

1 NEW YORK CITY TEACHERS' RETIREMENT SYSTEM
INVESTMENT MEETING
held on Thursday, November 7, 2013
at
3 55 Water Street
4 New York, New York

5 ATTENDEES:
6

7 MELVYN AARONSON, Chairperson, Trustee
SANDRA MARCH, Trustee
8 MONA ROMAIN, Trustee
PATRICIA REILLY, Executive Director, TRS
9 THADDEUS McTIGUE, Trustee, Comptroller's Office
CHARLOTTE BEYER, Trustee, Finance
10 JUSTIN HOLT, Trustee, Finance
JANICE EMERY, Trustee, Finance
11 SUSAN STANG, TRS
JOEL GILLER, TRS
12 MARC KATZ, TRS
MARTIN GANTZ, Comptroller's Office
13 SEEMA HINGORANI, Comptroller's Office
DAVID JETER, Comptroller's Office
14 TATYANA POHOTSKY, Comptroller's Office
ROBERT C. NORTH, JR., Actuary
15 CHRIS LYON, Rocaton
ROBIN PELLISH, Rocaton
16 MICHAEL FULVIO, Rocaton
ROBERTA UFFORD, Broome Law Group
17 RENEE PEARCE
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1 P R O C E E D I N G S

2 (Time noted: 10:00 a.m.)

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4 CHAIRPERSON AARONSON: Ms. Reilly?

5 MS. REILLY: Good morning. Welcome to the
6 November 7, 2013 investment meeting of the Teachers'
7 Retirement System of the City of New York. I will start
8 by calling the roll.

9 Mel Aaronson?

10 CHAIRPERSON AARONSON: Here.

11 MS. REILLY: Justin Holt?

12 MR. HOLT: Here.

13 MS. REILLY: Sandra March?

14 MS. MARCH: Present.

15 MS. REILLY: Thaddeus McTigue?

16 MR. McTIGUE: Here.

17 MS. REILLY: Mona Romain?

18 MS. ROMAIN: Here.

19 MS. REILLY: Joseph Lewis?

20 (No response.)

21 No answer.

22 We have a quorum.

23 I'll turn it over to the Chairman.

24 CHAIRPERSON AARONSON: Thank you very much.

25 We have two things before we start. I want

1 to congratulate Ms. Reilly. This is her first meeting
2 as the executive director of the Teachers' Retirement
3 System, and I hope she attends hundreds more.

4 MS. REILLY: Thank you.

5 CHAIRPERSON AARONSON: I'd also like to
6 congratulate Seema Hingorani, who is the chief financial
7 officer of the Teachers' Retirement System, and I look
8 forward to working with you in that capacity. We know
9 that our investments are in good hands. Thank you very
10 much.

11 The order of business today is going to be a
12 public session report by the Comptroller's Office on the
13 PPB, and then a report by Rocaton Passport funds, and
14 then we will go into executive session and do PPB and
15 Passport funds.

16 So, ready to start?

17 MR. McTIGUE: Mr. Chairman, for the
18 September monthly performance review I'll turn it over
19 to Seema.

20 MS. HINGORANI: Thanks, Thad, Mr. Chairman.

21 So, we will go through the September
22 results. I thought I'd start with a little bit on
23 October, give you some updates. As many of you are
24 aware, we had 16 days of government shutdown. Seems
25 like a a long time ago, it was just October.

1 (Laughter.)

2 It cost about \$25 billion to our economy, so
3 it shaved off some PPB points, unfortunately. The debt
4 ceiling was raised at the very last minute, on October
5 17, the deadline for that. The stock market rallied and
6 negotiations will continue since this will only last
7 until early next year.

8 Actually, as we go through the numbers, you
9 will see the stock markets have continued to rally,
10 they're rallying more so now, and just this morning the
11 European Central Bank decided to cut rates, surprise to
12 everybody, by a quarter point. And they said they're
13 going to keep being accommodating as long as they need
14 to because of weak economic numbers in the European
15 Union, so markets are looking up again today.

16 August was good for pension fund
17 performance. That's good.

18 Now if we go to September, turn to page 34
19 in the performance summary book, just some highlights.
20 We'll go through it quickly, it's a few months ago.
21 They're all good numbers.

22 So if you look in the trailing one month
23 column, September numbers, the Russell 3000 is up close
24 to 4 percent. The EAFE markets are up over 7 percent.
25 Emerging markets up about 6 and a half percent -- on

1 page 34 -- down a little. Core+5 is up a little over a
2 percent. The high yield index is up about a percent.
3 TIPS is up over a percent, and convertibles are up close
4 to 4 percent. REITs is over a percent.

