

NEW YORK CITY TEACHERS' RETIREMENT SYSTEM  
BOARD MEETING

held on Thursday, November 15, 2012

at

335 Adams Street  
Brooklyn, New York

ATTENDEES:

MELVYN AARONSON, Chairperson, Trustee, TRS  
SANDRA MARCH, Trustee, TRS  
MONA ROMAIN, Trustee, TRS  
LARRY SCHLOSS, Comptroller's Office, Trustee  
CAROLYN WOLPERT, Trustee, Finance  
PATRICIA REILLY, TRS  
JOEL GILLER, TRS  
MARC KATZ, TRS  
LIZ SANCHEZ-PAZ, TRS  
SUSAN STANG, TRS  
JOEL GILLER, Comptroller's Office  
THADDEUS MCTIGUE, Comptroller's Office  
BARRY MILLER, Comptroller's Office  
YVONNE NELSON, Comptroller's Office  
RENEE PEARCE, Broome Law Group  
ROBERTA UFFORD, Corporation Counsel  
JUSTIN HOLT, Finance

## 1 P R O C E E D I N G S

2 (Time noted: 1:00 p.m.)

3 CHAIRPERSON AARONSON: Ms. Reilly, would you  
4 call the role?5 MS. REILLY: We begin the November 15, 2012  
6 regular board meeting of the Teachers' Retirement System  
7 by calling the role.

8 Melvyn Aaronson?

9 MR. AARONSON: Here.

10 MS. REILLY: Thad McTigue?

11 MR. McTIGUE: Here.

12 MS. REILLY: Sandra March?

13 MS. MARCH: Present.

14 MS. REILLY: Frieda Foster?

15 (No response.)

16 Mona Romain?

17 MS. ROMAIN: Present.

18 MR. REILLY: Carolyn Wolpert?

19 MS. WOLPERT: Present.

20 MR. REILLY: We have a quorum.

21 The next item on the agenda is an update  
22 from TRS on operations. So, as you all know, TRS was  
23 displaced by Hurricane Sandy.24 We want to thank NYCERS for hosting this  
25 board meeting for us today, as well as hosting our staff

1 at the recovery site in Long Island City. Their help to  
2 us has been invaluable. The staff has been great, Diane  
3 and all of her leadership has helped to us during this  
4 difficult time, and is very much appreciated by the  
5 Teachers' Retirement System and by our staff.

6 MS. D'ALESSANDRO: As you know, there but  
7 for the grace of the Goddess go we.

8 MS. MARCH: The gender is correct.

9 MS. D'ALESSANDRO: I'm very grateful that we  
10 are in a position to help, and we extend our hospitality  
11 to you and other folks in government that need  
12 facilities indefinitely. We appreciate the thanks, but  
13 it's our pleasure to help.

14 MR. REILLY: Thank you very much.

15 CHAIRPERSON AARONSON: I wanted to add my  
16 thanks to yours. The board couldn't operate at this  
17 moment without what you are doing for us, and this will  
18 be remembered for a very, very long time.

19 MS. D'ALESSANDRO: Thank you.

20 MR. McTIGUE: I should add that people know  
21 our office was without power for a period of time, and  
22 NYCERS was very accommodating to us and offered to  
23 assist in any way possible. On behalf of the  
24 Comptroller's Office, thank you.

25 MS. MARCH: How can I get NYCERS to run the

1 school system?

2 (Laughter.)

3 MS. D'ALESSANDRO: That's going to cost.

4 (Laughter.)

5 MS. REILLY: We also wanted to thank the  
6 Board of Ed retirement system for hosting our walk-in  
7 center in Brooklyn, and the Office of the Actuary for  
8 housing some of our retirement benefit employees. So  
9 again, thank you very much for all the help.

10 I also wanted to thank the Comptroller's  
11 Office and OPA for their foresight in getting the  
12 retirement paycheck out before the storm hit. It's a  
13 big deal for us and for them. So, thank you.

