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1 TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

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INVESTMENT MEETING

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November 2, 2023

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10:09 a.m.

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Remote Proceeding

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New York, New York

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William Montague

Digital Reporter

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Notary Commission No. 01MO0009174

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APPEARANCES:

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PATRICIA REILLY, EXECUTIVE DIRECTOR, TEACHERS
RETIREMENT SYSTEM

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THOMAS BROWN, CHAIRPERSON, TRUSTEE

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KEVIN LIU, TRUSTEE, MAYOR'S OFFICE

5

ANTHONY GIORDANO, TRUSTEE, PANEL FOR EDUCATIONAL
POLICIES

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ALISON HIRSH, TRUSTEE, COMPTROLLER'S OFFICE

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DAVID KAZANSKY, TRUSTEE

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VICTORIA LEE, TRUSTEE

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Also Present:

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JOHN DORSA, COMPTROLLER'S OFFICE

12

MAREK TYSZKIEWICZ, CHIEF ACTUARY

13

VALERIE BUDZIK, TEACHERS' RETIREMENT SYSTEM

14

RON SWINGLE, TEACHERS' RETIREMENT SYSTEM

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ISAAC GLOVINSKY, TEACHERS' RETIREMENT SYSTEM

16

MICHAEL GARLAND, COMPTROLLER'S OFFICE

17

JOHN MERSEBURG, BUREAU OF ASSET MANAGEMENT

18

STEVE MEIER, BUREAU OF ASSET MANAGEMENT

19

AMANDA JANUSZ, ROCATON

20

DEVON ALEXANDER, ROCATON

21

CATARINA MOURA

22

GREGG GETHARD

23 HARRY TYQUIN, BUREAU OF ASSET MANAGEMENT
24 KATE VISCONTI, COMPTROLLER'S OFFICE
25 MITCH FIELDING, BUREAU OF ASSET MANAGEMENT
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1 WILFREDO SUAREZ, BUREAU OF ASSET MANAGEMENT
2 MICHAEL FULVIO, ROCATON
3 KOMIL ATAEV, TEACHERS' RETIREMENT SYSTEM
4 JOHN ADLER
5 PRISCILLA BAILEY, TEACHERS' RETIREMENT SYSTEM
6 GEORGE GU, BUREAU OF ASSET MANAGEMENT
7 JAMES MAINA, STEPSTONE
8 ARISTEA AFTOUSMIS, TEACHERS' RETIREMENT SYSTEM
9 MORAIMA PARES, BUREAU OF ASSET MANAGEMENT
10 DAVID LEVINE, ESQUIRE, GROOM LAW GROUP
11 BLAIR BARBERINO, BUREAU OF ASSET MANAGEMENT
12 TAFFI AYODELE, OFFICE OF THE COMPTROLLER
13 PETYA NIKOLOVA, BUREAU OF ASSET MANAGEMENT
14 GEREMY KAWALLER, BLACKROCK
15 REBECCA LEWINSON, BLACKROCK
16 PATRICK EWANE, BLACKROCK
17 LULU YUAN, BLACKROCK
18 YING LIN

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1 (The proceedings commenced at 10:09 a.m.)
2 MS. REILLY: Good morning. Welcome to the
3 Investment Meeting of the Teacher's Retirement Board for
4 November 2nd, 2023.
5 I'll start by calling the roll. Kevin Liu?
6 MR. LIU: Kevin Liu representing Mayor Adams.
7 MS. REILLY: Thomas Brown?
8 CHAIR BROWN: Good morning, Patricia.
9 Present.
10 MS. REILLY: Anthony Giordano?
11 MR. GIORDANO: Tony Giordano present
12 representing PEP Chair Gregory Faulkner.
13 MS. REILLY: Alison Hirsh?
14 MS. HIRSH: Alison Hirsh here representing
15 Comptroller Brad Lander.
16 MS. REILLY: David Kazansky?
17 MR. KAZANSKY: Present.
18 MS. REILLY: Victoria Lee?
19 MS. LEE: Present.
20 MS. REILLY: We have a quorum. I will turn
21 it over to the Chair.
22 CHAIR BROWN: Good morning, everybody. We
23 start today's meeting with the Passport Funds September
24 2023 Performance Review, and I think Rocaton will take

25 it from here.

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1 MR.FULVIO: Thank you. Good
2 morning. I'll pass it over to Amanda, who's joining us
3 soon.

