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5 TEACHERS' RETIREMENT BOARD MEETING

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14 HELD AT:

15 55 WATER STREET
16 NEW YORK, NEW YORK

17 DECEMBER 19, 2013
18 3:44 P.M. TO 4:20 P.M.

19 B E F O R E:

20 MELVYN AARONSON, CHAIRMAN

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24 REPORTED BY:
LIZ SANCHEZ
25 EXECUTIVE ASSISTANT TO PATRICIA REILLY, EXECUTIVE DIRECTOR

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A P P E A R A N C E S:

TRS:

PATRICIA REILLY, Executive Director

MELVYN AARONSON, Teachers' Trustee

SANDRA MARCH, Teachers' Trustee

MONA ROMAIN, Teachers' Trustee

COMPTROLLER'S OFFICE:

THAD McTIGUE, Trustee

MAYOR'S APPOINTEE:

CAROLYN WOLPERT, Trustee

DEPARTMENT OF EDUCATION:

KATHLEEN GRIMM, Trustee

JENNIFER MALDONADO, Alternate Trustee

LAW DEPARTMENT:

KEITH SNOW, Corporation Counsel

OFFICE OF THE ACTUARY:

ROBERT C. NORTH JR., Chief Actuary, Office of the Actuary

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TRS STAFF:

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ROBERT BETHELMY

3

CARMELA CRIVELLI

JOEL GILLER

4

MARC KATZ

ANTHONY MEZZACAPPA

5

ELLEN MURPHY DeLEO

RENEE PEARCE

6

PAUL RAUCCI

7

OTHER ATTENDEES:

8

WILLIAM BENSON, TRS

THOMAS BROWN, UFT

9

SAMUEL FLAKS, TRS

CHRISTOPHER GANDOLFO, DELOITTE

10

MICHAEL GARLAND, OFFICE OF THE COMPTROLLER

NATARAJAN KRISHNAMOORTHY, TRS

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MICHAEL MALLOY, DELOITTE

SUSAN STANG, TRS

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JILL STOHMEYER, DELOITTE

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2 P R O C E E D I N G S

3 MS. REILLY: Good afternoon. We will begin the
4 December 19, 2013 regular meeting of the Teachers' Retirement
5 Board. I will start by calling the roll. Melvyn Aaronson?

6 MR. AARONSON: Present.

7 MS. REILLY: Kathleen Grimm?

8 MS. GRIMM: Present.

9 MS. REILLY: Joseph C. Lewis? (not present) Sandra March?

10 MS. MARCH: Here.

11 MS. REILLY: Thad McTigue?

12 MR. McTIGUE: Here.

13 MS. REILLY: Mona Romain?

14 MS. ROMAIN: Here.

15 MS. REILLY: Carolyn Wolpert?

16 MS. WOLPERT: Here.

17 MS. REILLY: Ok, we do have a quorum so we will proceed. The
18 next item is an update on TRS Operations from Ellen DeLeo.

19 MS. DeLEO: I have two (2) brief updates. The first is on
20 1099s. TRS has been working with FISA to complete the generation
21 of the 1099s for non-periodic distributions. It is expected that
22 FISA will generate 1099s on behalf of TRS for approximately
23 33,000 members and beneficiaries. In addition, TRS will be mailing
24 an informational brochure in early January to just over 3,800
25 new retirees, to explain the 1099 that they will be receiving for

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2 the first time, for tax year 2013. TRS is completing the
3 processing of Required Minimum Distributions ("RMD") for the
4 tax year 2013 due to retirees that have deferred annuitization
5 of their TDA balances and are mandated to receive an RMD.
6 Roughly 60% or 11,000 retirees have opted to receive their
7 distribution in December of this year. Approximately 500
8 additional beneficiaries that participate in our TDA program will
9 receive RMDs this month.

10 MS. REILLY: Thank you Ellen.

11 MS. DeLEO: You are welcome.

12 MS. REILLY: The next item on the Agenda is an audit report
13 by Deloitte & Touche.

14 MR. MALLOY: Good afternoon everyone, I am Mike Malloy from
15 Deloitte and I am responsible for the audit of the Teachers'
16 pension plans as well as the other pension plans for the State of
17 New York. What I have today, you should have a letter from
18 Deloitte which I will walk you through. I will touch on certain
19 key points and then if you have any questions, we can go through
20 those later. So we have completed our audits for the Teachers'
21 Retirement System of the City of New York, all five pension plans,
22 and Teachers' Retirement System of the City of New York Tax-Deferred
23 Annuity Program, which I will refer to both as the "Plans", as of
24 and for the year ended June 30, 2013. We conducted our audit in
25 accordance with auditing standards generally accepted in the United

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2 States of America which are basically the rules by which we
3 follow and conduct our audits and have rendered our opinion as of
4 October 29, 2013. We have prepared these comments to assist you
5 with your responsibilities and overseeing the governance of these
6 clients and they also cover the required communications that will
7 be required to go through from a professional stance.

