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NEW YORK CITY TEACHERS' RETIREMENT SYSTEM

3

BOARD MEETING

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Held on Thursday, September 15, 2022 via

7

Videoconference

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3:32 p.m.

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10 ATTENDEES:

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DEBRA PENNY, Chairperson, Trustee

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DAVID KAZANSKY, Trustee

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ALISON HIRSH, Trustee, Comptroller's Office

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THOMAS BROWN, Trustee

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BRYAN BERGE, Trustee, Mayor's Office

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RUSSELL BUCKLEY, Trustee

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VALERIE BUDZIK, Teachers' Retirement System

18

PATRICIA REILLY, Teachers' Retirement System

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JOHN DORSA, Bureau of Asset Management

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21 REPORTED BY:

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YAFFA KAPLAN

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JOB NO. 8598346

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ATTENDEES (Continued):

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THAD McTIGUE, Teachers' Retirement System

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LIZ SANCHEZ, Teachers' Retirement System

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ISAAC GLOVINSKY, Teachers' Retirement System

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ROBERT BETHELMY, Teachers' Retirement System

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SUSAN STANG, Teachers' Retirement System

8

JIM BROWN, Teachers' Retirement System

9

RENEE PEARCE, Teachers' Retirement System

10

MARTA ROSS, ESQ., Law Department

11

DARREN TROTTER, ESQ., Law Department

12

MAREK TYSZKIEWICZ, Office of the Actuary

13

MICHAEL SAMET, Office of the Actuary

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KAVITA KANWAR, Teachers' Retirement System

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MATT LASKOWSKI, Teachers' Retirement System

16

NATARAJAN KRISHNAMOORTHY, Teachers' Retirement

17

System

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JIM BROWN, Teachers' Retirement System

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ANNETTE HANRAHAN, Teachers' Retirement System

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DAVID LEVINE, Groom Law Group

21

KEN GODINER, Office of Management & Budget

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KEVIN BALAO

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ADEL NAIROOZ

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Proceedings

2 MS. REILLY: Good afternoon. Welcome to  
3 the Teachers' Retirement Board for  
4 September 15, 2022. I will start by calling  
5 the roll.

6 Bryan Berge?

7 MR. BERGE: Present, representing Mayor  
8 Eric Adams.

9 MS. REILLY: Thomas Brown?

10 MR. BROWN: Here.

11 MS. REILLY: Russell Buckley?

12 MR. BUCKLEY: Representing Panel For  
13 Educational Policy Chair Dr. Angela Green and  
14 interim CFO of Department of Education  
15 Benjamin Schanback.

16 MS. REILLY: Alison Hirsh?

17 MS. HIRSH: Present, representing  
18 Comptroller Brad Lander.

19 MS. REILLY: David Kazansky?

20 MR. KAZANSKY: Present.

21 MS. REILLY: Debra Penny?

22 MS. PENNY: Present.

23 MS. REILLY: We have a quorum.

24 So the next item on our agenda is an  
25 update on TRS operations, and Kavita Kanwar is

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1 Proceedings

2 going to provide us with that update.

3 MS. KANWAR: Good afternoon, all.  
4 Nearly 1,700 members retired over the summer  
5 with a retirement date between July and  
6 August. Ninety-seven percent of these members  
7 are receiving advance payments of finalized  
8 retirement benefits as of September's payroll.  
9 In July TRS conducted an e-mail campaign to  
10 members who need to receive a required minimum  
11 distribution or RMD from their TDA account.  
12 About 15,000 members who had not yet filed an  
13 RMD election received this reminder in e-mail.  
14 Members who do not file an election will  
15 receive a distribution at year-end.

16 Over the summer TRS's Member Education  
17 Team conducted two educational programs  
18 virtually, serving over 1,800 members, and  
19 finally earlier in September, TRS introduced a  
20 new look for the secure section of our  
21 website. Members who log in will find all the  
22 same features but with a cleaner page design  
23 and easier navigation. Thank you.

24 MS. REILLY: Thank you, Kavita. Next on  
25 the agenda is an update from the Actuary.

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1 Proceedings

2 MR. TYSZKIEWICZ: Thank you. Marek  
3 Tyszkiewicz from the Office of the Actuary. A

4 couple of quick updates. I will be taking my  
5 oath of office on September 23rd, so then I  
6 will become official Chief Actuary. Michael  
7 Samet is still the interim Chief Actuary.

8 We are pleased to notify the Board we  
9 have completed the June 2020 actuarial  
10 evaluation that is available on our website,  
11 and the contribution is the same as what you  
12 approved previously that Mike presented.

13 MS. REILLY: Thank you. We are going  
14 through this quick. Next is the executive  
15 director's report. The first item on the  
16 executive director's report is the matter of  
17 the next meeting. And it's been suggested  
18 that the next regular meeting of the Teachers'  
19 Retirement Board be held on the fourth Monday  
20 of the month, October 20, 2022. So we should  
21 mark our calendars.

22 Second is the resolution on the  
23 authorization to the Comptroller of the City  
24 of New York to invest certain QPP funds.