4 MS. JANUSZ: Hello, everyone.

5 CHAIR BROWN: Good morning, Amanda.

6 MS. JANUSZ: There we go. All right. So the
7 month of September has a reputation of being a negative
8 month for market performance, and unfortunately, that
9 did hold true for September of '23.

10 In terms of the market backdrop, we had
11 inflation continuing to moderate, which was positive.
12 The Fed, during their September meeting, held their rate
13 steady, but did revise upward their median forecast for
14 where rates will end at year end 2024, sort of
15 reinforcing this higher for longer expectation.

16 We also saw 10-year yields continuing to move
17 higher, higher oil prices, and we also did ultimately
18 avoid but for a while were in limbo around a potential
19 government shutdown. So with that as our backdrop, we
20 did see risk assets sold off pretty much across the
21 board, and you could see that here in the September
22 results of the Passport Funds for the month of
23 September, all in negative territory, although, you
24 know, low to mid single digits here for the Diversified
25 Equity Fund, down around 4-and-a-half percent for the

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1 month of September, with US equities a little bit harder
2 hit than international during September, all down in
3 sort of mid 3 to 4 percent range, although still solidly
4 positive year to date. You can see those returns
5 calendar year to date through the end of September for
6 the Diversified Equity Fund up over 10 percent.

7 For the month, your best performing option was
8 the Balanced Fund, not surprisingly is the most
9 conservative option in the Passport Funds. Was still a
10 negative territory down around 1.6 percent, although
11 positive year to date, close to a 4 percent return.

12 And then the Sustainable Equity Fund, on the
13 flip side of that, was the worst performing fund for the
14 month of September. A little bit more aggressive,
15 certainly, than the Balanced option, although that fund
16 has had a very strong year up until this point, and you
17 can see that reflected in the year to date returns, that
18 fund up close to 21-and-a-half percent calendar year to
19 date through the end of 9/30.

20 So overall, for both the month and the third
21 quarter, which you can see reflected in that three-month
22 period, negative returns across the board for each of
23 the Passport Funds, although modestly, and on a year to
24 date basis, still in very strongly positive territory
25 across the board.

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1 I'll pause there and see if there's questions.
2 CHAIR BROWN: Any questions for Amanda? Thank
3 you, Amanda, appreciate it.

4 Move on to the October 2023 Market Performance
5 Update. Rocaton?

6 MR. ALEXANDER: Thank you, Tom.

7 CHAIR BROWN: Thank you, Devon.

8 MR. ALEXANDER: Continuing with the theme from
9 Amanda on September, October continued to also be a
10 challenging month for investors as well, as we saw the
11 clients across all major asset classes. For the month,
12 we saw a Global Market Composite down by just over 3
13 percent. The Diversified Equity Fund also down by 3
14 percent as well. However, year to date, the performance
15 is still positive at roughly 7.39 percent and 7.21
16 percent respectively.

17 The best performing benchmark for the month
18 was the Balanced Fund. That was only down by 0.95
19 percent. Again, still positive for the year. And the
20 worst performing benchmark was the International
21 Composite down by 4.26 percent, still slightly positive
22 for the year up by 0.9 percent.

23 So I guess the general theme here for the
24 month is that we did see a challenging month for
25 investors, however, there is some resilience. I mean,

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1 we did get the announcement that the US economy did grow
2 by 4.9 percent for the quarter annualized.

3 And yeah, I will just pause here for any
4 questions.

5 CHAIR BROWN: Thank you, Devon.

6 Any questions for Devon?

7 Thank you. Appreciate it.

8 We move on to the Strategic Asset Allocation
9 discussion. Steve and Mike, if you guys would like to
10 chime in?

11 MR. FULVIO: Yeah, maybe I'll just make an
12 introductory comment or two.

13 This was a follow-up topic. I'm going to try
14 to pull up the materials for anyone following along.
15 Here we go.

16 This is a follow-up to the discussions we have
17 had over the last couple of meetings around the SAA
18 review, which many will recall is something that the
19 Board is looking at approximately every three years or
20 so.

21 Let me just share my screen here. So today,
22 we are presenting, as it's noted in the materials, a
23 recommended portfolio for the Board to consider
24 approving. This is a portfolio that, compared to the
25 current --

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1 MS. HIRSH: Sorry. Is there a way that we can
2 change the pinned image, so we can actually look at your

3 document instead of ourselves? There we go. Thank you.