8 The scope of our work is detailed in our engagement letter
9 dated April 17, 2013. In that, it discusses how we were conducting
10 our audit in accordance with accounting principles generally
11 accepted in the United States of America, (those are the rules by
12 which we follow), the accounting rules that the claim would need to
13 follow in their accounting and in doing so, we rendered an opinion
14 on the financial statements and the disclosures determining whether
15 they are accurate and fair. Also, as far as the financial
16 statements, the financial statements, just to remind you, are
17 prepared by Management, will render an opinion on the accuracy and
18 the fairness of those presentations. In the course of our audit,
19 we do look at the internal controls within each of the Plans'
20 systems. We evaluate the internal controls for purposes of
21 planning the nature, time and extent of our testing. We do not
22 evaluate the internal controls from the standpoint of issuing a
23 separate opinion. On the internal controls, as you may know and
24 public companies today, auditors will be issuing two opinions:
25 one, on the financial statements and the second one, on management's

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2 assertions on the effectiveness of the internal controls of
3 the financial reporting. So, in the case here, we do not need
4 to issue a separate opinion on the internal controls. That is
5 not part of our audit. Had we done so, it would have been a lot
6 more work than we (inaudible).

7 Accounting estimates, these financial statements, are no
8 different than any other set of financial statements, with
9 regard to accounting estimates. The more significant accounting
10 estimates that were used in preparing these financial statements
11 were the determination of fair value of the investments. The
12 annual required contribution or what is called "ARC", the
13 actuarial asset value, the actuarial accrued liability and the
14 unfunded actuarial accrued liability. There were no significant
15 changes with any of these estimates by management or any of the
16 judgments used in determining those estimates.

17 With regard to uncorrected misstatements, there were no
18 uncorrected misstatements with the financial statements.
19 Material corrected misstatements, there were no material
20 corrected misstatements that were brought to our attention.

21 The significant accounting policies are laid out in the
22 two financial statements in footnote 2 of the financials and
23 there were no significant changes with any of those accounting
24 policies. Disagreements with management, we had no disagreements
25 with management. I would say that management was very helpful

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2 and cooperative for us in completing our audit. Other significant
3 matters, there were no items of that nature to report. Any
4 precautions with other accountants, we are not aware of any types
5 of discussions that management would have been having with other
6 accountants regarding accounting or reporting considerations.
7 We had no difficulties in conducting the audit. Attached to our
8 letter here is the representation letters that we did receive
9 from management in connection with (inaudible) financials.

10 That is all, as far as my prepared remarks.

11 MR. AARONSON: Any questions? Thank you.

12 MS. REILLY: Thank you.

13 MR. MALLOY: Thank you and happy holiday everyone.

14 MR. AARONSON: Happy holiday to you.

15 MS. REILLY: Now, we will have a proxy presentation by
16 Michael Garland from the Comptroller's Office.

17 MR. GARLAND: Thank you. The Proxy Committee, subcommittee
18 of the Board, have met on October 21st to review 2013 proxy
19 voting and sharing our initiatives into review and approve the
20 2014 plan. I have a PowerPoint that was in the materials...

21 MS. ROMAIN: Could you sit in the middle?

22 MR. GARLAND: Yes.

23 MS. ROMAIN: Thank you.

24 MR. GARLAND: Allow me to walk through an abbreviated version
25 of the presentation of what we covered in that meeting.

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2 MR. AARONSON: Michael, how about you come up and do it
3 from up here?

4 MR. GARLAND: Absolutely.

5 MR. McTIGUE: Mel, does it make sense to give him my seat
6 and I will just...

8 MR. GARLAND: I can stand if you...

9 MS. MARCH: No.

10 MR. GARLAND: Does everybody have the PowerPoint?
11 (Whereupon, all those present agreed.)

12 MR. GARLAND: Let us get right to Slide 3. Very briefly, I
13 think it is important for the committee and the full Board to get an
14 overview of our proxy voting. The Comptroller's Office, using the
15 guidelines approved by the Board, votes up 3,500 meetings a year.
16 So, something like 29,000 individual issues. This is just a summary
17 in terms of our voting on Directors which has changed dramatically
18 over the past four years. These are the percent of times we have
19 proposed management in 2012 and 2013. Upper towards managements,
20 20% of the time, four years ago we were supporting management 99.9%
21 of the time. That is probably the most (inaudible) in our proxy
22 voting. You can see Dodd Frank gave us the responsibility to
23 vote, advisory vote, on pay. You can see we opposed management
24 about 32% of the time. Across all management proposals, directors,
25 firewall changes, every issue, we oppose management about 22% of

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2 the time and we overwhelmingly support shareholder proposals.
3 Not only our own, but those by others. So where you see this
4 91% against management, what that really says is, we are
5 supportive of other shareowner efforts to create policy changes
6 within our portfolio companies.

