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## NEW YORK CITY TEACHERS' RETIREMENT SYSTEM

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## BOARD MEETING

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Held on Thursday, November 16, 2017, at 55 Water

7

Street, New York, New York

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## ATTENDEES:

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JOHN ADLER, Chairman, Trustee

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DAVID KAZANSKY, Trustee

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THOMAS BROWN, Trustee

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JOHN DORSA, Trustee

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RAYMOND ORLANDO, Trustee

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DEBRA PENNY, Trustee

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PATRICIA REILLY, Teachers' Retirement System

17

SUSAN STANG, Teachers' Retirement System

18

VALERIE BUDZIK, Teachers' Retirement System

19

THAD McTIGUE, Teachers' Retirement System

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## REPORTED BY:

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YAFFA KAPLAN

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JOB NO. 0611032

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2     ATTENDEES (Continued):

3           KAVITA KANWAR, Teachers' Retirement System

4           PAUL RAUCCI, Teachers' Retirement System

5           ANNETTE HANHARAN, Teachers' Retirement System

6           ANTHONY MEZZACAPPA, Teachers' Retirement System

7           CARMELA CRIVELLI, Teachers' Retirement System

8           RENEE PEARCE, Teachers' Retirement System

9           MARTA ROSS, ESQ., Law Department

10          SHERRY CHAN, Office of the Actuary

11          ANDREW BRADFORD, Teachers' Retirement System

12          LIZ SANCHEZ, Teachers' Retirement System

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1 Proceedings

2 MR. ADLER: Okay, folks, good  
3 afternoon. Welcome to the Teachers'  
4 Retirement System board meeting for November  
5 16, 2017.

6 Pat, could you please call the roll?

7 MS. REILLY: John Adler?

8 MR. ADLER: I am here.

9 MS. REILLY: Thomas Brown?

10 MR. BROWN: Present.

11 MS. REILLY: David Kazansky?

12 MR. KAZANSKY: Here.

13 MS. REILLY: Raymond Orlando?

14 MR. ORLANDO: I am here.

15 MS. REILLY: Debra Penny?

16 MS. PENNY: Here.

17 MS. REILLY: Susannah Vickers?

18 MR. DORSA: John Dorsa for the  
19 Comptroller's Office.

20 MS. REILLY: John Dorsa for the  
21 Comptroller's Office is present. We do have a  
22 quorum.

23 MR. ADLER: Very good.

24 MS. REILLY: So next on the agenda, an  
25 update of TRS operations. Kavita Kanwar will

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2 give us that update.

3 MS. KANWAR: The 2017 annual benefits  
4 statement mailing started in early November.  
5 The mailings are expected to continue through  
6 the month of November. Approximately 123,000  
7 members with membership status of active and  
8 on leave will receive a statement by mail.  
9 The online version of the previous statements  
10 were posted to the secure section of our  
11 website earlier this week. Members can go  
12 into their account to access an electronic  
13 copy of this year's statement. We are  
14 informing members that this year's statement  
15 is the last one they will receive by mail.  
16 Future annual statements will be available  
17 only on our secure website. This is the  
18 latest step in our strategic efforts towards  
19 more people, less upkeep.

20 The first 2017 issue of our member  
21 newsletter has been published. Inservice News  
22 will be mailed to our nonretired members over  
23 the next week, and benefit reports will be  
24 mailed to our retirees. Thank you.

25 MS. REILLY: Thank you, Kavita.

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2 Next is the executive director's report.  
3 And the first item there is the next meeting,  
4 and it's been suggested that the next regular  
5 meeting of the Teachers' Retirement Board be  
6 held on the third Thursday of the month,  
7 December 21, 2017.

8 Next on the executive director's report,  
9 the resolution of the approval of the  
10 amendment to rules of the Board of Education  
11 Retirement System. "Whereas the Board of  
12 Trustees of the Board of Education Retirement  
13 System adopted and submitted to the Teachers'  
14 Retirement Board for approval as required by  
15 New York Education Law, section 2575, an  
16 amendment to Section 5a of the BERS Rules and  
17 Regulations, to permit an employee-member's  
18 elected alternate to act as a member of the  
19 Retirement Board in the absence of such  
20 employee-member. Resolved, the TRS Board  
21 approves the amendment to section 5a of the  
22 BERS Rules and Regulations, to permit an  
23 employee-member's elected alternate to act as  
24 a member of the Retirement Board in the  
25 absence of such employee-member."

