Audit Committee acts only in an oversight capacity. In its oversight role, the Audit Committee relies on the work and assurances of the Company's management, which has the primary responsibility for financial statements and reports, and of the independent registered public accounting firm who, in their report, express an opinion on the conformity of the Company's financial statements to generally accepted accounting principles. The Audit Committee's oversight does not provide it with an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or policies, or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions with management and the independent registered public accounting firm do not assure that the Company's financial statements are presented in accordance with generally accepted accounting principles, that the audit of the Company's financial statements has been carried out in accordance with generally accepted auditing standards or that the Company's independent registered public accounting firm is in fact independent.

Based on such review and discussions, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006 for filing with the Securities and Exchange Commission. The Audit Committee also has approved, subject to stockholder ratification, the selection of the Company's independent registered public accounting firm.

The Audit Committee

Joseph J. Burke, CPA, Chairman

Donald E. McLaughlin, CPA, Retired

Angelo Catania

COMPENSATION DISCUSSION AND ANALYSIS

Overview

This section provides (i) a description of the structure and function of the Human Resources/Compensation Committee of the Board of Directors, (ii) a description of the objectives of the compensation program for the Named Executive Officers, (iii) a discussion of the design of the Named Executive Officer compensation program and (iv) a discussion of each material element of the Named Executive Officer compensation program and the rationale for choosing to make the payments listed in the tables following this section.

A significant compensation action taken during fiscal 2006 was the adoption and shareholder approval of the 2006 Stock Incentive Plan. The Company adopted this program following careful study of equity compensation at competing institutions. The Human Resources/Compensation Committee designed the plan to create an incentive for the long-term efforts of the executive officers and non-employee board members to increase returns to the stockholders.

Compensation Corporate Governance

Human Resources/Compensation Committee

The Human Resources/Compensation Committee is responsible for establishing compensation for the Named Executive Officers and for establishing certain guidelines and limits for compensation and benefits programs for other salaried officers and employees of the Company and the Bank. The Human Resources/Compensation Committee annually reviews and evaluates base salary and annual bonus recommendations made for Named Executive Officers by the Chief Executive Officer along with the rationale for such recommendations. The Human Resources/Compensation Committee also recommends to the Board for approval the compensation for the CEO and Named Executive Officers. The CEO does not participate in the Human Resources/Compensation Committee's decision as to his compensation package. In establishing compensation levels, the Human Resources/Compensation Committee considers the Company's overall objectives and performance, peer group comparisons and individual performance. The Human Resources/Compensation Committee is composed entirely of independent non-employee directors. The members of the Human Resources/Compensation Committee for fiscal 2006 were Diane F. Rhine (Chairperson), John W. Chadwick and Carl Feltz, Jr.

Human Resources/Compensation Committee Charter

The Human Resources/Compensation Committee's Charter reflects the Human Resources/Compensation Committee's responsibilities described above. The Charter is periodically reviewed by the Human Resources/Compensation Committee and the Board of Directors. The Charter was most recently revised in 2006 to conform to changes in the SEC rules affecting disclosure of executive compensation and to clarify the Committee's responsibilities regarding monitoring employment law compliance. A copy of current Charter is available on the Company's website (www.oceanfirst.com).

Compensation Consultant/Role of Management

The Human Resources/Compensation Committee has authority under its Charter to engage the services of independent third party experts to assist it in reviewing and determining executive officer compensation. Pursuant to this authority, in 2004 the Human Resources/Compensation Committee engaged Clark Consulting, a nationally recognized consulting firm specializing in compensation and employee benefits, to provide an independent review of the executive officer and director compensation. The objectives of the independent review were to (i) assess the competitiveness of the Company's total compensation program for executive officers and non-employee directors; and (ii) review performance based cash and stock compensation practices among peer banks. The consultant compared base salary, benefits, annual incentive and long term compensation for each executive officer to a peer group of banking institutions having similar characteristics to the Company. The report indicated the Company's total cash compensation benefits and long-term stock based incentives were competitive with market practice. The report was used as a reference point for setting the 2005 and 2006 executive compensation levels. In late December 2006, the Human Resources/Compensation Committee engaged Mercer Human Resource Consulting to perform a similar study to be used for setting 2007 and 2008 compensation.

Executive management and outside advisors are invited to Human Resources/Compensation Committee meetings to provide their views on compensation matters. Company management participates in the process of determining senior officer compensation by making recommendations to the Human Resources/Compensation Committee as requested by the Committee regarding base salary adjustments, incentive plan awards and equity plan awards. Mr. Garbarino does not participate in decisions relating to his compensation.

Human Resources/Compensation Committee Activities in 2006

The Human Resources/Compensation Committee met two times during the fiscal year ended December 31, 2006. Among other actions taken in 2006, the Human Resources/Compensation Committee approved the Company's

Mid-America Apartment Communities

35,530

2,158,092

UDR

103,062

2,406,498

14,460,920

SELF STORAGE

4.8%

CubeSmart

62,500

996,250

Public Storage

22,020

3,314,451

Sovran Self Storage

20,583

1,341,394

5,652,095

SHOPPING CENTERS

22.0%

COMMUNITY CENTER

5.5%

DDR Corp.

99,900

1,535,463

Kimco Realty Corp.

30,383

600,064

Ramco-Gershenson Properties Trust

70,223

1,105,310

Regency Centers Corp.

39,218

1,815,793

Weingarten Realty Investors

50,752

1,391,620

6,448,250

FREE STANDING

0.6%

Realty Income Corp.

19,861

741,411

See accompanying notes to financial statements.

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013

		Number of Shares	Value
REGIONAL MALL	15.9%		
General Growth Properties		130,316	\$ 2,615,442
Glimcher Realty Trust		141,700	1,326,312
Macerich Co. (The)		42,471	2,501,117
Simon Property Group		72,403	11,016,841
Taubman Centers		18,589	1,188,209
			18,647,921
TOTAL SHOPPING CENTERS			25,837,582
SPECIALTY	1.6%		
Digital Realty Trust		36,931	1,814,051
TOTAL COMMON STOCK (Identified cost \$75,870,799)			98,309,144
PREFERRED SECURITIES \$25 PAR VALUE	12.0%		
BANKS	0.4%		
Ally Financial, 7.375%, due 12/16/44		20,000	507,800
BANKS FOREIGN	0.3%		
National Westminster Bank PLC, 7.76%, Series C (United Kingdom)		13,358	336,354
INSURANCE MULTI-LINE FOREIGN	0.3%		
ING Groep N.V., 7.375% (Netherlands)		15,000	381,000
REAL ESTATE	11.0%		
DIVERSIFIED	3.2%		
Colony Financial, 8.50%, Series A		20,000	500,000
DuPont Fabros Technology, 7.875%, Series A		20,000	478,800
DuPont Fabros Technology, 7.625%, Series B		20,000	455,400
EPR Properties, 9.00%, Series E (Convertible)		20,000	555,200
Lexington Realty Trust, 6.50%, Series C (\$50 Par Value)		22,019	980,946
National Retail Properties, 5.70%		4,991	94,829
NorthStar Realty Finance Corp., 8.50%, Series D		19,900	463,471
Vornado Realty Trust, 6.625%, Series I		10,000	229,500
			3,758,146

See accompanying notes to financial statements.

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013

		Number of Shares	Value
HOTEL	3.5%		
Ashford Hospitality Trust, 8.45%, Series D		19,350	\$ 486,072
Ashford Hospitality Trust, 9.00%, Series E		20,000	530,200
Chesapeake Lodging Trust, 7.75%, Series A		20,000	491,800
Hersha Hospitality Trust, 8.00%, Series B		25,000	629,750
Hospitality Properties Trust, 7.125%, Series D		18,600	430,218
Pebblebrook Hotel Trust, 7.875%, Series A		35,000	873,950
Sunstone Hotel Investors, 8.00%, Series D		25,000	625,000
			4,066,990
INDUSTRIALS	0.7%		
First Potomac Realty Trust, 7.75%, Series A		15,000	362,250
Monmouth Real Estate Investment Corp., 7.875%, Series B ^c		20,000	497,600
			859,850
OFFICE	0.2%		
Hudson Pacific Properties, 8.375%, Series B		8,500	224,868
RESIDENTIAL	1.0%		
APARTMENT	0.1%		
Alexandria Real Estate Equities, 7.00%, Series D		6,225	156,248
MANUFACTURED HOME	0.9%		
Campus Crest Communities, 8.00%, Series A		24,650	608,855
Equity Lifestyle Properties, 6.75%, Series C		19,060	437,903
			1,046,758
TOTAL RESIDENTIAL			1,203,006
SHOPPING CENTERS	2.4%		
COMMUNITY CENTER	1.2%		
Cedar Realty Trust, 7.25%, Series B		20,000	460,000
DDR Corp., 7.375%, Series H		5,339	133,475

DDR Corp., 6.50%, Series J	25,200	549,360
Kite Realty Group Trust, 8.25%, Series A	10,000	252,500
		1,395,335

See accompanying notes to financial statements.

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013

		Number of Shares	Value
REGIONAL MALL	1.2%		
CBL & Associates Properties, 7.375%, Series D		29,998	\$ 712,453
Pennsylvania REIT, 8.25%, Series A		25,000	631,750
			1,344,203
TOTAL SHOPPING CENTERS			2,739,538
TOTAL REAL ESTATE			12,852,398
TOTAL PREFERRED SECURITIES \$25 PAR VALUE (Identified cost \$13,317,073)			14,077,552
PREFERRED SECURITIES CAPITAL SECURITIES	2.0%		
BANKS	0.5%		
Farm Credit Bank of Texas, 10.00%, Series I		500	584,062
BANKS FOREIGN	0.8%		
Banco Bilbao Vizcaya Argentaria SA, 9.00% (Spain) ^e		400,000	432,500
Dresdner Funding Trust I, 8.151%, due 6/30/31, 144A (Germany) ^f		500,000	520,000
			952,500
INSURANCE LIFE/HEALTH INSURANCE FOREIGN	0.7%		
La Mondiale Vie, 7.625% (France)		750,000	798,750
TOTAL PREFERRED SECURITIES CAPITAL SECURITIES (Identified cost \$2,207,277)			2,335,312
		Principal Amount	
CORPORATE BONDS	0.6%		
INSURANCE PROPERTY CASUALTY	0.3%		
Liberty Mutual Insurance, 7.697%, due 10/15/97, 144A ^f		\$ 375,000	386,230
REAL ESTATE SHOPPING CENTERS	0.3%		
General Shopping Finance Ltd., 10.00%, 144A (Cayman Islands) ^{c,f}		378,000	334,537

TOTAL CORPORATE BONDS
(Identified cost \$723,005)

720,767

See accompanying notes to financial statements.

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COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013

		Number of Shares	Value
SHORT-TERM INVESTMENTS	0.5%		
MONEY MARKET FUNDS			
State Street Institutional Treasury Money Market Fund, 0.06% ^g		600,000	\$ 600,000
TOTAL SHORT-TERM INVESTMENTS			600,000
(Identified cost \$600,000)			
TOTAL INVESTMENTS			116,042,775
(Identified cost \$92,718,154)	99.0%		
WRITTEN CALL OPTIONS	0.0		(16,808)
OTHER ASSETS IN EXCESS OF LIABILITIES	1.0		1,227,917
NET ASSETS (Equivalent to \$12.23 per share based on 9,586,556 shares of common stock outstanding)	100.0%		\$ 117,253,884
		Number of Contracts	
WRITTEN CALL OPTIONS	0.0%		
Gramercy Property Trust, USD Strike Price 5.73, 4/17/14		545	\$ (16,808)
TOTAL WRITTEN CALL OPTIONS			\$ (16,808)
(Premiums received \$10,982)			

See accompanying notes to financial statements.

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2013

Glossary of Portfolio Abbreviations

REIT Real Estate Investment Trust

USD United States Dollar

Note: Percentages indicated are based on the net assets of the Fund.

^a Non-income producing security.

^b All or a portion of this security is segregated as collateral in connection with written option contracts. \$18,655 in aggregate has been segregated as collateral.

^c Illiquid security. Aggregate holdings equal 1.3% of the net assets of the Fund.

^d Resale is restricted due to a lockup period on all shares, expiring on March 25, 2014. Aggregate holdings equal 0.5% of the net assets of the Fund, all of which are illiquid.

^e Fair valued security. This security has been valued at its fair value as determined in good faith under procedures established by and under the general supervision of the Fund's Board of Directors. Aggregate fair valued securities represent 0.9% of the net assets of the Fund.

