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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 MAY 20, 2010
3:35 P.M. TO 3:52 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 :

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4 TRS :

5 NELSON SERRANO, Executive Director

6 MELVYN AARONSON, Teachers' Trustee

7 MONA ROMAIN, Teachers' Trustee

8 COMPTROLLER'S OFFICE :

9 THAD McTIGUE, Trustee

10 CORPORATION COUNSEL :

11 KAREN SEEMEN, Law Department

12

13 OFFICE OF THE ACTUARY :

14 ROBERT C. NORTH JR., Chief Actuary

15

16 MAYOR'S APPOINTEE :

17 BUD LARSON, Trustee

18 DIANE BRATCHER, Alternate Trustee

19

20 PANEL FOR EDUCATIONAL POLICIES :

21 TINO HERNANDEZ, Trustee

22 DEPARTMENT OF EDUCATION :

23 KATHLEEN GRIMM

24

25

2 TRS STAFF:

3 ROBERT BETHELMY
CARMELA CRIVELLI
4 VIRGINIA LEE
RENEE PEARCE
5 PAUL RAUCCI
PATRICIA REILLY
6 ROBERT SANTANGELO

7
OTHER ATTENDEES:

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1 TRS Regular Board Meeting, MAY 20, 2010

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

3 MR. SERRANO: Good afternoon. We will begin the
4 May 20, 2010 regular meeting of the Teachers' Retirement
5 Board by calling the roll.

6 MR. SERRANO: Melvyn Aaronson?

7 MR. AARONSON: Here.

8 MR. SERRANO: Kathleen Grimm?

9 MS. GRIMM: Here.

10 MR. SERRANO: Tino Hernandez?

11 MR. HERNANDEZ: Here.

12 MR. SERRANO: Bud Larson?

13 MR. LARSON: Here.

14 MR. SERRANO: Thad McTigue representing the Comptroller?

15 MR. McTIGUE: Here.

16 MR. SERRANO: Sandra March? Please note that Ms. March
17 is not present today because she is ill. She called us to
18 let us know she would not be attending. Mona Romain?

19 MS. ROMAIN: Present.

20 MR. SERRANO: We certainly have a quorum but we need to
21 elect an Acting Chairperson.

22 MR. LARSON: I nominate Mel Aaronson.

23 MR. SERRANO: Second?

24 MR. HERNANDEZ: Second.

25 MR. SERRANO: Any opposed? Any abstentions? Hearing

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2 none, we will continue with the Agenda. The next item
3 on the Agenda is Updates on TRS Operations that will be
4 provided to us by Patricia Reilly.

5 MS. REILLY: TRS mailed TDA Enrollment materials to
6 approximately 5,000 member who joined TRS during the 2009 -
7 2010 school year but have not joined the TDA Program.

8 TRS also mailed out the TDA Beneficiary Statements for
9 the first quarter of 2010 on May 10th, to an estimated
10 population of 418 beneficiaries.

11 On May 12th, TRS completed a mailing of the TDA Deferred
12 Statements for the first quarter of 2010 to a population of
13 38,392 members.

14 We are also glad to mention that TRS kicked off a BETA
15 test of its new improved website on May 17, 2010. The BETA
16 test is expected to end on June 11th and barring any
17 unforeseen problems, we intend to go live with our new
18 website on June 22nd.

19 TRS successfully conducted a Business Continuity Test
20 on May 18th and 19th at an off-site trailer stationed in
21 Woodbury, Long Island. This year, the Business Continuity
22 team replicated a real disaster scenario and executed all the
23 procedures and steps outlined in our business recovery plan.
24 The test was a surprise test, giving staff 48 hours to
25 mobilize. Our IT staff successfully configured the trailer

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2 with the required PC equipment and satellite connections.
3 30 of our staff members went to the trailer in Woodbury and
4 they conducted business as usual. There were some technical
5 difficulties that the IT team faced which they were able to
6 overcome, which once again, demonstrated their capabilities.
7 This test built a confidence within the IT and Business
8 teams, demonstrating that we are prepared in the event that
9 some unforeseen scenario occurs.