25 MR. KAZANSKY: Please waive the reading.  
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1 Proceedings

2 MS. PENNY: Okay. So do I hear a motion  
3 for the authorization to the Comptroller of  
4 the City of New York to invest certain QPP  
5 funds?

6 MR. BROWN: So moved.

7 MS. PENNY: Thank you, Mr. Brown. Do I  
8 have a second?

9 MR. KAZANSKY: Second.

10 MS. PENNY: Thank you, Mr. Kazansky.  
11 Any discussion? All those in favor, please  
12 say aye.

13 Aye.

14 MR. KAZANSKY: Aye.

15 MR. BROWN: Aye.

16 MR. BUCKLEY: Aye.

17 MR. BERGE: Aye.

18 MS. HIRSH: Aye.

19 MS. PENNY: Any opposed? Any  
20 abstentions? Okay. Motion carries.

21 MS. REILLY: Next is authorization to  
22 the Comptroller of City of New York to invest  
23 certain tax-deferred annuity funds.

24 MR. KAZANSKY: Again, please waive the  
25 reading.

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1 Proceedings

2 MS. PENNY: Okay. So do I have a motion  
3 for the authorization to the Comptroller of  
4 the City of New York to invest certain  
5 tax-deferred annuity funds? Do I have a

6 motion?  
7 MR. BUCKLEY: So moved.  
8 MS. PENNY: Thank you, Mr. Buckley. Do  
9 I hear a second?  
10 MR. BROWN: Second.  
11 MS. PENNY: Thank you, Mr. Brown. Any  
12 discussion? All those in favor, please say  
13 aye.  
14 Aye.  
15 MR. KAZANSKY: Aye.  
16 MR. BROWN: Aye.  
17 MR. BUCKLEY: Aye.  
18 MR. BERGE: Aye.  
19 MS. HIRSH: Aye.  
20 MS. PENNY: Any opposed? Any  
21 abstentions? Motion carries.  
22 MS. HIRSH: On behalf of the  
23 Comptroller, I thank you all for your  
24 continuing trust.  
25 MS. REILLY: Next is a ratification of

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1 Proceedings  
2 the appointment of the Chief Actuary.  
3 "Whereas pursuant to New York City  
4 Administrative Code Section 13-509, the Board  
5 of Trustees of the Teachers' Retirement System  
6 of the City of New York (TRS) is required to  
7 appoint a Chief Actuary to the System, and the  
8 Board in an earlier resolution appointed Marek  
9 Tyszkiewicz as Chief Actuary, subject to  
10 successful negotiation of salary and complete  
11 of other City hiring processes; therefore, be  
12 it resolved, the Board hereby ratifies and  
13 confirms Mr. Tyszkiewicz's appointment as he  
14 has completed the steps necessary for his  
15 appointment."  
16 MS. PENNY: Thank you, Patricia. So if  
17 everyone remembers in January, Sherry Chan  
18 gave her notice that she would be stepping  
19 down as the Chief Actuary of the City of New  
20 York. At that time the five pension funds  
21 started their search. During that time we are  
22 so honored that Mike Samet agreed to step in  
23 and be the interim Chief Actuary, and we  
24 cannot thank you enough for your services.  
25 Mr. Samet will be retiring -- what is your

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1 Proceedings  
2 retirement date? Do you have a retirement  
3 date?  
4 MR. SAMET: September 30th, but I will  
5 be around for a period of time helping Marek  
6 through the transition.  
7 MS. PENNY: Again, the City of New York

8 TRS Pension Fund really thanks you for  
9 everything you have done, and we are pleased  
10 to welcome Marek as he said he is going to be  
11 sworn into office on September 23rd. So  
12 couldn't be happier to have you as our Chief  
13 Actuary. Having said all of that, do I have a  
14 motion to appoint the Chief Actuary?

15 MR. BROWN: So moved.

16 MS. PENNY: Thank you, Mr. Brown. Do I  
17 have a second?

18 MS. HIRSH: Second.

19 MS. PENNY: Thank you, Ms. Hirsh. Any  
20 discussion? All those in favor, please say  
21 aye.

22 Aye.

23 MR. KAZANSKY: Aye.

24 MR. BROWN: Aye.

25 MR. BUCKLEY: Aye.

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2 MR. BERGE: Aye.

3 MS. HIRSH: Aye.

4 MS. PENNY: Any opposed? Any  
5 abstentions? It passes unanimously. Welcome.  
6 (Applause.)

7 MS. REILLY: Next resolution, attendance  
8 at conference. Resolved, that the Trustees of  
9 the Teachers' Retirement Board hereby approve  
10 the attendance and participation of the  
11 Executive Director and/or her designees and  
12 any interested Trustee at the National  
13 Conference of Public Employee Retirement  
14 Systems (NCPERS) 2022 Public Safety Conference  
15 on October 23rd through October 26, 2022.