14 Of course, we want to thank the board for  
15 all their support during this difficult time. We  
16 couldn't do it without you. We appreciate that.

17 As an update, at this time we do have an  
18 operational call center, a walk-in center, and a site  
19 where processing work is being done. Our disaster  
20 recovery plan included the priority that we would use  
21 for our processing our work.

22 So today our top priority is processing --  
23 we also were able to print out and send out over 5,000  
24 loan statements. TDA withdrawals, including RMD and  
25 hardship withdrawals are also a top priority to the TRS

1 at this time. We struck the unit value. We're paying  
2 advance payments for our new retirees and we're  
3 processing monthly payroll to existing retirees. We  
4 continue to process and pay death benefits for  
5 processing, and we're also processing UPP withdrawals.

6 At this time, as time permits and capacity  
7 allows, to continue to process enrollments, beneficiary  
8 updates and member service purchase payments.

9 Of course there are costs associated with  
10 triggering the disaster recovery plan. So I want to let  
11 the board know that we will be submitting a board  
12 resolution in December to reimburse NYCERS for the costs  
13 they've incurred by allowing us to use the disaster  
14 recovery site. And we also likely will be presenting a  
15 budget modification at a later date to cover some of the  
16 unexpected costs for TRS.

17 Our legal staff has been working on some  
18 initiatives for those impacted by Hurricane Sandy, as  
19 well as federal programs that may help offset the costs  
20 to TRS. And Joel will give a short update on that.

21 MR. GILLER: Very briefly. After Hurricane  
22 Katrina, the IRS and Congress passed rules and laws that  
23 allowed for relaxation of the rules regarding loans and  
24 PDA hardship withdrawals.

25 And we've been asking Congress and the IRS

1 to apply similar rules in the wake of Hurricane Sandy,  
2 and we're hopeful we'll get a response shortly.  
3 Certainly from the IRS it may be a little bit later, and  
4 Congress has its own -- as soon as we do, we'll report  
5 to the board.

6 CHAIRPERSON AARONSON: I know Joel was down  
7 in Washington last week and met with the IRS and with  
8 the Congressional staff people. And he was joined at a  
9 meeting by people from the Broome Law Group, who  
10 represent us in Washington; and was joined at a meeting  
11 with Hank Kim, the executive director of the National  
12 Conference of Public Employee Retirement Systems.

13 MR. REILLY: Thank you, Joel.

14 The next item on the agenda is the executive  
15 director's report.

16 CHAIRPERSON AARONSON: Before we get to  
17 that, I also want to take this opportunity for the board  
18 to thank you and the staff of TRS for everything that  
19 you have done. People were very concerned that they  
20 won't be getting their retirement checks. They got  
21 them. We know they were processed.

22 People in need have been applying for loans  
23 and withdrawals to get processed. Your staff -- I had  
24 the distinct pleasure of going to visit your off-site  
25 center in Manhasset, Long Island where your staff was

1     working, and I saw the spirit of this group, and even  
2     though some had their own hardships, many of them coming  
3     from the South Shore of Staten Island and some sectors  
4     of New Jersey had their own hardships, they were there,  
5     and members of the Teachers' Retirement System.

6             I told my colleagues these people are  
7     heroes. I never, ever want to hear anybody ever attack  
8     public employees, accusing them of laziness, accusing  
9     them of whatever we get accused for all the time. These  
10    people are just amazing. And I hope you will tell the  
11    people that are doing these things how much the board  
12    appreciates what they're doing.

13            MR. REILLY: I will. Thank you very much.

14            The next item on the agenda is the executive  
15    director's report, and the first item is the next  
16    meeting. The suggested next regular meeting of the  
17    Teachers' Retirement System be held on the first  
18    Thursday of the month, December 20, 2012.

19            CHAIRPERSON AARONSON: Everybody please mark  
20    their calendar.

21            MR. REILLY: The next item is the  
22    authorization to amend the rules and regulations of the  
23    Board of Education retirement system with respect to the  
24    duration of investment conversion.

