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2 NEW YORK CITY TEACHERS' RETIREMENT SYSTEM

3 INVESTMENT MEETING

4 Held on Thursday, May 6, 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 SUSANNAH VICKERS, Trustee, Comptroller's Office

15 NATALIE GREEN GILES, Trustee

16 CYNTHIA COLLINS, Trustee, Mayor's Office

17 PATRICIA REILLY, TRS, Executive Director

18 THADDEUS MCTIGUE, TRS, Deputy Executive Director

19 VALERIE BUDZIK, TRS

20 LIZ SANCHEZ, TRS

21 SUSAN STANG, TRS

22 STEVE YUAN, Mayor's Office

23 ISAAC GLOVINSKY, TRS

24 SHERRY CHAN, Chief Actuary

25 MICHAEL HADDAD, Comptroller's Office

1     ATTENDEES (Cont'd)

2     MATTHEW MALERI, Rocaton

3     MICHAEL FULVIO, Rocaton

4     KATIE PIRO, Rocaton

5     ROBIN PELLISH, Rocaton

6     ALEX DONE, Comptroller's Office

7     ROBERT FENG, Comptroller's Office

8     SUMANTA RAY, Mayor's Office

9     STEVE YUAN, Mayor's Office

10    DAVID LEVINE, Groom Law Group

11    KOMIL ATAEV

12    RONALD SWINGLE

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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 CHAIRPERSON PENNY: Good morning.

5 Welcome to the Teachers investment

6 meeting. Today is May 6, 2021.

7 Mr. McTigue, will you call the roll,  
8 please?

9 MR. MCTIGUE: Thank you, Madam  
10 Chair.

11 As you mentioned, this is the  
12 Teachers' Retirement Board, and it's the  
13 investment meeting for 5/6/2021.

14 John Adler?

15 MR. ADLER: I'm here.

16 MR. MCTIGUE: Thomas Brown?

17 MR. BROWN: Here. Good morning.

18 MR. MCTIGUE: Natalie Green Giles?

19 MS. GREEN GILES: Here.

20 MR. MCTIGUE: David Kazansky?

21 MR. KAZANSKY: Present.

22 MR. MCTIGUE: Russell Buckley?

23 (No response.)

24 Debra Penny?

25 CHAIRPERSON PENNY: I'm here.

1 MR. MCTIGUE: And Susannah Vickers?

2 MS. VICKERS: Good morning. I'm  
3 here.

4 MR. MCTIGUE: We have a quorum.

5 CHAIRPERSON PENNY: Thank you so  
6 much.

7 We'll start off with the Passport  
8 funds, March 2021 performance review.

9 Take it away, Robin or Mike.

10 MR. FULVIO: I'll start.

11 Good morning, everyone, and happy  
12 Teacher Appreciation Week. I'll begin,  
13 actually, by doing a very quick recap of  
14 the first quarter of 2021; and as part of  
15 that will refer to the performance of the  
16 Passport funds through March 31 as well.  
17 And everyone should have that report on  
18 the invite.

19 As you recall, coming into 2021 many  
20 of the themes we were discussing at the  
21 beginning of the year were around vaccine  
22 distribution, unprecedented monetary and  
23 fiscal support. And really what that  
24 translated into was opportunity and an  
25 opportunistic outlook for markets, even

1           though it was obvious that the economy  
2           still had some rebound that needed to  
3           occur, and it's expected to continue to  
4           occur. Markets were very much optimistic  
5           coming into this year as were many  
6           involved in the markets. And we saw that  
7           translate into performance, particularly  
8           as it relates to equities.

9                     So equities really did perform in  
10           line with that increased optimism. And  
11           so with the rising sentiment, if you  
12           will, for growth, that put upward  
13           pressure on equity markets. With that,  
14           it also put upward pressure on interest  
15           rates.

16                    And so, as we sort of progressed  
17           through the quarter there was certainly  
18           more conversation around what the  
19           implications of rising rates would be,  
20           and investors began to also focus on what  
21           the prospects for higher inflation meant  
22           and how they might react accordingly.

23                    If you're looking at the performance  
24           in the report through March, what really  
25           stands out is strong positive returns for

1 equity markets. In the U.S. the Russell  
2 3000 was up about 6.4 percent. Developed  
3 stocks outside the U.S., developed market  
4 stocks, rather -- those were up 3 and a  
5 half percent. And then in emerging  
6 markets, the emerging market index up  
7 about 2.3 percent, all told.

