

NEW YORK CITY TEACHERS RETIREMENT SYSTEM

INVESTMENT MEETING

Held on Thursday, October 3, 2013,

at

55 Water Street, New York, New York

9:48 a.m.

ATTENDEES:

MELVYN AARONSON, Chairperson, Trustee
LARRY SCHLOSS, Comptroller's Office, Trustee
SANDRA MARCH, Trustee
MONA ROMAIN, Trustee
JUSTIN HOLT, Trustee
SEEMA HINGORANI, Comptroller's Office
PATRICIA REILLY, Teachers' Retirement System
CHARLOTTE BEYER, Trustee
MARC KATZ, Teachers' Retirement System
SUSAN STANG, Teachers' Retirement System
ROBERT NORTH, Actuary
ROBIN PELLISH, Rocaton
CHRIS LYON, Rocaton
YVONNE NELSON
ISHIKA BANSAN, Townsend
STEVEN BURNS, Townsend
BILL FOSTER, Townsend
MARTIN GANTZ, Comptroller's Office
ADI DIVGI, Comptroller's Office
JOEL GILLER, ESQ., Teachers Retirement System
THAD McTIGUE, Comptroller's Office
DAVID LEVINE, Groom Law Group

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MS. REILLY: Good morning. Welcome to the October 3, 2013 investment meeting of the Teachers' Retirement Board. I will begin by calling the roll.

Melvyn Aaronson?

CHAIRPERSON AARONSON: Here.

MS. REILLY: Justin Holt?

MR. HOLT: Here.

MS. REILLY: Charlotte Beyer?

MS. BEYER: Here.

MS. REILLY: Sandra March?

MS. MARCH: Present.

MS. REILLY: Mona Romain?

MS. ROMAIN: Present.

MS. REILLY: Larry Schloss?

MR. SCHLOSS: Present.

MS. REILLY: Okay. We have a quorum.
Turn it over to the chair.

CHAIRPERSON AARONSON: Welcome to the October investment meeting. And the order of how we will proceed today is that in the public session the qualified pension plan will be first, and then the variable plan. And then when the board votes to move into the executive section, the executive session. The

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1 variable program will come first, and the
2 qualified pension plan will come second. So
3 that's our order for today and we are ready to
4 begin.

5 And, Mr. Schloss.

6 MR. SCHLOSS: Okay, thanks.

7 We have a very short agenda. We just
8 have to review the August results and I am
9 going to do it quickly because they were bad,
10 but the September results were so good it
11 makes the August results irrelevant. Not that
12 I don't want to dwell on bad things.

13 So if you look on page 34, you see that
14 the again focus on the left side of the page
15 on 34 and I will tell you in a second why not
16 to dwell. So if you look at the U.S. stock
17 market you are down anywhere from 3 to 4
18 percent, EAFE was down 1, emerging markets was
19 down 1-1/2. Everything on the left-hand
20 column is negative. The reason it's not so
21 relevant, even though we will walk through it,
22 is the early holding of the September numbers
23 are the Russell 3000 was up 4 percent, EAFE
24 was up 7-1/2 percent, emerging markets up
25 6-1/2 percent, and the Core Plus 5 was up 1.

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1 So you can walk through a down month, but
2 again all of these were doubled on the upside
3 the following month so they are reasonably
4 irrelevant when you look at the trailing.

5 That said, let's go to page 31 and look
6 at our asset allocation. Set up the same as
7 before. We did since August take about .4 out
8 of U.S. equity and put it in into floating
9 rate leverage loans to get ourself back in
10 balance a little bit. We were going to do the
11 same thing again, but then Washington decided
12 to shut the government down and worry about
13 debt ceiling. So now markets are very
14 volatile so we are going to take our time.
15 There is no sense in doing something in a very
16 choppy market, but again we are set up the
17 same way as before.

18 If you go to page 35, you can just put
19 to see what a down month looks like. Again
20 all the indications are down, the fund is
21 down. We lost about 2-1/4 percent for the
22 month. Therefore, the fiscal year-to-date is
23 up about a little bit more than 1. I estimate
24 we made probably about 4 percent in September,
25 so my guess is for the first quarter of the

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fiscal year 2013 or '14 --

MR. KATZ: '14?

