

0001

1

2

3

NEW YORK CITY TEACHERS' RETIREMENT SYSTEM
BOARD MEETING

5

6

Held on Thursday, November 17, 2022 via
Videoconference
3:44 p.m.

9

10 ATTENDEES:

11

DEBRA PENNY, Chairperson, Trustee

12

DAVID KAZANSKY, Trustee

13

ALISON HIRSH, Trustee, Comptroller's Office

14

THOMAS BROWN, Trustee

15

BRYAN BERGE, Trustee, Mayor's Office

16

VALERIE BUDZIK, Teachers' Retirement System

17

THAD McTIGUE, Teachers' Retirement System

18

LIZ SANCHEZ, Teachers' Retirement System

19

ISAAC GLOVINSKY, Teachers' Retirement System

20

KAVITA KANWAR, Teachers' Retirement System

21

KATE CHEN, Teachers' Retirement System

22

ANNETTE HANRAHAN, Teachers' Retirement System

23

BOB GRAY, Teachers' Retirement System

24

REPORTED BY:

YAFFA KAPLAN

25

JOB NO. 8839039

0002

1

2

ATTENDEES (Continued):

3

SUSAN STANG, Teachers' Retirement System

4

NATARAJAN KRISHNAMOORTHY, Teachers' Retirement
System

5

6

ANDREW BRADFORD, Teachers' Retirement System

7

BILL BENSON, Teachers' Retirement System

8

RENEE PEARCE, Teachers' Retirement System

9

MAREK TYSZKIEWICZ, Office of the Actuary

10

MITCHELL FRUCHTER, Teachers' Retirement System

11

ISAAC GLOVINSKY, Teachers' Retirement System

12

DARREN TROTTER, New York City Law Department

13

PAUL RAUCCI, Teachers' Retirement System

14

ROBERT BETHELMY, Teachers' Retirement System

15

DAN WHITMAN

16

JOE EBISA

17

VICTORIA LEE

18

DINA SIMON

19

MEIR SCHECHTER

20

SHARON CAMPBELL, Grant Thornton

21

ANDY ZMICH, Grant Thornton

22

CECILLE PUBLICO, Grant Thornton

23

PATTY IACONO, Grant Thornton

24

BRIAN HARDY, Grant Thornton

25

WILL RICHARDSON, Grant Thornton

0003

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
0004

Proceedings
MS. REILLY: Good afternoon. Welcome to
the Board meeting of the Teachers' Retirement
Board for November 17, 2022. I will start by
calling the roll.
Bryan Berge?
MR. BERGE: Present, representing Mayor
Adams.
MS. REILLY: Thomas Brown?
MR. BROWN: Here. Good afternoon,
Patricia.
MS. REILLY: Good afternoon. Serrita
Scott? Alison Hirsh?
MS. HIRSH: Here, representing
Comptroller Brad Lander.
MS. REILLY: David Kazansky?
MR. KAZANSKY: Present.
MS. REILLY: Debra Penny?
MS. PENNY: I am present.
MS. REILLY: We have a quorum.
So the first item on our agenda is an
update on TRS operations, and Kavita Kanwar is
going to give us that update.
MS. KANWAR: Thank you, Patricia. TRS
has updated the individual limits for member

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
0005

Proceedings
contributions for the TDA program in 2023.
The IRS recently announced that the general
limit will be 22,500 for next year, which is
an increase of 2,000 dollars, and the catchup
limit will be 7,500, an increase of 1,000
dollars.
During November, TRS also sent an e-mail
blast to noncontributing members to make them
aware of our TDA program. TRS is in the
process of generating nearly 127,000 account
statements for the third quarter of 2022.
Members will be notified via e-mail blast as
these are made available for viewing on the
TRS website. In addition, account statements
were posted online and mailed to approximately
62,000 retired members with their TDA accounts
and 1,400 TDA beneficiary participants. Thank
you.
MS. PENNY: Thank you.
MS. REILLY: Thank you. Next on the
agenda is the executive director's report.
The first item on the executive director's
report is the next meeting, which was
scheduled for Thursday, December 15, 2022.

1
2

Proceedings
Please mark your calendars.

3 The next item is an approval of the 2023
4 Shareholder Proposal Plan. So --
5 MR. KAZANSKY: Please skip to the
6 resolved. I was looking for it. I apologize.
7 MS. REILLY: "Resolved, that the Board
8 hereby ratifies the Committee's approval of
9 the Plan and authorizes the Office of the New
10 York City Comptroller to submit the specified
11 shareholder proposals on the focus list
12 submitted to the Committee."
13 MS. PENNY: Thank you. Do I hear a
14 motion?
15 MR. BROWN: So moved.
16 MS. PENNY: Thank you, Mr. Brown. Do I
17 hear a second?
18 MR. BERGE: Second.
19 MS. PENNY: Thank you, Mr. Berge. Any
20 questions for Patricia about this? Okay. All
21 those in favor, please say aye.
22 Aye.
23 MR. BERGE: Aye.
24 MR. BROWN: Aye.
25 MR. KAZANSKY: Aye.

0006

1 Proceedings
2 MS. HIRSH: Aye.
3 MS. PENNY: Any opposed? Any
4 abstentions? Okay. Motion carries.
5 MS. REILLY: Next is the adoption of the
6 Excess Benefit Plan Trust document.
7 MR. KAZANSKY: Please skip to the
8 resolved.
9 MS. REILLY: "Resolved, that the Board
10 of Trustees adopts the annexed Qualified
11 Excess Benefit Arrangement Plan and Trust; and
12 be it further resolved, that the Board
13 delegates to the Executive Director or her
14 designee, as appropriate, the authority to
15 take administrative actions necessary to
16 manage the Excess Benefit Plan including the
17 payment of benefits from the Trust.
18 MS. PENNY: Thank you, Patricia. Do I
19 hear a motion to adopt the Excess Benefit Plan
20 Trust document?
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

0007

1 Proceedings
2 questions?
3 MR. BERGE: No questions. I just wanted
4 to note for the record that at another system

5 there was an extensive discussion of this
6 document which I enjoyed more than anyone. I
7 am confident that this is a good step for TRS
8 to undertake with respect to the Excess
9 Benefit Plan.

