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NEW YORK CITY TEACHERS' RETIREMENT SYSTEM
INVESTMENT MEETING
held on Thursday, June 3, 2010
at
55 Water Street
New York, New York

ATTENDEES:

MELVYN AARONSON, Chairperson, Trustee
SANDRA MARCH, Trustee
MONA ROMAIN, Trustee
DIANE BRATCHER, Finance, Trustee
BUD LARSON, Trustee, Office of Management and Budget
LARRY SCHLOSS, Comptroller's Office, Trustee
JOHN DORSA, Comptroller's Office
MARTIN GANTZ, Comptroller's Office
SEEMA HINGORANI, Comptroller's Office
DAVID JETER, Comptroller's Office
THADDEUS McTIGUE, Comptroller's Office
KATHY MARTINO, Comptroller's Office
JOHN MERSEBURG, Comptroller's Office
YVONNE NELSON, Comptroller's Office
MORAIMA PARES, Comptroller's Office
NELSON SERRANO, Comptroller's Office
JOEL GILLER, Teachers Retirement System
MARC KATZ, Teachers Retirement System
SUSAN STANG, Teachers Retirement System
ROBERT C. NORTH, JR., Actuary
CAROLYN WOLPERT, Corporation Counsel
CHRIS LYON, Rocaton
ROBIN PELISH, Rocaton
ROBERTA UFFORD, Groom Law Group
STEVE BYRNS, Townsend
SARAH CACHAT, Townsend
MICHAEL BANE, PCG
TINO HERNANDEZ

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P R O C E E D I N G S

(Time noted: 9:45 a.m.)

MR. SERRANO: Good morning, everybody. We will begin the June 3, 2010 Investment Meeting of the Teachers' Retirement System by calling the roll.

Melvyn Aaronson?

MR. AARONSON: Here.

MR. SERRANO: Kathleen Grimm?

(No response.)

She's not present.

Tino Hernandez?

MR. HERNANDEZ: Here.

MR. SERRANO: Bud Larson?

MR. LARSON: Here.

MR. SERRANO: Sandra March?

I understand she has an appointment and she will be here in a few minutes.

Mona Romain.

MS. ROMAIN: Present.

MR. SERRANO: We do have a quorum.

We need to elect an acting chairperson.

MR. LARSON: I nominate Mel.

MS. ROMAIN: Second.

MR. SERRANO: All in favor say "Aye."

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(A chorus of "Ayes.")

Opposed?

MR. AARONSON: Thank you for exercising such good judgment. Are we doing the variable portion of the program first and the public agenda; is that right?

(Discussion off the record.)

So, we can do the public session for the pension fund.

MR. GANTZ: Thank you very much. We're going to start with the flash report. Everyone should have a copy in front of them. If you don't, we have extra copies.

This flash report shows performance as of June 1, 2010. I want to note that we have some new information on the flash report. The column of numbers to the left shows estimated market values, in addition to the returns that you have always seen. So, again, these are estimated markets values since they're not audited and we don't have full data. But they could be very close to the numbers that you would expect to see.

So, looking down the column of numbers that's next to that, the column of market values labelled Estimated Fiscal Year To Date Number, the

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11-month returns, starting with U.S. Equity, the return we estimate was 20.39, 2 basis points behind the Russell 3000; Non-U.S. Equity developed markets returned 8.9, that's 165 basis points ahead of the EAFE index; REITs returned 59.96, that's 188 basis points behind the index; Opportunistic, which is the environmental sustainable activist, which will be rolled in the future into U.S. and Non-U.S. Equity, returned 12.18, that's 136 basis points behind the benchmark.

Private Equity and Private Real Estate, we've now updated through December. We now have December numbers so these are now 6th-month numbers. So, they're not through June 1st, but they're 6-month numbers. And you'll see that Private Equity, we estimate, were 48.63 ahead of the benchmark. And Private Real Estate numbers are still negative, but they're a better negative than we have seen before. That bring the Total Equity to 17.09 behind the policy benchmark of 19.22.

