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Proceedings

NEW YORK CITY TEACHERS' RETIREMENT SYSTEM
INVESTMENT MEETING

Held on Thursday, October 6, 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. 0409694

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ATTENDEES (Continued):

SUSAN STANG, Teachers' Retirement System
MICHAEL FULVIO, Rocaton
CHRIS LYON, Rocaton
ROBIN PELLISH, Rocaton
THAD McTIGUE, Teachers' Retirement System
VALERIE BUDZIK, Teachers' Retirement System
LIZ SANCHEZ, Teachers' Retirement System
SHERRY CHAN, Office of the Actuary
KEITH SNOW, Office of the Actuary
RON SWINGLE, Teachers' Retirement System
MILES DRAYCOTT, Bureau of Assset Management
ANTONIO RODRIGUEZ, Office of the Finance
Commissioner

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MR. ADLER: Good morning. Welcome to the investment meeting of the Teachers Retirement System for October 6, 2016.
Mr. McTigue, will you please call the roll.
MR. McTIGUE: Mr. Adler?
MR. ADLER: I am here.
MR. McTIGUE: Mr. Brown?
MR. BROWN: Here.
MR. McTIGUE: Mr. Kazansky?
MR. KAZANSKY: Present.
MR. McTIGUE: Ms. Penny?
MS. PENNY: Here.
MR. McTIGUE: Mr. Orlando?
MR. ORLANDO: I am here.
MR. McTIGUE: Ms. Beyer?
MS. BEYER: Here.
MR. McTIGUE: And Ms. Vickers?
MS. VICKERS: Here.
MR. McTIGUE: We have a quorum.
MR. ADLER: Thank you so much.
Okay, so moving ahead with the public agenda. Start with the Passport Funds.
Michael, you want to take us away?

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MR. FULVIO: Sure. We are going to try something new today. We are going to put the material up on the screen. Does everyone have this report?
MR. ADLER: Honestly if anybody could read that on the screen, you have my admiration.
MR. FULVIO: So I can really focus your attention now. So we will start with the Diversified Equity Fund.
And before I go into the fund specifically, I will talk a little bit more broadly about the markets in the month of August which were modestly positive across global equity markets. The U.S. was up about a quarter of a percent. It was the leader among developed markets with the non-U.S. developed market. The EAFE Index was up about eight basis points, so very modest return. Another strong month for emerging markets, which has been a continuing trend this year. Through September the emerging markets are up over 18 percent, but I did want to mention given that you added the emerging markets to

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the plan late last year/early this year

3 certainly worked to the benefit of the
4 participants in the Passport Funds. So wanted
5 to make a note of that.

6 As far as the Diversified Equity Fund
7 returns, during the end of the month of August
8 the fund stood at about \$10.4 billion and had
9 a return for the month to the positive tune of
10 18 basis points. Modestly trailing both the
11 hybrid benchmark and the Russell 3000 Index.
12 That performance was driven mostly by the
13 passive exposure within the fund and with some
14 modest detractor from the defensive
15 composite, which was down about 11 basis
16 points. You can see the active component was
17 flat to modestly negative three basis points.
18 The international equity composite was a
19 contributor to returns, both absolute and
20 relative results, with a positive return of 71
21 basis points. So you can see all that brings
22 the year to date for the fund to positive 6.85
23 percent, lagging the Russell 3 by a little
24 over a hundred basis points. The Bond Fund
25 stood at about \$332 million at the end of the

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2 month. Modestly negative returns for the
3 month of August, bringing the year to date
4 return for that fund to 2.7 percent.

5 Below the International Equity Fund,
6 about \$110 million of participant assets with
7 a monthly return of about positive 63 basis
8 points ahead -- I'm sorry, the broad non-U.S.
9 equity benchmark. That brought the
10 year-to-date return for that fund to positive
11 5.2 percent, also ahead of the EAFE Index by
12 about 86 basis points.

13 The Inflation Protection Fund with
14 assets of about \$46 million was down in the
15 month of August by about 60 basis points, but
16 has a year-to-date return of over 7 percent.
17 As you can see about 7.4 percent ahead of its
18 custom benchmark, but also CPI for the year
19 which for August was positive by about 95
20 basis points.

21 The Socially Responsive Equity Fund was
22 positive to the tune of about a half percent
23 outpacing the S&P for the month of August and
24 you can see the year to date return there is
25 just over 7 percent.

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2 Were there any questions on the
3 performance of the Passport Funds in August?

