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NEW YORK CITY TEACHERS RETIREMENT SYSTEM
INVESTMENT MEETING

Held on
Thursday, November 4, 2010
at
55 Water Street
New York, New York
9:52 a.m

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ATTENDEES:

MELVYN AARONSON, Chairperson, Trustee
NELSON SERRANO, Teachers Retirement System
LARRY SCHLOSS, Comptroller's Office, Trustee
SANDRA MARCH, Trustee
MONA ROMAIN, Trustee
RANJI NAGASWAMI, Office of Management and Budget
DIANE BRATCHER, Finance, Trustee
THAD McTIGUE, Comptroller's Office
MARTIN GANTZ, Comptroller's Office
JOHN DORSA, Comptroller's Office
SEEMA HINGORANI, Comptroller's Office
MARC KATZ, Teachers Retirement System
YVONNE NELSON, Comptroller's Office
JOEL GILLER, Teachers Retirement System
SUSAN STANG, Teachers Retirement System
ROBERT C. NORTH, JR., Actuary
MICHAEL KOENIG, Hamilton Lane
MARIO GIANNINI, Hamilton Lane
CORINA SYLVIA, Hamilton Lane
ROBIN PELLISH, Rocaton
CHRIS LYON, Rocaton
STEVE BURNS, Townsend
SARAH CACHAT, Townsend

1 P R O C E E D I N G S

2 MR. SERRANO: Good morning. We are
3 going to begin the November 4, 2010 investment
4 meeting of the Teachers' Retirement Board by
5 calling the roll.

6 Melvin Aaronson?

7 MR. AARONSON: Here.

8 MR. SERRANO: Kathleen Grimm? Note that
9 she is not present.

10 Tino Hernandez? Note again he is not
11 present.

12 Sandra March?

13 MS. MARCH: Here.

14 MR. SERRANO: Ranji Nagaswami?

15 MS. NAGASWAMI: Here.

16 MR. SERRANO: Mona Romain?

17 MS. ROMAIN: Present.

18 MR. SERRANO: Larry Schloss?

19 MR. SCHLOSS: Here.

20 MR. SERRANO: Okay, we do have a quorum
21 and we need to elect an acting chairperson.

22 MR. AARONSON: Is anyone going to
23 nominate an acting chairperson?

24 MS. MARCH: I nominate Mr. Aaronson.

25 MS. NAGASWAMI: Second.

1 MR. AARONSON: All in favor?

2 (Chorus of ayes.)

3 MR. AARONSON: Any abstentions, any
4 opposed? Hearing none.

5 So today the order of business is going
6 to be that we take the public pension fund
7 first. We will then take the public variable
8 fund second. We will then ask for a motion to
9 go into executive session so that we could
10 discuss those things that have to be discussed
11 in executive session.

12 So we will start first with Mr. Schloss.

13 MR. SCHLOSS: Thank you. Martin is
14 going to walk you through the September 30th
15 flash report. You will recall -- where is
16 Martin?

17 MR. GANTZ: I am right here.

18 MR. AARONSON: He is covering your back
19 where he should be.

20 MR. SCHLOSS: You will recall that we
21 now post the monthly numbers on the
22 comptroller's website after all the boards
23 have reviewed them, so the last numbers on the
24 website are as of August. We are now going
25 through the September numbers. You are the

1 second board to review the September numbers
2 so that somewhere in the next three weeks we
3 will cycle through the September numbers, then
4 they will be on the comptroller's website.
5 Our plan is to go from an eight-week delay to
6 about a six-week delay and it will all be a
7 very nice, tight chart and timing and very
8 transparent.

9 Martin, over to you.

10 MR. GANTZ: So everyone should have a
11 copy of the September 30th flash report. We
12 have extra copies here. First I want to point
13 out that this shows the numbers for the first
14 three months for the first quarter of the
15 year. And as you have seen in our reports
16 during the last few months, it's -- every
17 month has had a different flavor. July was up
18 7.9 percent on the equity side, August was
19 down 45 percent and September was up around 10
20 percent. Non-U.S. equity did better than U.S.
21 equity as U.S. dollars started depreciating
22 against major currencies.

23 So if you look at the top returns for
24 equities, you will see they are very strong on
25 an absolute basis. U.S. equity returning

1 11.52 percent, non-U.S. equity at 15.59 and
2 REITS very strong at 13.60. And that
3 continues the strong run because if you run
4 your eye to the very right of the chart where
5 the last fiscal year ended which continues the
6 next three months that we just did, the return
7 was over 55 percent. So the strong returns
8 definitely continue. Total equity we show at
9 11.59. The private equity and real estate
10 numbers are lag, but the general number that
11 you should look at here are the high levels of
12 absolute returns that are generated on behalf
13 of the retirement systems.