The Core+5 investment grade U.S. Equity program return, we estimate 10.62, that's over 200 basis points ahead of the Core+5 benchmark. TIPS we estimate at 8.23, 16 basis points ahead of the Barclay's fixed index. Enhanced Yield was at

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17.77, 20 basis points ahead of their benchmark. Convertible Bonds were at 17.55 over 600 basis points behind the Merrill convertible index at 24.25. And Opportunistic Fixed Income continues to do well at 47.16 over 36 percent ahead of their benchmark.

That brings the Total Fixed Income to 11.72, 92 basis points ahead of that policy benchmark. When you take it all together, total of Teachers, we estimate at 15.13, backing up public market fees of 14 basis points. Net of fees would be 14.99 behind the policy benchmark of 16.95, the 12-month numbers estimated in the column just to the right of that.

Are there any questions?

MR. AARONSON: Just from recollection, the total Teachers' fiscal year return for the month that ended in April as opposed to the month ending in May seems to have been much higher, because May was such a terrible month in --

MR. GANTZ: Yes. We will go more into that in executive session.

MR. AARONSON: And is there any one of our asset classes that seemed --

MR. GANTZ: EAFE was down over

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10 percent, the U.S. Equity market was down high single digits. Fixed income was slightly positive.

MR. AARONSON: But that was in line with what the markets were doing. Is there any of our asset classes that did so poorly compared to the goal that we have set for that particular asset class?

MR. GANTZ: We do not have May returns yet for the managers so we wouldn't be able to answer that question quite yet. We presently know what the benchmarks did for May. And so, the way we build this report is take the actual numbers that we have, which are to this date through the end of April, and link it to the market returns for May. So, we don't quite know what the managements did right now, given that it's only June 3rd.

MR. AARONSON: Because I notice in the convertible bond area where we have a 17.5 return and the comparative index has a 24 return. So, is that something that we are concern about?

MR. GANTZ: We will actually go into that in the executive session. The short answer is yes, and we will talk about that more.

MR. AARONSON: Thank you. Is that the entire --

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MR. GANTZ: Well, that is the flash report but we also have quarterly reports. I also have a copy of the quarterly reports. If you don't, we have a few extra copies over here.

This is for the quarter ending March. I will cut to the chase and turn to page 9, where you will see the total Teachers' portfolio and how it did that quarter ending March. I do want to point out that you will see some extremely high absolute levels of returns for the one year period and that's because the market bottomed in March of '09. So, for the one-year period ending March 2010, you'll see some strong numbers.

For the quarter, the return was 4.17, 3 basis points behind the policy benchmark. You'll see that fiscal year to date 12-month numbers were strong but still behind the policy benchmarks, over 200 basis points for the fiscal year and 600 for the trailing 12 months. We'll go to that in the few pages, but the reason for that is twofold.

Number one, in a positive public equity market environment, we have lag returns for private equity. So, those lag returns were dragged. And secondly, real estate values were still negative during the period and also behind the benchmark.

Secondly, we were overweight fixed income for much of that period and that negatively attributed to that; however, as you'll see in the few pages, what hurt in 2009 and early 2010 helped in 2008. The same fixed income overweight and the same lag version of returns in private equity helped the year before.

Turn to the next page, you'll see exactly where all the funds are invested. The total fund was valued at $36.8 billion and you'll see that we're over in U.S. Equity versus the actual policy; and that's because you'll see on the bottom part of the chart, we're underweight 4 percent in real estate. So, until real estate is invested as per the IPS, the funds are invested in U.S. Equity.

The attributions are on the next few pages. I'll go through this pretty quickly. For the quarter, it's a -- were very nominal number. The allocation effective, of course, is the effect of the over-underweight versus policy. The management effect is the effect of the management actually doing well or not versus the benchmark. And for the quarter, there's a slight negative allocation effect, policy management effect. But

when you turn to the next page on page 12, you'll see negative allocation and management effects, and that's because of what I was talking about before, the allocation affecting overweight fixed income in a strong equity market and also lag private equity returns which were, for much of the period, negative during a positive public equity market.

