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TEACHERS' RETIREMENT BOARD MEETING

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HELD AT:

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55 WATER STREET
NEW YORK, NEW YORK

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JANUARY 19, 2012
3:34 P.M. TO 3:50 P.M.

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B E F O R E:

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MELVYN AARONSON, CHAIRMAN

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REPORTED BY:
LIZ SANCHEZ
EXECUTIVE ASSISTANT TO NELSON SERRANO

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A P P E A R A N C E S :

TRS:

NELSON SERRANO, Executive Director
PATRICIA REILLY, Deputy Executive Director

MELVYN AARONSON, Teachers' Trustee
SANDRA MARCH, Teachers' Trustee
MONA ROMAIN, Teachers' Trustee

COMPTROLLER'S OFFICE:

THAD McTIGUE, Trustee

CORPORATION COUNSEL:

INGA VAN EYSDEN, Law Department

MAYOR'S APPOINTEE:

RAYMOND SAROLA, Alternate Trustee

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2 TRS STAFF:

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ROBERT BETHELMY

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JOEL GILLER

ANNETTE HANRAHAN

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MARC KATZ

ELLEN MURPHY-DeLEO

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RENEE PEARCE

PAUL RAUCCI

7

ROBERT SANTANGELO

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9 OTHER ATTENDEES:

10

JENNIFER KATZ, Deloitte & Touche

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MICHAEL MALLOY, Deloitte & Touche

JILL STROHMEYER, Deloitte & Touche

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PAUL REPHEN, Corporation Counsel

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HENRY GELFAND, Member

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1 TRS Regular Board Meeting, JANUARY 19, 2012

2 P R O C E E D I N G S

3 MR. AARONSON: Good afternoon. We are going to begin the
4 JANUARY 19, 2012 regular meeting of the Teachers' Retirement Board.
5 Nelson, would you call the roll?

6 MR. SERRANO: Melvyn Aaronson?

7 MR. AARONSON: Here.

8 MR. SERRANO: Kathleen Grimm? Note that she is not present.
9 Sandra March?

10 MS. MARCH: Here.

11 MR. SERRANO: Thad McTigue?

12 MR. McTIGUE: Here.

13 MR. SERRANO: Lisette Nieves? Note that she is also not here.
14 Mona Romain?

15 MS. ROMAIN: Present.

16 MR. SERRANO: Ray Sarola?

17 MR. SAROLA: Here.

18 MR. SERRANO: Thank you. We do have a quorum and we can go on
19 to the next item. We are going to open up today's meeting with a
20 report from Deloitte and Touche. Their auditor, Mike Malloy, is
21 going to give an update on the Fiscal Year 2011 audit.

22 MR. AARONSON: Mike, do you have something to distribute?

23 MR. MALLOY: You should have a letter that was provided to
24 all of you. At a meeting this week, a question came up as to why
25 are we here? What are we talking about?

1 TRS Regular Board Meeting, JANUARY 19, 2012

2 Throughout the audit, we will come and meet with those
3 in charge of overseeing governance with our clients. We
4 usually do that in the beginning of the audit, plain case,
5 what we call that, at the end. That is what we are here today
6 to do. To report to you, the results of our audit.

7 In connection with that, we have, in our professional
8 standards, our auditing standards, required communication,
9 required points that we need to cover with a group like you,
10 it needs discussion. That is what the letter is meant to
11 detail. Each of those individual areas that we were required
12 to communicate, I will just go through and highlight those areas
13 for you. If there are any questions, I would be happy to answer
14 those as well.

15 MR. AARONSON: Thank you.

16 MR. MALLOY: As you know, we were engaged to do our audit of
17 the financial statements for the Teachers' Retirement System of the
18 City of New York Qualified Pension Plan ("QPP") and the Teachers'
19 Retirement System of the City of New York Tax-Deferred Annuity
20 Program ("TDA"). I will just refer to both of those as "The Plans".
21 We did those audits as of year-ending June 30, 2011. We issued our
22 reports that were dated October 27, 2011.

23 In connection with our audit, we laid out the scope of the work
24 we are going to do and we will write that out on an engagement
25 letter which was provided to you when we met the last time. That

1 TRS Regular Board Meeting, JANUARY 19, 2012
2 engagement letter was dated April 25, 2011. In that, it talks
3 about the objective of an audit. We conducted our audit using
4 auditing standards generally accepting the United States of
5 America and we issued an opinion based on US Generally Accepted
6 Principles ("GAP") on the presentation and with regard to the
7 accounting being in accordance with GAP.

8 In regard to doing an audit, whenever you do an audit,
9 management ultimately has responsibility for the financial
10 statements. We as auditors are just confirming the accuracy
11 of those sets of financial statements. So that is a responsibility
12 that management still has, as well as the Audit Committee. In
13 connection with doing an audit, we also take a look at internal
14 controls. However, for purposes of our audit, we are not issuing
15 a separate opinion on internal controls. In today's world, if
16 you are a public company and you need to follow standards of the
17 PCOP, there are two auditors' opinions, one on the financial
18 statements and one on internal controls. We do not issue an opinion
19 on the internal controls but we are required to look at internal
20 controls and understand them and evaluate the effect under those
21 controls in designing our tests and doing the procedures that we do
22 throughout the course of the audit. We did not find any
23 deficiencies with those internal controls that we would consider
24 to be a significant deficiency or material weakness. Had we found
25 those, we are required to report those to you.

