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5 TEACHERS' RETIREMENT BOARD MEETING

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14 HELD AT:

15 55 WATER STREET
NEW YORK, NEW YORK

16

17 FEBRUARY 17, 2011
3:38 P.M. TO 3:58 P.M.

18

19 B E F O R E:

20 MELVYN AARONSON, ACTING CHAIRMAN

21

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23

24 REPORTED BY:
LIZ SANCHEZ-PAZ
25 EXECUTIVE ASSISTANT TO NELSON SERRANO

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

3 TRS:

4 NELSON SERRANO, Executive Director
5 PATRICIA REILLY, Deputy Executive Director

6 MELVYN AARONSON, Teachers' Trustee
7 MONA ROMAIN, Teachers' Trustee

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9 COMPTROLLER'S OFFICE:

10 THAD McTIGUE, Trustee

11 CORPORATION COUNSEL:

12 INGA VAN EYSDEN, Law Department

13 OFFICE OF THE ACTUARY:

14 ROBERT C. NORTH JR., Chief Actuary
15

16 MAYOR'S APPOINTEE:

17 JANICE EMERY, Alternate

18 DEPARTMENT OF EDUCATION:

19 JAMIE SMARR, Alternate
20
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22
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2 TRS STAFF:

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ANDREW BRADFORD

4 CARMELA CRIVELLI

JOEL GILLER

5 ANNETTE HANRAHAN

MARC KATZ

6 ELLEN MURPHY-DeLEO

RENEE PEARCE

7 PAUL RAUCCI

ROBERT SANTANGELO

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OTHER ATTENDEES:

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1 TRS Regular Board Meeting, FEBRUARY 17, 2011

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

3 MR. SERRANO: Good afternoon. We will begin the
4 February 17, 2011 regular meeting of the Teachers' Retirement
5 Board by calling the roll.

6 MR. SERRANO: Melvyn Aaronson?

7 MR. AARONSON: Here.

8 MR. SERRANO: Janice Emery, representing the Mayor?

9 MS. EMERY: Here.

10 MR. SERRANO: Kathleen Grimm? Please note that she is not
11 present. Sandra March? Note that she is also not present. She
12 is still out with an injury.

13 MR. AARONSON: Sandi is recovering from her accident and
14 she is getting stronger every day and we may be lucky to have
15 her back here by the next Investment Meeting.

16 MR. SERRANO: Thank you. Thad McTigue?

17 MR. MCTIGUE: Here.

18 MR. SERRANO: Lisette Nieves? Note that she is not
19 present. She had a last minute scheduling conflict and she
20 sends her apologizes. Mona Romain?

21 MS. ROMAIN: Present.

22 MR. SERRANO: We do have a quorum and the first order of
23 business is to elect an acting chairperson.

24 MS. ROMAIN: I nominate Mr. Aaronson.

25 MR. MCTIGUE: I will second that.

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2 MR. SERRANO: All those in favor please say aye.

3 (Whereupon, all those present so indicated.)

4 MR. SERRANO: The next item on the Agenda is an Update
5 on TRS Matters from Patricia Reilly.

6 MS. REILLY: TRS submitted the first 50 Class Coverage
7 cases to the Office of the Actuary ("OA"). They have certified
8 these cases for the February payroll. Based on the agreement
9 between TRS and the OA, we will begin sending 1,000 cases per
10 month. There are approximately 13,000 members who will receive
11 benefits under the algorithm. In addition, we sent out letters
12 to 6,000 members who will not be receiving a benefit under the
13 settlement.

14 We also calculated an additional 1,500 Per-Session
15 algorithm cases which were also sent to the Actuary for
16 certification for the February payroll. We anticipate that the
17 remaining 9,000 cases will be processed at the same volume each
18 month.

19 Preparations are underway now to send out the 4th Quarter
20 2010 Quarterly Annual Statements ("QAS"). The mailing is
21 expected to commence during the week of February 22nd. The
22 estimated population is 109,000 members.

23 On February 1st, TRS mailed out the 4th Quarter TDA
24 Quarterly Statement for Beneficiary Participants. They were
25 mailed out to 472 beneficiaries.

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2 We also began mailing the 4th quarter TDA Quarterly Statements
3 to 40,000 deferred members on February 10th.