But if you turn to the next page where you see the three years, where we're now incorporating 2008 and 2009, you will see the allocation effect impact is positive. So, what hurt in 2009 helped in 2008.

And when you turn the page, the numbers that jump off the page obviously were the 12-month management effects and private equity and real estate. And that's, again, because of the lag effect.

MR. AARONSON: I would like to go back to page 10.

MR. GANTZ: Sure.

MR. AARONSON: We have underweight in our private real estate. The money --

MR. GANTZ: Actually, we have an underweight in -- I'm sorry.

MR. AARONSON: So, the money that is

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underweight is invested in the index fund?

MR. GANTZ: In the Russell 3000 index fund.

MR. AARONSON: My question is, If this is a real estate investment, would it be more closely related to REIT index fund rather than the stock market index fund? And have we thought about that and could you tell me what your thinking is?

MR. SCHLOSS: We will get that to later when we have an allocation question.

MR. AARONSON: Absolutely. If you remember it.

MR. SCHLOSS: I will, definitely.

(Laughter.)

MR. GANTZ: The return of the Teachers' versus otherwise public plans are on page 15 and page 16. And as you can see for the March quarter on page 15 which is all the way on the left, Teachers did very well. They were in the 8th percentile, which means they are on the top, and for the year ending, you were in the 10th percentile. And as you go across, you see you're mostly near the median of other public funds.

Page 16 show you the annualized years. Going across 1, 3, 4, 5, you'll see here the New

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York median as well for most of those periods.

Page 18 starts the equity allocation and obviously the largest allocation is U.S. Equity, so that's 64 percent. Equities were worth $25.5 billion and we were pretty much in balance at 69 percent -- actually 69.3 percent of total equity for the fund.

The following page shows the allocations. Of course, for U.S. Equity over 94 percent of the assets by policy and investments are in the passive fund. Emerging managers have a small allocation. The small cap and large cap that you see there are the developing managers that were hired a year ago.

The next several pages go through small cap and large cap and emerging managers, which is relatively new. But the good news for emerging managers is that they were ahead of the benchmark since inception, you see the two years, while negative numbers were over 200 basis points ahead of the benchmark.

The passive results which represent 42 percent of Teachers' Retirement System assets were $15 billion, and are on page 23. And as expected, the returns are right on top of the benchmark with very similar risk levels, and that's what we expect from this.

And that brings the total of domestic equity returns which are pretty much driven by the passive results and that's very similar to that. But you see strong quarterly numbers and very strong one year numbers.

The next page, page 25, is the environmental sustainable activist. We roll this into the other asset classes, but you will see since inception, the program has not done well versus the benchmark.

International equity is on page 26. At least we started to see it's internally actively managed and nicely diversified between value growth anchor. The EAFE results are on the follow-up page and during the March quarter, the Greek-Euro crisis began to affect and that's why you see a slight -- well, it's a positive number. It's not as big as the U.S. number.

So, the 1.93 percent is still 100 basis points ahead of benchmark and for the Euro, a very strong, healthy 52 percent return. Since inception, we've been going back at least 15 years, the program has beaten 161 basis points.

REITs on the next page, page 28, and they are ahead of the benchmark and have very strong relative numbers for the quarter at over 10 percent and yes, those numbers are over 100 percent, it's 113.52. For the one-year numbers, about 100 basis point ahead of benchmark. But since inception program have done very strongly returning over the benchmark by about 150 basis points, 141 to be exact, and absolute basis has returns over 11 percent.

Fixed income starts on page 30. And the largest allocations to the core investment rate is 56 percent. The total fixed income assets were 11.2 percent and fixed income represented 31 percent of the fund. The good news on the next page is that good performance continued in the March quarter in the Core+5 program.

You'll see in the over-underweight and difference columns that each of the three sectors outperformed. We have underweight governments, overweight mortgage and credit, and that helps as the better performance occurred in the mortgage and credit sectors.