16 MS. PENNY: Thank you very much,  
17 Patricia. Do I hear a motion to approve the  
18 attendance at this conference?

19 MR. KAZANSKY: So moved.

20 MS. PENNY: Thank you, Mr. Kazansky. Do  
21 I hear a second?

22 MR. BROWN: Second.

23 MS. PENNY: Thank you, Mr. Brown. Any  
24 discussion or questions about the conference?  
25 All those in favor, please say aye.

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2 Aye.

3 MR. KAZANSKY: Aye.

4 MR. BROWN: Aye.

5 MR. BUCKLEY: Aye.

6 MR. BERGE: Aye.

7 MS. HIRSH: Aye.

8 MS. PENNY: Any opposed? Any  
9 abstentions? Motion carries.

10 MS. REILLY: Next on the agenda is the  
11 calendar, and first item on the calendar is  
12 the approval of the following minutes: The  
13 June 2, 2022 investment meeting minutes; the  
14 June 16, 2022 Board meeting minutes; the  
15 June 23, 2022 investment meeting minutes;  
16 June 28, 2022 special Board meeting minutes.  
17 That's the end of the notes.  
18 MS. PENNY: Thank you, Patricia. Do I  
19 hear a motion to approve the minutes of the  
20 June 2nd, 16th, 23rd and 28th meetings?  
21 MR. KAZANSKY: So moved.  
22 MS. PENNY: Thank you, Mr. Kazansky. Do  
23 I hear a second?  
24 MS. HIRSH: Second.  
25 MS. PENNY: Thank you, Ms. Hirsh. Any

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1 Proceedings  
2 questions about the Board minutes? Okay. All  
3 those in favor, please say aye.  
4 Aye.  
5 MR. KAZANSKY: Aye.  
6 MR. BROWN: Aye.  
7 MR. BUCKLEY: Aye.  
8 MR. BERGE: Aye.  
9 MS. HIRSH: Aye.  
10 MS. PENNY: Any opposed? Any  
11 abstentions? The minutes are passed.  
12 MS. REILLY: The next item are the  
13 calendar items themselves. You all received  
14 an electronic version of those and have had an  
15 opportunity to review them.  
16 MR. KAZANSKY: Please waive the reading  
17 of the calendars.  
18 MS. REILLY: Thank you.  
19 MS. PENNY: Do I hear a motion to  
20 approve the calendar?  
21 MR. BROWN: So moved.  
22 MS. PENNY: Thank you, Mr. Brown. Do I  
23 hear a second?  
24 MS. HIRSH: Second.  
25 MS. PENNY: Thank you, Ms. Hirsh. Any

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1 Proceedings  
2 questions about the calendar? All those in  
3 favor, please say aye.  
4 Aye.  
5 MR. KAZANSKY: Aye.  
6 MR. BROWN: Aye.  
7 MR. BUCKLEY: Aye.  
8 MR. BERGE: Aye.  
9 MS. HIRSH: Aye.  
10 MS. PENNY: Any opposed? Any  
11 abstentions? Calendar passes.

12 MS. REILLY: Now we are scheduled to  
13 hear from Ken Godiner, the first deputy budget  
14 director. Is he here? Oh, great. So I am  
15 going to turn it over to Mr. Godiner.

16 MR. GODINER: Thank you. Hi, so I am  
17 here to talk about the new -- first, I want to  
18 just thank the Board for giving us the  
19 opportunity to address you guys about our  
20 proposal and what's going on. So it came to  
21 our attention that while there is a variety,  
22 quite frankly, of ways in which the pension  
23 payments are handled on FMS, that certainly  
24 for TRS and NYCERS, the pension systems  
25 themselves go into FMS, put in the purchase

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2 order, and then process the payment vouchers  
3 monthly. And once we were aware of that, it  
4 sort of points out a control weakness. You  
5 know, you shouldn't be processing payments to  
6 yourself. That's just inherently sort of not  
7 something that is consistent with good  
8 controls.

9 So once we were aware of that, you know,  
10 we looked at how we could do this. We decided  
11 that what made sense was to have OMB process  
12 the transactions for all five systems, but we  
13 were concerned that, you know, we have been  
14 doing it this way for a while, we were worried  
15 there would be hiccups or a problem. So we  
16 decided to take the smallest single employer  
17 system, which is Fire, and back in January we  
18 switched to that system.

19 So you know, under the current system  
20 here at TRS, right, the OA prepares the  
21 contribution memo, OMB sends the memo to TRS  
22 to inform them of the total amounts, monthly  
23 amounts, and then TRS sets up the purchase  
24 order and processes the monthly payments.  
25 Under the new, everything is the same except

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2 OMB would accept the purchase order and  
3 processes the monthly payments, and what we  
4 found when we went through the system with  
5 Fire was there was no problems. Everything  
6 has gone smoothly, payments have been made,  
7 there were no FMS hiccups. So we wanted to go  
8 ahead and roll out this change to the other  
9 four systems. We have actually implemented it  
10 now at BERS, but we knew that there was some  
11 misgivings on the part of the trustees and we  
12 wanted to give you guys time and I have now  
13 gone to the three remaining systems and done