25            MS. MARCH: So moved.

1 MS. WOLPERT: I haven't seen this before.

2 Can we have a brief explanation of what this is?

3 CHAIRPERSON AARONSON: The Board of  
4 Education in many areas uses, according to the law that  
5 set them up, the Teachers' Retirement System, which has  
6 sort of been a legislature on many issues. And many of  
7 the things that they have to do when they want to make  
8 changes in their procedures have to be approved by the  
9 Teachers' Retirement System.

10 MS. MARCH: We are their legislative body.  
11 This is for their variable fund, and they are now  
12 catching up to where we are already at. And all it is  
13 doing is allowing the members there to invest and make  
14 changes in their investments the way our members can.

15 MS. WOLPERT: I just haven't seen this paper  
16 before.

17 MS. MARCH: I would assume, Carolyn, you  
18 hadn't seen this paper because we're operating under  
19 very difficult circumstances and it's very difficult to  
20 e-mail things to people. We haven't seen it, either.  
21 We're seeing it for the first time, too. We understand.

22 MS. WOLPERT: There are no complaints. I  
23 just wanted to understand what I'm going to vote on.

24 CHAIRPERSON AARONSON: Any other questions?

25 I'd like to waive the reading of the



1       whereases; the resolution is also very long.

2               Do I hear a motion to waive the reading of  
3       the resolution?

4               MS. ROMAIN:   So moved.

5               MR. McTIGUE:   Second.

6               CHAIRPERSON AARONSON:   Any discussion?

7               Seeing none.

8               Before we vote on the resolution, why don't  
9       those people who wanted to refresh their memories about  
10      this or look at it take a couple of minutes.

11              (One minute pause.)

12              MS. WOLPERT:   Thank you.

13              CHAIRPERSON AARONSON:   Anybody else need  
14      more time?

15              So we're ready to vote?

16              MS. MARCH:    So moved.

17              CHAIRPERSON AARONSON:   We did.

18              All in favor?

19              (A chorus of "Ayes.")

20              Any opposed?

21              Nobody opposes.   Motion carries.

22              You will convey this to Christine Bailey?

23              MS. REILLY:   I will.

24              That concludes our executive director's  
25      report.   We normally have the calendar here.   But

1 because of being displaced by Hurricane Sandy, the  
2 administrative duty meeting, the calendar is going to be  
3 deferred until we're back at 55 Water Street; as well as  
4 the minutes of the last meeting of October.

5 MS. MARCH: It's really not unusual, because  
6 we don't meet in July and August; and so then in  
7 September we approve July, August and September.

8 MS. REILLY: We will go forward with  
9 processing. We'll do the administrative job of that  
10 when we get back to 55 Water. Hopefully, we're not sure  
11 when we'll get back. We're talking about two to three  
12 weeks. But we're hearing other reports that may have us  
13 out for sometime until the beginning of the year. At  
14 this point our future is unclear.

15 We have a presentation from the  
16 Comptroller's Office.

17 MR. McTIGUE: Thank you, Madam Chair.

18 As the board may recall, at the beginning of  
19 the year responsibility for the pension bank account  
20 services was transferred to a new financial institution.  
21 And as part of that, the compensation structure was  
22 reviewed. So David Jeter, our Assistant Comptroller, is  
23 with me today and will walk us through a presentation.  
24 And at the conclusion of the presentation, we will have  
25 a request for the board.

1 MR. JETER: I won't read it word for word.

2 Basically, last year this time, a new contract was  
3 started with JPMorgan Chase to provide pension bank  
4 account services.

5 If you go to page 3, what you'll see is a  
6 schematic in front of you that totally lays out the  
7 accounts that JPMorgan Chase was responsible for, for  
8 each board. There's the investment account and the  
9 subsidiary account by which you pay your loan, regular  
10 payroll, any other benefits or payments due to members.

