NEW YORK CITY TEACHERS' RETIREMENT SYSTEM
INVESTMENT MEETING
held on Thursday, October 7, 2010
at
55 Water Street
New York, New York

ATTENDEES:

MELVYN AARONSON, Chairperson, Trustee
SANDRA MARCH, Trustee
MONA ROMAIN, Trustee
LARRY SCHLOSS, Trustee, Comptroller's Office
RANJI NAGASWAMI, Trustee, Finance
TINO HERNANDEZ, Trustee
DIANE BRATCHER, Finance, Trustee
JOHN DORSA, Comptroller's Office
MARTIN GANTZ, Comptroller's Office
SEEMA HINGORANI, Comptroller's Office
THADDEUS McTIGUE, Comptroller's Office
YVONNE NELSON, Comptroller's Office
NELSON SERRANO, Comptroller's Office
JOEL GILLER, Teachers Retirement System
MARC KATZ, Teachers Retirement System
SUSAN STANG, Teachers Retirement System
PAUL J. RAUCCI, Teachers Retirement System
ROBERT C. NORTH, JR., Actuary
CAROLYN WOLPERT, Corporation Counsel
CHRIS LYON, Rocaton
ROBIN PELISH, Rocaton
ROBERTA UFFORD, Groom Law Group

P R O C E E D I N G S

(9:30 a.m.)

MR. SERRANO: Good morning, everybody. We will begin the October 7, 2010 investment meeting of the Teachers' Retirement System by calling the roll.

Melvyn Aaronson?

CHAIRPERSON AARONSON: Here.

MR. SERRANO: Kathleen Grimm?

Note that she is not present.

Tino Hernandez?

Note that he is not present.

Sandra March?

CHAIRPERSON AARONSON: Sandra's present but she's out of the room. She's present.

MR. SERRANO: Ranji Nagaswami?

MS. NAGASWAMI: Here.

MR. SERRANO: Mona Romain?

MS. ROMAIN: Here.

(Ms. March entered the room.)

MR. SCHLOSS: Ms. March is here. She just rejoined the meeting.

MS. MARCH: I'm here.

MR. SERRANO: We do have a quorum and

the first order is to elect an acting chairperson for the meeting.

MS. MARCH: I nominate CHAIRPERSON AARONSON.

MS. NAGASWAMI: Second.

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

(A chorus of "Ayes.")

MR. SERRANO: Opposed?

CHAIRPERSON AARONSON: Thank you for that and we are going to have as order of business today, two public presentations, one by the pension fund, one by the variable fund. Then we are going to go into private session and have a meeting first for the variable fund and then for the pension fund. So, we can start now with the pension fund.

MR. SCHLOSS: Martin?

MR. GANTZ: Yes. Everyone should have a copy the flash report in front of them. We certainly have extras. The estimated returns and market values for the period ending October 5th, column left shows the estimated market value, and you will see if the scan down the column of numbers next to that estimated 2011 fiscal year to date.

You can see that numbers are fairly strong for the roughly three months since the fiscal year began. You recall July was a good month, August was a poor month. September was another good month. Total equity came out to 1421. Fixed income is somewhat less, but still good positive returns and the more equity-sensitive areas have higher returns. So, convertible bonds returned over 10 percent, high yield about 7 percent, but the Core fixed income and TIPS were in 3 percent range. Total fixed income was at 374. That brings the total Teachers' return to 1051 backing out fees the estimate -- the total net of fees at 1047 behind the investment policy benchmark of 1158. We also have the 12-month rolling return next to that for the period also ending October 5th.

Are there any questions?

MR. SCHLOSS: Beautiful. 10.5 is a beautiful year to date number. Let's annualize and all the rest.

(Laughter.)

MR. SCHLOSS: Back to you, Mr. Chairman.

CHAIRPERSON AARONSON: Thank you very much and we now turn to the variable funds.

MR. LYON: Good morning. I'm going to present first the August 31st Variable A, the

diversified equity flash report and to go through a few highlight. On the first page, you can see the asset level is $8.6 billion at the end of August. And you can see the allocations. Each of the major composite group pretty close to target weight. The U.S. Equity fund -- index fund is a little overweight, that composite, because of interim allocations, relative long-term targets, but in general, in line with targets.

If you flip ahead to page 3, you can see, I think you recall that August was a negative month, generally speaking, for the equity markets. The Variable A fund, down net of fees, 4 percent even, the middle of page 3 in the left column of numbers. And that brings the calendar year to date returns to about the same, negative 4 percent. This is a little bit better than the broad equity market, but slightly behind the hybrid benchmark. And you can see for the month, actually International and the defensive composites that helped returns because U.S. Equity markets are down even more than 4 percent.

And for the year to date period, International did not help, but the defensive continues to help, calendar year to date. That was

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the only composite with a positive return.

If you flip to the second handout, also through August, we have the other variable funds. Other than C, D and E, the International, the inflation protection and the socially responsive equity funds. And you can see, again, it's more equity-oriented fund. C and E also had negative results, but not much different than the benchmark. In the case of International fund for the month, we were down 3.1 to 3 percent net of fees and that was within 4 basis points of the benchmark. And for the year to date period, down almost 7 and a half percent, just 21 basis points behind the benchmark, but again, these results are net.

The Variable D fund, the inflation protection fund, had a positive 1 percent in change return, which was 4 and a half percent better than the TIPS index, though, this fund is not just TIPS, but it's a diversified baskets of strategies of underlying funds. And for the year to date period, this fund is up about 9 percent, 8.84 percent net of fees and that's more than 4 and a half percent ahead of the benchmark.

Lastly, the Variable E fund, down about 5 percent, about half a percent behind the

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benchmark, but year to date down only 1.2 percent and the benchmark is down 4.6. So, these funds are performing within a range of expectations fairly well on a relative basis.

Any questions about any of these?

And then the only other item that we have for the variable funds' public session is just to bring people up to date on market performance through September 30th. More fun to talk about. The 2000 index, for just a month, was up 9.4 percent. Other major equity index were up as well.

After quite a rally, we are down a little bit, back up slightly. You can see that the hybrid benchmark for the Variable A fund was up about 8.9 percent, so plus or minus percentage, so expect that Variable A returns to come in something -- somewhat close to that for the month of September. So, that would take that negative return for the year to date and should turn if noticeably positive September results.

And then you can see how the underlying mutual funds did for the month in Variables D and E. And they were both positive with the more equity heavy socially-responsive fund being the most positive.

So, September flash, we'll go over at the next meeting. Any questions?

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

CHAIRPERSON AARONSON: Back in public session.

Can we have a report of what we did?

MS. STANG: In the executive session of the variable funds, there were presentations of two new equity managers and a consensus was reached, which will be disclosed at the appropriate time.

In the executive session of the pension fund, details, performance reviews across several classes were presented. Managers on the watch list were discussed, updates on several managers were presented.

There was a presentation and discussion of a proposed model for potential investments in the emerging markets. A consensus was developed which will be disclosed at the appropriate time.

And an update on one private equity investment was presented, a decision was made which will be communicated at the appropriate time.

In attorney-client privilege session, a securities litigation matter was discussed.

CHAIRPERSON AARONSON: Can I get a motion to adjourn?

MS. ROMAIN: Motion.

MS. NAGASWAMI: Second.

CHAIRPERSON AARONSON: Opposed?

We are adjourned.

(Time noted: 1:43 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, October 7, 2010, at the offices of the NYC 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