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7 NEW YORK CITY TEACHERS' RETIREMENT SYSTEM
8 INVESTMENT MEETING

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11 Held on Thursday, November 3, 2016, at 55 Water
12 Street, New York, New York

13

14 ATTENDEES:

15 JOHN ADLER, Chairman, Trustee

16 DEBORAH PENNY, Trustee

17 THOMAS BROWN, Trustee

18 SCOTT EVANS, Comptroller's Office

19 SUSANNAH VICKERS, Trustee, Comptroller's Office

20 CHARLOTTE BEYER, Trustee

21 DAVID KAZANSKY, Trustee

22

23 REPORTED BY:

YAFFA KAPLAN

24 JOB NO. 0409744

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2 ATTENDEES (Continued):

3 SUSAN STANG, Teachers' Retirement System

4 MICHAEL FULVIO, Rocaton

5 CHRIS LYON, Rocaton

6 ROBIN PELLISH, Rocaton

7 THAD McTIGUE, Teachers' Retirement System

8 PATRICIA REILLY, Teachers' Retirement System

9 VALERIE BUDZIK, Teachers' Retirement System

10 LIZ SANCHEZ, Teachers' Retirement System

11 SHERRY CHAN, Office of the Actuary

12 DAVID LEVINE, Groom Law Group

13 RON SWINGLE, Teachers' Retirement System

14 PAUL RAUCCI, Teachers' Retirement System

15 ANTONIO RODRIGUEZ, Office of the Finance

16 Commissioner

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MR. ADLER: Good morning. Welcome to
the investment meeting for the Teachers'
Retirement System of the City of New York,
November 3, 2016.

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Pat, will you call the roll.

7

MS. REILLY: Yes. John Adler?

8

MR. ADLER: I am here.

9

MS. REILLY: Thomas Brown?

10

MR. BROWN: Here.

11

MS. REILLY: David Kazansky?

12

MR. KAZANSKY: Present.

13

MS. REILLY: Deborah Penny?

14

MS. PENNY: Here.

15

MS. REILLY: Charlotte Beyer?

16

MS. BEYER: Here.

17

MS. REILLY: Charlotte Beyer. Susannah
Vickers?

19

MS. VICKERS: Here.

20

MR. ADLER: Okay, sounds like we have a
quorum. Thank you.

22

So we are going to start with the
Passport Funds and turn it over to Rocaton.

24

MR. FULVIO: Good morning, everyone.

25

So we will begin with the Diversified

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Equity Fund, the report you should have in
front of you. You can see at the end of the
third quarter the fund stood at \$10.2 billion
in assets. As a reminder, it was a strong
quarter overall for the third quarter and
markets in general. The U.S. was positive to
the tune of about 4.4 percent in the U.S. And
then overseas we saw strong returns as well
and you can see that's exhibited by the
international composite benchmark, which was
positive by about 6.7, 6.8 percent. So what
we saw from the fund was a strong month for
September on a relative basis.

15

Market as a whole, the Russell 3 was up
about 16 basis points. The fund outperformed
that with a return of about 43 basis points.
And in general, the month and the fiscal year
to date just the third quarter, it was a
strong time period and returns were driven by
non-U.S. markets outperforming the U.S. as
well as active management within the U.S. So
that brought the fiscal year-to-date number to
4.8 percent ahead of the Russell 3 by about
4. -- about 4.4 percent.

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And you can see how within the fund, the

3 dynamic I mentioned earlier played out with
4 the actively-managed strategies heading about
5 2 percent over the Russell 3. And then even
6 abroad in non-U.S. markets there was not only
7 a strong absolute return, but also some
8 relative outperformance. And that all played
9 together such that the year-to-date return for
10 the fund, that's calendar year to date through
11 September, is about 7.3 percent. And you can
12 see below that the non-U.S. portion was
13 lagging the U.S., but we -- as I mentioned
14 earlier, we have seen it turn around quite a
15 bit in the third quarter.