4 MR. SERRANO: Thank you Patricia. The next item on the
5 Agenda is the Executive Director's Report. The first item there
6 is the Next Meeting. It has been suggested that the next
7 regular meeting of the Teachers' Retirement Board be held on
8 the third Thursday of the month, March 17, 2011.

9 The next item is the resolution to nominate a Chairperson,
10 which has been laid over since May 21, 2009.

11 MS. ROMAIN: Please lay it over.

12 MR. SERRANO: The third item is the Request for the
13 Retirement Board to Adopt the Actuary's Recommendation for
14 Updated Preliminary Fiscal Year 2011 Employer Contributions to
15 the New York City Teachers' Retirement System.

16 MR. AARONSON: Can you please move to the Resolved?

17 MR. SERRANO: Resolved, that the Employer Contributions
18 to the New York Teachers' Retirement System for Fiscal Year 2011
19 be updated from \$2,470,202,375 to \$2,468,973,357 and such
20 revision is hereby approved by the Retirement Board.

21 MR. McTIGUE: So moved.

22 MS. EMERY: Second.

23 MR. AARONSON: All those in favor please say aye.

24 (Whereupon, all those present so indicated.)

25 MR. AARONSON: Is there any discussion? Mr. Actuary,

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2 could you describe what caused this dramatic change in the
3 contributions to the Retirement System?

4 MR. NORTH: When we first sent you an appropriation
5 estimate for fiscal year 2011, we used the census data as of
6 June 30, 2009. Subsequently, there were some minor adjustments
7 in salaries attributable to the contract adjustments for some
8 groups and some minor changes in the number of members.
9 Although the change is minor, we wanted to reflect the most
10 up-to-date information to the Board, in our appropriation
11 estimate.

12 MR. AARONSON: Is there any chance that there will be any
13 further changes in May or June? Could you explain to me, or
14 better yet, refresh my recollection; we usually get some kind
15 of a change in the appropriation. Does it usually come now
16 in February or it is usually later in the year?

17 MR. NORTH: Let me explain the cycle again. Normally, just
18 prior to the beginning of a fiscal year, usually June, just
19 prior to a fiscal year, we provide you with a preliminary
20 estimate of the fiscal year. Because we use the one-year lag
21 methodology, it is our hope that absent unexpected salary
22 changes, benefit changes due to legislation, us finding some
23 error or some other reason, that would remain constant
24 throughout the fiscal year allowing for the budgeting to be
25 fairly consistent. In the case of this year, during maybe

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2 November or December, when we decided that we should make some
3 minor changes to the data, we included those changes in the
4 information provided in the Mayor's Financial Plan
5 Projections for the January plan. In the course of doing that,
6 we of course want the Board to see the minor changes that we
7 would apply and so we call it the Updated Preliminary Fiscal
8 Year 2011 Employer Contributions. Now, in May or June, I am
9 likely to come back with a final. I do not expect it to be
10 different, but just to close the circle on a fiscal year, we
11 have the preliminary just before it begins and we have a final
12 near the end. Normally, we do not expect material changes, but
13 this is one of those minor changes that I felt should be
14 brought to the Board because it has been made available
15 elsewhere and you should be aware of anything having to do
16 with the appropriation. Second, it will change the monthly
17 amount that the City does contribute by 1/12th of that gigantic
18 change you were pointing out.

19 MR. AARONSON: If we put these changes into effect for the
20 next fiscal year, we can expect a dramatically reduced fiscal
21 amount for next year too?

22 MR. NORTH: No. I believe we would expect the employer
23 contributions to go up in the normal course of things next
24 year due to the investment losses of fiscal years 2008 and 2009
25 which are phasing through the actuarial asset valuation method.

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2 I anticipate that later this year, I will bring you the
3 Proposed Changes in Actuarial Assumptions and Methods, wherein,
4 I anticipate reducing the expected rate of return on investments
5 to be used for the discount rate. Among other things, I am
6 recognizing the fact that some members/retirees are living
7 longer than the mortality tables currently in use. Both of
8 those items would be expected to increase employer contributions
9 absent some methodology change.

10 MR AARONSON: When do you plan to come back with those
11 suggested changes?

12 MR. NORTH: In December 2010, I send a memo to all the
13 Boards of the five (5) retirement systems suggesting that would
14 be likely in the Summer. It would most likely be recommended to
15 be effective for fiscal year 2012.