10 MS. PENNY: Okay. All those in favor,
11 please say aye.

12 Aye.

13 MR. BERGE: Aye.

14 MR. BROWN: Aye.

15 MR. KAZANSKY: Aye.

16 MS. HIRSH: Aye.

17 MS. PENNY: Any opposed? Any

18 abstentions? Okay. Motion carries.

19 MS. REILLY: Next is attendance at a
20 conference. The following resolution is
21 presented for consideration and possible
22 adoption: "Resolved, that the Trustees of the
23 Teachers' Retirement Board hereby approve the
24 attendance and participation of the Executive
25 Director and/or her designees and any

0008

1 Proceedings

2 interested Trustee at the National Conference
3 of Public Employee Retirement Systems 2023
4 Legislative Conference from January 22nd
5 through January 24, 2023."

6 MS. PENNY: Thank you, Patricia. Do I
7 hear a motion to approve the attendance at
8 conference?

9 MR. BROWN: So moved.

10 MS. PENNY: Thank you, Mr. Brown. Do I
11 hear a second?

12 MR. KAZANSKY: Second.

13 MS. PENNY: Any questions? All those in
14 favor, please say aye.

15 Aye.

16 MR. BERGE: Aye.

17 MR. BROWN: Aye.

18 MR. KAZANSKY: Aye.

19 MS. HIRSH: Aye.

20 MS. PENNY: Any opposed? Any

21 abstentions? Okay. Attendance is approved.

22 I would say anyone who is interested just tell
23 Patricia or Liz, and they will put you on the
24 list.

25 MS. REILLY: So next is the calendar,

0009

1 Proceedings

2 and the first item on the calendar is the
3 approval of the following minutes which we
4 only have one, which is the October 20, 2022
5 Board meeting minutes.

6 MS. PENNY: Do I hear a motion to

7 approve the October 20, 2022 Board minutes?
8 MR. BROWN: So moved.
9 MS. PENNY: Thank you, Mr. Brown. Do I
10 hear a second?
11 MR. BERGE: Second.
12 MS. PENNY: Thank you, Mr. Berge. All
13 those in favor, please say aye.
14 Aye.
15 MR. BERGE: Aye.
16 MR. BROWN: Aye.
17 MR. KAZANSKY: Aye.
18 MS. HIRSH: Aye.
19 MS. PENNY: Any opposed? Any
20 abstentions? They are approved.
21 MS. REILLY: Next are the calendar
22 items. You all received an electronic copy of
23 those calendar items.
24 MR. KAZANSKY: Please waive the reading
25 of the calendar.

0010

1 Proceedings
2 MS. REILLY: Thank you.
3 MS. PENNY: Do I hear a motion to
4 approve the calendar items?
5 MR. KAZANSKY: So moved.
6 MS. PENNY: Thank you, Mr. Kazansky. Do
7 I hear a second?
8 MR. BROWN: Second.
9 MS. PENNY: Thank you, Mr. Brown. Any
10 questions about the calendar? All those in
11 favor, please say aye.
12 Aye.
13 MR. BERGE: Aye.
14 MR. BROWN: Aye.
15 MR. KAZANSKY: Aye.
16 MS. HIRSH: Aye.
17 MS. PENNY: Any opposed? Any
18 abstentions? The calendar passes.
19 MS. REILLY: Okay. Next under other
20 business we have a financial presentation from
21 Grant Thornton. I believe they are here
22 virtually.
23 MS. CAMPBELL: Hello. Good afternoon,
24 everybody. For those who don't know me, I am
25 Sharon Campbell. I am a managing director in

0011

1 Proceedings
2 Grant Thornton's employee benefit plan audit
3 practice. I served as the lead engagement
4 partner on the Teachers' Retirement System of
5 the City of New York for this year as well as
6 the last two years. I appreciate this
7 opportunity to present to you today the
8 required communications, those charged with

9 governance, and first and foremost, before I
10 share this presentation, I would like to thank
11 management for all their assistance on this
12 year's audit, as well as their transparency
13 and their commitment to quality and reporting
14 excellence, which is integral to the timely
15 completion of this year's audit.

16 With that, I am going to share my
17 screen. I am going to move some things around
18 here. Okay. Can everyone see my screen?

19 MR. BROWN: Yes.

20 MS. CAMPBELL: Okay, perfect. So
21 everybody should have received this package
22 electronically. So we are going to go over
23 some highlights. Here with me today are my
24 manager Patsy Iacono and Will Richardson as
25 well as Brian Hardy from our ITAS group, Andy

0012

1 Proceedings

2 Zmich from our actuarial specialist group, and
3 Cecille Publico from our investment specialist
4 group.

5 Okay. So this slide is just the
6 timeline of our audit and our scope. I am not
7 going to go into detail here, but the
8 fieldwork here is primarily performed during
9 June to October time frame, and the
10 deliverables meet the October 26, 2022
11 deadlines. Okay.

12 So we are required to communicate the
13 responsibilities. The responsibilities for
14 those charged with governance are overseeing
15 the financial reporting process, setting a
16 positive tone at the top, and challenging the
17 plan's activities in the financial arena,
18 discussing significant accounting and internal
19 control matters with management, informing us
20 about fraud or suspected fraud, including your
21 views about fraud risks, informing us about
22 other matters that may be relevant to our
23 audit.

24 Management is responsible for preparing
25 and fairly presenting the financial statements

0013

1 Proceedings

2 and any required supplementary information;
3 designing, implementing and maintaining
4 internal controls relevant to the preparation
5 of the financial statements; maintaining
6 sufficient records with respect to
7 participants; communicating significant
8 accounting and internal control matters to
9 those charged with governance, and also
10 informing us about any fraud, illegal acts,

11 significant deficiencies, or material
12 weaknesses in internal controls.
13 Now, our responsibilities as your
14 independent auditors are to obtain reasonable
15 assurances about whether the financial
16 statements as a whole are free from material
17 misstatement, whether due to fraud or error,
18 as well as issuing an auditor's report that
19 includes our opinion. We approach our audit
20 using a risk-based approach, identifying
21 significant risks as well as other areas of
22 risk. The presumed fraud risk of management
23 override of internal controls over financial
24 reporting is considered a significant risk.
25 The results of that risk are we obtain an

0014

1 Proceedings
2 understanding of the financial reporting
3 process and controls over the journal entries
4 and any other adjustments as well as the
5 suitability of design and implementation of
6 such controls. We make inquiries of
7 individuals involved in the financial
8 reporting process about inappropriate or
9 unusual activity relating to the processing of
10 journal entries and other adjustments. We
11 also consider fraud indicators, the nature and
12 complexity of accounts and entries processed
13 outside of the normal course of plan
14 operations, and then based on the procedures
15 performed, the controls appear to be designed
16 and implemented appropriately, and individuals
17 appear to have the appropriate authorization
18 rights. There were no significant exceptions
19 identified in this area.

