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1 NEW YORK CITY TEACHERS' RETIREMENT SYSTEM
INVESTMENT MEETING
2 Held on Thursday, December 1, 2016
at
3 55 Water Street
New York, New York

4
5

ATTENDEES:

6

JOHN ADLER, Chairperson, Trustee, Mayor's Office
7 PATRICIA REILLY, Executive Director, TRS
DEBRA PENNY, Trustee, TRS
8 THOMAS BROWN, Trustee, TRS
DAVID KAZANSKY, Trustee, TRS
9 CHARLOTTE BEYER, Trustee, Finance
JOHN DORSA, Comptroller's Office
10 THADDEUS MCTIGUE, Deputy Executive Director, TRS
RONALD SWINGLE, TRS
11 SUSAN STANG, TRS
DAVID LEVINE, Groome Law Group
12 SAM RUMLEY, Office of the Actuary
ROBIN PELLISH, Rocaton
13 LIZ SANCHEZ, TRS

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1 P R O C E E D I N G S
2 (Time noted: 10:08 a.m.)
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4 CHAIRPERSON ADLER: Good morning.
5 Welcome to the Teachers' Retirement System City of
6 New York Investment Meeting of December 1, 2016.
7 Patricia, would you call the roll?
8 MS. REILLY: John Adler?
9 CHAIRPERSON ADLER: Here.
10 MS. REILLY: Thomas Brown?
11 MR. BROWN: Here.
12 MS. REILLY: David Kazansky?
13 MR. KAZANSKY: Present.
14 MS. REILLY: Debra Penny?
15 MS. PENNY: Here.

16 MS. REILLY: Charlotte Beyer?
17 MS. BEYER: Here.
18 MS. REILLY: John Dorsa?
19 MS. VICKERS: Here.
20 MS. REILLY: We have a quorum.
21 CHAIRPERSON ADLER: Very good. To start
22 the public agenda, I'll land it over to Robin.
23 MS. PELLISH: Thank you. For the public
24 agenda we have the third quarter report, which we
25 sent to you in advance. We also have hard copies.

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1 You've seen the September numbers, so I was not
2 planning to go through the third quarter report
3 unless there are questions or requests to do so.
4 Instead, I'd rather move on to the new
5 October results. And then the November results.
6 The November results make the October results look
7 irrelevant.
8 (Laughter.)
9 So if you look at the report for the
10 month of October, you can see that the Russell 3000
11 was down 2.16 percent for the month, which led to
12 the diversified equity fund declining by a little
13 more than that, largely because of the allocations
14 to the actively managed U.S. equity composite,
15 which declined about 1.4 percent more than the
16 Russell 3000.
17 It continued to be very difficult
18 environment for actively managed equity mandates.
19 The strategic strategies protected a little bit, it
20 was negative, but down about 80 basis points less
21 than the broad market.
22 And the international equity composite
23 fund also protected slightly on the downside, since
24 the international benchmark was down about 70 basis
25 points less than the Russell 3000.

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1 All in all, for the month of October the
2 diversified equity fund lost 2.26 percent for the
3 calendar year to date. That has led to a return f
4 slightly until 5 percent, 4.99 percent.
5 The bond fund lost ground slightly due
6 to rising rates in the month of October, down 21
7 basis points. That leads to a calendar year to
8 date performance of 2.6 percent.
9 The international equity fund, as
10 mentioned, down less than the broad market. It's
11 still down, 1.7 percent.
12 For the year to date, the international
13 entity fund, Variable C, is very close to the
14 return of the diversified equity fund, Variable A,
15 between 4.7 and 4.9 percent.
16 And the inflation protection fund down
17 about half a percentage point for the month, but

18 still a good return for the year to date period
19 that is result of TIPS doing well in the year to
20 date period, as well as REITs having a very strong
21 performance during the year to date period.

22 Finally, the socially responsible fund
23 lagged the S&P, down 2 percent. Again, close to
24 Variable A, close to Variable C for the calendar
25 year to date, about 4.7 percent.

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1 There are lots of numbers behind this.
2 I think the continued challenge to performance is
3 the actively managed U.S. equity composite. You
4 can see that on page 3.

5 And we've negotiated some performance
6 fees in that. We're negotiating additional
7 performance fees together with Susan and her staff.
8 And it's just a case of some individual managers
9 lagging significantly for the calendar year to
10 date. You can see that with NewSouth, Cardinal and
11 as well as Jackson Square.

12 So we're monitoring all the managers
13 closely and putting in performance fees. And as
14 you know, transfer of the QPP assets, which we will
15 talk about in more detail later in the executive
16 session -- the results in individual assets being
17 allocated to that sector.

18 Unless there are any questions that
19 concludes the October report.

20 And let's move on to a very different
21 month, which is November. And I know everyone at
22 the table is well aware of what's been happening in
23 the capital markets since the selection.