1 TRS Regular Board Meeting, JANUARY 19, 2012

2 On the second page, another area is accounting estimates and
3 every set of financial statements, management has judgments and
4 estimates that are part of developing a set of financials with
5 regard to the Plans, the more significant estimates that were
6 utilized were the determination of fair value of the investments,
7 the annual required contribution, the actuarial asset value, the
8 actuarial accrued liability, and the unfunded actuarial accrued
9 liability. Many of these are calculations that are coming from
10 the actuaries and in course of our audit, we utilize our own
11 internal actuaries to review the calculations and the work and the
12 assumptions that the actuaries have compared these estimates
13 (inaudible) and how they calculate it. We are not aware of any
14 changes with estimates that would be a concern or at least a caution
15 flag if there were changes with the way management estimate some of
16 these calculations.

17 With regard to uncorrected misstatements, there were no
18 uncorrected misstatements or omitted disclosures that were passed
19 on.

20 With regard to material corrected misstatements, there were no
21 material corrected misstatements with regard to the Plans.

22 Significant accounting policies for each of the Plans, as
23 described in Note 2 financial statements and there were no
24 significant changes in those significant (inaudible) policies
25 for the year.

1 TRS Regular Board Meeting, JANUARY 19, 2012

2 With regard to Disagreements with management, we had no
3 disagreements with management.

4 Consultations with other accountants, we were not aware of
5 any type of consultations with these other Plans.

6 With regard to other communications with regard to management
7 throughout the audit, we had routine discussions which I would
8 characterize as common place in performing any type of audit that
9 you do, so no unusual type of discussions.

10 Attached to this letter is a representation letter that
11 management provides. This is one of the things we request in
12 conducting our audit. You have a copy of that there. I would
13 just say, the types of representations that are in this letter
14 are the typical and standard for other types of benefit plans.
15 There is nothing unusual in it that I would think you should be
16 aware of.

17 That is all for my remarks. If there are any questions, we
18 will be more than happy to answer them.

19 MR. SERRANO: I want to thank you Mike for the report. Thank
20 you for working with staff and conducting the audit.

21 MR. MALLOY: Thank you.

22 MR. SERRANO: The next item on the Agenda is an Update on TRS
23 Operations. Each of you has the latest Calendar of Events and we
24 have a few updates from Ellen DeLeo, our Director of Business
25 Solutions Group.

1 TRS Regular Board Meeting, JANUARY 19, 2012

2 MS. DeLEO: TRS has successfully completed the transition
3 of Demand Deposit services from Bank of New York Mellon to JP
4 Morgan Chase as scheduled on January 1' 2012.

5 TRS sent approximately 68,500 payroll instructions to FISA
6 to be implemented for the first payroll of each payroll bank for
7 January 2012. These transactions reflect the updated TDA goal
8 amounts for 2012 based on the new IRS limits.

9 TRS sent approximately 43,000 1099 Non-Periodic Payroll
10 transactions to FISA on January 6th. This was three working days
11 ahead of the tight deadline.

12 As of January 1, 2012, the Stable Value Fund became the
13 Bond Fund. TRS has completed implementation of all required form
14 changes and correspondence as well as updates required on the TRS
15 Website. The 4th Quarter 2011 statements, expected to begin mailing
16 on January 24th, will have Stable Value Fund with the change to Bond
17 Fund occurring with the 1st Quarter 2012.

18 On Saturday, January 28th, Member Education will represent TRS
19 at the 79th Annual New York City Elementary School Principal
20 Association Convention ("NYCESPA") to conduct an informational
21 session highlighting TRS' Tax-Deferred Program.

22 MR. SERRANO: Thank you Ellen. The next item on the Agenda
23 is the Executive Director's Report and the first item there is the
24 next meeting. It has been suggested that the next regular meeting
25 of the Teachers' Retirement Board be held on the third Thursday

1 TRS Regular Board Meeting, JANUARY 19, 2012
2 of the month, February 16, 2012. I know we have cleared that on
3 everybody's calendar.

4 Second item is the Adoption of NYS MI-1 Retention Schedule.

5 MS. ROMAIN: Move to the Resolved.

6 MR. SERRANO: Resolved, that applicable sections of the New
7 York State Archive's Records Retention and Disposition Schedule
8 MI-1 shall be adopted for use by the TRS Board and its officers;
9 and be it further

10 Resolved, that in accordance with Article 57-A of the Arts
11 and Cultural Affairs Law no records will be disposed of that are
12 described in *Records Retention and Disposition Schedule MI-1*
13 before they have met the minimum retention periods described
14 therein; and be it further

15 Resolved, only those records will be disposed of that do not
16 have sufficient administrative, fiscal, legal, or historical value
17 to merit retention beyond established legal minimum periods; and
18 be it further

19 Resolved, that TRS staff may establish schedules for minimum
20 retention periods of records that may exceed the minimum retention
21 requirement of Article 57-A of the Arts and Cultural Affairs Law
22 but meet the business and administrative needs of the retirement
23 system and shall submit such schedules to the applicable city
24 agencies as required.