4 CHAIR BROWN: Thank you.

5 MR. FULVIO: Good. Okay. So as everyone can
6 see here, you know, based on the current risk profile of
7 the current portfolio, we're expecting compound returns,
8 looking out over the next 10 years, of approximately 7
9 percent. What we were thinking about in terms of this
10 asset allocation was how could we potentially, you know,
11 move the needle a little bit more toward, more above
12 that 7 percent, right, with some hopefully higher
13 probability of achieving the 7 percent.

14 We do know that, in late 2021 -- 2022, excuse
15 me, New York State did approve a change to the RSSL
16 Basket Clause rules, which permitted up to 35 percent of
17 basket assets in the portfolio. So we knew we had this
18 additional flexibility from a constraint perspective.
19 We wanted to understand how that -- how that could be
20 reflected in a potential change to the strategic policy
21 of the fund, and we also wanted to take into
22 consideration our current or latest thinking as it
23 pertains to the look forward on markets.

24 We're in a very different market environment
25 today than we were 10 years ago. We're in a very

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1 different market environment, I would say, today than we
2 were three years ago. So we have, as you'll know,
3 certainly more return expected from fixed income assets
4 today by virtue of the higher yields that we have seen
5 over the last year or so.

6 Taking all of those things into consideration,
7 we wanted to understand, if we were going to deploy
8 incremental levels of risk in the portfolio, in the
9 hopes of shifting the distribution toward the upside for
10 the pension, where were -- where were those next best
11 dollars to be deployed?

12 And so, using some of that flexibility, you
13 can see the biggest changes here at a high level from
14 the current to the recommended are taking down very
15 slightly by about 3 percent the public equity
16 allocation, taking down very slightly the public fixed
17 income allocation, you can see that's coming down by 3
18 percent as well, and redeploying those assets into
19 alternative markets or private markets over time to try
20 to capture what we would expect to be a return premium
21 relative to the public markets.

22 That's not to say we think public fixed income
23 or public equity are unattractive today, but we would
24 expect, over the long term, to get an incremental return
25 for the incremental risk we're taking in alternative

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1 markets and also the active management premium that
2 comes with those asset classes, we would hope the system
3 could benefit from that premium over time.

4 And so the biggest changes here are taking

5 down those allocations to public markets, increasing the
6 allocation to alternative markets, and specifically
7 within alternative markets, focusing on slight increases
8 to private real estate, private infrastructure,
9 opportunistic fixed income, and a more notable increase
10 to private equity.

11 When we look across public pensions in this
12 country, these allocations, I would say, will bring you
13 to be a little bit more in line in terms of the
14 alternatives allocations, which we generally see are a
15 little bit higher for other publics, and so you'll be a
16 little bit more in line there.

17 All told, the expected risk and return profile
18 of the new allocations, I would say are not meaningfully
19 different than where you are today, but we should expect
20 to see some incremental return for the incremental
21 expected risk or volatility that we would be introducing
22 to the portfolio.

23 MR. MEIER: (Indiscernible) the increase in
24 alternatives. I don't think that puts us out of line
25 with peers. In fact, I think we'd still be

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1 underweight --

2 MR. FULVIO: Still be underweight.

3 MR. MEIER: -- alternatives relative to peers
4 out there. So even though, obviously, deals flow has
5 gotten more challenging in, say, private equity, things
6 are cheapening up, and as we increase or if you opt to
7 increase the exposure to private equity, that will occur
8 over the course of years. So we do think it's a great
9 way to pick up hopefully some relatively attractive
10 deals, and through that vintage diversification, do it
11 prudently over time.

12 There are many other investors out there that
13 have an overweight, given the denominator and path, the
14 fact that we had such a decline in bond, public bond and
15 stock prices last year, that they'd be deploying less
16 money into these deals, which puts us in a position
17 where we're able to better negotiate stronger economics,
18 meaning lower fees, and have access to the very best
19 managers that are out there. So timing, I think, is
20 probably pretty good.

21 MR. FULVIO: Yeah, and I think it's important
22 to remind the Board that, with an approval such as this,
23 you're not flipping a switch and moving there overnight.
24 It does take time to transition to these new targets and
25 deploy capital into private markets.

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1 MR. MEIER: It's also recognition,
2 particularly in private equities, we're already over
3 target by that 1.8 percent, so it's a recognition in
4 that it gives us more room to continue to deploy money
5 as things are cheaper.

