# NEW YORK CITY TEACHERS' RETIREMENT SYSTEM
INVESTMENT MEETING
held on Thursday, November 6, 2014
at
55 Water Street
New York, New York

ATTENDEES:

MELVYN AARONSON, Chairperson, Trustee, TRS
THOMAS BROWN, Trustee, TRS
SANDRA MARCH, Trustee, TRS
THADDEUS McTIGUE, Deputy Executive Director, TRS
SUSANNAH VICKERS, Trustee, Comptroller's Office
JOHN DORSA, Trustee, Comptroller's Office
CHARLOTTE BEYER, Trustee, Finance
JUSTIN HOLT, Trustee, Finance
CAROLYN WOLPERT, Trustee, Finance
ANTONIO RODRIGUEZ, Trustee, Finance
VALERIE BUDZIK, TRS
SCOTT EVANS, Comptroller's Office
MARTIN GANTZ, Comptroller's Office
JANET LONDONO-VALLE, Comptroller's Office
LIZ SANCHEZ, TRS
SUSAN STANG, TRS
MICHAEL FULVIO, Rocaton
JULIE MOORE, Rocaton
ROBIN PELLISH, Rocaton
DAVID LEVINE, Groome Law Group
STEVE BURNS, Townsend
ISHIKA BANSAL, Townsend
JARROD RAPALJE, Courtland

P R O C E E D I N G S

(Time noted: 9:50 a.m.)

MR. McTIGUE: Good morning, Mr. Chairman, and members of the Board. Welcome to the November 6, 2014 investment meeting of the Teachers' Retirement System of the City of New York. I'll start by calling the roll.

Mel Aaronson?

CHAIRPERSON AARONSON: Here.

MR. McTIGUE: Charlotte Beyer?

MS. BEYER: Here.

MR. McTIGUE: Thomas Brown?

MR. BROWN: Present.

MR. McTIGUE: Sandra March?

MS. MARCH: Present.

MR. McTIGUE: Susannah Vickers?

MS. VICKERS: Here.

MR. McTIGUE: Carolyn Wolpert?

MS. WOLPERT: Here.

MR. McTIGUE: We do have a quorum.

I'll turn it over to the Chair.

CHAIRPERSON AARONSON: Thank you very much.

We are going to start today with the

Comptroller's Office giving us a report.

MR. EVANS: Thanks, Mr. Chairman.

If you turn to page 37 of this little book, you can see that September was a down month. The portfolio was down a little less than 2 and a half percent, 2.42 percent. The benchmark was down 2.24 percent. So the market is volatile; and Martin will take you through some of the dynamics.

But we're past the point where the Federal Reserve easing is putting constant upward pressure on the markets. We began to anticipate some change in dynamic earlier this summer. And you will see when we go to the rebalancing efforts, we've taken our foot off the gas, and we'll go through that in a couple of minutes.

One thing, as you look through Martin's charts, one thing to keep in mind is that, actually volatility is the friend of the long term investor. We want to get paid for taking risk.

One of the real problems with this environment that we're in is that the Fed has pushed interest rates so low, and asset prices have been pushed so high, that the premium we're getting for taking risk, in terms of locking up money for long periods of time and taking credit risk with corporations, that premium has gotten very, very small.

And so, when fear returns -- and Martin will show you the fear index -- that's actually our friend long term. We can very carefully put money to work and your managers can put money to work to make extra money for the Teachers by taking risk.

So I will turn it over to Martin, and he'll talk through the volatility; but volatility is not always bad.

CHAIRPERSON AARONSON: I want to make a comment about State Street's report in the system. The previous trustee custodian used to send that report to each of the trustees of the system.

MR. GANTZ: The blue sheet?

CHAIRPERSON AARONSON: So I'm asking if that could start again?

MR. EVANS: We've talked internally about this, Mel, and I checked and double-checked with people. At one point in time the blue sheets were a great early warning sign, early indication of what was happening with the portfolios. State Street has changed the timing and such that you really are getting the best fulsome view of what's going on in these reports that we're giving you.

We still get something called the blue sheets, but as we've introduced alternative assets and everything else, there can be a lot of noise in them. And they're sort of a rough draft for staff to look at. They're used for different purposes. They're a rough draft for staff to look at.