5 So we had a very strong month in September.
6 The highlights for October, we have full numbers in now.
7 To give a sense of how this has continued, the Russell 3
8 was up over 4 percent in October, 4.5 percent. EAFE was
9 up over 3 percent, 3.3; emerging markets up close to 5
10 percent; Core+5 up another percent, and the high yield
11 index up 2 and a half percent, and TIPS up .5 percent;
12 convertibles up 2 and REITs up over 4.

13 Everything was up in October. So again,
14 very good numbers there.

15 If you turn to page 30, we will go through
16 asset allocation and how we're set up, and some
17 highlights here. You can see in the bottom chart there
18 that it's well above the range in equities, to the right
19 blue bar, below the range in Core+5.

20 But what we've been doing is selling down
21 the equities position to get within the range, which we
22 are actually right now in the range. We've been taking
23 advantage of the strong equity markets to do this. And
24 we put that money into fixed income investment grade.
25 You will actually see it within the range on Core+5.

1 And if you notice in the gray pie chart
2 area, the gray piece, which is cash, cash is now minimal
3 down \$150 million as we work that down. So that's now
4 looking in good shape there.

5 If you then turn to page 35. This is
6 reports in September. And again, if you look at the one
7 month, the total fund being up 3.4 percent, all of the
8 other pieces of the bars are all positive.

9 Now, if you look to the fiscal year to date,
10 up 5 percent, Teachers' Retirement System now, if you
11 add in October, which is up, the fiscal year to date is
12 a really good number.

13 CHAIRPERSON AARONSON: Hear that, Mr.
14 Actuary?

15 MR. NORTH: Please hold on to make more.

16 (Laughter.)

17 CHAIRPERSON AARONSON: We can sell the whole
18 thing and convert it into cash.

19 MR. NORTH: We can have a discussion about
20 that.

21 (Laughter.)

22 MS. HINGORANI: It's a great place to be
23 right now. Again, as mentioned earlier, so far the
24 early data shows the markets up strong in November, both
25 U.S. and EAFE and emerging managers, so we're hopeful it

1 will continue on.

2 If you turn to page 27, this shows the
3 Teachers market values over the last 2 months. Over the
4 last 2 months Teachers made \$6 billion. The numbers
5 here through September, though being close to \$52
6 billion in total assets as of November 5, I can tell you
7 that number is now \$53 billion.

8 So again, high and very strong numbers.
9 Again, turn to the next page, just to go through the
10 market value ten year period, and the ten year number
11 now is 7.6 percent, roughly, which is above our target.

12 CHAIRPERSON AARONSON: Hear that, Mr.
13 Actuary?

14 MR. NORTH: Remember the target was 8
15 percent most of those years.

16 (Laughter.)

17 MS. HINGORANI: Close to that, anyway.

18 Again, through November 5, this year we're
19 at \$53 billion for the system.

20 Now, that was it for results of September.
21 If there aren't any questions I will turn it back to
22 Thad, then to Passport.

23 MR. McTIGUE: That concludes the public
24 agenda for the PPB. If there's nothing further, I'll
25 turn it over to Chris and Robin.

1 MR. LYON: Good morning. The Passport fund
2 section for the public agenda, we'll start by presenting
3 some information through September 30 and then we'll
4 bring in the current numbers for October. This was all
5 material distributed in advance and is handed out today
6 as well.

7 The first thing is the diversified equity
8 fund, you can see that fund had \$10.8 million in assets
9 as of the end of September. And all composites continue
10 through the ongoing rebalancing program to be fairly
11 close to their respective targets.

12 If you flip ahead two pages to page 3, you
13 can see the performance for the month of September. The
14 total investment option returned about 4 percent, which
15 is between the two benchmarks, the Russell 3 and behind
16 the benchmark. You can see three lines below the year
17 to date period, we're talking calendar year to date as
18 opposed to fiscal year to date, the investment net of
19 fees, all numbers in the report, was 19.44 percent in
20 returns.

21 This was a very strong period certainly, and
22 you can see that was fairly close, the hybrid benchmark
23 trailed the broader Russell 3000. And that's in large
24 part due to two factors. First, you see on page 3, the
25 international composite lagged the broader fund. And so

1 although the opposite was true to September, over the
2 year to date period the international markets, the U.S.
3 dollar based investors had weaker performance; secondly
4 because of the overall defensive nature of this fund.

5 If you you flip back to page 2, you can see
6 the defensive strategy composite still delivers a solid
7 return, 2 and a half percent for the month, 13 and a
8 half for the calendar year to date --

9 So those are not disappointments, the design
10 elements generally worked as planned.

11 You will also notice, while we're on page 2,
12 that the active domestic manager composite beat the
13 Russell 3000 for the month, slightly; and over the
14 course of the year to date period, beat it pretty
15 significantly, 22.9 percent return for the calendar year
16 to date, compared to the Russell 3000, for instance, of
17 21.3; again these are net of fees results.