16 So the Bond Fund at the end of the
17 quarter had assets of about \$330 million.
18 Fiscal year to date so the third quarter
19 number, that was flat, about positive 5 basis
20 points and that brought the calendar
21 year-to-date return to about 6.5 percent ahead
22 of its benchmark -- I'm sorry, 2.85 percent
23 versus its benchmark of about 2.8.

24 But the nice numbers that I was
25 referencing were the International Equity

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2 Fund, which was up about 6-1/2 percent year to
3 date versus the international composite
4 benchmark at about 5.6 percent. And that fund
5 had about \$110 million at the end of the
6 quarter.

7 The Inflation Protection Fund also had a
8 relatively strong quarter versus its custom
9 benchmark. It had a modest positive return of
10 about positive 35 basis points versus its
11 custom benchmark of positive 11 basis points.
12 You can see that's slightly tracking CPI for
13 the quarter. The year-to-date returns for
14 that fund has been strong. Absolute returns
15 you can see positive by about 8.4 percent,
16 strongly outpacing CPI.

17 And the Socially Responsive Equity Fund
18 at the end of the quarter had about \$131
19 million of assets. It had a strong quarterly
20 return even though it had a negative return
21 for the month of September. The quarterly
22 return was positive 4.9 percent, ahead of the
23 S&P 3.9, and year to date that fund was up by
24 about 6.8 percent versus the S&P about 7.8
25 percent.

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2 Any questions?

3 MR. ADLER: I have a question.

4 MR. FULVIO: Sure.

5 MR. ADLER: So the number that jumps out
6 at you here is the Inflation Protection Fund.
7 Both the benchmark and our fund are like, you
8 know, 700 basis points ahead of the CPI.
9 What's that about?

10 MR. FULVIO: So we have seen -- it was a
11 strong quarter for some of the individual
12 components within that fund, so that fund
13 holds REITS which also had a strong quarter.
14 I don't have the REIT number in front of me,
15 but also within that fund we have seen strong
16 returns from the commodities portion of that
17 fund as well. And we can do, as we present
18 with each quarterly report, more of an
19 attribution and a breakout for how that fund
20 is allocated and how those allocations
21 impacted performance, so happy to dive into
22 that a little deeper if that would be helpful.

23 MR. ADLER: I was just curious
24 about -- you know, I think of it as
25 essentially tracking CPI which if I look at

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2 the, you know, performance numbers over longer
3 periods it does for the three year, but it
4 actually outperforms significantly over a year
5 and five year.

6 MS. PELLISH: So if you look at the
7 footnote, John --

8 MR. ADLER: I see what the benchmark is
9 made up of.

10 MS. PELLISH: So the logic here is what
11 we want to do, what the strategy of the fund
12 here is to have a diversified set of inflation
13 sensitive strategies. So at one point this
14 fund was comprised of -- the benchmark here
15 was just comprised of TIPS. And then we
16 decided that while TIPS tracks certain kinds
17 of inflation, we wanted to have a broader
18 basket. So those broader baskets of
19 securities like REITS, which some of which are
20 more equity sensitive and have done very well
21 on a year-to-date basis.

22 MR. EVANS: This is similar to in the
23 pension fund when we talk about inflation
24 protecting assets in core fixed income, bank
25 loans, TIPS. We kind of put them all into one

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2 bucket, so there is a commonality.

3 MR. ADLER: Thank you.

4 MR. FULVIO: Maybe it's just also worth
5 adding the, you know, 2015 which was a
6 challenging year for commodities, that fund

7 underperformed by a little over 7 percent, so
8 we have seen a little bit of a reversal there.

9 MR. ADLER: It's quite a bit of
10 commodity exposure, isn't it? Yes.

11 Okay, thank you.

12 MR. FULVIO: Were there any other
13 questions?

14 So moving past the third quarter,
15 everyone should have a preliminary report for
16 the month of October. We have seen some
17 volatility returns in the markets not only in
18 October, but in the recent week or I should
19 say this week, as October just ended, as we
20 move closer to the election next week. The
21 Russell 3 was about 2 percent abroad. We saw
22 markets did a little bit better by comparison,
23 down by about 1-1/2 percent. And the breakout
24 there is that developed non-U.S. markets were
25 down about 2 percent, whereas emerging markets

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2 and your custom benchmark was positive by
3 about 1 percent.