11 If you keep turning to page 4, some of the  
12 history here is that those services have been provided  
13 by Bank of New York since 2003. That contract was  
14 expiring. The Comptroller's Office, as part of their  
15 responsibility, issued an RFP and JPMorgan Chase was  
16 selected from that process. Some of the participants on  
17 that RFP were members from the Comptroller's Office, the  
18 retirement systems, and other members of the Mayor's  
19 Office.

20 And in the past -- turn to page 5 -- in the  
21 past, the cost of this account was basically covered by  
22 compensating balances, which were earned by balances  
23 that were held in the account from the rates, much  
24 higher than. So the fees were offset by those earnings  
25 or balances.

1           As we all know, we've been in a low interest  
2     rate environment for several years now; and what that  
3     led to is an inability for credits to earn enough in the  
4     account to earn a fee.

5           The other thing that happened along the way  
6     is, there's been no incentive to leave high balances in  
7     the accounts because the earnings are so low.

8           So those two factors together lead you to a  
9     deficit, so to speak, and gives us an inability to pay  
10    for the account. So since about mid 2010, this has been  
11    the issue.

12          If you turn to page 6, what has been  
13    happening since JPMorgan Chase has taken over the  
14    account is that, obviously they have been charging,  
15    they've been invoicing us for the fee. We have a  
16    monthly invoice, basically details the activity in the  
17    account. And what we're ultimately looking for is to  
18    pay that fee.

19          Currently, if we go to the last page, that's  
20    a better way to see it. These are costs attributed to  
21    Teachers for the services that have been rendered from  
22    January to October. And I believe what we want to ask  
23    the board is to adopt a mechanism to allow us to pay  
24    this fee.

25          MR. McTIGUE: The issue really is, since

1 David pointed out there's no longer compensating  
2 balances, a policy issue -- which is not a Comptroller's  
3 policy issue, to be clear -- is that the agency, i.e.,  
4 in this case the Teachers' Retirement System, should pay  
5 for those banking account services that heretofore you  
6 hadn't paid for, because they were paid by compensating  
7 balances.

8 So the request we would have of the board in  
9 order to pay the vendor who's providing these services,  
10 is that the board give approval for us to work with the  
11 Teachers' staff to implement a mechanism similar to  
12 corpus funding to pay for the pension bank account  
13 services.

14 CHAIRPERSON AARONSON: Question, looking at  
15 page 8. When I look at page 8 it does not appear that  
16 the ten months --

17 MR. JETER: We have to check that amount.

18 MS. ROMAIN: Are you sure it's not for all  
19 systems, and this is the breakdown for us?

20 MR. JETER: The number is relative to --

21 MR. DORSA: The number is relative to TRS.  
22 It's closer to 135. Unfortunately, there's a formula  
23 error in the Excel spreadsheet. I'm correcting that,  
24 for the record.

25 MS. ROMAIN: Okay.

1 MR. JETER: Thank you.

2 CHAIRPERSON AARONSON: So it would have  
3 added up to 316 instead --

4 MR. JETER: No. It should be 135.

5 CHAIRPERSON AARONSON: The 316 number should  
6 be 135?

7 MR. JETER: Yes.

8 MS. ROMAIN: I have another question on the  
9 same issue. So, when you say you estimate --

10 MR. JETER: The estimate is built.

11 MS. ROMAIN: The formula -- so it's more  
12 like 135.

13 MR. JETER: Yes, 135.

14 MS. MARCH: I know we will get to the point  
15 where we will decide the mechanism. We have always paid  
16 our way if we have to pay our way.

17 I have another question. Why do I have to  
18 use JPMorgan? If as a board we decide we don't want to  
19 do it this way -- we have to do it this way for now --  
20 we cannot burden the staff with the help of the  
21 Comptroller's Office, if they need help from the  
22 Comptroller's Office, to seek another institution to do  
23 this.

24 But Patricia, when we are back at 55 Water  
25 Street, I don't think this has to be our first line of

1 business, but we can go through the rest of this year if  
2 we have to, the rest of the calendar year. But I think  
3 the Teachers' Retirement System has always done their  
4 own operation. And I think we should seek an  
5 institution that we can do our operations by, and go  
6 that way.