14 this kind of presentation.  
15 I think it's very important that I make  
16 clear this change is purely ministerial in  
17 nature, and this does not, in any way, impact  
18 the obligation of the city to pay, when to  
19 pay, how much to pay. All those things are  
20 controlled by statute, and the amount and  
21 calculations are done by the OA under the  
22 statutes. We will continue making the same  
23 payments. We will be sure to make sure we are  
24 transparent that we would send a communication  
25 to each of the systems, you know, prior to and

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1 Proceedings  
2 after we have made the payments. So in  
3 addition to being able to check that the  
4 payments were made by looking at the system,  
5 you will have some kind of e-mail  
6 correspondence from us saying here is the  
7 amounts that we set up, here is the amount we  
8 paid. Each month we would send a  
9 communication to let them know that.  
10 So we -- just to finish up the  
11 background, we did this in January for Fire  
12 and BERS we did in July. We haven't  
13 experienced any problems. We sent  
14 correspondence to the systems other than Fire  
15 back in July saying we wanted to switch to  
16 this new method, but like I said, we  
17 understood that -- from several of the systems  
18 that there was concerns and we wanted to make  
19 sure we had the chance to address them, you  
20 had the chance to ask questions, and we could  
21 alleviate those concerns.

22 I can share the screen for a second and  
23 this will -- this just shows you -- this will  
24 show you a sort of flow chart of how the  
25 current system is and how the new system would

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2 work. Once again, you know, the important  
3 part is that as to the amounts and the timing  
4 of payments, nothing is changing here. This  
5 is only about who makes entries into the FMS  
6 system. Ultimate payment, you know, is made  
7 after when the Comptroller then actually  
8 vouches or transfers the money to the systems.  
9 So I will leave it up if you want a chance to  
10 look at it but otherwise I think I covered  
11 most of it and I would be happy to answer your  
12 questions.

13 MR. McTIGUE: Ken, thank you for being  
14 here. A comment about the controls. In some  
15 sense I think we feel we have the appropriate



16 controls. We get the letters from the Actuary  
17 that we are putting the information in, you  
18 see what's being put in, so you have got more  
19 than one set of eyes. To have one entity do  
20 it and then just tell us that it's done, I am  
21 sure -- I don't believe that's a good control  
22 either so I am not sure.

23 MR. GODINER: It's the same with regard  
24 to one entity putting it in. That is  
25 currently what happens. The difference here

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2 is that the obligor, right, the person making  
3 payment is putting it in and then the entity  
4 receiving the money is checking. But you  
5 know, whether the checking should be done, the  
6 Board and the -- you know, through the pension  
7 agencies' administrators should be checking  
8 because they have an obligation to make sure  
9 that the payments are made in accordance with  
10 the statutory obligations, but you know, the  
11 determination of that is entirely statutory  
12 and the city -- you know, the city will, in  
13 fact -- is obliged to pay on the schedule and  
14 in the amount that's prescribed by the OA. In  
15 terms of --

16 MS. REILLY: It's Patricia Reilly. So  
17 you said you just realized this, but this  
18 practice has been in place for over 20 years.  
19 So it's strange. And then I guess my other  
20 question is, you know, last year I think I had  
21 a conversation with you. You know, the  
22 legislature had not changed the AIR, but you  
23 had us enter an AIR that wasn't consistent  
24 with the legislation for the 7 percent.

25 MR. GODINER: So I will tell you both of

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1 Proceedings  
2 those. So the first is yes. I wasn't aware  
3 that this was the process, you know, until  
4 very recently. Yes, and I do know it has been  
5 in place for a while. I don't know how long,  
6 but it came to my awareness and I was like  
7 wow, that's a real control weakness. In terms  
8 of the second part, you know, first what  
9 happened last year happened in the old system  
10 and we paid the amounts, the amounts that the  
11 Law Department told us were the lawfully  
12 required amounts and that's what we will do  
13 going forward irrespective of any of these  
14 other issues. If the Law Department tells us  
15 that we are legally obliged to pay X, that's  
16 what we are going to pay. They are the  
17 statutory advisor to the Board. They are our

18 attorneys as well. If there is a dispute, you  
19 know, about the Law Department's  
20 interpretation of the statute, that could  
21 become a dispute that would have to be  
22 resolved in the courts, but you know, for our  
23 determination the city isn't going to pay an  
24 amount that we don't believe is lawful.

25 And in terms of what we believe, we rely  
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2 upon the judgment of the Law Department to  
3 tell us what the statute dictates. That's  
4 what we did last year. That is what we will  
5 do going forward, whether or not we have this  
6 process.

7 MS. BUDZIK: Not to bring up some  
8 unfortunate circumstances, but there was a  
9 point where the contribution calculation by  
10 the actuary was patently inconsistent with the  
11 statute and I don't think the trustees are  
12 doing their job if that patently inaccurate  
13 contribution calculation just moves forward  
14 because somehow, someway, I am not clear how  
15 they could do that. The Actuary said it was  
16 okay. There is a role of the Board of  
17 Trustees to confirm that the calculations are,  
18 you know, consistent with the statute. It  
19 didn't happen once.