7 I am not going to go into depth. The next slide just gives
8 you a little under the hood, in terms of the numbers on slide four
9 of how many individual matters were voted on. You can see the
10 trends over the past four years. I will mention the summary graph
11 within the post season report, to kind of put in more information.
12 I have extra copies that we provide publically now as well as to the
13 Board. There is some voting information there. Slide 5, that is
14 the cover of this year's season report. I believe the Comptroller
15 has copies for the Trustees. I have a few extra copies and it is
16 available on the Comptroller's website. This is for the, showing
17 our initiative for the teachers but really, the program is
18 collaborative across all five (5) funds. Not by policy, but it
19 does not have to be, but this year certainly and in most years,
20 the entire program is collaborative.

21 We settled 27 of 55 shareowner proposals which I believe is
22 a record for us and we would much rather settle a proposal than
23 go to a vote because even if you get a majority vote, these are
24 advised and companies can and regularly ignore them. It was a
25 very productive year and we had a good settlement rate across

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2 issues from core corporate governance issues as well as more,
3 I would say, environmental sustainability related proposals.
4 And what I thought I would do is just talk about a few of the
5 highlights. We had, in the past couple of years, we, and together
6 with I think the UAW (inaudible), have pioneered work on clawback
7 reform. This is giving Boards of Directors the ability to
8 clawback pay from Executives who were responsible for costly mis-
9 conduct. So, the London Whale being the crazy standfall a year ago,
10 and we have continued to push financial services companies in
11 which additional agreements this year with Capital One, Citi,
12 Encore Capital and Wells Fargo and collectively with other
13 investors, continue to make progress in the pharmaceutical industry.
14 We have reached agreements with several leading pharmaceutical
15 firms like Chesapeake Energy and I will come back to this in a
16 minute, but it has been a focus company for several years and we
17 finally managed to get a whole series of reforms at that Board.
18 Our proxy access proposal, they are working to adopt it. They had
19 a dramatic change in leadership of the management and the Board and
20 they changed their disclosures and most importantly their
21 performance is up. We will see that in a minute. And then, I just
22 wanted to briefly mention that the independent chairman proposal at
23 JP Morgan captured the most press attention but it overshadowed the
24 fact that we actually reached an agreement with Wellpoint (another
25 large company that was in a transition) and they have agreed to

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2 maintain an independent chair for at least two (2) years and as part
3 of the 2014 plan, we filed a similar proposal with USD(?) a couple
4 of months ago and actually have already withdrawn that and they are
5 naming an independent chair effective year-end. The trend
6 continues, not withstanding some resistance from some companies,
7 particularly those where companies are reticent about taking away
8 the chairmanship from a sitting chair and CEO, so it is a little
9 easier to achieve where this transitioned.

10 Slide 8, this is just going back to Chesapeake because I think
11 Chesapeake...we are often asked the question, "Can we demonstrate that
12 governance creates value?" I think that is a hard one and
13 researchers on both sides of the equation...there is no question that
14 bad governance destroys value and this was a company where it has
15 been in our focuses long before the time period of this craft and we
16 have plowed an independent share proposal there several years ago,
17 but I will ask in April of 2012, when a bunch of disclosures came
18 out to the press about undisclosed related party deals involving
19 CEOs, the share price collapsed. We led, the city funds led a vote,
20 no campaign, that had a record vote against directors, over 70%.
21 Those directors are now gone and as is the CEO. As I mentioned, we
22 had a series of reforms. You can see what has happened to the share
23 prices. This (inaudible) recovered most of the value that it had
24 lost. I think that is a good success story.