The actual returns are on the next page. And you'll see another strong quarter ahead by

54 basis point for the quarter and ahead by 318 basis points for the 12-month period. This almost fully reverses the negative 2008 returns that we saw and you will note that you should not expect, going forward, 300 basis points on an annualized basis for the program. What this represents is managers sticking to their strategies and the markets coming back to them.

I also want to mention that the government sector, mortgage sector and credit sectors each had very good returns and responded well back to the markets. TIPS returns are on the following page and pretty much match the benchmark at 57 basis points for the quarter and for the year, with 2 basis points behind returning 6.16 and since inception is ahead by 17 returning in 6 percent.

High yield did best in fixed income, as you see from the 12-month number returning 34.77. The benchmark was 37.44, that's the primary benchmark. But the quarter, there managers were ahead by 9 basis points returning 3.5 percent.

Convertible bonds, which we've talk about later in executive session, have been behind since inception. And I will -- again, we'll talk

about that a little bit more later.

And finally, we have on page 36, the ETI returns; and Kathy Martino is here to give you those returns in more detail.

MS. MARTINO: The ETI portfolio outperformed the benchmark for all periods. And could you please turn to your agenda package and we will look at the collateral benefit, page 6. And that is your multifamily PPAR program, your PPC being your most active manager. And on the bottom, you can see where the investments have impacted in the five boroughs, Brooklyn, Bronx and Manhattan, and some in Queens as well.

The following page 7 shows your AFL-CIO housing investment trust, and they continue to invest in New York City. During this Phase 2, they have 877 member loan to Teachers' system participants. And I did add an investment here in the New York area, not in New York, that I thought would be an interesting footnote on the bottom, at a pediatric nursing facility. Nice job.

The next page is page 8 is the AFL-CIO Housing workforce in the city. No changes from last quarter. Page 9 is your CPCV. Again, there is activity and community throughout the five boroughs; construction lending facility.

Page 10 is your historical access portfolio, showing you where single family and multifamily investments have been on the right where we pick up Staten Island a little bit more on the single family side.

And the next page is page 11, shows you a performance by manager, with PPAR program being your long term best performer.

Any questions?

MS. NELSON: Continuing on to real estate in the same book on page 15, we'll go over the highlights of the performance of the real estate program for the Teachers' portfolio for year end 2009.

The quarterly performance was negative 5 percent and we are still performing behind the NPI benchmark at negative 2.1 percent. We've talked about the differences in the benchmark. You know that there is discussions on the way, particularly the planning for the summer on asset allocation as well as benchmarking.

But nevertheless, the primary difference in the performance between the benchmark and the Teachers portfolio is probably primarily due to the

presence of debt, which in a Teachers portfolio is 62 percent. This particular index has no leverage in the real estate holdings.

In terms of the market value for the portfolio for year end was $356 million, we have about approximately $400 million is unfunded commitments. Together, that's $753 million.

In terms of performance for the program, the credit crisis, in fact, is impacting real estate as well as other asset classes that we have to near term underperformance for the quarter, for the one year and three-year; however, for the long term -- and I point down to the graph at the bottom. The yard sticks of the program is rolling five years. And on rolling 5-year basis, the Teachers' System had outperformed the real estate benchmark.

And there's a commentary here about market conditions in Townsend. We'll be here at executive session. So, I'm just going to leave it to them to give you the highlights on the markets. On page 16, just wanted to be able to show you the returns over extended periods both on a before and after fee basis. Page 17 kind of summarizes the way the portfolio has been constructed and meets

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the investment objectives established and approved by the trustees when real estate was adopted as an asset class. And as of year end 2009, based on the portfolio of $35 billion, the potential program sized the real estate, It's about $1.8 billion.

In terms of the policy and how we would like to see the program redesigned, the primary strategy, the Core 4+ and non-Core is supposed to be minimum of 40 percent each, and the 20 percent should give us the flexibility to move with the markets to make investments where we believe that they are prudent.

