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5 TEACHERS' RETIREMENT BOARD MEETING

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14 HELD AT:

15 55 WATER STREET
16 NEW YORK, NEW YORK

17 JANUARY 17, 2013
18 3:33 P.M. TO 4:02 P.M.

19 B E F O R E:

20 MELVYN AARONSON, CHAIRMAN

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24 REPORTED BY:
LIZ SANCHEZ
25 EXECUTIVE ASSISTANT TO PATRICIA REILLY, DEPUTY EXECUTIVE DIRECTOR

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A P P E A R A N C E S:

TRS:

PATRICIA REILLY, Deputy Executive Director

MELVYN AARONSON, Teachers' Trustee

SANDRA MARCH, Teachers' Trustee

MONA ROMAIN, Teachers' Trustee

COMPTROLLER'S OFFICE:

THAD McTIGUE, Trustee

DEPARTMENT OF EDUCATION:

KATHLEEN GRIMM, Trustee

MAYOR'S APPOINTEE:

CAROLYN WOLPERT, Trustee

OFFICE OF THE ACTUARY:

ROBERT C. NORTH JR.

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TRS STAFF:

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ROBERT BETHELMY

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ANDREW BRADFORD

CARMELA CRIVELLI

4

JOEL GILLER

ANNETTE HANRAHAN

5

MARC KATZ

ELLEN MURPHY-DeLEO

6

RENEE PEARCE

7

OTHER ATTENDEES:

8

INGA VAN EYSDEN, Law Department

9

RAYMOND SAROLA, Alternate Trustee

JAIME SMARR, Alternate Trustee

10

SAMUEL FLAKS, Legal Unit - TRS

JARED HERST, PSC

11

JONATHAN HOGSTAD, SCIU

MICHAEL MALLOY, Deloitte & Touche

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JILL STROHMEYER, Deloitte & Touche

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1 TRS Regular Board Meeting, JANUARY 17, 2013

2 P R O C E E D I N G S

3 MS. REILLY: Good afternoon. Welcome to the January 17, 2013
4 meeting of the Teachers' Retirement Board. We will begin by calling
5 the roll.

6 MS. MARCH: It is such a pleasure to be back at 55 Water
7 Street. I am sorry that I interrupted you.

8 MS. REILLY: We share that sentiment. Melvyn Aaronson?

9 MR. AARONSON: Here.

10 MS. REILLY: Kathleen Grimm? (no response) Sandra March?

11 MS. MARCH: Present.

12 MS. REILLY: Thad McTigue?

13 MR. McTIGUE: Here.

14 MS. REILLY: Freida Foster? (no response) Mona Romain?

15 MS. ROMAIN: Here.

16 MS. REILLY: Carolyn Wolpert?

17 MS. WOLPERT: Here.

18 MS. REILLY: Jaime Smarr?

19 MR. SMARR: Present.

20 MS. REILLY: We do have a quorum and next on the Agenda is an
21 Update on TRS...no, we are going to hear from Deloitte and Touche.

22 MR. MALLOY: Good afternoon everyone. I will make this quick.
23 I have been asked to move quickly so I am happy to oblige here.

24 You should have a copy of our letter. Our letter basically
25 covers those points that, under the professional standards that

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2 we are required to communicate with those in the government's roles
3 which is, the roll is here, as Board of Trustees. I will be going
4 from the letter. I am not going to go word-for-word. If there is
5 a question, please feel free to stop me.

6 We have completed our audit for the Teachers' Retirement System
7 of the City of New York ("TRS") of the Qualified Pension Plan
8 ("QPP") and the Teachers' Retirement System of the City of New
9 York's Tax-Deferred Annuity Program ("TDA"). Both of which are
10 called the "Plans". We conducted our audit in accordance with GAP
11 (inaudible) principles generally accepted in the United States of
12 America, in doing our audits and those are the rules that we
13 follow, but, the way in which we do our work today is the standards
14 that we need to follow; those who follow the auditing stamps that
15 are generally accepted in the United States of America. Those
16 standards and the scope of our work were detailed in our engagement
17 letter dated June 12, 2012.

18 As part of any audit that you do under the professional
19 standards, you are required to take a look at the internal controls
20 of the Plans and that is primarily to get an understanding,
21 (inaudible) risk and also determine an (inaudible) time and extent
22 of the detailed testing that you would do. So we did look at that,
23 the internal controls for purposes of (inaudible) audit. You did
24 not look at controls from the standpoint of rendering a separate
25 opinion on those controls. That is something that you would see

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2 in the context of the public company under (inaudible) standards.
3 We do not follow those standards, we follow the (inaudible)
4 standards which is appropriate for these types of audits.

