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2 NEW YORK CITY TEACHERS' RETIREMENT SYSTEM

3 INVESTMENT MEETING

4 Held on Thursday, March 3, 2022

5 Via

6 Zoom Videoconference

7

8 ATTENDEES:

9 DEBRA PENNY, Chairperson, Trustee, TRS

10 THOMAS BROWN, Trustee, TRS

11 DAVID KAZANSKY, Trustee, TRS

12 ALISON HIRSH, Trustee, Comptroller's Office

13 RUSSELL BUCKLEY, Trustee

14 CYNTHIA COLLINS, Trustee, Mayor's Office

15 PATRICIA REILLY, TRS, Executive Director

16 THADDEUS MCTIGUE, TRS, Deputy Executive Director

17 VALERIE BUDZIK, TRS

18 LIZ SANCHEZ, TRS

19 SUSAN STANG, TRS

20 PHIL DUKES, Finance

21 STEVE YUAN, Mayor's Office

22 MICHAEL HADDAD, Comptroller's Office

23 DEVON ALEXANDER, Rocaton

24 MICHAEL FULVIO, Rocaton

25 ROBIN PELLISH, Rocaton



1     ATTENDEES (Cont'd)

2     GREGORY ZELIKOVSKY, Office of the Actuary

3     JIMMY YAN, Comptroller's Office

4     DANIEL HAAS, Comptroller's Office

5     SUMANTA RAY, Mayor's Office

6     DAVID LEVINE, Groom Law Group

7     RONALD SWINGLE

8     ARISTEA AFTOUSMIS, TRS

9     ISAAC GLOVINSKY, TRS

10    JOHN ADLER, Comptroller's Office

11    JOHN GLUSZAK, Comptroller's Office

12    ENEASZ KADZIELA, Comptroller's Office

13    JENNIFER GAO, Comptroller's Office

14    SANFORD RICH

15    SEAN BARBER, Hamilton Lane

16    JAMES MAINA

17    LIN ZHENG

18    KOMIL ATAVE, TRS

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

2 (Time noted: 10:00 a.m.)

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4 MS. REILLY: Good morning. Welcome  
5 to the investment meeting of the  
6 Teachers' Retirement Board for March 3,  
7 2022. I'll start by calling the roll.

8 Thomas Brown?

9 MR. BROWN: Here.

10 MS. REILLY: Russell Buckley?

11 (No response.)

12 Cynthia Collins?

13 MS. COLLINS: Present.

14 MS. REILLY: Alison Hirsh?

15 MS. HIRSH: Present.

16 MS. REILLY: David Kazansky?

17 MR. KAZANSKY: Present?

18 MS. REILLY: Debra Penny?

19 CHAIRPERSON PENNY: Good morning.

20 MS. REILLY: We have a quorum.

21 CHAIRPERSON PENNY: Good morning,  
22 everyone.

23 We will start with the Passport  
24 funds review.

25 Mike, take it away.



1           2021 the global market composite  
2           benchmark, which is an additional or  
3           secondary benchmark of the diversified  
4           equity fund, for the first six months of  
5           last year was entirely the Russell 3000  
6           index.

7                   The U.S. did outpace other markets  
8           last year, pretty notably. So that's why  
9           you see a relatively higher return for  
10          the global market composite index for the  
11          full calendar year 2021. That index was  
12          up about 23 percent. The diversified  
13          equity fund, as I noted, was up over 20  
14          percent. But again, the hybrid benchmark  
15          pretty close to the return of the  
16          diversified equity fund, as you would  
17          expect.

18                   In addition to strong absolute  
19          returns, last year was also a strong year  
20          for manager relative results. You can  
21          see that showing up here in the returns  
22          of the actively managed composite of the  
23          fund, as well as the international equity  
24          composite of the fund.

25                   The calendar year ended with assets

1 of about \$20.2 billion in the diversified  
2 equity fund.

3 The balanced fund last year ended  
4 the year with about \$600 million in  
5 assets. It had a total return of about  
6 5.2 percent, just ahead of its composite  
7 benchmark of 4.6 percent.

8 The international equity fund with  
9 assets of around \$250 million ended the  
10 year with a return of 8.4 percent.  
11 Again, pretty strong absolute returns for  
12 the fourth quarter as well, which capped  
13 off what was a strong 2021 across many of  
14 these funds.

15 You can see the sustainable equity  
16 fund last year ended the year with \$600  
17 million in assets. It had an investment  
18 return in 2021 of over 30 percent, and  
19 was almost 3 percent ahead of its  
20 benchmark last year.