Where we stand today, we are 35 percent core, we are 65 percent non-core. As you know, for the past couple of years, we've been kind of holding back for the additional moneys in the core space reflected how overpriced the assets have been. But in the annual plan last month and with the folks that Townsend brought in, we know that we are going to be looking at that core strategy as well as debt strategy in the near term.

On the following page, on page 18, just some important compliance metrics, which have also been impacted by the credit crisis we talked, the 62.4 percent level of debt, which -- which the

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policy has at -- at 50 percent and also the fact that we are about 35 percent in core for our goal is 40 percent in core. We also could deal with some of these issues over the summer and we make recommendations to you relative to appropriate modifications.

The final page, on page 19, just shows your portfolio and how it is diversified by property type and by geography. And as I mentioned, Townsend will be here in executive session. We'll talk about some funds in detail and some other market commentary, but if there's any questions I can answer, please let me know. Thanks.

MR. AARONSON: Yvonne, before you go, I have a question. We have a much greater commitment of these funds, and we have -- funds had invested. Can you tell me, did the people who invest these moneys for us get a commission on the committed funds or only on the funds after their investment?

MS. NELSON: For most of the real estate funds, they are being paid on committed. And historically, that has been the fee schedule. But I would say very much we're still funding other things that have been coming out, That the pendulum has swung back in favor of LPs. And you will be seeing, you will notice there will be differences in that fee schedule. They may not see totally wholesale, but you will notice -- you will definitely be noticing changes in terms of economics that it will more favorable to investors rather than GP.

MR. AARONSON: I don't know if I understand completely the convolutions you just --

MS. NELSON: The answer to your question is yes. We are paying on committed. I think that's going to change.

MR. AARONSON: I think that's something that we, as a board, and other boards should be looking into for future investments at this time. When somebody brings us a future investment, that is certainly something that I'm going to be very concerned about.

MS. CALDAS: Are you ready for the private equity? Starting on page 24 of your booklet. For the quarterly report, the fourth quarter of 2000 private equity. For the quarter, your program achieved 5.6 percent IRR since inception. That's underperforming slightly against the benchmark, the Russell 3000 at 500 basis points

at 6.7 percent; but still overperforming against Venture Economics' benchmark, which came in at negative 0.7 percent.

The private equity program is allocated as such, 70.2 percent in corporate finance; 10.9 in venture capital, 6 percent in distressed, and 12.9 percent in secondary and fund to funds with co-investments.

If you turn to page 26, you will see summary of activities. I will note there have been no new commitments that have been made to your program over the quarter. If you look at the table below, I'll bring your attention to contributions to those activities starting to pick up again as contributions in fourth quarter of 2004 to come up to $101 million.

The distributions are picking up, which is also a good sign. Your program did appreciate our list in a positive, which is good, which had reflected the 46 funds that had write-downs of $12.8 million as opposed to 74 funds that had write-ups of $82.8 million.

Your IRR since inception as well is slightly increasing over time, so it reflects an improvement. And your weighted average age of the program is 3.4 years. It's still very young. For a total summary of your program, again, you're $35.7 billion. You're slightly overallocated, your target allocation is 4 percent policy right now, you're 4.2 percent.

There are 87 relationships in your portfolio which is really reflecting 125 individual funds in your portfolio. Your $3.38 billion commitment is about 50 percent drawn down, which is about $2 billion. The total value for the program is $2.2 billion and there are 46 percent that remains unfunded for $1.57 billion. The total value multiple for the program was 1.11 times. And again, your IRR is 5.6 percent.

Any questions?

MR. SCHLOSS: That ends the quarterly review for the public session.

MR. AARONSON: Thank you very much. Start the public session on the Variable A program, please.

MR. LYON: Good morning. First, I would like to present the quarterly report on the variable funds through March 31st. It's the green bound book. Everyone should have a copy of it. Starting with the first section on page 1.

