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NEW YORK CITY TEACHERS' RETIREMENT SYSTEM

3

INVESTMENT MEETING

4

Held on Thursday, June 3, 2021

5

Via

6

Zoom Videoconference

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ATTENDEES:

9

DEBRA PENNY, Chairperson, Trustee, TRS

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THOMAS BROWN, Trustee, TRS

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DAVID KAZANSKY, Trustee, TRS

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JOHN ADLER, Trustee, Mayor's Office

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RUSSELL BUCKLEY, Trustee

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JOHN DORSA, Trustee, Comptroller's Office

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SUSANNAH VICKERS, Trustee, Comptroller's Office

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NATALIE GREEN GILES, Trustee

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CYNTHIA COLLINS, Trustee, Mayor's Office

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PATRICIA REILLY, TRS, Executive Director

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THADDEUS MCTIGUE, TRS, Deputy Executive Director

20

VALERIE BUDZIK, TRS

21

LIZ SANCHEZ, TRS

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SUSAN STANG, TRS

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STEVE YUAN, Mayor's Office

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ISAAC GLOVINSKY, TRS

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SHERRY CHAN, Chief Actuary

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ATTENDEES (Cont'd)

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JIMMY YAN, Comptroller's Office

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DIANE FENG, TRS

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ARISTEA AFTOUSMIS, TRS

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MICHAEL FULVIO, Rocaton

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GREG CALNON, Goldman Sachs

7

ROBIN PELLISH, Rocaton

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SUMANTA RAY, Mayor's Office

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DAVID LEVINE, Groom Law Group

10

KOMIL ATAEV

11

RONALD SWINGLE

12

SANDY RICH

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PRESENTERS:

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Sands Capital

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T. Rowe Price

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Brown Advisory

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Jennison Associates

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P R O C E E D I N G S

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

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4 MS. REILLY: Welcome to the Teachers  
5 Retirement Board investment meeting for  
6 June 3, 2021. I'll start by calling the  
7 roll.

8 John Adler?

9 MR. ADLER: I'm here.

10 MS. REILLY: Thomas Brown?

11 MR. BROWN: Good morning. Here.

12 MS. REILLY: Natalie Green Giles?

13 MS. GREEN GILES: Good morning.

14 Here.

15 MS. REILLY: David Kazansky?

16 MR. KAZANSKY: Present.

17 MS. REILLY: Russell Buckley?

18 MR. BUCKLEY: Good morning. Present  
19 on behalf of CFO Lindsey Oates.

20 MS. REILLY: Debra Penny?

21 CHAIRPERSON PENNY: Good morning.  
22 I'm here.

23 MS. REILLY: Susannah Vickers?

24 MS. VICKERS: Good morning. I'm  
25 here on the phone.

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1 MS. REILLY: Okay. We have a  
2 quorum, and I will turn it over to Madam  
3 Chair.

4 CHAIRPERSON PENNY: Thank you so  
5 much.

6 Good morning, everyone. We have a  
7 lengthy agenda today, so we're going to  
8 start with the public agenda. The first  
9 thing is Passport Funds, first quarter  
10 2021.

11 Michael, take it away.

12 MR. FULVIO: Good morning, everyone.

13 We are going to begin, as the Chair  
14 noted, with the first quarter report.  
15 And I know this was circulated in advance  
16 and we did spend a good amount of time  
17 discussing the first quarter at the last  
18 meeting.

19 So perhaps in the interest of time  
20 I'll call everyone's attention to a few  
21 new pages to this recurring quarterly  
22 report. We discussed the manager  
23 scorecard at a meeting back in April.  
24 And you will see it begins on slide 39 of  
25 the quarterly report.

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1 And so, maybe I'll just remind  
2 everyone that obviously the discussion of  
3 specific managers is something we address

4 in executive session. We did want to  
5 call this out given the prior discussions  
6 and that this is a new add to the report,  
7 beginning on slide 39.

8 You will recall we're looking at  
9 manager excess performance and tracking  
10 error relative to the expectations; not  
11 necessarily the expectations that  
12 managers have for their own strategy, but  
13 expectations we have for the strategies  
14 that you see here based upon the active  
15 risk profile that these strategies  
16 exhibit historically, and adjusting, or  
17 tempering if you will, expectations  
18 accordingly, for how we would expect  
19 these managers to outperform net of fees  
20 over the long term.

