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2 NEW YORK CITY TEACHERS' RETIREMENT SYSTEM

3 INVESTMENT MEETING

4 Held on Monday, April 5, 2021

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 JOHN ADLER, Trustee, Mayor's Office

13 JOHN DORSA, Trustee, Comptroller's Office

14 NATALIE GREEN GILES, Trustee

15 RUSSELL BUCKLEY, Trustee

16 PATRICIA REILLY, TRS, Executive Director

17 THADDEUS MCTIGUE, TRS, Deputy Executive Director

18 VALERIE BUDZIK, TRS

19 LIZ SANCHEZ, TRS

20 SUSAN STANG, TRS

21 STEVE YUAN, Mayor's Office

22 ISAAC GLOVINSKY, TRS

23 MICHAEL HADDAD, Comptroller's Office

24 DOLORES CAPONE

25 MATTHEW MALERI, Rocaton

1 ATTENDEES (Cont'd)

2 ROBIN PELLISH, Rocaton

3 MICHAEL FULVIO, Rocaton

4 KATIE PIRO, Rocaton

5 ALEX DONE, Comptroller's Office

6 DAVID LEVINE, Groom Law Group

7 ARISTEA AFTOUSMIS, TRS

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P R O C E E D I N G S

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(Time noted: 11:02 a.m.)

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MS. REILLY: Good morning. Welcome
to the investment meeting of the
Teachers' Retirement Board for April 5,
2021.

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I'll start by calling the roll.

John Adler?

MR. ADLER: I am here.

MS. REILLY: Thomas Brown?

MR. BROWN: Good morning. Here.

MS. REILLY: Natalie Green Giles?

MS. GREEN GILES: Here.

MS. REILLY: David Kazansky?

MR. KAZANSKY: I'm here.

MS. REILLY: Russell Buckley?

MR. BUCKLEY: Present.

MS. REILLY: Debra Penny?

CHAIRPERSON PENNY: I'm here.

Good morning.

MS. REILLY: John Dorsa?

MR. DORSA: Good morning. I'm here.

MS. REILLY: We have a quorum.

1 I'll turn it over to the Chair.

2 CHAIRPERSON PENNY: Awesome.

3 Good morning, everyone.

4 The first thing we have is, I guess
5 it's going to be Mike, for Passport funds
6 performance review.

7 MR. FULVIO: Thanks.

8 Good morning, everyone. I hope you
9 all had a wonderful Easter and Passover
10 holiday.

11 We'll start off with a recap of the
12 Passport fund performance for February,
13 and then we will move ahead and look back
14 at the more recent performance of the
15 markets in March.

16 If you think back to our discussion
17 already a month ago, but looking at what
18 markets did in February, a quick recap.
19 U.S. equity market was up about 3
20 percent. Non U.S. developed markets up
21 over 2 percent in EM, with a more modest
22 positive return of about 75 basis points.

23 What really stood out in February
24 from our discussion was this continued
25 relative performance that we saw between

1 value and growth, where value is now
2 outpacing growth for the last few months.
3 So, to put that in perspective, the
4 Russell 1000 value index was up 6 percent
5 in the month of February. And the
6 Russell 1000 growth index was roughly
7 flat.

8 So we started to see this dynamic
9 adjust, if you will. Toward the end of
10 last year it has persisted. And in
11 particular for February, what also stood
12 out was small caps outperforming large
13 caps, and the same value growth dynamic
14 we saw in large cap also continued.

15 Small cap value stocks were up over
16 9 percent in February and small cap
17 growth up about 3 percent. And that
18 certainly showed through in the relative
19 results of the funds and the underlying
20 active managers.

21 You can see on the first page of the
22 report, the diversified equity fund with
23 assets of about \$18.4 billion at the end
24 of February returned about 3 percent for
25 the month, in line with the Russell 3000

1 index. That also was enough to outpace
2 the hybrid benchmark return of 2.8
3 percent.

4 Year to date, the Fund is also up
5 about 3.2 percent and ahead of both the
6 hybrid and the Russell 3000 benchmarks by
7 about 60 and 50 basis points
8 respectively.

9 If you look down below where we
10 break out the underlying composites of
11 the diversified equity fund, you can see
12 what's contributed to the relative
13 results.

14 So while the defensive, for example,
15 did return 2 1/4 percent during the month
16 of February and is up about 2.6 percent
17 in the year to date period through
18 February, that has detracted a bit from
19 the overall absolute return; but the
20 diversified equity fund, as has the
21 international equity composite, as has
22 international equities, have lagged what
23 we've seen here in the U.S. but what
24 really did offset that, if you will, has
25 been the contribution from active

1 management from the U.S. strategies.

2 You can see in the month of February
3 those strategies having added over 3
4 percent relative results, and year to
5 date, again, a pretty strong relative
6 result of 6 1/2 or 7 percent contributing
7 to the overall fund.

8 The balanced fund had assets of
9 about \$560 million at the end of
10 February. You can see that was up about
11 70 basis points for the month.

12 The international equity fund, like
13 the international equity composite, up
14 about 1.5 percent for the month, with a
15 1.6 year to date return, that is about 40
16 basis points behind its benchmark.

17 The sustainable equity fund added
18 1.3 percent during the month of February.
19 Year to date it's roughly in line with
20 the Russell 1000 growth index, its
21 benchmark, which is down about 75 basis
22 points.