10 MR. SERRANO: I was there and I must say that it was
11 very professional. I walked away with a great sense of
12 confidence. Thank you for the update Patricia.

13 Our next item on the Agenda is the Executive Director's
14 Report. The first item is the Next Meeting. It has been
15 suggested that the next regular meeting of the Teachers'
16 Retirement Board be held on the third Thursday of the month,
17 June 17, 2010. The next item is the Election of a
18 Chairperson. This resolution has been laid over since May
19 2009.

20 MS. ROMAIN: Lay it over.

21 MR. SERRANO: The third resolution concerns the Request
22 for the Retirement Board to Adopt the Actuary's
23 Recommendation for Final Fiscal Year 2010 Employer
24 Contributions to the New York City Teachers' Retirement
25 System.

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2 MS. ROMAIN: Move to the Resolved.

3 MR. SERRANO: Resolved, that the Employer Contributions
4 to the New York City Teachers' Retirement System for Fiscal
5 Year 2010 be updated from \$2,442,701,399 to \$2,484,073,500
6 and such revision is hereby approved by the Retirement Board.

7 MS. ROMAIN: So moved.

8 MS. GRIMM: Second.

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

10 (Whereupon all those present so indicated.)

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

13 MR. SERRANO: The fourth item is the resolution
14 regarding the Request for the Retirement Board to Adopt the
15 Actuary's Recommendation for a Preliminary Fiscal Year 2011
16 Employer Contributions to the New York City Teachers'
17 Retirement System.

18 MS. ROMAIN: We ask that you lay that over.

19 MR. SERRANO: The fifth item concerns the Request for
20 the Retirement Board to Adopt the Actuary's Recommendation
21 Regarding the Tier III/IV Loan Insurance Premium Rate for
22 Fiscal Year 2011.

23 MS. ROMAIN: Move to the Resolved.

24 MR. SERRANO: Resolved, that the Retirement Board hereby
25 adopts the recommendation of the Actuary as stated in his

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2 Report dated May 7, 2010 and stipulates the Tier III/IV
3 Loan Insurance Premium Rate be continued at its current
4 rate of .20% per annum of the outstanding loan balances
5 for any loan originating during Fiscal Year 2011 (i.e.,
6 July 1, 2010 through June 30, 2011).

7 MS. ROMAIN: So moved.

8 MR. HERNANDEZ: Second.

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

10 (Whereupon all those present so indicated.)

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

13 MR. SERRANO: The sixth item is the Proposed
14 Administrative Budget Fiscal Year 2011. Before we get into
15 reading this resolution, I would like to give the Board a
16 brief report based on the handout I gave out. Each of you
17 should have a copy of the spreadsheet in your packet. The
18 worksheet provides a comparative analysis of Fiscal Year 2009
19 Actual Expenditures, which is the first column of numbers;
20 the Fiscal Year 2010, which is the current year, reprojected
21 expenditures, which is the third column of numbers; and the
22 Proposed Fiscal Year 2011 Budget, which is the subject of the
23 Board resolution which we are going to return to after this
24 brief update.