6 Private credit we think is also a great area

7 to invest in with returns between 10, 12 -- 12 and 15,
8 depending upon the structure. So, and again,
9 infrastructure I think has proven to be a great
10 inflation hedge and a strong performer.

11 I think the other thing, Mike, and correct me
12 if I'm wrong, we were asked to combine real estate
13 core/non-core just to have flexibility to toggle between
14 the two, because some of them, and may have blended
15 strategies as well --

16 MR. FULVIO: Yeah --

17 MR. MEIER: -- that look like some element of
18 core, some element of opportunistic. So I think that's
19 cleaner.

20 MR. FULVIO: The last thing I'll mention is,
21 you know, we could see public markets sell off very
22 quickly and be in a position where the denominator
23 effect puts your alternatives allocation or your basket
24 allocation much closer or if not maybe at times above
25 that 35 percent. We think this level here at about 29

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1 percent at target to basket assets does provide some
2 cushion as well for that.

3 CHAIR BROWN: Mike, Steve, I know -- I heard
4 Mike say different, we're in a different market
5 environment than we were 10 years ago, five years ago,
6 five days ago, and I know we review this every three
7 years or so. Three years seems, these days, to be such
8 a long time period.

9 MR. MEIER: Yeah.

10 CHAIR BROWN: You'll get back to us if
11 anything develops? Who can predict what's going to
12 happen with the wars and with the political season
13 coming up. So if there's anything on the radar that you
14 see that you think we'd be interested in, you'll come to
15 us sooner than that three-year period.

16 MR. FULVIO: Absolutely.

17 CHAIR BROWN: Great.

18 MR. MEIER: But I think it's also fair to say
19 that we're not trying to be tactical here. We're trying
20 to be strategic, and this is kind of a building an all
21 weather portfolio that should perform strongly over
22 time. But of course, as things change, so -- Mike, I
23 understand from some of the consultants that upwards of
24 25 percent of clients have actually undertaken the
25 reviews, strategic allocation reviews this year because

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1 of the move up in base rates last -- I think, Mike, I
2 don't want to speak for you, but that's one of the
3 things you're alluding to is the fact that money is more
4 expensive now, and base rates, relatively attractive.
5 So a lot of other public pension plans and corporate
6 pension plans have undertaken that review because of the
7 change in base rates.

8 I suspect if you had something that dramatic,

9 you'd accelerate that timeframe for review inside of
10 three years.

11 MR. FULVIO: Yeah, and just to say, too,
12 that's not to say we expect the yield rise to continue
13 or with the same trajectory or speed that it has, but
14 yeah, if we see the environment change materially --

15 CHAIR BROWN: Perfect. That's great.

16 MR. FULVIO: As you know, we meet monthly, so
17 we're --

18 CHAIR BROWN: Yeah, yeah, that's -- yeah,
19 that's a comforting feeling knowing that. Great, thank
20 you.

21 So do we have any more questions for Mike or
22 Steve?

23 MR. KAZANSKY: Just one clarification for me.

24 CHAIR BROWN: Sure, David.

25 MR. KAZANSKY: Regardless of how we move our

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1 asset allocation, the rebalancing ranges are still the
2 same as they have been previously, yeah?

3 MR. MEIER: Yeah, I think the equation for
4 the, say, private equity is at one-half of the target
5 rounded up. Is that right, Mike?

6 So they'll adjust a little bit, but we don't
7 take -- we're not trying to time, we're not trying to
8 be --

9 MR. KAZANSKY: No, no, never.

10 MR. MEIER: But yeah, they don't change. They
11 don't change.

12 MR. KAZANSKY: Okay.

13 MR. FULVIO: Yeah, I was going to say, to the
14 extent we're looking at that and making the changes in
15 the policy to reflect this updated target portfolio,
16 we'll review the ranges as well, and if we have any
17 suggestions on potentially changing those for the
18 parking places, we'll come to the Board for approval on
19 that.

20 MR. KAZANSKY: Okay, great. Thank you.

21 CHAIR BROWN: Thanks. Any questions from Mike
22 or Steve?

23 Normally, we would do a consensus, but I think
24 we'll take a vote for this strategic asset plan now,
25 because it's one of our most important things that we

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1 do, and then we have to vote at the board meeting. So
2 why don't we just get this on the record.