Staff goes through it, they talk to State Street, make sure State Street's caught all the transactions and that sort of thing. And so it's so preliminary I'm very cautious about issuing it to trustees. If I issued it to one trustee in one system I've got to issue it to all trustees.

I prefer, since the information is just as good and maybe even more current with the reports we're giving you, to focus on that. If that's in any way not to your standards, we'll continue to work on it. I think this is the best representation of the portfolio.

CHAIRPERSON AARONSON: How are the blue sheets different from what the blue sheets were before?

MR. GANTZ: So, over time -- and so Thad and Val will know this as well with our office -- if you go back ten years, and this evolved over time. Ten years ago when we were mostly public markets we would get blue sheets within ten business days of the end of the month, two weeks after the end of the month, the following month.

Once we started introducing it, they became a bigger part of the portfolio. The process of State Street putting together these reports -- and it's not just the alternatives, but it's also the group trust, the commingled accounts.

For instance, think of the New York City funds as not just a pension fund, but five separate funds, but they're effectively 100 mutual funds being run; because each of the managers in non-U.S. equity and many other areas that are commingled have different unit values that have to be struck; what Teachers' portion is, what Police's portion is, what NYCERS' portion is. And a lot of that takes time.

So instead of getting it over 10 business days, by 10 business days, which we used to get when it was all public markets, these days when we have a lot of non-U.S. equity and a lot of alternatives, we're getting the information pretty much near the end of the following month.

So because your Board meeting is at the beginning of the following month, you're getting the information after we first scrubbed it, but there's more scrubbing to be done.

CHAIRPERSON AARONSON: This information is preliminary?

MR. GANTZ: Is still preliminary.

So next month, when you see the quarterly report for September, that will be the final version.

MR. EVANS: But you're getting that preliminary view that you used to think of as the blue sheet, you're getting that now. The blue sheets are sort of prescrubbed, this is a cleaner thing to be distributed.

MR. GANTZ: Everything in red and green as well.

MR. EVANS: Most times it would not be a problem, but I'd hate to have something that required a lot of scrubbing in everybody's hands.

MS. MARCH: I have a question. I hear what you said about the blue sheets, these two sheets or three sheets that are in the booklet are ready before the public. Am I correct?

MR. EVANS: Not much.

MR. GANTZ: Because Teachers and Police meet the first week of the month, we really only have a day or two to go through to scrub. We do a good job because we have a process to do it. But it gets finalized after that, and that's when you see it in the quarterly report next month.

MS. MARCH: So that sheets that are in here are partially scrubbed; is that correct?

MR. GANTZ: The public markets are all correct. It's the private markets and potentially some of the allocations where we have commingled accounts.

MS. MARCH: All I'm trying to do is reach a middle ground. If these sheets are the sheets you want to present to us and we were interested in having them earlier, how much earlier is this ready? Could it be in another form other than the book? What you just said was they're not ready much before the book.

MR. EVANS: You're really getting what you are looking for already.

(Talking over each other.)

MS. MARCH: That's fine.

CHAIRPERSON AARONSON: Thank you for the explanation.

MR. GANTZ: I'll be happy to talk to you further about this, to figure something out.

MR. EVANS: Martin, you can go through --

MR. GANTZ: Thank you, Mr. Chairman, good morning, and Teacher Trustees.

So Scott already hinted as to what happened in September, but I'll go through some of the specifics in September.

If you turn to page 18, this tells a lot of the story. We're skipping a lot of pages, but a lot of these prior pages are unemployment numbers, which really don't change very much month to month.

But there's been a lot volatility, as you know, in the months of September and October. And page 18 is the VIX, the volatility index. While this is over the S&P 500, it is also known as the fear index, as our CIO referred to it.

If you take a look at the very right side, this is a five year chart. You see a tremendous spike up, what looks like a very big spike up, and then a spike down. When investors are concerned and volatility is down, there's good volatility and bad volatility.

When bad volatility happens when the markets go down, the fear index spikes up because people want to protect their portfolio by buying puts, either to protect positions or to speculate to buy puts because they think the market is going down. Either way, the volatility index goes up.

As you see, the market for several years was nearing historic lows. And that low of 10.32 was achieved a few months ago. And historically speaking, that is awful close to an all time low.