20 MR. GODINER: So we consider that to be  
21 a legal issue which is best answered by the  
22 Law Department. You know, if there was some  
23 area where -- I can't imagine this happening  
24 -- where somehow the city didn't contribute  
25 what the Law Department said it was obligated

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2 to contribute, that would be a real problem  
3 and a real problem on our part, but that's not  
4 what happened. In the way as I understand it,  
5 the Law Department looked at the statute, at  
6 the statute in the law and said this was the  
7 amount we should pay and that's the amount  
8 that was paid. It happened under the old  
9 system I just want to point out, so this  
10 change has nothing to do with it.

11 I think what would have to happen -- and  
12 Marta can jump in if this is wrong, but my  
13 understanding is that we would pay the amount  
14 that the Law Department advised you and us to  
15 put in. That amount would be paid. If there  
16 was a dispute, you guys would get I guess  
17 outside counsel, and then there would be --  
18 that could be handled in court if it couldn't  
19 be resolved, but that's irrespective of the

20 system. The very instance you point out  
21 happened under this current system which this  
22 has nothing to do with who controls or how  
23 much we pay. That's all controlled by  
24 statute. This is about who makes entries into  
25 the city's budget and financial system, right?

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2 And that is not really per se a Board matter.

3 The issue is -- you are right. The  
4 Board has an obligation to execute its  
5 fiduciary obligations with regard to making  
6 sure the contributions that are made are  
7 correct but that has nothing to do with this  
8 and I think unfortunately people are  
9 conflating the two. One being really a  
10 ministerial act about, you know, who puts  
11 entries into the city's budget system, and you  
12 know, we are not changing the way in which  
13 this dispute would play out if there was one  
14 in the future by doing this. The only thing  
15 we are doing is we are eliminating a control  
16 weakness which I just think anybody, you know,  
17 who is familiar with sort of the way the  
18 accountants -- you know, you shouldn't be able  
19 to put a voucher in to pay yourself. That's  
20 all.

21 MS. PENNY: Ken, thank you, and Alison  
22 wants to speak but just in regard to that, I  
23 think the big problem was when the Board is  
24 disregarded and when you go to the Law  
25 Department. So the Law Department works for

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1 Proceedings

2 the Board, and in that instance the Board made  
3 a determination that was legal of what the AIR  
4 was going to be and then the Law Department  
5 felt otherwise, but we will go on to what you  
6 are talking about. I think Alison wants to  
7 speak now.

8 MS. HIRSH: It's sort of related, but  
9 you also keep saying that it's a breakdown in  
10 control function and can you explain that to  
11 me because --

12 MR. GODINER: It's not appropriate, you  
13 know as -- from the Comptroller's  
14 standpoint -- I think this would be your  
15 accountant's point of view -- that you  
16 shouldn't have a system where somebody is able  
17 to make a voucher and pay themselves. The  
18 entity TRS --

19 MS. HIRSH: We are not paying ourself.  
20 We don't -- it's like any other invoice. A  
21 voucher is a bill. We are not paying ourself.

22 We are making a voucher to OMB to pay us.  
23 MR. GODINER: So you are putting it in  
24 the system, the voucher, to make a payment for  
25 yourself. There is no other -- there is no

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2 other process in the system to look at it.  
3 Generally speaking, if the city is paying an  
4 entity and TRS is considered a separate  
5 entity, so the vendor doesn't put the entry in  
6 to FMS. I don't know that we have systems  
7 where -- and we shouldn't and I think, you  
8 know, where the vendor -- I mean, this is TRS  
9 but the vendor puts in a transaction in the  
10 city's budget accounting system to trigger a  
11 payment to themselves as opposed to like an  
12 invoice going to a city entity and then the  
13 city putting those entries into the system.

14 MS. HIRSH: But by that logic, then the  
15 invoice should go to a third party that would  
16 then send it to OMB so it shouldn't be  
17 entirely OMB.

18 MS. PENNY: So that still doesn't make  
19 sense. So it seems like the way you are  
20 suggesting, we have one entity took control of  
21 it and there goes all of the checks and  
22 balances. So out of all the years that you  
23 have done it, there was one error, and again  
24 that one error was when the Board's wishes or  
25 the Board's resolution was disregarded. So we

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2 will just take that example out. But I think  
3 as you heard from TRS and from all of us, when  
4 it goes to the OA and to OMB and TRS, there is  
5 the checks and balances. There is the  
6 different entities working together as they  
7 have worked for so many years.

8 MR. GODINER: I am all for people  
9 working together. There is no -- this isn't  
10 about working together. There is no role for  
11 the OA into this. This is about who puts the  
12 FMS entry into the system. It's not about  
13 deciding the amount. It's not about your  
14 legal dispute from last year. This is really  
15 exclusively about putting the entry into the  
16 system. And in terms of errors, you are  
17 right. Luckily we haven't had a lot. The  
18 only one I know is that Fire put in the wrong  
19 amount in the voucher, got overpaid for a  
20 single month, and then the following month we  
21 came back and worked with them and reduced it  
22 but this is all prior -- years ago.