18 Any questions?

19 The next handout covers the other Passport
20 funds. The first is the bond fund. You can see
21 information about the asset allocation on page 1; \$363
22 million, and you can see the performance of the
23 investment option highlighted in gold toward the middle
24 of the page. The month was up half a percent, close to
25 the return benchmarked, and for the year to date period

1 it was essentially flat, down 5 basis points, so
2 negative .05 percent; while the benchmark was barely
3 positive at 0.14 percent for the calendar year to date
4 period.

5 As we know, this has been a volatile time
6 for fixed income and a big component of the returns here
7 is based on the effect from rates on the portfolio.

8 If we move ahead to the next page, page 2,
9 you can see the other Passport fund option, their assets
10 at the top left. The International Equity Fund was \$93
11 million, the Inflation Protection Fund was \$36 million,
12 and the Socially Responsive Fund with \$54 million, and
13 you can see the performance results of those.

14 And similar comments about the performance
15 for the International Fund as a composite within the
16 Diversified Equity Fund, taken together this fund
17 returned almost 7 percent for the month, almost 15 year
18 to date period, although numbers lagged EAFE benchmark,
19 which you can see below it.

20 Moving down the page, the inflation
21 protection option. This fund returned 3 percent and is
22 almost back to break even on a year to date basis.
23 Between its having a fixed income allocation and some
24 other factors, this fund has had a hard time achieving a
25 positive return given its strategy on a year to date

1 basis. But nonetheless, by month and year to date it's
2 well over the benchmark, which as mentioned it doesn't
3 closely track, but we're all happy when we beat it. You
4 can see that on this page.

5 Lastly, the Neuberger Berman socially
6 responsive investment option. You can see that fund
7 outperformed again for the month of September, bringing
8 the year to date return in excess of the benchmark, in
9 the 26 percent range versus under 20 percent for the
10 benchmark.

11 And all these three options continue to look
12 strong on a since inception basis, relative to their
13 respective benchmarks.

14 Any questions?

15 Lastly, a handout with a preview of October
16 benchmark performance, and some of the options that are
17 invested, predominantly underlying mutual funds. The
18 last two I went over. You can see they're consistent
19 with Seema's comments, the returns are positive across
20 the board.

21 And based on these benchmarks we expect the
22 diversified fund to be up in the 4 percent range, the
23 international fund to be up in the 3 something percent
24 range, closely tracking the benchmarks; the bond fund
25 slight positive territory for October, and the other two

1 funds have positive returns, 2 and a half percent range
2 respectfully. That's a preview of October.

3 Any questions?

4 With that, that's everything for the
5 Passport funds for the public agenda today.

6 CHAIRPERSON AARONSON: Thank you very much.

7 Is there a motion?

8 MS. MARCH: I move we go into executive
9 session under Public Officer Law 105 for the purpose of
10 discussing sales and securities.

11 CHAIRPERSON AARONSON: Is there a second?

12 MR. McTIGUE: Second.

13 CHAIRPERSON AARONSON: Discussion?

14 Seeing none, ready to vote?

15 All in favor?

16 (A chorus of "Ayes.")

17 Any opposed?

18 We are now in executive session.

19 CHAIRPERSON AARONSON: Other questions or
20 comments?

21 If that covers all of the business we have
22 to cover in executive session, can I have a motion to
23 leave executive session?

24 MS. MARCH: Motion to leave executive
25 session and return to public session.

26 CHAIRPERSON AARONSON: Is there a second?

MS. BEYER: Second.

27 CHAIRPERSON AARONSON: Any discussion?

28 All in favor?

29 (A chorus of "Ayes.")

30 Any opposed?

31 We're out of executive session.

32 (Brief discussion off the record.)

33 CHAIRPERSON AARONSON: We're back in public
34 session.

35 Susan, please give a summary of what we did
36 in executive session.

1 MS. STANG: Certainly.

2 In executive session of the pension fund a
3 presentation on an emerging market manager was received
4 and discussed. Consensus was reached, which will be
5 announced at the appropriate time.

6 An update on the custodial transition was
7 presented.

8 In executive session of the variable funds
9 two manager updates were presented, and an update on
10 manager transitions was also presented.

11 CHAIRPERSON AARONSON: Thank you.

12 Is there any other business before us?

13 Seeing none, is there a motion to adjourn?

14 MS. MARCH: Motion.

15 MS. BEYER: Second.

16 CHAIRPERSON AARONSON: All in favor?

17 (A chorus of "Ayes.")

18 Any opposed?

19 We're adjourned.

20 (Time noted: 11:06 a.m.)

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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 7, 2013, 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 _____, 2013.



JEFFREY SHAPIRO