^f Resale is restricted to qualified institutional investors. Aggregate holdings equal 1.1% of the net assets of the Fund, of which 0.3% are illiquid.

^g Rate quoted represents the seven-day yield of the Fund.

See accompanying notes to financial statements.

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2013

ASSETS:	
Investments in securities, at value (Identified cost \$92,718,154)	\$116,042,775
Cash	787,435
Receivable for:	
Dividends and interest	618,677
Investment securities sold	339,009
Other assets	594
Total Assets	117,788,490
LIABILITIES:	
Payable for:	
Dividends declared	340,972
Investment advisory fees	71,027
Options (Premiums received \$10,982)	16,808
Directors' fees	433
Other liabilities	105,366
Total Liabilities	534,606
NET ASSETS	\$117,253,884
NET ASSETS consist of:	
Paid-in capital	\$ 92,816,855
Accumulated undistributed net investment income	174,214
Accumulated undistributed net realized gain	944,020
Net unrealized appreciation	23,318,795
	\$117,253,884
NET ASSET VALUE PER SHARE:	
(\$117,253,884 ÷ 9,586,556 shares outstanding)	\$ 12.23
MARKET PRICE PER SHARE	\$ 11.99
MARKET PRICE DISCOUNT TO NET ASSET VALUE PER SHARE	(1.96)%

See accompanying notes to financial statements.

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2013

Investment Income:	
Dividend income (net of \$2,674 of foreign withholding tax)	\$ 3,564,962
Interest income	272,873
Total Investment Income	3,837,835
Expenses:	
Investment advisory fees	895,500
Professional fees	87,306
Shareholder reporting expenses	83,925
Administration fees	34,547
Transfer agent fees and expenses	26,321
Custodian fees and expenses	25,260
Directors' fees and expenses	7,681
Miscellaneous	36,909
Total Expenses	1,197,449
Net Investment Income	2,640,386
Net Realized and Unrealized Gain (Loss):	
Net realized gain (loss) on:	
Investments	8,483,470
Options	9,820
Foreign currency transactions	(308)
Net realized gain	8,492,982
Net change in unrealized appreciation (depreciation) on:	
Investments	(7,288,053)
Options	(5,826)
Net change in unrealized appreciation (depreciation)	(7,293,879)
Net realized and unrealized gain	1,199,103
Net Increase in Net Assets Resulting from Operations	\$ 3,839,489

See accompanying notes to financial statements.

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

STATEMENT OF CHANGES IN NET ASSETS

	For the Year Ended December 31, 2013	For the Year Ended December 31, 2012
Change in Net Assets:		
From Operations:		
Net investment income	\$ 2,640,386	\$ 2,483,809
Net realized gain	8,492,982	11,533,249
Net change in unrealized appreciation (depreciation)	(7,293,879)	5,790,058
Net increase in net assets resulting from operations	3,839,489	19,807,116
Dividends and Distributions to Shareholders from:		
Net investment income	(2,728,388)	(2,475,385)
Net realized gain	(8,260,892)	(10,976,862)
Total dividends and distributions to shareholders	(10,989,280)	(13,452,247)
Capital Stock Transactions:		
Increase in net assets from Fund share transactions	265,252	763,434
Total increase (decrease) in net assets	(6,884,539)	7,118,303
Net Assets:		
Beginning of year	124,138,423	117,020,120
End of year ^a	\$ 117,253,884	\$ 124,138,423

^a Includes accumulated undistributed net investment income of \$174,214 and \$353,450, respectively.

See accompanying notes to financial statements.

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

FINANCIAL HIGHLIGHTS

The following table includes selected data for a share outstanding throughout each year and other performance information derived from the financial statements. It should be read in conjunction with the financial statements and notes thereto.

For the Year Ended December 31,

Per Share Operating Performance:	2013	2012	2011	2010	2009
Net asset value, beginning of year	\$ 12.98	\$ 12.30	\$ 12.48	\$ 11.06	\$ 8.45
Income (loss) from investment operations:					
Net investment income	0.28 ^a	0.27	0.24	0.29	0.36
Net realized and unrealized gain	0.12	1.82	0.46	2.56	2.78
Total from investment operations	0.40	2.09	0.70	2.85	3.14
Less dividends and distributions to shareholders from:					
Net investment income	(0.28)	(0.26)	(0.24)	(0.27)	(0.37)
Net realized gain	(0.87)	(1.15)	(0.64)	(1.17)	
Tax return of capital					(0.16)
Total dividends and distributions to shareholders	(1.15)	(1.41)	(0.88)	(1.44)	(0.53)
Anti-dilutive effect from the issuance of reinvested shares	0.00 ^b	0.00 ^b	0.00 ^b	0.01	0.00 ^b
Net increase (decrease) in net asset value	(0.75)	0.68	(0.18)	1.42	2.61
Net asset value, end of year	\$ 12.23	\$ 12.98	\$ 12.30	\$ 12.48	\$ 11.06
Market value, end of year	\$ 11.99	\$ 14.72	\$ 11.91	\$ 14.88	\$ 9.68
Total net asset value return ^c	3.00% ^d	16.66% ^d	5.91% ^e	25.41% ^e	40.21%
Total market value return ^c	11.03%	36.74%	14.13%	71.12%	41.08%
Ratios/Supplemental Data:					
Net assets, end of year (in millions)	\$ 117.3	\$ 124.1	\$ 117.0	\$ 117.9	\$ 103.7

Ratio of expenses to average daily net assets	0.94%	0.95%	0.91%	0.96%	1.13%
Ratio of net investment income to average daily net assets	2.06%	1.96%	1.78%	1.99%	3.79%
Portfolio turnover rate	53%	65%	72%	101%	101%

^a Calculation based on average shares outstanding.

^b Amount is less than \$0.005.

^c Total net asset value return measures the change in net asset value per share over the period indicated. Total market value return is computed based upon the Fund's NYSE market price per share and excludes the effects of brokerage commissions. Dividends and distributions are assumed, for purposes of these calculations, to be reinvested at prices obtained under the Fund's dividend reinvestment plan.

^d Does not reflect adjustments in accordance with accounting principles generally accepted in the United States of America. The net asset value for financial reporting purposes and the returns based upon those net asset values differ from the net asset value and returns reported on December 31, 2012.

^e Does not reflect adjustments in accordance with accounting principles generally accepted in the United States of America. The net asset value for financial reporting purposes and the returns based upon those net asset values differ from the net asset value and returns reported on December 31, 2010.

See accompanying notes to financial statements.

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Cohen & Steers Total Return Realty Fund, Inc. (the Fund) was incorporated under the laws of the State of Maryland on September 4, 1992 and is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as a non-diversified, closed-end management investment company. The Fund's investment objective is high total return.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The policies are in conformity with accounting principles generally accepted in the United States of America (GAAP). The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Portfolio Valuation: Investments in securities that are listed on the NYSE are valued, except as indicated below, at the last sale price reflected at the close of the NYSE on the business day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the closing bid and ask prices on such day or, if no ask price is available, at the bid price. Exchange traded options are valued at their last sale price as of the close of options trading on applicable exchanges on the valuation date. In the absence of a last sale price on such day, options are valued at the average of the quoted bid and ask prices as of the close of business. Over-the-counter options are valued based upon prices provided by the respective counterparty.

Securities not listed on the NYSE but listed on other domestic or foreign securities exchanges are valued in a similar manner. Securities traded on more than one securities exchange are valued at the last sale price reflected at the close of the exchange representing the principal market for such securities on the business day as of which such value is being determined. If after the close of a foreign market, but prior to the close of business on the day the securities are being valued, market conditions change significantly, certain non-U.S. equity holdings may be fair valued pursuant to procedures established by the Board of Directors.

Readily marketable securities traded in the over-the-counter market, including listed securities whose primary market is believed by Cohen & Steers Capital Management, Inc. (the advisor) to be over-the-counter, are valued at the last sale price on the valuation date as reported by sources deemed appropriate by the Board of Directors to reflect their fair market value. If there has been no sale on such day, the securities are valued at the mean of the closing bid and ask prices on such day or, if no ask price is available, at the bid price. However, certain fixed-income securities may be valued on the basis of prices provided by a pricing service when such prices are believed by the advisor, pursuant to delegation by the Board of Directors, to reflect the fair market value of such securities.

Short-term debt securities with a maturity date of 60 days or less are valued at amortized cost, which approximates fair value. Investments in open-end mutual funds are valued at their closing net asset value.

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

The policies and procedures approved by the Fund's Board of Directors delegate authority to make fair value determinations to the advisor, subject to the oversight of the Board of Directors. The advisor has established a valuation committee (Valuation Committee) to administer, implement and oversee the fair valuation process according to the policies and procedures approved annually by the Board of Directors. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers and other market sources to determine fair value.

Securities for which market prices are unavailable, or securities for which the advisor determines that the bid and/or ask price or a counterparty valuation does not reflect market value, will be valued at fair value, as determined in good faith by the Valuation Committee, pursuant to procedures approved by the Fund's Board of Directors. Circumstances in which market prices may be unavailable include, but are not limited to, when trading in a security is suspended, the exchange on which the security is traded is subject to an unscheduled close or disruption or material events occur after the close of the exchange on which the security is principally traded. In these circumstances, the Fund determines fair value in a manner that fairly reflects the market value of the security on the valuation date based on consideration of any information or factors it deems appropriate. These may include, but are not limited to, recent transactions in comparable securities, information relating to the specific security and developments in the markets.

Foreign equity fair value pricing procedures utilized by the Fund may cause certain non-U.S. equity holdings to be fair valued on the basis of fair value factors provided by a pricing service to reflect any significant market movements between the time the Fund values such securities and the earlier closing of foreign markets.

The Fund's use of fair value pricing may cause the net asset value of Fund shares to differ from the net asset value that would be calculated using market quotations. Fair value pricing involves subjective judgments and it is possible that the fair value determined for a security may be materially different than the value that could be realized upon the sale of that security.

Fair value is defined as the price that the Fund would expect to receive upon the sale of an investment or expect to pay to transfer a liability in an orderly transaction with an independent buyer in the principal market or, in the absence of a principal market, the most advantageous market for the investment or liability. The hierarchy of inputs that are used in determining the fair value of the Fund's investments is summarized below.

- Level 1 quoted prices in active markets for identical investments
- Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.)
- Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfer at the end of the period in which the underlying event causing the movement

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

occurred. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. As of December 31, 2013, there were net transfers of \$582,597 between Level 1 and Level 2, which resulted primarily from a change in the use of an evaluated mean price, supplied by an independent pricing service, to an exchange traded price for one security.

The following is a summary of the inputs used as of December 31, 2013 in valuing the Fund's investments carried at value:

	Total	Quoted Prices In Active Markets for Identical Investments (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3) ^a
Common Stock Real Estate Industrials	\$ 7,301,074	\$ 6,670,880	\$	\$ 630,194 _{b,c}
Common Stock Real Estate Other Industries	91,008,070	91,008,070		
Preferred Securities \$25 Par Value Real Estate Residential Apartment	156,248		156,248	
Preferred Securities \$25 Par Value Other Industrials	13,921,304	13,921,304		
Preferred Securities Capital Securities	2,335,312		2,335,312	
Corporate Bonds	720,767		720,767	
Money Market Funds	600,000		600,000	
Total Investments ^d	\$ 116,042,775	\$ 111,600,254	\$ 3,812,327	\$ 630,194
Written Call Options	\$ (16,808)	\$	\$ (16,808)	\$
Total	\$ (16,808)	\$	\$ (16,808)	\$
Depreciation in Other Financial				

Instruments^d

^a Certain of the Fund's investments are categorized as Level 3 and were valued utilizing third party pricing information without adjustment. Such valuations are based on significant unobservable inputs. A change in the significant unobservable inputs could result in a significantly lower or higher value in such Level 3 investments.

^b Private placement in a public entity classified as a Level 3 is valued at a discount to quoted market prices to reflect a lock-up restriction ascribed to those shares.

^c Fair valued, pursuant to the Fund's fair value procedures utilizing significant unobservable inputs and assumptions.

^d Portfolio holdings are disclosed individually on the Schedule of Investments.