21 The two index funds, you can see the  
22 U.S. equity index with assets of about  
23 \$91 million at year end returned 25.8  
24 percent last year. And the international  
25 index fund with assets of approximately

1           \$13 million returned about 7.9 percent  
2           last year.

3           I will pause to see if there's any  
4           questions on the returns before I spend a  
5           brief moment on the manager score card.

6           CHAIRPERSON PENNY: Questions for  
7           Michael?

8           (No response.)

9           MR. FULVIO: I'm going to flip ahead  
10          for those following along in their own  
11          materials to Slide 37. This is the first  
12          page of the active manager scorecard  
13          which we discussed in recent quarters as  
14          well. There's no notable new flags as it  
15          relates to the active managers in the  
16          U.S. equity composite on this slide.

17          I will call your attention to two  
18          managers who are currently tripping a  
19          flag for their one year excess returns on  
20          Slide 38. Those two managers,  
21          Sprucegrove and Baillie Gifford, you  
22          might recall, these are among two of the  
23          more active strategies in terms of their  
24          expected risk profile compared to their  
25          benchmarks. They were lagging for the



1           calendar year 2021 and did trip this  
2           flag.

3                     We did meet with both of these  
4           managers in the fourth quarter last year.  
5           And of course, their strategies had been  
6           out of favor, which is showing up in  
7           these performance numbers. But what I'd  
8           underscore is the long term results are  
9           quite strong, relative results are quite  
10          strong for both of these managers. We  
11          don't have any significant concerns at  
12          this time.

13                    In addition to having had  
14          discussions with them in the fourth  
15          quarter, we'll plan to follow up with  
16          them again in the coming months, to stay  
17          as close to this as we intended and  
18          discussed.

19                    I'll pause there to see if there's  
20          any other questions. Otherwise I'll move  
21          ahead to January.

22                    CHAIRPERSON PENNY: Questions?

23                    (No response.)

24                    Great job, Michael. No questions.

25                    MR. FULVIO: So we'll move ahead to

1 the Passport fund report for January.  
2 And I did note what was in stark contrast  
3 to the strong 2021, a slow start, an  
4 unfortunate start to the beginning of  
5 2022.

6 Absolute returns, as we discussed  
7 last month, in January were quite  
8 negative across the board. You can see  
9 the diversified equity fund in January  
10 was down almost 6 percent. Not only was  
11 it a challenging month for investment  
12 returns both in the U.S. and abroad, but  
13 it was a challenging month for active  
14 management. And so active management was  
15 a net detractor to excess returns for the  
16 month of January.

17 You can see still what was a strong  
18 2021 shows up in some of these longer  
19 term time periods when we look at the  
20 relative returns for the one year.  
21 However, January was challenged.

22 The fund was down, as I noted, about  
23 5.9 percent. The hybrid benchmark was  
24 down about 5.5 percent. So the negative  
25 alpha, if you will, from some active

1 managers showing up in the relative  
2 returns, and the global market composite  
3 down about 5.5 percent.

4 The balanced fund for the month was  
5 down about 2.4 percent. We also saw  
6 similar results for the international  
7 equity fund as we did for for the  
8 international equity composite. As we'd  
9 expect, that fund was down about 5  
10 percent for the month, lagging its  
11 composite benchmark which returned  
12 negative 4.4 percent.

13 The sustainable equity fund, which  
14 you might recall is comprised of stocks  
15 that tend to show up in the growth part  
16 of the market. And it's been a very  
17 challenging year so far for growth stocks  
18 in general, given the sensitivity growth  
19 stocks tend to have to Fed policies and  
20 the expectation that the Fed will look to  
21 tighten policy over the coming months.

22 Growth stocks tend to react more  
23 negatively to that, as we've seen. And  
24 we saw the sustainable equity fund was  
25 down over 12 percent for the month of

1 January, and it lagged its benchmark,  
2 down about 8.6 percent.

3 The U.S. equity index was down about  
4 5.9 percent for the month, in line with  
5 its benchmark; and the international  
6 equity index fund down about almost 3  
7 percent, roughly in line with broad  
8 international equity markets.

9 So I'll pause there before we move  
10 forward with an update on February market  
11 performance.

12 Any questions.

13 (No response.)

14 Not hearing any, I'll turn it over  
15 to Devon to talk to February.

16 MR. ALEXANDER: Thanks, Mike.

17 Keeping in the same theme of  
18 difficult news, February was a difficult  
19 month for equities as a whole, obviously  
20 exacerbated by the Russian invasion of  
21 the Ukraine.

