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NEW YORK CITY TEACHERS' RETIREMENT SYSTEM
INVESTMENT MEETING

Held on Thursday, September 15, 2016, at 55 Water
Street, New York, New York

ATTENDEES:

JOHN ADLER, Chairman, Trustee
DEBORAH PENNY, Trustee
THOMAS BROWN, Trustee
SCOTT EVANS, Comptroller's Office
SUSANNAH VICKERS, Trustee, Comptroller's Office
CHARLOTTE BEYER, Trustee
DAVID KAZANSKY, Trustee
RAYMOND ORLANDO, Trustee

REPORTED BY:

YAFFA KAPLAN
JOB NO. 0409689

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ATTENDEES (Continued):

SUSAN STANG, Teachers' Retirement System
MICHAEL FULVIO, Rocaton
ROBIN PELLISH, Rocaton
THAD McTIGUE, Teachers' Retirement System
PATRICIA REILLY, Teachers' Retirement System
VALERIE BUDZIK, Teachers' Retirement System
LIZ SANCHEZ, Teachers' Retirement System
MICHAEL SAMET, Office of the Actuary
RON SWINGLE, Teachers' Retirement System
MILES DRAYCOTT, Bureau of Assset Management
DAVID LEVINE, ESQ. Groom Law Group

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MR. ADLER: Good morning, everyone.
Welcome to the Teachers' Retirement System of
the City of New York investment meeting for
September 15, 2016.
Pat, could you please call the roll?
MS. REILLY: John Adler?
MR. ADLER: I am here.
MS. REILLY: Thomas Brown?
MR. BROWN: Here.
MS. REILLY: David Kazansky?
MR. KAZANSKY: Here.
MS. REILLY: Deborah Penny?
MS. PENNY: Here.
MS. REILLY: Raymond Orlando?
MR. ORLANDO: Present.
MS. REILLY: Charlotte Beyer?
MS. BEYER: Here.
MS. REILLY: And Susannah Vickers?
MS. VICKERS: Here.
MR. ADLER: Okay. Wonderful.
MS. REILLY: We have a quorum.
MR. ADLER: Thank you so much.
So I am going to turn it over to Rocaton
to take us through the public agenda, please.

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MR. FULVIO: Thank you. So we will
begin in the big books and we don't usually
spend much time on the quarterly updates
because we are usually here to talk about that
performance in the months right after, but
because we didn't have a meeting in July or
August, I would like to turn your attention to
what would otherwise be the regular monthly
flash report for the month of June and that's
behind tab 5 and it begins on page 23.
So just some comments, taking a step
back and looking at the fiscal year that ended
on June 30th. It was a tough year for capital
markets in general. The best place to be was
in long duration bonds given the move in
interest rates. We see a ticking up a little
bit over the last few weeks, but in general
the best place to be was in those long bonds,
but within this portfolio, if you were to have
your pick among the different pieces of the
strategy, you would prefer to have been in the
index fund. And that's true not only for the
last 12 months but when you look back, really
over the three and five years, and the story

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there is diversification has not helped.

3 This, as you know, is a very diversified fund
4 with the objective of achieving Russell
5 3000-like returns but with lower volatility,
6 and unfortunately, as a result, we have given
7 up some return in trying to track the Russell
8 3.

9 Over the last 12 months, you can see the
10 EAFE component and EAFE markets in general
11 were down almost 7 percent. The EAFE
12 Composite, you know, not completely immune to
13 that but did protect a little bit down, about
14 6 percent, and one of the pinpoints over the
15 last 12 months in addition to the
16 diversification has been the active management
17 within the US equity strategies. So you know,
18 they did not keep pace at all with the market
19 over the last 12 months, and in fact, lost
20 about 4 percent and we have seen that active
21 managers in general have had a challenging --
22 challenging period of performance, relative
23 performance especially within the large cap
24 part of the market. So obviously something
25 that we are mindful of in monitoring, but this

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2 fund was not immune to the challenges we have
3 seen more broadly with active management.
4 As far as the other funds go, you can
5 see the Bond Fund over the last 12-month
6 period had a return of about 2.8 percent. The
7 International Equity Fund, like the market,
8 again down over 6 percent at about 6.65
9 percent. The Inflation Protection Fund for
10 the last 12 months with a modest return of 50
11 basis points versus CPI, just short of 1
12 percent. And the Socially Responsive Fund,
13 you can see with a return of about 90 basis
14 points trailing the S & P, which was up about
15 4 percent. So again, a challenging time
16 period but again, in the past and now we can
17 return to the next fiscal year. Is there any
18 questions on this whole 2015 -- 2016? I'm
19 sorry.

