

1 NEW YORK CITY TEACHERS' RETIREMENT SYSTEM

2 REGULAR BOARD MEETING

3 Held on Thursday, April 18, 2019

4 at

5 55 Water Street

6 New York, New York

7

8 ATTENDEES:

9 JOHN ADLER, Chairperson, Trustee, Finance

10 PATRICIA REILLY, Executive Director, TRS

11 THADDEUS MCTIGUE, Deputy Executive Director, TRS

12 DAVID KAZANSKY, Trustee, TRS

13 THOMAS BROWN, Trustee, TRS

14 DEBRA PENNY, Trustee, TRS

15 JOHN DORSA, Trustee, Comptroller's Office

16 LINDSAY OATES, Trustee

17 VALERIE BUDZIK, TRS

18 RENEE PEARCE, TRS

19 LIZ SANCHEZ, TRS

20 SUSAN STANG, TRS

21 ROBERT BETHELMEY, TRS

22 KAVITA KANWAR, TRS

23 ANNETTE HANRAHAN, TRS

24 ANTHONY MEZZACAPPA, TRS

25 ANDREW BRADFORD, TRS

- 1 Attendees (Cont'd)
- 2 NATALIE GREEN GILES
- 3 CARMELA CRIVELLI, TRS
- 4 SHERRY CHAN, Chief Actuary
- 5 BRYAN BERGE, Corporation Counsel
- 6 MEL AARONSON, Emeritus
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1 P R O C E E D I N G S

2 (Time noted: 3:33 p.m.)

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4 CHAIRPERSON ADLER: Good afternoon.

5 Welcome to the Teachers' Retirement System

6 Board meeting of April 18, 2019.

7 Patricia, would you call the roll?

8 MS. REILLY: John Adler?

9 CHAIRPERSON ADLER: I am here.

10 MS. REILLY: Thomas Brown?

11 MR. BROWN: Present.

12 MS. REILLY: Natalie Green Giles.

13 MS. GREEN GILES: Here.

14 MS. REILLY: David Kazansky?

15 MR. KAZANSKY: Present.

16 MS. REILLY: Lindsay Oates?

17 (No response.)

18 Debra Penny?

19 MS. PENNY: Present.

20 MS. REILLY: Susannah Vickers?

21 MS. VICKERS: Here.

22 MS. REILLY: We have a quorum.

23 CHAIRPERSON ADLER: Thank you.

24 Take us away, please.

25 MS. REILLY: First on the agenda is

1 an update from TRS operations from Kavita
2 Kanwar.

3 MS. KANWAR: Earlier this month TRS
4 continued its ongoing campaign to
5 encourage participation in the tax
6 deferred annuity program. We sent an
7 e-mail blast to over 5,100 new members who
8 have not yet enrolled in TDA.

9 We also e-mailed over 4,000 members who
10 have recently reached ten years of
11 membership with TRS, encouraging them to
12 increase their participation in TDA. Our
13 campaign will continue during the spring
14 on our website and social media.

15 April marks the unofficial beginning of
16 retirement filing season. So far we have
17 already received 48 applications for July
18 1 retirement. Next week, when the schools
19 are on spring recess, we expect a
20 significant increase in filings plus calls
21 and visits to our member services center.

22 Preparations are underway to produce
23 the member account statements for the
24 first quarter of 2019. Statements will be
25 available for online viewing around May 6

1 for over 126,000 members who are currently
2 in service or on leave. Also in May, TDA
3 quarterly statements will be available for
4 viewing for approximately 55,000 members
5 with a TDA account.

6 And finally, the TDA quarterly
7 statements for TDA beneficiary
8 participants will be mailed to a
9 population of approximately 1,000 at the
10 end of April.

11 TRS will implement the next phase of
12 our modernization program during the first
13 weekend in May. Highlights include a new
14 online process for death benefits claims
15 and online statements options, such as
16 E-check and credit cards for members who
17 are making payments to TRS.

