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NEW YORK CITY TEACHERS' RETIREMENT SYSTEM

4

BOARD MEETING

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7

Held on Thursday, June 15, 2017, at 55 Water

8

Street, New York, New York

9

10

ATTENDEES:

11

JOHN ADLER, Chairman, Trustee

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DAVID KAZANSKY, Trustee

13

THOMAS BROWN, Trustee

14

SUSANNAH VICKERS, Trustee

15

RAYMOND ORLANDO, Trustee

16

PATRICIA REILLY, Teachers' Retirement System

17

SUSAN STANG, Teachers' Retirement System

18

VALERIE BUDZIK, Teachers' Retirement System

19

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REPORTED BY:

22

YAFFA KAPLAN

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JOB NO. 0410028

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2 ATTENDEES (Continued):

3 ELLEN DeLEO, Teachers' Retirement System

4 LIZ SANCHEZ, Teachers' Retirement System

5 ANNETTE HANHARAN, Teachers' Retirement System

6 ANTHONY MEZZACAPPA, Teachers' Retirement System

7 ROBERT BETHELMY, Teachers' Retirement System

8 CARMELA CRIVELLI, Teachers' Retirement System

9 RENEE PEARCE, Teachers' Retirement System

10 MARTA ROSS, ESQ., Law Department

11 SHERRY CHAN, Chief Actuary

12 MELVYN AARONSON, Teachers' Retirement System

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1 Proceedings

2 MR. ADLER: Good afternoon. Welcome to
3 the Teachers' Retirement System board meeting
4 for June 15, 2017, the last meeting of the
5 school year. Patricia, will you please call
6 the roll?

7 MS. REILLY: John Adler?

8 MR. ADLER: I am here.

9 MS. REILLY: Thomas Brown?

10 MR. BROWN: Here.

11 MS. REILLY: David Kazansky?

12 MR. KAZANSKY: Present.

13 MS. REILLY: Raymond Orlando?

14 MR. ORLANDO: I am here.

15 MS. REILLY: Debra Penny? Susannah
16 Vickers?

17 MS. VICKERS: Here.

18 MS. REILLY: We do have a quorum, and
19 next on the agenda we have an update on TRS
20 operations. Ellen DeLeo is going to do that
21 for us.

22 MS. DeLEO: I only have one update
23 regarding summer retirements. TRS has
24 received 954 retirement applications that are
25 effective July 2017, and an additional 44

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2 retirement applications effective August 2017.

3 As of June 15th, the number of applications
4 received today is slightly lower than last
5 year's applications received, which is 1,011
6 for the same period.

7 MS. REILLY: Thank you. Next on the
8 agenda is a report from the Actuary.

9 MS. CHAN: Thank you, Patricia. So I
10 have a couple of items really. One is the
11 fiscal notes report. This is a packet that
12 went out that contains two fiscal notes, but
13 then subsequent to my office submitting the
14 board material, there was a fiscal note that
15 was issued, so there is a total of three that
16 was attached separately. All three are COLA
17 fiscal notes. One that was issued on May 19th
18 had to do with increasing the calculation of
19 the COLA from 50 percent of the Consumer Price
20 Index to 100 percent of the Consumer Price
21 Index. For TRS that would increase
22 contributions by approximately \$275 million a
23 year.

24 The second fiscal note, issued on May
25 22nd as I said, also has to do with the cost

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2 of living adjustment. That is increasing the
3 maximum cap from 3 percent to 5 percent and
4 because in the last 35 years the -- because
5 the COLA is calculated on 50 percent of the
6 index, the last time that it was -- the CPI
7 was above 60 percent was over 35 years ago.
8 So the way we price this was assuming that the
9 CPI was at 8 percent for the prior year, which
10 50 percent of that would be 4 percent, so that
11 would increase the COLA for 1 percent for the
12 maximum 3 percent we price it, assuming a
13 one-year increase that it would hit 8 percent
14 which we do not feel it would, but if it were,
15 then it would increase the contributions by
16 15.6 million.

17 Then the third fiscal note that was
18 attached was issued on June 9th, increasing
19 the COLA for members retired between 1961 and
20 1972. The cost was only \$180,600 for Teachers
21 because there are only 40 members -- retirees
22 rather, that were affected by this proposed
23 legislation because even if you retired in
24 1972, it's 45 years since you retired, and
25 assuming you retired at age 65, you have to be

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2 110 years old.