21 And so, really, you will recall this  
22 was intended to focus the Board on  
23 outliers. And I'm happy to report that  
24 there's really only one manager that's  
25 tripping a flag. That's Cardinal, which

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1 we'll discuss in executive session. And  
2 I just wanted to call everyone's  
3 attention to this. There's a couple  
4 pages worth of manager data here. And  
5 happy to answer any questions have you  
6 now. On anything specific we'll  
7 follow-up in executive session.

8 MS. PELLISH: But we are happy to  
9 talk about the methodology and what the  
10 colors mean. We've gone over this before  
11 but I'm sure it's not fresh in everyone's  
12 mind. So please let us know what you'd  
13 like us to review, any aspect of the  
14 analysis here.

15 MR. FULVIO: Not hearing any  
16 questions or feedback.

17 MR. KAZANSKY: The scorecard is very  
18 helpful, so thank you.

19 MR. FULVIO: You're welcome.

20 Madam Chair, should we move ahead to  
21 April?

22 CHAIRPERSON PENNY: Yes. I think  
23 we're ready for the Passport funds, April  
24 2021.

25 MR. FULVIO: Everyone should have

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1 that as a separate attachment.

2 You will recall when we chatted last  
3 month, in early May we looked back at  
4 April, and the markets were, it was  
5 another positive month for equity markets

6 across the globe that was led by what we  
7 saw in the U.S.

8 You can see the Russell 3 was up  
9 about 5.2 percent. Developed ex-U.S.  
10 countries totalled up about 3 percent,  
11 and emerging markets up 2 1/2 percent.  
12 So that really did translate into  
13 positive absolute returns for the funds  
14 across the board.

15 The diversified equity fund, you can  
16 see up about 4 1/2 percent for the month.  
17 That was slightly behind the hybrid  
18 benchmark, which was up about 4.6  
19 percent, and behind the Russell 3000  
20 index, as noted earlier, up just over 5  
21 percent.

22 What we saw in the month of April  
23 was a bit of a reversal from what we saw  
24 in the U.S. with respect to the growth  
25 value dynamic. You will recall we've

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1 been talking for quite a while about  
2 growth outpacing value, and we saw that  
3 flip late last year. That was certainly  
4 one of the key themes when we looked at  
5 performance in the first quarter of 2021.

6 We saw that flip notably, actually  
7 just in the month of April, and it's  
8 reversed since then. So even though  
9 growth outperformed value in April, in  
10 May value came back again.

11 If you're looking across the fund  
12 and looking at the underlying composites,  
13 the contribution from active management  
14 within each of the composites was mostly  
15 mixed for the month, detracting from  
16 total fund relative results. But I will  
17 note that year to date you can see the  
18 total fund up about 10.9 percent,  
19 outpacing the hybrid benchmark.

20 The value add there is really driven  
21 by active management contributions, so  
22 far year to date.

23 I will pause there and see if  
24 there's any questions on the diversified  
25 equity fund before I go through the

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1 others.

2 Okay. So the balanced fund, you can  
3 see just below that with assets of \$571  
4 million. That fund returned 1.6 percent  
5 during the month of April, year to date 3  
6 percent ahead of its composite benchmark.

7 International equity fund, \$235

8 million in assets at the end of April, up  
9 about 3.3 percent and 6.3 year to date.

10 The sustainable equity fund you can  
11 see up over 6 percent in the month of  
12 April; and year to date similarly up  
13 about 6.9 percent, lagging its benchmark  
14 return of 7.8 percent.

15 Beyond those funds, the two index  
16 funds toward the bottom of the page, they  
17 continue to track relatively close to  
18 their specific market proxies, with the  
19 U.S. equity index fund up 5.1 percent in  
20 the month of April, and up about 11.4  
21 percent year to date. The international  
22 up about 2.9 percent, and year to date  
23 return for that fund up about 5.8  
24 percent.

25 Again, you'll note there is some  
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1 relative performance differential here,  
2 again, driven by what we saw last year  
3 with respect to the timing of the cash  
4 flows.

5 So I'll pause there and see if  
6 there's any questions before we turn  
7 ahead to the month of May.

8 (No response.)

9 CHAIRPERSON PENNY: You can turn to  
10 May.

11 MR. FULVIO: Thank you.

12 Everyone should have the May  
13 one-pager. The theme in May was  
14 continued market optimism as there  
15 continues to be progress on the vaccine  
16 rollout and the vaccinations continuing  
17 to rise here in the U.S.

