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TEACHERS' RETIREMENT BOARD MEETING

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14 HELD AT:

15 55 WATER STREET
16 NEW YORK, NEW YORK

17 OCTOBER 18, 2012
18 3:47 P.M. TO 4:18 P.M.

19 B E F O R E:

20 MELVYN AARONSON, CHAIRMAN

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24 REPORTED BY:
LIZ SANCHEZ
25 EXECUTIVE ASSISTANT TO PATRICIA REILLY, DEPUTY EXECUTIVE DIRECTOR

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

TRS:

PATRICIA REILLY, Deputy Executive Director

MELVYN AARONSON, Teachers' Trustee

SANDRA MARCH, Teachers' Trustee

MONA ROMAIN, Teachers' Trustee

COMPTROLLER'S OFFICE:

THAD McTIGUE, Trustee

DEPARTMENT OF EDUCATION:

KATHLEEN GRIMM, Trustee

MAYOR'S APPOINTEE:

CAROLYN WOLPERT, Trustee

OFFICE OF THE ACTUARY:

ROBERT C. NORTH JR.

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2 TRS STAFF:

3 ROBERT BETHELMI
ANDREW BRADFORD
4 CARMELA CRIVELLI
JOEL GILLER
5 ANNETTE HANRAHAN
ELLEN MURPHY-DeLEO
6 RENEE PEARCE
PAUL RAUCCI

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OTHER ATTENDEES:

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10 INGA VAN EYSDEN, Law Department
SAMUEL FLAKS, Legal Unit - TRS

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1 TRS Regular Board Meeting, OCTOBER 18, 2012

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

3 MS. REILLY: Good afternoon. We will begin the October 18,
4 2012 regular meeting of the Teachers' Retirement Board by calling
5 the roll. Melvyn Aaronson?

6 MR. AARONSON: Here.

7 MS. REILLY: Kathleen Grimm?

8 MS. GRIMM: Here.

9 MS. REILLY: Sandra March?

10 MS. MARCH: Present.

11 MS. REILLY: Thad McTigue?

12 MR. McTIGUE: Here.

13 MS. REILLY: Freida Foster? Note that she is not present.
14 Mona Romain?

15 MS. ROMAIN: Present.

16 MS. REILLY: Carolyn Wolpert?

17 MS. WOLPERT: Here.

18 MS. REILLY: Okay, so we do have a quorum and at this time I
19 would like to turn it over to the Chair.

20 MR. AARONSON: Thank you very much. This is a special day and
21 I would like to take a few moments to talk about Nelson Serrano.
22 Nelson started here at the Teachers' Retirement System ("TRS")
23 right out of high school. Soon after he was here, his abilities
24 were recognized and early in his career, as time passed, even more
25 so, he was given more responsibilities. He took them on and just

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2 kept doing one important job after another. Until he rose
3 to the highest position that we have here at TRS, the Executive
4 Director.

5 While doing that, he earned the respect of and he returned
6 the respect, to every employee at TRS that he came in contact with.
7 The last few days, many employees of TRS have come up to me and
8 told me about Nelson, his relationships with them and what they
9 thought of him. He, by his leadership and actions made TRS into
10 an agency that serves with dignity and respect, the educational
11 employees of the City of New York. We are all going to miss him.

12 I would like to, in Nelson's memory and honor, take a moment
13 and ask everybody to please rise for a moment of silence. Thank
14 you.

15 The staff here at TRS put together a DVD that showed some of
16 the highlights of Nelson's relationships with people and his
17 activities throughout his career and I think we can take a few
18 moments to look at what was prepared by the staff at TRS.

19 MS. REILLY: Thank you. I just want to point out that those
20 songs were some of Nelson's favorite.

21 MR. AARONSON: Before we move on to the Agenda, there are two
22 (2) other things. One, for members of the Board, we have an
23 Executive Session to discuss personnel matters at the end of the
24 meeting today. I do not want this opportunity to pass without
25 saying something about Patricia Reilly. When this terrible event

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2 happened, Patricia just stepped up and stepped in and took a
3 staff that was devastated. Many people around here were crying
4 and she put them together. She scheduled, what I think was a
5 very, very important meeting with all of the staff. She brought
6 them together. She did an excellent job and we thank you very
7 much Patricia.

