

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

5 Melvyn Aaronson?

6 CHAIRPERSON AARONSON: Here.

7 MS. REILLY: Justin Holt?

8 MR. HOLT: Here.

9 MS. REILLY: Charlotte Beyer?

10 MS. BEYER: Here.

11 MS. REILLY: Sandra March?

12 MS. MARCH: Present.

13 MS. REILLY: Mona Romain?

14 MS. ROMAIN: Present.

15 MS. REILLY: Larry Schloss?

16 MR. SCHLOSS: Present.

17 MS. REILLY: Okay. We have a quorum.

18 Turn it over to the chair.

19 CHAIRPERSON AARONSON: Welcome to the  
20 October investment meeting. And the order of  
21 how we will proceed today is that in the  
22 public session the qualified pension plan will  
23 be first, and then the variable plan. And  
24 then when the board votes to move into the  
25 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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1 fiscal year 2013 or '14 --

2 MR. KATZ: '14?

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

7 MS. MARCH: Hope does spring.

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

14 And then the final page is 28. Again,  
15 you could see the ten-year number. It's about  
16 7.3 percent and that's off of the down market  
17 so you see it doesn't move very much. Let's  
18 hope it's not for a little longer. So that's  
19 the month of August. Better numbers next  
20 month.

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

25 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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MS. BEYER: Aye.

MS. MARCH: Aye.

MS. ROMAIN: Aye.

MR. SCHLOSS: Aye.

CHAIRPERSON AARONSON: Motion carried

and we are now in executive session.

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

3 MS. MARCH: Motion to adjourn.

4 MS. BEYER: Second.

5 CHAIRPERSON AARONSON: Any discussion?

6 All those in favor of adjourning? Aye.

7 MR. HOLT: Aye.

8 MS. BEYER: Aye.

9 MS. MARCH: Aye.

10 MS. ROMAIN: Aye.

11 MR. SCHLOSS: Aye.

12 CHAIRPERSON AARONSON: We are adjourned.

13 [Time noted: 2:08 p.m.]  
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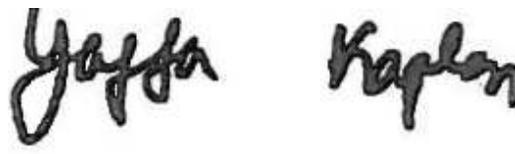
STATE OF NEW YORK )

: 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  
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transcript of the stenographic notes taken  
by me therein.

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



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YAFFA KAPLAN