5 Accounting estimates, with every set of financial statements
6 there are estimates that go into financial statements and these
7 plans are no exception. The more significant of the estimates that
8 went into the determination of the financial statements were the
9 determination of the fair value of the investments, the annual
10 required contribution, the actuarial asset value, the actuarial
11 accrued liability, and the unfunded actuarial liability. As far
12 as changes with any of those estimates, other than for the Teachers'
13 Retirement System of the City of New York in the Qualified Pension
14 Plan, there were changes that were proposed and this Board adopted
15 related to actuarial assumptions. Other than those changes, there
16 were no other changes.

17 Uncorrected misstatements: in our audits of these two (2)
18 plans, there were no uncorrected misstatements with regards to
19 material corrected misstatements, we had none of those. So those
20 are good things.

21 The significant accounting policies are laid down in Note 2
22 to each of the financial statements. As far as whether or not we
23 had any disagreements with management, we had not. I would say we
24 received full cooperation in the cost of our audits. Obviously, a
25 little delayed with some of the audits because of the situation

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2 with Hurricane Sandy. We got full cooperation.

3 Attached to our letter, it is a draft, but these have been
4 issued final, are the management representation letters that we
5 requested of management which is common, again, under the
6 professional standards. These letters, I would just say, are
7 very common, as far as the language, it is nothing unusual in these
8 letters or representations.

9 Those are kind of my prepared remarks. If there are any
10 questions, I would be happy to answer those.

11 (Kathleen Grimm joined the meeting in session.)

12 MR. AARONSON: Are there any Board Members that have questions?
13 Hearing none, thank you very much. Same time next year.

14 MR. MALLOY: See you there.

15 MS. MARCH: Thank you very much.

16 MS. REILLY: Ok, I am just going to give a quick update on
17 the progress of staff moving back into 55 Water Street. Starting
18 on January 7th, some staff came back. Mostly the Executive Office,
19 Legal, Investments, IT certainly was here helping us bring our
20 systems back up and our Business Solution Group returned. This
21 week, we had more staff return. The Enrollments Division, the
22 Withdrawals Division, Correspondence and Communications came back.

23 Next week, we expect the rest of our staff, except for those
24 people working on the second floor, because the second floor is
25 still not available. On our second floor, that is where we have

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2 our Call-In Center, our Walk-In Center, our Document Management
3 Division and our Mailroom. So our Call Center will continue to
4 operate out of Long Island City until such time as the second
5 floor is available. Our Walk-In Center will continue to be housed
6 at the Board Of Education Retirement System ("BERS"). We would like
7 to thank Mr. North for rebringing our retirement folk back next
8 week, so we thank you so much for the space you provided them.

9 MR. NORTH: You are welcomed to have them there as long as you
10 need.

11 MS. REILLY: We appreciate that. Thank you. The second floor,
12 we were told, that possibly by the end of January, they would have
13 power back on the second floor. So we are waiting to hear if that
14 is actually going to happen. We are prepared and ready to move the
15 Call Center and Walk-In Center back as soon as the second floor is
16 operational and has been cleaned and made safe for our employees to
17 come back.

18 MR. AARONSON: Thank you. I hope you please extend the Board's
19 thanks to both Christine Bailey and Diane D'Alessandro for their
20 help and to add to Bob North for letting our people use his space.

21 MS. REILLY: Ellen Murphy-DeLeo is just going to give an
22 update on Operations for things that we were able to accomplish
23 while outside of the office.

24 MS. DeLEO: I have six (6) rather quick updates.

25 In terms of Summer Retirements, there were 1,742 members that

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2 retired during the month of July and 202 during the month of
3 August. To-date, TRS has initiated advanced payments of
4 retirement benefits for all eligible members. This equates to
5 1,928 or 99% of those we have found to be eligible for retirement
6 that filed. Of these summer retirees, 1,671 or 85.9% of these
7 members' retirement benefits were finalized as of the December
8 payroll and we are targeting to finalize at least 36 additional
9 members' retirement benefits for the January payroll. The
10 remaining 237 are in-progress with 180 pending due to external
11 information needed.

12 We also completed the Required Minimum Distributions for
13 the year 2012 with the distributions being made to approximately
14 8,700 TDA members with TDA Deferral Status and TDA Beneficiary
15 account holders, that either filed to receive their distribution
16 in December or did not request a specific month to receive their
17 distribution; therefore they were defaulted to December.