20 Does anybody have any questions so far?
21 Okay. I will move forward.

22 Our other areas of focus include
23 investment and investment income. So we
24 confirm investment positions, we evaluate the
25 reasonableness of the fair value disclosures.

0015

1 Proceedings
2 We test a sample of investments held at
3 year-end to determine the reasonableness of
4 the reported fair values. We also test a
5 sample of purchases and sales throughout the
6 year to also determine the reasonableness of
7 the fair values as well as investment-related
8 income including net appreciation and
9 depreciation in the fair values. We also
10 evaluate the reasonableness of investment
11 expenses. During the year we identify,
12 similar to the prior year, a proposed

13 adjustment related to a lag in reporting for
14 alternative investment fair value.

15 Another area of focus is member
16 contributions. We test the completeness of
17 the population of member contributions, and
18 then we select a sample of member
19 contributions to determine eligibility to
20 contribute and whether member contributions
21 amounts are appropriately calculated and
22 withheld in accordance with plan provisions.
23 Another area of focus includes benefit
24 payments. So again, we test the completeness
25 of the population of benefit payments, and

0016

1 Proceedings
2 then on a sample basis we select benefit
3 payments and review supporting documentation
4 and calculations to determine whether the
5 member was eligible to receive the benefit
6 payment as well as the type of withdrawal
7 requested, that the benefit payments were
8 appropriately authorized, and that benefit
9 payments are calculated in accordance with
10 plan provisions. We also test the total
11 pension liability by testing the completeness
12 and accuracy of the census data. We assess
13 the reasonableness of the actuarial
14 assumptions used and inputs used in the
15 calculation of the pension liability, and we
16 select a sample of members included in the
17 census data using a change testing approach
18 and testing the accuracy of the selected
19 demographic data. Other areas of focus
20 include member loans and compliance with
21 relevant plan provisions, ITGCs, and the
22 adequacy of disclosures in the financial
23 statements.

24 Okay. This year we used specialists in
25 our compensation benefits consulting practice.

0017

1 Proceedings
2 They reviewed the -- with the assistance of
3 our actuaries, inhouse actuaries, they
4 reviewed the reasonableness of actuarial
5 assumptions and methods used to determine the
6 total pension liability. We also used our
7 New York pricing group to assist us in the
8 valuation of investments. Further, we used
9 the subcontractor Galleros Robinson. For the
10 significant risk that was identified,
11 management override over internal control, we
12 used whole ledger analytics. So we performed
13 whole ledger analytics on all of the journal
14 entries, both manual and automated, that

15 assist us in pinpointing transactions that may
16 appear to have a higher risk of management
17 override. This cumulative risk score is
18 generated based on how individual transactions
19 perform against 38 different routines which
20 have been designed to identify unusual
21 transactions or those that could indicate
22 fraud. For the entries that we tested, we
23 obtain the underlying support. We evaluate
24 the validity in the normal course of business
25 and then obtain evidence of approval. We did

0018

1 Proceedings

2 not identify any significant exception as it
3 relates to the journal entry testing.

4 As always, cybersecurity, ITGCs, and
5 segregation of duties are a hot topic. This
6 slide is just here to remind us all of all of
7 that. Okay. From an ITGC perspective, the
8 in-scope systems are outlined here. Our areas
9 of focus included security administration,
10 program maintenance, program execution,
11 technology operations and cybersecurity.

12 This year, similar to last year, we
13 issued an unmodified clean opinion. We do
14 note that the system adopted GASB Statement
15 Number 87 related to leases and Number 98
16 related to benefit plan reporting. There were
17 no scope limitations identified. There was
18 open and effective communication with
19 management and any internal controls, and best
20 practice recommendations have been and/or will
21 be discussed with management. We expect that
22 the Annual Comprehensive Financial Report will
23 be issued sometime within the third -- on or
24 around the third week of December 2022 and
25 will include the GFOA certificate of

0019

1 Proceedings

2 achievement for the 2021 ACFR. Okay.

3 On page 5 of Section 3 of your report,
4 we outline the summary of audited adjustments.
5 Again, the primary nature of the adjustments
6 was due to a reporting lag for the alternative
7 investments as well as a reclass. Management
8 believes that the effects of unrecorded
9 adjustments are immaterial both individually
10 and in the aggregate to the financials as a
11 whole and we concur. Okay.

12 We are also required to communicate to
13 you the following matters of which for the
14 most part we are not aware: Not aware of any
15 going concern matters. We are not aware of
16 any fraud or noncompliance with any laws or

17 regulations. Not aware of any significant
18 deficiencies or material weaknesses in
19 internal control over financial reporting or
20 the use of other auditors as it relates to the
21 financial reporting. We did not use internal
22 audit. Related party or related party
23 transactions are appropriately disclosed in
24 the financial statements. There were no
25 significant or unusual transactions.

0020

1 Proceedings

2 I am pleased to report we had no
3 disagreement with management or significant
4 issues that were discussed with management.
5 We are not aware of any consultations
6 management had with other accountants as it
7 relates to financial reporting or the
8 financial reporting practices or policies.
9 There were no significant difficulties that we
10 have encountered during our audit or any
11 difficulty or contentious matters that we
12 would need to consult with you on. There were
13 no modifications to the audit report.