18 Due to this major system upgrade, there
19 will service interruptions between May 2
20 and May 5. Details will be posted on our
21 website and social media starting next
22 week. We are excited about the upcoming
23 service enhancements for our members and
24 their beneficiaries.

25 Thank you.

1 MS. REILLY: Thank you.

2 CHAIRPERSON ADLER: Thank you.

3 MS. REILLY: Next is a report from
4 the Actuary.

5 MS. CHAN: The first item my agenda
6 is the preliminary fiscal year 2020
7 employer contribution. So for the
8 preliminary amounts, it is \$3.73 billion,
9 approximately. It does represent an
10 increase of approximately \$39 million from
11 -- 19, and employer contributions.

12 Part of that had to do with the new
13 assumptions methods that were adopted
14 earlier this year.

15 And then it was also set with other
16 gain/losses -- asset gains that earlier in
17 fiscal year '18 the TRS fund -- was about
18 12.8 percent in the returns, so there was
19 an asset gain that added to it, as well as
20 demographic changes that offset it the
21 other way.

22 CHAIRPERSON ADLER: Any questions for
23 Sherry about the preliminary 2020 employer
24 contribution?

25 (No response.)

1 You can proceed. Then we'll vote on
2 the resolution.

3 MS. CHAN: So, the fiscal note season
4 has started. I think the first was
5 presented last month. Last week there was
6 another fiscal note issued for a picture
7 bill for Cynthia Falletta, who is a Tier 4
8 retiree. And she retired on October 18,
9 2012. But she felt that should be able to
10 purchase her service from when she was a
11 college assistant with CUNY in 1972. That
12 would put her in Tier 1.

13 If this bill passed, her annual benefit
14 would increase from \$48,000 to \$65,000 a
15 year. On a present value basis, that
16 amounts to \$300,000 total. And because
17 she is a retiree, this would be funded all
18 at one time; so all \$300,000 would be put
19 in the first year, would not be amortized.

20 CHAIRPERSON ADLER: Questions for
21 Sherry about that fiscal note?

22 (No response.)

23 MS. CHAN: The last agenda item had
24 to do with the escalation -- issued
25 earlier this month for the April 2019

1 escalation, was 1.91 percent. That is
2 derived off of what's published by the
3 Bureau of Labor Statistics.

4 CHAIRPERSON ADLER: Questions for
5 Sherry?

6 I have one question. The escalation is
7 the CPI, but there's a corridor of 1
8 percent to 3 percent; is that correct?
9 For Tier 4, I think?

10 MS. CHAN: Yes. There is a corridor,
11 CPI as of December last year; right.

12 CHAIRPERSON ADLER: It can't be more
13 than 3, can't be less than 1.

14 MS. CHAN: I believe that's the core.
15 You're actually calculating -- it's capped
16 at 3 percent.

17 CHAIRPERSON ADLER: Other questions
18 for Sherry about the escalation?

19 (No response.)

20 Thank you, Sherry.

21 MS. CHAN: Thank you.

22 MS. REILLY: Next on the agenda is
23 the executive director's report.

24 The first matter is the matter of the
25 next meeting. So it's been suggested that

1 the next regular meeting of the Teachers'
2 Retirement Board be held on the third
3 Thursday of the month, May 16, 2019.

4 The second item is a resolution of the
5 preliminary fiscal year 2020 employer
6 contribution to the Teachers' Retirement
7 System of the City of New York.

8 MR. KAZANSKY: Please read the
9 resolve.

10 MS. REILLY: "Resolved, the Board of
11 Trustees hereby approves a preliminary
12 fiscal year 2020 employer contribution to
13 the Teachers' Retirement System of New
14 York City of \$3,729,919,992.

15 CHAIRPERSON ADLER: Thank you.

16 Is there a motion to accept the
17 Actuary's recommendation?

18 MS. PENNY: So moved.

19 CHAIRPERSON ADLER: Is there a
20 second?

21 MS. VICKERS: Second.

22 CHAIRPERSON ADLER: Discussion?

23 (No response.)