3 MR. ADLER: But if you retire at age 55,
4 you would only be 100 years old.

5 MS. CHAN: The second item on my report
6 is the loan insurance premium rate. There is
7 a report that is attached with the analysis of
8 the fund balance as well as the claim
9 experience. I am proposing to keep it at 0.2
10 percent.

11 MS. REILLY: Next is the executive
12 director's report. So it has been -- and on
13 the executive director's report, it's the
14 matter of the meeting minutes -- excuse me,
15 the next meeting. It's been suggested that
16 the next regular meeting for the Teachers'
17 Retirement Board be held on the fourth
18 Thursday of the month, which is September
19 21st, but we have been told that there is a
20 conflict with that so we are suggesting
21 September 28th.

22 MR. ADLER: Hold on a second. Are we
23 getting into the Jewish holidays?

24 MR. KAZANSKY: That's the 21st.

25 MR. ADLER: Okay. Thank you for

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2 pointing that out. So the 28th is in between.
3 That's fine with me. Anybody else have a
4 conflict? Okay.

5 MS. REILLY: So that will be the 28th.

6 Next is the authorization to the
7 Comptroller of the City of New York to invest
8 certain funds.

9 MR. KAZANSKY: Please waive the reading.

10 MR. ADLER: We need a motion to approve
11 the quarterly authorization to the Comptroller
12 to invest certain funds. Is there such a
13 motion?

14 MR. KAZANSKY: So moved.

15 MR. ADLER: Is there a second?

16 MS. VICKERS: Second.

17 MR. ADLER: Any discussion? Okay. All
18 in favor of the motion to authorize the
19 Comptroller to invest certain funds, please
20 say aye. Aye.

21 MS. VICKERS: Aye.

22 MR. ORLANDO: Aye.

23 MR. KAZANSKY: Aye.

24 MR. BROWN: Aye.

25 MR. ADLER: All opposed, please say nay.

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2 Any abstentions? Motion carries.

3 MS. REILLY: Next is the authorization
4 to the Comptroller of the City of New York to
5 invest certain tax-deferred annuity funds.

6 MR. KAZANSKY: Again, please waive the
7 reading.

8 MR. ADLER: Okay. So this is the
9 quarterly authorization to the Comptroller to
10 invest tax-deferred annuity funds. Is there a
11 motion?

12 MR. KAZANSKY: So moved.

13 MR. ADLER: Is there a second?

14 MS. VICKERS: Second.

15 MR. ADLER: Any discussion? All right.
16 All in favor of the motion to authorize the
17 Comptroller to invest certain tax-deferred
18 annuity funds, please say aye. Aye.

19 MS. VICKERS: Aye.

20 MR. ORLANDO: Aye.

21 MR. KAZANSKY: Aye.

22 MR. BROWN: Aye.

23 MR. ADLER: All opposed, please say nay.

24 Any abstentions? Motion carries.

25 MS. REILLY: Next is the Actuary's

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2 recommendation regarding the Tier III, IV, and
3 VI Loan Insurance Premium Rate of fiscal year
4 2018.

5 MR. KAZANSKY: Please skip to the
6 resolved.

7 MS. REILLY: "Resolved, that the
8 Retirement Board hereby adopts the
9 recommendation of the Actuary as stated in her
10 report dated May 19, 2017, and stipulates the
11 Tier III, IV, and VI Loan Insurance Premium
12 Rate be continued at its current rate of .20
13 percent per annum of the outstanding loan
14 balances for any loans originating during
15 fiscal year 2018, i.e. July 1, 2017 through
16 June 30, 2018.

17 MR. ADLER: Thank you. Is there a
18 motion?

19 MR. BROWN: So moved.

20 MR. ADLER: Is there a second?

21 MS. VICKERS: Second.

22 MR. ADLER: Okay. Motion made and
23 seconded. Any discussion? All right. All in
24 favor of the motion to approve the Actuary's
25 recommendation regarding the Loan Insurance

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2 Premium Rate for fiscal year 2018, please say
3 aye. Aye.

4 MS. VICKERS: Aye.

5 MR. ORLANDO: Aye.

6 MR. KAZANSKY: Aye.

7 MR. BROWN: Aye.

8 MR. ADLER: All opposed, please say nay.

9 Any abstentions? Okay. Motion carries.

10 MS. REILLY: Next is attendance at a
11 conference. "The following resolution is
12 presented for consideration and possible
13 adoption: Resolved, that the Trustees of the
14 Teachers' Retirement Board hereby approve the
15 attendance and participation of the Executive
16 Director and/or her designees and any
17 interested Trustee at the Wharton University
18 of Pennsylvania's Investment Strategies and
19 Portfolio Management Program from September
20 11th through the 15, 2017".