20 MR. EVANS: The Socially Responsive
21 Fund, is it indexed on Socially Responsive
22 basis or actively managed?
23 MR. FULVIO: It's an actively managed
24 fund, single subadvisor.
25 MR. EVANS: So in fact, a combination of

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2 the limited universe and their active advice
3 choices.
4 MR. FULVIO: Yes. So with that, if

5 there is no questions, we will flip over to
6 the performance report for July. And just
7 focusing in on that first page there, you can
8 see that July was a strong month for markets.
9 The Russell 3000 was up about 4 percent, and
10 the Diversified Equity Fund very modestly
11 outperformed that as well as the hybrid
12 benchmark which was also up about 4 percent.
13 Within that, we saw some comeback from the
14 actively managed strategies in both the US --
15 in the US, that is with the return of about
16 5.2 percent, and then in the International
17 Equity Composite, you can see nonUS markets
18 were strong as well, up about 5 percent, and
19 the composite there tracking somewhat closely,
20 about 10 basis points behind the EAFE -- the
21 broad international index, that is. The Bond
22 Fund with a very modest return, that brought
23 the calendar year return -- or I should say
24 held it steady at 2.9 percent. The
25 International Equity Fund, again, with those

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2 markets strong in the month of July, up about
3 5 percent. The Inflation Protection Fund flat
4 return for the month about zero percent.

5 Just make a quick comment for the last
6 12 months inflation there. Inflation has been
7 very modest. And that fund has 2.4 percent
8 return, outpacing inflation. And the Socially
9 Responsive Fund for the month of July, 4.6
10 percent return, outpacing the S & P 3.7
11 percent return. So we did see some turnaround
12 in both the markets in absolute terms for just
13 the month of July as well as the relative
14 performance. And just to put the numbers in
15 perspective, so for the first six months of
16 the year, despite all the volatility we saw
17 early, the Russell 3000 had a return of about
18 3.6 percent, added another 4 percent in the
19 month of July, and that brought the
20 year-to-date return for the US equity markets
21 to about positive to the tune of 7 and 3/4
22 percent.

23 So we have seen quite some movement in
24 the markets this year and it's -- you know,
25 certainly hasn't helped with the challenging

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2 environment that active managers have had, but
3 hopefully we have seen some signs that things
4 are changing.

5 Were there any questions on July?

6 MR. KAZANSKY: Well, just a question in

7 general. When the returns as we all are
8 expecting them to contract at the -- you know,
9 for the foreseeable future, is now the time
10 that we expect the active managers to really
11 start delivering, or do we expect them to
12 continue, you know, on par for what they have
13 been so far?

14 MS. PELLISH: Well, I would say if you
15 asked most active managers, their response
16 would be they found it hard to keep up with
17 strong bull markets but attempt to add value
18 in flat or down markets through security
19 selection. So to the extent we see markets
20 weaken and -- and experience lots of
21 volatility, we would hope that the managers
22 would add value through security selection.
23 That's the hope.

24 MR. KAZANSKY: Okay. Thank you.

25 MR. FULVIO: So the other report we had

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2 distributed was the performance for the month
3 of August. And just a very high level there,
4 the markets were essentially flat, modestly
5 positive. The Russell 3 was up about a
6 quarter of a percent as was the proxy we used
7 for the defensive strategies benchmark and the
8 international equity markets just very
9 modestly trailed that but also had a positive
10 return. So we would estimate at the end of
11 August calendar year-to-date return for the
12 Diversified Equity Fund still in excess of 7
13 percent. The Bond Fund we would expect, given
14 its proxy, very modest negative return to the
15 tune of 20 basis points. You can see under
16 the international equity benchmarks, the
17 developed markets were also flat. The
18 developed small cap markets were a little bit
19 negative at negative half a percent.

20 The emerging markets which were up about
21 75 basis points for the month of August.
22 Worth noting that the year-to-date -- calendar
23 year-to-date return that is for that market is
24 up about 17 percent. So it had been a very
25 challenging environment for a number of years

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2 but we are seeing that obviously change
3 directions this year.