7 CHAIRPERSON AARONSON: It may not even be  
8 necessary to have an institution. The Teachers'  
9 Retirement System may be able to develop a check writing  
10 program on its own, and we should look into that and  
11 maybe see if we can move that from the contract  
12 altogether.

13 MS. MARCH: Right. And we can do that when  
14 things have settled down and when we're back in  
15 operation, see if we can do that.

16 MR. McTIGUE: We would look forward from our  
17 office's perspective, of exploring all possibilities the  
18 system and the board would like to explore.

19 MS. MARCH: Good.

20 MS. ROMAIN: In the meantime.

21 MS. MARCH: In the meantime we will go this  
22 way.

23 MS. ROMAIN: In addition, if most of this  
24 cost as absorbed by balances in the accounts and the  
25 interest accrued on that, if we choose a different

1 method, are we going to get the money from the interest  
2 on the account to offset the cost of the Teachers'  
3 Retirement System? These are the things --

4 MS. MARCH: These are the things we are  
5 going to look at because I'm tired of the business world  
6 controlling government, when government is a much better  
7 and more honest institution than the private sector.

8 CHAIRPERSON AARONSON: Any other discussion  
9 on this?

10 MR. NORTH: If I might. As these are paid,  
11 I presume they'll be treated as administrative expenses  
12 of the system. And just in setting up the accounts with  
13 Teachers' I'd appreciate it be clear so that it flows  
14 through and becomes part of what the Actuary then  
15 rebills to the participating employers in the actuarial  
16 appropriation.

17 MS. MARCH: I know you would not let us  
18 get away with it.

19 (Laughter.)

20 Why even raise that, Mr. North?

21 MR. NORTH: To make sure you get your money  
22 back.

23 CHAIRPERSON AARONSON: I have a question  
24 related to that. Why should it be an administrative  
25 expense anyhow? Why not part of the corpus of the fund?



1                   MR. NORTH: These are administrative  
2 functions, I believe, that are being paid for, as  
3 opposed to offsets for investment; correct?

4                   MR. JETER: Going back, in the past when  
5 there was a balance -- so if you go back to page 2 --  
6 even now, it's actually paid from that investment  
7 account. So if there were enough earnings we wouldn't  
8 be having this conversation today.

9                   MR. NORTH: I thought I was being rather  
10 modest about not requesting you break that out, to keep  
11 investment earnings as earnings and get all of the  
12 administrative expenses identified. And merely net is  
13 being asked for here, because it's easily measurable and  
14 direct.

15                   But I believe the services being paid for  
16 are clearly administrative, not investment. It was  
17 being partially paid for by investment earnings. And  
18 the ideal thing in the past would have been taking  
19 investment earnings, run through investment income, and  
20 identify explicitly all expenses.

21                   We can have a very long conversation about  
22 lots of vendors who collect people's assets so they can  
23 give them services and make a profit on buried costs.  
24 That is another discussion for another time. I'm just  
25 suggesting --

1 MR. JETER: We can identify investment.

2 CHAIRPERSON AARONSON: Thank you very much  
3 for your opinion. Let's go on.

4 (Laughter.)

5 MR. McTIGUE: We have authority to pay the  
6 bills?

7 MS. MARCH: Yes; with the understanding that  
8 we are going to look elsewhere in the future; look into  
9 the whole matter, including writing our own checks, just  
10 like we invest our own variable.

11 MR. McTIGUE: Thank you.

12 CHAIRPERSON AARONSON: Thank you for your  
13 presentation.

14 Ms. Reilly, is there any other business  
15 before the board?

16 MS. REILLY: No.

17 CHAIRPERSON AARONSON: Questions from the  
18 public?

19 MS. ROMAIN: There's no public here.

20 CHAIRPERSON AARONSON: If there are no  
21 questions or comments from the public, I'll look for a  
22 motion.

23 MS. MARCH: I make a motion we go into  
24 executive session.

25 CHAIRPERSON AARONSON: Is there a second?

1 MS. ROMAIN: Second.

2 CHAIRPERSON AARONSON: Hearing no  
3 opposition, we're now in executive session for  
4 investment related matters.

5 CHAIRPERSON AARONSON: May I ask everybody  
6 who is not a board member to clear the room.

7 (Some people left the room.)