8 MS. REILLY: Thank you.

9 MR. AARONSON: And now, we can go on to the regular order of
10 business.

11 MS. REILLY: The first item on the Agenda is a matter of our
12 next meeting. It has been suggested that the next regular meeting
13 of the Teachers' Retirement Board be held on the third Thursday of
14 the month, November 15, 2012.

15 MR. AARONSON: Please note that in your calendars.

16 MS. REILLY: The second item is the Mayor's Office of Pensions
17 and Investments' KPMG Operational Review Proposal.

18 MS. GRIMM: Move to the Resolved please.

19 MS. WOLPERT: Actually, can we read the Resolution? It is not
20 very long.

21 MS. REILLY: Whereas, the Mayor's Office of Pensions and
22 Investment is prepared to engage KPMG to assist in performing a
23 review of certain operational functions of all City pension funds
24 with the goal of identifying recommendations for improved efficiency
25 and member service; and

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2 Whereas, all recommendations generated by this review will be
3 presented to the relevant fund boards for approval prior to
4 implementation; therefore be it

5 Resolved, that the Board of the Trustees consents to the
6 participation and cooperation of fund staff in the performance
7 of this review.

8 MR. AARONSON: Is there a second to the Resolution?

9 MS. GRIMM: Second.

10 MR. AARONSON: Motion has been seconded. Is there any
11 discussion?

12 MS. WOLPERT: I did a presentation, as everyone knows, at
13 the last meeting. I think laying out the rationale for the project,
14 it is noted in the Resolution, but I think it is important to
15 emphasize that this is just a proposal to do a study. All ideas
16 generated by the project would be brought to the Board. In
17 addition, as I discussed last month, we proposed to have a
18 representative of Labor work with me on the project because there
19 were some concerns about the City driving the project. I do not
20 understand why one would object to it and would vote in favor of it.

21 MS. ROMAIN: Mr. Chair, I just have a couple of comments to
22 make. I have been on the Board since 1998 and this Board plays a
23 very active role in the operations of this system, even though we
24 delegate the responsibility and authority to the Executive Director.
25 Through our Budget Committee we work very closely with the Executive

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2 Director and staff to ensure that the budget is reasonable and

3 reflects the priorities of the Teachers' Retirement Board.

4 For the last, at least five (5) years, you will note that the

5 budget has been flat. We participate with Cost Effective

6 Efficiency Management ("CEM") to monitor the administrative costs

7 of this Board where we are benchmarked against our peers in the

8 public pension arena. As a matter of fact, recently we received

9 that report. We get annual reports and TRS uses that report to

10 make improvements in the agency. The Audit Committee of this

11 Board works closely with the Internal Audit Department of the

12 TRS to ensure that proper controls, operational controls are in

13 place and that they are adhere to. As a matter of fact, Deloitte

14 is doing its current audit. Every year, it audits the financial

15 statements and the internal controls of the system. The State

16 Insurance Fund camps out here every three (3) to five (5)

17 years. The most recent time was 2010 and to make sure the system

18 is adhering to the standards that are applicable; such as those

19 that are applicable to insurance companies. The Comptroller of

20 the City of New York does its annual audits of the system in areas

21 of Earnings after Retirement, Death Matches, Directive One; again

22 Directive One is a checklist regarding the adequacy of the system,

23 internal control. The Comptroller does an annual actuarial audit

24 to ensure that the system is adequately funded. It is done in all

25 five (5) systems. This is done by an outside auditing firm.

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2 The System also has information security audits for its
3 effectiveness of the information securities at the system;
4 quality assessment review complied with generally accepted
5 governmental auditing standards. This Board has always been
6 very active in all of the operations of the system and if an
7 outside entity or agency is being contracted to do work, it is the
8 responsibility of this Board is the fiduciary duty of this
9 Board and in this case, that did not happen. That is my
10 comment.

11 MS. GRIMM: I have a brief comment and I appreciate that
12 recap of the controls and the audits and what-have-you that are
13 in place and I think that is all very valid. Respectfully
14 though, I think the point of what has been suggested here is
15 not an audit, but a look across all the system to see if (inaudible)
16 best practices and ways the systems work together. I, for one, want
17 to commend Carolyn for the work that has been done on this.