21 MR. ADLER: Is there a motion?

22 MS. VICKERS: So moved.

23 MR. ADLER: Is there a second?

24 MR. KAZANSKY: Second.

25 MR. ADLER: Motion maded and seconded.

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2 Any discussion? All in favor to approve the
3 attendance at the Wharton University
4 Conference from September 11th to 15, 2017,
5 please say aye. Aye.

6 MS. VICKERS: Aye.

7 MR. ORLANDO: Aye.

8 MR. KAZANSKY: Aye.

9 MR. BROWN: Aye.

10 MR. ADLER: All opposed, please say
11 nay. Any abstentions? Motion carries.

12 MS. REILLY: Next is attendance at a
13 conference. "Resolved, that the Trustees of
14 the Retirement Board hereby approve the
15 attendance and participation of the Executive
16 Director and/or her designees and any
17 interested Trustee at the Council of
18 Institutional Investors, CII, Fall 2017
19 Conference, from September 13th through the
20 15, 2017.

21 MR. ADLER: Very good. Is there a
22 motion?

23 MR. BROWN: So moved.

24 MR. ADLER: Is there a --

25 MS. VICKERS: Second.

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2 MR. ADLER: Motion made and seconded.
3 Any discussion? All right. All in favor of
4 the motion to approve attendance at the CII
5 Conference from September 13th to 15, 2017,
6 please say aye. Aye.

7 MS. VICKERS: Aye.

8 MR. ORLANDO: Aye.

9 MR. KAZANSKY: Aye.

10 MR. BROWN: Aye.

11 MR. ADLER: All opposed, please say nay.
12 Any abstentions? Okay. Motion carries.

13 MS. REILLY: Next is the resolution
14 being presented for consideration and possible
15 adoption for attendance at a conference.
16 "Resolved, that the Trustees of the Retirement
17 Board hereby approve the attendance and
18 participation of the Executive Director and/or
19 her designees and any interested Trustee at
20 the Public Pension Trustees Fiduciary
21 Conference from October 3rd through 4, 2017".

22 MR. ADLER: Is there a motion?

23 MR. KAZANSKY: So moved.

24 MR. ADLER: Is there a second?

25 MS. VICKERS: Second.

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2 MR. ADLER: Any discussion? All in
3 favor of the motion to approve attendance at
4 the Public Pension Trustees Fiduciary
5 Conference from October 3rd to 4, 2017, please
6 say aye. Aye.

7 MS. VICKERS: Aye.

8 MR. ORLANDO: Aye.

9 MR. KAZANSKY: Aye.

10 MR. BROWN: Aye.

11 MR. ADLER: All opposed, please say nay.
12 Any abstentions? Motion carries.

13 MS. REILLY: Okay. Next is the
14 calendar. First is the matter of the approval
15 of all of the minutes for the month of May,
16 2017. That includes the CIM general session,
17 the CIM breakout, the TRS TDA investment
18 meetings, and the TRS board meeting.

19 MR. ADLER: Okay. Is there a motion to
20 approve all the minutes for the month of May,
21 2017, as stipulated by Patricia?

22 MR. KAZANSKY: So moved.

23 MR. ADLER: Is there a second?

24 MS. VICKERS: Second.

25 MR. ADLER: Great. Any discussion? All

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2 in favor of approval of the minutes for all
3 the meetings for the month of May, 2017,
4 please say aye. Aye.

5 MS. VICKERS: Aye.

6 MR. ORLANDO: Aye.

7 MR. KAZANSKY: Aye.

8 MR. BROWN: Aye.

9 MR. ADLER: All opposed, please say nay.

10 Abstentions? Motion carries.

11 MS. REILLY: Next is the calendar and I
12 will read items from the calendar. For your
13 monthly periodic payroll of TDA excess loan
14 payments, that's pages 1 through 14,
15 inclusive. Page 15 is the payroll summary,
16 accounts payable, new retiree, and TDA
17 accounts. Page 16 through 54, inclusive, are
18 the transfer of active TDA deferred to annuity
19 pavements. Pages 55 through 116, inclusive,
20 are fractional payments. Pages 117 through
21 132, inclusive, are uncollected checks for
22 deceased members. Pages 133 through 149,
23 inclusive, are beneficiaries' continuing
24 options payments. Pages 150 through 155,
25 inclusive, are conversions to pop-up payments.