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

Following is a reconciliation of investments for which significant unobservable inputs (Level 3) were used in determining fair value:

	Total Investments in Securities	Common Stock Real Estate Industrials	Preferred Securities Capital Securities Banks	Corporate Bonds Real Estate Shopping Centers
Balance as of December 31, 2012	\$ 1,785,406	\$	\$ 624,219	\$ 1,161,187
Realized gain (loss)	(31,338)			(31,338)
Purchases	485,938	485,938		
Sales	(710,662)			(710,662)
Change in unrealized appreciation (depreciation)	19,450	144,256	(40,156)	(84,650)
Transfers out of Level 3 ^a	(918,600)		(584,063)	(334,537)
Balance as of December 31, 2013	\$ 630,194	\$ 630,194	\$	\$

The change in unrealized appreciation (depreciation) attributable to securities owned on December 31, 2013 which were valued using significant unobservable inputs (Level 3) amounted to \$144,256.

^a As of December 31, 2012, the Fund used significant unobservable inputs in determining the value of certain investments. As of December 31, 2013, the Fund used significant observable inputs in determining the value of the same investments.

The following table summarizes the quantitative inputs and assumptions used for investments categorized in Level 3 of the fair value hierarchy.

	Fair Value at December 31, 2013	Valuation Technique	Unobservable Inputs	Range
Common Stock Real Estate Industrials	\$ 630,194	Market Price Less Discount	Liquidity Discount	7.5%

The significant unobservable inputs utilized in the fair value measurement of the Fund's Level 3 equity investment in Common Stock Real Estate Industrials are a discount to quoted market prices to reflect a lock-up restriction ascribed to those shares. Significant changes in these inputs may result in a materially higher or lower fair value measurement.

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

Security Transactions and Investment Income: Security transactions are recorded on trade date. Realized gains and losses on investments sold are recorded on the basis of identified cost. Interest income is recorded on the accrual basis. Discounts are accreted and premiums are amortized over the life of the respective securities. Dividend income is recorded on the ex-dividend date, except for certain dividends on foreign securities, which are recorded as soon as the Fund is informed after the ex-dividend date. Distributions from Real Estate Investment Trusts (REITs) are recorded as ordinary income, net realized capital gain or return of capital based on information reported by the REITs and management's estimates of such amounts based on historical information. These estimates are adjusted when the actual source of distributions is disclosed by the REITs and actual amounts may differ from the estimated amounts.

Options: The Fund writes covered call options on securities and may write put or call options on an index and put options on securities with the intention of earning option premiums. Option premiums may increase the Fund's realized gains and therefore may help increase distributable income. When the Fund writes (sells) an option, an amount equal to the premium received by the Fund is recorded on the Statement of Assets and Liabilities as a liability. The amount of the liability is subsequently marked-to-market to reflect the current market value of the option written. When an option expires, the Fund realizes a gain on the option to the extent of the premium received. Premiums received from writing options which are exercised or closed are added to or offset against the proceeds or amount paid on the transaction to determine the realized gain or loss. If a put option on a security is exercised, the premium reduces the cost basis of the security purchased by the Fund. If a call option is exercised, the premium is added to the proceeds of the security sold to determine the realized gain or loss. The Fund, as writer of an option, bears the market risk of an unfavorable change in the price of the underlying index or security. Other risks include the possibility of an illiquid options market or the inability of the counterparties to fulfill their obligations under the contracts.

Foreign Currency Translation: The books and records of the Fund are maintained in U.S. dollars. Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based upon prevailing exchange rates on the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollars based upon prevailing exchange rates on the respective dates of such transactions. The Fund does not isolate that portion of the results of operations resulting from fluctuations in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss on investments.

Net realized foreign exchange gains or losses arise from sales of foreign currencies, including gains and losses on forward foreign currency exchange contracts, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the values of assets and liabilities, other than investments in securities, on the date of valuation, resulting from changes in exchange rates. Pursuant to U.S. federal income tax

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

regulations, certain foreign currency gains/losses included in realized and unrealized gains/losses are included in or are a reduction of ordinary income for federal income tax purposes.

Foreign Securities: The Fund may directly purchase securities of foreign issuers. Investing in securities of foreign issuers involves special risks not typically associated with investing in securities of U.S. issuers. The risks include possible revaluation of currencies, the ability to repatriate funds, less complete financial information about companies and possible future adverse political and economic developments. Moreover, securities of many foreign issuers and their markets may be less liquid and their prices more volatile than securities of comparable U.S. issuers.

Dividends and Distributions to Shareholders: Dividends from net investment income and capital gain distributions are determined in accordance with U.S. federal income tax regulations, which may differ from GAAP. Dividends from net investment income, if any, are declared and paid quarterly. Net realized capital gains, unless offset by any available capital loss carryforward, are typically distributed to shareholders at least annually. Dividends and distributions to shareholders are recorded on the ex-dividend date and are automatically reinvested in full and fractional shares of the Fund in accordance with the Fund's Reinvestment Plan, unless the shareholder has elected to have them paid in cash.

On December 13, 2011, the Fund's Board of Directors announced that the Fund implemented a managed distribution policy in accordance with exemptive relief issued by the Securities and Exchange Commission. This policy gives the Fund greater flexibility to realize long-term capital gains throughout the year and to distribute those gains on a more regular basis to shareholders. Therefore, regular quarterly distributions throughout the year may include a portion of estimated realized long-term capital gains, along with net investment income, short-term capital gains and return of capital, which is not taxable. In accordance with the relief, the Fund is required to adhere to certain conditions in order to distribute long-term capital gains during the year. For the year ended December 31, 2013, the Fund paid distributions from both net investment income and net realized capital gains.

Income Taxes: It is the policy of the Fund to continue to qualify as a regulated investment company, if such qualification is in the best interest of the shareholders, by complying with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies, and by distributing substantially all of its taxable earnings to its shareholders. Accordingly, no provision for federal income or excise tax is necessary. Dividend and interest income from holdings in non-U.S. securities is recorded net of non-U.S. taxes paid. Management has analyzed the Fund's tax positions taken on federal income tax returns as well as its tax positions in non-U.S. jurisdictions in which it trades for all open tax years and has concluded that as of December 31, 2013, no additional provisions for income tax are required in the Fund's financial statements. The Fund's tax positions for the tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service, state departments of revenue and by foreign tax authorities.

Note 2. Investment Advisory Fees and Other Transactions with Affiliates

Investment Advisory Fees: The advisor serves as the Fund's investment advisor pursuant to an investment advisory agreement (the investment advisory agreement). Under the terms of the investment

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

advisory agreement, the advisor provides the Fund with day-to-day investment decisions and generally manages the Fund's investments in accordance with the stated policies of the Fund, subject to the supervision of the Board of Directors.

For the services provided to the Fund, the advisor receives a fee, accrued daily and paid monthly, at the annual rate of 0.70% of the average daily net assets of the Fund.

Directors' and Officers' Fees: Certain directors and officers of the Fund are also directors, officers, and/or employees of the advisor. The Fund does not pay compensation to directors and officers affiliated with the advisor except for the Chief Compliance Officer, who received compensation from the advisor which was reimbursed by the Fund in the amount of \$1,553 for the year ended December 31, 2013.

Note 3. Purchases and Sales of Securities

Purchases and sales of securities, excluding short-term investments, for the year ended December 31, 2013, totaled \$66,186,356 and \$72,715,995, respectively.

Transactions in written options year ended December 31, 2013, were as follows:

	Number of Contracts	Premiums
Options outstanding at December 31, 2012		\$
Options written	791	20,802
Options expired	(246)	(9,820)
Options outstanding at December 31, 2013	545	\$ 10,982

Note 4. Derivative Investments

The following tables present the value of derivatives held at December 31, 2013, and the effect of derivatives held during the year ended December 31, 2013, along with the respective location in the financial statements. The volume of activity for written options for the year ended December 31, 2013 is summarized in Note 3.

Statement of Assets and Liabilities

	Assets	Liabilities
Derivatives	Fair Value	Fair Value
Option contracts	\$	\$ 16,808

Statement of Operations

Derivatives	Location	Realized Gain	Change in Unrealized Depreciation
Option contracts		\$ 9,820	\$ (5,826)

Net Realized and Unrealized Gain
(Loss)

25

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

At December 31, 2013, the Fund's derivative assets and liabilities (by type), which are subject to a master netting agreement, are as follows:

Derivative Financial Instruments	Assets	Liabilities
Written call options	\$	\$ 16,808

The following table presents the Fund's derivative liabilities by counterparty net of amounts available for offset under a master netting agreement and net of the related collateral pledged by the Fund, if any, as of December 31, 2013:

Counterparty	Gross Amounts of Liabilities Presented in the Statement of Assets and Liabilities	Financial Instruments and Derivatives Available for Offset	Collateral Pledged ^a	Net Amount of Derivative Liabilities ^b
Morgan Stanley & Co. International PLC	\$ 16,808	\$	\$	\$ 16,808

^a In some instances, the actual collateral pledged may be more than amount shown.

^b Net amount represents the net payable due to the counterparty in the event of default.

Note 5. Income Tax Information

The tax character of dividends and distributions paid was as follows:

	For the Year Ended December 31,	
	2013	2012
Ordinary income	\$ 3,424,754	\$ 6,407,432
Long-term capital gain	7,564,526	7,044,815
Total dividends and distributions	\$10,989,280	\$13,452,247

As of December 31, 2013, the tax-basis components of accumulated earnings and the federal tax cost were as follows:

Cost for federal income tax purposes	\$93,351,817
Gross unrealized appreciation	\$25,576,538
Gross unrealized depreciation	(2,885,580)
Net unrealized appreciation	\$22,690,958
Undistributed long-term capital gains	\$ 1,522,802

As of December 31, 2013, the Fund had temporary book/tax differences primarily attributable to wash sales on portfolio securities and permanent book/tax differences primarily attributable to prior year REIT adjustments. To reflect reclassifications arising from the permanent differences, paid-in capital

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

was credited \$5,868, accumulated undistributed net realized gain was credited \$85,366 and accumulated undistributed net investment income was charged \$91,234. Net assets were not affected by this reclassification.

Note 6. Capital Stock

The Fund is authorized to issue 100 million shares of common stock at a par value of \$0.001 per share.

During the year ended December 31, 2013, the Fund issued 19,243 shares of common stock for the reinvestment of dividends in an amount of \$265,252. During the year ended December 31, 2012, the Fund issued 55,456 shares of common stock for the reinvestment of dividends.

On December 10, 2013, the Board of Directors approved the continuation of the delegation of its authority to management to effect repurchases, pursuant to management's discretion and subject to market conditions and investment considerations, of up to 10% of the Fund's common shares outstanding (Share Repurchase Program) from January 1, 2014 through December 31, 2014. During the years ended December 31, 2013 and December 31, 2012, the Fund did not effect any repurchases.

Note 7. Other

In the normal course of business, the Fund enters into contracts that provide general indemnifications. The Fund's maximum exposure under these arrangements is dependent on claims that may be made against the Fund in the future and, therefore, cannot be estimated; however, based on experience, the risk of material loss from such claims is considered remote.

Note 8. Reorganization

On December 10, 2013, the Boards of Directors of Cohen & Steers Dividend Majors Fund, Inc. (DVM) and the Fund have approved the reorganization and merger of DVM into the Fund, pursuant to which the Fund would continue as the surviving fund (the Reorganization).

Shareholders will be asked to vote on the Reorganization at a special meeting expected to be held on April 24, 2014. The Reorganization, if approved, is expected to occur in the second quarter of 2014, subject to the required approval of shareholders of both funds. A notice and proxy statement was filed with the SEC on February 12, 2014 and will be mailed to shareholders of record of both funds, as of January 30, 2014, on or about February 24, 2014.

Note 9. Subsequent Events

Management has evaluated events and transactions occurring after December 31, 2013 through the date that the financial statements were issued, and has determined that no additional disclosure in the financial statements is required.

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Cohen & Steers Total Return Realty Fund, Inc.

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Cohen & Steers Total Return Realty Fund, Inc. (the "Fund") at December 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2013 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
New York, New York
February 26, 2014

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.**AVERAGE ANNUAL TOTAL RETURNS**

(Periods ended December 31, 2013) (Unaudited)

Based on Net Asset Value				Based on Market Value			
One Year	Five Years	Ten Years	Since Inception (09/27/93)	One Year	Five Years	Ten Years	Since Inception (09/27/93)
3.00%	17.48%	7.73%	9.73%	11.03%	20.33%	7.06%	9.24%

The performance data quoted represent past performance. Past performance is no guarantee of future results. The investment return will vary and the principal value of an investment will fluctuate and shares, if sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Current total returns of the Fund can be obtained by visiting our website at cohenandsteers.com. The Fund's returns assume the reinvestment of all dividends and distributions at prices obtained under the Fund's dividend reinvestment plan.