8 CHAIRPERSON AARONSON: Mr. Katz?

9 MR. KATZ: This morning at the investment  
10 meeting we discussed the proposed termination of Profit  
11 investments. Profit is a money manager in the variable  
12 program investing assets in a large cap growth  
13 portfolio. Over the years -- they started off when we  
14 hired them doing quite well, and over the most recent  
15 past their performance has deteriorated.

16 We discussed other issues, specifically  
17 personnel issues, and the fact that because of the  
18 performance and the personnel issues, that essentially  
19 we've lost confidence in them.

20 So at the investment meeting, the investment  
21 committee made a determination that we should in fact  
22 not renew their contract going forward. What we're  
23 proposing here is the exact resolution regarding their  
24 termination.

25 CHAIRPERSON AARONSON: Any discussion?

1 MS. ROMAIN: I have a question. I don't  
2 know whether or not it matters, but in reading the  
3 resolves, we talk about the chair or in his or her  
4 absence the executive director. Since the system at  
5 this point has been dealing with the deputy executive  
6 director, should it be explicit?

7 MR. GILLER: We can amend that.

8 MS. ROMAIN: It talks about the executive  
9 director, so should that be changed to deputy executive  
10 director?

11 CHAIRPERSON AARONSON: Is there any problem  
12 with that for anybody?

13 MR. KATZ: We can do that.

14 MR. GILLER: Yes.

15 CHAIRPERSON AARONSON: So, seeing no further  
16 discussion, are we all agreed that this should take  
17 place? Does that finish our business?

18 MS. MARCH: Yes.

19 MR. REILLY: Take a vote.

20 MR. KATZ: Consensus.

21 CHAIRPERSON AARONSON: Would somebody move?

22 MS. MARCH: So moved.

23 MS. ROMAIN: Second.

24 CHAIRPERSON AARONSON: Any discussion?

25 Seeing none, ready for a vote.

1 All in favor?

2 (A chorus of "Ayes.")

3 Any opposed?

4 It's carried.

5 MS. MARCH: Motion to go out of executive  
6 session.

7 MS. WOLPERT: Second.

8 (Discussion off the record.)

9 MR. McTIGUE: I'd say that the practice  
10 being adopted by the Teachers' Retirement Board for the  
11 variable is similar to the process that's adopted for  
12 the pension fund. That is to say, notification will be  
13 made available once the transition is complete.

14 The goal was not to unduly harm in any way  
15 or influence the markets as it relates to the position  
16 the Teachers' Retirement System has by putting  
17 information out there before it's complete.

18 MS. VAN EYSDEN: Should we be reporting back  
19 in public session that an action was taken?

20 MS. ROMAIN: Joel will do that.

21 MR. McTIGUE: In the executive session the  
22 board discussed investment matters, the details to be  
23 made public pending completion of appropriate actions  
24 and notifications and details.

25 MS. ROMAIN: I move to adjourn.

1 MS. WOLPERT: Second.

2 CHAIRPERSON AARONSON: All in favor?

3 (A chorus of "Ayes.")

4 Any opposed?

5 We're now adjourned.

6 (Time noted: 1:48 p.m.)

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## C E R T I F I C A T I O N

I, Jeffrey Shapiro, a Shorthand Reporter and Notary Public, within and for the State of New York, do hereby certify that I reported the proceedings in the within-entitled matter, on Thursday, November 15, 2012, at the offices of the NEW YORK CITY RETIREMENT SYSTEM, 335 Adams Street, Brooklyn, New York, and that this is an accurate transcription of these proceedings.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_ day of \_\_\_\_\_, 2012.

\_\_\_\_\_  
JEFFREY SHAPIRO