25 Turning the page, just some of the more sustainability related

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2 issues we continued to work with, both technology companies and now
3 increasingly in the retail sector, bringing greater transparency to
4 the global supply chain. You can see EMC, Gap, NIKE and Target, we
5 continue to work with international services industries to bring
6 greater transparency to the diversity of their workforce and we want
7 disclosure to various levels of the organization. We want to see
8 particularly women and minorities advertising and financial services
9 that are pervasive and persistent under representation of women and
10 minorities, especially as you go up the ladder and only meet with
11 these companies to talk about diversity. They tell us about all of
12 the programs they are doing and it is hard for us to know what is
13 real and what is not, so we just want to see what is the impact. Is
14 it having an effect in terms of hiring and promoting diverse
15 candidates? In fact, I have some (inaudible) to boardroom diversity
16 which has become a mainstream for the governance issue. We are not
17 going to get more women and minorities in the boardrooms until you
18 get them to the Executive suite. After all, the directors should
19 come up the corporate ladder, they should come out of government,
20 academia, but most of them do and so I think that is a supply
21 problem as well. We have reached agreements with a couple of
22 companies on political disclosure which continues to be the issue
23 that most shareholders proposals get filed on across all investors
24 and then sustainability reporting using internationally recognized
25 standards we reached agreements with several REITs with the big

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2 footprint here in New York City. Those proposals have an emphasis
3 on energy efficiency and gas emissions. Some proposals where we had
4 very high votes, but non-responsive companies: we go a majority vote
5 at Nabors Industries for the second time on proxy access, a very
6 high vote on our independent chairman proposal at Netflix and a
7 majority vote on board diversity in CF Industries. First time a
8 proposal like that ever got a majority and when I put this together,
9 we had never heard from them, but now we are about to reach an
10 agreement with CF around the policy, not actually putting a director
11 on, but they will, a policy will increase the probability that the
12 pool of candidates from which they pick directors will include
13 diverse candidates.

14 Finally, in connection with our changed practices around voting
15 on directors, because it can push companies, the best practice
16 policies, at the end of the day we want to make sure we have the
17 right people in the boardroom, not holding accountable the bad
18 directors. The city funds in the past couple of years, have led or
19 supported key vote no initiatives at companies including
20 Cablevision, where we had majority votes against directors including
21 one, who has had a majority vote against him three (3) of the last
22 four years (4) and is still on the board and that is a big problem.
23 We get majority votes against directors' non-contested elections and
24 they get resealed anyway but this year, and I could name like sixty
25 (60) to eighty (80) directors that happened to this year. But

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2 things are changing. It used to be impossible to get a majority
3 vote against directors, now we are getting them and this year you
4 had two (2) high profile companies, HP and JP Morgan, where
5 directors were narrowly reelected. They actually got 50% plus, but
6 it was so close that the board concluded they could not function
7 with directors that did not have broad support and those directors
8 were gone in two (2) weeks. We played a lead role at HP and then
9 Walmart, once again, led a vote no that the high opposition to key
10 directors, when you certainly exclude the 50% this can (inaudible)
11 like the Walton Family. Prospectively, for 2014, the shareholder
12 proposals, the issues are going to look a lot like they did in 2013.
13 We are just going to continue to go out broader and add companies.
14 We added two (2) new initiatives because they prompted dialog. We
15 will not end up filling proposals, but won a round, what we call
16 human capital management and we are talking in collaboration with
17 other investors, a set of retail companies that not only have I
18 think about a human (inaudible) supply chains in places like
19 Bangladesh and here in the US and this dovetails with the pay ratio
20 disclosure we are going to see as well. I am sure that when you
21 think about physical capital and the environment, financial capital
22 and then human capital, it is key to creating and protecting its
23 long-term value. The other initiative that is similar in terms of
24 being collaborative with other investors is trying to get this issue
25 of Carbon Asset Risk or Stranded Assets and you may have already or

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2 you might, hearing from 350.org, it is the Bill McKibben group that
3 is pushing on college campuses and other investors to divest from
4 fossil fuels. This is a, what I would say long-term owner response
5 which is, not sure if you are ready to think about divesting, but it
6 is, the underlying analysis they have is that there is a general
7 agreement that if the planet warms by more than 2 degrees Celsius by
8 2040, we have big problems. If you are to burn all of the proven
9 reserves on the top fossil fuel companies, reserves already in the
10 ground, that you would blow through that 2% and so their critique is
11 that these companies have assets in the ground that are overvalued
12 and therefore, the companies are overvalued because they will never
13 be able to burn them. I think it is a compelling analysis. It does
14 not take into account technology and other things but we are trying
15 to understand the issue a little better. Actually, I had to fly out
16 to a meeting earlier this week at Exxon/Mobil to talk about it. It
17 is an important issue and we are trying to figure it out. I think
18 it is the best I can say at this point and then you can see the
19 range of other issues here, but those are the two (2) new
20 initiatives. There is a list here, just in terms of numbers and if
21 the Trustees want it, I have the company focus list and I am going
22 to get into that level of (inaudible). Finally, on the last page, I
23 thought it is helpful for people to see, because our work is very,
24 work is on a seasonal schedule. Most companies have their annual
25 meetings in the Spring so we file shareholder proposals in the Fall

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2 to make sure they are in the proxy. We are negotiating now and we
3 had a very high response rate this year so hopefully we will another
4 year (inaudible). And for those when we are not successful, we go
5 to a vote in the Spring and so that is basically our cycle. Any
6 questions?