1 Proceedings

2 MR. ADLER: Is there a motion to approve  
3 this resolution?

4 MR. ORLANDO: So moved. Help a guy out.

5 MR. ADLER: Is there a second?

6 MR. BROWN: Second.

7 MR. ORLANDO: Thank you, Tom.

8 MR. ADLER: I don't know if you want to  
9 say anything more about it.

10 MR. ORLANDO: Happy to. So as co-chair  
11 of the Board of Education Retirement System,  
12 we are bringing this resolution requesting  
13 your approval because we frequently run into  
14 times where we don't actually manage to have a  
15 quorum. Part of the quorum requirement is  
16 that at least one of the two union side folks  
17 on our board be present. Each union side guy  
18 has an alternate but the alternates are not  
19 authorized at this point to actually take over  
20 in the event that one of the union side guys  
21 can't make it. So allowing them this  
22 resolution, you will allow the alternates to  
23 actually serve in place of in the absence of  
24 the union guys will help us to actually better  
25 manage the System's needs so -- and I hope for

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2 your approval.

3 MR. ADLER: Just to be clear, so this  
4 change was approved by the BERS Board?

5 MR. ORLANDO: Yes.

6 MR. ADLER: But again, under the laws  
7 stated in the resolution, it must be submitted  
8 to the Teachers' Retirement System Board in  
9 order to be approved?

10 MR. ORLANDO: Yes, to happen.

11 MR. ADLER: Any further questions or  
12 discussion? Okay. Motion made and seconded.  
13 All in favor of the resolution to approve the  
14 amendment to the rules of the Board of  
15 Education Retirement System, please say aye.  
16 Aye.

17 MR. DORSA: Aye.

18 MR. KAZANSKY: Aye.

19 MR. BROWN: Aye.

20 MR. ORLANDO: Aye.

21 MS. PENNY: Aye.

22 MR. ADLER: All opposed, please say nay.  
23 Any abstentions? Motion carries.

24 MS. REILLY: Next is attendance at a  
25 conference. The following resolution is

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2 presented for consideration and possible  
3 adoption. "Resolved, that the Trustees of the  
4 Teachers' Retirement Board hereby approve the  
5 attendance and participation of the Executive  
6 Director and/or her designees, and any  
7 interested trustee, at the 2018 National  
8 Conference on Public Employee Retirement  
9 Systems' Legislative Conference, from January  
10 28th through January 30, 2018."

11 MR. ADLER: Okay. Is there a motion to  
12 approve this resolution?

13 MS. PENNY: So moved.

14 MR. ADLER: Is there a second?

15 MR. KAZANSKY: Second.

16 MR. ADLER: Motion made and seconded.  
17 Any discussion? All in favor of the motion to  
18 approve the resolution regarding attendance at  
19 the 2018 NCPERS Legislative Conference, please  
20 say aye. Aye.

21 MR. DORSA: Aye.

22 MR. KAZANSKY: Aye.

23 MR. BROWN: Aye.

24 MR. ORLANDO: Aye.

25 MS. PENNY: Aye.

1 Proceedings

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

4 MS. REILLY: Next on the agenda is the  
5 calendar and the matter of the approval of the  
6 minutes for June 21, 2017.

7 MR. ADLER: So I think we are going to  
8 lay those over, the June 21, 2017 TRS CIM  
9 minutes because they are being revised.

10 MS. REILLY: Okay. And then the  
11 September 7, 2017 TRS investment meeting  
12 minutes, the September 20th TRS CIM minutes,  
13 October 5, 2017 TRS investment meeting  
14 minutes, October 18th TRS CIM minutes, and the  
15 October 19th regular board meeting minutes.

16 MR. ADLER: Okay. So is there a motion  
17 to approve these minutes?

18 MR. BROWN: So moved.

19 MR. ADLER: Is there a second?

20 MR. DORSA: Second.

21 MR. ADLER: Any discussion? All in  
22 favor of the motion to approve the minutes  
23 listed by Patricia for the dates listed,  
24 please say aye. Aye.

