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1 NEW YORK CITY TEACHERS' RETIREMENT SYSTEM
INVESTMENT MEETING
held on Thursday, April 3, 2014
at
3 55 Water Street
New York, New York

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ATTENDEES:

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MELVYN AARONSON, Chairperson, Trustee, TRS
7 MONA ROMAIN, Trustee, TRS
SANDRA MARCH, Trustee, TRS
8 PATRICIA REILLY, Executive Director, TRS
CHARLOTTE BEYER, Trustee, Finance
9 JANICE EMERY, Trustee, Finance
JUSTIN HOLT, Trustee, Finance
10 THADDEUS McTIGUE, Deputy Executive Director, TRS
SUSANNAH VICKERS, Trustee, Comptroller's Office
11 RAFIQUE DE CASTRO, Comptroller's Office
JOHN DORSA, Trustee, Comptroller's Office
12 MARTIN GANTZ, Comptroller's Office
SEEMA HINGORANI, Comptroller's Office
13 YVONNE NELSON, Comptroller's Office
MICHAEL GARCIA, TRS
14 MARC KATZ, TRS
RENEE PEARCE, TRS
15 PAUL RAUCCI, TRS
ROBERT C. NORTH, JR., Actuary
16 ROBIN PELLISH, Rocaton
ROBERTA UFFORD, Broome Law Group
17 MICHAEL KOENIG, Hamilton Lane
CORINA ENGLISH, Hamilton Lane

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P R O C E E D I N G S

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(Time noted: 10:04 a.m.)

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MS. REILLY: Good morning. Welcome to the
April 3, 2014 investment meeting of the Teachers'
Retirement System of the City of New York. I will start
by calling the roll.

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Mel Aaronson?

CHAIRPERSON AARONSON: Here.

MS. REILLY: Justin Holt?

MR. HOLT: Here.

MS. REILLY: Sandra March?

MS. MARCH: Present.

MS. REILLY: Mona Romain?

MS. ROMAIN: Present.

MS. REILLY: Charlotte Beyer?

MS. BEYER: Here.

MS. REILLY: Susannah Vickers?

MS. VICKERS: Here.

MS. REILLY: We do have a quorum.

I'll turn it over to the Chairman.

CHAIRPERSON AARONSON: Thank you very much.

Today, we're going to have the public
session of the pension fund as first order of business.
Seema?

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1 MS. HINGORANI: Okay. Thank you, Mel.

2 So, if everyone wants to turn to their

3 monthly performance review booklet.

4 Does everybody have one?

5 So, we have February in front of us. Just

6 to go back just a bit to kind of revisit the bumpiness

7 that we've seen, that we thought we would see, so you

8 might remember that January was a very difficult month.

9 There was lots of uncertainty in the market. China was

10 slowing. What's the Fed going to do? What about the

11 debt ceiling that's coming in February, how is Congress

12 going to handle that? So, the market did not do well in

13 January.

14 Then we move into February, and a lot of

15 that uncertainty gets cleared up. The debt ceiling is

16 resolved. We realize now the Fed is going to taper

17 again. So, they've got, from 85 billion to 75 billion

18 to 65 billion, now 55 billion in purchases a month.

19 People were concerned about what Janet Yellen, the Fed

20 chair, was going to do, and people seemed relieved. And

21 so, we've had a big up, February.

22 So, then you have Russian and Crimean

23 geopolitics, and we'll get into that a little bit more.

24 But if you want to go right to the numbers, you go right

25 to page 27.

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1 And so, this is February, so, again, a very
2 strong month. You can see the Russell 3000, up
3 4.74 percent. The EAFE markets, up 5 1/2 percent. The
4 emerging markets rebound, up over 3 percent. You scroll
5 down some more to Core+5. That's up 71 basis points.
6 Down a few more rows, high yield is up 2 percent. TIPS,
7 up 45 basis points. And convertibles, up over
8 4 percent. So, a lot of good things happened in the
9 month of February.

10 Now, I can give you some insight into March,
11 because March 31 ended Monday. So, we have an update on
12 those numbers. And we go into a period of time of,
13 which way are we going? And the good thing is it ended
14 up roughly flat, I think. So, that's fine. But I'll
15 just give you the numbers here.

16 So, the Russell 3000 in March, closing
17 March 31, was up 53 basis points. EAFE was down
18 55 basis points. Emerging markets, up over 3 percent.
19 So, another good month for emerging markets. Core+5,
20 down just 14 basis points. High yield, up 25 basis
21 points. TIPS were down 45 basis points. And
22 convertibles were down 1.7 percent. So, again, a more
23 flat-ish month.

