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NEW YORK CITY TEACHERS' RETIREMENT SYSTEM

2

BOARD MEETING

held on Thursday, April 18, 2013

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at

55 Water Street

4

New York, New York

5

ATTENDEES:

6

MELVYN AARONSON, Chairperson, Trustee, TRS

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SANDRA MARCH, Trustee, TRS

MONA ROMAIN, Trustee, TRS

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PATRICIA REILLY, TRS

CAROLYN WOLPERT, Trustee, Finance

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KATHLEEN GRIMM, Trustee

JOSEPH C. LEWIS, Trustee

10 THADDEUS McTIGUE, Trustee, Comptroller's Office

SAM FLAKS, TRS

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JOEL GILLER, TRS

RENEE PEARCE, TRS

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ROBERT NORTH, Chief Actuary

ROBERT BETHELMY, TRS

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PAUL RAUCCI, TRS

ANDREW BRADFORD, TRS

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CARMELA CRIVELLI, TRS

ELLEN MURPHY-DELEO, TRS

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ANNETTE HANRAHAN, TRS

ANTHONY MEZZACAPPA, TRS

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P R O C E E D I N G S

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(Time noted: 3:30 p.m.)

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MS. REILLY: Good afternoon. Welcome to the

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April 18, 2013 meeting of the Teachers' Retirement

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System. I will start by calling the roll.

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Melvyn Aaronson?

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CHAIRPERSON AARONSON: Here.

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MS. REILLY: Kathleen Grimm?

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MS. GRIMM: Here.

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MS. REILLY: Sandra March?

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MS. MARCH: Present.

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MS. REILLY: Joseph Lewis?

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MR. LEWIS: Here.

14 MS. REILLY: Mona Romain?
15 MS. ROMAIN: Present.
16 MS. REILLY: Carolyn Wolpert?
17 MS. WOLPERT: Here.
18 MS. REILLY: Thad McTigue?
19 MR. MCTIGUE: Here.
20 MS. REILLY: We have a quorum.
21 So next on the agenda is an update from TRS
22 operations. Ellen?
23 MS. MURPHY-DELEO: Two quick updates. The
24 first is on required minimum distributions. TRS has
25 started the effort to notify members required to take a
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1 minimum distribution in 2013. TRS is targeting to begin
2 mailing notifications the week of April 22 to
3 approximately 2,600 first time RMB recipients, along
4 with approximately 16,000 additional members that
5 received RMB last year and are required to receive an
6 RMB in this calendar year again.
7 In addition to the members with TDA deferral
8 status of their TDA balances who are required to take
9 minimum distribution, TRS has implemented the processing
10 to support RMB non-invested, inactive and expired
11 members, who are at least 70 and a half, with a TDA
12 and/or a QQP account balance.
13 Also on an annual balance, TRS will begin
14 addressing vested inactive members that have reached 70
15 and a half to advise them of their requirement to begin
16 receiving distribution, and encourage them to file for
17 retirement in order to meet their distribution
18 requirements.
19 The implementation of the processing for
20 populations other than members with TDA deferral status
21 brings TRS into full compliance with requirements for
22 minimum distribution.
23 For quarterly statements, the printing and
24 mailing of the TDA quarterly statements for participants
25 with TDA deferral status for the first quarter 2013, to
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1 a population of approximately 42,000 is expected to
2 occur during the week of April 29, followed by the
3 printing and mailing of the first quarter 2013 quarterly
4 account statements to approximately 110,000 members
5 beginning the week of May 6.
6 MS. REILLY: Thank you.
7 At this time I wanted to inform the Board
8 that, as we did last summer, we're going to be having
9 our summer schedule starting in July after our July 1
10 retirements are done. And we will be closing at 2:00 on
11 Friday afternoons during the summer.
12 CHAIRPERSON AARONSON: And that worked out
13 well last summer when we did it in the past?
14 MS. REILLY: It worked out very well. It
15 worked out well for the members, because we were open a

16 little later; and it worked out well for the employees
17 who really appreciated it. They were very happy with
18 it.