The high you see, which is not labelled, I can tell you was nearly 30 but was over 25. So, the volatility index more than doubled in the space of just a few weeks, in September and especially early October, when all of a sudden the things the market was ignoring for several years, whether macroeconomic events, economic growth in Europe, the concern about the dollar, the concern about the Federal Reserve tapering program, all of a sudden, the markets started paying attention to it. So they had amnesia and then all of a sudden they paid attention to it.

So when the market started paying attention to it, volatility began and it was bad volatility. As it turns out, later in October -- and we'll go through this in just a bit -- the markets calmed down when they realized, wait a second, in the U.S. things are okay; and the Fed seems, we believe, to have a handle on things.

And so the number is back down, as of the printing of this a week ago, down to 17, which historically is a reasonable number; and in fact the October numbers were very positive numbers over all, and we will go through that in a little bit.

But this tells a story that the volatility really spiked in September and October, and that's why you had a down September. October ended up being up, reversing September, but halfway through October looked awful. But the end of the month is really all that matters, and we'll go through that in a minute.

So when investors are selling risky assets, what are they buying? They're either putting money in cash or under the mattress or they're putting it in what we call risk free securities, Treasuries. So page 20 shows the ten year Treasuries.

And you see, even though the QE program, the bond buying program by the Fed, which was announced recently, this past week, that they were ending the bond buying program, unlike the European Central Bank which is just starting, because they're several years behind us, and Japan, which has even worse problems.

The U.S. economy is much stronger. The bond buying program was supposed to, by supply and demand, make the prices go down and therefore the yields go up. Because if the Fed is not buying, someone else has to step in; and if someone else doesn't step in, the prices will go down and the yields go up.

The exact opposite happened. The reason the exact opposite happened is because it coincided with the fear in the market. When investors were selling risky assets they bought risk-free assets, including Treasuries.

That's why as of the date of this, 2/25, which I believe is approximately where it is today. We would expect that yields would go up further, and Scott will talk more about this when we talk about rebalancing.

The next page, 21, I normally don't go through, but I think it's worth mentioning. This is last month's investment high yield spreads. In short, what this chart shows in blue is high yield in red, is investment grade. What it shows is what the overall premium is that the market is demanding to pay for securities that are not risk-free. So blue for high yield and speculative investments, and red investment grade high quality investments.

As you see, red 107, blue 124, those are basis points, basically. Investors are demanding over 4 percent premium over Treasury rates to compensate for risk, for high yield, and a little over 1 percent for investment grade.

What you don't see, you'll see next month, what happened in October, which is, the high yield went up to nearly 5 percent, really spiked up the spreads, and investment grade spiked up to a lesser extent because it's higher quality.

I can tell you also that we just ran the numbers -- it didn't make the book -- we have numbers you'll see next month, what it looked like the end of the month.  It spiked up and then came right back down.  So the numbers are almost exactly where they are right now.

So while it was a crazy month, volatility, if you went to Mars and came back, the numbers never changed.

What happened in the overall markets?  If you turn to page 25, this is a one year chart of the three major market indexes.  In white is the U.S. Russell 3000, in orange is the EAFE developed markets, and in yellow is emerging managers.

You see the U.S. is well ahead of developed markets, in Europe which is dominated by Japan, and Europe, which are either in recession or close to it, or trying to come out of it.  And emerging markets are tied to the strength of the dollar and concern about the demand, because they're export driven economies.

You see those indices, the numbers are negative, as you see on top here (indicating), the returns over here, the total returns, are negative, or slightly negative, but U.S. are up. You can also see the volatility where prices went down significantly then came back up; to the point that the S&P 500 is now at a new record high.

If you turn to pages 27 and 28, over here, in the middle of the book, this shows what happened in September. And the first section shows U.S. So in the middle the Russell 3000 is down 2 percent; fiscal year to date is flat, third column I should say.

Virtually all the numbers here are negative, it was a bad month, September. The next set of numbers are non-U.S. equity. So EAFE was down 3.84 percent, Teachers' custom benchmark was down 7 and a half percent.

The last section, even for fixed income, fixed income was down, Core+5 was down less than 1 percent. And high yield on the next page was down nearly 2 percent. And even bank loans were down. TIPS were down, convertible bonds were down, REITs were down 5 percent.