4 So maybe then we will turn ahead to some

5 preliminary results for the month of
6 September. And I made a pre-comment about
7 emerging markets already through September
8 being positive year to date by about 18
9 percent. The U.S. had another month in
10 September of modest positive returns bringing
11 the year-to-date return to just over 8
12 percent. The international composite
13 benchmark, which mirrors the underlying
14 benchmarks of the strategies in both the
15 International Fund and within the Diversified
16 Equity Fund, had a return for the month of
17 positive 1.25 percent. That was certainly a
18 bright spot within the fund for the month and
19 we expect to see that contribute obviously to
20 the returns of the Diversified Equity Fund.
21 The defensive strategies composite benchmark
22 was positive to the tune of 40 basis points.
23 You should have seen that outpace U.S. equity
24 markets. Not that we always expect that, but
25 nice to see. And just below that, the hybrid

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2 benchmark for the Diversified Equity Fund
3 positive for about 35 basis points. So we
4 expect the year-to-date return also to be in
5 the high 7 percent range, just shy of 8
6 percent. The proxy or benchmark proxy for the
7 Bond Fund was positive by about 15 basis
8 points year to date up about 2.6 percent.

9 I referenced the developed markets which
10 outpaced the U.S. during the month of
11 September up about 1-1/4 percent. Developed
12 small-cap was one of the bright parts of the
13 global equity markets, up about 2.7 percent.
14 I mentioned the custom benchmark for the
15 month. That was the custom EM benchmark that
16 was up about 70 basis points or with that
17 strong year-to-date return of 18. And I also
18 already referenced the international composite
19 benchmark, but below that you can see the
20 underlying strategies for the Inflation
21 Protection Fund and the Socially Responsive
22 Equity Fund. The Inflation Protection Fund
23 underlying strategy was up about 90 basis
24 points for the month and the underlying
25 strategy of the Socially Responsive Fund had a

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2 modest negative return negative 26 basis
3 points, so just lagging the S&P 500.
4 Were there any questions on September?
5 Equity markets have been about flat so far
6 this week, so that's a report.

7 MR. ADLER: How about this morning? No,
8 I am just kidding.

9 MR. FULVIO: The ten-year is up to 1.7
10 today.

11 MR. ADLER: Okay. Any other questions
12 for Rocaton? Any other business for our
13 public session this morning?

14 Okay, so I think a motion would be in
15 order to exit public session and enter
16 executive session.

17 MR. KAZANSKY: I move pursuant to Public
18 Officers Law Section 105 to go into executive
19 session for discussion regarding specific
20 investment and contract market matters.

21 MR. ADLER: Motion made. Is there a
22 second?

23 MS. PENNY: Second.

24 MR. ADLER: Motion made and seconded.
25 Any discussion?

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2 All in favor of the motion, please say
3 aye. Aye.

4 MR. BROWN: Aye.

5 MR. KAZANSKY: Aye.

6 MS. PENNY: Aye.

7 MS. BEYER: Aye.

8 MS. VICKERS: Aye.

9 MR. ORLANDO: Aye.

10 MR. ADLER: All opposed, please say nay.
11 Any abstentions? Okay, motion carries.

12 Exiting public session and entering
13 executive session. Okay, so let's go right
14 into executive session.

15 (Whereupon, the meeting went into
16 Executive Session.)

17 MR. ADLER: Okay, so I don't believe there is any
18 other business for the executive agenda. So
19 then a motion would be in order to exit
20 executive session and reenter public session.

21 MR. KAZANSKY: I would like to make a
22 motion to move out of executive and into
23 public.

24 MR. ADLER: Is there a second?

25 MR. BROWN: Second.

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2 MR. ADLER: Any discussion?

3 All in favor of the motion, please say
4 aye. Aye.

5 MR. BROWN: Aye.

6 MR. KAZANSKY: Aye.

7 MS. PENNY: Aye.

8 MS. BEYER: Aye.

9 MS. VICKERS: Aye.
10 MR. ORLANDO: Aye.
11 MR. ADLER: All opposed, please say nay.
12 Any abstentions? Okay, that concludes
13 Proceedings
14 executive session.

15 Let's wait for a minute until we get the
16 green microphones on. Susan, would you report
17 out of public session, please.

18 MS. STANG: Certainly.

19 In executive session, one manager update
20 was presented. There was a discussion about
21 upcoming rebalancing of Variable A. There was
22 also discussion of the structure of Variable A
23 as well as a discussion about an outstanding
24 RFP. Consensus was reached, which will be
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2 announced at the appropriate time.
3 MR. ADLER: Very good. Okay, can we
4 have a motion to adjourn?
5 MS. VICKERS: So moved.
6 MR. ADLER: Is there a second?
7 MR. KAZANSKY: Second.
8 MR. ADLER: Any discussion?
9 All in favor of the motion to adjourn,
10 please say aye. Aye.

11 MR. BROWN: Aye.

12 MR. KAZANSKY: Aye.

13 MS. PENNY: Aye.

14 MS. BEYER: Aye.

15 MS. VICKERS: Aye.

16 MR. ORLANDO: Aye.

17 MR. ADLER: All opposed nay. Any
18 abstentions? Okay, meeting is adjourned.

19 Thank you very much.

20 [Time noted: 12:27 p.m.]

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4 STATE OF NEW YORK)

5 : ss.

6 COUNTY OF QUEENS)

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8 I, YAFFA KAPLAN, a Notary Public
9 within and for the State of New York, do
10 hereby certify that the foregoing record of

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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 15th day of October, 2016.

YAFFA KAPLAN