24 All in favor of the motion to approve
25 the Actuary's recommendation for fiscal

1 year 2020 employer contribution please say
2 "Aye."

3 (A chorus of "Ayes.")

4 All opposed say "Nay."

5 Any abstentions?

6 (No response.)

7 Motion carries.

8 Note for the record that Lindsay Oates
9 is in attendance.

10 MS. REILLY: Next is the approval of
11 the March meeting minutes. So that's
12 March 7 TRS investment meeting minutes,
13 March 20 CIM minutes, and March 21 board
14 meeting minutes.

15 CHAIRPERSON ADLER: Is there a motion
16 to approve all the March meeting minutes?

17 MR. BROWN: So moved.

18 MR. KAZANSKY: Second.

19 CHAIRPERSON ADLER: Is there any
20 discussion?

21 All in favor of the motion to approve
22 all the minutes from March TRS meetings
23 please say "Aye."

24 (A chorus of "Ayes.")

25 All opposed say "Nay."

1 Any abstentions?

2 (No response.)

3 Motion carries.

4 MS. GREENE: I abstain. I wasn't
5 here.

6 CHAIRPERSON ADLER: Motion carries.

7 Other business?

8 MS. REILLY: Next is a presentation
9 of our STEMS training update. That's
10 Carmela Crivelli.

11 MS. CRIVELLI: Good afternoon. Thank
12 you for this opportunity. So, I'm going
13 to talk today a little bit about STEMS,
14 which is the -- employee management
15 system.

16 When I presented a little over a year
17 ago about the actual TRS mission and
18 vision, I briefly mentioned STEMS. And I
19 explained that it's a software system that
20 we purchased to use as a competency model
21 to help us identify and professionally
22 develop the talent and training we need
23 for our current and new employees
24 (indicating screen).

25 So, STEMS supports our vision 2020 and

1 beyond. So you are probably very familiar
2 with the image that we used before. And
3 today we're going to be talking about the
4 people at TRS, our employees.

5 So, it's taken -- we've been quite
6 busy, because it's taken almost two years
7 to digitize some of the information that
8 we had in folders for our employees, to
9 make sure that we can use the STEMS
10 system.

11 We had to do some scanning, we had to
12 manually input some information, and job
13 descriptions needed to be created, because
14 we didn't have any consistent job
15 description and place to store them. Now
16 we do.

17 Employees took the surveys regarding
18 their competencies and skills, and that
19 information was uploaded. And employees'
20 records and files were also put into the
21 STEMS system.

22 Prior performance evaluations were also
23 scanned in. So the system really has all
24 of the employee information.

25 And it's customized for the areas as

1 well. Unfortunately, it wasn't as easy as
2 purchasing the H&R Block CD that you put
3 in, like I have to do for my taxes.

4 Anyway, we customized a few things, and
5 we are able to use the system.

6 So, the Harvard Business Review and
7 Galaxy study was done, talking about the
8 components of high performance companies.
9 And the top two characteristics of -- here
10 on the screen for us to share -- were very
11 effective and high performing companies.

12 So the first one is an effective
13 performance management process, where you
14 really are defining competency and the
15 high performance behaviors associated with
16 them, and also in some cases using a merit
17 based system to differentiate between high
18 and low performers.

19 And the other one is career
20 development, focusing on the individual; a
21 bigger arena of continuity throughout the
22 organization. And it's very important to
23 develop your talent within the
24 organization and have a uniform language
25 that you are going to be using, so

1 everybody understands how they are being
2 evaluated; and also to focus on the
3 competencies and abilities throughout
4 their career.

5 The article also mentioned that the
6 return on investment for those companies
7 for using these high performing components
8 did much better than those with average
9 performance.

10 So then we had to ask ourselves, where
11 does TRS begin? So, we set competencies.
12 We developed some high performance
13 competencies.

14 So, we may be asking, What is
15 competency? And on the screen here there
16 is a definition of what it is (indicating
17 screen). Basically it's a personal
18 characteristic that contributes to
19 outstanding performance.