Putting that all together on the next

page, what were the returns for the month? On page 29, there were no positive contributors, there were less negative contributors, but no positive contributors. So all the way on the left, the return for the month was minus 242, bringing in the middle the fiscal year to date total fund return of minus 1 percent, minus 106.

I can tell you since I ran the numbers yesterday, an estimate of course, since I'm not the custodian, but I ran an estimate, because of the good October, and I'll read you what the October numbers were generally, just to give you an idea of how good October was.

The U.S. Equity numbers were up 2 and three-quarters percent. Emerging markets were up a percent. REITs were up 10 percent for the month. Core+5 was up 1 percent. Interest rates went down. High yield was up 1 and a half percent. Convertible bonds were up. You get the idea.

So that negative 1 percent seen for fiscal year to date, we expect that to turn around. So when you get the next month's report that shows what the returns are through October, I'd expect it to be in the range of close to plus 1 percent; and therefore close back to the record high.

So the next page is page 30, which shows the asset allocation and rebalancing ranges, and I'll turn it over to Scott.

MR. EVANS: So again, this chart shows adjusted for the fact that we hold some securities as we invest our alternatives portfolio. It shows the asset allocation across different asset categories. Green, for instance, is U.S. Equities. Dark blue is long term bonds.

And if everything is zero it means we're just exactly on our long term plan. I think it's 63 percent equities for the Teachers portfolio. So, for just exactly our long term plan, everything is zero.

Now, earlier this summer when I first arrived, we had a very large overexposure to U.S. Equities. It was up at the top of the permittable band. And as we were beginning to exit the period of time where the markets were predicted being pushed up by the Federal Reserve quantitative easing program and other easy money policies, we thought it made more sense to go back to a normal position back toward zero.

You can see at the end of September we're partially back toward a neutral position. October was very strong. We took that strength to eliminate the rest of the overweight in equities. So today, the snapshot at this very moment is close to a zero position in U.S. Equities.

And so, this puts us in a position to be a rebalancer. What does that mean? It's the opposite of market turn. When everybody gets enthusiastic and bids the market up, we sell. When everybody gets pessimistic and bids the market down, we buy. And the reason we're doing that is, we're trying to maintain a steady, constant exposure to different asset classes.

And rebalancing, done in a systematic way over time, is perhaps the most effective form of tactical rebalancing. And tactical is the opposite of the usual thing; us feeling we can outsmart the market.

And it works particularly well when the market is volatile, going up and down all the time, for obvious reasons.

So you can expect it will waffle a little bit, but you can expect us to be in or around zero as long as we're in the current market environment, with one exception, and it's a big exception.

The dark blue panel, which is long term bonds, any bonds over five years, we are not getting paid to take that risk at all in the current environment; record low rates, record low real interest rates. So we're just barely covering inflation, locking up money for more than five years.

We feel that it's better to hold some shorter term bonds. So the grey bar is anything under five years, and we have money in two year bonds. There's the risk free bonds other than the risk of rates changing.

So when interest rates resume their normal pattern and begin to pay us for taking the duration risk that we take and the inflation risk, we will resume a normal pattern there. But expect us to have this tilt for the time being. Otherwise, we have no particular, we'll let the market determine our rebalancing policy.

With that, Martin, I'll kick it back to you.

MR. GANTZ: I want to note for the record we're within all the rebalancing policies as of the end of September. And also, from what Scott mentioned with U.S. Equity, because the market went up in October we're still going to have to do a little more. Because it's a good problem to have, that equities went up so we'll have to sell, and we'll sell them, which is at least half of the equation.

The details, starting on page 32, 33, show what we showed in pictures on the previous pages, show all the number percentages and ranges. For instance, U.S. Equity has a 6 percent plus or minus range. We're roughly halfway. We took it down a point in September. And we did it actually, I believe, the end of August, beginning of September, the first week of September, so it was before the market went down, a good time we did it. And all those numbers are there for you to see.

Next is on page 35 and 36, where the market values stand; 35 is the year, the last 12 months, rolling 12 months, and page 36 shows the last ten years. So on page 35 you see that September was a negative month, so the market value of Teachers is below $58 billion. But as I told you before, October was back up, so we're back up near record territory again as of the end of October, which you will see next month.