7 MS. MARCH: I do not have a question but I would just like to
8 say, as a member of the Proxy Committee, thank you to the
9 Comptroller's Office and to you Mike for all that you do and Carolyn
10 Wolpert and Ray Sarola, it has been a pleasure working with you on
11 the Proxy Committee. I think we have all accomplished a lot this
12 year and that is the way we should always (inaudible) and thank you.

13 MS. WOLPERT: Thank you Sandi.

14 MR. GARLAND: By the way, I appreciate the opportunity to
15 report out to the full board so thank you for inviting me.

16 MR. AARONSON: Thank you very much.

17 MS. REILLY: The next item is the Executive Director's Report.
18 The first item there is the next meeting. It has been suggested
19 that the next regular meeting of the Teachers' Retirement Board
20 be held on the fourth Thursday of the month, January 23, 2014.

21 MR. AARONSON: Everybody record that? Ok.

22 MS. REILLY: The next item is the Authorization to the
23 Comptroller of the City of New York to Invest Certain Funds.

24 MS. MARCH: Move to the Resolved.

25 MS. REILLY: At its meeting on September 19, 2013, the

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2 Teachers' Retirement Board authorized the Comptroller to invest
3 certain funds of the Teachers' Retirement System for a period of
4 three (3) months. In the event that the Board desires to continue
5 this authorization, the following resolution is submitted for
6 consideration and approval:

7 Resolved, by the Teachers' Retirement Board as trustees of
8 the Teachers' Retirement System that, in accordance with Section
9 13-513 and Section 13-534 of the Administrative Code of the City
10 of New York, the Comptroller of the City of New York is hereby
11 authorized and requested, in accordance with Section 13-702 of the
12 Administrative code of the City of New York to invest consistent
13 with the investment policies of Teachers' Retirement System of the
14 City of New York the contingent reserve fund, the pension reserve
15 fund, the annuity savings fund and the annuity reserve fund referred
16 to in Section 13-520 of the Administrative Code of the City of New
17 York, other than the portion thereof held for current needs,
18 pursuant to Section 13-538, subject to the terms to the terms and
19 limitations set forth herein:

20 1. The Comptroller shall have the power:

21 a) To make any investment, which the trustees of the
22 Teachers' Retirement System are authorized by law to make, including
23 stock investment in securities as authorized by the Retirement Board
24 in its resolution of November 20, 1990. However, any investment in
25 any tax-exempt security shall require prior approval of the Board.

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2 b) To hold, sell, assign, transfer, or dispose of any of
3 the properties, securities or investments in which any of the funds
4 of the Teachers' Retirement System shall have been invested,
5 including the proceeds of such investments and any monies belonging
6 to such fund, subject to the terms, conditions, limitations, and
7 restrictions impose by the law upon the trustees of the Teachers'
8 Retirement System.

9 c) In the name of the Comptroller, as agent of the
10 trustees, to foreclose mortgages upon default or to take title to
11 real property in such proceedings in lieu thereof, or to lease and
12 sell any properties so acquired.

13 2. Any termination, expiration or revocation of this delegation
14 to invest shall not affect any binding commitment previously made by
15 the Comptroller pursuant to such delegation and the Comptroller
16 shall have the power to discharge fully any such binding commitment
17 according to its terms.

18 3. The authority hereby granted to the Comptroller of the City
19 of New York by the Teachers' Retirement Board for the investing of
20 its funds shall be limited to a three-month period terminating
21 March 31, 2014.

22 4. Investment of funds of the Teachers' Retirement Board in
23 real estate mortgages which are not guaranteed by the City of New
24 York, the State of New York, and/or the United States governments,
25 may be made by the Comptroller in accordance with an agreed

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2 procedure contained in a memorandum dated March 16, 1968.

3 The transactions executed within the provisions of
4 paragraphs 1-4 of this resolution shall be submitted to the
5 Teachers' Retirement Board at the next meeting following the
6 execution of such transaction.

7 MR. AARONSON: Is there a motion on this resolution?

8 MS. MARCH: So moved.

9 MR. AARONSON: Is there a second?

10 MS. GRIMM: Second.

11 MR. AARONSON: Any discussion? All those in favor?

12 (Whereupon, all those present so indicated.)

13 MR. AARONSON: Any opposed? Seeing none, motion carried.

14 MS. REILLY: The next resolution is the Authorization to
15 the Comptroller of the City of New York to Invest Certain Tax-
16 Deferred Annuity Funds.