14 We are also required to communicate to
15 you the quality of the control practices. So
16 significant accounting policies are detailed
17 in the notes to the basic financial
18 statements. They are considered appropriate
19 in all material respects and consistent with
20 the prior year. The most significant
21 estimates are the fair value of investments
22 and total pension liability and the related
23 disclosures. We have assessed the financial
24 statement disclosures for clarity and
25 completeness, and the footnote disclosures to

0021

1 Proceedings

2 the financial statements appear to be
3 informative, consistent, and clear. We used
4 this year a number of different tools that we
5 have including Convene, DB Census Automation
6 Tool, IDEA, T-Beam, whole ledger analytics,
7 and DataSnipper to assist us in audit
8 execution.

9 And then finally, we have our commitment
10 to promote ethical and professional
11 excellence. So we share with you our ethics
12 point URL link in the event that you become
13 aware or would like to communicate any matters
14 that you have identified. With that, I will
15 open it up to any questions that anyone might
16 have.

17 MS. PENNY: Wow. You don't even need a
18 drink of water, Sharon, after all that?

19 MS. CAMPBELL: I absolutely do.
20 MS. PENNY: Any questions or does anyone
21 want to hear Sharon say that again? Thank you
22 so much.
23 MS. CAMPBELL: Absolutely. Thank you
24 very much. And if you all have any questions,
25 just feel free to reach out at any time.

0022

1 Proceedings

2 MS. REILLY: I just want to thank
3 Mitchell and his staff for all their work on
4 that.

5 Next on the agenda and before we begin
6 -- you can come and sit, but I just wanted to
7 give you an overview for some of our newer
8 trustees. I know our Teachers trustees are
9 aware because they have been here for years,
10 Segal, we have here is -- Meir is our
11 independent verification and validation
12 auditor for our modernization project. So I
13 just wanted to go over a little history of the
14 modernization project for those of you who
15 don't know what it is.

16 So back in around 2014, the Teachers'
17 Retirement System realized that our legacy
18 system needed to be replaced because it was
19 brittle, difficult to enhance, as well as the
20 fact that the vendors supporting the
21 technology that we were using were really
22 pulling away, not offering to service us any
23 longer. So we made a presentation to the
24 then-board in order to be able to go out and
25 do an RFP in order to replace our legacy

0023

1 Proceedings

2 computer system. We did that RFP, and we
3 selected a company named Sagitec. Sagitec
4 came to us as thought leaders to work side by
5 side with our IT department to develop a new
6 computer system that came with a framework
7 which was newer technology and then that would
8 take -- you know, take the communication
9 engine, the read/write engines, the things
10 that old programming used to make you have to
11 cull yourself and that was in a package. So
12 we felt that was a great technology that would
13 reduce the development effort on our side, and
14 we moved forward with the project.

15 The goals of the project were first to
16 provide a self-service to our members so that
17 they could get on the website and request any
18 process that they wanted completed online at
19 any time of night or day so they didn't have
20 to submit a paperwork form to TRS and then

21 wait to hear back from us. So we wanted a
22 self-serve engine, and we also wanted to do
23 straight-through processing. In our legacy
24 system, a lot of processes, you know, had to
25 go from one desk to a paper or from one desk

0024

1 Proceedings

2 to another and the computer system it has all
3 the data that it needs and it has all the
4 information it needs and the rules. Then we
5 should be able to process work straight
6 through, and instead of being paper pushers,
7 TRS staff would become problem solvers. Only
8 those more complex exception processes would
9 fall out for human beings to have to deal
10 with. The rest would go straight through,
11 making us more efficient, and helping to
12 ensure the quality.

13 And so I mean, I have some other -- you
14 know -- we wanted to also -- there were a lot
15 of points for TRS in processing the data in
16 the legacy system that we wanted to be able to
17 address in our new system, and we wanted to
18 create something like a data warehouse.
19 Instead of having every report that every
20 staff person at TRS went and created and they
21 would have to go to IT for it and IT would
22 have to develop the reports, we would create a
23 data warehouse that had a business view of our
24 data where if you were a staff person, you
25 would be able to go select pieces of

0025

1 Proceedings

2 information and generate that for yourself.
3 So those were some of the things that we
4 wanted to do.

5 We decided to take a phased approach.
6 So we had six phases. We are at -- we are
7 about to complete Phase 5, but I will say to
8 you Phase 6 is our biggest phase and has the
9 most complex of our processes in it. So we
10 are about to begin that. So when we
11 originally started -- and we did things -- we
12 did implementations in phases like almost like
13 a big bang which was meaning we developed all
14 the functionality and then put it in in one
15 big bang.

16 When we implemented Phase 4, which is
17 our death benefit process and some other
18 processes regarding death benefits, when we
19 implemented it, it was actually late to get to
20 implementation, and once we implemented it,
21 the quality was really problematic. And it
22 really at that time was causing reputational

23 risk for us. We had beneficiaries
24 complaining. So I had to stop development on
25 the core modernization project and pull the

0026

1 Proceedings
2 resources off to help to stabilize that phase
3 in order to be able to service our
4 beneficiaries better and to ensure that the --
5 that the benefits that were being processed
6 were being processed accurately and correctly.
7 So that was a delay that happened in the
8 project.

9 We also had some delays based on COVID.
10 Not that COVID -- we were working very
11 efficiently during COVID, but we had to stop
12 work on modernization in order to quickly
13 provide online forms so that members in their
14 home could like do what we had envisioned or
15 we had to do it very quickly and get all our
16 online forms up and running so that members
17 could be requesting loans, service purchase,
18 anything that they -- any process that they
19 wanted to perform, they could do it in their
20 home because we were closed for business in
21 person. So we had to pull a lot of resources
22 off to do that.

23 We also had to pull resources off to do
24 the CARES Act which also we had to develop
25 that. We also were given the gift of Gulino,

0027

1 Proceedings
2 which we did get funding for Gulino to do the
3 work, but the estimates that we based our
4 Gulino estimates on was the fact that, you
5 know, we would receive the data, we would
6 process the data electronically and then
7 provide the benefits. We found that the
8 special master had a lot more different ideas
9 that we never thought of so we -- you know, in
10 addition, some of the quality of the data just
11 because of the nature of the fact that this is
12 made-up data, you know, has caused us to have
13 to spend more time on Gulino than we had
14 originally anticipated. So those resources
15 that we moved to Gulino are now freeing up and
16 coming back to work with us on the
17 modernization.

