

1 Proceedings

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3 NEW YORK CITY TEACHERS' RETIREMENT SYSTEM

4 INVESTMENT MEETING

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7 Held on Thursday, May 4, 2017, at 55 Water Street,

8 New York, New York

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10 ATTENDEES:

11 JOHN ADLER, Chairman, Trustee

12 THOMAS BROWN, Trustee

13 DEBORAH PENNY, Trustee

14 ANTONIO RODRIGUEZ, Mayor's Office

15 SUSANNAH VICKERS, Trustee, Comptroller's Office

16 DAVID KAZANSKY, Trustee

17 MELVYN AARONSON, Teachers' Retirement System

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19 REPORTED BY:

20 YAFFA KAPLAN

21 JOB NO. 0410019

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2 ATTENDEES (Continued):

3 SUSAN STANG, Teachers' Retirement System

4 PAUL RAUCCI, Teachers' Retirement System

5 MICHAEL FULVIO, Rocaton

6 ROBIN PELLISH, Rocaton

7 THAD McTIGUE, Teachers' Retirement System

8 PATRICIA REILLY, Teachers' Retirement System

9 VALERIE BUDZIK, Teachers' Retirement System

10 LIZ SANCHEZ, Teachers' Retirement System

11 SHERRY CHAN, Office of the Actuary

12 RON SWINGLE, Teachers' Retirement System

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2 MR. ADLER: Good morning, everyone.
3 Welcome to the Teachers' Retirement System
4 investment meeting for May 4, 2017.

5 Pat, will you please call the roll.

6 MS. REILLY: Yes. John Adler?

7 MR. ADLER: I am here.

8 MS. REILLY: Thomas Brown?

9 MR. BROWN: Here.

10 MS. REILLY: David Kazansky?

11 MR. KAZANSKY: Present.

12 MS. REILLY: Deborah Penny?

13 MS. PENNY: Here.

14 MS. REILLY: Charlotte Beyer? Susannah
15 Vickers? We do have a quorum.

16 MR. ADLER: Right. Thank you. We are
17 going to get started. Unless there is any
18 objection, we are going to start with a brief
19 report from the actuary, nonaction item about
20 the transfer from QPP to the TDA for this
21 year.

22 MS. CHAN: So my office computed the
23 amount. If you recall, there is a rebalancing
24 that needs to occur each year and it moves --
25 it balances the variable funds, the QPP as

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2 well as the variable and fixed funds on the
3 TDA side, and it rebalances it with the fixed
4 fund of the QPP. And we calculated the
5 numbers. I can send out the memo. The
6 cumulative amount is about 15 million dollars
7 this year for all the accounts. A lot less
8 than last year.

9 MS. STANG: Fifteen million?

10 MS. CHAN: Million, yes. So good news,
11 right? Not in the billions. So -- and I have
12 broken out -- the letter that will go out
13 currently is addressed to Patricia. I don't
14 know if you want to address it to the board
15 but it is -- it breaks it out between each of
16 the variable funds for TDA and QPP, and then I
17 think our plan is to present the resolution in
18 the May meeting of this -- the whole board,
19 the regular board meeting and then have it
20 adopted before the end of the fiscal year so
21 that the Comptroller can move the money.

22 MR. ADLER: Any questions for Sherry? I
23 think we should plan to adopt the resolution,
24 send out the report, and we will have a
25 resolution for the May meeting.

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2 MS. CHAN: The report is ready to go.
3 Like I said, I can send it out this afternoon.
4 I just finished reviewing the numbers. I
5 didn't want to surprise anybody right before
6 the meeting, so it can go out today so you
7 have time to review it.

8 MR. ADLER: Great. Thank you. Great.

9 So let's move onto the regular agenda
10 and pass it over to Robin and Mike.

11 MR. FULVIO: Good morning, everyone.
12 May the Fourth be with you.

13 MR. KAZANSKY: Well done, sir.

14 MR. FULVIO: Had to go there.

15 MR. SWINGLE: You have been waiting all
16 day to do that.

17 MR. FULVIO: I have. So we will begin
18 with the performance of the Passport Funds for
19 the first three months of the year at the end
20 of the first quarter March 31st. The assets
21 of the Diversified Equity Fund is about 1,425
22 billion dollars. The fund as a whole during
23 that time period returned about 6.1 percent.
24 That's ahead of the US equity markets Russell
25 3000 Index proxy which returned about 5.75

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2 percent. That's also roughly in line with the
3 hybrid benchmark for the fund as a whole.