20 You have to go, if you look at the
21 image, you have to go beyond the
22 observable skills that you would normally
23 think of and look beyond and look at the
24 values and behaviors that individuals
25 have; because they help to differentiate

1 between and outstanding and average
2 performance.

3 And on the last bullet where it says
4 "Experience and intelligence do not
5 necessarily lead to top performance," the
6 best way to explain that is: If you had
7 an example where you had two people who
8 went to the same school, they performed
9 the same with their grades and everything,
10 and went to the same college, took the
11 same degree and they did really well. Why
12 would one perform better than another?

13 And really the bottom line to that is
14 their behavior and the competencies and
15 how they are performing.

16 So STEMS is taking shape. In December
17 we had all employees sign in, log in, to
18 make sure they look at their personal
19 information to make sure it was accurate.
20 And if not, we did tweaks to them.

21 And STEMS also supplied real time
22 information about job readiness, career
23 development, skills, competencies and
24 managerial gaps, which are employees, the
25 information that employees rated

1 themselves on for their competencies. And
2 skills were also normalized by their
3 manager. So in this system each employee
4 will see a gap where they need to develop.

5 Managers who supervise staff
6 participated in a workshop in coaching,
7 providing performance feedback during
8 November 2018, to help them orient
9 themselves to what will be used in STEMS.

10 And I have to say I was very impressed
11 in participating and watching all of the
12 managers who participated in that
13 training, because it was very clear to me
14 they wanted to be better managers for
15 their staff.

16 STEMS will also be helping managers
17 discuss with their employees performance
18 feedback more regularly than on an annual
19 basis. There are some features in the
20 system that will allow some dialog and
21 communication throughout the system to
22 make things a lot easier, as opposed to
23 the paper form that we're currently using.

24 Some of the next steps for STEM will
25 be, right now we are rolling out and

1 establishing goals and objectives for all
2 of the directors, deputies and managers in
3 STEMS, so that we're preparing for the
4 2019 to 2020 performance evaluation
5 period.

6 Right now, all of the evaluations from
7 last year will be conducted on older
8 forms, but with -- goals and objectives
9 for the upcoming year.

10 Managers and directors will also be
11 trained through the resource guide to show
12 how they can use STEMS effectively
13 throughout the year, for training and also
14 development.

15 And we are going to continue to go over
16 and do some more training on the
17 competency model and -- behavior, when we
18 have performance discussions with
19 employees.

20 And then the last bullet. In September
21 we will be talking about mid year
22 guidelines discussion on how people are
23 performing mid year.

24 Thank you for your time.

25 Does anybody have questions?

1 CHAIRPERSON ADLER: Questions for
2 Carmela?

3 (No response.)

4 Thank you for the presentation.

5 MS. GREENE: Question. The equity
6 agenda is used obviously in everything
7 that DOE does. Your members are all going
8 through training as per chance -- to what
9 extent is equity infused in the
10 performance evaluation in terms of
11 commitment to diversity and hiring, et
12 cetera, et cetera, for the staff of TRS?

13 MS. CRIVELLI: All staff?

14 MS. GREENE: For the work force.

15 MS. REILLY: I probably should make
16 clear that we are not Department of
17 Education employees.

18 MS. GREENE: I understand that.

19 MS. REILLY: So the question is more
20 about our hiring practices?

21 MS. GREENE: Just equity coming into
22 the conversation when you're looking at
23 performance measures and metrics.

24 MS. CRIVELLI: Equity, so for salary
25 ranges?

1 MS. GREENE: Gender equity,
2 diversity. Is that something you talk
3 about, or not? Just because I didn't see
4 the components of this.

5 MS. CRIVELLI: For salaries right
6 now, the increases that people get are
7 mostly mayoral or union increases that are
8 currently offered throughout the City. So
9 I don't know if that answers your
10 question.

11 MS. GREENE: In general --

12 MS. REILLY: I would go on to say
13 that we're a highly diverse agency, and we
14 can give you statistics on our diversity
15 if that would help. But in performance
16 management it's based on the performance
17 of the employee, regardless of gender.

