

NEW YORK CITY TEACHERS RETIREMENT SYSTEM

INVESTMENT MEETING

Held on

Thursday, January 3, 2013

at

335 Adams Street, Brooklyn

New York, New York

ATTENDEES:

SANDRA MARCH, Chairperson, Trustee

LARRY SCHLOSS, Comptroller's Office, Trustee

MONA ROMAIN, Trustee

JANICE EMERY, Office of Management and Budget

BARRY MILLER, Comptroller's Office

ROBERT NORTH, Comptroller's Office

PATRICIA REILLY, Teachers' Retirement System

MARC KATZ, Teachers' Retirement System

SUSAN STANG, Teachers' Retirement System

ROBIN PELLISH, Rocaton

MICHAEL FULVIO, Rocaton

CHRIS LYON, Rocaton

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

2 (10:18 a.m.)

3 MS. REILLY: Good morning. Welcome to
4 the January 3, 2013 Teachers' Retirement
5 System of the City of New York investment
6 meeting. Let me start by saying Happy New
7 Year to everyone. And we will start with the
8 roll.

9 Janice Emery?

10 MS. EMERY: Here.

11 MS. REILLY: Melvyn Aaronson? Not here.

12 Mona Romain?

13 MS. ROMAIN: Present.

14 MS. REILLY: Sandra March?

15 MS. MARCH: Present.

16 MS. REILLY: Kathleen Grimm? Not here.

17 Frieda Forster? Not here.

18 Larry Schloss?

19 MR. SCHLOSS: Present.

20 MS. REILLY: So we have a quorum.

21 Without Mel here, we need to elect a
22 temporary chair.

23 MS. ROMAIN: I nominate Sandra March.

24 MS. EMERY: Second.

25 MS. REILLY: All those in favor?

1 MR. SCHLOSS: Aye.

2 MS. ROMAIN: Aye.

3 MS. EMERY: Aye.

4 MS. MARCH: Aye.

5 MS. ROMAIN: Opposed?

6 MS. MARCH: Before we start the meeting,
7 in addition to wishing everybody here a Happy
8 New Year, I would ask that we have a moment of
9 silence and I hope that I do not cry. It is
10 our first meeting since the horrific event at
11 Sandy Hook, and in memory of those beautiful
12 children and 6 teachers, I think that we
13 should just have a moment of silence.

14 Thank you. I think I would just like to
15 make a suggestion that due to the events that
16 have occurred in Sandy Hook, I would ask as a
17 board that we just take a look at our
18 holdings. We must do it from the perspective
19 of being fiduciaries. I think we have to
20 study how it would affect the System, and at
21 the end of that study, we will determine if
22 there is anything that we can or if there is
23 anything that we will do.

24 MR. SCHLOSS: We are going to look at
25 all the gun manufacturers that are in our

1 portfolio and we will look at everything
2 including the divestiture, and we will get
3 back to you once we have a real analysis to
4 put together.

5 MS. MARCH: We must have an analysis to
6 make sure it will not affect the earnings of
7 the System.

8 MR. SCHLOSS: Right, and we will work
9 with growth.

10 MS. MARCH: We should proceed.

11 Are we doing the variable or the pension
12 fund first?

13 MR. KATZ: We will do pension first.

14 MR. SCHLOSS: Yes. It's a new year.

15 MS. MARCH: Okay, Mr. Schloss, it's all
16 yours.

17 MR. SCHLOSS: Okay. Everybody have
18 their nice blue and white Teacher's monthly?

19 So since this is January, you have all
20 forgotten November. So November we had the
21 election -- the reelection of the president.
22 We had the market go down and we had the
23 market come back, so by the time we were done
24 with the ups and downs, it was sort of a
25 roller coaster ride for a little while, but it

1 did get back to where it started. Just about.

2 So if you look at page 32, you can see
3 that we ended the month of November at 45.8
4 billion dollars, a couple of hundred million
5 off of the peak of 46 billion dollars. And
6 then if you jump to page 39, you would see in
7 the far left-hand column that despite going
8 down and back up, the first block of numbers
9 are the US stock market. They basically ended
10 up reasonably flat as did the EAFE and
11 emerging markets. They were up 2.42 percent.
12 The fixed income market of the United States
13 was up. Hence, we made a little bit of money.