For the fiscal year to date, for the year that doesn't change, it just shows what the return, the note on the bottom, that the ten year return through September was 7.39 percent. We believe it's in excess of our required --

Next page, on page 37, is a summary of all the asset classes and returns. And starting on page 38 towards the end of the book, shows each and every one of the managers, as well as the sectors, versus the benchmarks, whether they're underperforming or outperforming. And at the very end we show private equity, all the private equity holdings, all the real estate holdings, as well as --

Any questions?

Thank you.

MR. EVANS: We have one other thing to do in the public session. We'd like some time to have an open discussion about having trustee education sessions. This is something that's been requested in various meetings I had with trustees across the systems. The idea would be to set up several forums to talk about topics of mutual interest of the trustees across the systems.

We had a lot of interest in this, particularly from folks at NYCERS. We wanted to get everybody's perspective on topics that would be good to discuss; and also, how we could set up this forum to be most effective.

I know years ago something similar was tried which didn't work for everybody, sow we're totally open minded about how to structure it. We could have a consultant that's particularly knowledgeable about the topic of interest come in. It could be Rocaton, it could be Callan or somebody else. We could have an academic who's seen as the foremost expert come in and talk to us. Certainly here in New York City we have a fabulous academic community, but we could really get them from all over the country.

We could have someone practicing in the pension business and some other system of state teachers, Florida or California, come in and talk to us about how they tackle a particular problem, so we can get a sense of how best practices is being done across the public pension systems in the U.S.

So, we're open. We wanted to get your thoughts on it, particularly if there are topics that you'd like to see in this type of forum. The idea would be to gather, it would be an open forum for all trustees across all five systems, and the Comptroller's Office would set it up and coordinate it and so forth; but it would be your show and your topics.

MS. MARCH: I think there's two roads we should be following. I think there should be education of all the systems. And that could be a forum set up, and I think, Scott, your working with the five consultants, you could come up with topics that maybe on a quarterly basis we can have an educational forum.  But I think we should have it at every one of our investment meetings, some form of education.  Your working with Rocaton, who has been a constant educator for this system, might be very helpful; and maybe we could at every investment meeting have some topic that we could be educated on.

I'm not the kind of educator who thinks that decisions should be made for me all the time.  I think it should be done in collaboration.  I think we should talk about what you think our needs are, and I think we should tell you what we think our needs are, and that's how the best type of education occurs.

And we could do it in half an hour, and it might very well be that your working with Rocaton, we could bring in one of the people from one of our managers who is not a marketer, but in fact who understands the investments that his firm is making, and he's coming in to educate us about that.

And I think that's the kind of education we should have.  And I think maybe over the course of the next month the Comptroller's Office, working with Rocaton, you could come up with a plan.  And I think the Trustees should also think about it, and when you come back with your plan, we should add the things that we think are very important to us.

But education should not be done only on a quarterly basis. Education should be done on a constant basis. And since we automatically, we meet every month, that's how we should work it out. And we can do it together.

And I'd like to throw this out. I'm not sure the education should be in public session. And I'm not sure that the education should be in public session, not because I don't think the public should know, but I think there are questions that we might ask that might in fact move the markets, if you were to give us an answer.

So I'd like us to think about the fact that there might be some sessions that we would do in a public session; but I also believe that there are educational sessions that we should be doing in our executive session, if that's what they are called.

MR. EVANS: Thanks; very helpful.

Other feedback from Trustees?

MS. BEYER: I'd like to wholeheartedly endorse your suggestions. I think it's an excellent idea to have a 30 minute education session in executive.

My only disagreement is, sometimes the market has a firm who's an excellent teacher and also knows how to teach; whereas a brilliant investment person is not always the best teacher. I'm joking.

MS. MARCH: I stand corrected.

MS. BEYER: But I think the key, as you know well, is there needs to be a goal of each of the half hours. What is the learning objective? I think that needs to be very crystal clear. And I think the canvassing of all of us of what the key topics we think the Board needs would be the first order of business, and then let you and Rocaton, others. And we might have great speakers in mind as well, that can come in for half an hour.

MS. VICKERS: Do you have any topics in mind?

MS. BEYER: Yes. Right now, obviously the ones that were in the earlier e-mails I totally agree with; asset allocation, market timing versus rebalancing, and so on and so forth; modern portfolio theory, all of that; governance.

MR. EVANS: Right.