25 MR. DORSA: Aye.

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2 MR. KAZANSKY: Aye.

3 MR. BROWN: Aye.

4 MR. ORLANDO: Aye.

5 MS. PENNY: Aye.

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

7 Any abstentions? Okay. Motion carries.

8 MS. REILLY: Next are the items on the

9 calendar. You all should have received an

10 electronic version of the calendar for your

11 review prior to the meeting.

12 MR. KAZANSKY: Please waive the reading

13 of the calendar.

14 MR. ADLER: Okay. So we have all

15 received the calendar. Is there a motion to

16 approve the calendar?

17 MR. KAZANSKY: So moved.

18 MR. ADLER: Thank you, Dave. Is there a

19 second?

20 MR. BROWN: Second.

21 MR. ADLER: Motion made and seconded.

22 Any discussion of the calendar? All right.

23 All in favor of approving the calendar, please

24 say aye. Aye.

25 MR. DORSA: Aye.

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2 MR. KAZANSKY: Aye.

3 MR. BROWN: Aye.

4 MR. ORLANDO: Aye.

5 MS. PENNY: Aye.

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

7 Any abstentions? Okay. The motion to approve  
8 the calendar passes. Under other business we  
9 have a presentation by Andrew Bradford on  
10 enterprise risk management.

11 MR. BRADFORD: So we are just getting  
12 the presentation up. So I thought today I  
13 would give you a presentation on what we are  
14 doing with enterprise risk management within  
15 TRS. And I just want to go through very  
16 briefly -- it's a very high level kind of  
17 summary of what we are doing. So what I am  
18 going to do today is go through what is  
19 enterprise risk management, what we do here.  
20 I am going to go through a heat map and then  
21 show you a very high level heat map for TRS  
22 and then talk a bit about our risk awareness  
23 program that we are putting together for  
24 rollout early next year. So I know a lot of  
25 diagrams here and not easy to read, but

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2 basically we have a program relating to risk  
3 showing three columns here. The first one is  
4 developing the program, the steps in  
5 implementing a risk management program, and  
6 then how we monitor, review, and communicate  
7 and report in there. So in order to do that,  
8 we do need four steps. There is the high  
9 level I just read on the left with  
10 establishing the program, having risk  
11 awareness training, and also having risk  
12 champions. They are kind of not here today,  
13 but within each department we have one person  
14 that represents risks and they work with us  
15 and coordinate with us.

16 We are looking at operational risk. I  
17 am going to go through the agency heat map.  
18 That's what I am going to show you today  
19 basically, but there are two other levels that  
20 we do as well. One is kind of a roll-up with  
21 a business unit level where we share risk  
22 profiles, mitigation, ways to fix things that  
23 we see, and analysis of emerging risks, and at  
24 the very bottom level we also have risk  
25 identified by process basically. So whether

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2 there is an enrollment or retirements, all  
3 those types of processes, we have a risk  
4 registered for all of them.

5 So what is a risk heat map? I am pretty  
6 sure you have seen something like this before.  
7 It's a visual representation showing  
8 probability and impact of high level risks.  
9 So what we do, we put this -- actually what  
10 you are seeing is the very first version that  
11 we have come up with. This is brand-new for  
12 us actually, this level. It's been reviewed  
13 with the directors and executive management in  
14 determining what the risks are and where to  
15 put them on the diagram. So what we do is we  
16 basically have a diagram. And we measure by  
17 probability from low to high and by impact.

18 MS. REILLY: Probability that the risk  
19 will occur?

20 MR. BRADFORD: Will occur, yes. So  
21 risks inherently have not occurred yet. So  
22 here we go. We have four quadrants, and as  
23 you probably figured, you have seen these  
24 types of charts before. The low risks are in  
25 the bottom left-hand side, and the top risks

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2 are in the top right-hand side. So that tends  
3 to be where you focus your time, on the top  
4 risk on the top right-hand side. And the  
5 other two are more medium risks that we follow  
6 and monitor when things happen. So the action  
7 there, monitoring things, accepting risks or  
8 reviewing them when they arrive, but in the  
9 high quadrant, you are remediating those  
10 risks.