17 MS. ROMAIN: Move to the Resolved.

18 MS. REILLY: At its meeting on September 19, 2013, the Teachers'
19 Retirement Board authorized the Comptroller to invest, for a period
20 of three months, the net contributions of the Tax-Deferred Annuity
21 Program for participants electing the fixed portion of the Program.
22 In the event that the Board desires to continue to have these funds
23 invested by the Comptroller of the City of New York, the following
24 resolution is submitted for consideration and approval.

25 Resolved, by the Teachers' Retirement Board as trustees

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2 of the Teachers' Retirement System that, in accordance with
3 Sections 13-513 and Section 13-534 of the Administrative Code of the
4 City of New York, the Comptroller of the City of New York is hereby
5 authorized and requested, in accordance with Section 13-702 of the
6 Administrative Code of the City of New York to invest consistent
7 with the investment policies of Teachers' Retirement System of the
8 City of New York the portion of the annuity savings fund and the
9 annuity reserve fund arising from the tax-deferred annuity net
10 contributions, subject to the terms and limitations set forth
11 herein:

12 1. The Comptroller shall have the power:

13 a) To make any investment, which the trustees of the
14 Teachers' Retirement System are authorized by law to make, including
15 stock investment in securities as authorized by the Retirement Board
16 in its resolution of November 20, 1990. However, any investment in
17 any tax-exempt security shall require prior approval of the Board.

18 b) To hold, sell, assign, transfer, or dispose of any of
19 the properties, securities or investments in which any of the funds
20 of the Teachers' Retirement System shall have been invested,
21 including the proceeds of such investments and any monies belonging
22 to such fund, subject to the terms, conditions, limitations and
23 restrictions imposed by the law upon the trustees of the Teachers'
24 Retirement System.

25 c) In the name of the Comptroller, as agent of the

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2 trustees, to foreclose mortgages upon default or to take title to
3 real property in such proceedings in lieu thereof, or to lease and
4 sell any properties so acquired.

5 2. Any termination, expiration or revocation of this delegation
6 to invest shall not affect any binding commitment previously made by
7 the Comptroller pursuant to such delegation and the Comptroller
8 shall have the power to discharge fully any such binding commitment
9 according to its terms.

10 3. The authority hereby granted to the Comptroller of the City
11 of New York by the Teachers' Retirement Board for the investing of
12 its funds shall be limited to a three-month period terminating
13 March 31, 2014.

14 4. Investment of funds of the Teachers' Retirement Board in
15 real estate mortgages which are not guaranteed by the City of New
16 York, the State of New York, and/or the United States government,
17 may be made by the Comptroller in accordance with an agreed
18 procedure contained in a memorandum dated March 16, 1968.

19 The transactions executed within the provisions of paragraphs
20 1-4 of this resolution shall be submitted to the Teachers'
21 Retirement Board at the meeting next following the execution of such
22 transaction.

23 MS. ROMAIN: So moved.

24 MS. GRIMM: Second.

25 MR. AARONSON: It has been moved and seconded. Any discussion?

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2 All in favor?

3 (Whereupon, all those present so indicated.)

4 MR. AARONSON: Any opposed? Seeing none, carried.

5 MR. McTIGUE: The Comptroller thanks the Board.

6 MS. REILLY: The next item is the Variable E - The Socially
7 Responsive Equity Fund.

8 MS. ROMAIN: Move to the Resolved please.

9 MS. REILLY: Resolved, that, subject to the successful
10 negotiation of an appropriate agency agreement, the Board hereby
11 authorizes the change to a separate account format and the retention
12 of Neuberger Berman as an investment manager with respect to Variable
13 E, the Socially Responsible Equity Fund; and be it further

14 Resolved, that the Chair, or in his absence the Executive
15 Director, or in her absence, the Director, Investment Administration
16 is hereby authorized and directed to negotiate, enter into and
17 execute any agency agreements and other documents or instruments and
18 issue instructions and take any other actions as may be reasonably
19 necessary to implement this resolution; and be it further

20 Resolved, that the Chair, or in his absence, the Executive
21 Director, or in her absence, the Director, Investment Administration,
22 is hereby authorized and directed to issue instructions and take any
23 other action as may be reasonably necessary to implement this
24 resolution, including without limitations issuing instructions to
25 managers and/or the custodian with respect to the transfer of any

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2 assets or funds as provided for in this resolution.

3 MS. ROMAIN: I move the resolution.

4 MR. AARONSON: Do I see a second?

5 MS. GRIMM: Second.

6 MR. AARONSON: Any discussion? I have a question. Upon how
7 much do you think, in savings, we will have by moving from the
8 mutual fund?