So, through March 31, the capital market performance generally is still very strong. And without a subsequent update, I think we know that --

So, in any event, that's just a reminder of the backdrop for this report. We were in a pretty strong market environment at the time. If you look ahead to the Variable A section, there was a couple of comments that I want to highlight. There's a lot more written analysis here that you're welcome to read and ask questions about during this meeting or any future meeting or feel free to contact us.

But in terms of the quarterly performance on page 3, since we review this every month, I'll just hit a few highlights. First, for the quarter, the Variable A returns 4.99 percent and all of the fund performances show in this report as net of fees. That was a little behind the broad U.S. Equity benchmark, but within a few basis points, just ahead hybrid benchmark for the fund. And basically, one of the drags was non-U.S. Equity performance.

So, the absolute returns of non-U.S. Equity for the managers the benchmark, which is

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lower because of what's going on with currency and in Europe and other things.

And then if you skip ahead, we have been international composites. These are the two composites that are most different than everything else in the Variable A fund and they are designed for accommodation and diversification and returning it over time.

And when you look back over the information on how they're done for the shorter time period -- but perhaps most interestingly, when you look back over the five-year results, perhaps the more suitable measurement here is, the longer term, the better. You can see that those are the composites. It will always be the case on a five-year basis, but has added to the total return of Variable A.

In other words, the returns of these composites of the five-year period, in total absolute return sense, were ahead of Variable A returns as a whole. So, they're both added not only to returns, but also to the risk profile as well, because the Variable A fund has continued to show lower five-year risk than that of the Russell 3000 index.

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So, from a risk perspective, it's performing as desired the diversifying composites helping not only the risk -- mitigation too, but also to return enhancement. It's not always that you get both.

So, any questions on that? I'm happy to go into more detail, but in the interest of time, I'm going to go ahead.

Let's just go to the next Tab 3, Variable B. We're going to have a Variable B topic in executive session, so this is information here on the assets, how it allocates. That's between two managers, Denza and BNY Mellon, which changed its name a million times, but formerly known as Standish. We were calling them for the most recent few years and they will be in executive session to join us for that presentation.

Behind tab 4, we have the other variable options. On page 18, you can see information about the asset levels in each employee performance for the quarter a year. First, the international equity fund, which other than the impact of the cash flows and cash allocations, is unitized with the international composite inside Variable A.

This fund, although it had a much lower

return in Variable A, you see it outperformed the international benchmark for the quarter of about 1 and a half percent versus roughly 1 percent for the benchmark for the year fund was up 55 and a half percent year end at March 31, just 34 basis points ahead of the benchmark. And since inception in mid-year 2008 through March 31st, this fund is about 8 percent ahead of its benchmark -- over 8 percent on an annualized basis.

Next, the inflation protection fund around $13 million in assets. For their quarter, it's ahead of the benchmark for the year, ahead of the benchmark. And since inception, about 1 and a half percent ahead of the benchmark. The social responsive fund for the quarter ahead for year behind by a wide margin in part due to style and more conservative stand for the manager. But since inception, this option is still annualized about almost 4 percent ahead of its benchmark. So, that's the short version.

Any questions?

Next is the April 30th report for the diversified equity of Variable A fund. I'll stick to a few highlights. It's handed out today. You can see on the first page, this report, that the

total assets at April 30 were $9.7 billion, and that all the major composites were roughly in line with their targets listed, the biggest deviation of any of the individual composites being international; that was 1.6 percent underweight.

If you flip ahead two pages to page 3, you can see that for the month of April, in the middle of the page where it says "Teachers' Total," that the return was 1.48 percent net of fees. That was a little behind the Russell 3000 and little less behind the hybrid benchmark.

For the year to date period, you can see that that brought us to 6.54 percent return for Variable A, also behind Russell 3000 and not much behind the hybrid benchmark. Basically, the figures detracted the total return of the international portfolio given what's going on in the international market. Those year managers, as a group, have performed a little better than the benchmark, but the overall return of international market has been much less than the U.S. shorter time period.