22 Not surprisingly, we saw negative  
23 results in the diversified equity fund.  
24 On the global market composite we saw a  
25 loss of 2.37 percent. On the diversified

1 equity fund hybrid we saw a loss of 2.35  
2 percent.

3 The news is also sad as well on the  
4 credit market side, as we saw some  
5 challenges as a result of monetary  
6 tightening expectations and higher than  
7 expected inflation data.

8 The balanced fund benchmark had a  
9 loss of just over 1 percent for the  
10 month.

11 In the international market we saw  
12 losses across all components of the  
13 international composite benchmark,  
14 resulted in just under 2 percent loss for  
15 the month.

16 As Mike has alluded to earlier, we  
17 got into sustainable equity funds. We  
18 also saw losses there as well. I must  
19 mention as well that, on an absolute  
20 return, that was the highest loss we saw  
21 for the month across all the benchmarks.

22 I would continue with all the  
23 losses, but I'll pause to see if there  
24 are any questions, because the other  
25 funds also had losses as well.

1 CHAIRPERSON PENNY: Any questions?

2 (No response.)

3 Okay.

4 MR. ALEXANDER: Thanks.

5 CHAIRPERSON PENNY: The Passport  
6 fund IPS discussion. This will be led by  
7 --

8 MS. PELLISH: Rocaton can jump in  
9 and maybe I'll take this one, Mike; okay?

10 MR. FULVIO: Great.

11 MS. PELLISH: As we talked about at  
12 the board meetings in 2021, there have  
13 been a number of changes to benchmarks  
14 and objectives for the Passport funds, as  
15 well as for the pension funds.

16 And so the board asked Rocaton, BAM  
17 and TRS to collaborate on an update for  
18 the IPS for both the pension fund and the  
19 Passport funds. So what we included in  
20 today's materials are the IPS for the  
21 Passport funds.

22 The pension fund, work on the  
23 pension fund has started and will be  
24 complete no later, I believe no later  
25 than fourth quarter 2022. I think

1           there's some interest in having the  
2           permanent CIO be able to have at least  
3           reviewed the IPS before it's presented to  
4           the board. So that will take a few more  
5           quarters.

6                     What we primarily to chose reflect  
7           in in this updated IPS was changes in the  
8           composition of some of the Passport  
9           funds. So I'm sure you'll recall there  
10          have been some significant changes to the  
11          diversified equity fund.

12                    For example, we eliminated the  
13          defensive composite within that fund.  
14          And we also modified the benchmark for  
15          the diversified equity fund. So those  
16          modification are included in this IPS.

17                    I don't think that we want to go  
18          through this version page by page, but we  
19          wanted to present it to the Board for its  
20          consideration and review. And we will be  
21          happy to answer any questions at the next  
22          meeting.

23                    Valerie, did you want to add  
24          anything to this discussion?

25                    MS. BUDZIK: No. We are circulating

1 (unclear audio). If we can get comments  
2 within the next month, that would be  
3 great.

4 MS. PELLISH: Again, just a high  
5 level takeaway here. There is no  
6 substantive change in the Passport funds.  
7 Rather, what we're doing is, we're sort  
8 of cleaning up the document to reflect  
9 changes that have been approved by the  
10 Board over the last two years and  
11 implemented as well. And that primarily  
12 affects the diversified equity fund and  
13 the elimination of the defensive  
14 composite and some changes made to the  
15 active U.S. equity composite within the  
16 diversified equity fund.

17 (Unclear audio. Talking over each  
18 other.)

19 MR. HADDAD: In response to very  
20 clear messages from this Board about what  
21 (unclear audio).

22 So we have a few different slides on  
23 market return. Here's the results for  
24 several public market asset classes as of  
25 the end of February. And like the



1           Rocaton folks, I'm sad to report there's  
2           a lot of red on that screen.

3                   I guess I would, what also makes it  
4           unusual is both equities and fixed income  
5           have negative returns for the month, and  
6           also for the fiscal year.

7                   As a reminder, the fiscal year is  
8           July 1 to the end of February. And your  
9           portfolios are benchmarked against these  
10          indexes, not exactly like them, because  
11          you do have active management in all  
12          these asset classes. But this is to give  
13          you a flavor as to how poorly the indices  
14          have performed in both the month ending  
15          February and the fiscal year to date.