9 MS. STANG: It is not a whole lot at this present moment, but
10 as E grows, their savings increases. So we are pretty much right at
11 the break even point now and as E grows the savings will kick in.
12 And it is just always better to have a separate account...

13 MR. AARONSON: Based on what, related to Michael Garland...the
14 immediate, there will be no immediate savings but...

15 MS. STANG: Modest. I mean, it depends on

16 MR. AARONSON: A basis point?

17 MS. STANG: Yeah.

18 MR. AARONSON: Ok, so, any other Board Member have a question?
19 Seeing none, we are ready to vote. All those in favor?

20 (Whereupon, all those present so indicated.)

21 MR. AARONSON: Any opposed? Seeing none, motion carried.

22 MS. REILLY: The next one is the TRS' Modernization Program for
23 Fiscal Year 2014.

24 MS. MARCH: Move to the Resolved.

25 MR. REILLY: Resolved, that the Executive Director is hereby

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2 authorized and directed to enter into negotiations with Sagitec
3 Company for the purpose of entering into a contract to provide for
4 modernized services and technology and to replace the UPS system
5 and related workaround applications; and be it further

6 Resolved, that the contract be negotiated to establish an
7 initial six-month phase to complete a detailed gap analysis and
8 prepare a detailed work plan and, subject to a report by TRS staff
9 to the Board and contingent upon a timely vote of the Board to
10 continue, modify or cancel the project, a second phase for the
11 completion of the work; and be it further

12 Resolved, that the Chairperson, or in his place the Executive
13 Director, is hereby authorized and directed to execute all necessary
14 documents to enter into such contract; and be it further

15 Resolved, the TRS agency budget for Fiscal Year 2014 shall be
16 increased in the amount of \$7,201,000 to be taken from TDA and
17 Variable Program Expense Funds and \$2,799,000 to be provided by QPP
18 funding to pay for phase 1 of this modernization program.

19 MS. ROMAIN: I move the Resolution.

20 MR. AARONSON: Do I hear a second?

21 MR. McTIGUE: Second.

22 MR. AARONSON: Is there any discussion?

23 MS. GRIMM: I would just like to make a comment. I applaud the
24 Budget Committee who I believe is recommending this, for taking what
25 looks like a huge project in terms of scope and starting small, to

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2 make sure that we lay out what is involved in this. I think it
3 is a terrific way to approach this. I commend the committee.

4 MR. AARONSON: Thank you very much. The Budget Committee
5 worked very hard on this, so all of the members of the committee
6 met several times just on this particular item and worked out this
7 resolution and this method of pay. Thank you for your kind comments.

8 MS. GRIMM: I am also pleased to see that this report will come
9 back to the full Board for review.

10 MR. AARONSON: You are welcome. Any other questions or
11 discussion? Seeing none, all in favor?

12 (Whereupon, all those present so indicated.)

13 MR. AARONSON: Any opposed? Seeing no opposition, carried.

14 MS. REILLY: The next resolution is the Adoption of Certain
15 Revisions to the Investment Policy Statement for the Variable
16 Annuity Program.

17 MS. ROMAIN: Move to the Resolved.

18 MS. REILLY: Resolved, that the following amendments provided
19 for in the proposed IPS for the Variable Annuity Program are adopted
20 effectively immediately:

21 1. IPS Section III is amended to add the following new
22 concluding sentence to read as follows:

23 Further, the Board adopted a resolution to prohibit
24 investments in companies that receive more than 20%
25 of their total revenues from the manufacture of

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2 civilian firearms or ammunition (the Gun Manufacturers),

3 and to divest from all such investments within the Fund.

4 This prohibition is applicable to both public and private
5 investments.

6 2. The second sentence of the first paragraph of subpart A
7 and the second sentence of the second paragraph of subpart
8 C of the "Review and Analysis of Potential Cases" section
9 of Appendix 6, the Securities Litigation Protocol, is
10 amended to permit evaluation counsel to serve as litigation
11 counsel on any matter they have evaluated.

12 3. The "Proxy Subcommittee Authority" section of Appendix 7,
13 the Proxy Voting Policies and Procedures, is amended to
14 provide for additional methods for communicating with the
15 Proxy Subcommittee.

16 4. IPS Executive Summary, Section C, "Fund Descriptions/
17 Investment Objectives"; IPS Section IV, "Investment
18 Objectives", and Appendix 2, "Bond Fund", are amended to
19 reflect minor clarifications in the descriptions of the
20 Funds.

21 And, therefore be it

22 Resolved, that the proposed modified IPS is hereby adopted as
23 the Teachers' Retirement System of the City of New York Investment
24 Policy for the Variable Annuity Program of the Qualified Pension Plan
25 and the Tax-Deferred Annuity Plan.