11 So what are our risks? So this is our  
12 current dashboard of our heat map. We have  
13 nine categories, very high level, ranging from  
14 over on the left-hand side, statutory changes  
15 like changes in law. Over to the right-hand  
16 side with information security. So just very  
17 briefly, I am going to go through each  
18 quadrant, left to right, top to bottom, so you  
19 can see a bit more detail. So these are the  
20 three micro levels that we look at. It's the  
21 medium quantity quadrant basically.

22 MS. REILLY: So this means there is a  
23 high impact if the risk occurs, but there is a  
24 low probability it will occur.

25 MR. BRADFORD: Absolutely. High impact

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2 if it occurs, but there is a low probability  
3 that it will occur. Now, over to the big one.  
4 This is where you need to pay attention and  
5 start managing the risks more proactively, and  
6 as you can see, this is the high impact and  
7 high probability. Down in the left-hand  
8 corner, which is the low risk area, we have  
9 financial reporting and legacy systems, and  
10 then over on the right-hand side we have  
11 reputational risk. And that's where there is  
12 a low impact. You know, there is a higher  
13 probability. These -- you see it's all the  
14 way over to the left. So that's the high  
15 level risk register that we have.

16 MS. REILLY: Now, under each one -- I  
17 know you are staying high level, but under  
18 each one we draw down and we --

19 MR. BRADFORD: Yes. So that's exactly  
20 the point. I am glad you reminded me. So  
21 those are the two levels. Then -- so we have  
22 the bottom level where we are looking at the  
23 process level risk but goes up to the  
24 functional, business level, and then this also  
25 can go up to the macro level as well. So

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2 everything is kind of connected all the way  
3 through.

4 MR. ADLER: Can I ask a question? So  
5 you have reputational in the lower right  
6 quadrant but it strikes me -- and maybe I am  
7 wrong; wouldn't be the first time -- that you  
8 know, reputational risk can run the gamut of  
9 impact. So you could have, you know, some  
10 reputational event that takes place that has a  
11 high impact or you know, could have stuff that  
12 has a low impact that doesn't touch that many  
13 members or whatever. So how do you place that  
14 in that lower right-hand quadrant?

15 MR. BRADFORD: I am glad you asked  
16 because we do this with all of them basically.  
17 So we go around with all the directors in the  
18 organization, we talked to Patricia and Thad.  
19 We went to some other people as well that were  
20 key people to interview them and get their  
21 perspective on that particular risk, and then  
22 based on that we place it.

23 MS. REILLY: So why -- why do we believe  
24 that a reputational risk would have a low  
25 impact? If -- let's say that reputational

1 Proceedings

2 risk was not just member specific but would be  
3 a broader reputational risk.

4 MR. BRADFORD: We can also look at what  
5 happened in the past as well, right, where  
6 there has been a reputational issue and see  
7 what the impact is from historical  
8 perspective.

9 MS. REILLY: So we are saying the type  
10 of reputational risk we may have is probably  
11 member-to-member level, not board-agency  
12 level.

13 MR. BRADFORD: Yes.

14 MR. ORLANDO: And Andrew, don't all of  
15 the other boxes have associated reputational  
16 risk in some way? There is a very specific  
17 reputational definition you are using, but any  
18 one of those others can also be a  
19 reputational.

20 MR. BRADFORD: If you think about it,  
21 you can actually link those.

22 MR. ORLANDO: That process or that  
23 story?

24 MS. REILLY: A massive security breach  
25 he is saying. He is saying that would be the

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2 reputational risk.

3 MR. BRADFORD: Slight. So one of the  
4 things -- I know it's kind of serious looking  
5 at macro level risks, but one of the things we  
6 are doing is ways to increase risk awareness  
7 in the organization for everyone. So I want  
8 to show you a couple of things.

9 So while we have interns here, if you  
10 look at these pictures, you will notice they  
11 are all superheroes. They all live in  
12 New York. So we put an R on their chests for  
13 risk, so this is one of the competitions going  
14 out. We place these posters strategically  
15 around the organization, and we have a  
16 competition for people to tell you what the  
17 answer is to the question, report back, and  
18 there is a prize at the end. So that's all  
19 great. I am actually very happy that this  
20 year that we have begun an intern that knew  
21 how to do all of this. It's way beyond my  
22 ability to do this kind of graphical stuff.  
23 We really made some progress.