18 For the Tier VI Enrollments, we completed mailing our Welcome
19 Kits for all the members that are enrolled to-date. We started
20 mailing those in mid-October as planned, to the 4,521 new Tier VI
21 members that we had by then, but unfortunately, the completion of
22 the mailing was delayed due to the disruption from Hurricane Sandy.
23 We did complete the mailing of those on November 28th while we were
24 off-site and approximately 401 additional Welcome Kits were mailed
25 in December for members that were reported as appointed in November

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2 by the Department of Education ("DOE").

3 The Annual Benefits Statements ("ABS") also completed mailing
4 while we were away. They were mailed to approximately 110,000
5 members, beginning on October 19th and completing on November 9th.
6 And starting with this year's ABS, any members that are enrolled in
7 our website will be able to access an electronic copy of their ABS
8 statement on-line.

9 MS. ROMAIN: Starting when?

10 MS. DeLEO: Starting with the 2012 ABS and that should be
11 available shortly. Again, we have the files, we just need to load
12 them onto our website.

13 For the Quarterly Account Statements ("QAS"), the mailing of
14 the TDA Quarterly Statements for participants with TDA Deferral
15 Status, to a population of approximately 42,000, began in October.
16 To-date, we have mailed approximately 27,000 statements and that
17 was disrupted again because of Hurricane Sandy, we have now resumed
18 printing and mailing of the remaining in-house. All of them have
19 printed, it is a matter of mailing them at this point. Mailing of
20 the 3rd Quarter 2012 Quarterly Account Statements is scheduled to
21 begin printing on January 22nd. This is going to be completed by
22 a vendor that we have contracted with as part of our business
23 continuity plan because again, we are unable to print them in-house.

24 The last update I have is for 1099 Forms. TRS provided the
25 Office of Payroll Administration with all non-periodic payment

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2 1099 information for 2012, on January 8th as scheduled and for
3 retired members receiving their first 1099-R this year, representing
4 their 2012 benefits, an explanatory letter referring them to our
5 website for more information was mailed on January 14th regarding
6 the 1099 that they would be receiving.

7 MS. REILLY: Thank you. Ok, next on the Executive Director's
8 Report is the matter of the Next Meeting. It has been suggested
9 that the next regular meeting of the Teachers' Retirement Board
10 be held on the second Thursday of the month, February 14, 2013.
11 Next, is the resolution regarding Jamie Smarr.

12 Whereas, Jaime Smarr has served the City of New York for over 16
13 years, starting his career with the City of New York working in the
14 affordable housing development area for HPD and spending the last 10½
15 years serving its schoolchildren as Special Assistant to the
16 Chancellor and as Executive Director on the Education Construction
17 Fund; and

18 Whereas, Mr. Smarr has represented the Department of Education on
19 the Board of the Teachers' Retirement System of the City of New York
20 for the past eight (8) years, serving both the interests of the
21 Department and the System's members; and

22 Whereas, Ms. Smarr has taken a position outside of city
23 employment to serve as Vice President for Acquisitions at the
24 National Housing Partnership, commencing this month; and

25 Whereas, the National Housing Partnership is an organization that

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2 works to preserve affordable housing throughout the United States for
3 low-to-moderate income families and seniors; and

4 Whereas, these National Housing Partnership objectives are
5 consistent with one of the investment goals of the TRS Board;
6 therefore be it

7 Resolved, that the Trustees of the Retirement Board thank Mr.
8 Smarr for his many years of dedicated service to the Retirement
9 Board, the members of the Retirement System and the Department of
10 Education; and be it further

11 Resolved, that the Trustees wish Mr. Smarr much happiness and
12 success in his new career and further hope that he is able to
13 continue to promote the objectives of affordable housing in New York
14 City as well as the rest of the country.

15 MR. AARONSON: Do I hear a motion to accept the resolution?

16 MS. GRIMM: So moved.

17 MR. AARONSON: Do I hear a second?

18 MS. ROMAIN: Second.

19 MR. AARONSON: Any discussion?

20 MS. GRIMM: I would just like to add, not everybody knows this,
21 but Jaime, in his role as Executive Director of the Educational
22 Construction Fund, which was (inaudible) since 1979, caused to have
23 three (3) brand new schools opened in the City at no cost to tax
24 payers. By entering into arrangements with developers to lease the
25 City's (inaudible) and thereby allowing the developers, in effect,

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2 to build the schools, because they would pay rent for those
3 (inaudible). It is quite an accomplishment and as you all know,
4 in Government, people do not always know what we accomplish.
5 Jaime has made a great contribution to the areas and I for one,
6 am very sorry to see him go.