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2 MR. AARONSON: Do I hear a motion?

3 MS. ROMAIN: I move the resolution.

4 MR. AARONSON: Do I hear a second?

5 MS. MARCH: Second.

6 MR. AARONSON: The motion has been moved and seconded. Any
7 discussion? Seeing none, all those in favor?

8 (Whereupon, all those present so indicated.)

9 MR. AARONSON: Any opposed? Seeing none, motion carries.

10 MS. REILLY: Ok. That concludes the Executive Director's
11 Report and the next item on the agenda is the Calendar. Each
12 Board member should have received a copy previously sent to them
13 listing our transactions and payments for the month. I will go
14 over a quick summary of that, but first, there is the matter of
15 approval of the minutes for the regular meeting held on November 21,
16 2013.

17 MR. AARONSON: Do I hear a motion to approve the minutes?

18 MS. GRIMM: So moved.

19 MS. ROMAIN: Second.

20 MR. AARONSON: It has been moved and seconded. Is there any
21 discussion? Seeing none, all in favor of accepting the minutes say
22 aye.

23 (Whereupon, all those present so indicated.)

24 MR. AARONSON: All opposed? Seeing none, motion carried.

25 MS. REILLY: And then there are these items:

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2 The Monthly Periodic Payroll of TDA, Excess and Loan Payments
3 pages 1 through 14 inclusive; page 15 is the Payment Summary
4 Advanced Payment, New Retirees and TDA Accounts; pages 16 through
5 39 inclusive are the Transfer of active TDA deferred to annuity
6 payments; pages 40 through 96 inclusive are the Fractional Payments;
7 pages 97 through 109 inclusive are the Uncollected Checks for
8 deceased members; pages 110 through 123 inclusive are Beneficiary
9 Continuing Option Payments; pages 124 through 128 inclusive are
10 Conversions to Pop-up Payments; pages 129 through 199 inclusive are
11 Beneficiary who received one-time payments from their QPP and TDA
12 accounts; pages 200 through 202 inclusive are New Service Retirement
13 Payments; pages 204 through 208 inclusive are Purchases and Sales
14 of Security Transacted from the Passport Fund Program; pages 209
15 through 215 are Outstanding Checks; pages 216 through 225 inclusive
16 are Revision including those under Class Coverage; page 226 are
17 Lay off without Pay; pages 227 through 231 inclusive are Payment for
18 Service Credit; page 232 is Denied Accident Disability benefits;
19 page 233 are Denied Ordinary Disability; page 234 are Minimum
20 Accumulations; and page 235 are New Service Retirement Payments.

21 And that concludes the Calendar.

22 MR. AARONSON: Is there a motion to accept the Calendar?

23 MS. MARCH: So moved.

24 MS. GRIMM: Second.

25 MR. AARONSON: Is there any discussion?

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2 MS. GRIMM: On number 14 (in the Calendar) it is not lay off?

3 MS. REILLY: I am sorry, page what?

4 MS. GRIMM: Leave of absence.

5 MS. REILLY: Number 14.

6 MS. GRIMM: I thought I heard you say layoffs.

7 MS. REILLY: Alright, I misspoke. It says layoff pay without...

8 MS. ROMAIN: It is leave of absence.

9 MS. REILLY: Oh, that is not what it says here. On the notes

10 that I get from Accounting, it says layoff.

11 MS. MARCH: Lay off pay (laughing).

12 MR. AARONSON: That is scary.

13 MS. REILLY: So it is leave of absence.

14 MR. AARONSON: Is there any other comments? Questions? Seeing

15 none, ready to vote? All in favor of accepting the Calendar?

16 (Whereupon, all those present so indicated.)

17 MR. AARONSON: Any opposed? Seeing none, the Calendar is

18 accepted. Is there any other business before the Board today?

19 Keith, do you have any?

20 MR. SNOW: Not unless there are any questions.

21 MR. AARONSON: Seeing no other business, any questions or

22 comments from anyone? Seeing none...

23 MS. MARCH: Happy and a healthy New Year!

24 MR. AARONSON: And this is a new year and I also want to

25 do something a little different. I wanted to say happy and healthy

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2 New Year to all of the viewers who are watching. Having you
3 here is a comfort. So, I guess I need a motion to adjourn?

4 MS. WOLPERT: So moved.

5 MS. ROMAIN: Second.

6 MR. AARONSON: All those in favor of adjourning?

7 (Whereupon, all those present so indicated.)

8 MR. AARONSON: We are now adjourned. Thank you very much for
9 your participation.

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