24 This report says "Preliminary Benchmark
25 Report as of November 30," actually reflects

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1 results through November 29; so the trend did not
2 change on the 30th.

3 And you can see that the Russell 3000 fr
4 the month of October through the 29th was up about
5 4 and a half percent. Non U.S. equities did not
6 fare nearly as well, and the biggest impact on that
7 negative return was the rise of the U.S. dollar.
8 So that currency impact, largely by the month of
9 October.

10 Despite yields rising significantly
11 during November, in fact U.S. government bonds had
12 the worst month in seven years in November, due to
13 significant increase in yields in government bonds
14 across the bond markets. Despite that, the
15 defensive strategies are expected to be up 200
16 basis points.

17 And so we think for the month of
18 November the diversified equity fund will return
19 about 3 percent. And so that raises the calendar

20 return to slightly under 9 percent.
21 As we mentioned, significant rise in
22 yields through November have led to losses in the
23 bond fund. So we think that the bond fund might be
24 down as much as 100 basis points for that month.
25 And that would be the calendar year to date return

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1 of only about 150 basis points.

2 So it's a shorter duration bond fund,
3 but, nonetheless, the rise in yields still has an
4 impact. And as we mentioned, the rise of the value
5 of the dollar has significantly impacted non U.S.
6 equity. So we, our best guess for the
7 international composite is down about 3 percent for
8 the month of November, and that would leave it with
9 a return of about 100 basis points for the calendar
10 year.

11 The Fidelity fund that is contained
12 within the inflation protection fund was flat for
13 the month, and that gives it a calendar year return
14 of 7.7 percent.

15 Finally, the socially responsive equity
16 fund did well, participated in the rise in the S&P
17 500, so that was up close to 4 percent for the
18 month of November, bringing the calendar year to
19 date return for about 8 1/2 percent for that fund.

20 So, as you know, an incredibly strong
21 month for U.S. equities, and bad month for non U.S.
22 equities and bonds.

23 And that concludes, I think, the public
24 agenda.

25 CHAIRPERSON ADLER: Any questions for

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1 Robin?

2 (No response.)

3 I think a motion to exit public session
4 and enter executive session would be in order.

5 MR. KAZANSKY: I move, pursuant to
6 Public Officer's Law, Section 105, to go into
7 executive session for discussions regarding
8 specific investment matters.

9 CHAIRPERSON ADLER: Is there a second?

10 MR. BROWN: Second.

11 CHAIRPERSON ADLER: Any discussion?

12 All in favor of the resolution say

13 "Aye."

14 (A chorus of "Ayes.")

15 Any opposed say "Nay."

16 Abstentions?

17 (No response.)

18 Motion carries.

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1 (Whereupon, the Board entered executive
2 session.)
3 CHAIRPERSON ADLER: Is there a motion to
4 exit executive session and return to public
5 session?
6 MR. BROWN: So moved.
7 MR. DORSA: Second.
8 CHAIRPERSON ADLER: Any discussion?
9 (No response.)
10 All in favor of the motion say "Aye."
11 (A chorus of "ayes.")
12 Opposed?
13 Abstentions?
14 (No response.)
15 Motion carries.
16 (Whereupon, the Board returned to public
17 session.)
18 CHAIRPERSON ADLER: We're back in public
19 session.
20 Susan, report out.
21 MS. STANG: There was a discussion about
22 the structure of Variable B. Consensus was
23 reached, which will be announced at the appropriate
24 time.

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1 There was an update on operational
2 matters.
3 There was discussion about certain
4 securities.
5 There was discussion about various
6 processes for updating certain plan documents.
7 There was a continued discussion about
8 an investment under consideration. Consensus on a
9 resolution was received.
10 There was discussion about an issue
11 pertaining to a specific investment in the pension
12 fund.
13 CHAIRPERSON ADLER: Thank you.
14 That concludes our business for today.
15 Is there a motion to adjourn?
16 MR. BROWN: So moved.
17 MS. BEYER: Second.
18 CHAIRPERSON ADLER: Any discussion?
19 (No response.)
20 All in favor of the resolution say
21 "Aye."
22 (A chorus of "Ayes.")
23 Any opposed say "Nay."

24 Abstentions?
25 (No response.)

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1 We're adjourned.
2 (Time noted: 12:42 p.m.)
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4 C E R T I F I C A T I O N
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6 I, Jeffrey Shapiro, a Shorthand
7 Reporter and Notary Public, within and for the
8 State of New York, do hereby certify that I
8 reported the proceedings in the within-entitled
10 matter, on Thursday, December 2, 2016, at the
11 offices of the NEW YORK CITY TEACHERS RETIREMENT
12 SYSTEM, 55 Water Street, New York, New York, and
13 that this is an accurate transcription of these
14 proceedings.

15 IN WITNESS WHEREOF, I have hereunto set
16 my hand this 11th day of December, 2016.
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20 JEFFREY SHAPIRO

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