16                   Next slide, Dan (indicating).

17                   This is a different view of the same  
18          that I shared with you last time about  
19          portfolio underweights and overweights in  
20          your portfolio. I tried to show you a  
21          time series here in the columns.

22                   The first column is what your  
23          strategic asset allocation target is, and  
24          then over the last six months how those  
25          slight underweights and overweights have

1 changed.

2           What I'll draw your attention to on  
3 the first row is how the cash weighting  
4 is zero, and that's gone up a little bit.  
5 And that's gone up as we have, if we go  
6 down to the bottom three rows in the  
7 three sleeves of public equities, we've  
8 gotten slightly overweight to slightly  
9 underweight.

10           And as I shared with you last time,  
11 in a series of nine different  
12 transactions we reduced your overweights.  
13 And when we took the proceeds the  
14 question is: Do we put them in fixed  
15 income, or what asset class do we put  
16 them in?

17           And given the trends in fixed income  
18 of rising deals, we didn't want to go  
19 there. So we put them in cash,  
20 acknowledging in a long term portfolio  
21 the weighting cash would be zero, but  
22 there are small periods of time where I  
23 think it's okay to be slightly defensive  
24 in cash.

25           So at the end of February, this is a

1 snapshot of overweights and underweights.  
2 And in the equity market, I think our  
3 last rebalancing trade -- BAM, help me if  
4 I get this wrong -- was maybe mid  
5 January, early January.

6 So -- switch screen. So those  
7 slight underweights have been a result of  
8 market moves rather than transactions.

9 Let's go to the next slide  
10 (indicating).

11 Importantly, what is the overall  
12 performance of the fund? And a big  
13 caveat at the bottom, unaudited returns.  
14 This is from an internal risk system we  
15 use at BAM. And what this includes is  
16 publics and privates with the usual lags  
17 and privates and so on and so forth.

18 But we have month to date on this  
19 1.4 percent and fiscal year to date minus  
20 1.1 percent.

21 CHAIRPERSON PENNY: Thank you.

22 Any questions for Mike?

23 (No response.)

24 We appreciate it. That was very  
25 interesting.

1           Then it looks like we don't have  
2           anything else for public agenda.

3           Do I hear a motion to go into  
4           executive session?

5           MR. BROWN:   So moved.

6           CHAIRPERSON PENNY:   Thank you, Mr.  
7           Brown.

8           Do I hear a second.

9           MS. HIRSH:   Second.

10          CHAIRPERSON PENNY:   Thank you, Ms.  
11          Hirsh.

12          Any questions?

13          (No response.)

14          All those in favor please say "Aye."

15          (A chorus of "Ayes.")

16          Any opposed?

17          (No response.)

18          We're going to executive session.

19          For anyone not joining us, thank you for  
20          joining us.   See you later.

21          (Whereupon, the Board entered  
22          executive session.)

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1                   (Whereupon, the Board returned to  
2                   public session.)

3                   RONALD SWINGLE: In the executive  
4                   session of the March 2022 investment  
5                   meeting there were separate presentations  
6                   made for two different asset classes.

7                   There were also two separate  
8                   discussions of specific investment  
9                   matters.

10                  Action was taken on one, details of  
11                  which will be announced at the  
12                  appropriate time.

13                  Thank you.

14                  CHAIRPERSON PENNY: Thank you so  
15                  much.

16                  Anything else?

17                  (No response.)

18                  Seeing nothing else, do I hear a  
19                  motion to adjourn?

20                  MS. HIRSH: So moved.

21                  CHAIRPERSON PENNY: Thank you, Ms.  
22                  Hirsh.

23                  Do I hear a second?

24                  MR. BROWN: Second.

25                  CHAIRPERSON PENNY: Thank you, Mr.

1 Brown.

2 Any questions.

3 All those in favor please say "Aye."

4 (A chorus of "Ayes.")

5 Anyone disagree?

6 Any abstentions?

7 (No response.)

8 We stand adjourned. Thank you,  
9 everyone.

10 (Whereupon, at 1:12 p.m., the matter  
11 was concluded.)

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

2

3 I, Jeffrey Shapiro, a Stenographic  
4 Reporter and Notary Public, within and for the  
5 State of New York, do hereby certify that I  
6 reported the proceedings in the within-entitled  
7 matter, on Thursday, March 3, 2022, and that  
8 this is an accurate transcription of these  
9 proceedings.

10 IN WITNESS WHEREOF, I have hereunto  
11 set my hand this 15th day of March, 2022.

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16 JEFFREY SHAPIRO

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