25 MR. AARONSON: Is there a motion?

1 TRS Regular Board Meeting, JANUARY 19, 2012

2 MS. ROMAIN: So moved.

3 MR. McTIGUE: Second.

4 MR. AARONSON: Is there any discussion? All in favor?

5 (Whereupon, all those present so indicated.)

6 MR.AARONSON: Any opposed? Motion carried.

7 MR. SERRANO: And the final resolution is Attendance at
8 Conference. The following resolution is presented for consideration
9 and possible adoption:

10 Resolved, that the Trustees of the Teachers' Retirement Board
11 hereby approve the attendance and participation of the Executive
12 Director and/or his designee(s), and any interested Trustee at the
13 National Council on Public Employee Retirement System ("NCPERS")
14 Legislative Conference from February 5-7, 2012.

15 MR. AARONSON: Is there a motion?

16 MS. MARCH: So moved.

17 MR. AARONSON: Is there a second?

18 MR. McTIGUE: Second.

19 MR. AARONSON: Is there any discussion? Seeing none, all
20 in favor?

21 (Whereupon, all those present so indicated.)

22 MR. AARONSON: Any opposed? Motion carries.

23 MR. SERRANO: That concludes the Executive Director's Report.
24 The next item on the Agenda is the Calendar. The first item,
25 and each Trustee should have the full Calendar; what we have here

1 TRS Regular Board Meeting, JANUARY 19, 2012

2 is a summary. The full Calendar lists all the transactions for
3 the month. The first matter on the Calendar is approval of the
4 Minutes for the regular meeting held on December 15, 2011. I know
5 you all had a chance to look at them and send comments to Liz,
6 who is confirming that.

7 Then there is the adoption of the items. First item, on pages
8 1 through 13 is the monthly periodic payroll of TDA, Excess and loan
9 payments. On page 14 is the payroll summary for advance payments,
10 new retirees and TDA annuitants. On pages 15 through 34 are
11 transfer of active TDA deferreds to annuity payments. On pages 35
12 through 81 are fractional payments. On pages 82 through 96 are
13 uncollected checks for deceased members. On pages 97 through 112
14 are beneficiary continuing option payments. On pages 113 through
15 120 are conversions to pop-up payments. On pages 121 through 154
16 are beneficiaries who received one-time payments from the QPP and
17 TDA accounts. On pages 155 through 160 are return of net
18 accumulated salary deductions. On page 161 is transfer of fund
19 between banks. On page 162 through 166 are purchases and sales
20 of securities transacted for the Passport Fund Programs. On pages
21 167 through 168 is receipt of installment payments. On pages 169
22 through 173 are outstanding checks. On pages 174 through 192 are
23 revisions including those under Class Action Settlements. On pages
24 193 through 196 are payments for service credit. On page 197 are
25 new service retirement payments.

1 TRS Regular Board Meeting, JANUARY 19, 2012

2 MR. AARONSON: Thank you for going through the Calendar.

3 MS. ROMAIN: I move the adoption of the Calendar.

4 MR. AARONSON: Is there a second?

5 MR. McTIGUE: Second.

6 MR. AARONSON: Any discussion? Seeing none, all those in
7 favor of adopting the Calendar?

8 (Whereupon, all those present so indicated.)

9 MR. AARONSON: Calendar is adopted.

10 MR. SERRANO: That concludes the Calendar. The next item is
11 if there is any other business before the Board?

12 MR. AARONSON: Does any Board Member have any business that
13 they would like to bring up?

14 MS. MARCH: Only that this is the first meeting we have had and
15 I hope everybody has a happy and healthy new year.

16 MR. SERRANO: The last item on the Agenda, if there is any
17 question or comments from the public?

18 MR. AARONSON: Is there a member from the public that would
19 like to ask a question or make a comment? Seeing none, that means
20 that the Board Meeting for today is over. I do know that there is
21 some matters that we will discuss after.

22 MS. MARCH: I move to go into Session...we are closing the
23 meeting.

24 MR. AARONSON: Motion to close the meeting? Is there a
25 second?

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TRS Regular Board Meeting, JANUARY 19, 2012

MS. ROMAIN: Second.

MR. AARONSON: Is there any discussion? All those in favor of closing the meeting say aye.

(Whereupon, all those present so indicated.)

MR. AARONSON: Any opposed? The meeting is closed. It is our best understanding that we will be having a meeting between the attorneys and the Board Members. And may I ask everybody else to have a Happy New Year and to leave at this time.

(Whereupon, the meeting was adjourned.)