7 MR. AARONSON: Anybody else?

8 MS. ROMAIN: What schools were these, by the way?

9 MR. SMARR: Well, we have Eastside Middle School, which was
10 opened in 2010; PS 267 which is on East 67th Street; there is, as
11 many of you know, Art and Design High School that has a brand new
12 building, approximately around the time of their 75th anniversary;
13 and finally PS 59, also in mid-town, got a brand new building as of
14 this September.

15 MR. AARONSON: That is great! I would like to add my thanks
16 to your service and wish you the best.

17 Any other discussion? All those in favor signify by saying
18 aye.

19 (Whereupon, all those present so indicated.)

20 MR. AARONSON: Any opposed? Motion carries.

21 MR. SMARR: I would just like to say one thing, which is that
22 the last eight (8) years we have had much agreements and some
23 disagreements around this table, but we have never disagreed that
24 people who devote their lives to civil service should have a
25 decent living throughout their entire lifetime.

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2 MS.REILLY: The next item on the Agenda is Attendance at
3 Conference. The following resolution is presented for consideration
4 and possible adoption:

5 Resolved, that the Trustees of the Teachers' Retirement Board
6 hereby approve the attendance and participation of the Deputy
7 Executive Director and/or her designee(s), and any interested
8 Trustee at the Council of Institutional Investors' ("CII") 2013
9 Spring Conference from April 17-19, 2013.

10 MS. ROMAIN: So moved.

11 MR. AARONSON: Is there a second?

12 MR. McTIGUE: Second, Mr. Chair.

13 MR. AARONSON: Is there any discussion? All those in favor?
14 (Whereupon, all those present so indicated.)

15 MR. AARONSON: Any opposed? Carried.

16 MS. REILLY: The next resolution is Attendance at Conference.
17 The following resolution is presented for consideration and possible
18 adoption:

19 Resolved, that the Trustees of the Teachers' Retirement Board
20 hereby approve the attendance and participation of the Deputy
21 Executive Director and/or her designee(s), and any interested
22 Trustee at the National Council on Public Employee Retirement
23 Systems' ("NCPERS") 2013 Annual Conference and Exhibition from May
24 19-23, 2013.

25 MS. MARCH: So moved.

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2 MR. AARONSON: Is there a second?

MR. McTIGUE: Second, Mr. Chairman.

3 MR. AARONSON: Is there any discussion? Seeing none, we are
4 ready to vote. All those in favor?

5 (Whereupon, all those present so indicated.)

6 MR. AARONSON: Any opposed? Carried.

7 MS. REILLY: Next item is the Calendar and we have been
8 deferring the Calendar until we get back to 55 Water Street and
9 since the staff who puts the Calendar together is not yet back, we
10 are going to defer it for one (1) more month.

11 MR. AARONSON: Thank you. Do you have any other business?

12 MS. REILLY: I do not have any other business.

13 MR. AARONSON: Any of the Board Members have any other
14 business? Does the staff have any other business? Seeing none, we
15 are ready for the next item on the Agenda, Questions and Comments
16 from the Public.

17 MS. REILLY: Oh, I am sorry. I apologize. As part of the
18 Calendar, we are supposed to approve the Minutes from the December
19 2012 meeting.

20 MR. AARONSON: They were distributed.

21 MS. ROMAIN: I move the approval of the Minutes.

22 MS. WOLPERT: Second.

23 MR. AARONSON: Any discussion? All those in favor?

24 (Whereupon, all those present so indicated.)

25 MR. AARONSON: Any opposed? Minutes have been accepted.

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2 MS. REILLY: Thank you.

3 MR. AARONSON: Thank you. Any other business? I know we
4 have a distinguished visitor from the Professional Staff Congress
5 here today and would you introduce yourself please?

6 MR. HERST: Hello everyone and thank you for having me here.
7 My name is Jared Herst. I am the (inaudible) for pension and
8 (inaudible) professionals (inaudible). One of my questions was
9 answered earlier. Thank you. My other question was surrounding
10 the final pension payout, actually the advanced payout. A lot of
11 our members have trouble receiving their final monthly pension
12 payout. One of the factors we understand, is due to CUNY. CUNY
13 communicates their information electronically. We have been
14 working with PSC to change that. It has been one of my big pushes
15 to change that. The other thing is, a lot of times, even if this
16 information is communicated in paper version, we have members that
17 it has taken them five (5) months, it has taken them seven (7)
18 months, some members it has taken them nearly a year to receive
19 their final monthly pension payout and that is very difficult
20 financially for our members. I just wanted to alert the Board
21 once again, about that. It is important, at least the communication
22 factor from TRS to the individual (inaudible) that information be
23 expedited even if it is in paper version.