19 CHAIRPERSON AARONSON: Speaking of the
20 summertime, June is a very heavy month of retirement and
21 we usually have some staff here from the Board of
22 Education who help collect and help members fill out
23 their health insurance forms. Have we started reaching
24 out to the Board of Education for that?

25 MR. BETHELMY: Yes. We have reached out to
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1 our contacts at the Department of Education, and we are
2 waiting to hear word so we can arrange a schedule as we
3 did in the past, for June.

4 MS. GRIMM: If you have any problems, let me
5 know.

6 MS. MARCH: When did you call?

7 MR. BETHELMY: It was actually early this
8 month.

9 MS. MARCH: Thank you.

10 CHAIRPERSON AARONSON: Okay.

11 MS. REILLY: The next is the matter of the
12 next meeting. It's been suggested that the next regular
13 meeting of the Teachers' Retirement Board be held on the
14 third Thursday of the month, May 16, 2013.

15 CHAIRPERSON AARONSON: Mark your calendars.

16 MS. REILLY: Next on the agenda is the
17 executive director's report; and the resolution for the
18 proposed administrative budget for fiscal year 2014.

19 "Whereas" --

20 CHAIRPERSON AARONSON: Can we get down to
21 the resolved?

22 MS. REILLY: "Resolved, that the agency
23 budget as proposed for fiscal year 2014 inclusive of the
24 special nonfixed monetary assessment and the TDA
25 enhancements as presented to the budget committee in the

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1 amount of \$55,649,255 is hereby adopted.

2 "And be it further resolved that the
3 trustees hereby grant the authority to the deputy
4 executive director or her designee expend all necessary
5 moneys out of such budget in accordance with Section
6 13-518 and other governing laws."

7 CHAIRPERSON AARONSON: Do I hear any
8 discussion? Is there a motion to accept?

9 MS. ROMAIN: Moved.

10 MR. McTIGUE: Second.

11 CHAIRPERSON AARONSON: Any discussion?

12 MS. GRIMM: Was this sent to us for review?

13 MS. REILLY: It was reviewed by the budget
14 committee.

15 MS. WOLPERT: I wanted to thank staff. I
16 was on the budget committee and received the documents.
17 It was very thorough and well presented and very clear,

18 and I appreciate it.
19 MR. McTIGUE: The Comptroller's Office would
20 like to echo Carolyn's remarks. We appreciate the work
21 that Patricia did. The documentation is very thorough
22 and answered all our questions.
23 CHAIRPERSON AARONSON: I know we see
24 received the cooperation of the Office of Management and
25 Budget, and they looked over the budget and helped us in
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1 preparing it.

2 MS. WOLPERT: Great.

3 CHAIRPERSON AARONSON: Any other discussion?

4 Seeing no discussion, all those in favor of
5 accepting the budget for the next fiscal year?

6 (A chorus of "Ayes.")

7 Any opposed?

8 The budget is carried.

9 MS. REILLY: Next on the agenda is the
10 calendar. The first item on the calendar is approval of
11 the minutes of the regular meeting held March 21, 2013.

12 CHAIRPERSON AARONSON: In looking over the
13 minutes, I noticed that there were several resolutions
14 that we voted on and the vote was by nodding and
15 agreements, and there was no hand vote or no outside yes
16 vote or no vote.

17 So I think in order to make sure that we
18 have this in the minutes, that I'd like to move that we
19 accept the minutes but amend them to say that all of
20 those resolutions were passed, even though we did not
21 have a formal vote and people just nodded and didn't
22 have any disagreement with anything.

23 Is there any problem with that?

24 MS. GRIMM: I second that.

25 CHAIRPERSON AARONSON: The motion has been
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1 made and seconded.

2 Any further discussion?

3 Seeing none, all in favor of accepting the
4 minutes as amended?

5 (A chorus of "Ayes.")

6 Any opposed?

7 The minutes have been accepted.

8 Thank you.

9 MS. REILLY: Next on the calendar -- you've
10 all been provided a copy of the calendar, so I will read
11 from the calendar.