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2 Pages 156 through 224, inclusive, are
3 beneficiaries who receive one-time payments
4 from their QPP and TDA accounts. Pages 225
5 through 227 is return net accumulated salary
6 deductions. Page 228, inclusive, are the
7 transfer of funds between banks. Pages 229
8 through 233 is the purchase and sales of
9 securities transacted from the Passport Fund
10 Programs. Page 234 is successive
11 installments. Page 235 through 238 are
12 outstanding checks. Page 239 through 271,
13 inclusive, are provisions including those
14 under class coverage. Page 272 through 274
15 are payments for service credit. Page 275 are
16 denied accident disability benefits. Page 276
17 is the minimum accumulations. Page 277 are
18 rules and regulations for life insurance plan,
19 and page 278 are new service retirement
20 payments. That concludes the calendar.

21 MR. ADLER: Thank you. Is there a
22 motion to approve the calendar?

23 MR. BROWN: So moved.

24 MR. ADLER: Is there a second?

25 MS. VICKERS: Second.

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2 MR. ADLER: Motion made and seconded.

3 Any discussion? All right. All in favor of
4 approving the calendar, please say aye. Aye.

5 MS. VICKERS: Aye.

6 MR. ORLANDO: Aye.

7 MR. KAZANSKY: Aye.

8 MR. BROWN: Aye.

9 MR. ADLER: All opposed, please say nay.

10 Any abstentions? Motion carries.

11 MS. REILLY: Under "other business", we
12 have a presentation from CEM. That's to be
13 given by Jody MacIntosh.

14 MS. MacINTOSH: Thank you very much.
15 Thank you for the opportunity to be here to
16 present to you today. As I go through the
17 presentation, please don't hesitate to ask me
18 questions. And I am going to start off by
19 telling you a little bit about CEM and then
20 what's included in our service in addition to
21 your report and then get into your actual
22 results.

23 So a bit about CEM. CEM stands for Cost
24 Effectiveness Measurement, with the emphasis
25 being on "effectiveness". We don't look at

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2 cost in isolation. We look at what you pay
3 and what value or service you are getting in
4 exchange for that. We were founded in Toronto
5 in '92, so we have been benchmarking pension
6 plans since that time. We benchmarked plans
7 in three areas: Pension administration, which
8 is what I am going to talk to you about today,
9 and then we also do DB and DC plans so on the
10 investment side. So there we are looking at
11 what costs you pay versus what value add did
12 you receive.

13 In terms of the benefits of
14 benchmarking, it helps if you can understand
15 how and why you are different from your peers.
16 Over the years, a lot of clients have told us
17 that they really appreciated the different
18 ideas that they can glean from our report,
19 from the benchmarking exercise, and they have
20 been able to significantly improve their
21 operations. Our tagline is "What gets
22 measured gets managed", and so we believe it's
23 important to measure where you are now that
24 you can improve yourself going forward.

25 So in addition to the report that we

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2 provide, we also provide you access to our
3 online peer network. So that's an online
4 forum where you can go in and ask questions
5 and share knowledge with your peers. We also
6 publish pension administration research each
7 year, and we have the annual global best
8 practices conference. In terms of the
9 research that we publish, we are actually
10 doing two studies this year. The first is
11 what are the business objectives and practical
12 benefits of using social media. More and more
13 plans are using social media, so we are trying
14 to dig into -- I mean, it's great if you are
15 getting a whole lot of hits, but what does
16 that actually mean and what are you getting
17 from it.

18 We are also looking at trends in member
19 transactions. Are we seeing an increase or
20 decrease in certain transactions? And
21 especially in the vehicle. Are we seeing like
22 more transactions being done online or through
23 the call center, et cetera. And then just
24 some past ones that we have done. Trends in
25 employer services, telecommuting practices,

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2 mobile apps, and we also did a case study with
3 Arizona State Retirement System in terms of
4 maximizing productivity.

5 Our annual conference -- thank you --
6 you have been an active participant in our
7 annual conferences. Next year, 2018, it's in
8 Indianapolis and we always receive really good
9 feedback from clients and I think one of the
10 benefits that they really like is it's not
11 open to external providers, so I think they
12 feel they can share ideas freely.