18 So for those reasons, I just want to let
19 you know that you should expect from me -- I
20 will say this. The project is funded 72
21 percent out of the TDA fund, the expense fund
22 for the TDA, and only 28 percent from city
23 money. So I do just want to caution that
24 probably in the next budget year, because of

25 all those delays and the problems that we
0028

1 Proceedings

2 anticipate -- we had, which are pretty common
3 on projects of this size and complexity, we
4 will probably have to come back and ask for a
5 little bit more money, and I will be
6 presenting that to the budget committee and
7 then to the Board. But so I just want to give
8 you all a background before Meir gives you his
9 IV & V report, the health of our project.

10 MS. PENNY: Before you do it, I want to
11 thank TRS for all their work. Patricia
12 mentioned a few of the things, the CARES Act,
13 the SECURE Act, the COVID bill where they had
14 to then rail --

15 MS. REILLY: Accidental disability.

16 MS. PENNY: There are so many things
17 that -- the para bill that all of sudden they
18 had to pull all the paras in the pension bill.
19 Not a day goes by that we don't talk to TRS
20 about some issue we are having or some new
21 bill that's come up and they have to stop what
22 they are doing and then work on it.

23 And a special thanks during the COVID
24 when they put everything online for our
25 members. There was not a day that we couldn't

0029

1 Proceedings

2 reach them. They quickly -- I have never seen
3 anything so fast -- were able to retire at
4 home at a moment's notice. All of that. So
5 admirable. We just can't thank you enough and
6 found a way that our members could go online
7 and do virtual appointments and change the
8 call center, you know, Ask TRS, there are so
9 many things, and we keep getting updates every
10 couple of weeks about the modernization
11 project but then we throw something else that
12 our members need and they are able to kind of
13 work quickly and get it. So we thank you for
14 all your hard work. Just don't ask us for any
15 more money. Just kidding.

16 MR. SCHECHTER: Somehow or another, my
17 presentation is supposed to go on there. Liz,
18 are you hearing me?

19 MS. SANCHEZ: Yes. I will bring it up
20 now.

21 MR. SCHECHTER: Okay. So let's go to
22 the next slide. Just by way of
23 reintroduction, my name is Meir Schechter. I
24 am a resident of New York City. I have been
25 working in the public sector pension arena

0030

1 Proceedings
2 since 1992, almost 30 years now. I either am
3 or have been a consultant to three of the five
4 New York City pension systems, to TRS which
5 started doing IV & V services in September of
6 2015. I am still doing it. I have been
7 involved with the New York City Police Pension
8 Fund from 19 -- from 2016 to 2018, helping
9 them with the procurement of a new system, and
10 since 2018 they have actually been
11 implementing the system I have been providing
12 IV & V services for them.

13 For BERS, BERS, I am no longer involved
14 with BERS. That ended a few months ago, but
15 there we were working with them to improve and
16 document their processes to improve the
17 services that they give to members using the
18 CEM model as a measure of how services could
19 be done and to get them ready for some
20 impending legislation that is about to be
21 passed.

22 So as the IV & V vendor, I am focusing
23 on the quality of the system, and the methods
24 that we use is we interview the key
25 modernization program personnel. Many of the

0031

1 Proceedings
2 people that you have seen on these little
3 boxes on there are people that I have
4 interviewed and talked about the modernization
5 program and we get our information from them.

6 We provide quarterly assessments. So
7 far to date, we provided 25 quarterly
8 assessments, and our assessments look at the
9 modernization program at a number of levels.
10 First is at the strategic level. What are the
11 environmental conditions at TRS and how do
12 they affect the modernization program. At a
13 more core factor level, we are looking at the
14 modernization program itself, how its
15 organization affects the effectiveness of the
16 modernization program, and finally I raise
17 concerns. By "concerns" I mean things that
18 crop up from time to time that I follow until
19 they are no longer concerns. And lastly, we
20 look at the staffing in the modernization
21 program. Is the modernization program
22 adequately staffed both from the vendor's
23 perspective and from the TRS business that is
24 supporting it. So that's basically what we
25 do.

0032

1 Proceedings
2 So let me start by looking at the

3 strategy factors. All three of these on this
4 particular page are factors that are typical
5 of these projects. One of them is the degree
6 of executive management involvement. Often we
7 find that executive management gets deeply
8 involved rather than -- rather than
9 designating the power and the authority to
10 those that are on the project. I think you
11 have a particular issue here because Patricia
12 was very much involved in the previous one and
13 knows everything that went into it, knows all
14 the difficulties, and might be prone to get
15 deeply involved, but I am pleased to say she
16 has designated the authority to those that are
17 on the project and only gets involved when
18 it's needed such as reorganization or
19 organizing the project, things like that. But
20 generally speaking, the amount of executive
21 involvement here is appropriate.

22 Probably the biggest problem in all of
23 these is compromising quality for schedule.
24 Getting good quality takes time and sometimes
25 it takes more time than you expected and there

0033

1 Proceedings
2 is often a great deal of pressure to cut
3 corners to try to get the thing done on time
4 and cutting corners cuts quality. I am also
5 pleased to say that we have not seen that
6 here. Another common problem is understanding
7 what you are capable of doing internally and
8 what you are not capable of doing internally,
9 and there is often a reluctance to go and get
10 the appropriate consultants from the outside.
11 Again, we found that TRS has been doing this
12 appropriately. They brought in testing
13 contractors to help with testing, which is a
14 direct correlation of quality. They brought
15 in people to support their data readiness to
16 help convert the data and move the data from
17 the old system to the new system, clean up the
18 data in the process, a critical component of
19 any of these projects. They brought in
20 organizational change management. Changing
21 your system is difficult for the staff. The
22 staff over many years has developed expertise
23 in using the existing system, and they often
24 feel that their expertise is being now thrown
25 away because now they have to learn something

0034

1 Proceedings
2 over again. So dealing with that, TRS brought
3 in external resources, and I would like to
4 believe at IV & V they also brought in some

5 good external resources.