MR. SCHLOSS: '14 -- we are up about 5 percent. If you annualized it, it's 20 percent. Bob North will be happy with 20 percent, but don't annualize it.

MS. MARCH: Hope does spring.

MR. SCHLOSS: So if you go to page 27, again we are sort of bouncing around 50, \$51 billion. If we really are up 4 percent last month, we are probably pushing \$52 billion. So you can see in the September numbers another all-time high, which is also good.

And then the final page is 28. Again, you could see the ten-year number. It's about 7.3 percent and that's off of the down market so you see it doesn't move very much. Let's hope it's not for a little longer. So that's the month of August. Better numbers next month.

If anybody has any questions, we can talk about it. Otherwise, I am afraid that's all we have on our public agenda for the pension fund today.

CHAIRPERSON AARONSON: Anybody have any

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1 questions? Thank you for the report.

2 Chris.

3 MR. LYON: Good morning, everyone.

4 For the passport funds public agenda,
5 the material that we distributed in advance,
6 first apologies for not being ready further in
7 advance but, as you know, we are working
8 through some new reporting with the new
9 custodian. So it takes a couple of extra
10 days, but hopefully it will get faster as time
11 goes on. But, nonetheless, I handed out
12 today.

13 First is the Variable A Fund and you can
14 see on the first page almost \$10-1/2 billion
15 in assets at the end of August. And all the
16 composites were within a couple of percents of
17 the targets as a function of the ongoing
18 rebalancing, so no significant concerns or
19 issues there.

20 If you flip ahead to page 3, you can see
21 to echo Larry's comments we have negative
22 returns for the month. And then in the middle
23 of the page the Diversified Equity Fund was
24 down about 2-1/2 percent which was a little
25 bit better by almost 20 -- 30 basis points

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1 then the broad Russell 3000 Index, but was 6
2 basis points behind the hybrid benchmark. And
3 you can see that during August the relative
4 performance was aided by the less negative
5 returns of international right above that on
6 page 3 and less so by the defensive composite.
7 Performed better than the more
8 equity-sensitive composites on page 2, but
9 nonetheless was still down almost 2.2 percent
10 for the month.

11 Then I will pause there and see if there
12 are any questions.

13 Hearing and seeing none, I will move on
14 to the second handout which contains the other
15 passport fund options starting with the bond
16 fund, 363 million at the end of August and you
17 can see how it continued to be a tough time
18 particularly due to the interest rate
19 environment. And fortunately this is a
20 relatively short duration, somewhat less
21 interest rate sensitive fund than the broad
22 bond market so it had very modest negative
23 performance. And the investment option was
24 down 24 basis points or about a quarter of a
25 percent for the month, which was about half of

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1 the negative performance for the year-to-date
2 period. You can see year to date, et cetera
3 on top percent and relatively speaking in line
4 with the benchmark. The month was a little
5 ahead, year to date a little bit behind the
6 benchmark.

7 Flipping ahead to the next page, you can
8 see the asset levels of the other passport
9 fund options for International Equity,
10 Inflation Protection and Socially Responsive
11 Equity. Those asset levels are approximately
12 87 million, 35 million and 50 million and
13 those haven't changed significantly since the
14 last report. And you can see the performance
15 for the month, the International Equity Fund
16 down 1.19 percent. A little bit better than
17 the EAFE benchmark. For the year-to-date
18 period it's up 7.6 percent. That's behind the
19 EAFE benchmark.

20 The next option, the Inflation
21 Protection option was down 1.64 percent. And
22 this is a benchmark I always mention that we
23 don't expect to closely track, but nonetheless
24 it trailed the TIPS benchmark. But over the
25 year-to-date period, it's 2 percent ahead of

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1 the TIPS benchmark with the negative 3-1/2
2 percent return. And the Socially Responsive
3 Equity Fund continued to have reasonable
4 relative results, although also negative
5 territories like most other equities for the
6 month down 2.2 percent. Benchmark was down
7 almost 3 and for the year-to-date period that
8 investment option is up 20.3 percent, which is
9 more than 4 percent ahead of its benchmark.