13 So getting to your results. This is a
14 snapshot of our global pension system
15 universe. So there are 67 plans in there.
16 They are all public sector, DB, or hybrid
17 plans. I have got an asterisk by the Middle
18 East, Australia, and UK. That's because they
19 are primarily DC, so we just focus on your
20 other analyses and the other areas. So we
21 compare you to a custom peer group of 14
22 peers. These were selected on membership
23 sizes as well as nationality. We look at size
24 because, of course, that's going to be a huge
25 driver of your costs. We also look at

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2 nationality because the complexity of plans
3 tends to vary through the globe with the US
4 having the most complex system, yours being
5 one of the most complex. So to give you a
6 fair comparison, we compare you to other US
7 systems which tend to be more complex. So you
8 are at 212,000 members, just somewhat smaller
9 than the peer medium one, which is 265,000.

10 So getting to your total cost, and we
11 look at costs per active member and annuitant.
12 You were \$281. That was \$163 above the peer
13 average of 117, and your total cost was just
14 over \$59 million, and on the next few slides I
15 am going to explain why your costs are higher.

16 So to start with, this is the model that
17 we use, so all these items feeds into your
18 cost per member. We look at economies of
19 scale, again, larger systems that can spread
20 their fixed costs over a larger member base,
21 so that's a big impact on costs. Workloads,
22 we look at the transactions per members.
23 Specifically front office transactions, and
24 what I mean by that is anything that impacts
25 either a member or the employer. So for

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2 example, a member calling your call center
3 would be considered a transaction. Or someone
4 applies for retirement, that's considered a
5 transaction. Productivity, we also look at
6 the number of transactions processed per FTE,
7 the full-time equivalent. You will see in a
8 number of slides, productivity is really
9 impacted by complexity, and of course, you are
10 very complex, so that tends to drive down your
11 productivity a bit. What you pay for FTE, for
12 salaries and benefits, building utilities, HR,
13 and IT, that's all built in. We also look at
14 what you pay for third-party costs and
15 miscellaneous costs. Third-party would be
16 anything you outsourced. So for example, if
17 you outsourced work to lawyers instead of
18 doing it internally, that would be
19 third-party, and other miscellaneous costs are
20 things like travel, attending conferences,
21 postage. And then finally back office
22 activity, and there we are looking at things
23 that don't impact the member or the employer
24 directly. So for example, your governance,
25 finance, and major projects, which you will

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2 see is a big impact for you. That contains
3 your whole modernization project.

4 Okay. So here on the left side of the
5 screen are all the reasons I just talked
6 about. On the right side we have shown the
7 dollar impact per member, so that totals the
8 -- I said you are \$163 above the peer average.
9 So just going back through these, economies of
10 scale, you are slightly smaller than the peer
11 median. That increased your costs by 93
12 cents. Higher transactions per member. You
13 do process a lot more transactions that have
14 an impact of \$24, and we will see on the next
15 slide exactly where you are doing more
16 transactions.

17 MR. ADLER: When you say "per member",
18 that's the participant, not the staff person?

19 MS. MacINTOSH: Correct. The next item
20 is your transactions per FTE. That's the
21 productivity number. So you are bit lower
22 there. In terms of productivity that added to
23 your soft cost of \$7 per member. However,
24 that's being driven by a lot. By two things.
25 One, you had an old system in place, very

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2 complex, so clearly your members or employees
3 are not going to be able to process as many
4 transactions. Lower cost per FTE so for
5 salaries, benefits, building utilities, HR,
6 and IT. Lower I would say about \$15 per
7 member.

8 MS. VICKERS: Just thinking out loud,
9 that's kind of surprising. You would think in
10 New York that building costs and salaries
11 would be higher.

12 MS. MacINTOSH: I do have a separate
13 slide on that that I will show you in a bit
14 more detail, but you are right. The only area
15 that is higher is the building cost where you
16 are located. Everything else is lower, which
17 is yes, surprising. So your third-party and
18 other costs is lower as well, and there is
19 where we see a big cost impact why you are
20 higher cost. So major projects impact is
21 almost \$90. That's your modernization
22 project. Here on the last timeline in your
23 other category, it's equipment costs related
24 to modernization project. So really all of
25 that was most of the additional \$154 due to

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2 your modernization, which is completely
3 understandable.

4 MR. ADLER: I just want to ask a
5 question, and it's partly directed at Jody.
6 So the \$90 for the modernization project, is
7 that QPP and TDA? In other words, the full
8 cost or just the QPP part?

9 MS. REILLY: It's just the QPP part.
10 Because we extract everything to do with TDA
11 when we answer the survey because that's only
12 about QPP.

13 MR. ADLER: So the \$59 million budget,
14 that's just the QPP budget too; is that right?

15 MS. REILLY: Yes.

16 MR. ADLER: Thank you.

17 MS. MacINTOSH: And that's consistent
18 with the peers so similar peers. They are
19 restricted to those costs as well. So we are
20 getting apples and apples.

