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1 NEW YORK CITY TEACHERS' RETIREMENT SYSTEM  
2 INVESTMENT MEETING  
3 Held on Monday, May 6, 2019  
4 at  
5 55 Water Street  
6 New York, New York  
7  
8

9 ATTENDEES:

10 JOHN ADLER, Chairperson, Trustee, Mayor's Office  
11 DEBRA PENNY, Trustee, TRS  
12 THOMAS BROWN, Trustee, TRS  
13 DAVID KAZANSKY, TRS, Trustee  
14 SUSANNAH VICKERS, Trustee, Comptroller's Office  
15 NATALIE GREENE GILES, Trustee  
16 PATRICIA REILLY, TRS, Executive Director  
17 VALERIE BUDZIK, TRS  
18 LIZ SANCHEZ, TRS  
19 SUSAN STANG, TRS  
20 RONALD SWINGLE, TRS  
21 CYNTHIA COLLINS, Trustee  
22 ROBIN PELLISH, Rocaton  
23 MICHAEL FULVIO, Rocaton  
24 SANFORD RICH, BERS  
25 SAM RUMLEY, Office of the Actuary

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1 DAVID LEVINE, Groom Law Group  
2 MILES DRACOTT, Comptroller's Office  
3 JOHN MERSEBURG, Comptroller's Office  
4 SUMANTA RAY, Mayor's Office  
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1 P R O C E E D I N G S

2 (Time noted: 10:26 a.m.)

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4 CHAIRPERSON ADLER: Good morning.  
5 Welcome to the investment meeting of the  
6 Teachers' Retirement System on May 6th,  
7 2019.

8 Patricia, would you please call the  
9 roll.

10 MS. REILLY: John Adler?

11 CHAIRPERSON ADLER: Here.

12 MS. REILLY: Thomas Brown?

13 MR. BROWN: Present.

14 MS. REILLY: Natalie Green Giles?

15 MS. GREENE GILES: Here.

16 MS. REILLY: David Kazansky?

17 MR. KAZANSKY: Present.

18 MS. REILLY: Lindsay Oates?

19 (No response.)

20 Debra Penny?

21 MS. PENNY: Present.

22 MS. REILLY: Susannah Vickers?

23 MS. VICKERS: Here.

24 MS. REILLY: We have a quorum.

25 CHAIRPERSON ADLER: Thank you. I'll

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1 turn it over to Rocaton for the  
2 performance report.

3 MR. FULVIO: Good morning, everyone.  
4 I will -- just a quick reminder, March was  
5 the third month in a row in which we saw  
6 positive returns in U.S. equity markets.  
7 And for the U.S., that meant positive  
8 returns of about one and a half percent.  
9 Abroad we also saw positive returns,  
10 though a little bit more mixed, with  
11 non-U.S. equity markets up about 60 basis  
12 points.

13 So what really drove results, at least  
14 for the Diversified Equity Fund during  
15 March, was what we saw in the U.S. The  
16 Diversified Equity Fund was up about 1  
17 percent for the month. That brought the  
18 calendar year-to-date return to about 12.7  
19 percent, compared to the broad U.S., which  
20 was up about 14 percent, a little bit of  
21 lagging there. Again, really driven by  
22 the allocations to non-U.S.

23 And then with respect to the hybrid  
24 benchmark, that benchmark was up about  
25 1.3 percent for the month of March, and

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1 that approximately is roughly in line with  
2 the Diversified Equity from year-to-date,  
3 up about 12.9 percent.

4 The relative results for March were  
5 impacted largely by the allocation to  
6 actively managed strategies, which  
7 unfortunately lagged during the month of  
8 March. Year-to-date, however, that  
9 composite's up about 13 percent, which is  
10 a little behind -- or I should say, it's  
11 behind by about 1 percent of the broad  
12 U.S. equity market.

13 Non-U.S. equity strategies have fared  
14 better on a relative basis, year-to-date  
15 up about 10 percent, about 25 basis points  
16 ahead of the international benchmark.

17 The Balanced Fund at the end of March  
18 was about \$400 million in assets. That  
19 Fund was up about 1 percent during the  
20 month; calendar year-to-date, that Fund is  
21 up about 4 and a half percent.

22 The International Equity Fund, I noted  
23 earlier some relative outperformance by  
24 that Fund. Here you can see that Fund is  
25 up about 75 basis points for the month of  
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1 March, and just shy of 10 percent  
2 year-to-date.

3 The Inflation Protection Fund with  
4 assets of about \$70 million, that Fund is  
5 up about 85 basis points, and calendar  
6 year-to-date is up about 6.3 percent.

7 The Socially Responsive Equity Fund  
8 with assets of about \$221 million, that  
9 Fund is up about a half of a percent for  
10 March, lagging the S&P, which is up about  
11 2 percent. Year-to-date, that fund up  
12 11.5 percent.

13 CHAIRPERSON ADLER: Any questions  
14 about the March report?

15 (No response.)