MS. WOLPERT: Sandy, that all sounds really great. I go along with your idea of coming up with ideas. We've shared them at other boards, I'll share them here and they can be the start of a list.

What we had said at other boards on performance metrics, what are the metrics we look at, what do they show, what do they not show? Particularly, I know we talked a lot about the illiquid asset classes, what have we learned about them, what have we not, what should be, that sort of thing.

Also, risk management, what kind of reporting do we get on risk, should we get different information, are there ways we could handle risk management better?

Last, Charlotte mentioned governance. And NYCERS did an RFP in 2013 for a governance expert to come in and do some training and diagnostics. If the Board were interested, that might be something we could work with them together on or not. But those are things we threw out at other boards.

CHAIRPERSON AARONSON: For the next investment meeting, we can come back with some ideas, and we will have thought about it.

MR. EVANS: In the meantime I'll be sure at your direction to speak with Robin and the folks at Rocaton, and we're trying to navigate here with all five boards to pull something together where we have mutual interest. I think it would be particularly effective where we could get somebody to come in and be able to speak with all five of our boards. If, in fact, all five of the boards have interest, I think there are a lot of efficiencies there, both for the speaker and for the Trustees.

Not to mention, and I agree the forum ought to be a private forum, but it is a chance for you to hear the perspectives of the other New York City trustees as well on some of these topics, and I think we're all stronger for having that dialog in cross-fertilization of ideas.

So, that would be great. We'll work with Robin. We'll report back when we see you next month.

CHAIRPERSON AARONSON: Does that complete --

MR. EVANS: It does.

CHAIRPERSON AARONSON: Robin?

MR. FULVIO: We'll start with the performance report on the diversified equity fund. We have a handout, month of September. So, you can see at the end of September the diversified equity fund had $1.2 billion in assets. And also you can see on this page that's relative to each of the underlying composite targets. Each of the composites is very close to its ultimate target. Again, that goes back to the constant ongoing rebalancing process that TRS employes with this fund.

It's just a slight, modest underweight to international equity, and that's really the result of a relative weakness in the non-U.S. equity markets relative to the U.S. the past multiple months.

So if there's no questions on the allocations, I'll actually flip ahead to page 3. And we'll start by talking about the performance for the total fund. You can see in the middle of the page the line item called "Teachers Total."

For the month of September the fund was down 2.4 percent, and that was directionally in line with the markets. You can see that the broad U.S. equity markets, measured by the Russell 3000, were down about 2.1 percent. Again, there's some lag there by 32 basis points, 34 basis points. And relative to the hybrid benchmark, which again, is the passive representation of the underlying strategies in this fund. That benchmark was down about 2.3 percent. As you would expect, the fund's performance closely tracks that over time.

Over the year to date period, the fund added about 5.1 percent, and relative to the broad

U.S. equity market has lagged by 180 basis points. Again, that lagging was due largely in part to the 15 percent allocations to non-U.S. equities within the strategy. You can see above the return for the total fund that the total international composite for the same year to date time period was down about 1.2 percent. So some notable underperformance of non-U.S. markets relative to the U.S.

Then, if you wouldn't mind flipping back to the prior page, page 2, you can see for the month of September, toward the top of the page, the passive composite again accounts for a significant portion of the assets in this fund, performing in line with the benchmark, as we would expect.

Below that the defensive strategies composite, down about 1.9 percent. Again, relative to the U.S. Equity market, there is some down market protection that we'd expect to see in the defensive strategies composite. On a year to date basis that composite has added about 5.6 percent, so it has managed to do a fairly reasonable job of keeping up with the U.S. equity calendar period.

Below that you can see the total active manager performance for the U.S. equity composite, down about 2.5 percent. Again, slightly trailing the

Russell 3000 for the month, as well as the year to date period, up about 5.9 percent, again slightly behind the broad U.S. Equity market. You can see over longer term time periods the active management significantly, certainly contributed to the performance of this fund over time.

Any questions on Variable A?

Please flip over to the other performance report for Variables B, C, D and E. We'll start on page 1, a summary of the performance assets for Variable B, the bond fund. You see at the end of September the fund had $341 million in assets. And again, the underlying strategy for this fund is a short term credit strategy.

For the month of September it was down about 20 basis points. Relative to its benchmark it was right in line. For the year to date time period the fund was up about 84 basis points, and that slightly lagged its benchmark and returned about 1 percent through September.