4 The underlying strategy for the
5 Inflation Protection Fund was down about half
6 a percent and for the underlying strategy of
7 the Socially Responsive Fund, that was up
8 about half a percent. So -- and just then

9 just to briefly comment since we are already
10 halfway through the month of September, we
11 have seen in the US equity market a lot of
12 volatility over the last week or so going into
13 the Fed's discussions about the markets, and
14 the US equity market is down about 2 percent
15 through yesterday. So see how things change,
16 but there has been a lot of talk lately about
17 the greater possibility of a rate rise this
18 year. Doesn't seem as likely to occur this
19 month, but certainly by the end of the year
20 the market was pricing, and last I heard was
21 at least 30, 35 percent chance.

22 MR. ADLER: Okay.

23 MR. FULVIO: Are there any questions?

24 MR. ADLER: Any more questions for
25 Rocaton? Is that a question, Tom?

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2 MR. BROWN: No.

3 MR. ADLER: Okay. So I think that
4 concludes our public agenda business. I think
5 it bears a motion to move into executive
6 session that would be welcome.

7 MR. ORLANDO: So moved.

8 MS. VICKERS: Second.

9 MR. BROWN: I move pursuant to Public
10 Officers Law Section 105 to go into executive
11 session for discussion regarding specific
12 investment matters.

13 MS. VICKERS: Second.

14 MR. ADLER: Okay. Motion properly made
15 and seconded.

16 MR. ORLANDO: Sorry. So moved. I was
17 going to keep saying that.

18 MR. ADLER: Any discussion? All in
19 favor of the motion to move into executive
20 session, please say aye. Aye.

21 MR. BROWN: Aye.

22 MR. KAZANSKY: Aye.

23 MS. PENNY: Aye.

24 MS. BEYER: Aye.

25 MS. VICKERS: Aye.

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2 MR. ORLANDO: Aye.

3 MR. ADLER: All opposed, please say nay.
4 Any abstentions? Okay. Motion carries.

5 Okay. We are now in executive session,
6 and let's just keep right on moving here.

7 (Whereupon, the meeting went into executive session.)

8 MR. ADLER: Okay. Any more business for
9 executive session? Okay.

10 So then I think a motion would be in

11 order to exit executive session and go back
12 into public session.
13 MR. ORLANDO: I am not allowed to make
14 motions at this meeting. I am in the rule
15 enforcement business myself.
16 MR. BROWN: So moved.
17 MR. ADLER: Do we have a second?
18 MS. BEYER: Second.
19 MR. ADLER: So motion moved and
20 seconded. Any discussion?
21 All in favor of the motion, please say
22 aye. Aye.
23 MR. BROWN: Aye.
24 MR. KAZANSKY: Aye.
25 MS. PENNY: Aye.

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1 MS. BEYER: Aye.
2 MS. VICKERS: Aye.
3 MR. ORLANDO: Aye.
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5 MR. ADLER: All opposed, please say nay.
6 Any abstentions? Okay. The motion carries.
7 When Liz is ready, we will be back in public
8 session and Susan will make the report.
9 Okay. We are back in public session.
10 Susan, would you please report out of the
11 executive session?
12 MS. STANG: Absolutely. In executive
13 session, one manager update was presented.
14 There was a presentation on the transfer of
15 assets which was received and discussed.
16 There was a presentation on Variable B which
17 was received and discussed.
18 MR. ADLER: Thank you very much. So
19 unless there is further business, I think a
20 motion to adjourn would be in order.
21 MR. KAZANSKY: So moved.
22 MR. ADLER: Is there a second?
23 MS. BEYER: Second.
24 MR. ADLER: Okay. Motion made and
25 seconded. Any discussion? All in favor of

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1 the motion to adjourn, please say aye. Aye.
2 MR. BROWN: Aye.
3 MR. KAZANSKY: Aye.
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5 MS. PENNY: Aye.
6 MS. BEYER: Aye.
7 MS. VICKERS: Aye.
8 MR. ORLANDO: Aye.
9 MR. ADLER: Opposed, please say nay.
10 Any abstentions? The meeting is adjourned.
11 (Time noted: 11:27 a.m.)

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COUNTY OF QUEENS)

I, YAFFA KAPLAN, a Notary Public
within and for the State of New York, do
hereby certify that the foregoing record of
proceedings is a full and correct
transcript of the stenographic notes taken
by me therein.

IN WITNESS WHEREOF, I have hereunto
set my hand this 26th day of September,
2016.

YAFFA KAPLAN