12 Pages 1 through 14 inclusive is the monthly
13 periodic table of TRA excess loan payments.

14 Page 15 is the payment summary of advance
15 payments of new retirees and TDA accounts.

16 Pages 16 through 36 inclusive is the
17 transfer of active TDA deferrals annuity payments.

18 Pages 37 through 79 are fractional payments.

19 Pages 80 through 89 inclusive is the

20 uncollected checks of deceased members.
21 Pages 90 through 100 inclusive is the
22 beneficiary continuing option payments.
23 Pages 101 through 113 inclusive is the
24 conversion to the pop-up payments.
25 Pages 114 through 176 inclusive is
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1 beneficiaries who receive one time payments from their
2 QPP and TDA accounts.
3 Pages 177 through 179 is return net
4 accumulated salary deductions.
5 Page 180 is transfer of funds retained
6 between banks.
7 Pages 181 through 185 inclusive is the
8 purchase and sales of securities transactions for the
9 past fund program.
10 Pages 186 through 188 is installment
11 payments.
12 Pages 189 through 194 are outstanding
13 checks.
14 Pages 195 through 264 inclusive is the
15 revisions, including those under class coverage.
16 And pages 265 through 267 are the layoffs
17 without pay.
18 Pages 268 through 271 are payment service
19 credits.
20 Pages 272 is new service retirement.
21 That's the end of the calendar.
22 CHAIRPERSON AARONSON: Do I hear motion to
23 accept the calendar?
24 MS. MARCH: So moved.
25 MS. GRIMM: Second.
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1 CHAIRPERSON AARONSON: Any discussion?
2 All in favor?
3 (A chorus of "Ayes.")
4 Any opposed?
5 The calendar is accepted.
6 MS. REILLY: On other business on the
7 agenda, there's an update on the basket clause.
8 MS. MARCH: Do you have an update?
9 MS. WOLPERT: I do not.
10 MS. MARCH: Didn't anybody talk to you about
11 the request made at the investment meeting?
12 MS. WOLPERT: I'm aware that this issue is
13 very much in play at all the boards. As I think
14 probably Janice mentioned last month, we had met with
15 the Comptroller's Office some time ago, but we're still
16 considering it all internally.
17 MS. MARCH: Carolyn, that's not -- I'm sure
18 that you are aware of it. But we had specifically asked
19 at our investment meeting that the Mayor's trustee who
20 sits at the investment meeting talk to the Mayor's
21 trustee who sits at the board meeting to inform her as

22 to where the Mayor's Office was in regard to the piece
23 of legislation that they again received in the hands
24 regarding the fact that all of the five retirement
25 boards in this city have passed a resolution increasing
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1 the allowable percentage of our investments to go into
2 the basket clause.

3 That's all we asked, and obviously we were
4 totally ignored.

5 MS. WOLPERT: I don't want to interrupt you,
6 but I need to clarify. I've absolutely spoken with
7 Justin, we are all in the same office and work closely
8 together.

9 I understand that you wanted me to come here
10 today with a position, but the Mayor's Office, City
11 Hall, as I'm sure you're aware, there are a number of
12 people involved in the decision and we don't have a
13 decision yet.

14 MS. MARCH: I hope we get a decision by July
15 1. It's known as dragging your feet. That's the bottom
16 line. It's known as dragging your feet. The boards
17 have all been very courteous and respectful of Mayor's
18 Office, in that everyone knows you can go to Albany and
19 get a bill introduced.

20 But instead, what the boards have done is
21 give the courtesy to the Mayor's Office to come to a
22 decision. And it is not something that the people in
23 the Mayor's Office are not aware of. So I have to label
24 it dragging their feet.

25 CHAIRPERSON AARONSON: I think it's terrible
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1 that here we're trying to improve the investments of the
2 retirement system and trying to be able to diversify our
3 portfolio in a greater manner than we can do it now.
4 And everybody is talking about, because of the
5 investment climate that we face today, we should be
6 carefully managing our portfolio. We wanted to take
7 some steps to increase our assets in some classes, and
8 now we can't.