24 Now we're getting into the earlier part of
25 April, and literally, market is not showing which way it

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1 wants to go. But Janet Yellen, the Fed chair, has come
2 out and said, "You know what I said before about the
3 possibility of us raising rates sometime in, people
4 expected, 2015," she said, "you know, people took that
5 out of context. It's not" -- "we're not going to worry
6 about that for a while." So, then the markets cheered.
7 And that's what we've seen in the early part of April.
8 So, we'll see, hopefully, the whole month of April went
9 up strong for us.

10 So, on page 28, this shows us the
11 contribution to return by asset class. As you can see
12 here in the one month of February, that strong month
13 that we had, the total fund was up 3.41 percent. And as
14 you can see, a bulk of it came from U.S. equities. And
15 then the fiscal-year-to-date number, which is a couple
16 of columns over, the total fund through February was up
17 nearly 12 percent.

18 Now, if you add in March, which we think,
19 based on the numbers we just talked about, were roughly
20 flat, so through March 31, we would say the total fund
21 is up 11.9 percent roughly, or nearly 12 percent, so a
22 very strong number.

23 If you then turn to page 29, the next page.
24 So, this is the asset allocation adjusted to the new
25 policy weights. And as of the end of February, you see

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1 here that, on the left bar, the green U.S. equities is
2 still showing above the high end of the range; and
3 Core+5, in the blue, showing a little bit below the
4 range.

5 February was a big up month, but what we did
6 in March, and you'll see that when you see the March
7 numbers, we sold down U.S. equities to take some of that
8 money off the table, so to speak, in March. And we
9 shifted that money into Core+5, because we believe we'll
10 end up being a good trade that way. And so, these
11 ranges, you will see next month, we'll back within the
12 targeted ranges.

13 And one thing to point out, so you'll see
14 that, again, as of the end of February, the assets were
15 55.4 billion. And, again, as of 3/31, which I thought
16 would be roughly flat, it's about 55.6 billion. So,
17 again, you know, roughly flat but a good number.

18 We now --

19 CHAIRPERSON AARONSON: Excuse me.

20 And this paid out somewhere near \$2 billion
21 in benefits that month. Is that right about the course
22 of \$2 billion?

23 MR. NORTH: I'm not sure what the
24 distinction is between out of the fixed fund here and
25 the variables. I think the total going out in benefits

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1 exceed \$3 billion at this point.

2 CHAIRPERSON AARONSON: \$3 billion a month?

3 MS. HINGORANI: Three, yes. Definitely.

4 CHAIRPERSON AARONSON: So, in addition to

5 .2 billion in investment return, we got to add the

6 \$3 billion that we paid out?

7 MS. HINGORANI: Correct.

8 So, we now have State Street providing us

9 with all the monthly numbers and historical numbers for

10 every manager now the way we used to see it. And now

11 you continue down the cash flows for real estate and

12 private equity. So, all those numbers are there.

13 And if you have any questions, we can

14 address them now. Otherwise, we can move on to the next

15 item.

16 CHAIRPERSON AARONSON: Anybody with

17 questions?

18 MS. HINGORANI: So, that concludes the

19 pension fund, public part, of the agenda.

20 CHAIRPERSON AARONSON: Thank you very much.

21 Now we're ready for the Passport fund.

22 MS. PELLISH: Great. Thank you.

23 So, you can see the Passport fund

24 performance through February, and that's the same as the

25 information that was sent to you earlier. Passport --

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1 well, I'm just going to provide the highlights that
2 marks their performance, as already discussed by Seema.

3 But as of the end of February, you will note
4 that the fund exceeded almost 11 1/2 billion dollars and
5 continued to be in line with the target. It was a
6 very -- because this is an equity-oriented fund, and the
7 equity markets were particularly strong during
8 February -- it has a very strong performance for the
9 month of February -- you will see on the bottom of -- in
10 the middle of page 3, the fund was up 4.7 percent,
11 offsetting earlier weakness in the year. So, the year
12 to date in two months. The fund is up a little over
13 1 1/2 percent.

14 I think it's worth noting that it's a very
15 positive thing that the active domestic manager
16 composite, which is the 20 percent of the portfolio
17 that's invested by inactive mandates in the U.S.,
18 outperformed even during a very strong month. That's up
19 a little over 5 percent, very hard to do during such a
20 bullish market.

21 And that's true for -- if you look at the
22 one year, two years and ongoing back through all the
23 annualized period, the active domestic manager composite
24 performed very strongly. This includes not only the
25 managers that are here today but also the managers

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1 that's been terminated. So, this doesn't just reflect
2 new hires, but a very positive thing.

3 If you look at -- the noteworthy thing, and
4 Seema referred to this as well, is that during the month
5 of February, the international markets were up strongly.
6 So, while the Russell 3000 was up 4.75 percent, our
7 international composite was up 70 basis points over
8 that.