4 And then you can see the Diversified
5 Equity Fund hybrid benchmark also down about 2
6 percent, so still tracking relatively closely
7 to the Russell 3. So just below that you can
8 see some of the other proxies for non-U.S.
9 markets that I just mentioned and then as well
10 as the underlying strategy for the Inflation
11 Protection Fund, which was down by about 60
12 basis points for the month of October. And
13 below that the underlying strategy for the
14 Socially Responsive Equity Fund which was down
15 by about 2 percent, just trailing the S&P 500
16 Index which was down about 1.8 percent.

17 So year to date through October, U.S.
18 equity markets still positive by about 5.8
19 percent and then abroad developed markets
20 roughly flat year to date for October. Very
21 strong year-to-date performance for emerging
22 markets, up about 19 percent. And then also,
23 as we just discussed, strong absolute returns
24 for the underlying strategy year to date for
25 the Inflation Protection Fund and the Socially

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2 Responsive underlying strategy, up about 4
3 percent.

4 That concludes the agenda for the public
5 session.

6 MR. ADLER: Anybody have anything else
7 for public session?

8 Okay, then I think a motion would be in

9 order to enter executive session.
10 MS. PENNY: I move pursuant to Public
11 Officers Law Section 105 to go into executive
12 session for discussion on specific investment
13 and contract matters.
14 MR. ADLER: Thank you.
15 Is there a second?
16 MR. KAZANSKY: Second.
17 MR. ADLER: Any discussion?
18 All right, all in favor of the motion to
19 exit public session and enter executive
20 session, please say aye. Aye.
21 MR. BROWN: Aye.
22 MR. KAZANSKY: Aye.
23 MS. PENNY: Aye.
24 MS. VICKERS: Aye.
25 MS. BEYER: Aye.

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2 MR. ADLER: Opposed, please say nay.
3 Any abstentions?
4 Okay, the motion carries. That
5 concludes our public session.
6 (Whereupon, the meeting went into Executive Session.)
7 MR. ADLER: Okay, so I think a motion
8 would be in order to exit executive session
9 and move back into public session.
10 MR. BROWN: So moved.
11 MR. ADLER: Is there a second?
12 MS. BEYER: Second.
13 MR. ADLER: Any discussion?
14 All in favor of the motion to exit
15 executive session and go back into public
16 session, please say aye. Aye.
17 MR. BROWN: Aye.

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19 MR. KAZANSKY: Aye.
20 MS. PENNY: Aye.
21 MS. BEYER: Aye.
22 MR. ADLER: All opposed, please say nay.
23 Any abstentions?
24 So as soon as Liz gives us the word, we
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1 will go back into public session and Susan
2 will give us the report.
3 Susan, will you please report out of
4 executive session?
5 MS. STANG: Certainly.
6 A presentation from a consultant was
7 received. Consensus was reached which will be
8 announced at the appropriate time. A
9 presentation on the structure of Variable A
10 was received. Consensus was reached which

11 will be announced at the appropriate time. A
12 presentation on the structure of Variable B
13 was received and discussed.

14 MR. ADLER: Very good. Thank you.

15 Okay, I think that concludes our
16 business for today. A motion to adjourn would
17 be in order.

18 MR. KAZANSKY: So moved.

19 MR. ADLER: Is there a second?

20 MR. BROWN: Second.

21 MR. ADLER: Motion made and seconded.

22 Any discussion?

23 All in favor of the motion to adjourn,
24 please say aye. Aye.

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1 MR. BROWN: Aye.

2 MR. KAZANSKY: Aye.

3 MS. PENNY: Aye.

4 MS. BEYER: Aye.

5 MR. ADLER: All opposed, please say nay.

6 Any abstentions?

7 The meeting is adjourned.

8 [Time noted: 12:48 p.m.]

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12 C E R T I F I C A T E

13 STATE OF NEW YORK)

14 : ss.

15 COUNTY OF QUEENS)

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

23 IN WITNESS WHEREOF, I have hereunto
24 set my hand this 14th day of November,
25 2016.

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