10 And all the results I mentioned are net
11 of fees. Relative results are pretty good
12 depending upon the option we are talking
13 about. The absolute results for August not
14 particularly bad given what's going on in the
15 markets.

16 But that said I will first pause for
17 questions and then I have some good news to
18 report about September.

19 Okay, not hearing any, for September on
20 the monthly benchmark report you can see it
21 was a strong month for equities and at least a
22 reasonably positive month for the relative
23 fixed income benchmarks. So the Russell 3000
24 was up almost 4 percent. EAFE finally
25 outpacing U.S. It lagged earlier in the year,

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1 but up close to twice that. And the defensive
2 strategies benchmark, et cetera, all positive
3 territory. Small positive for the bond fund
4 benchmark as well as TIPS. And the you can
5 see also the mutual funds that are used in the
6 inflation sensitive and socially responsive
7 categories had strong positives as well. So
8 this is of course just an indicator of what
9 the actual results might be for benchmark
10 published returns, but we think we will have a
11 lot of things to tell you about at the next
12 meeting.

13 Any questions?

14 So that's everything that we have for
15 the public agenda for the passport funds.

16 CHAIRPERSON AARONSON: Okay, do I hear a
17 vote?

18 MS. MARCH: Make a motion we go into
19 executive session for purposes of discussing
20 sales and securities.

21 MR. HOLT: Second.

22 CHAIRPERSON AARONSON: And any opposed?

23 All in favor for going into executive
24 session say aye.

25 MR. HOLT: Aye.

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1 MS. BEYER: Aye.

2 MS. MARCH: Aye.

3 MS. ROMAIN: Aye.

4 MR. SCHLOSS: Aye.

5 CHAIRPERSON AARONSON: Motion carried

6 and we are now in executive session.

7 (Whereupon, the meeting went into Executive Session.)

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1 CHAIRPERSON AARONSON: So we are out of
2 executive session. We are now back in public
3 session and we would like to get a review of
4 what went on in the executive session.

5 MS. STANG: Okey-dokey. In the
6 executive session for the variable funds an
7 update on one manager was presented.
8 Presentations from two managers were received.
9 Agreement was reached, which will be announced
10 at the appropriate time. New targets within
11 the active composite and Variable A were
12 discussed. Agreement was developed, which
13 will be announced at the appropriate time.

14 In the executive session of the pension
15 fund a presentation on one opportunistic fixed
16 income manager was received. Consensus was
17 reached, which will be announced at the
18 appropriate time. A real estate investment
19 was presented and discussed and infrastructure
20 investment was presented and discussed.
21 Consensus was reached, which will be announced
22 at the appropriate time. And there was a
23 presentation on a specific compliance issue
24 that was received and discussed.

25 CHAIRPERSON AARONSON: Thank you. So

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now I believe we are ready for a motion to
adjourn.

MS. MARCH: Motion to adjourn.

MS. BEYER: Second.

CHAIRPERSON AARONSON: Any discussion?

All those in favor of adjourning? Aye.

MR. HOLT: Aye.

MS. BEYER: Aye.

MS. MARCH: Aye.

MS. ROMAIN: Aye.

MR. SCHLOSS: Aye.

CHAIRPERSON AARONSON: We are adjourned.

[Time noted: 2:08 p.m.]

C E R T I F I C A T E .


STATE OF NEW YORK)

: ss.

COUNTY OF QUEENS)

I, YAFFA KAPLAN, a Notary Public
within and for the State of New York, do
hereby certify that the foregoing record of
proceedings is a full and correct
transcript of the stenographic notes taken
by me therein.

IN WITNESS WHEREOF, I have hereunto
set my hand this 14th day of October,
2013.

A handwritten signature in black ink, appearing to read "Yaffa Kaplan", is written over a horizontal line.

YAFFA KAPLAN