21 MR. ADLER: So just to be clear, if we
22 took out the modernization project, then
23 instead of \$163 above the peer median we would
24 just be 163 minus 90 so 73?

25 MS. MacINTOSH: Minus 90 and 50 so we

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2 would be very close.

3 MR. ADLER: So the 50 is also related?

4 MS. MacINTOSH: Yes. Most of that is
5 related to equipment costs related to the
6 modernization project. So all of that, those
7 two items are both the modernization project.

8 MS. REILLY: Including -- it says
9 actuarial, legal, audit, and other?

10 MS. MacINTOSH: Yes. I looked at it
11 though because we questioned that ourselves
12 like why that was so high, but I looked at the
13 detail and that's what it is.

14 MR. ADLER: It's the modernization. So
15 really the modern -- basically the
16 modernization is the reason we are off the
17 charts.

18 MR. ORLANDO: Not Sherry's bill.

19 MS. MacINTOSH: Yes. You are higher
20 costs, but the bulk of that is going to go
21 away in a few years. So I had mentioned that
22 your transaction volumes were higher by about
23 50 percent. You can see you are the highest
24 in your peer group, and that's added about \$24
25 per member to your costs, and on the next

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2 slide you will see exactly where you are doing
3 more transactions. And you can read that. So
4 here we are looking at like how many
5 transactions you processed versus the peers,
6 and then on the final column we give you the
7 actual dollar impact and it's important to
8 note here that whether you do more or less is
9 not really good or bad. It's just
10 understanding where you are doing more and
11 why.

12 So the two places that jump out are 1-D,
13 purchases and transfers in. So you are doing
14 almost 400 percent more of an impact of just
15 over \$15 per member, and I think we discussed
16 the reason for that is most of your teachers
17 start off on a substitute basis and then once
18 they do permanent and go back and purchase
19 past service, so that's driving up the number.
20 So there is a reason for that.

21 The second area, 2-A, calls and e-mails,
22 your volume is about 152 percent higher. The
23 impact is about \$10.68 per member, and that's
24 being driven by your call volumes. And just
25 looking at my notes here, I think they have

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2 always been quite high, your call volumes. I
3 do have a note here -- I believe you are
4 working on straight-through processing in
5 terms of the modernization project, and when
6 we see systems do that, once you put more of
7 that in place, the call volumes tend to come
8 down.

9 So here is your costs per FTE that we
10 spoke about earlier. So everything is lower.
11 Your salaries and benefits are lower than the
12 peer average. You are much higher on building
13 and utilities. You are almost double the peer
14 average, and again, that's not surprising
15 given where you are located. And we have some
16 stats to back that up in case anyone is
17 questioning that. This is from the Department
18 of Labor and you can see New York is way over
19 here in terms of the cost environment.

20 So looking at your back office
21 activities. So this is what had the greatest
22 impact, and again, most of this is being
23 driven by the modernization projects. So the
24 major project line and the other categories
25 and we often see big differences on that major

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2 project line. One is where you are in the
3 investment cycle. So for example, a number of
4 your peers, they did the upgrades a few years
5 back so their costs are now low, which in your
6 case, in a few years your costs will come
7 down. Okay, right.

8 And the other thing is plan complexity.
9 If you are a really complex plan, which you
10 are, your system upgrades are going to be that
11 much more difficult to do and much more
12 costly.

13 MR. KAZANSKY: I have a question. So
14 when systems take on special projects that
15 only exist for a certain period of time, you
16 guys don't have any way to set that aside from
17 the normal kind of day-to-day business?
18 Because what I am looking at here is just
19 based on that information, just because we are
20 doing this modernization project, we are going
21 to be out of whack as to what we might
22 normally be, and in my opinion, if you wanted
23 to do a fair assessment of the systems, you
24 would take those special projects out and see
25 how the systems truly compared in a more

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2 apples to apples way.

3 MS. MacINTOSH: We have looked at it
4 both ways, and we have landed on it's better
5 to keep them in. We look at a five-year cost
6 trend, and that's where you will see what you
7 are talking about. You will see when your
8 costs start coming down back to a more normal
9 level, but no, I certainly hear your point,
10 and like I said, we have looked at it both
11 ways, but just because there are so many
12 things going on in that bucket that yes, we
13 decided to keep them in.

14 MR. ADLER: Can I ask, the first line
15 there, "governance and financial control",
16 what's covered under that? I am curious as to
17 why our costs are higher for that area.