6 Last but not least, the importance of
7 organizational change management, and in this
8 context I am referring to staff engagement.
9 It's important to involve the staff. Not
10 everybody on the staff is intimately involved
11 in the program. However, they are all
12 affected by it, and it is therefore very
13 important that there is a proper degree of
14 communication to ensure that the staff is
15 engaged. So in preCOVID times, there were
16 town halls and various things like that.
17 Subsequent to COVID, there has been a great
18 deal of communications ongoing to the staff to
19 let them know about how things are going, so
20 on and so forth. So I think TRS has also done
21 a good job in staff engagements. Next slide,
22 please.

23 So go to the core factors. As I said,
24 part of my scope of what I am supposed to look
25 at is the staffing, and I can say that the

0035

1 Proceedings

2 staffing of the modernization program and the
3 business areas that have to support the
4 modernization program and do their day-to-day
5 jobs has been adequate and there has not been
6 a problem. There are some concerns related to
7 what Patricia told you that the biggest phase
8 is yet to come, and we will discuss that a
9 little bit later in this presentation.
10 Quality assurance is to me critical to the
11 success of such a program, and TRS has created
12 a quality center of excellence. It's been --
13 it's now run by somebody who is an expert in
14 this area. They have hired testing
15 consultants Cognizant, and I think it's very
16 important to recognize that the quality center
17 of excellence has not been reluctant to hold
18 up the release of a piece of software if they
19 feel that the quality is not adequate. And
20 not only are they not reluctant to do so, they
21 are given the authority to do that. So there
22 have been things that have taken longer and
23 been released later, but it was in furtherance
24 of the quality of what was being released and
25 from an IV & V perspective, that's the way it

0036

1 Proceedings

2 should be.

3 Data readiness, I talked about data
4 readiness as being the process by taking data
5 from the old system to the new system, but
6 there is another component of that and that is

7 this data is used for testing the new system,
8 and if this conversion and cleaning of the
9 data can occur early enough so that the
10 testing of the new system is using the real
11 data, that has a high correlation with
12 quality. Very often we use fake data, we make
13 fake data, and perhaps have blind spots and
14 use data that should work, but when you use
15 real data, you are really testing the data
16 against what it's going to be actually working
17 on in the future. So the data readiness
18 originally was not getting the data that early
19 into the testing process, but now they are
20 getting ahead of the testing process and the
21 testing process is using real data and that is
22 a big contribution to quality.

23 Operational readiness is something that
24 I will say I sort of heard the first time here
25 at TRS and it's recognizing that there are

0037

1 Proceedings
2 many aspects of preparing the TRS staff for
3 each release that have synergies between them
4 and they have created this organization and
5 this organization has been working together to
6 align all of these things, training and
7 documentation of processes, and coordinate
8 them so they all make sense and they are doing
9 a very good job at this and you will see later
10 on as I discuss what Patricia just discussed
11 about breaking these things, breaking the
12 releases into small pieces that this is
13 putting stress on this particular organization
14 because when you -- I will discuss it later
15 when we get into the staffing, but just it's a
16 concern about that.

17 So as far as concerns are concerned,
18 throughout these things we have raised 17
19 concerns. Twelve of which have been raised
20 have been dealt with and are no longer being
21 followed. There are five that remain as
22 active concerns, and I am going to discuss
23 those. The others are in the back of this
24 slide presentation. I am not going to go over
25 those now. Those are no longer concerns but I

0038

1 Proceedings
2 am assuming people have a copy of this. If
3 not --
4 MS. REILLY: No but if you would like a
5 copy of it --
6 MR. SCHECHTER: -- you can get a copy of
7 it. If you look at those concerns, if you
8 have questions, please feel free to ask but

9 those 12 concerns that are there were concerns
10 that were raised, dealt with, and are no
11 longer being tracked, but these are ones that
12 are still active and being tracked.

13 So pressure to compress the schedule
14 very much goes along with the environmental
15 issue that I discussed, and that is there is
16 always pressure at every level to try to make
17 the schedule tighter, and you know, just get
18 things done as quickly as possible. And
19 whereby I believe some of these pressures did
20 affect some launches earlier, these pressures
21 are no longer there. I think now there is a
22 realization that it is better to have the
23 quality at the time you launch it, not try to
24 recover, you know, from things that are being
25 launched without having that quality. And

0039

1 Proceedings

2 Patricia told you about Phase 4, and you know,
3 that was a classic example. That was a
4 wake-up.

5 Patricia also mentioned the effect of
6 COVID-19 pandemic. I believe from a stacking
7 of the program and the ability to collaborate
8 and work together, it's not been that big of a
9 problem. I think people were able to, you
10 know, move to Zoom and get things done.
11 However, as Patricia pointed out and Ms. Penny
12 added, many new things have been required
13 because of COVID, and they are, in fact,
14 things that take time and take effort, so they
15 definitely have an impact among the overall
16 speed of the program.

17 Gulino. What would a presentation be
18 without Gulino? Gulino has been a significant
19 -- has had a significant impact on the
20 modernization program. You know, surely it
21 wasn't factored in the original plan. Nobody
22 knew it any more than they knew COVID, but
23 when it became apparent that this lawsuit was
24 going to affect and there were going to be
25 claimants and TRS had to deal with the lion's

0040

1 Proceedings

2 share of those claimants, TRS understood that
3 the modernization program had to be enhanced
4 to deal with these people. There were enough
5 of them, you couldn't do them manually. You
6 had to put them in the program. And they
7 spent a great deal of time estimating the
8 effort that would be necessary in doing that,
9 and their estimates was based on certain
10 assumptions that were documented, reviewed,

11 approved, and that basically this is the scope
12 of what Gulino is. I know what that scope is.
13 I can therefore estimate how long it's going
14 to take, how much it's going to cost, but the
15 best laid plans of mice and men, you know. So
16 Gulino has continued to be a drain on the
17 resources. When the claimants come in, some
18 of the -- some of what the special master says
19 you have to do with them was not what was
20 anticipated in the beginning, and it continues
21 to be an ongoing drain on the resources for
22 the modernization program.