TAX INFORMATION 2013 (Unaudited)

Pursuant to the Jobs and Growth Relief Reconciliation Act of 2003, the Fund designates qualified dividend income of \$503,790. Additionally, 3.08% of the ordinary dividends qualified for the dividends received deduction available to corporations. Also, the Fund designates a long-term capital gain distribution of \$7,364,007 at the 20% maximum rate and \$200,519 at the 25% maximum rate.

REINVESTMENT PLAN

The Fund has a dividend reinvestment plan commonly referred to as an "opt-out" plan (the Plan). Each common shareholder who participates in the Plan will have all distributions of dividends and capital gains (Dividends) automatically reinvested in additional common shares by Computershare as agent (the Plan Agent). Shareholders who elect not to participate in the Plan will receive all Dividends in cash paid by check mailed directly to the shareholder of record (or if the shares are held in street or other nominee name, then to the nominee) by the Plan Agent, as dividend disbursing agent. Shareholders whose common shares are held in the name of a broker or nominee should contact the broker or nominee to determine whether and how they may participate in the Plan.

The Plan Agent serves as agent for the shareholders in administering the Plan. After the Fund declares a Dividend, the Plan Agent will, as agent for the shareholders, either: (i) receive the cash payment and use it to buy common shares in the open market, on the NYSE or elsewhere, for the participants' accounts or (ii) distribute newly issued common shares of the Fund on behalf of the participants.

The Plan Agent will receive cash from the Fund with which to buy common shares in the open market if, on the Dividend payment date, the net asset value (NAV) per share exceeds the market price per share plus estimated brokerage commissions on that date. The Plan Agent will receive the Dividend in newly issued common shares of the Fund if, on the Dividend payment date, the market price per share plus estimated brokerage commissions equals or exceeds the NAV per share of the Fund on that date. The number of shares to be issued will be computed at a per share rate equal to the greater of (i) the NAV or (ii) 95% of the closing market price per share on the payment date.

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

If the market price per share is less than the NAV on a Dividend payment date, the Plan Agent will have until the last business day before the next ex-dividend date for the common stock, but in no event more than 30 days after the Dividend payment date (as the case may be, the Purchase Period), to invest the Dividend amount in shares acquired in open market purchases. If at the close of business on any day during the Purchase Period on which NAV is calculated the NAV equals or is less than the market price per share plus estimated brokerage commissions, the Plan Agent will cease making open market purchases and the uninvested portion of such Dividends shall be filled through the issuance of new shares of common stock from the Fund at the price set forth in the immediately preceding paragraph.

Participants in the Plan may withdraw from the Plan upon notice to the Plan Agent. Such withdrawal will be effective immediately if received not less than ten days prior to a Dividend record date; otherwise, it will be effective for all subsequent Dividends. If any participant elects to have the Plan Agent sell all or part of his or her shares and remit the proceeds, the Plan Agent is authorized to deduct a \$15.00 fee plus \$0.10 per share brokerage commissions.

The Plan Agent's fees for the handling of reinvestment of Dividends will be paid by the Fund. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of Dividends. The automatic reinvestment of Dividends will not relieve participants of any income tax that may be payable or required to be withheld on such Dividends.

The Fund reserves the right to amend or terminate the Plan. All correspondence concerning the Plan should be directed to the Plan Agent at 800-432-8224.

OTHER INFORMATION

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available (i) without charge, upon request, by calling 800-330-7348, (ii) on our website at cohenandsteers.com or (iii) on the SEC's website at <http://www.sec.gov>. In addition, the Fund's proxy voting record for the most recent 12-month period ended June 30 is available by August 31 of each year (i) without charge, upon request, by calling 800-330-7348 or (ii) on the SEC's website at <http://www.sec.gov>.

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available (i) without charge, upon request, by calling 800-330-7348 or (ii) on the SEC's website at <http://www.sec.gov>. In addition, the Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 800-SEC-0330.

Please note that distributions paid by the Fund to shareholders are subject to recharacterization for tax purposes and are taxable up to the amount of the Fund's investment company taxable income and net realized gains. Distributions in excess of the Fund's net investment company taxable income and realized gains are a return of capital distributed from the Fund's assets. To the extent this occurs, the Fund's shareholders of record will be notified of the estimated amount of capital returned to shareholders for each such distribution and this information will also be available at cohenandsteers.com. The final tax treatment of all distributions is reported to shareholders on their 1099-DIV forms, which are

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

mailed after the close of each calendar year. Distributions of capital decrease the Fund's total assets and, therefore, could have the effect of increasing the Fund's expense ratio. In addition, in order to make these distributions, the Fund may have to sell portfolio securities at a less than opportune time.

Notice is hereby given in accordance with Rule 23c-1 under the 1940 Act that the Fund may purchase, from time to time, shares of its common stock in the open market.

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.**MANAGEMENT OF THE FUND**

The business and affairs of the Fund are managed under the direction of the Board of Directors. The Board of Directors approves all significant agreements between the Fund and persons or companies furnishing services to it, including the Fund's agreements with its advisor, administrator, co-administrator, custodian and transfer agent. The management of the Fund's day-to-day operations is delegated to its officers, the advisor, administrator and co-administrator, subject always to the investment objective and policies of the Fund and to the general supervision of the Board of Directors.

The Board of Directors and officers of the Fund and their principal occupations during at least the past five years are set forth below. The statement of additional information (SAI) includes additional information about fund directors and is available, without charge, upon request by calling 800-330-7348.

Name, Address ¹ and Age	Position(s) Held With Fund	Term of Office ²	Principal Occupation During At Least The Past 5 Years (Including Other Directorships Held)	Number of Funds Within Fund Complex Overseen by Director (Including the Fund)	Length of Time Served ³
<i>Interested Directors⁴</i>					
Robert H. Steers ⁵ Age: 60	Director and Co-Chairman	Until next election of directors	Co-Chairman and Co-Chief Executive Officer of Cohen & Steers Capital Management, Inc. (CSCM or the Advisor) since 2003 and its parent, Cohen & Steers, Inc. (CNS) since 2004. Prior to that, Chairman of the Advisor; Vice President of Cohen & Steers Securities, LLC.	22	1991 to present
Martin Cohen ^{5,6} Age: 65	Director and Co-Chairman	Until next election of directors	Co-Chairman and Co-Chief Executive Officer of CSCM since 2003 and CNS since 2004. Prior to that, President of the Advisor; Vice President of Cohen & Steers Securities, LLC.	22	1991 to present
<i>Disinterested Directors</i>					
Michael G. Clark Age: 48	Director	Until next election of directors	From May 2006 to June 2011, President and Chief Executive Officer of DWS Funds and Managing Director of Deutsche Asset Management.	22	2011 to present
<i>(table continued on next page)</i>					

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.*(table continued from previous page)*

Name, Address ¹ and Age	Position(s) Held With Fund	Term of Office ²	Principal Occupation During At Least The Past 5 Years (Including Other Directorships Held)	Number of Funds Within Fund Complex Overseen by Director (Including the Fund)	Length of Time Served ³
Bonnie Cohen ⁶ Age: 71	Director	Until next election of directors	Consultant. Board Member DC Public Library Foundation since 2012, President since 2014; Board Member, United States Department of Defense Business Board, 2010-2014; Board Member, Teluride Mountain Film Festival since 2010; Advisory Board Member, Posse Foundation, 2004-2013; Trustee, H. Rubenstein Foundation since 1996; Trustee, District of Columbia Public Libraries since 2004.	22	2001 to present
George Grossman Age: 60	Director	Until next election of directors	Attorney-at-law	22	1993 to present
Richard E. Kroon Age: 71	Director	Until next election of directors	Member of Investment Committee, Monmouth University since 2004; Former Director, Retired Chairman and Managing Partner of Sprout Group venture capital funds, then an affiliate of Donaldson, Lufkin and Jenrette Securities Corporation from 1981 to 2001. Former chairman of the National Venture Capital Association for the year 2000.	22	2004 to present

(table continued on next page)

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.*(table continued from previous page)*

Name, Address ¹ and Age	Position(s) Held With Fund	Term of Office ²	Principal Occupation During At Least The Past 5 Years (Including Other Directorships Held)	Number of Funds Within Fund Complex Overseen by Director (Including the Fund)	Length of Time Served ³
Richard J. Norman Age: 70	Director	Until next election of directors	Private Investor. Member, District of Columbia Department of Corrections Chaplains Corps from 2008 to February 2010; Member, Montgomery County, Maryland Department of Corrections Volunteer Corps since February 2010; Liason for Business Leadership, Salvation Army World Service Organization (SAWSO) since 2010; Advisory Board Member, The Salvation Army since 1985; Financial Education Fund Chair, The Foundation Board of Maryland Public Television since 2009; Former President, Executive Committee, Chair of Investment Committee, The Foundation Board of Maryland Public Television from 1997 to 2008. Prior thereto, Investment Representative of Morgan Stanley Dean Witter from 1966 to 2000.	22	2001 to present
Frank K. Ross Age: 70	Director	Until next election of directors	Visiting Professor of Accounting, Howard University School of Business since 2004; Board member and Audit Committee Chair and Human Resources and Compensation Committee Member, Pepco Holdings, Inc. (electric utility) since 2004. Formerly, Midatlantic Area Managing Partner for Assurance Services at KPMG LLP and Managing Partner of its Washington, DC offices from 1977 to 2003.	22	2004 to present

(table continued on next page)

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

(table continued from previous page)

Name, Address ¹ and Age	Position(s) Held With Fund	Term of Office ²	Principal Occupation During At Least The Past 5 Years (Including Other Directorships Held)	Number of Funds Within Fund Complex Overseen by Director (Including the Fund)	Length of Time Served ³ to present
C. Edward Ward Jr. Age: 67	Director	Until next election of directors	Member of The Board of Trustees of Manhattan College, Riverdale, New York since 2004. Formerly Director of closed-end fund management for the New York Stock Exchange, where he worked from 1979 to 2004.	22	2004 to present

¹ The address for each director is 280 Park Avenue, New York, NY 10017.

² On March 12, 2008, the Board of Directors adopted a mandatory retirement policy stating a Director must retire from the Board on December 31st of the year in which he or she turns 75 years of age.

³ The length of time served represents the year in which the director was first elected or appointed to any fund in the Cohen & Steers fund complex.

⁴ "Interested person", as defined in the 1940 Act, of the Fund because of affiliation with CSCM (Interested Directors).

⁵ Effective January 1, 2014, Martin Cohen, currently co-Chairman and co-CEO, became Executive Chairman of the Advisor. Robert Steers, currently co-Chairman and co-CEO, became the sole CEO, responsible for day-to-day leadership and management of the Advisor.

⁶ Martin Cohen and Bonnie Cohen are not related.

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

The officers of the Fund (other than Messrs. Cohen and Steers, whose biographies are provided above), their address, their ages and their principal occupations for at least the past five years are set forth below.

Name, Address and Age ¹	Position(s) Held With Fund	Principal Occupation During At Least the Past 5 Years	Length of Time Served ²
Adam M. Derechin Age: 49	President and Chief Executive Officer	Chief Operating Officer of CSCM (since 2003) and CNS (since 2004). Prior to that, Senior Vice President of CSCM and Vice President and Assistant Treasurer of the Cohen & Steers funds.	Since 2005
Joseph M. Harvey Age: 50	Vice President	President and Chief Investment Officer of CSCM (since 2003) and President of CNS (since 2004). Prior to that, Senior Vice President and Director of Investment Research of CSCM.	Since 2004
William F. Scapell Age: 46	Vice President	Senior Vice President of CSCM since 2003. Prior to that, chief strategist for preferred securities at Merrill Lynch & Co., Inc.	Since 2003
Thomas N. Bohjalian Age: 48	Vice President	Executive Vice President (since 2012). Prior to that, Senior Vice President of the CSCM.	Since 2006
Yigal D. Jhirad Age: 49	Vice President	Senior Vice President of CSCM since 2007. Prior to that, Executive Director at Morgan Stanley and head of the portfolio and derivatives strategies group.	Since 2007
Francis C. Poli Age: 51	Secretary	Executive Vice President, Secretary and General Counsel of CSCM and CNS since March 2007. Prior thereto, General Counsel of Allianz Global Investors of America LP.	Since 2007
James Giallanza Age: 47	Treasurer and Chief Financial Officer	Senior Vice President of CSCM since September 2006.	Since 2006
Lisa D. Phelan Age: 45	Chief Compliance Officer	Senior Vice President of CSCM since 2008. Chief Compliance Officer of CSCM, the Cohen & Steers funds, Cohen & Steers Asia Limited and CSSL since 2007, 2006, 2005 and 2004, respectively. Vice President of CSCM from 2006-2008.	Since 2006

(table continued on next page)

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.*(table continued from previous page)*

Name, Address and Age ¹	Position(s) Held With Fund	Principal Occupation During At Least the Past 5 Years	Length of Time Served ²
Tina M. Payne Age: 39	Assistant Secretary	Senior Vice President and Associate General Counsel of CSCM since 2010 and prior to that Vice President and Associate General Counsel since July 2007. Prior thereto, Vice President and Counsel at PFPC Inc, (financial services company) from 2003 to 2007. Associate at Stradley, Ronon, Stevens & Young, LLP (law firm) from 2001 to 2003.	Since 2007
Neil Bloom Age: 43	Assistant Treasurer	Vice President of CSCM since August 2008. Prior thereto, Senior Tax Manager at KPMG, LLP (accounting firm) since 2004.	Since 2009

¹ The address of each officer is 280 Park Avenue, New York, NY 10017.