18 MS. GREENE: Managerial -- if you're
19 talking about growing from within.

20 MS. REILLY: Most of our managers are
21 women, I would say. We can give you the
22 statistics if you like.

23 MS. GREENE: It would be interesting
24 to see that.

25 MS. CRIVELLI: Some of the points

1 mentioned are in our employee handbook for
2 staff. How we are diverse -- if anything
3 specific, I can touch base afterwards.
4 I'm happy to do that too.

5 MS. REILLY: We can put together some
6 information on the diversity of the staff,
7 management, and we have that.

8 MS. GREENE: Thank you.

9 MS. CRIVELLI: Anything else?

10 CHAIRPERSON ADLER: Other questions?

11 (No response.)

12 Thank you.

13 MS. CRIVELLI: Thank you.

14 CHAIRPERSON ADLER: Questions from
15 the public?

16 (No response.)

17 So it looks like we have a matter to
18 take up in executive session. So I think
19 a motion would be in order to exit public
20 session and enter executive session.

21 MS. PENNY: I move, pursuant to
22 Public Officers Law Section 105, that we
23 go into executive session to discuss
24 investment matters.

25 MS. VICKERS: Second.

1 CHAIRPERSON ADLER: Discussion?

2 (No response.)

3 All in favor of the motion to enter
4 executive session please say "Aye."

5 (A chorus of "Ayes.")

6 All opposed say "Nay."

7 Any abstentions?

8 (No response.)

9 Motion carries.

10 (Whereupon, the meeting went into Executive Session.)

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1 CHAIRPERSON ADLER: We'll entertain a
2 motion to return to public session.

3 MS. VICKERS: So moved.

4 CHAIRPERSON ADLER: Is there a
5 second?

6 MR. KAZANSKY: Second.

7 CHAIRPERSON ADLER: Thank you.

8 Any discussion?

9 (No response.)

10 All in favor of the motion to exit
11 executive session and go back into public
12 session please say "Aye."

13 (A chorus of "Ayes.")

14 All opposed say "Nay."

15 Any abstentions?

16 (No response.)

17 Motion carries.

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1 (Whereupon, the Board returned to
2 public session.)

3 CHAIRPERSON ADLER: We're back in
4 public session.

5 Susan, will you please report out of
6 executive session?

7 MS. STANG: Certainly.

8 In executive session an investment
9 matter was discussed, a decision was
10 reached, which will be announced at the
11 appropriate time.

12 CHAIRPERSON ADLER: Thank you very
13 much.

14 I believe that concludes our business
15 for today.

16 Is there a motion to adjourn?

17 MR. KAZANSKY: Before we adjourn, I
18 would like to wish the young and handsome
19 John Dorsa a happy birthday.

20 (Applause.)

21 And also a Happy Passover and Easter
22 to everybody on the Board and in our
23 company.

24 CHAIRPERSON ADLER: Thanks very much.

25 Now I believe that is concluding.

1 Is there a motion to adjourn?

2 MS. VICKERS: So moved.

3 CHAIRPERSON ADLER: Is there a
4 second?

5 MR. KAZANSKY: Second.

6 CHAIRPERSON ADLER: Any discussion?

7 (No response.)

8 All in favor of the motion to adjourn
9 please say "Aye."

10 (A chorus of "Ayes.")

11 All opposed say "Nay."

12 Any abstentions?

13 (No response.)

14 The meeting is adjourned.

15 (Time noted: 4:01 p.m.)

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C E R T I F I C A T I O N

I, Jeffrey Shapiro, a Shorthand Reporter and Notary Public, within and for the State of New York, do hereby certify that I reported the proceedings in the within-entitled matter, on April 18, 2019, at the offices of the NEW YORK CITY TEACHERS RETIREMENT SYSTEM, 55 Water Street, New York, New York, and that this is an accurate transcription of these proceedings.

IN WITNESS WHEREOF, I have hereunto set my hand this 23rd day of April, 2019.

JEFFREY SHAPIRO