23 UPS is the old system and I think also
24 as Patricia mentioned it's a mainframe-based
25 system which is -- which has -- it's difficult

0041

1 Proceedings

2 now to find resources to maintain on an
3 ongoing basis. So this is a risk. This was
4 one of the risks that drove the modernization
5 program and it remains a risk. There is still
6 a lot of the functionality of UPS has already
7 been moved, but there are still critical
8 functionality that is still in UPS and UPS has
9 to last until the modernization program is
10 finished and it's a risk. I am aware now that
11 TRS has the mitigation strategy and is working
12 on that, and you know, everything I can see up
13 until now is it will be done in time and that
14 risk will be -- you know, not become an issue.
15 So I think that's an important thing.

16 Morale of the Sagitec staff. I am not
17 going to spend a whole lot of time on this,
18 but I would say the project manager for the
19 Sagitec indicated that there was a morale
20 problem in Sagitec.

21 MS. REILLY: Sagitec is the company that
22 we brought in to help us.

23 MR. SCHECHTER: Right. They are the
24 ones who own this framework that's being used,
25 and they are the ones that are implementing

0042

1 Proceedings

2 it. They have indicated there is a morale
3 problem. I am not privy to the details of the
4 morale problem but I am knowledgeable of the
5 fact that at Segal we work with Sagitec, we
6 work with other vendors, and there is a great
7 deal of turnover among the vendors. They are
8 going from one to the other. They are going
9 in some cases to clients. There is a lot of
10 change, and you know, that's just a cautionary
11 tale because as there is turnover, you lose
12 institutional knowledge, you lose some

13 capability, you have to spend time training
14 new people and bringing new people up to
15 speed. So morale problem or not, the main
16 issue is there is a lot of turnover, and it is
17 -- you know, it is rampant throughout. I am
18 not going to mention other vendors, but there
19 are other vendors working for other clients
20 that are experiencing the exact same situation
21 where there is a lot of turnover.

22 MS. PENNY: Does that affect our
23 timeline?

24 MR. SCHECHTER: It surely has the
25 potential to, yes, most definitely. There are

0043

1 Proceedings
2 people that are familiar with what is going
3 on. When they leave, somebody else has to be
4 brought in to pick up the slack and that
5 person requires a learning curve, so on and so
6 forth. So it has the potential. Actually, I
7 am not sure this is the only industry that's
8 having a lot of turnover. I think the job
9 market in general there is a lot of turmoil
10 and that is just one of those places and
11 unfortunately this has an effect on the
12 modernization program. Next slide, please.

13 So just some observations. Most of
14 these concerns are manageable, and by
15 "manageable", I mean primarily under the
16 control of TRS, and the obvious exception to
17 that is Gulino which really to a large extent
18 is beyond your control, but the other ones are
19 somewhat, you know, under your control. So
20 however manageable they are, not sacrificing
21 quality for schedule, adding functionality,
22 Gulino, these things are all pressures that
23 are making the project take longer than
24 expected. Patricia also pointed out, I agree
25 these projects in general take longer than

0044

1 Proceedings
2 expected. Now you have these other
3 complications of a pandemic, of a lawsuit, and
4 I say very importantly insisting on having a
5 quality product. These things take longer and
6 they take longer and they cost more.

7 TRS has an arrangement with Sagitec that
8 they are capped on certain fees of what they
9 charge based on the estimate of how long it
10 could take, so that particular one is not
11 going to grow just for the extension. It will
12 grow when added functionality is put on and
13 things like that, but others -- and I
14 mentioned that TRS was not reluctant to use

15 external contractors where needed. They do
16 not have these types of arrangement, so as
17 this project takes longer, it will cost more
18 for TRS. So that's the situation. Go to the
19 next slide, please.

20 As I mentioned, the staffing was one of
21 the things in the purview of IV & V. What I
22 would say is TRS business functions that we
23 have been specifically involved with which is
24 benefits administration, member services, and
25 accounting, they have been able to adequately

0045

1 Proceedings

2 support the project and keep up with their
3 day-to-day administrative functions. This is
4 always a concern when you start bringing a
5 project like this. You have been providing
6 administration to your members and now all of
7 a sudden you impose this large project on your
8 staff, and so far what I have seen is that the
9 TRS staff has stepped up. They have been able
10 to support the project, and they have been
11 able to do their day-to-day jobs, but the
12 largest phase is still to come. And TRS is in
13 the process of putting together the roadmap --
14 I will call it the schedule for Phase 6 and
15 the businesses are looking to see that so that
16 they can plan their staffing needs
17 accordingly. So that is still -- you know,
18 still remains to be seen and the technical
19 resources at TRS because now basically you
20 have two systems. You have UPS which is doing
21 some functionality. You have Aspen which is
22 the modernization program, the name of the
23 modernization program. They are both running
24 and so far TRS has been able to support both
25 of those and you know, that's to be commended.

0046

1 Proceedings

2 So other items of interest. This is
3 something that Patricia said to you that after
4 Phase 4 and the experience that they had with
5 Phase 4 and the difficulty in stabilizing it
6 and the amount of resources that were needed
7 to stabilize it, TRS took a different
8 approach, and their approach was to take what
9 was called a phase and phases had been defined
10 from day 1, this is Phase X, this is the
11 functionality in Phase X, to take those phases
12 and break it up into smaller amounts of
13 functionality, and when you break it out into
14 smaller amounts of functionality, it has all
15 of the -- I will call it all the overhead
16 associated with the large one. You have to

17 have training, you have to have processes
18 associated with it. All of this is necessary.
19 So the big releases have advantages and
20 some disadvantages. The advantages are to me
21 the most important, and that is it comes with
22 improved quality. The history with the mini
23 releases so far have been that upon their
24 release, there have been very few and in many
25 cases no post-release issues. And if you are

0047

1 Proceedings
2 releasing the software with the quality built
3 in from the beginning, that leads to quicker
4 stabilization. So we talked about launching
5 late because it takes longer to get that
6 quality, but are we looking at the right
7 thing? Should we be looking at how long it
8 takes to launch or should we be looking at how
9 long it takes to stabilize? I think if you
10 are looking at how long it takes to stabilize,
11 you will find that this really isn't taking
12 long, and what you have done in the process is
13 you have also reduced the reputational risk
14 because all these things have components that
15 is rolled out to the members, and as soon as
16 the quality is not there and it affects the
17 member's experience, that's not a good
18 situation.