23 So -- but when you talk about a control

24 system, I don't know what you mean by a third  
25 party. This is where I got confused. The  
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1 Proceedings  
2 city of New York has an obligation to pay the  
3 pension contribution, right? No one else  
4 does, for our share of the multipayer plan.  
5 We are simply saying, right, so the city puts  
6 in the amount. If we put in the wrong amount,  
7 whether it's OMB or any other part of the  
8 city, then clearly we would be subject to some  
9 kind of obviously review and make whole and  
10 the Board -- the system could charge interest  
11 if we underpaid. That certainly sounds right,  
12 but the city is the entity that's obliged to  
13 pay. Under the statute, it's not the Board  
14 paying itself. It's the city's required  
15 contribution. It makes sense for the city to  
16 put that in. It's not appropriate in my  
17 opinion for the Board to put a voucher in to  
18 pay itself. I just think it's inherently a  
19 control.

20 MS. PENNY: Let me just -- I don't mean  
21 to stop you, but let me ask the rest of the  
22 Board if they would like to speak about it.  
23 So I am opposed to it. I think it belongs the  
24 way it is. It's always worked. I can't see  
25 any reason for that.

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2 MR. BROWN: How long have we been doing  
3 it the way we have been doing it up until now?  
4 MS. PENNY: For over 20 years.  
5 MR. BROWN: More than 20 years?  
6 MR. McTIGUE: At least.  
7 MR. BROWN: So why now?  
8 MR. GODINER: Well, we have identified  
9 this control weakness.  
10 MR. BROWN: After 20 years?  
11 MR. GODINER: That's right.  
12 Unfortunately, the city has -- for example, we  
13 have an audit every year, and every year there  
14 are comments in the management letter and they  
15 will point out how they think systems are weak  
16 or whatever. Yes, some of them have been  
17 going on for a long time, but there is no  
18 reason not to fix them.  
19 MS. REILLY: Did it come up in an audit  
20 finding?  
21 MR. GODINER: I didn't say it did.  
22 MS. PENNY: I kind of thought you did.  
23 MR. GODINER: No. What I said was we  
24 constantly get audits where they point out  
25 things are not optimal in their management

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letters and they may have been going on for a while, but that doesn't mean we shouldn't fix them.

5

MR. BROWN: How long have you been in this position doing this?

7

MR. GODINER: Which position? Actual current role five years. Almost. Four and a half.

10

MS. REILLY: How long has he been in OMB?

11

12

MR. McTIGUE: Thirty-plus years.

13

MS. PENNY: I mean --

14

MR. BROWN: Just now until we opposed it.

15

16

MS. PENNY: David, how do you feel about it?

17

18

MR. KAZANSKY: I mean, I understand where Ken is coming from, but it just doesn't seem like it's a necessary change. If anything, it seems like a completely unnecessary change.

22

23

MR. GODINER: I am not sure why you feel it's unnecessary. We are responsible, right, for the public fisc and we have identified a

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situation where a vendor is initializing a transaction to pay itself, okay? And nobody wants to change that, our obligation to pay. Nobody wants to change the timing. The determination of the contribution is all controlled by statute. We are just saying oh, this is really not the right way. An organization shouldn't set up a system where its vendor goes into its accounting and budget system and initiates a payment to itself. I don't know why this isn't something that you would fix.

13

14

MS. REILLY: So Ken, first of all, we are not a vendor and we see it as a voucher, and second, the way I look at it is you send -- the Actuary makes the decision, it gets sent to TRS. We enter it so we are comfortable what we have entered. We see what we have entered; we are comfortable with it. It goes down to OMB, and OMB can see we have entered correctly. So we are all happy that what's in there is what we think. If you do everything, TRS has to rely on you saying you did it right so all eyes would be --

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2 MS. PENNY: Again, I think our feeling  
3 is the law should stay the way it is. It's  
4 from the Actuary. It goes to TRS. From TRS  
5 we certainly have eyes on it. Those are three  
6 different entities' sets of eyes as opposed to  
7 one end taking care of all of it. We  
8 certainly understand what you are saying. I  
9 think you certainly understand what we are  
10 saying.

11 MR. GODINER: I am not sure I understand  
12 what you are saying. Is your concern you  
13 would like to send OMB the communication  
14 saying here is the amount that we think should  
15 be paid, let us know if there is a dispute  
16 before you put it in the system?