² Officers serve one-year terms. The length of time served represents the year in which the officer was first elected to that position in any Fund in the Cohen & Steers fund complex. All of the officers listed above are officers of one or more of the other funds in the complex.

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

Cohen & Steers Privacy Policy

Facts What Does Cohen & Steers Do With Your Personal Information?
Why? Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

What? The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and account balances
- Transaction history and account transactions
- Purchase history and wire transfer instructions

How? All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Cohen & Steers chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Cohen & Steers share?	Can you limit this sharing?
For our everyday business purposes such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or reports to credit bureaus	Yes	No
For our marketing purposes to offer our products and services to you	Yes	No
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes information about your transactions and experiences	No	We don't share
For our affiliates' everyday business purposes information about your creditworthiness	No	We don't share
For our affiliates to market to you	No	We don't share
For non-affiliates to market to you	No	We don't share
Questions? Call 800-330-7348		

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

Cohen & Steers Privacy Policy (Continued)

Who we are Who is providing this notice?	Cohen & Steers Capital Management, Inc., Cohen & Steers Asia Limited, Cohen & Steers UK Limited, Cohen & Steers Securities, LLC, Cohen & Steers Private Funds and Cohen & Steers Open- and Closed-End Funds (collectively, Cohen & Steers).
What we do How does Cohen & Steers protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings. We restrict access to your information to those employees who need it to perform their jobs, and also require companies that provide services on our behalf to protect your information.
How does Cohen & Steers collect my personal information?	We collect your personal information, for example, when you: <ul style="list-style-type: none">• Open an account or buy securities from us• Provide account information or give us your contact information• Make deposits or withdrawals from your account We also collect your personal information from other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only: <ul style="list-style-type: none">• sharing for affiliates' everyday business purposes information about your creditworthiness• affiliates from using your information to market to you• sharing for non-affiliates to market to you State law and individual companies may give you additional rights to limit sharing.
Definitions	
Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. <ul style="list-style-type: none">• <i>Cohen & Steers does not share with affiliates.</i>
Non-affiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. <ul style="list-style-type: none">• <i>Cohen & Steers does not share with non-affiliates.</i>
Joint marketing	A formal agreement between non-affiliated financial companies that together market financial products or services to you. <ul style="list-style-type: none">• <i>Cohen & Steers does not jointly market.</i>

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

Cohen & Steers Investment Solutions

COHEN & STEERS GLOBAL REALTY SHARES

- Designed for investors seeking total return, investing primarily in global real estate equity securities
- Symbols: CSFAX, CSFBX*, CSFCX, CSSPX

COHEN & STEERS INSTITUTIONAL REALTY SHARES

- Designed for institutional investors seeking total return, investing primarily in REITs
- Symbol: CSRIX

COHEN & STEERS REALTY INCOME FUND

- Designed for investors seeking total return, investing primarily in real estate securities with an emphasis on both income and capital appreciation
- Symbols: CSEIX, CSBIX*, CSCIX, CSDIX

COHEN & STEERS INTERNATIONAL REALTY FUND

- Designed for investors seeking total return, investing primarily in international real estate securities
- Symbols: IRFAX, IRFCX, IRFIX

**COHEN & STEERS
EMERGING MARKETS REAL ESTATE FUND**

- Designed for investors seeking total return, investing primarily in emerging market real estate securities
- Symbols: APFAX, APFCX, APFIX

COHEN & STEERS REALTY SHARES

- Designed for investors seeking total return, investing primarily in REITs
- Symbol: CSRSX

**COHEN & STEERS
INSTITUTIONAL GLOBAL REALTY SHARES**

- Designed for institutional investors seeking total return, investing primarily in global real estate securities
- Symbol: GRSIX

COHEN & STEERS GLOBAL INFRASTRUCTURE FUND

- Designed for investors seeking total return, investing primarily in global infrastructure securities
- Symbols: CSUAX, CSUBX*, CSUCX, CSUIX

COHEN & STEERS DIVIDEND VALUE FUND

- Designed for investors seeking long-term growth of income and capital appreciation, investing primarily in dividend paying common stocks and preferred stocks
- Symbols: DVFAX, DVFCX, DVFIX

COHEN & STEERS PREFERRED SECURITIES AND INCOME FUND

- Designed for investors seeking total return (high current income and capital appreciation), investing primarily in preferred and debt securities
- Symbols: CPXAX, CPXCX, CPXIX

COHEN & STEERS REAL ASSETS FUND

- Designed for investors seeking total return and the maximization of real returns during inflationary environments by investing primarily in real assets
- Symbols: RAPAX, RAPCX, RAPIX, RAPRX, RAPZX

COHEN & STEERS MLP & ENERGY OPPORTUNITY FUND

- Designed for investors seeking total return, investing primarily in midstream energy master limited partnership (MLP) units and related stocks
- Symbols: MLOAX, MLOCX, MLOIX, MLOZX

Distributed by Cohen & Steers Securities, LLC.

COHEN & STEERS GLOBAL REALTY MAJORS ETF

- Designed for investors who seek a relatively low-cost "passive" approach for investing in a portfolio of real estate equity securities of companies in a specified index
- Symbol: GRI

Distributed by ALPS Distributors, Inc.

ISHARES COHEN & STEERS REALTY MAJORS INDEX FUND

- Designed for investors who seek a relatively low-cost "passive" approach for investing in a portfolio of real estate equity securities of companies in a specified index

- Symbol: ICF

Distributed by SEI Investments Distribution Co.

** Class B shares are no longer offered except through dividend reinvestment and permitted exchanges by existing Class B shareholders.*

Please consider the investment objectives, risks, charges and expenses of the fund carefully before investing. A summary prospectus and prospectus containing this and other information can be obtained by calling 800-330-7348 or by visiting cohenandsteers.com. Please read the summary prospectus and prospectus carefully before investing.

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

OFFICERS AND DIRECTORS

Robert H. Steers
Director and Co-Chairman

Martin Cohen
Director and Co-Chairman

Michael G. Clark
Director

Bonnie Cohen
Director

George Grossman
Director

Richard E. Kroon
Director

Richard J. Norman
Director

Frank K. Ross
Director

C. Edward Ward, Jr.
Director

Adam M. Derechin
President and Chief Executive Officer

Joseph M. Harvey
Vice President

William F. Scapell
Vice President

Thomas N. Bohjalian
Vice President

Yigal D. Jhirad
Vice President

Francis C. Poli
Secretary

James Giallanza
Treasurer and Chief Financial Officer

Lisa D. Phelan
Chief Compliance Officer

Tina M. Payne
Assistant Secretary

Neil Bloom
Assistant Treasurer

KEY INFORMATION

Investment Advisor

Cohen & Steers Capital Management, Inc.
280 Park Avenue
New York, NY 10017
(212) 832-3232

Co-Administrator and Custodian

State Street Bank and Trust Company
One Lincoln Street
Boston, MA 02111

Transfer Agent

Computershare
480 Washington Boulevard
Jersey City, NJ 07310
(866) 227-0757

Legal Counsel

Ropes & Gray LLP
1211 Avenue of the Americas
New York, NY 10036

New York Stock Exchange Symbol: RFI

Website: cohenandsteers.com

This report is for shareholder information. This is not a prospectus intended for use in the purchase or sale of Fund shares. Performance data quoted represents past performance. Past performance is no guarantee of future results and your investment may be worth more or less at the time you sell your shares.

COHEN & STEERS

TOTAL RETURN REALTY FUND

280 PARK AVENUE

NEW YORK, NY 10017

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RFIAR

Annual Report December 31, 2013

Cohen & Steers Total Return Realty Fund

Item 2. Code of Ethics.

The Registrant has adopted an Amended and Restated Code of Ethics that applies to its Principal Executive Officer and Principal Financial Officer. The Code of Ethics was in effect during the reporting period. The Registrant has not amended the Code of Ethics as described in Form N-CSR during the reporting period. The Registrant has not granted any waiver, including an implicit waiver, from a provision of the Code of Ethics as described in Form N-CSR during the reporting period. A current copy of the Code of Ethics is available on the Registrant's website at www.cohenandsteers.com/assets/content/uploads/code_of_ethics_exec_and_senior.pdf. Upon request, a copy of the Code of Ethics can be obtained free of charge by calling 800-330-7348 or writing to the Secretary of the Registrant, 280 Park Avenue, 10th floor, New York, NY 10017.

Item 3. Audit Committee Financial Expert.

The registrant's board has determined that Michael G. Clark and Frank K. Ross, each a member of the board's Audit Committee, are each an audit committee financial expert. Mr. Clark and Mr. Ross are each independent, as such term is defined in Form N-CSR.

Item 4. Principal Accountant Fees and Services.

(a) (d) Aggregate fees billed to the registrant for the last two fiscal years for professional services rendered by the registrant's principal accountant were as follows:

	2013	2012
Audit Fees	\$ 44,910	\$ 44,910
Audit-Related Fees	\$ 0	\$ 0
Tax Fees	\$ 6,200	\$ 6,200
All Other Fees	\$ 0	\$ 0

Tax fees were billed in connection with the preparation of tax returns, calculation and designation of dividends and other miscellaneous tax services.

(e)(1) The registrant's audit committee is required to pre-approve audit and non-audit services performed for the registrant by the principal accountant. The audit committee also is required to pre-approve non-audit services performed by the registrant's principal accountant for the registrant's investment advisor (not including any sub-advisor whose role is primarily portfolio management and is subcontracted with or overseen by another investment advisor) and/or to any entity controlling, controlled by or under common control with the registrant's investment advisor that provides ongoing services to the registrant, if the engagement for services relates directly to the operations and financial reporting of the registrant.

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The audit committee may delegate pre-approval authority to one or more of its members who are independent members of the board of directors of the registrant. The member or members to whom such authority is delegated shall report any pre-approval decisions to the audit committee at its next scheduled meeting. The audit committee may not delegate its responsibility to pre-

approve services to be performed by the registrant's principal accountant to the investment advisor.

(e)(2) No services included in (b) (d) above were approved by the audit committee pursuant to paragraphs (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

(f) Not applicable.

(g) For the fiscal years ended December 31, 2013 and December 31, 2012, the aggregate fees billed by the registrant's principal accountant for non-audit services rendered to the registrant and for non-audit services rendered to the registrant's investment advisor (not including any sub-advisor whose role is primarily portfolio management and is subcontracted with or overseen by another investment advisor) and/or to any entity controlling, controlled by or under common control with the registrant's investment advisor that provides ongoing services to the registrant were:

	2013		2012
Registrant	\$ 6,200	\$	6,200
Investment Advisor	\$ 15,000	\$	15,000

(h) The registrant's audit committee considered whether the provision of non-audit services that were rendered to the registrant's investment advisor (not including any sub-advisor whose role is primarily portfolio management and is subcontracted with or overseen by another investment advisor) and/or to any entity controlling, controlled by or under common control with the registrant's investment advisor that provides ongoing services to the registrant that were not required to be pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X was compatible with maintaining the principal accountant's independence.

Item 5. Audit Committee of Listed Registrants.

The registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the committee are Frank K. Ross (chairman), Michael G. Clark, Bonnie Cohen, George Grossman and Richard E. Kroon.

Item 6. Schedule of Investments.

Included in Item 1 above.

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

The registrant has delegated voting of proxies in respect of portfolio holdings to Cohen & Steers Capital Management, Inc., in accordance with the policies and procedures set forth below.

COHEN & STEERS CAPITAL MANAGEMENT, INC.