18 MS. WOLPERT: Thank you.

19 MR. AARONSON: Thank you.

20 MR. McTIGUE: Chair, may I be heard on the matter?

21 MR. AARONSON: Yes.

22 MR. McTIGUE: Thank you sir. Our office and principal is
23 not opposed to transparency or review as you know. We believe that
24 any proposal put forth should be thorough and consult with the
25 various stakeholders. An expenditure of \$350,000 to an outside

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2 consultant for ten (10) weeks of work is inconsistent with
3 efforts to utilize existing expertise, promote cohesiveness
4 and to achieve meaningful and desired outcomes.

5 MR. AARONSON: Any other comments? Seeing none, we are
6 ready for a vote. All in favor of the recommendation say aye.

7 (Whereupon, Ms. Wolpert and Ms. Grimm said aye.)

8 MR. AARONSON: All those opposed to the recommendation say
9 nay.

10 (Whereupon, Ms. March, Ms. Romain and Mr. McTigue said no.)

11 MR. AARONSON: It does not carry. We are ready to move on
12 to the next business before the Board.

13 MS. REILLY: Ok. That concludes the Executive Director's
14 Report. The next item on the Agenda is the Calendar. Each
15 Board Member should have a printed copy of the list of all
16 transactions paid for the month. I will go over a quick summary.

17 First, is the matter of the approval of the Minutes for the
18 regular meetings held on September 20, 2012.

19 MR. AARONSON: Do I hear a motion to approve the minutes?

20 MS. ROMAIN: So moved.

21 MR. AARONSON: Second?

22 MS. WOLPERT: Second.

23 MR. AARONSON: Do we have any discussion? Seeing none, all
24 those in favor of approving the minutes?

25 (Whereupon, all those present so approved.)

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2 MR. AARONSON: Anybody opposed? The minutes are carried.

3 MS. REILLY: Pages 1 through 14 is the Monthly Periodic
4 Payroll of TDA, Excess and Loan Payments; page 15 Payroll Summary
5 of Accounts Payable, New Retirees and TDA Accounts; page 16
6 through 42 is the Transfer of active TDA Deferreds to Annuity
7 Payments; pages 43 through 93 is Fractional Payments; pages 94
8 through 108 is Uncollected Checks for Deceased Members; pages
9 109 through 118 is Beneficiary Continuing Option Payments; pages
10 119 through 128 is Conversions to Pop-Up Payments; pages 129
11 through 170 is Beneficiaries who received one-time Payments from
12 their QPP and TDA Accounts; pages 171 through 173 is Return Net
13 Accumulated Salary Deductions; page 174 is the Transfer of Funds
14 between banks; pages 175 through 179 is the Purchase and Sales of
15 Security Transacted from the Passport Fund Program; page 180 is
16 Outstanding Checks; pages 181 through 186 are Revisions including
17 those under Class Coverage; pages 187 through 188 is Leave of
18 Absence; pages 189 through 192 are Payments for Service Credit;
19 and page 193 is New Service Retirement Payments. That concludes the
20 Calendar.

21 MR. AARONSON: Do I hear a motion to approve the Calendar?

22 MS. ROMAIN: I approve the adoption of the Calendar.

23 MR. McTIGUE: Second.

24 MR. AARONSON: Any discussion? Seeing none, all those in
25 favor?

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2 (Whereupon, all those present so approved.)

3 MR. AARONSON: Any opposed? Motion to adopt the Calendar
4 is accepted and passed.

5 MS. MARCH: I make a motion that we move into Executive
6 Session for purposes of discussing personnel matters and I would
7 ask that everybody leave but Joel Giller and the Board Members.

8 (Whereupon, at this time the meeting went into Executive
9 Session.)

10 MS. MARCH: I resolve that we move out of Executive Session.

11 MR. AARONSON: Do I hear a second?

12 MS. ROMAIN: Second.

13 MR. AARONSON: Any discussion? Those in favor?

14 (Whereupon, all those present so approved.)

15 MR. AARONSON: Any opposed? Carried. The Board discussed
16 a personnel matter in Executive Session and will continue this
17 discussion at future Board Meetings. Do I hear a motion to adjourn?

18 MS. ROMAIN: So moved.

19 MR. AARONSON: Second?

20 MS. WOLPERT: Second.

21 MR. AARONSON: All those in favor?

22 (Whereupon, all those present so approved.)

23 MR. AARONSON: Ok. We are adjourned?

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