8 Definitely mixed returns among  
9 different emerging markets, but still in  
10 that positive return for that index as a  
11 whole.

12 What were the themes within  
13 equities? Definitely a pro-cyclical  
14 rally here in the U.S., led by energies  
15 which were up 31 percent during the  
16 quarter, financials up about 16 percent  
17 all told, and the industrials up 11  
18 percent. So that's what really led in  
19 the U.S.

20 If you're looking at the growth  
21 value dynamic which we spent a lot of  
22 time talking about, value significantly  
23 outpaced growth in the U.S. during the  
24 first quarter.

25 I'll give you a couple of snippets.

1       The Russell 2000 value index was up 21.2  
2       percent during the quarter. And that was  
3       enough to outpace the Russell 2000 growth  
4       index, which was up about 5 percent. So  
5       notable dispersion between the two there.

6               What's also worth noting is small  
7       cap stocks, perhaps not surprising given  
8       the pro-cyclical rally, but small-cap  
9       stocks outperformed large cap stocks as  
10      well. All told, the small cap index was  
11      up 12, 13 percent, and large cap all  
12      together up about 6 percent.

13             So some notable dispersion among  
14      different parts of the market, and in  
15      most respects a divergence from what we  
16      saw quite a bit last year and over prior  
17      years.

18             So what that really translated into  
19      were strong absolute returns for the  
20      Passport funds. So year to date, you can  
21      see on the report the diversified equity  
22      fund with assets of about \$18.7 billion,  
23      that fund year to date up about 6  
24      percent. That was with strong 2.9  
25      percent return for the month of March.

1           And year to date the fund has  
2           outpaced both the hybrid benchmark and  
3           the Russell 3000 index -- I'm sorry, year  
4           to date that's a little behind the  
5           Russell 3000 index. And really what  
6           drove the relative result between the  
7           fund and the U.S. is obviously the  
8           contribution which wasn't quite as strong  
9           from non-U.S. equities, that allocation  
10          up about 2.9 percent during the year to  
11          date time period, as well as the  
12          defensive composite. So keeping pace  
13          directionally up about 2.8 percent, but  
14          certainly not as much as the U.S. on its  
15          own.

16          If you're looking through to the  
17          contribution from active management, you  
18          can certainly see, given the dynamics and  
19          the themes that we saw that resonated  
20          really well in the U.S. equity market,  
21          the active composite was up about 13.3  
22          percent relative to the Russell 3000, up  
23          6.4.

24          So strong period for active  
25          management here in the U.S.



1           On the non U.S. side, active  
2           management was a bit more mixed, and you  
3           can see the net impact year to date,  
4           there's a little bit of negative tracking  
5           over that short three-month time period.

6           Beyond the diversified equity fund  
7           you can see the balanced fund with assets  
8           of \$560 million. That fund was up 1.3  
9           percent this year. International  
10          equities up about 2.9 percent, all told.  
11          I noted earlier that the composite  
12          benchmark there was up about 3.5 percent.

13          The sustainable equity fund,  
14          positive return of about a half of a  
15          percent. That lagged the Russell 1000  
16          growth index by about a half of a  
17          percent.

18          And below that you can see that two  
19          index options within the Passport funds,  
20          the U.S. equity index fund up 6 percent  
21          and the international equity index fund  
22          up 2.8 percent.

23          I'll pause there and see if there  
24          are any questions on the markets or the  
25          Passport funds. Happy to address.

1                   MR. ADLER: Michael, question.

2                   MR. FULVIO: Sure.

3                   MR. ADLER: Those one year numbers,  
4 those are typos, right?

5                   MR. FULVIO: I cited the one-year  
6 numbers in the last meeting, they were  
7 pretty strong. The one year is such a  
8 short-term time period that I didn't want  
9 to put too much emphasis on it. But  
10 obviously that includes the roll-off of  
11 March 2020. So certainly you want to  
12 take those with a grain of salt.

13                   But yes, the absolute returns over  
14 the last 12 months, John, to your point,  
15 very staggering. So, the diversified  
16 equity fund over that time period up 61  
17 percent. There were -- below -- I should  
18 say, within the Passport funds, if you're  
19 looking at the individual line items,  
20 really strong results for some of the  
21 managers on their own.