14 And in fixed income, while the numbers
15 are lower, they are still fairly strong and
16 that's a combination of the level of interest
17 rates continuing to go down as well as credit
18 spreads contracting. You will see that in
19 enhanced yield at convertible bond numbers,
20 but also in TIPS which are treasury
21 securities. And core plus five the returns
22 are nearly 3 percent and that's because rates
23 have gone down and spreads have contracted.

24 Overall, the total Teachers' we estimate
25 is after fees 8.64. But I also want to draw

1 your attention to the market value that you
2 see on the bottom of the column on the left.
3 We estimate as of September 30th, the market
4 value is at 37.8 billion. If you compare it
5 to the market value that's on the bottom on
6 the right, the value of the fund has increased
7 over \$3 billion in just the last quarter.

8 Are there any questions?

9 MR. KATZ: Martin, just a quick
10 question. For the fiscal year ending 6/30, we
11 are noting we have 14.38 before fees and 14.24
12 net. Which one do we announce to the public?

13 MR. GANTZ: I believe we announce to the
14 public the --

15 MR. SCHLOSS: Net?

16 MR. KATZ: The net?

17 MR. GANTZ: The net fee, yes.

18 Any other questions?

19 MR. SCHLOSS: No. Good numbers. That
20 concludes our remarks.

21 MR. AARONSON: That's the public. Okay,
22 any board members have any questions about
23 that wonderful report?

24 MS. NAGASWAMI: We can count on this
25 going-forward basis?

1 MR. SCHLOSS: Annualize it.

2 MR. AARONSON: Mr. North, if this
3 continues for the rest of the year, we have to
4 give some money back to the city because we
5 have too much money.

6 MR. NORTH: No, not this year.

7 MR. AARONSON: So now we are up to Chris
8 and we will have the report on the variable
9 fund.

10 MR. LYON: Okay, great.

11 Good morning, everyone. I would like to
12 start with the diversified equity fund of
13 variable A. This was distributed in advance
14 and copies should be at your seat. For
15 September 30th you can see on the first page
16 that the total fund assets were \$9.3 billion.
17 And when you look at the asset allocations you
18 can see that all of the major composites were
19 reasonably close to their targets, keeping in
20 mind that we do have an interim target that's
21 higher than normal to the index composite and,
22 therefore, a lower than normal interim target
23 to the active composite. And so, in other
24 words, there is additional money that's
25 temporarily in the index fund reflected here.

1 So after compensating for that, we are fairly
2 close to the targets.

3 If you flip ahead to page 3, you can see
4 the performance. And similar to Martin's
5 comments, you can see that September was a
6 strong month. And since this is an
7 equity-focused investment option, the returns
8 are particularly strong, up just above 9
9 percent we did over the first column for the
10 month of September. At 9.03 percent the
11 variable A fund did slightly underperform the
12 Russell 3000 which was up 9.44, but it was a
13 little bit ahead of the hybrid benchmark. If
14 you decompose where the returns came in in the
15 month, generally the returns were strong
16 across the board. But also consistent with
17 Martin's comments, the international helped
18 performance. And as you might expect in a
19 strong up market, the defensive composite was
20 one -- still had a strong positive return of
21 almost 6 percent but was the lowest-performing
22 composite since it's not as fully equity
23 sensitive.

24 If you look at the year-to-date period,
25 and I am referring to calendar year-to-date,

1 the option was up 4.65 percent. This is all
2 net of fee information. So net of fees, 13
3 basis points behind the Russell 3000, a little
4 bit further behind the hybrid benchmark. And
5 over the year-to-date period, international
6 has actually been a detractor to kind of the
7 opposite of the one month.

8 International has been a bit of a
9 detractor. Still positive, just not as
10 strong. And the strongest year of performing
11 composite has actually been the defensive
12 composite. So through all the volatility we
13 have clearly had significant ups and downs so
14 far in 2010, but all in all the defensive
15 composite is ahead of the other composites.

16 Any questions on this report?

17 Then if you turn to the next handout,
18 these are three other variable funds that we
19 report on monthly. C, D and E, the
20 international inflation protection and
21 socially-responsive. You can see the asset
22 levels in the top left, they continue to grow
23 moderately almost 68 million, 16 million and
24 15 million respectively.