3 Do I hear a motion to accept the strategic
4 asset allocation?

5 MR. KAZANSKY: So moved.

6 CHAIR BROWN: Is there a second?

7 MS. LIN: Second.

8 CHAIR BROWN: Thank you. It has been moved
9 and seconded.

10 MS. BUDZIK: So just so we're clear, it's the

11 recommended --
12 (Crosstalk.)
13 CHAIR BROWN: Let's get on the record the
14 recommendation.
15 MR. FULVIO: Yes.
16 CHAIR BROWN: So it has been moved, it has
17 been seconded. Any questions about the recommendation
18 plan?
19 All those in favor accepting the recommended
20 plan, please say aye.
21 (Ayes were heard.)
22 CHAIR BROWN: All those against, please say
23 nay? Any abstentions?
24 So let the record show that we accept the
25 asset allocation recommendation. Thank you.

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1 MR. FULVIO: Thank you.
2 MS. BUDZIK: A little housekeeping matter, I
3 don't know if it's Rocaton or BAM, if you could get us
4 the slide with the actual --
5 MR. FULVIO: Do you include that in the
6 resolution?
7 MS. BUDZIK: Because we'll include it in the
8 resolution --
9 MR. FULVIO: Absolutely.
10 MS. BUDZIK: -- as an attachment.
11 CHAIR BROWN: We'll vote on this coming up in
12 the next board meeting. Great. So I guess that's all
13 the work we have to do in Public Session. Do I hear a
14 motion to go into Executive Session?
15 MR. KAZANSKY: So moved.
16 CHAIR BROWN: And a second?
17 MS. LIN: Second.
18 CHAIR BROWN: Great. Any discussion? All
19 those in favor of going into Executive Session, please
20 say aye?
21 (Ayes were heard.)
22 CHAIR BROWN: Those opposed, say nay? Any
23 abstentions? We're now in Executive Session. Thank
24 you.
25 Liz, you'll let us know when we're ready?

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1 MS. SANCHEZ: Yes.
2 (Public Session closed. Executive Session
3 opened.)
4 CHAIR BROWN: We are now in Public Session.
5 Liz, you'll let us know when we're ready?
6 (Executive Session closed. Public Session
7 opened.)
8 CHAIR BROWN: Ron Swingle?
9 MR. SWINGLE: Thank you. In Executive
10 Session, of the Passport Funds, there was one manager
11 update.
12 In Executive Session of the Pension Fund,

13 there was a presentation on preliminary performance
14 data.
15 There was a presentation on emerging manager
16 allocations. A request for policy update was made and
17 consensus was reached.
18 There was an emerging manager, an MWBE
19 presentation. Discussion followed.
20 There was a waiver request on a specific
21 investment. Consensus was reached.
22 And there was an infrastructure presentation
23 in which consensus was reached.
24 CHAIR BROWN: Great, thank you. Thank you,
25 Ron.

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1 Do I hear a motion to adjourn?
2 MR. KAZANSKY: So moved.
3 CHAIR BROWN: And is there a second?
4 MS. HIRSH: Second.
5 CHAIR BROWN: Any discussion? All those in
6 favor of adjourning, please say aye.
7 (Ayes were heard.)
8 CHAIR BROWN: All those opposed, say nay. We
9 are officially adjourned. Thank you, everybody.
10 (The proceedings concluded at 12:05 p.m.)
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1 CERTIFICATE OF DIGITAL REPORTER
2
3 I, WILLIAM MONTAGUE, a Digital Reporter and
4 Notary Public within and for the State of New York, do
5 hereby certify:
6 That the foregoing proceeding is accurately
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8 the above-titled matter, all to the best of my skills
9 and ability.
10 I further certify that I am not related to any
11 of the parties to this action by blood or marriage and
12 that I am in no way interested in the outcome of this
13 matter.
14 IN WITNESS THEREOF, I have hereunto set my

15 hand this 14th day of November 2023.

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William Montague, Digital Reporter

22 Commission No.: 01MO0009174

Expiration Date: June 7, 2027

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1 CERTIFICATE OF TRANSCRIPTIONIST

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3 I, NANCY KRAKOWER, Legal Transcriptionist, do
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5 That the foregoing is a complete and true
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12 I further certify that I am neither attorney
13 for nor a relative or employee of any of the parties to
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15 employee of any attorney employed by the parties hereto,
16 nor financially or otherwise interested in the outcome
17 of this matter.

18 IN WITNESS THEREOF, I have hereunto set my
19 hand this 14th day of November 2023.

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Nancy Krakower, Transcriptionist

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