18 MR. ADLER: That would be like this, for
19 instance. Your board oversight and financial
20 control would be front office, so again,
21 anything that isn't front office that isn't
22 impacting the member or the employer directly.
23 It's that whole oversight role.

24 MR. ADLER: Okay. Thank you.

25 MS. MacINTOSH: So we are here showing

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2 your complexity score. It's a score out of
3 100. You are at 92 versus the peer which is
4 at 63, so you are definitely more complex. To
5 a larger extent, you don't have control over
6 this. A lot of the different rules are based
7 on legislation, union agreements, so it's not
8 really in your control, but it's important to
9 understand that it does impact your staff
10 productivity, and it does impact your major
11 project costs in terms of upgrading your
12 systems. So in terms of your cost trends, you
13 can see from 14 to 15 a big spike. When you
14 started doing your modernization program, your
15 costs during this time frame went up 12
16 percent versus your peers at 5 percent, and
17 again it's mainly due to the upgrades.

18 MR. ADLER: This year was good. Went
19 down from last year.

20 MS. MacINTOSH: Okay. So now I am
21 switching from costs over to your service
22 score. So your service score was 66. That
23 was below the peer median of 83. And you can
24 see where you are versus your peers, and we
25 look at service, we look at it from a members

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2 perspective. So they typically want like
3 faster turnaround times, better quality, they
4 want more channels, et cetera.

5 And here are some examples of the
6 different categories that go into our service
7 score. These are some of the ones that get
8 the highest weight, so I will walk through
9 some of these that will help you understand
10 how you are different than your peers.

11 So the first part is the call center,
12 and that is given a really high weight in our
13 methodology. "Percentage of calls resulting
14 in undesired outcomes". So that means
15 somebody calls in, and they get a busy signal
16 or they are left waiting too long, they just
17 hang up. So you are at 11 percent versus the
18 peer average at 9. I understand that's a bit
19 of an anomaly. This year I believe you sent
20 out a member statement that generated a lot of
21 questions, so you had a really high spike in
22 call volumes which caused I guess a number of
23 people just phoning in and hanging up. So you
24 should see big improvement in that number next
25 year because you won't have that issue to deal

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2 with.

3 "Average total waiting time including
4 time negotiating auto attendance", we are
5 currently showing you at 271 seconds. The
6 peer average is 4. A bit of an issue. Part
7 of it is your IVR has a lot of layers to it,
8 and I understand you may visit that at some
9 point. We are not sure if that number is
10 quite accurate. We think you may have given
11 us sort of the worst-case scenario, right, of
12 how long somebody would wait before reaching
13 someone.

14 MS. REILLY: Instead of the average, we
15 gave you the worst-case scenario so we hurt
16 ourselves.

17 MS. MacINTOSH: So I suspect next year
18 you will look much better.

19 MS. REILLY: I think we are about 4
20 percent. The end of the period for the review
21 for next year is the end of June, and we are
22 at like 4 percent and we were at 4 percent
23 last year.

24 MS. MacINTOSH: I am talking about the
25 one above. That will have a huge impact on

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2 your score because the call-in center is
3 weighted. In terms of the member website,
4 "can members access their own data in a secure
5 environment", yes, similar to the peer
6 average. Do you have an online calculator,
7 one linked to member data. You do similar to
8 the peer average. Number of other website
9 tools offered such as changing address
10 information, registering for counseling
11 sessions and for workshops, viewing or
12 printing tax receipts, et cetera, you are at
13 9. The peer average is at 13. I understand
14 with the modernization program, the number is
15 expected to increase, so again that will have
16 a big impact on your score next year.
17 One-on-one counseling and member preparations.
18 Percentage of active membership that attend a
19 one-on-one counseling session. You have great
20 results there, 16.8. The peer average is over
21 6.7. So that's really good news.

22 The next line again is a bit of an issue
23 with the data here. Percentage of your active
24 members that had attended a presentation. We
25 are showing you at 1.1 versus the peer average

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2 of 6.3. The issue there, our model doesn't
3 account for the fact that you do offer a lot
4 of presentations to your members through your
5 union I understand. Our model doesn't give
6 you credit for that. We give you credit for
7 presentations that are directly offered by New
8 York City Teachers. We are going to revisit
9 our model. We are sort of rethinking if that
10 makes sense. So you know, if we do change our
11 model you should see a big bump up in that
12 result next year. Pension inception, so what
13 percentage of the annuity pension inceptions
14 are paid without interruption of cash flow
15 greater than one month between final paycheck
16 and the first pension check. Here you are at
17 99 percent. Peer average is at 90 and that's
18 an automatic result because at the end of the
19 day, that's what you are here for is to get
20 checks into the hands of retirees. That's
21 great that you are getting that result.
22 Finally is member statements. How current is
23 member's data. You are ahead at two months
24 versus the peer average of 2.5. And do
25 statements provide an estimate of the future

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2 pension entitlements, yes, similar to the peer
3 average.