25 On May 15, 2008, the Board of Trustees of the Teachers'

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2 Retirement System granted the authority to the Executive
3 Director or his designee to expend all necessary monies out
4 of the Proposed Administrative Budget for Fiscal Year 2009
5 in accordance with Section 13-518 and other governing laws,
6 based on estimated fund allocation factors, which included
7 11.88% or \$6,501,592 attributable to the Variable A Annuity
8 Fund of the Qualified Pension Plan ("QPP"), 2.03% or
9 \$1,110,962 attributable to the Variable B Annuity Fund of the
10 Qualified Pension Plan ("QPP"), 17.06% or \$9,336,462
11 attributable to the Variable A Annuity Fund of the Tax-
12 Deferred Annuity Plan ("TDA"), 4.07% or \$2,227,397
13 attributable to the Variable B Annuity Fund of the Tax-
14 Deferred Annuity Plan ("TDA"), 2.39% or \$1,307,980
15 attributable to the Tier IV Loan Expense Fund, 2.38% or
16 \$1,302,508 attributable to the TDA Loan Expense Fund, and the
17 remaining 60.19% or \$32,940,307 attributable to the employer,
18 for a total approved budget of \$54,727,208.

19 The Actual operational Administrative Budget
20 expenditures for Fiscal Year 2009, based on finalized fund
21 allocation factors, included 10.48% or \$5,615,666
22 attributable to the Variable A Annuity Fund of the QPP, 1.82%
23 or \$975,240 attributable to the Variable B Annuity Fund of
24 the QPP, 18.56% or \$9,945,302 attributable to the Variable A
25 Annuity Fund of the TDA, 4.54% or \$2,432,741 attributable to

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2 the Variable B Annuity Fund of the TDA, 3.29% or \$1,762,933
3 attributable to the Tier IV Loan Expense Fund, 3.14% or
4 \$1,682,556 attributable to the TDA Loan Expense Fund, and the
5 remaining 58.17% or \$31,170,162 attributable to the employer,
6 for total Fiscal Year 2009 expenditures of \$53,584,600.

7 Returning to the Executive Director's Report, we will
8 continue with the sixth resolution.

9 MS. ROMAIN: Move to the Resolved.

10 MR. SERRANO: Resolved, that the Agency Budget as
11 proposed for the Fiscal Year 2011 as recommended by the
12 Budget Committee in the amount of \$53,724,813, is hereby
13 adopted; and be it further

14 Resolved, that the Trustees hereby grant the authority
15 to the Executive Director or his designee to expend all
16 necessary monies out of such budget, in accordance with
17 Section 13-518 and other governing laws.

18 MS. ROMAIN: So moved.

19 MR. LARSON: Second.

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

21 (Whereupon all those present so indicated.)

22 MR. AARONSON: Any opposed? Any abstentions? Before
23 we continue, I would like to say that being part of the
24 Budget Committee and working with City members of the Budget
25 Committee, this was a very, very well working committee.

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2 We received the information we needed from the staff at the
3 Retirement System. We examined it very closely. The Office
4 of Management and Budget ("OMB") was involved in looking over
5 everything with us. It was a wonderful experience.

6 MR. SERRANO: I want to thank the Budget Committee for
7 being very attentive and asking really tough questions and
8 for helping us get to the point that we could present the
9 Budget today.

10 MS. GRIMM: I want to commend everyone for the fact that
11 there is barely an increase in the budget and I know you have
12 some increase in cost.

13 MR. SERRANO: Thank you. With that, we will move on to
14 the seventh item which is the Ratification of Resolution
15 Adopted at the April 29, 2010 Investment Meeting -
16 Diversified Equity Fund (Variable A) and International Equity
17 Fund (Variable C) - (AXA Rosenberg).

18 Pursuant to Section 10 of the By-Laws of the Teachers'
19 Retirement System, the Teachers' Retirement Board voted to
20 adopt the following resolution during the Finance Committee
21 of the Teachers' Retirement Board meeting held on April 29,
22 2010. The Finance Committee has recommended that the
23 resolution, as previously approved, be ratified by the Board
24 of Trustees:

25 After careful study and discussion with the firm of

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2 Rocaton Investment Advisors, LLC, Investment Consultant, the
3 Finance Committee of the Teachers Retirement Board has
4 recommended the following resolution for consideration and
5 adoption by the Board of Trustees:

6 MS. ROMAIN: Move to the Resolved.

7 MR. SERRANO: Resolved, that the International Equity
8 Portfolio that was under management by AXA Rosenberg shall be
9 transferred as soon as practicable for purposes of interim
10 management to a separate account to be managed by Mellon
11 Transition Management Services, Inc. following an index-like
12 approach based on MSCI EAFE; and it is further

13 Resolved, that upon completion of the transfer, the
14 agency agreements with AXA Rosenberg will be terminated; and
15 it is further

16 Resolved, that the Chair, or in his absence, the
17 Executive Director, is hereby authorized and directed to
18 execute agency agreements and other such documents or
19 instruments as may be necessary to implement this resolution;
20 and it is further

21 Resolved, that the Chair, or in his absence, the
22 Executive Director, or in his absence, the Director,
23 Investment Administration, is hereby authorized and directed
24 to issue instructions and take any other action as may be
25 necessary to implement this resolution, including the

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2 transfer of any assets or funds as provided in this
3 resolution.

4 Our eighth item concerns the Diversified Equity
5 (Variable A) and International Equity (Variable C) Funds.
6 After careful study and discussion with the firm of Rocaton
7 Investment Advisors, LLC, the Investment Consultant and TRS
8 Staff, the Finance Committee of the Teachers' Retirement
9 Board has recommended the following resolution for
10 consideration and adoption by the Board of Trustees:

11 MS. ROMAIN: Move to the Resolved.

12 MR. SERRANO: Resolved, that the portfolio currently
13 under management by Goldman Sachs Asset Management shall be
14 liquidated and reallocated to provide funds to meet increased
15 target allocations (as set forth below) to the following
16 equity managers within the Diversified Equity Fund:
17 Wellington, Profit, Sound Shore; Rainier; Cardinal, CRM, and
18 Shapiro, with any remaining proceeds used for other
19 rebalancings, benefit payments and/or reallocated to an
20 interim Russell 3000 Index portfolio managed by Mellon; and
21 be it further

22 Resolved, that upon completion of these liquidation and
23 reallocation transactions, the agency agreements with Goldman
24 Sachs Asset Management will be terminated; and be it further

25 Resolved, that the new target allocations and

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2 rebalancing ranges for the Diversified Equity Fund, including
3 the U.S. Equity Composite (comprised of the U.S. Equity Index
4 (Passive Core) Composite, Defensive Strategies Composite and
5 Active Management Composite) and the International Sector,
6 and the target allocations for each manager with each of
7 these, as a percentage of the total Diversified Equity Fund,
8 shall be set as follows:

9 U.S. Equity Index Composite (Passive Core) with a target
10 of 50.0% and a range of 50.0-53.0% is broken down into the
11 following: Mellon Russell 3000 Index with a target of 48.5%
12 and a range of 47.75-52.25%; Amalgamated Bank S&P 1500 with a
13 target of 1.5% and a range of 0.75-2.25%; Defensive
14 Strategies Composite with a target of 15% and a range of
15 13.0-17.0% is broken down into the following: GMO TAA with a
16 target of 6.5%; Mellon Enhanced TAA with a target of 4.5%;
17 Advent Convertibles with a target of 1.34%; Lord Abbett
18 Convertibles with a target of 1.33% and Zazove Convertibles
19 with a target of 1.33%; Active Management Composite has a
20 target of 20% with a range of 16.0-24.0% is broken down into
21 the following: (Core) Interim Russell 3000 Index (Mellon)
22 with a 3.125% target; INTECH (S&P 500) with a target of 3.00%;
23 Martingale (S&P 500) with a target of 2.25%; PIMCO (S&P 500)
24 with a target of 2.625%; Wellington (Russell 3000) with a
25 target of 2.875% and a total range of 10.875-16.875%;