4 So you might recall we spoke last month,
5 March was a generally flat month for the US
6 equity markets. NonUS equity markets were --
7 developed markets, that is, were up about 2.8
8 percent, and emerging markets, based on the
9 custom proxy we use for TRS, were up about 2.7
10 percent. All told, that brought the
11 year-to-date return for the US equity markets,
12 as I mentioned before, to about 4.75 percent,
13 nonUS markets outpacing the US over that time
14 period. So that, of course, then was a
15 contributing factor to the absolute
16 performance of the Diversified Equity Fund.

17 NonUS developed markets were up about
18 7-and-a-quarter percent year to date through
19 March and emerging markets up about 11.9
20 percent. So again, that brought the overall
21 return of the fund to about positive 6.1
22 percent through the first quarter. I
23 mentioned before the contribution to absolute
24 returns given the allocation to nonUS markets.
25 The Defensive Strategies composite as a whole

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2 has been up about 4.6 percent year to date so
3 lagging the US market by a little over 1
4 percent. So that contribution by nonUS
5 markets was otherwise offset with the
6 contribution from international markets.
7 There is also some notable -- notable but
8 still modest contribution to relative returns
9 from the actively managed equity strategies in
10 both the US and nonUS so far year to date. So
11 wanted to mention that which is the actively
12 managed US composite returning about 6.4
13 percent year to date and the international
14 equity composite performing about positive 8.2
15 percent versus about 7.9 percent year to date.
16 So far a strong start to the year.

17 April was another positive month for the
18 markets, and I will speak to April in just a
19 little bit. The Bond Fund through the end of
20 the first quarter stood at about 390 million
21 dollars year to date. That fund is up about
22 50 basis points. Just modestly trailing its
23 benchmark, up about 60 basis points. The
24 International Equity Fund for assets at the
25 end of the quarter about 122 million dollars.

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2 That fund was up again about 3 percent for the
3 month of March, bringing its year-to-date
4 return 8.1 percent ahead of its benchmark.

5 The Inflation Protection Fund stood at
6 about 52 million dollars at the end of the
7 quarter. It was a negative month for that
8 fund in March. Year-to-date return for that
9 fund is positive 60 basis points so less than
10 1 percent, but that was good enough to outpace
11 its custom benchmark and CPI so far through
12 March.

13 The Socially Responsive Equity Fund with
14 assets of about 151 million dollars, that was
15 roughly flat or in line with the S & P 500 for
16 the month of March, which was up about 13
17 basis points, and year to date that fund's
18 return is about 6.6 percent ahead of the S &
19 P, which is about 60 basis points -- 50 basis
20 points rather.

21 Were there any questions on the
22 performance of the Passport Funds through
23 March?

24 So the other handout that everyone
25 should have is the single-page preliminary

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2 benchmark report for April. And I apologize
3 in advance. The column that's missing from
4 this report is the calendar year to date. So
5 I will mention a few numbers, and then I will
6 speak off some of the calendar year-to-date
7 numbers as well.

8 So as I mentioned before, April was a
9 positive month across the markets. The US
10 equity market measured by the Russell 3 was up
11 a little over 1 percent. The S & P was also
12 up roughly in line with that. The
13 international composite benchmark, which again
14 represents a portion of developed markets as
15 well as emerging markets, that was up all told
16 about 2.6 percent, so continuing to outpace
17 the US so far year to date. The Defensive
18 Strategies composite up about 1.3 percent for
19 the month. That brought the Diversified
20 Equity Fund hybrid benchmark to a positive
21 return of the month for 1.4 percent.