9 And we had hoped the Mayor's Office, they
10 now have an office with several investment people, that
11 they would be able to recommend --

12 MS. MARCH: Don't leave out the word
13 "expert."

14 CHAIRPERSON AARONSON: I don't know how
15 expert they are; they're people -- they could be the
16 Comptroller's Office in support of this.

17 MS. MARCH: And the trustees, all the
18 trustees.

19 CHAIRPERSON AARONSON: All the trustees in
20 the whole city.

21 MS. WOLPERT: Mel and Sandy and everyone
22 else, I understand what you are saying. I assure you
23 this is not for lack of consideration or discussion. In

24 fact, the investment experts in my office have been
25 talking to the Comptroller's Office about this. I think
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1 they mentioned at the last meeting that we all met about
2 it and had a rather robust discussion about the details.
3 It's not for lack of consideration, it's for careful
4 consideration that I don't have an answer for you today.

5 MS. MARCH: Can we move on, Mr. Chairman,
6 please?

7 CHAIRPERSON AARONSON: Thank you for your
8 report. And hopefully -- the legislature will soon be
9 out of session, and we may miss the opportunity to
10 improve the way we can invest our money.

11 Next?

12 MS. REILLY: Next is the update by the
13 Comptroller's Office on the pension bank account
14 services.

15 MR. McTIGUE: Thank you. I believe the
16 trustees all have a PowerPoint presentation in front of
17 them entitled "Pension Bank Account Services for the
18 Teachers' Retirement System."

19 This was a presentation that we began in
20 November. You may recall that the Comptroller's Office
21 in conjunction with mayoral agencies and pension boards
22 around the city issued an RFP for a pension bank account
23 service provider.

24 One of the items that came out of the
25 issuance of that RFP and the selection of a new vendor
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1 was a change in the approach of how we pay for those
2 services. For much of the previous time the services
3 were paid through compensating balances. And as we
4 discussed in November, due to the change in the interest
5 rate environment, there were no longer compensating
6 balances to pay for those services.

7 So when we were here in November we brought
8 the issue to the board's attention. And subsequent to
9 that we had conversations with the other pension funds,
10 the Teachers; staff, the Actuary, our staff, as to the
11 mechanism as to how we would pay for the services.

12 And the decision was that it would be
13 treated as an administrative expense. So if I could
14 maybe go to page 7, which is the new part of the
15 presentation that you didn't see in November, we have
16 the costs listed out from January through December.

17 And the total cost of calendar year 2012 was
18 approximately \$160,000, and the first three month of
19 this year about another \$41,000.

20 So today what I'd like to do is ask the
21 board for formal approval to treat this expense as an
22 administrative expense. And following page, 8,
23 indicates after the Comptroller's Office audits the
24 bills we'll be working with the systems to debit
25 appropriate accounts for payment.

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1 CHAIRPERSON AARONSON: This is the result of
2 the fact that we're in very low interest rate
3 environment today, and that the interests that our
4 accounts are earning at these banks are not large enough
5 to pay for the expenses that we incur at these banks.
6 Is that correct?

7 MR. McTIGUE: That's correct. They no
8 longer have compensating balances.

9 CHAIRPERSON AARONSON: If we approve this in
10 the future, when interest rates again come back to
11 normal sometime in the future, hopefully, the systems,
12 when the accounts are earning more than the expenses,
13 that money will stay with the retirement systems to help
14 their administrative budget at that time?

15 MR. McTIGUE: That's clearly the intention
16 of the Comptroller's Office. You may also want to
17 direct that question to Ms. Wolpert.

18 MS. MARCH: That is the intention of the
19 Teachers trustees, too.

20 MS. WOLPERT: I think Thad would know better
21 than me, but it would depend on the contract. If the
22 contract specifies that the interest earned will pay for
23 the fees, then it will. If it doesn't, it doesn't. I
24 don't know the specifics of the contract, but I think
25 that's the Comptroller's Office.