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2 (*Large Cap Growth*) Alliance Bernstein Large Cap Growth with a
3 target of 0.875%; Profit Large Cap Growth with a 0.875% target
4 and a total range of 1.25-2.25%; (*Large Cap Value*) Sound Shore
5 Large Cap Value with a 1.75% target and a range of 1.25-2.25%;
6 (*Small/Mid Cap Growth*) Rainier Small/Mid Cap Growth with a
7 target of 0.875% and a range of 0.375-1.375%; (*Small/Mid Cap*
8 *Value*) Cardinal Small Cap Value with a target of 0.584%; CRM
9 Mid Cap Value with a 0.583%; Shapiro Small Cap Value with a
10 target of 0.583% and a total range of 1.25-2.25%;
11 International Sector has a 15% target and a range of
12 12.0-18.0% and is broken down into the following: (*Passive/*
13 *Risk Controlled Enhanced*) BlackRock Int'l Alpha Tilts with a
14 target of 7.5%; (*Active*) Interim Int'l Index-Like (Mellon
15 Transition) with a target of 2.125%; Bernstein Int'l Value
16 Equity with a target of 2.125%; Pyramis Select Int'l Small
17 Cap Equity with a target of 1.125%; and finally Walter Scott
18 with a target of 2.125%; and be it further

19 Resolved, that the Chair, or in his/her absence, the
20 Executive Director, or in his absence, the Director,
21 Investment Administration, is hereby authorized and directed
22 to negotiate, enter into and execute any agency agreements and
23 other documents or instruments and issue instructions and take
24 any other actions as may be reasonably necessary to implement
25 this resolution; and be it further

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2 Resolved, that the Chair, or in his/her absence, the
3 Executive Director, or in his absence, the Director,
4 Investment Administration, is hereby authorized and directed
5 to issue instructions and take any other action as may be
6 reasonably necessary to implement this resolution, including
7 without limitation issuing instructions to managers and/or
8 to Mellon Transition Management Services with respect to the
9 transfer of any assets or funds as provided in this
10 resolution.

11 MS. ROMAIN: So moved.

12 MS. GRIMM: Second.

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

14 (Whereupon all those present so indicated.)

15 MR. AARONSON: Any opposed? Any abstentions? Hearing
16 none, we will continue.

17 MR. SERRANO: The final item is Attendance at Conference.
18 The following resolution is presented for consideration and
19 possible adoption:

20 Resolved, that the Trustees of the Teachers' Retirement
21 Board hereby approve the attendance and participation of the
22 Executive Director and/or his designee(s) and any interested
23 Trustee at the National Association of Securities
24 Professionals ("NASP") 21st Annual Pension and Financial
25 Services Conference from June 16-18, 2010.

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2 MS. ROMAIN: So moved.

3 MR. McTIGUE: Second.

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

5 (Whereupon all those present so indicated.)

6 MR. AARONSON: Any opposed? Any abstentions? Hearing
7 none, we will move on.

8 MR. SERRANO: The next item on the Agenda is the
9 Calendar. The first item on the Calendar is the matter of the
10 approval of the Minutes for the regular meeting held on
11 April 22, 2010.

12 MS. ROMAIN: So moved.

13 MR. LARSON: Second.

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

15 (Whereupon all those present so indicated.)

16 MR. AARONSON: Any opposed? Any abstentions? Hearing
17 none, we will continue.

18 MR. SERRANO: The second item on the Calendar is the
19 approval of Items 1 through 17 on pages 1 through 273.

20 MS. ROMAIN: I move the adoption of the Calendar.

21 MR. LARSON: Second.

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

23 (Whereupon all those present so indicated.)

24 MR. AARONSON: Any opposed? Any abstentions? Hearing
25 none, we will move on.

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2 MR. SERRANO: That concludes the Calendar. The next item
3 on the Agenda is if there is Any Other Business before the
4 Board?

5 MR. AARONSON: Does any Board Member and/ or staff have
6 anything they would like to discuss? Hearing none, do I have
7 a motion to adjourn?

8 MR. LARSON: So moved.

9 MS. ROMAIN: 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, the meeting is adjourned.

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