25 And you can see the performance again

1 for the monthly international performance was
2 particularly strong, 10.25 percent for this
3 option. And that was also a little bit ahead
4 of EAFA for the year-to-date period, 2.1
5 percent and about 64 basis points, 60ish basis
6 points ahead of the EAFA benchmark. So strong
7 relative and absolute performance from the
8 international fund.

9 For the month, the inflation protection
10 fund was up 2.7 percent. This compares pretty
11 favorably to its benchmark of only 1 percent.
12 And for the year-to-date period, this option
13 was up 12.2 -- I'm sorry, 11.65 percent. And
14 that compares very favorably to its benchmark
15 that was up just 5. So in round numbers, so
16 again this option we don't expect it to track
17 this benchmark terribly closely, but the goal
18 is to out pace it over time periods.

19 And, lastly, the socially-responsive
20 equity option was also ahead of its benchmark
21 and had strong performance for this period, up
22 as well. Up 9.3 percent, modestly ahead of
23 its benchmark net of fees for the month. For
24 the year-to-date period more than 4 percent
25 ahead of its benchmark. And so these new

1 variable options that we are adding now
2 several years ago continue to perform well,
3 particularly relatively to benchmarks.

4 Any questions?

5 Hearing none, the last handout for this
6 session is the preliminary October
7 performance. And the good news is that there
8 is good news. October's returns were
9 generally positive, particularly for equities.
10 And so you can see that the Russell 3000 was
11 up almost 4 percent during October. Fixed
12 income broad market was flat. Long-duration
13 fixed income was negative as interest rates,
14 although still very, very low, did back up a
15 bit. And, therefore, the hybrid benchmark,
16 that's our best guesstimate of something that
17 variable A likely performed close to, is up
18 about 3-1/2 percent. You can also see how the
19 underlying mutual funds that comprise
20 variables D and E performed up about 1.7
21 percent and a little over 5 percent
22 respectively. So when we have the actual
23 results for October, expect to have good
24 things to talk about.

25 MR. AARONSON: Anybody have any

1 questions for Chris?

2 Thank you.

3 MR. LYON: That's all we have for the
4 public session.

5
6
7 (At this time the meeting went into executive session.)
8

9
10 MR. AARONSON: Any opposition?

11 Okay, we are now back in public session.

12 We need a motion to -- oh, no, before we
13 adjourn, we need somebody to read into the
14 record the minutes.

15 MS. STANG: Recap. Okay, in the
16 executive session for the variable funds there
17 was an update on one manager within variable
18 A. No action was taken.
19 There was an update on variable B. No
20 action was taken.

21 There was an update and a discussion on
22 several different strategies and managers
23 within variable A. Consensus was reached,
24 which will be made public at the appropriate
25 time.

1 In the executive session of the pension
2 fund there was an economic overview, a
3 detailed performance review of every asset
4 class. Various manager updates were provided.
5 There was an update on several outstanding and
6 upcoming RFPs. Townsend presented a detailed
7 review of the real estate portfolio.
8 Additional capital commitments for two
9 specific real estate funds were discussed.
10 Consensus was reached and the decision will be
11 made at the appropriate time or the decision
12 will be made public at the appropriate time.

13 estate portfolio benchmark. Consensus was
14 reached. The decision will be made public at
15 the appropriate time.

16 There was a discussion of the
17 minorities, the MWBE program. Consensus to
18 issue an RFI was reached.

19 There was a presentation of our private
20 equity portfolio by Hamilton Lane and there
21 was a presentation by one specific private
22 equity fund. Consensus was reached and the
23 decision will be made public at the
24 appropriate time. And then -

25 MR. GILLER: Just that the board also

1 discussed legal matters and the proposed
2 action taken in response to certain
3 litigation.

4 MR. AARONSON: Anybody else think we
5 left out anything that they think we got to
6 report now?

7 Okay, so do I hear a motion to adjourn?

8 MR. SCHLOSS: Motion.

9 MS. MARCH: So moved. Second.

10 MR. AARONSON: Any opposition?

11 We are adjourned.

12 [Time noted: 3:09 p.m.]

C E R T I F I C A T E

STATE OF NEW YORK)

: ss.

COUNTY OF NEW YORK)

I, YAFFA KAPLAN, a Notary Public
within and for the State of New York, do
hereby certify:

That such Teachers' Retirement Board
meeting is a true record of the testimony
given by the witness.

I further certify that I am not
related to any of the parties to this
action by blood or marriage, and that I am
in no way interested in the outcome of this
matter.

IN WITNESS WHEREOF, I have hereunto
set my hand this _____ day of _____,
2010.

YAFFA KAPLAN