24 And then we also have some of the  
25 material as well. So in the top left-hand

1 Proceedings

2 corner, you will see small snippets of a  
3 12-minute video that we looked over together,  
4 put together. We are going to use that for  
5 employee onboarding. We also have a video in  
6 the bottom left-hand corner that tells you  
7 about five tips relating to risk as to how we  
8 should look for them and think about them. We  
9 have three series of three pension  
10 presentations that we have that we have given  
11 to managers before that are going to roll out  
12 more. And on the bottom in the middle, we  
13 also have a risk workshop that we are putting  
14 together. Again, we are going to try it out  
15 by doing it with, you know, onboarding when  
16 people come into the organization, and it's  
17 one of those things where you take something  
18 that's not TRS related, ask them what the  
19 risks are, what they do, what kind of controls  
20 they put in place, and then you associate it  
21 over to TRS and analyze ways to work.

22 So this is our program. Onboarding,  
23 training workshop, and an awareness  
24 competition. So that's my presentation. Any  
25 questions?

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2 MR. ADLER: What are all those letters  
3 after your name?

4 MR. BRADFORD: There are more letters  
5 after my name than in my name. Project  
6 management professional and others relate to  
7 information for security auditing, risk, and  
8 governance.

9 MR. ADLER: I wish I had a letter after  
10 my name.

11 MS. REILLY: All right. Thank you,  
12 Andrew.

13 MS. REILLY: Next on the agenda is  
14 questions or comments from the public.

15 MR. ADLER: Don't see any members of the  
16 public.

17 MS. REILLY: And that concludes the  
18 agenda.

19 MR. ADLER: That concludes the public  
20 session, so I think that concludes the public  
21 session. We do have an executive session on  
22 tap, so I think a motion to go into executive  
23 session would be in order if someone would  
24 like to offer one.

25 MS. PENNY: I move, pursuant to Public

1 Proceedings

2 Officers Law Section 105, to go into executive  
3 session for discussion regarding specific  
4 investment matters.

5 MR. ADLER: Is there a second?

6 MR. DORSA: Second.

7 MR. ADLER: Thank you. Any discussion?

8 All in favor of the motion to enter executive  
9 session, please say aye.

10 MR. DORSA: Aye.

11 MR. KAZANSKY: Aye.

12 MR. BROWN: Aye.

13 MR. ORLANDO: Aye.

14 MS. PENNY: Aye.

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

16 Any abstentions? Okay. Motion carries. We  
17 will now go into executive session.

18 (Whereupon, the meeting went into Executive Session)

19 MR. ADLER: Okay. We are back in public  
20 session.

21 Susan, would you please report out of  
22 executive session?

23 MS. STANG: Certainly. In executive  
24 session, certain proxy voting issues were  
25 discussed. Consensus was reached, which will

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2 be announced at the appropriate time.

3 MR. ADLER: Thank you very much. I  
4 believe that concludes our business for the  
5 board meeting today. Is there a motion to  
6 adjourn?

7 MS. PENNY: So moved.

8 MR. ADLER: Is there a second?

9 MR. BROWN: Second.

10 MR. ADLER: Motion made and seconded.

11 MR. KAZANSKY: One thing before we say  
12 goodbye. Teacher trustees wish everyone and  
13 their families a lovely Thanksgiving next  
14 week. We are thankful for all of you.

15 MR. DORSA: As does the Comptroller's  
16 Office.

17 MR. ORLANDO: Right back atcha.

18 MR. ADLER: With that, we have a motion  
19 on the floor. All in favor of the motion to  
20 adjourn, please say aye. Aye.

21 MR. DORSA: Aye.

22 MR. KAZANSKY: Aye.

23 MR. BROWN: Aye.

24 MR. ORLANDO: Aye.

25 MS. PENNY: Aye.

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

3 Any abstentions? Okay. The motion carries.

4 The meeting is adjourned.

5 (Time noted: 4:04 p.m.)

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STATE OF NEW YORK )

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COUNTY OF QUEENS )

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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 29th day of November,

15

2017.

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YAFFA KAPLAN

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