STATEMENT OF POLICIES AND PROCEDURES REGARDING THE VOTING OF SECURITIES

This statement sets forth the policies and procedures that Cohen & Steers, Inc. and its affiliated advisors (Cohen & Steers, we or us) follow in exercising voting rights with respect to securities held in its client portfolios. All proxy-voting rights that are exercised by Cohen & Steers shall be subject to this Statement of Policy and Procedures

A. General Proxy Voting Guidelines

Objectives

Voting rights are an important component of corporate governance. Cohen & Steers has three overall objectives in exercising voting rights:

- **Responsibility.** Cohen & Steers shall seek to ensure that there is an effective means in place to hold companies accountable for their actions. While management must be accountable to its board, the board must be accountable to a company's shareholders. Although accountability can be promoted in a variety of ways, protecting shareholder voting rights may be among our most important tools.
- **Rationalizing Management and Shareholder Concerns.** Cohen & Steers seeks to ensure that the interests of a company's management and board are aligned with those of the company's shareholders. In this respect, compensation must be structured to reward the creation of shareholder value.
- **Shareholder Communication.** Since companies are owned by their shareholders, Cohen & Steers seeks to ensure that management effectively communicates with its owners about the company's business operations and financial performance. It is only with effective communication that shareholders will be able to assess the performance of management and to make informed decisions on when to buy, sell or hold a company's securities.

General Principles

In exercising voting rights, Cohen & Steers shall conduct itself in accordance with the general principles set forth below.

- The ability to exercise a voting right with respect to a security is a valuable right and, therefore, must be viewed as part of the asset itself.

- In exercising voting rights, Cohen & Steers shall engage in a careful evaluation of issues that may materially affect the rights of shareholders and the value of the security.
-

- Consistent with general fiduciary principles, the exercise of voting rights shall always be conducted with reasonable care, prudence and diligence.
- In exercising voting rights on behalf of clients, Cohen & Steers shall conduct itself in the same manner as if Cohen & Steers were the constructive owner of the securities.
- To the extent reasonably possible, Cohen & Steers shall participate in each shareholder voting opportunity.
- Voting rights shall not automatically be exercised in favor of management-supported proposals.
- Cohen & Steers, and its officers and employees, shall never accept any item of value in consideration of a favorable proxy voting decision.

General Guidelines

Set forth below are general guidelines that Cohen & Steers shall follow in exercising proxy voting rights:

- Prudence. In making a proxy voting decision, Cohen & Steers shall give appropriate consideration to all relevant facts and circumstances, including the value of the securities to be voted and the likely effect any vote may have on that value. Since voting rights must be exercised on the basis of an informed judgment, investigation shall be a critical initial step.
- Third Party Views. While Cohen & Steers may consider the views of third parties, Cohen & Steers shall never base a proxy voting decision solely on the opinion of a third party. Rather, decisions shall be based on a reasonable and good faith determination as to how best to maximize shareholder value.
- Shareholder Value. Just as the decision whether to purchase or sell a security is a matter of judgment, determining whether a specific proxy resolution will increase the market value of a security is a matter of judgment as to which informed parties may differ. In determining how a proxy vote may affect the economic value of a security, Cohen & Steers shall consider both short-term and long-term views about a company's business and prospects, especially in light of our projected holding period on the stock (e.g., Cohen & Steers may discount long-term views on a short-term holding).

Specific Guidelines

Uncontested Director Elections

Votes on director nominees should be made on a case-by-case basis using a mosaic approach, where all factors are considered in director elections and where no single issue is deemed to be determinative. For example, a nominee's experience and business judgment may be critical to

the long-term success of the portfolio company, notwithstanding the fact that he or she may serve on the board of more than four public companies. In evaluating nominees, we consider the following factors:

- Whether the nominee attended less than 75 percent of the board and committee meetings without a valid excuse for the absences;
- Whether the nominee is an inside or affiliated outside director and sits on the audit, compensation, or nominating committees;
- Whether the board ignored a significant shareholder proposal that was approved by a majority of the votes cast in the previous year;
- Whether the board, without shareholder approval, to our knowledge instituted a new poison pill plan, extended an existing plan, or adopted a new plan upon the expiration of an existing plan during the past year;
- Whether the nominee is an inside or affiliated outside director and the full board serves as the audit, compensation, or nominating committee or the company does not have one of these committees;
- Whether the nominee is an insider or affiliated outsider on boards that are not at least majority independent;
- Whether the nominee is the CEO of a publicly-traded company who serves on more than two public boards;
- Whether the nominee is the chairperson of more than one publicly-traded company;
- Whether the nominee serves on more than four public company boards;
- Whether the nominee serves on the audit committee where there is evidence (such as audit reports or reports mandated under the Sarbanes Oxley Act) that there exists material weaknesses in the company's internal controls;
- Whether the nominee serves on the compensation committee if that director was present at the time of the grant of backdated options or options the pricing or the timing of which we believe may have been manipulated to provide additional benefits to executives;

- Whether the nominee has a material related party transaction or is believed by us to have a material conflict of interest with the portfolio company;

 - Whether the nominee (or the overall board) in our view has a record of making poor corporate or strategic decisions or has demonstrated an overall lack of good business
-

judgment, including, among other things, whether the company's total shareholder return is in the bottom 25% of its peer group over the prior five years;

- Material failures of governance, stewardship, risk oversight(1), or fiduciary responsibilities at the company;
- Failure to replace management as appropriate; and
- Egregious actions related to a director's service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company.

Proxy Access

We recognize the importance of shareholder access to the ballot process as a means to ensure that boards do not become self-perpetuating and self-serving. However, we are also aware that some proposals may promote certain interest groups and could be disruptive to the nomination process. We will generally vote against proxy access except in instances where companies have displayed a lack of shareholder accountability and where the proposal is specifically defined (*i.e.* minimum ownership threshold, duration, etc.).

(1) Examples of failure of risk oversight include, but are not limited to: bribery; large or serial fines from regulatory bodies; significant adverse legal judgments or settlements; hedging of company stock by the employees or directors of a company; or significant pledging of company stock in the aggregate by the officers and directors of a company.

Proxy Contests

Director Nominees in a Contested Election

By definition, this type of board candidate or slate runs for the purpose of seeking a significant change in corporate policy or control. Therefore, the economic impact of the vote in favor of or in opposition to that director or slate must be analyzed using a higher standard such as is normally applied to changes in control. Criteria for evaluating director nominees as a group or individually should also include: the underlying reason why the new slate (or individual director) is being proposed; performance; compensation; corporate governance provisions and takeover activity; criminal activity; attendance at meetings; investment in the company; interlocking directorships; inside, outside and independent directors; number of other board seats; and other experience. It is impossible to have a general policy regarding director nominees in a contested election.

Reimbursement of Proxy Solicitation Expenses

Decisions to provide full reimbursement for dissidents waging a proxy contest should be made on a case-by-case basis.

Ratification of Auditors

We vote for proposals to ratify auditors, unless an auditor has a financial interest in or association with the company, and is therefore not independent; or there is reason to believe that the independent auditor has rendered an opinion that is neither accurate nor indicative of the company's financial position.

Generally, we vote against auditor ratification and withhold votes from audit committee members if non-audit fees exceed audit fees.

We generally vote against auditor ratification if the fees paid to the audit firm are not disclosed by the company in a timely manner prior to the meeting.

We vote on a case-by-case basis on auditor rotation proposals. Criteria for evaluating the rotation proposal include, but are not limited to: tenure of the audit firm; establishment and disclosure of a renewal process whereby the auditor is regularly evaluated for both audit quality and competitive price; length of the rotation period advocated in the proposal; and any significant audit related issues.

Generally, we vote against auditor indemnification and limitation of liability; however we recognize there may be situations where indemnification and limitations on liability may be appropriate.

Takeover Defenses

While we recognize that a takeover attempt can be a significant distraction for the board and management to deal with, the simple fact is that the possibility of a corporate takeover keeps management focused on maximizing shareholder value. As a result, Cohen & Steers opposes measures that are designed to prevent or obstruct corporate takeovers because they can entrench current management. The following are our guidelines on change of control issues:

Shareholder Rights Plans

We acknowledge that there are arguments for and against shareholder rights plans, also known as poison pills. Companies should put their case for rights plans to shareholders.

We review on a case-by-case basis management proposals to ratify a poison pill. We generally look for shareholder friendly features including a two- to three-year sunset provision, a permitted bid provision and a 20 percent or higher flip-in provision.

Greenmail

We vote for proposals to adopt anti-greenmail charter or bylaw amendments or otherwise restrict a company's ability to make greenmail payments.

Unequal Voting Rights

Generally, we vote against dual-class recapitalizations as they offer an effective way for a firm to thwart hostile takeovers by concentrating voting power in the hands of management or other insiders.

Classified Boards

We generally vote in favor of shareholder proposals to declassify a board of directors, although we acknowledge that a classified board may be in the long-term best interests of the shareholders of a company in certain situations, such as continuity of a strong board and management team or for certain types of companies. In voting on shareholder proposals to declassify a board of directors, we evaluate all facts and circumstances surrounding such proposal, including whether: (i) the current management and board have a track record of making good corporate or strategic decisions, (ii) the shareholder proposing the de-classification has an agenda in making such proposal that may be at odds with the long-term best interests of the shareholders of the company, or (iii) it would be in the best interests of the company to thwart a shareholder's attempt to control the board of directors.

Cumulative Voting

Having the ability to cumulate our votes for the election of directors—that is, cast more than one vote for a director about whom they feel strongly—generally increases shareholders' rights to effect change in the management of a corporation. However, we acknowledge that cumulative voting promotes special candidates who may not represent the interests of all, or even a majority, of shareholders. In voting on proposals to institute cumulative voting, we therefore evaluate all facts and circumstances surrounding such proposal and we generally vote against cumulative voting where the company has good corporate governance practices in place, including majority voting for board elections and de-classified boards.

Shareholder Ability to Call Special Meeting

Cohen & Steers votes on a case-by-case basis for shareholder proposals requesting companies to amend their governance documents (bylaws and/or charter) in order to allow shareholders to call special meetings. We recognize the importance on shareholder ability to call a special meeting and generally will vote for such shareholder proposals where the shareholder(s) making such proposal hold at least 20% of the company's outstanding shares. However, we are also aware that some proposals are put forth in order to promote the agenda(s) of certain special interest groups and could be disruptive to the management of the company, and in those cases we will vote against such shareholder proposals.

Shareholder Ability to Act by Written Consent

We generally vote against proposals to allow or facilitate shareholder action by written consent. The requirement that all shareholders be given notice of a shareholders' meeting and matters to be discussed therein seems to provide a reasonable protection of minority shareholder rights.

Shareholder Ability to Alter the Size of the Board

We generally vote for proposals that seek to fix the size of the board and vote against proposals that give management the ability to alter the size of the board without shareholder approval. While we recognize the importance of such proposals, we are however also aware that these proposals are sometimes put forth in order to promote the agenda(s) of certain special interest

groups and could be disruptive to the management of the company.

Miscellaneous Board Provisions

Board Committees

Boards should delegate key oversight functions, such as responsibility for audit, nominating and compensation issues, to independent committees. The chairman and members of any committee should be clearly identified in the annual report. Any committee should have the authority to engage independent advisors where appropriate at the company's expense.

Audit, nominating and compensation committees should consist solely of non-employee directors, who are independent of management.

Separate Chairman and CEO Positions

We will generally vote for proposals looking to separate the CEO and Chairman roles. We do acknowledge, however, that under certain circumstances, it may be reasonable for the CEO and Chairman roles to be held by a single person.

Lead Directors and Executive Sessions

In cases where the CEO and Chairman roles are combined, we will vote for the appointment of a lead (non-insider) director and for regular executive sessions (board meetings taking place without the CEO/Chairman present).

Majority of Independent Directors

We vote for proposals that call for the board to be composed of a majority of independent directors. We believe that a majority of independent directors can be an important factor in facilitating objective decision making and enhancing accountability to shareholders.

Independent Committees

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We vote for shareholder proposals requesting that the board's audit, compensation, and nominating committees consist exclusively of independent directors.

Stock Ownership Requirements

We support measures requiring senior executives to hold a minimum amount of stock in a company (often expressed as a percentage of annual compensation), which may include restricted stock or restricted stock units.

Term of Office

We vote against shareholder proposals to limit the tenure of outside directors. Term limits pose artificial and arbitrary impositions on the board and could harm shareholder interests by forcing experienced and knowledgeable directors off the board.

Director and Officer Indemnification and Liability Protection

Proposals concerning director and officer indemnification and liability protection should be evaluated on a case-by-case basis.

Board Size

We generally vote for proposals to limit the size of the board to 15 members or less.