16 MR. AARONSON: So it will come out after the fiscal year
17 starts and be retroactive to the start of the fiscal year?

18 MR. NORTH: Very possibly. It is not out of the question
19 that depending on what the results are, there may be some
20 interest in delaying recognition of some of the changes in order
21 to plan and making the effective date fiscal year 2013.

22 MR. AARONSON: Since you will have the 2011 results of the
23 investments, and if they continue as they have been going now,
24 are you also going to put in the 2012 cost, the gains that were
25 made in 2010 and 2011?

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2 MR. NORTH: Fiscal year 2012's Employer Contribution is
3 impacted by investment gains up to June 30, 2010. The fiscal
4 year 2011 gains will first be reflected in fiscal year 2013,
5 if current methodology were to continue. It is possible, in
6 the course of reviewing the assumptions and methods and looking
7 at what starting point exists for establishing the assumptions,
8 that some adjustment might be made to potentially reflect some
9 of the 2011 if that is helpful to the overall package of
10 assumptions and methods. It is going to be a complex process
11 because we have gone through a period where it has not been
12 normal. It has been way down and now we are on a good path
13 back up, in terms of investment returns. That raises the
14 question, "From what point do you measure things?" What
15 are your expectations and trying to fit it all in a rational
16 way that most importantly works best in combination with all of
17 the other assumptions and methods to create a package of
18 assumptions and methods that produce this reasonable pattern
19 of future contributions? Well, it is going to be a bit of a
20 challenge this year.

21 MR. AARONSON: Bob, we are sure you are up to it and we
22 will make sure we look at it and carefully examine it. Thank
23 you Bob.

24 MR. SERRANO: The last item on the Executive Director's
25 Report is Attendance at Conference. The following resolution

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2 is presented for consideration and possible adoption:

3 Resolved, that the Trustees of the Teacher's Retirement
4 Board hereby approve the attendance and participation of the
5 Executive Director and/or his designee(s), and any interested
6 Trustee at the Council of Institutional Investors' Spring 2011
7 Meeting from April 3-5, 2011.

8 MS. ROMAIN: So moved.

9 MS. EMERY: Second.

10 MR. AARONSON: All those in favor please say aye.

11 (Whereupon, all those present so indicated.)

12 MR. AARONSON: Any opposed? Any abstentions? Hearing
13 none, we will continue.

14 MR. SERRANO: The next item on the Agenda is the Calendar.
15 The first item on the Calendar is the matter of the approval of
16 the Minutes for the regular meeting held on January 20, 2011.

17 MS. ROMAIN: So moved.

18 MR. MCTIGUE: Second.

19 MR. AARONSON: All those in favor please say aye.

20 (Whereupon, all those present so indicated.)

21 MR. AARONSON: Any opposed? Any abstentions? Hearing
22 none, let us continue.

23 MR. SERRANO: Lastly, are the approval of Items 1 through
24 17 on pages 1 through 262.

25 MS. ROMAIN: So moved.

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2 MR. McTIGUE: Second.

3 MR. AARONSON: All those in favor please say aye.

4 (Whereupon, all those present so indicated.)

5 MR. AARONSON: Any opposed? Any abstentions? Hearing
6 none, we will continue.

7 MR. SERRANO: The next item on the Agenda is Other Business
8 before the Board. Please note that Jamie Smarr joined the
9 meeting, representing the Chancellor's Office. Since there is
10 no Other Business before the Board and seeing that there are no
11 representatives from the public in attendance, we will be going
12 into Executive Session.

13 MR. AARONSON: We will be going into Executive Session and
14 the first part of the Executive Session is a discussion of
15 confidential investment issues.

16 MS. ROMAIN: I move that we go into Executive Session for
17 the purpose of discussing confidential investment issues and
18 also a matter of Attorney/Client privilege.

19 MR. McTIGUE: Second.

21 MR. AARONSON: All those in favor please say aye.

22 (Whereupon, all those present so indicated.)

23 MR. AARONSON: Any opposed? Any abstentions? Hearing
24 none, we are in Executive Session.

25 (Whereupon at this time, the meeting went into Executive

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2 Session.)

3 MR. AARONSON: Do I have a motion to return to Public
4 Session?

5 MR. McTIGUE: So moved.

6 MS. EMERY: second.

7 MR. AARONSON: All those in favor please say aye.

8 (Whereupon, all those present so indicated.)

9 MR. AARONSON: Any opposed? Any abstentions? Hearing
10 none, the meeting is adjourned. Thank you.

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