18 As of last week the number reported  
19 was that half of adults in the U.S. have  
20 been fully vaccinated at this point. So  
21 we're moving closer to the  
22 Administration's goal of about 70  
23 percent, with at least having had one  
24 dose by July 4. That's certainly good  
25 news, provided some confidence for the

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1 markets.

2 And there's continued ongoing  
3 discussion in Washington regarding  
4 infrastructure, hopefully a continued  
5 source of optimism in the U.S.

6 If we're looking back very quickly  
7 at earnings season, so far really, really  
8 positive story there. Earnings season is  
9 winding down at this point. Nearly all

10 companies have announced at this point.  
11 We saw 86 percent of companies who had  
12 announced had positive EPS upside  
13 surprise. On the revenue side there's  
14 positive revenue surprise of about 76  
15 percent.

16 So, those are certainly contributory  
17 to the positive sentiment we saw in the  
18 markets. And you can see here  
19 translating into continued positive  
20 returns across the board, with the  
21 exception of the sustainable equity fund.

22 So I'll note at a very high level  
23 the U.S. Russell 3000 index up about half  
24 of a percent; international markets up  
25 about 2.9 percent during the month,

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1 outpacing the U.S.; defensive strategies  
2 roughly flat. We're expecting a  
3 diversified equity fund return of about  
4 90 basis points. Here you can see based  
5 on the hybrid benchmark.

6 The underlying composite benchmark  
7 for the balanced fund up 64 basis points.  
8 And if you look with international  
9 markets below that, you can see developed  
10 large caps up about 3 1/4 percent,  
11 bringing a pretty strong year to date  
12 return of just over 10 percent there.

13 The smaller cap part of the  
14 international markets and emerging  
15 markets were both up 2.3 percent during  
16 the month. And beyond that I noted  
17 earlier the underlying strategy for the  
18 sustainable equity fund down about 1  
19 percent. That was ahead of its Russell  
20 1000 growth benchmark, but I noted the  
21 relative underperformance of growth  
22 versus value during the month of May, you  
23 can see that showing up in the numbers  
24 there, whereas the broad equity market as  
25 a whole still had a positive return,

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1 growth stocks lagging that.

2 And lastly, the two index  
3 strategies, the U.S. index fund up about  
4 45 basis points during the month and the  
5 international up about 3 percent.

6 Okay.

7 CHAIRPERSON PENNY: Does anyone have  
8 any questions for Michael? Robin?

9 No? Okay. So we're ready to go  
10 into executive session.

11 Do I hear a motion to go into

12 executive session?  
13 MR. BROWN: So moved.  
14 CHAIRPERSON PENNY: Do I have a  
15 second?  
16 MR. ADLER: Second.  
17 CHAIRPERSON PENNY: Any discussion?  
18 All those in favor please say "Aye."  
19 (A chorus of "Ayes.")  
20 All opposed say "Nay."  
21 Any abstentions?  
22 (No response.)  
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1 (Whereupon, the Board entered  
2 executive session.)  
3 (Whereupon, the Board returned to  
4 public session.)  
5 CHAIRPERSON PENNY: Welcome. We are  
6 back in public session.  
7 Susan, would you please report out?  
8 MS. STANG: Certainly.  
9 In executive session we provided a  
10 list of upcoming investment manager  
11 contracts that are up for renewal as of  
12 6/30.  
13 We received four presentations from  
14 investment managers, as well as a  
15 presentation on the structure within the  
16 active composite of Variable A.  
17 Consensus was reached, which will be  
18 announced at the appropriate time.  
19 We received an update on an  
20 investment project within the pension  
21 fund, and we received a presentation on  
22 diversity and inclusion at Roca-ton and  
23 Goldman Sachs.  
24 CHAIRPERSON PENNY: Thank you very  
25 much, Susan.

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1 Does anyone have anything else for  
2 this meeting?  
3 (No response.)  
4 Hearing none, do I hear a motion to  
5 adjourn?  
6 MR. ADLER: Motion to adjourn.  
7 CHAIRPERSON PENNY: Thank you, Mr.  
8 Adler.  
9 MS. GREEN GILES: Second.  
10 CHAIRPERSON PENNY: Thank you.  
11 All those in favor please say "Aye."  
12 (A chorus of "Ayes.")  
13 Any opposed?

14 Abstentions?  
15 (No response.)  
16 Okay. We stand adjourned.  
17 (Whereupon, at 1:15 p.m., the matter  
18 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 3, 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 13th day of May, 2021.  
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16 JEFFREY SHAPIRO  
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