Majority Vote Standard

We generally vote for proposals asking for the board to initiate the appropriate process to amend the company's governance documents (charter or bylaws) to provide that director nominees shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of shareholders. We would generally review on a case-by-case basis proposals that address alternative approaches to a majority vote requirement.

Confidential Voting

We vote for shareholder proposals requesting that companies adopt confidential voting, use independent tabulators, and use independent inspectors of election as long as the proposals include clauses for proxy contests as follows: in the case of a contested election, management should be permitted to request that the dissident group honor its confidential voting policy. If the dissidents agree, the policy remains in place. If the dissidents do not agree, the confidential voting policy is waived.

We also vote for management proposals to adopt confidential voting.

Bundled Proposals

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We review on a case-by-case basis bundled or conditioned proxy proposals. In the case of items that are conditioned upon each other, we examine the benefits and costs of the packaged items. In instances where the joint effect of the conditioned items is not in shareholders' best interests, we vote against the proposals. If the combined effect is positive, we support such proposals. In the case of bundled director proposals, we will vote for the entire slate only if we would have otherwise voted for each director on an individual basis.

Disclosure of Board Nominees

We generally vote against the election of directors at companies if the names of the director nominees are not disclosed in a timely manner prior to the meeting. However, we recognize that companies in certain emerging markets may have a legitimate reason for not disclosing nominee names. In such a rare case, if a company discloses a legitimate reason why such nominee names

should not be disclosed, we may vote for the nominees even if nominee names are not disclosed in a timely manner.

Disclosure of Board Compensation

We generally vote against the election of directors at companies if the compensation paid to such directors is not disclosed in a timely manner prior to the meeting. However, we recognize that companies in certain emerging markets may have a legitimate reason for not disclosing such compensation information. In such a rare case, if a company discloses a legitimate reason why such compensation should not be disclosed, we may vote for the nominees even if compensation is not disclosed in a timely manner.

Date/Location of Meeting

We vote against shareholder proposals to change the date or location of the shareholders meeting. No one site will meet the needs of all shareholders.

Adjourn Meeting if Votes are Insufficient.

Open-end requests for adjournment of a shareholder meeting generally will not be supported. However, where management specifically states the reason for requesting an adjournment and the requested adjournment is necessary to permit a proposal that would otherwise be supported under this policy to be carried out, the adjournment request will be supported.

Disclosure of Shareholder Proponents

We vote for shareholder proposals requesting that companies disclose the names of shareholder proponents. Shareholders may wish to contact the proponents of a shareholder proposal for additional information.

Capital Structure

Increase Additional Common Stock

We generally vote for increases in authorized shares, provided that the increase is not greater than three times the number of shares outstanding and reserved for issuance (including shares reserved for stock-related plans and securities convertible into common stock, but not shares reserved for any poison pill plan).

Votes generally are cast in favor of proposals to authorize additional shares of stock except where the proposal:

- creates a blank check preferred stock; or
 - establishes classes of stock with superior voting rights.
-

Blank Check Preferred Stock

Votes generally are cast in opposition to management proposals authorizing the creation of new classes of preferred stock with unspecified voting, conversion, distribution and other rights, and management proposals to increase the number of authorized blank check preferred shares. We may vote in favor of this type of proposal when we receive assurances to our reasonable satisfaction that (i) the preferred stock was authorized by the board for the use of legitimate capital formation purposes and not for anti-takeover purposes, and (ii) no preferred stock will be issued with voting power that is disproportionate to the economic interests of the preferred stock. These representations should be made either in the proxy statement or in a separate letter from the company to Cohen & Steers.

Pre-emptive Rights

We believe that the governance and regulation of public equity markets allow for adequate shareholder protection against dilution. Further, we believe that companies should have more flexibility to issue shares without costly and time constraining rights offerings. As such, we do not believe that pre-emptive rights are necessary and as such, we generally vote for the issuance of equity shares without pre-emptive rights. On a limited basis, we will vote for shareholder pre-emptive rights where such pre-emptive rights are necessary, taking into account the best interests of the company's shareholders.

We acknowledge that international local practices typically call for shareholder pre-emptive rights when a company seeks authority to issue shares (e.g., UK authority for the issuance of only up to 5% of outstanding shares without pre-emptive rights). While we would prefer that companies be permitted to issue shares without pre-emptive rights, in deference to international local practices, in markets outside the US we will approve issuance requests without pre-emptive rights for up to 100% of a company's outstanding capital.

Dual Class Capitalizations

Because classes of common stock with unequal voting rights limit the rights of certain shareholders, we vote against adoption of a dual or multiple class capitalization structure.

Restructurings/Recapitalizations

We review proposals to increase common and/or preferred shares and to issue shares as part of a debt restructuring plan on a case-by-case basis. In voting, we consider the following issues:

- dilution how much will ownership interest of existing shareholders be reduced, and how extreme will dilution to any future earnings be?
- change in control will the transaction result in a change in control of the company?

- bankruptcy generally, approve proposals that facilitate debt restructurings unless there are clear signs of self-dealing or other abuses.
-

Share Repurchase Programs

Boards may institute share repurchase or stock buy-back programs for a number of reasons. Cohen & Steers will generally vote in favor of such programs where the repurchase would be in the long-term best interests of shareholders, and where the company is not thought to be able to use the cash in a more useful way.

We will vote against such programs when shareholders' interests could be better served by deployment of the cash for alternative uses, or where the repurchase is a defensive maneuver or an attempt to entrench management.

Targeted Share Placements

These shareholder proposals ask companies to seek stockholder approval before placing 10% or more of their voting stock with a single investor. The proposals are typically in reaction to the placement by various companies of a large block of their voting stock in an ESOP, parent capital fund or with a single friendly investor, with the aim of protecting themselves against a hostile tender offer. These proposals are voted on a case-by-case basis after reviewing the individual situation of the company receiving the proposal.

Executive and Director Compensation

Executive Compensation (Say on Pay)

Votes regarding shareholder say on pay are determined on a case-by-case basis. Generally, we believe that executive compensation should be tied to the long-term performance of the executive and the company both in absolute and relative to the peer group. We therefore monitor the compensation practices of portfolio companies to determine whether compensation to these executives is commensurate to the company's total shareholder return (TSR) (*i.e.*, we generally expect companies that pay their executives at the higher end of the pay range to also be performing commensurately well).

Further, pay elements that are not directly based on performance are generally evaluated on a case-by-case basis considering the context of a company's overall pay program and demonstrated pay-for-performance philosophy. The following list highlights certain negative pay practices that carry significant weight in this overall consideration and may result in adverse vote recommendations:

- Repricing or replacing of underwater stock options/SARS without prior shareholder approval (including cash buyouts and voluntary surrender of underwater options);
- Excessive perquisites or tax gross-ups;
- New or extended agreements that provide for:

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- CIC payments exceeding 3 times base salary and bonus;
 - CIC severance payments without involuntary job loss or substantial diminution of duties (single or modified single triggers);
 - CIC payments with excise tax gross-ups (including modified gross-ups).
-

Also, we generally vote for shareholder proposals that seek additional disclosure of executive and director pay information.

Frequency of Advisory Vote on Executive Compensation (Say When on Pay)

We generally vote for annual advisory votes on compensation as we note that executive compensation is also evaluated on an annual basis by the company's compensation committee.

Stock-based Incentive Plans

Votes with respect to compensation plans should be determined on a case-by-case basis. The analysis of compensation plans focuses primarily on the transfer of shareholder wealth (the dollar cost of pay plans to shareholders). Other matters included in our analysis are the amount of the company's outstanding stock to be reserved for the award of stock options or restricted stock, whether the exercise price of an option is less than the stock's fair market value at the date of the grant of the options, and whether the plan provides for the exchange of outstanding options for new ones at lower exercise prices. Every award type is valued. An estimated dollar cost for the proposed plan and all continuing plans is derived. This cost, dilution to shareholders' equity, will also be expressed as a percentage figure for the transfer of shareholder wealth and will be considered along with dilution to voting power. Once the cost of the plan is estimated, it is compared to an allowable industry-specific and market cap-based dilution cap.

If the proposed plan cost is above the allowable cap, an against vote is indicated. If the proposed cost is below the allowable cap, a vote for the plan is indicated unless the plan violates the repricing guidelines. If the company has a history of repricing options or has the express ability to reprice underwater stock options without first securing shareholder approval under the proposed plan, the plan receives an against vote even in cases where the plan cost is considered acceptable based on the quantitative analysis.

We vote against equity plans that have high average three year burn rates, unless the company has publicly committed to reduce the burn rate to a rate that is comparable to its peer group (as determined by Cohen & Steers).

Approval of Cash or Cash-and-Stock Bonus Plans

We vote for cash or cash-and-stock bonus plans to exempt the compensation from limits on deductibility under the provisions of Section 162(m) of the Internal Revenue Code.

Reload/Evergreen Features

We will generally vote against plans that enable the issuance of reload options and that provide an automatic share replenishment (evergreen) feature.

Golden Parachutes

In general, the guidelines call for voting against golden parachute plans because they impede potential takeovers that shareholders should be free to consider. In particular, we oppose the use

of employment contracts that result in cash grants of greater than three times annual compensation (salary and bonus) and generally withhold our votes at the next shareholder meeting for directors who to our knowledge approved golden parachutes.

Voting on Golden Parachutes in an Acquisition, Merger, Consolidation, or Proposed Sale

We vote on a case-by-case basis on proposals to approve the company's golden parachute compensation. Features that may lead to a vote against include:

- Potentially excessive severance payments (cash grants of greater than three times annual compensation (salary and bonus));
- Agreements that include excessive excise tax gross-up provisions;
- Single trigger payments that will happen immediately upon a change in control, including cash payment and such items as the acceleration of performance-based equity despite the failure to achieve performance measures;
- Single-trigger vesting of equity based on a definition of change in control that requires only shareholder approval of the transaction (rather than consummation);
- Recent amendments or other changes that may make packages so attractive as to influence merger agreements that may not be in the best interests of shareholders;
- In the case of a substantial gross-up from pre-existing/grandfathered contract: the element that triggered the gross-up (*i.e.*, option mega-grants at low point in stock price, unusual or outsized payments in cash or equity made or negotiated prior to the merger); or
- The company's assertion that a proposed transaction is conditioned on shareholder approval of the golden parachute advisory vote.

401(k) Employee Benefit Plans

We vote for proposals to implement a 401(k) savings plan for employees.

Employee Stock Purchase Plans

We support employee stock purchase plans, although we generally believe the discounted purchase price should be at least 85% of the current market price.

Option Expensing

We vote for shareholder proposals to expense fixed-price options.

Vesting

We believe that restricted stock awards normally should vest over at least a two-year period.

Option Repricing

Stock options generally should not be re-priced, and never should be re-priced without shareholder approval. In addition, companies should not issue new options, with a lower strike price, to make up for previously issued options that are substantially underwater. Cohen &

Steers will vote against the election of any slate of directors that, to its knowledge, has authorized a company to re-price or replace underwater options during the most recent year without shareholder approval.

Stock Holding Periods

Generally vote against all proposals requiring executives to hold the stock received upon option exercise for a specific period of time.

Transferable Stock Options

Review on a case-by-case basis proposals to grant transferable stock options or otherwise permit the transfer of outstanding stock options, including cost of proposal and alignment with shareholder interests.

Recoup Bonuses

We vote on a case-by-case on shareholder proposals to recoup unearned incentive bonuses or other incentive payments made to senior executives if it is later determined that fraud, misconduct, or negligence significantly contributed to a restatement of financial results that led to the awarding of unearned incentive compensation.

Incorporation

Reincorporation Outside of the United States

Generally, we will vote against companies looking to reincorporate outside of the U.S.

Voting on State Takeover Statutes

We review on a case-by-case basis proposals to opt in or out of state takeover statutes (including control share acquisition statutes, control share cash-out statutes, freezeout provisions, fair price provisions, stakeholder laws, poison pill endorsements, severance pay and labor contract provisions, antigreenmail provisions, and disgorgement provisions). In voting on these shareholder proposals, we evaluate all facts and circumstances surrounding such proposal, including whether the shareholder proposing such measure has an agenda in making such proposal that may be at odds with the long-term best interests of the company or whether it would be in the best interests of the company to thwart a shareholder's attempt to control the board of directors.

Voting on Reincorporation Proposals

Proposals to change a company's state of incorporation are examined on a case-by-case basis. In making our decision, we review management's rationale for the proposal, changes to the charter/bylaws, and differences in the state laws governing the companies.