19 So I believe that the mini releases have
20 created an ability to stabilize more quickly
21 and reduce the reputational risk. What is
22 also done is a quick -- you have a quicker use
23 of functionality. When you have a big bang or
24 a large phase, you don't get any of that
25 functionality until the end of the phase. Now

0048

1 Proceedings
2 you have pieces of that functionality
3 throughout the period of time so you are
4 actually getting new functionality, using the
5 new system which is improved and the processes
6 associated with it are better and you are
7 getting those earlier. So that to me is the
8 big advantage of the mini release strategy.

9 The big advantage -- and I mentioned
10 this earlier. There are some of the entities
11 that are supporting the modernization program
12 that are actually involved in every single
13 mini release. They are the ones doing the
14 training, they are the ones writing the
15 procedures, and these releases are coming out,
16 you know, typically monthly. So they
17 basically have not had a whole lot of time to
18 breathe. Because as soon as one mini release

19 happens, they have to start preparing for the
20 next one. So I point that out as a potential
21 problem. So far, so good. They have been
22 able to keep up with it.

23 You know, we are now getting into Phase
24 6, and there will be many mini releases with
25 Phase 6. It's something to keep an eye out

0049

1 Proceedings

2 for. And of course, finally, scheduling costs
3 as I mentioned before, putting quality in
4 costs money, and there is no other way to say
5 it. It's a good investment in my opinion, but
6 nonetheless it's there.

7 So let's get to the bottom line. I
8 think right now you have a program that is on
9 a trajectory that I believe will end up with a
10 successful high-quality pension administration
11 system. The shift in mini releases has
12 resulted in a rhythm, and I think that rhythm
13 is very important because it has raised the
14 confidence level. It's important to see that
15 the people are feeling more positive about it.
16 I think that's a very important part of change
17 management, and I will say literally it was a
18 consensus. I did not hear one person that I
19 have interviewed say that the mini releases
20 were not significantly enhancing the quality
21 of making them feel better about what is going
22 on. So I think that is a big, big one.

23 So although it will take longer than
24 currently planned, the stabilization I believe
25 will occur earlier. You know because if you

0050

1 Proceedings

2 roll out something and then you spend a long
3 time getting it stable, that takes -- that's
4 wasted time. That's time where reputational
5 -- where your reputation can be hurt. You are
6 much better off releasing it later and having
7 it stabilized earlier, and I think that's what
8 you are getting.

9 So what the primary driver is taking
10 longer -- as Patricia mentioned, Phase 4 took
11 a long time to stabilize. That was something
12 that was released in the big bang theory, no
13 television -- but now I think that was an
14 impetus for looking for a better way to do it,
15 and starting with Phase 5 and continuing with
16 Phase 6, they will be using the mini release
17 approach.

18 Another driver is insistence on high
19 quality. TRS has insisted on high quality.
20 They are not ready to release things until

21 they achieve high quality, and I commend them
22 for that because that's not an easy approach
23 to take. There additionally has been
24 additional anticipated functionality caused by
25 COVID-19, the CARES Act, and other

0051

1 Proceedings

2 requirements for, you know, related to the
3 COVID, and finally, the ongoing resource
4 demands of Gulino is something that is a
5 constant drain on the modernization program,
6 and as I said earlier, more difficult to
7 predict how long that's going to take.

8 So that's really all I have. Any
9 questions that anybody has, I would be happy
10 to try to address.

11 MS. PENNY: No, we are good. Thank you.
12 Thank you for that.

13 MS. REILLY: Thank you, Meir.

14 So the next item on the agenda of other
15 business is a change to the date of the April
16 27, 2023 Board meeting. Because there is a
17 conflict for members of the Board, so we
18 wanted to see if we could find a different day
19 and agree on it for that April. So if you
20 want to pull out your calendars. Does anybody
21 have a suggestion for what you thought the
22 date should be?

23 MS. HIRSH: Spring break is the 5th to
24 the 14th.

25 MR. KAZANSKY: So we could do the 20th,

0052

1 Proceedings

2 but I don't know if the other Board members
3 who are members of the other boards --

4 MS. HIRSH: Right now there are no other
5 board meetings on the 20th.

6 MR. BERGE: I have a tap hold but we
7 could staff around it.

8 MS. REILLY: So April 20, 2023.

9 MR. BROWN: I don't have a calendar here
10 but --

11 MS. PENNY: If it works for us so --

12 MR. BROWN: Thursday, April 20th.

13 MS. PENNY: Alison, you said that was
14 good for you?

15 MS. HIRSH: Yes.

16 MS. PENNY: Well, that was easy.

17 MS. REILLY: All right. April 20, 2023
18 for the Board meeting.

19 MR. BROWN: That's not the Easter break,
20 is it?

21 MR. KAZANSKY: No, it's not the Easter
22 break.

23 MS. REILLY: So next on the agenda is
24 questions and comments from the public?
25 Seeing none --

0053

1 Proceedings

2 MS. PENNY: Okay. I think there is no
3 executive board. Do I hear a motion to
4 adjourn?

5 MR. BROWN: So moved.

6 MS. PENNY: Thank you, Mr. Brown. Do I
7 hear a second?

8 MS. HIRSH: Second.

9 MS. PENNY: Thank you, Ms. Hirsh. Any
10 questions? All those in favor, please say
11 aye.

12 Aye.

13 MR. BERGE: Aye.

14 MR. BROWN: Aye.

15 MR. KAZANSKY: Aye.

16 MS. HIRSH: Aye.

17 MS. PENNY: Any opposed? Any
18 abstentions? We stand adjourned.

19 (Time noted: 4:42 p.m.)

20

21

22

23

24

25

0054

1 Proceedings

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

3 STATE OF NEW YORK)

4 : ss.

5 COUNTY OF QUEENS)

6

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

13 IN WITNESS WHEREOF, I have hereunto
14 set my hand this 1st day of December,
15 2022.

16

17

18 _____
YAFFA KAPLAN

19

20

21

22

23

24