24 MS. REILLY: Thank you.

25 MR. AARONSON: Patricia, do you want to comment?

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2 MS. REILLY: I did want to say that some of the difficulty
3 in getting the CUNY members paid in a timely manner is due to the
4 fact that we do have a difficult time getting information from
5 them. There is no State payroll (inaudible). I know that you have
6 been very helpful to Robert and Tony Markoe in getting information
7 when we need it in order to expedite and get people paid. We also
8 have been holding back Tier I/II members because legislation was
9 not passing Albany on interest and cannot finalize the benefits
10 without them.

11 MR. HERST: Oh, that is interesting. I did not know that.
12 So, is that about the (inaudible) actuarial assumption.

13 MS. REILLY: The Actuary really did not want to finalize
14 benefits that just had to readjust the (inaudible). We are just
15 waiting for that to pass and those people will be processed.
16 Looking at their advanced payments to see if we can get them..

17 MS. ROMAIN: That is not the TDA. That is the QPP. The
18 quarter has to be extended in order to credit the accounts
19 properly. That is what is holding it up.

20 MR. HERST: Oh...Thank you. We were not aware that the...
21 so you are waiting until that is finalized to go back (inaudible)

22 MS. REILLY: It is a possibility. We are waiting to finalize
23 those benefits. I know that Robert and his staff (inaudible)
24 bi-monthly and I know you have been very helpful to them and if
25 there is any problem, you can feel free to contact me and I will

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2 do the best I can. We will certainly want to service our
3 CUNY members.

4 MR. HERST: I do appreciate that and thank you for the
5 QPP. Is there...

6 MS. ROMAIN: By the way, anyone who retired as of July 1st,
7 forward, Tier I and II members, are effected by it.

8 MR. HERST: Are effected by it.

9 MR. NORTH: I am Bob North. I am the Actuary for the Fund
10 and finalization of these cases come through my office where we
11 issue a report of actuary; part of which says that the benefits
12 are computed in accordance with law, because we have law where the
13 Tier I and Tier II ASF and ITHP crediting rates fell back to 7% as
14 of July 1st pending the new legislation which will ideally put it
15 back to 8.25%. The calculated benefit based on 8.25% would not be
16 in accordance with the law. Putting it on the 7% would create,
17 especially after Hurricane Sandy, a lot of extra work for the staff.
18 Hopefully, we have talked about possibly some mitigations in
19 the interim, if this continues much longer. Hopefully, this limited
20 number of people will not be effected for too much longer. We will
21 process the cases as quickly as possible, once the law is in place.
22 The legislation has been reintroduced in both the Senate and the
23 Assembly and we are hopeful that it will be taken up sooner than
24 what would routinely happen, but it is the New York State
25 Legislature. We will not know until they act.

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2 MS. ROMAIN: This is for all systems, right?

3 MR. NORTH: This is an issue for all systems that have
4 Tier I and II members.

5 MS. MARCH: Maybe if the City asked the Legislature to act
6 on it, it would happen.

7 MS. WOLPERT: I can say that I think everyone is working
8 very hard to get this to happen.

9 MR. AARONSON: Jared?

10 MR. HERST: Yes. That was it. Thank you again. Robert, I
11 will be in touch with you. And I just want to say, by the way, you
12 mentioned Anthony Markoe, Shelley Butts and also Colby Shaw; they
13 have been wonderful. We all appreciate, very much, from PSC, all
14 their hard work. And Dorothea Dowling.

15 MS. REILLY: Thank you.

16 MR. AARONSON: Thank you Jared. Did you want to say something?

17 MR. HOGSTAD: No. I am Jonathan Hogstad (inaudible). I am
18 working with a number of pensions on the east coast. I work with
19 labor trustees on issues that are common to a lot of pension funds.

20 MR. AARONSON: Ok, so that means we have covered everything on
21 our Agenda except for an Executive Session. Do I hear a move to
22 go into Executive Session?

23 MS. MARCH: I move that we go into Executive Session for
24 the purpose of Attorney/Client discussion.

25 MR. AARONSON: Do I hear a second to that?

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2 MS. ROMAIN: Second.

3 MR. AARONSON: All those in favor?

4 (Whereupon, all those present so indicated.)

5 MR. AARONSON: Any opposed? Hearing none, we are now in
6 Executive Session.

7 (Whereupon, the meeting went into Executive Session.)

8 MR. AARONSON: In the Executive Session the Board
9 discussed security litigation matters and now we are ready to
10 adjourn.

11 MS. MARCH: So moved.

12 MR. McTIGUE: Second.

13 MR. AARONSON: Any opposition to adjourn? Hearing none, we
14 are adjourned.

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