23 And then you can see below that the
24 U.S. and non U.S. index funds. The U.S.
25 equity index up 3.2 percent, in line with

1 its benchmark for the month of February,
2 and the international equity up 1.6
3 percent, for modest tracking relative to
4 its index, most of the attributable to
5 the time in --

6 I will pause there and see if
7 there's any questions on February. And
8 if there's not, I'll move ahead to March.

9 (No response.)

10 I apologize. The monthly March
11 benchmark report did only go out about
12 fifteen or twenty minutes prior to this
13 meeting. So maybe before we look at the
14 numbers there I'll just frame out what
15 we've seen so far in terms of the
16 markets, the economy and and how markets
17 are reacting to headlines.

18 So, for March, vaccine cases and
19 hospitalizations ended March on the rise
20 in the U.S., even as some states have
21 lifted restrictions; case counts also on
22 the rise in Europe, Brazil and India.

23 I guess what's been offsetting that
24 negative news is certainly the positive
25 news with vaccination momentum in the

1 U.S., and that's continued to bolster
2 markets, as has the White House late last
3 month unveiling its \$2 trillion
4 infrastructure plan. So the continuation
5 of the fiscal stimulus expected to
6 contribute to the growth prospects we
7 talked about coming into 2021.

8 Jobs growth also, payroll numbers
9 reported late last week, and March
10 numbers were significantly above
11 consensus expectations. So continued
12 economic recovery appears to also be
13 making its way, not only through the
14 headlines, but also today so far the
15 markets' reaction has been quite
16 positive, with the S&P up over 1 percent
17 as of a few minutes ago this morning.

18 So continued strong performance for
19 the markets. There's a lot of numbers
20 here on this page in the report. I will
21 note very quickly, the ten year yield,
22 which isn't shown here, has risen to over
23 1.7 percent.

24 So even though we did start to see
25 some days where equity markets were

1 perhaps reacting to the jump up we've
2 seen in yields, even though yields have
3 been up, equity markets over the last few
4 weeks have been continuing to plug away
5 and have not reacted too negatively to
6 the rise in yields.

7 For the Russell 3000 index in March,
8 you can see up over 3.5 percent. The
9 international equity markets were also
10 up. We used the international composite
11 benchmark here as a proxy for the overall
12 non U.S. exposure in the Passport funds.
13 That was up 1.4 percent.

14 If you peel that back, developed
15 markets outside the U.S. were up about
16 2.3 percent in March, and emerging
17 markets were actually down 1.5 percent.

18 You can see also the diversified
19 equity fund's hybrid benchmark up 2.9
20 percent during the month. And all of
21 these numbers obviously contributing to
22 the longer term results that you see
23 toward the right.

24 This is an excellent example of how
25 end point specific performance is

1 certainly something that could be
2 misleading if taken on its own.

3 You can see the one year number for
4 the Russell 3000 index through the end of
5 March up 62.5 percent. Obviously that
6 does not reflect the starkly negative
7 experience we had last March. This is
8 the one year period beginning April 1,
9 2020. And that just goes to show the
10 difference 12 months can make.

11 Beyond the market performance, you
12 can see towards the bottom half of the
13 page the performance of the underlying
14 strategy for the sustainable fund, up 1.1
15 percent during March; and then the
16 Passport index funds as well.

17 I will pause there to see if there's
18 any any questions or comments. If not,
19 we will move forward.

20 (No response.)

21 Not hearing any.

22 CHAIRPERSON PENNY: I guess not. Do
23 we have anything else for the public
24 agenda?

25 (No response.)

1 Hearing none, do I hear a motion to
2 move into executive session?

3 MR. DORSA: So moved.

4 MR. ADLER: Second.

5 CHAIRPERSON PENNY: Any discussion?

6 All those in favor please say "Aye."

7 (A chorus of "Ayes.")

8 Any opposed?

9 Abstentions?

10 (No response.)

11 We're moving into executive session.

12 (Whereupon, the Board entered
13 executive session.)

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1 CHAIRPERSON PENNY: Welcome back to
2 public session.

3 Susan, would you like to fill us in?

4 MS. STANG: In executive session
5 there was a discussion about the base
6 income portfolio in the pension fund.

7 There was a brief update on the
8 progress on the IPS for the variable
9 funds.

10 And there was a discussion of
11 performance data and a tool to analyze
12 the data for active managers within the
13 variable programs.

14 CHAIRPERSON PENNY: Thank you.

15 Is there anything else that anyone
16 has for public session?

17 (No response.)

18 Hearing none, do I hear a motion to
19 adjourn?

20 MR. BROWN: So moved.

21 CHAIRPERSON PENNY: Thank you.

22 Do I have a second?

23 MR. ADLER: Second.

24 CHAIRPERSON PENNY: Thank you.

25 Any discussion.

1 All in favor of the motion to
2 adjourn please say "Aye."

3 (A chorus of "Ayes.")

4 Any opposed?

5 Any abstentions?

6 (No response.)

7 We stand adjourned.

8 Thank you, everyone.

9 (Whereupon, at 12:20 p.m., the
10 matter was concluded.)

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

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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, December 3 2020, and that
8 this is an accurate transcription of these
9 proceedings.

10 IN WITNESS WHEREOF, I have hereunto
11 set my hand this 6th day of April, 2021.

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16 JEFFREY SHAPIRO

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