4 So in terms of your service score trend,
5 it did increase by 1 point over the last four
6 years. That may not sound like a lot, but if
7 you look at the peer line, the light blue line
8 that only went up by 2 points. So our model
9 is not that easy to get up on a point, and so
10 the fact that you did that is good news. That
11 is what was driven primarily by your call
12 center. The percentage of undesired call
13 outcomes decreased from 18 to 11 percent, and
14 your group counseling percentage of active
15 members increased from .6 to 1.1, and like I
16 said earlier, that may go up a bit more next
17 year.

18 So finally, your key takeaways. You are
19 a higher cost system, but it's being driven
20 mostly by your modernization costs. Your
21 service score is below median, but there is a
22 few issues that I mentioned. One being the
23 timing issue for your calls, which we are
24 going to correct, as well as our methodology
25 in terms of the member presentations, so I

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2 think once those things are looked at, we
3 should see your score going up, and once your
4 system modernization system is complete, you
5 will see costs come down and probably see a
6 bump up in the service score as well. So that
7 was everything I was going to comment on
8 unless there is any additional questions,
9 comments.

10 MR. ADLER: Any other questions? Great,
11 Jody. Thank you so much for coming in and
12 making the presentation to us. We appreciate
13 it.

14 MS. MacINTOSH: Thank you.

15 MS. REILLY: Next on the agenda is
16 questions or comments from the public. Seeing
17 none --

18 MR. ADLER: So I think we need to go
19 into executive session. So do we have a
20 motion to exit public session, and go into
21 executive session?

22 MR. BROWN: I move pursuant to Public
23 Officers Law Section 105 to go into executive
24 session for discussion regarding specific
25 investment matters.

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2 MR. ADLER: Is there a second?

3 MS. VICKERS: Second.

4 MR. ADLER: Motion made and seconded.

5 Any discussion? All in favor of the motion,

6 please say aye. Aye.

7 MS. VICKERS: Aye.

8 MR. ORLANDO: Aye.

9 MR. KAZANSKY: Aye.

10 MR. BROWN: Aye.

11 MR. ADLER: All opposed, please say nay.

12 Any abstentions? Motion carries.

13 (Whereupon, the meeting went into Executive
14 Session.)

15 MR. BROWN: Motion to exit executive
16 session and go back into public session.

17 MS. VICKERS: Second.

18 MR. ADLER: Motion made and seconded.

19 Any discussion? All in favor of the motion,

20 please say aye. Aye.

21 MS. VICKERS: Aye.

22 MR. ORLANDO: Aye.

23 MR. KAZANSKY: Aye.

24 MR. BROWN: Aye.

25 MR. ADLER: All opposed, please say nay.

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2 Any abstentions? Okay. Motion carries.

3 We are back in public session. Susan?

4 MS. STANG: Great. In executive
5 session, an investment matter was discussed.
6 Consensus was reached, which will be announced
7 at the appropriate time.

8 MR. ADLER: Okay, thank you. So I
9 believe that concludes our business for today.
10 Is there a motion to adjourn?

11 MR. KAZANSKY: So moved.

12 MR. ADLER: Is there a second?

13 MS. VICKERS: Second.

14 MR. ADLER: Any discussion? No. All in
15 favor of the motion to adjourn, please say
16 aye. Aye.

17 MS. VICKERS: Aye.

18 MR. ORLANDO: Aye.

19 MR. KAZANSKY: Aye.

20 MR. BROWN: Aye.

21 MR. ADLER: All opposed, please say nay.
22 Any abstentions? Great. The meeting is
23 adjourned.

24 (Time noted: 4:23 p.m.)

25

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2 C E R T I F I C A T E

3 STATE OF NEW YORK)

4 : ss.

5 COUNTY OF QUEENS)

6

7 I, YAFFA KAPLAN, a Notary Public
8 within and for the State of New York, do
9 hereby certify that the foregoing record of
10 proceedings is a full and correct
11 transcript of the stenographic notes taken
12 by me therein.

13 IN WITNESS WHEREOF, I have hereunto
14 set my hand this 26th day of June, 2017.

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YAFFA KAPLAN

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