Page 2, if there are no questions on that.

We'll start with the international equity fund, Variable C. At the end of September it was about $103 million in assets. Again, you see below that the performance of this option, given the performance of non-U.S. Equities markets in September, underperforming U.S., this strategy in itself was down about 3.9 percent, roughly in line with its benchmark.

For the year to date period, the total strategy was down about 1.5 percent, slightly trailing the EP index as well.  And again, we're going to talk more about this program as well, as this fund mirrors the international equity composite within the diversified equity fund.

Variable D, the inflation protection fund, that was about $42 million in assets at the end of September.  For the month it was down 3.5 percent. You can see the various proxies we use to compare the strategy, which we would expect over short term time periods is not exactly the same, but over longer term time periods we expect the strategy to outperform those multiple proxies below there.

For the year to date time period this strategy was up about 3.7 percent, ahead of the TIPS proxy below, and trailing by a couple percentage points the CPI plus 5 percent proxy that's used for the strategy.

The socially responsive equity fund, Variable E, about $85 million at the end of September. You can see toward the bottom of this page, for the month of September the performance of this fund was down 90 basis points, adding value over its benchmark the S&P 500 index, which was down about 1.4 percent during September. Year to date, the strategy was up about 5 percent, and you can see strategy given its nature, it's lagging over the year to date time period. The other time periods, over the longer term, have fared somewhat nicely against the S&P 500.

If there are no questions on September, we can flip quickly to October. I know Scott and Martin already talked a little about the performance for October. Again, a volatile month, but ultimately U.S. equity markets did end on a positive note, adding about 2.75 percent. You can see below that the non-U.S. developed equity markets relative to the U.S. are underperforming again, negative 1.5 percent for the month.

The defensive strategies benchmark is up about 1.7 percent. So again, providing some up-market participation but not quite as much as you see from the broad U.S. equity markets. And just below that, the passive representation of TRS strategies, which we would expect to look pretty similar to the return for the diversified equity fund, up about 2 percent for the month.

Below that you can also see the performance of the underlying strategy mutual funds for Variables D and E. Again, positive performance from all of those.

Any questions?

CHAIRPERSON AARONSON: How about November?

MR. FULVIO: Pretty good so far.

CHAIRPERSON AARONSON: Thank you very much. Is this the entire?

MS. PELLISH: That ends the public agenda.

MS. MARCH: I move pursuant to Public Officer Law Section 105 to go into executive session for the purpose of discussion regarding the purchase and sales of securities and updates on specific investment managers.

CHAIRPERSON AARONSON: Is there a second?

MS. WOLPERT: Second.

CHAIRPERSON AARONSON: All in favor?

(A chorus of "Ayes.")

Any opposed?

We're now in executive session.

Those who are not supposed to be here please leave.

(Discussion off the record.)

(Whereupon, the Board entered executive session.)

MS. VICKERS: That concludes our executive session.

(Discussion off the record.)

MS. VICKERS: I make a motion to move into public session.

MS. MARCH: Second.

CHAIRPERSON AARONSON: Any discussion?

(No response.)

All in favor?

(A chorus of "Ayes.")

Any opposed?

We're now in public session.

(Whereupon, the Board returned to public session.)

CHAIRPERSON AARONSON: We're now back in public session. And we'd like to get a review on the record of what we did in executive session.

Susan?

MS. STANG: The Board held an attorney-client privilege session, during which it authorized the Law Department to take certain action with regard to securities litigation.

In executive session of the variable funds there was one brief manager update presented.

There were two presentations from emerging market managers received. Consensus was developed, which will be announced at the appropriate time.

In the executive session of the pension fund two manager updates were presented, and a re-up for an existing real estate manager was presented.

CHAIRPERSON AARONSON: Is there any other business before the Board?

(No response.)

Is there a motion to adjourn?

MS. WOLPERT: So moved.

MS. MARCH: Second.

CHAIRPERSON AARONSON: Any discussion?

(No response.)

All in favor?

(A chorus of "Ayes.")

Any opposed?

We're adjourned.

(Time noted: 12:01 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, November 6, 2014, at the offices of the NEW YORK CITY 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 9th day of November, 2014.

JEFFREY SHAPIRO