And not hearing any questions, the next handout is on Variable C, D and E. It's also for April 30th, and what you can see there on the top

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left are the assets. They haven't changed meaningfully since last reported. They've changed, but not dramatically. And in terms of their performance, you can see the monthly returns for each investment options. And each of the investment options were noticeably ahead of the benchmark for the month and are noticeably ahead of the benchmark for the year to date period.

Any questions?

That's everything that we have for the public session of variable funds; and there is one more handout. I forgot. Bad news.

(Laughter.)

This is the May 31st benchmark report. We're hoping that June is stronger and we have a better quarter than it would be shaping up to be with April and May combined. But for May, broad U.S. equity markets were down almost 78 percent. Their basis point was worse than that during the quarter and during the month.

And international markets were down in more strongly fixed income held in a much better -- and estimate of the benchmark for Variable A would down about 8 percent. The inflation protection fund probably is down in the 1 and a half percent

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range. And the social responsive equity fund, it looks like it will be roughly in line with the market a little bit better. So, that's our way of proxying May until we have the actual results computed.

So, May wasn't a great month, certainly, for equity investors and -- especially for non-U.S. equity investors. And the first couple of days of June was roughly a wash for the U.S. equity market. It's a little slight positive.

Now, that's the end of the public session for the variable funds.

MR. AARONSON: Thank you very much, Chris.

MR. LARSON: Motion to move to executive session.

MS. MARCH: Second.

MR. AARONSON: All those in favor, say "Aye."

(A chorus of "Ayes.")

Any opposed?

(At this time the meeting went into executive session.)

MR. AARONSON: We're now back in public session where we get a report on what was discussed in the executive session and this form will not give away any important secrets.

MR. KATZ: During the executive session for the variable funds, the Board reviewed an update on the diversified equity funds' current transition.

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In addition, the Board reviewed an update on the Variable B, which is stable value, fund and heard presentations from the Variable B investment managers.

There was also discussion on contract renewals for four investment managers as well as the custodian and further discussion on commission recapture and transition managers. No action was taken on these three items.

For the pension funds, during executive session the Comptroller's Office discussed the fund's monthly performance review. The Board discussed the report on securities lending, the report that will be provided monthly.

Discussion was held on the report on international markets, which was delivered by one of our international money managers.

The Board conducted a manager selection search hearing presentation from four prospective Russell 3000 in the index managers, details to be made public upon completion of the process.

The Board received and discussed an update and plan for 2010 for economically targeted investments, and we received quarterly reports on real estate and private equity from their

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respective consultants.

The Board also received a report from the Comptroller's Office on a policy initiative. No action was taken.

And there was one other item, and Sandy was going to put that into the record.

MS. MARCH: With the help of the Comptroller's Office, Steve Schwarzman, CEO of Blackstone Group, was requested to appear here because of an article that was in the Bloomberg News; and I believe also in PNI, where one of his employees, Mr. Wein, made a statement saying that retirement benefits in the public sector were too expensive and they should be halted.

We requested the Comptroller's Office that Mr. Schwarzman be invited in so that we could speak to him about the matter. We raised several questions and we discussed the matter and we asked him if he would please let the public know whether his organization also believed this.

He stated that they did not, and we asked him to consider putting it in an article in the newspaper or add it in PNI. And he said he would get back to the Comptroller's Office. We gave him many statistics about how the defined pension benefit enhances the economy of the United States; including the fact that in 2006, the average defined pension benefit in this country was $20,000, and in the State of New York today, the average pension benefit for a public employee is $25,000.

MR. AARONSON: Any other comments on any of the issues?

I'll hear a motion to adjourn.

MS. BRATCHER: Moved.

MR. AARONSON: Since there's no second, what is the next item on the agenda?

MS. BRATCHER: Second.

MR. AARONSON: Thank you very much for your patience today. Thank you very much for the staff of the Comptroller's Office and Corporation Counsel of TRS, and thank you to the actuary for staying through all of this. I appreciate it very much.

(Time noted: 4:21 p.m.)

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

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, June 3, 2010, 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 _____ day of _____________, 2010.

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JEFFREY SHAPIRO