14 If I roll you forward into the numbers
15 that we don't have, which is the December
16 numbers, just jot these down: The Russell
17 3000 is up 1.2 percent. EAFE was up 3.2
18 percent. Emerging markets was up 4.9 percent.
19 The high yield bond market was up 1.4 percent.
20 TIPS was down .6. And the REITS was up 3.8.
21 So when we eyeball those numbers, we get
22 December was up over 1 percent as well.

23 So then if we go to the next page, page
24 40, you will see that again the far left, we
25 are up .84 percent in the month of November,

1 which brought in the third column, our fiscal
2 year-to-date, up about 4.9. I estimate we are
3 up over 1 percent, a little over 1 percent in
4 December. So I think for the first six months
5 of the year, we are going to be up 6 percent
6 plus or minus, which is good if we are trying
7 to get to 80 but we will see.

8 The good news was again, when I looked
9 at these numbers, almost all of the one-month
10 numbers were positive by asset class, and then
11 in the fiscal year-to-date, they are all
12 positive as well. So we are getting a nice
13 balanced approach to our portfolio, which is,
14 you know, hard to do when you have both fixed
15 income bonds and long-term assets. So again,
16 I would tell you that I think we will end the
17 year north of 46 billion dollars and probably
18 end the calendar year at an all-time high,
19 which is good.

20 And then if you go back a page or two to
21 page 35, you will see the asset allocation is
22 a little bit of a balancing in December. We
23 took an overallocation for REITS, which is the
24 blue, which is 1.3. Took a little bit out of
25 that. We were underallocated in emerging

1 markets. We were taking our time, so we put
2 some money into that and then we took a little
3 bit out of EAFE.

4 So everything is looking pretty much
5 balanced except for overweighted to US
6 equities which yesterday was a beautiful
7 thing. Stay tuned for yesterday's results.
8 And the rest is pretty much spot-on. And the
9 reason we like being overallocated in US
10 equities is because we can make the US economy
11 come out of recession. We feel pretty good
12 about the whole thing, and it's the right mix.
13 The only thing that looks under on the fixed
14 income exhibit is BAM. The only thing that
15 flopped out of the BAM is opportunistic fixed
16 income, and that's because we put out the
17 capital commitments and they haven't really
18 taken the capital, but we are about halfway
19 through on a committed basis. And we want to
20 get to about 5 percent.

21 That's about it. So it was a good
22 month. Positive. We had a good month I think
23 in December. The fiscal cliff -- sort of step
24 one of the fiscal cliff got done, which is
25 taxes. Step two stay tuned in March. Figure

1 out cuts and budgets and debt ceiling and
2 other things to worry about. So I assume it's
3 pretty bumpy between now and the end of the
4 first quarter as we try to get to the end of
5 the fiscal year, but again, I think we are
6 probably set up as well as we can be for
7 everything. We pruned a bunch of managers.

8 Any questions in November? Okay. That
9 ends our public agenda.

10 MS. MARCH: Can we move to the variable
11 public agenda, please?

12 MR. LYON: Great. Good morning. So --

13 MR. SCHLOSS: Do we need another roll
14 call, Madam Chair?

15 MS. MARCH: No.

16 MR. SCHLOSS: That's why I am not the
17 chair.

18 MR. LYON: The updates that we have for
19 you are through November 30th. The first
20 update is on the diversified equity fund,
21 which was around 9.6 billion dollars as of
22 that date and continues to be relatively in
23 line with its target allocations due to the
24 ongoing rebalancing program.

25 On page 3, we have some information

1 about how the option as a whole has performed
2 for the month. It was in positive territory
3 with about a 1 percent return. About a
4 quarter of percent better than the broad
5 Russell 3000 and in line with the hybrid
6 benchmark, and for the year to date, on a
7 net-of-fee basis, it returned over 14 and a
8 half percent through the end of November. And
9 that compares favorably to the hybrid
10 benchmark and is within a half percent of the
11 broad equity market. Again, we are looking at
12 favorable results. So reasonable results.

13 For the month, the only stand-out in
14 terms of the composites was that international
15 was helpful. Looking at the year-to-date
16 period however, what we basically saw is that
17 both the index US composite and the
18 international composite were roughly in line
19 with each other and therefore the fund results
20 as a whole. This performance was aided
21 actually by the active domestic composite.
22 And in recent periods, we haven't been able to
23 stay out of it as often as we like.

24 The defensive composite was the lowest
25 returning composite given its nature and that

1 it's not as equity sensitive. So in an
2 up-15-type market, we don't expect the
3 defensive composite to fully keep up, but it
4 still delivered an almost 11 percent return
5 year to date.