22                   Some of the numbers are -- I'll use  
23 the term silly -- but we have one  
24 manager, for example, managers in the  
25 smaller and micro-cap part of the market

1           that were up in excess of 100 percent  
2           over that time period.

3           So really crazy numbers. It goes to  
4           show you why we try not to think too much  
5           about that point in time performance and  
6           why the rolling periods, it helps to have  
7           a longer term perspective for sure. So.

8           MR. ADLER: Thank you.

9           CHAIRPERSON PENNY: Unbelievable.

10          Any other questions from anyone?

11          (No response.)

12          I guess we're ready for April 2021.

13          MR. FULVIO: And really, I'll say  
14          the positive results continued. We  
15          actually saw a one-month reversal, if you  
16          will, the value growth dynamic again. So  
17          growth did a little better than value  
18          during April. But you can see all told  
19          the Russell 3000 index was up over 5  
20          percent during April. International  
21          composite stocks up over 3 percent. The  
22          defensive proxy here that we have has  
23          that benchmark up about 3.7 percent. And  
24          the diversified equity fund's hybrid  
25          benchmark positive 4.6 percent.

1           If you peel those numbers back a  
2           little bit further, you can see developed  
3           countries outside the U.S. up about 3  
4           percent. International small caps up  
5           about 4.6, and emerging markets up 2.5.

6           So I will pause there and see if  
7           there's any questions. But certainly the  
8           trend for April was positive.

9           MS. PELLISH: For equity.

10          MR. FULVIO: For equities. As I  
11          noted earlier, with the run-up in  
12          equities and the prospect for future  
13          growth, interest rates have been on the  
14          rise. We did see yields pull back a  
15          little bit in the last 30 or so days.  
16          But net/net, a pretty staggering increase  
17          in interest rates so far year to date.

18          CHAIRPERSON PENNY: Questions for  
19          Michael or Robin with all that good news?

20          Well, let's hope you keep bringing  
21          us good news like that.

22          MR. FULVIO: We try.

23          CHAIRPERSON PENNY: Excellent.

24          Does anyone else have anything else  
25          for the public agenda?

1 (No response.)

2 Seeing nothing else, do I hear a  
3 motion to go into executive session?

4 MR. BROWN: So moved.

5 CHAIRPERSON PENNY: Do I hear a  
6 second?

7 MR. ADLER: Second.

8 CHAIRPERSON PENNY: All those in  
9 favor of the motion please say "Aye."

10 (A chorus of "Ayes.")

11 Any opposed?

12 Abstentions?

13 (No response.)

14 Okay. We're moving into executive  
15 session.

16 (Whereupon, the Board entered  
17 executive session.)

18 CHAIRPERSON PENNY: A motion to go  
19 into public session.

20 Yes, and we had a second.

21 MR. ADLER: I will second.

22 MS. PENNY: All those in favor?

23 (A chorus of "Ayes.")

24 Any opposed?

25 Abstentions?

1 (No response.)

2 Okay. We're going into public  
3 session.

4 (Whereupon, the Board returned to  
5 public session.)

6 CHAIRPERSON PENNY: Susan, will you  
7 report out?

8 MS. STANG: I certainly will.

9 Consensus was reached on a modest  
10 increase in a real estate transaction  
11 that was previously approved.

12 Consensus was reached as to how to  
13 implement a policy issue with regard to  
14 the Passport funds, that was already  
15 approved in the pension fund.

16 And we received a presentation on  
17 issues within the fixed income portfolio,  
18 in the pension fund. Consensus was  
19 reached as to a path forward.

20 CHAIRPERSON PENNY: Thank you.

21 Do we have anything else for the  
22 public meeting?

23 (No response.)

24 MR. DORSA: I'd like thank everyone  
25 for today and make a motion to adjourn.

1 CHAIRPERSON PENNY: Spot on.

2 Is there a second?

3 MR. BROWN: Second.

4 MS. PENNY: All in favor of the  
5 motion please say "Aye."

6 (A chorus of "Ayes.")

7 Any opposed?

8 Any abstentions?

9 (No response.)

10 Have a great day, everyone.

11 (Whereupon, at 11:05 a.m., the  
12 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, May 6, 2021, and that this  
8 is an accurate transcription of these  
9 proceedings.

10 IN WITNESS WHEREOF, I have hereunto  
11 set my hand this 7th day of May, 2021.

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16 JEFFREY SHAPIRO

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