9 And that's not true for the year-to-date
10 period, but, nonetheless, perhaps this reflects high
11 tide turning a little bit. And the opportunity between
12 international equities contributed to the total
13 performance of the variable funds.

14 With that, if there are any questions about
15 Variable A fund before I turn to the other funds.

16 So, if you look at the next handout, you
17 will see performance of Variable B, C, D and E.
18 Variable B is a short-term bond portfolio, reflecting
19 where yields are, and it's up 20 basis points for the
20 month. Not much to say there. Closely tracking the
21 benchmark.

22 If you look at the international equity
23 fund, which is Variable C, you will see that that fund,
24 as I noted, had a very strong absolute return of
25 5 1/2 percent for the month of February. It's lately

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1 lagging EAFE; nonetheless, better than the U.S. equity
2 market.

3 The PIMCO all-assets fund was up -- had a
4 good month, up 2.6 percent.

5 And the Neuberger Berman socially responsive
6 equity fund, which is Variable E, similarly had very
7 strong month, up almost 6 percent. The Variable E was
8 up almost 6 percent, about 140 basis points ahead of its
9 benchmark, the S&P 500. All right. It pays to be
10 socially responsive.

11 So, I don't have anything -- there's nothing
12 particularly noteworthy to note in the performance,
13 other than the managers did well in a strongly rising
14 equity market, which is always nice to see.

15 We have the preliminary monthly benchmark
16 for the month of March. And as Seema noted,
17 unfortunately, after a strong performance in February,
18 during March, the international equity markets were down
19 slightly overall, but the Russell 3000 was positive, so
20 that if we aggregate all of the asset classes that are
21 invested in Variable A fund, we estimate that for the
22 month of March the fund up a little over 30 basis
23 points.

24 And we can see that PIMCO asset fund was up
25 almost a full percentage point. And the Neuberger

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1 Berman socially responsive equity fund was up about
2 30 basis points.

3 So, a modestly positive month for U.S.
4 equities. Modestly negative for international equities
5 and for bonds.

6 And we don't have anything else for the
7 public agenda.

8 CHAIRPERSON AARONSON: Okay. Anybody have
9 any questions about this report from Robin?

10 Seeing none, Robin, thank you.

11 We finished our public agenda, and we're now
12 ready for a motion.

13 MS. MARCH: I move, pursuant to Public
14 Officers Law, Section 105, that we go into executive
15 session to discuss purchase and sale of securities.

16 CHAIRPERSON AARONSON: Is there a second for
17 that?

18 MS. ROMAIN: Second.

19 CHAIRPERSON AARONSON: Is there any
20 discussion?

21 Seeing none, all in favor?

22 (A chorus of "Ayes.")

23 Any opposed?

24 Motion carries.

25 And we're now in executive section.

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1 (Discussion off the record.)

2 (Whereupon, executive session began.)

3 CHAIRPERSON AARONSON: Do I hear a motion?

4 MS. MARCH: I move that we go out of

5 executive session.

6 MS. BEYER: I second it.

7 CHAIRPERSON AARONSON: Is there any

8 discussion?

9 Seeing none, all those in favor of going out
10 of executive session back to public session, say "aye."

11 (A chorus of "Ayes.")

12 We're now back in public session. And in
13 public session, we would like to get a review from Marc
14 of what we did in executive session.

15 MR. KATZ: Will do.

16 During the executive session for the pension
17 fund, the board was provided with two manager updates,
18 and no action was taken.

19 In addition, a presentation on one private
20 equity transaction was received by the board. Consensus
21 was attained, and the transaction will be announced at
22 the appropriate time.

23 During the executive session of the variable
24 funds, the board received the presentation by money
25 manager, with diversified equity fund, and no action was required.

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CHAIRPERSON AARONSON: Okay. Do I hear a
motion to adjourn?

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MS. MARCH: I'll move.

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MS. ROMAIN: Second.

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CHAIRPERSON AARONSON: Any discussion?

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Seeing none, all those in favor to adjourn,

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say "aye."

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(A chorus of "Ayes.")

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Any opposed?

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We are adjourned.

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(Time noted: 12:10 p.m.)

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I, Jeffrey Shapiro, a Shorthand Reporter and
Notary Public, within and for the State of New York, do
hereby certify that I reported the proceedings in the
within-entitled matter, on Thursday, April 3, 2014, at
the offices of the NEW YORK CITY TEACHERS' RETIREMENT
SYSTEM, 55 Water Street, New York, New York, and that
this is an accurate transcription of these proceedings.

IN WITNESS WHEREOF, I have hereunto set my
hand this 17th day of April, 2014.

JEFFREY SHAPIRO