6 Turning to the second handout, the other
7 passport funds, the bond funds, you can see
8 the assets on page 1, 378 million dollars
9 approximately. And the performance for the
10 month was 20 basis points. That compares to
11 18 basis points for the benchmark, and on a
12 year-to-date basis, a 2.2 percent return,
13 which is within 5 basis points of the
14 benchmark. And of course, these results are
15 on a net-of-fee basis as will be all passport
16 funds I mentioned.

17 Flipping to the next page, you can see
18 the International Equity Inflation Protection
19 and Socially Responsive Equity funds and the
20 asset levels being around 78 million, 33
21 million, and 39 million respectively, and the
22 performance for the month on the international
23 option, 2.1 percent. A little bit behind the
24 2.4 percent return of EAFE, but on a
25 year-to-date basis, the option outpaced EAFE

1 and returned 14.7.

2 Down to the Inflation Protection option,
3 85-basis-point return for the month, favorable
4 in comparison to the benchmark. As we
5 mentioned, we don't expect to track that
6 closely but outpace it for the long haul, and
7 on a year-to-date basis we have done that.
8 Although it's not exactly the long haul,
9 nonetheless we have outpaced this benchmark
10 very significantly. 13 percent return
11 compared to 5.4 for the benchmark so obviously
12 pleased with the results.

13 And then if you look down towards the
14 bottom of the page, you will see the Socially
15 Responsive Equity option. 2.24 percent return
16 outpaced the benchmark meaningfully for the
17 month but had a lot of ground to make up on a
18 year-to-date basis. So it closed the
19 performance gap versus the benchmark but still
20 had a 9-and-a-half percent return versus 15
21 for the benchmark, and we will be reviewing
22 this option more closely in the first quarter
23 and report back in more detail then.

24 Then if there aren't any questions on
25 that, the last piece that we have for you

1 relating to the passport funds is a year-end
2 snapshot of how relevant benchmarks and a
3 couple of the underlying mutual funds in the
4 Inflation Protection and Socially Responsive
5 strategies performed, and what you can
6 basically see is that everything that was
7 equity-sensitive in terms of the passport fund
8 options, if we approximated it based on
9 benchmarks, we would probably all be up in
10 about the 1 percent range for December.

11 So as Larry mentioned, kind of a wild
12 ride but things smoothed out on the rebound on
13 the last day of the year, and of course, we
14 don't have the results for you yesterday, but
15 yesterday would have been a good day obviously
16 for the equity-sensitive options as well. And
17 so whereas the fixed income options would
18 likely to be flatter, maybe modestly negative
19 once we get those results in but pretty close
20 to flat is what we are expecting for the month
21 of December.

22 So I will pause there and see if there
23 are any questions, and if not, that's
24 everything that we have for the public session
25 for the passport funds.

1 MS. MARCH: Since we have finished the
2 public session, both the pension and the
3 variable funds, will someone care to make a
4 motion?

5 MS. ROMAIN: I move that we go into the
6 executive session for the purposes of
7 discussing sales and purchasing of securities.

8 MS. EMERY: Second.

9 MS. MARCH: All those in favor?

10 Aye.

11 MR. SCHLOSS: Aye.

12 MS. ROMAIN: Aye.

13 MS. EMERY: Aye.

14 MS. MARCH: We are now in executive
15 session.

16 (Whereupon, the meeting went into Executive Session.)

17 MS. MARCH: Can we please have a report
18 of what occurred in executive session?

19 MS. STANG: Certainly.

20 In the executive session of the pension
21 fund, an update on an investment manager was
22 presented. Consensus was reached which will
23 be disclosed at the appropriate time.

24 MS. MARCH: Are there any other items
25 before the board? Seeing none, do we have a
26 motion to adjourn?

1 MS. EMERY: So moved.

2 MS. ROMAIN: Second.

3 MS. MARCH: We are adjourned.

4 (Time noted: 10:56 a.m.)

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C E R T I F I C A T E

STATE OF NEW YORK)

: ss.

COUNTY OF QUEENS)

I, YAFFA KAPLAN, a Notary Public

within and for the State of New York, do

hereby certify that the foregoing record of

proceedings is a full and correct

transcript of the stenographic notes taken

by me therein.

IN WITNESS WHEREOF, I have hereunto

set my hand this ____ day of _____,

2013.

YAFFA KAPLAN