Mergers and Corporate Restructurings

Mergers and Acquisitions

Votes on mergers and acquisitions should be considered on a case-by-case basis, taking into account factors including the following: anticipated financial and operating benefits; offer price (cost vs. premium); prospects of the combined companies; how the deal was negotiated; and changes in corporate governance and their impact on shareholder rights.

We vote against proposals that require a super-majority of shareholders to approve a merger or other significant business combination. We support proposals that seek to lower super-majority voting requirements.

Nonfinancial Effects of a Merger or Acquisition

Some companies have proposed a charter provision which specifies that the board of directors may examine the nonfinancial effect of a merger or acquisition on the company. This provision would allow the board to evaluate the impact a proposed change in control would have on employees, host communities, suppliers and/or others. We generally vote against proposals to adopt such charter provisions. We feel it is the directors' fiduciary duty to base decisions solely on the financial interests of the shareholders.

Corporate Restructuring

Votes on corporate restructuring proposals, including minority squeezeouts, leveraged buyouts, going private proposals, spin-offs, liquidations, and asset sales, should be considered on a case-by-case basis.

Spin-offs

Votes on spin-offs should be considered on a case-by-case basis depending on the tax and regulatory advantages, planned use of sale proceeds, market focus, and managerial incentives.

Asset Sales

Votes on asset sales should be made on a case-by-case basis after considering the impact on the balance sheet/working capital, value received for the asset, and potential elimination of diseconomies.

Liquidations

Votes on liquidations should be made on a case-by-case basis after reviewing management's efforts to pursue other alternatives, appraisal value of assets, and the compensation plan for executives managing the liquidation.

Appraisal Rights

We vote for proposals to restore, or provide shareholders with, rights of appraisal. Rights of appraisal provide shareholders who are not satisfied with the terms of certain corporate transactions the right to demand a judicial review in order to determine a fair value for their shares.

Changing Corporate Name

We vote for changing the corporate name.

Shareholder Rights

Our position on the rights of shareholders is as follows:

- Shareholders should be given the opportunity to exercise their rights. Notification of opportunities for the exercise of voting rights should be given in good time.
- Shareholders are entitled to submit questions to company management.
- Minority shareholders should be protected as far as possible from the exercise of voting rights by majority shareholders.
- Shareholders are entitled to hold company management as well as the legal person or legal entity accountable for any action caused by the company or company management for which the company, company management or legal entity should bear responsibility.

Environmental and Social Issues

We recognize that the companies in which we invest can enhance shareholder value and long-term profitability by adopting policies and procedures that promote corporate social and environmental responsibility. Because of the diverse nature of environmental and social shareholder proposals and the myriad ways companies deal with them, these proposals should be considered on a case-by-case basis. All such proposals are scrutinized based on whether they contribute to the creation of shareholder value, are reasonable and relevant, and provide adequate disclosure of key issues to shareholders. When evaluating social and environmental shareholder proposals, we tend to focus on the financial aspects of the social and environmental proposals, and we consider the following factors (in the order of importance as set forth below):

- Whether adoption of the proposal is likely to have significant economic benefit for the company, such that shareholder value is enhanced or protected by the adoption of the proposal;

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- Whether the issues presented are more appropriately/effectively dealt with through governmental or company-specific action, as many social and environmental issues are more properly the province of government and broad regulatory action;
 - Whether the subject of the proposal is best left to the discretion of the board;
 - Whether the company has already responded in some appropriate manner to the request embodied in the proposal;
-

- Whether the information requested concerns business issues that relate to a meaningful percentage of the company's business as measured by sales, assets, and earnings;
- The degree to which the company's stated position on the issues raised in the proposal could affect its reputation or sales, or leave it vulnerable to a boycott or selective purchasing;
- Whether implementation of the proposal's request would achieve the proposal's objectives;
- Whether the requested information is available to shareholders either from the company or from a publicly available source; and
- Whether providing this information would reveal proprietary or confidential information that would place the company at a competitive disadvantage.

Item 8. Portfolio Managers of Closed-End Investment Companies.

Information pertaining to the portfolio managers of the registrant, as of December 31, 2013, is set forth below.

Joseph Harvey

President of Cohen & Steers Capital Management, Inc. (C&S) and Cohen & Steers, Inc. (CNS). Previously, senior vice president of C&S and director of research.

- Vice president

- Portfolio manager since 2004

Thomas N. Bohjalian

Executive vice president of C&S. Previously, senior vice president of C&S.

- Vice president

- Portfolio manager since 2006

William F. Scapell

Senior vice president of C&S. Previously, chief strategist for preferred securities at Merrill Lynch & Co.

- Vice president

- Portfolio manager since 2005

Jason A. Yablon

Vice president of C&S. Previously, sell-side analyst at Morgan Stanley.

- Vice president
- Portfolio manager since 2012

C&S utilizes a team-based approach in managing the registrant. Mr. Harvey is the leaders of this team and acts in a supervisory capacity. Mr. Bohjalian and Mr. Yablon direct and supervise the execution of the registrant's investment strategy, and lead and guide the other members of the team. Mr. Scapell manages the registrant's preferred securities investments.

Each portfolio manager listed above manages other investment companies and/or investment vehicles and accounts in addition to the registrant. The following tables show, as of December 31, 2013, the number of accounts each portfolio manager managed in each of the listed categories and the total assets in the accounts managed within each category. One (1) of the 33 other accounts managed by Mr. Harvey, with total assets of \$80.3 million, are subject to performance-based fees.

Joseph Harvey

	Number of accounts	Total assets
• Registered investment companies	17	\$ 18,663,424,000
• Other pooled investment vehicles	34	\$ 14,655,400,000
• Other accounts	33	\$ 4,170,492,000

William F. Scapell

	Number of accounts	Total assets
• Registered investment companies	9	\$ 9,867,274,000
• Other pooled investment vehicles	2	\$ 8,725,897,000
• Other accounts	8	\$ 780,012,000

Thomas Bohjalian

	Number of accounts	Total assets
• Registered investment companies	8	\$ 12,727,515,000
• Other pooled investment vehicles	7	\$ 11,133,229,000
• Other accounts	19	\$ 2,075,871,000

Jason A. Yablon

	Number of accounts	Total assets
• Registered investment companies	7	\$ 8,538,876,000
• Other pooled investment vehicles	0	\$ 0

•	Other accounts	3	\$	879,542,000
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Share Ownership. The following table indicates the dollar range of securities of the registrant owned by the registrant's portfolio managers as of December 31, 2013:

	Dollar Range of Securities Owned
Joseph Harvey	\$0 - \$10,000
Thomas Bohjalian	None
William F. Scapell	None
Jason A. Yablon	None

Conflicts of Interest. It is possible that conflicts of interest may arise in connection with the portfolio manager's management of the registrant's investments on the one hand and the investments of other accounts or vehicles for which the portfolio managers are responsible on the other. For example, a portfolio manager may have conflicts of interest in allocating management time, resources and investment opportunities among the registrant and the other accounts or vehicles he advises. In addition, due to differences in the investment strategies or restrictions among the registrant and the other accounts, a portfolio manager may take action with respect to another account that differs from the action taken with respect to the registrant.

In some cases, another account managed by a portfolio manager may provide more revenue to the Advisor. While this may appear to create additional conflicts of interest for the portfolio manager in the allocation of management time, resources and investment opportunities, the Advisor strives to ensure that portfolio managers endeavor to exercise their discretion in a manner that is equitable to all interested persons. In this regard, in the absence of specific account-related impediments (such as client-imposed restrictions or lack of available cash), it is the policy of the Advisor to allocate investment ideas pro rata to all accounts with the same primary investment objective.

In addition, certain of the portfolio managers may from time to time manage one or more accounts on behalf of the Advisor and its affiliated companies (the CNS Accounts). Certain securities held and traded in the CNS Accounts also may be held and traded in one or more client accounts. It is the policy of the Advisor however not to put the interests of the CNS Accounts ahead of the interests of client accounts. The Advisor may aggregate orders of client accounts with those of the CNS Accounts; however, under no circumstances will preferential treatment be given to the CNS Accounts. For all orders involving the CNS Accounts, purchases or sales will be allocated prior to trade placement, and orders that are only partially filled will be allocated across all accounts in proportion to the shares each account, including the CNS Accounts, was designated to receive prior to trading. As a result, it is expected that the CNS Accounts will receive the same average price as other accounts included in the aggregated order. Shares will not be allocated or re-allocated to the CNS Accounts after trade execution or after the average price is known. In the event so few shares of an order are executed that a pro-rata allocation is not practical, a rotational system of allocation may be used; however, the CNS Accounts will never be part of that rotation or receive shares of a partially filled order other than on a pro-rata basis.

Because certain CNS Accounts are managed with a cash management objective, it is possible that a security will be sold out of the CNS Accounts but continue to be held for one or more client accounts. In situations when this occurs, such security will remain in a client account only if the portfolio manager, acting in its reasonable judgment and consistent with its fiduciary duties, believes this is appropriate for, and consistent with the objectives and profile of, the client account.

C&S Compensation Structure. Compensation of C&S's portfolio managers and other investment professionals has three primary components: (1) a base salary, (2) an annual cash bonus and (3) long-term stock-based compensation consisting generally of restricted stock units of C&S's

parent, CNS. C&S's investment professionals, including the portfolio managers, also receive certain retirement, insurance and other benefits that are broadly available to all of its employees. Compensation of C&S's investment professionals is reviewed primarily on an annual basis. Cash bonuses, stock-based compensation awards, and adjustments in base salary are typically paid or put into effect in the January following the fiscal year-end of CNS.

Method to Determine Compensation. C&S compensates its portfolio managers based primarily on the scale and complexity of their portfolio responsibilities and the total return performance of funds and accounts managed by the portfolio manager versus appropriate peer groups or benchmarks. C&S uses a variety of benchmarks to evaluate the portfolio managers' performance for compensation purposes, including the FTSE NAREIT Equity REIT Index with respect to Messrs. Harvey, Bohjalian and Yablon and the BofA Merrill Lynch REIT Preferred Index with respect to Mr. Scapell. In evaluating the performance of a portfolio manager, primary emphasis is normally placed on one- and three-year performance, with secondary consideration of performance over longer periods of time. Performance is evaluated on a pre-tax and pre-expense basis. In addition to rankings within peer groups of funds on the basis of absolute performance, consideration may also be given to risk-adjusted performance. For funds and accounts with a primary investment objective of high current income, consideration will also be given to the fund's and account's success in achieving this objective. For managers responsible for multiple funds and accounts, investment performance is evaluated on an aggregate basis. C&S has three funds or accounts with performance-based advisory fees. Portfolio managers are also evaluated on the basis of their success in managing their dedicated team of analysts. Base compensation for portfolio managers of C&S varies in line with the portfolio manager's seniority and position with the firm.

Salaries, bonuses and stock-based compensation are also influenced by the operating performance of the Advisor and CNS. While the annual salaries of the Advisor's portfolio managers are fixed, cash bonuses and stock based compensation may fluctuate significantly from year to year, based on changes in manager performance and other factors.

Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.

None.

Item 10. Submission of Matters to a Vote of Security Holders.

There have been no material changes to the procedures by which shareholders may recommend nominees to the registrant's Board implemented after the registrant last provided disclosure in response to this Item.

Item 11. Controls and Procedures.

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures are reasonably designed to ensure that information required to be disclosed by the registrant in this Form N-CSR was recorded, processed, summarized and reported within the time periods specified in the Securities and

Exchange Commission's rules and forms, based upon such officers' evaluation of these controls and procedures as of a date within 90 days of the filing date of this report.

(b) There were no changes in the registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 12. Exhibits.

(a)(1) Not Applicable.

(a)(2) Certifications of principal executive officer and principal financial officer as required by Rule 30a-2(a) under the Investment Company Act of 1940.

(a)(3) Not Applicable.

(b) Certifications of chief executive officer and chief financial officer as required by Rule 30a-2(b) under the Investment Company Act of 1940.

(c) Registrant's notices to shareholders pursuant to Registrant's exemptive order granting an exemption from Section 19(b) of the 1940 Act and Rule 19b-1 thereunder regarding distributions pursuant to the Registrant's Managed Distribution Plan.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COHEN & STEERS TOTAL RETURN REALTY FUND, INC.

By: /s/ Adam M. Derechin

Name: Adam M. Derechin

Title: President and Chief Executive Officer

Date: March 7, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Adam M. Derechin

Name:

Adam M. Derechin

Title:

President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ James Giallanza

Name:

James Giallanza

Title:

Treasurer and Chief Financial Officer
(Principal Financial Officer)

Date: March 7, 2014