17 MS. PENNY: The way it's always been. I  
18 mean, you certainly --

19 MR. GODINER: The way it's always been  
20 is you put it in the system and that's an  
21 inherent control weakness, number one, and  
22 it's not like OMB has to look at it before it  
23 goes in. You put it in. After all these  
24 years, we have determined this is not the  
25 right way to go forward. It hasn't worked all

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2 these years so we know that --  
3 MR. BERGE: You are asking for the input  
4 from the Board. I do feel -- honestly, I  
5 don't know that I agree with the framing of  
6 that question. It sounds like this is being  
7 presented as the participating employer's  
8 contribution function, the way that they  
9 transmit an already determined number, and I  
10 don't know that -- I think that the Board has  
11 a role in policing how the participating  
12 employer goes about making its payment to the  
13 system and I understand that there is an  
14 existing practice that involves the system and  
15 I am not trying to call that existing practice  
16 into question. But I do want, I think, to  
17 distinguish the role of the Board  
18 administering Board functions, this very  
19 important role, and the role of the  
20 participating employer to pay its obligations.  
21 And the way this is being presented, it sounds  
22 to me like it's about the participating  
23 employer's payment function mechanisms and I  
24 am leery of having the Board reach into the  
25 operations of the participating employer in

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2 that regard and I appreciate entirely that  
3 other Board members have different

4 perspectives on this and that there is a  
5 history that was unpleasant in the recent past  
6 which I am not competent to reconstruct in all  
7 its particulars but I think that that divide  
8 is an important one between us as a system and  
9 the participating employer's discharging its  
10 obligations.

11 MR. BUCKLEY: I don't think I could say  
12 it better myself. I would align myself with  
13 Mr. Berge in this case.

14 MS. PENNY: Okay. So do we take a vote  
15 on it?

16 MR. McTIGUE: No further action should  
17 be taken on this because the Board disagrees.

18 MS. REILLY: I do think some of the  
19 boards disagree.

20 MS. PENNY: Ms. Hirsh, so we are  
21 certainly not taking a vote on it, but if we  
22 were -- are you opposed to this method?

23 MS. HIRSH: I mean, my -- I have not  
24 brought this up with Brad. We have not had a  
25 vote on it at any of the boards.

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2 MS. PENNY: We are not taking a vote on  
3 it.

4 MS. HIRSH: I feel this is a solution in  
5 search of a problem in general is my personal  
6 opinion, so I don't really understand the  
7 purpose of it but I don't know. I have not  
8 had to take --

9 MR. BERGE: If I may, I would appreciate  
10 if there is not a clear will to vote on the  
11 subject that we not vote on the subject given  
12 that I may have a disagreement about the  
13 appropriateness of the vote.

14 MS. REILLY: Certainly not taking a  
15 vote.

16 MR. BERGE: That's all I have to say.

17 MS. PENNY: But as a chair I am asking  
18 this not be the new process and we will  
19 certainly continue the conversation. I mean,  
20 we really don't -- I think we have killed the  
21 conversation so we would certainly appreciate  
22 it if the method would stop. Again, it's  
23 checks and balances. It doesn't make sense to  
24 take money out of one pocket and put it in the  
25 other pocket and you are the only entity

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2 that's touching that money. So thank you for  
3 the presentation and I believe I have spoken  
4 to the other board chairs and I believe they  
5 feel the same way, but I do know you will be



6 doing a presentation for them.  
7 MR. GODINER: Already done that. I am  
8 getting the same sort of feedback, but I have  
9 to say, you know, I just -- even the  
10 characterization we take money out of one  
11 pocket, put it into the other, we are the only  
12 entity. No, we are not. The employer that's  
13 the city, right, is -- it's their money and  
14 then they give it to TRS as a required  
15 contribution into the statute and now the  
16 second party, TRS, receives the money. It's  
17 odd that the person who is getting the money  
18 is entering it into the payer's system. If  
19 you guys want to invoice us and we put it in,  
20 that's certainly -- then, you know, that  
21 sounds like a routine thing. If it's  
22 necessary for you to write an invoice from the  
23 Actuary's memo that would make sense but it's  
24 not. This is about right now TRS on its own  
25 puts entries into the system.

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2 MR. McTIGUE: Ken, please. We don't do  
3 it on our own. That's a mischaracterization.  
4 There is disclosure from the Actuary. The  
5 Board is involved. That's a  
6 mischaracterization.

7 MR. GODINER: You make the entry on your  
8 own, yes. TRS, the executive -- the executive  
9 director, you know, puts a motion in the chain  
10 of events to enter into the system themselves.  
11 It's not about the Board. The Board is part  
12 of TRS. The system is part of TRS. The  
13 Actuary prepares the memo. So I get that you  
14 are not making up the number. I am not -- I  
15 don't think, there is nothing here about the  
16 number. It's about who puts the entry into  
17 the FMS system. Okay. And right now you are  
18 talking about one entity versus two or three.  
19 Right now we have one entity. The payee comes  
20 into the payer system and puts in the entry so  
21 that the money comes to them. That's not more  
22 control certainly than the employer puts the  
23 number in and makes sure the payer get paid,  
24 that system gets paid. They are obligated to  
25 do so. If the system doesn't think they are

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2 paid the right amount, there are actions that  
3 the system could take. You know, if the city  
4 -- if we believe you paid the wrong amount in  
5 theory -- I mean, we had this with Fire.  
6 Obviously they cooperated and we got the money  
7 back, but the idea that the payer is not the

8 entity making the entry into the system, that  
9 generates the payment. It's just not an  
10 ordinary course of events. So it's not an  
11 appropriate control so -- and it's not -- it's  
12 really nothing to do with if you will be paid  
13 because you will be paid. You are paid  
14 because the statute requires it not because  
15 you put it in FMS.