22 So I will stop there, and when you think
23 about calendar year to date, all those returns
24 from April contribute to the already positive
25 returns through the first quarter. The

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2 defensive equity -- sorry. The Diversified
3 Equity Fund's hybrid benchmark calendar year
4 to date was up about 7.6 percent. A portion
5 of that, as you might expect a large portion,
6 is positive return for US equity markets which
7 year to date through April were up about 6.9
8 percent and nonUS markets all told, which was
9 up about 11.7 percent. So and through that,
10 the defensive composite hasn't been able to
11 fully keep pace, but it's still managed to
12 return about 6.1 percent year to date through
13 April. So again, it's been a strong
14 environment for the equity markets, and that's
15 reflected very well in these funds.

16 The Bond Fund year to date we would
17 estimate is up about 1 percent through April,
18 and then as far as the strategies utilized
19 within the Inflation Protection Fund that we
20 would expect up about 60 basis points year to
21 date. That was relatively flat during March,
22 and the underlying strategy for the Socially
23 Responsive Equity Fund had a modestly positive
24 month in April bringing its year-to-date
25 return to about 7 percent, roughly in line

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2 with the S & P 500. So markets continue to be
3 favorable for the Passport Funds. Are there
4 any questions?

5 MR. ADLER: Any questions for Mike?
6 Okay. So does that conclude our public
7 session of business?

8 MR. FULVIO: It does, yes.

9 MR. ADLER: Is there a motion to exit
10 public session and go into executive session?

11 MR. BROWN: So moved.

12 MR. ADLER: Okay. Is there a second?

13 MS. PENNY: Second.

14 MR. ADLER: Motion made and seconded.

15 Any discussion? I am just looking at you
16 guys. Oh, Susannah is here. Great. Let the
17 record reflect the Comptroller's Office has
18 arrived.

19 Motion made and seconded. All in favor
20 of exiting public session and going into
21 executive session, please say aye. Aye.

22 MR. BROWN: Aye.

23 MS. PENNY: Aye.

24 MR. KAZANSKY: Aye.

25 MS. VICKERS: Aye.

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2 MR. ADLER: All opposed, please say nay.

3 Any abstentions? Okay. Motion carries.

4 Let's go into executive session.

5 (Whereupon, the meeting went into Executive Session)

6 MR. ADLER: Is there a motion to exit

7 executive session and return to public

8 session?

9 MR. BROWN: So moved.

10 MS. VICKERS: Second.

11 MR. ADLER: Motion made and seconded.

12 Any discussion? All in favor of the motion,

13 please say aye. Aye.

14 MR. BROWN: Aye.

15 MS. PENNY: Aye.

16 MR. KAZANSKY: Aye.

17 MS. VICKERS: Aye.

18 MR. ADLER: All opposed, please say nay.

19 Any abstentions? Okay. Motion carries. And

20 as soon as Liz gives us the signal, we will go

21 back into public session, and Susan, we will

22 be ready for you to make your report.

23 Okay. We are back in public session.

24 Susan, could you report out of executive

25 session, please?

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2 MS. STANG: Certainly. In executive
3 session there was a presentation and
4 discussion on active versus passive managers.

5 MR. ADLER: Thank you very much. Any
6 further public session business? If not, a
7 motion to adjourn would be in order.

8 MR. KAZANSKY: So moved.

9 MR. ADLER: Is there a second?

10 MS. VICKERS: Second.

11 MR. ADLER: Motion made and seconded.
12 Any discussion? All in favor of the motion to
13 adjourn, please say aye. Aye.

14 MR. BROWN: Aye.

15 MS. PENNY: Aye.

16 MR. KAZANSKY: Aye.

17 MS. VICKERS: Aye.

18 MR. ADLER: All opposed, please say nay.

19 Any abstentions? The meeting is adjourned.

20 Thank you very much.

21 (Time noted: 11:13 a.m.)

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2 C E R T I F I C A T E

3 STATE OF NEW YORK)

4 : ss.

5 COUNTY OF QUEENS)

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7 I, YAFFA KAPLAN, a Notary Public

8 within and for the State of New York, do

9 hereby certify that the foregoing record of

10 proceedings is a full and correct

11 transcript of the stenographic notes taken

12 by me therein.

13 IN WITNESS WHEREOF, I have hereunto

14 set my hand this 16th day of May, 2017.

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YAFFA KAPLAN

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