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1 MR. NORTH: If I may, historically, these
2 expenses have been in effect a deduction out of your
3 interest earnings on money held at the bank. They are
4 an expense that I believe is an appropriate
5 administrative expense for carrying out the duties and
6 responsibilities of the system to pay its members.

7 Even if interest rates should rise, I'd
8 suggest that the administrative expense that this is
9 continue to be considered so, and that the interest
10 expense be brought in amongst interest earnings as part
11 of the accounting. I believe the chief accountant
12 agrees with me that this is the best approach, and I
13 think all the parties have concluded that this is not a
14 bad way to proceed.

15 MS. MARCH: Then the conclusion is, Mona was
16 just saying, this is not a temporary thing; and if
17 interest rates increase, it would still remain with the
18 cost to each of the systems.

19 MR. NORTH: I believe the Comptroller's
20 Office has been deliberately placing funds where they
21 believe they can get the best short term returns. To
22 the extent that would be the same bank, you might have a
23 compensating balance. If it were another place you
24 would get the earnings. But the bottom line is, the
25 management of short term money to the best interest of

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1 the fund is something I believe the Comptroller's Office

2 has a desk that specializes in this and seeks to get it,
3 and it gets credit to the system.
4 And from wherever it will come it will be
5 part of the investment earnings.
6 Have I got that right, Mr. McTigue?
7 MR. McTIGUE: You said that very well, Bob.
8 CHAIRPERSON AARONSON: Do we have to have a
9 motion to accept this?
10 MR. McTIGUE: I'm comfortable if you note
11 the presentation, and we'll move forward accordingly.
12 CHAIRPERSON AARONSON: The presentation has
13 been noted.
14 Anybody have any comments?
15 Move forward accordingly.
16 MR. McTIGUE: Thank you.
17 MS. REILLY: Next is questions or comments
18 from the public.
19 Seeing none.
20 We'll move into executive session.
21 MS. GRIMM: I'd like formally acknowledge
22 our new mayoral appointee, Joseph C. Lewis, he's joining
23 us today.
24 MS. REILLY: So we'll move into executive
25 session to discuss investment matters and a personnel
0018 matter.
2 CHAIRPERSON AARONSON: Do I hear a motion to
3 move into executive session?
4 MS. MARCH: Motion.
5 MS. ROMAIN: Second.
6 CHAIRPERSON AARONSON: Any discussion?
7 Those all in favor?
8 (A chorus of "Ayes.")
9 Any opposed?
10 We're now in executive session. I ask those
11 people who are not involved in investments or are not
12 one of our attorneys or board members, to leave at this
13 time.
14 We're now out of executive session.
15 I want to make sure we get a summary of what
16 we did in executive session in the minutes.
17 During the executive session the board
18 passed three resolutions concerning the purchase and
19 sale of securities. The resolutions will be announced
20 once they are implemented.
21 And an item regarding personnel was
22 discussed.
23 MS. MARCH: I move to adjourn.
24 CHAIRPERSON AARONSON: Second?
25 MS. GRIMM: Second.
0019 CHAIRPERSON AARONSON: Any discussion on
2 adjourning?
3 All in favor?

4 (A chorus of "Ayes.")
5 Any opposed?
6 We're adjourned.
7 (Time noted: 4:24 p.m.)
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2 C E R T I F I C A T I O N
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4 I, Jeffrey Shapiro, a Shorthand Reporter and
5 Notary Public, within and for the State of New York, do
6 hereby certify that I reported the proceedings in the
7 within-entitled matter, on Thursday, April 18, 2013, at
8 the offices of the NYC TEACHERS' RETIREMENT SYSTEM, 55
9 Water Street, New York, New York, and that this is an
10 accurate transcription of these proceedings.

11 IN WITNESS WHEREOF, I have hereunto set my
12 hand this ____ day of _____, 2013.
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14
15

16 JEFFREY SHAPIRO
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