16 MS. PENNY: We will just have Patricia  
17 Reilly, and then I think we have had enough.

18 MS. REILLY: So Ken, you mentioned we  
19 could invoice you. We are going to invoice  
20 you, we are going to tell you what you think  
21 should be entered, and if you don't agree with  
22 what we are saying because the Actuary says  
23 something differently -- I don't expect that  
24 to happen but it kind of happened last time we  
25 said it was 7, the Actuary said it was

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2 something different. So you are going to  
3 ignore us and put the 6 in anyway?

4 MR. GODINER: No. That's not what we  
5 will do.

6 MS. REILLY: What will happen in that  
7 instance?

8 MR. GODINER: That's a great question.  
9 What we do is we will ask the Law Department  
10 what we are legally obliged to do.

11 MS. REILLY: You will go to the Law  
12 Department and if the Law Department really  
13 looked and saw the legislature said 7 percent,  
14 they would have to not agree with the Actuary  
15 if we did it correctly if you asked me.

16 MR. GODINER: We would prefer what the  
17 Law Department said.

18 MS. REILLY: Not what the legislature in  
19 Albany says?

20 MR. GODINER: I am not capable of  
21 determining what the law requires, but what we  
22 are not going to do is pay an amount that's  
23 not in concert with what our legal advice  
24 tells us is the statutory obligation.

25 MS. REILLY: So we are going to give you

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2 the invoice and you are going to go into FMS  
3 and you are going to enter it. How are you  
4 going to communicate back to us that what we  
5 asked to go into FMS got put into FMS 'cause  
6 because you kind of earlier said maybe we will  
7 send you an e-mail, but I would like something  
8 more official than that.

9 MR. GODINER: Okay. If you want, I

10 guess we could send you a letter, but that  
11 sounds kind of slow. I would generally think  
12 what we do is send you an e-mail saying this  
13 is the amount that's been entered into the FMS  
14 so you would be able to see the entry so you  
15 could verify that is, in fact, what we put in,  
16 but if there is something else, you want a  
17 letter, I mean, I guess we could do that.

18 MS. PENNY: So I thank you for the  
19 presentation. I guess maybe what we are  
20 asking you to do is just talk to the executive  
21 directors of the boards and see if you could  
22 come up with something that works. I mean,  
23 certainly the old process worked, but maybe  
24 you could come up with something that would  
25 work and is mutually agreed upon.

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2 MR. GODINER: That sounds like a good  
3 plan. All right. Thank you very much for  
4 giving me the opportunity to talk to you all.  
5 Thank you. Bye-bye.

6 MS. PENNY: Thank you. Patricia?

7 MS. REILLY: Do we have any questions  
8 and comments from the public? Seeing none --

9 MS. PENNY: Okay. Seeing none, do I  
10 have a motion to go into executive session?

11 MR. BROWN: So moved.

12 MS. PENNY: Thank you, Mr. Brown. Do I  
13 have a second?

14 MS. HIRSH: Second.

15 MS. PENNY: Thank you, Ms. Hirsh. Any  
16 discussion? All those in favor of moving into  
17 executive session, please say aye.

18 Aye.

19 MR. KAZANSKY: Aye.

20 MR. BROWN: Aye.

21 MR. BUCKLEY: Aye.

22 MR. BERGE: Aye.

23 MS. HIRSH: Aye.

24 MS. PENNY: Any opposed? Any  
25 abstentions? Okay. Thank you all for joining

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2 us. We are going into executive session, and  
3 we will be back shortly.

4 (Discussion off the record.)

5 MS. PENNY: Okay. We are back into  
6 public session. Ms. Stang, would you please  
7 report out?

8 MS. STANG: Certainly. In executive  
9 session the Board voted to approve the renewal  
10 of an investment contract.

11 MS. PENNY: Thank you, Ms. Stang. Does

12 anyone have anything else for this Board?  
13 Seeing none, do I hear a motion to adjourn.  
14 MR. KAZANSKY: So moved.  
15 MS. PENNY: Thank you, Mr. Kazansky. Do  
16 I hear a second?  
17 MS. HIRSH: Second.  
18 MS. PENNY: Thank you, Ms. Hirsh. Any  
19 questions? All those in favor, please say  
20 aye.  
21 Aye.  
22 MR. KAZANSKY: Aye.  
23 MR. BROWN: Aye.  
24 MR. BUCKLEY: Aye.  
25 MR. BERGE: Aye.

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2 MS. HIRSH: Aye.  
3 MS. PENNY: Any opposed? Any  
4 abstentions? We stand adjourned.  
5 (Time noted: 4:20 p.m.)  
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C E R T I F I C A T E  
STATE OF NEW YORK )  
: ss.  
COUNTY OF QUEENS )

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

IN WITNESS WHEREOF, I have hereunto  
set my hand this 25th day of September,  
2022.

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YAFFA KAPLAN