16 MR. FULVIO: We'll go into April.  
17 April was another strong month for equity  
18 markets. The U.S. equity market was up  
19 about 4 percent. You can see the Russell  
20 3000 there. Calendar year-to-date, that  
21 benchmark is up about 18 and a half  
22 percent, so really strong, and that  
23 brought the fiscal year-to-date results to  
24 8.9 percent. So it really wiped away or  
25 eliminated, if you will, the impact of the

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1 fourth quarter when you look back over  
2 that time period.

3 Outside the U.S., the international  
4 composite benchmark, also a strong month,  
5 but still behind the U.S., about 2.8

6 percent. Calendar year-to-date non-U.S.  
7 market is up about 12.8 percent and  
8 roughly flat for the fiscal year-to-date.

9 The Diversified Equity Fund's hybrid  
10 benchmark, that was up about 3.7 percent,  
11 with a calendar year-to-date return of  
12 about 17 percent.

13 Within the international equity  
14 markets, if you go about half way down the  
15 page, you can see the developed non-U.S.  
16 markets measured by the EAFE Index, that  
17 was up about 3 percent; calendar  
18 year-to-date up about 13.

19 And then the custom emerging markets'  
20 benchmark, also positive, but a little bit  
21 less so non-U.S. developed markets, but  
22 still up about 2 percent for the calendar  
23 year-to-date return of 8 percent.

24 Below that there's the underlying  
25 strategies for the Inflation Protection

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1 Fund, the Socially Responsive Fund.  
2 During April, they both posted positive  
3 returns with the underlying strategy for  
4 the Socially Responsive Fund up about 3  
5 percent, with a calendar year-to-date  
6 return of about 15 percent.

7 CHAIRPERSON ADLER: Questions for  
8 Mike on April?

9 (No response.)

10 I think the next item is the discussion  
11 of the Investment Policy Statement, and  
12 who's going to read that? Robin?

13 MS. PELLISH: I can make some  
14 comments.

15 Again, this was very much a joint  
16 effort with lots of participants,  
17 specifically Diane Manzar of the  
18 Comptroller's Office, doing a lot of work.  
19 So what we've given, what we've  
20 distributed in advance, are lots of  
21 documents. We have paper copies of the  
22 red-line version, and I'm happy to walk  
23 through the document. I will say that  
24 what has been changed is really primarily  
25 moving sections around to facilitate the

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1 flow. I don't think, and if Valerie or  
2 anyone else, if you disagree, I don't  
3 think there have been substantive changes.

4 We continue to focus on a very  
5 user-friendly document that has good flow  
6 with a series of exhibits that contain  
7 details that -- what was previously

8 largely contained in the body of the  
9 document. Again, the guiding principle in  
10 editing this document has not been to make  
11 rule changes or policy changes, but rather  
12 to take out the detail that is subject to  
13 periodic review and change, some success  
14 with policy, exclusion lists, divestment  
15 policy exclusion, those kinds of things.  
16 And the asset allocation targets, and to  
17 move them into appendices that can be  
18 readily changed without changing the body  
19 of the document.

20 There are still some minor typos that  
21 need to be addressed, but other than that,  
22 if we -- and I will also say there is an  
23 appendix that summarizes the main changes  
24 from the former document to this document  
25 that will be added. Those changes will  
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1 really fall into the category of moving  
2 detail and placing it into the appendix.

3 MS. VICKERS: I would just mention  
4 that you will see some red-line and  
5 green-line -- in the document. Some of  
6 that is just moving paragraphs from one  
7 place to another without real wording  
8 changes. We just went over it and tried  
9 to make the flow a little bit more  
10 logical.

11 CHAIRPERSON ADLER: Discussion?  
12 Questions?

13 (No response.)

14 I just have a couple questions. So,  
15 I have gone over this document and I think  
16 it looks good. I have not yet gone over  
17 the appendices, and is the idea that we're  
18 going to adopt the appendices when we  
19 adopt the full IPS?

20 MS. PELLISH: I believe so.

21 MS. VICKERS: The appendices should  
22 have been circulated along with the draft.

23 MS. PELLISH: There are a lot of  
24 them.

25 MS. VICKERS: Some of them are --  
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1 well, you can take a look.

2 CHAIRPERSON ADLER: Okay. And my  
3 other question is, is it correct to say  
4 that there really are no substantive  
5 changes in this document? And did we end  
6 up landing somewhere on the issue of the  
7 links?

8 MS. PELLISH: No, we kept them  
9 unchanged --

10 (Talking over each other.)  
11 -- as a topic that need come back to  
12 the Board for any changes.

13 MS. VICKERS: My understanding is  
14 that BAM is working with Rocaton to kind  
15 of come up with an analysis and will make  
16 a recommendation soon.

17 MS. PELLISH: Not so much with us  
18 because it's in a private market, so I  
19 think they're working with the private  
20 market consultants.

21 MS. VICKERS: Oh, okay, sorry. With  
22 Hamilton Lane to try to come up with some  
23 kind of analysis, and then we'll present  
24 that and the rationale for a recommended  
25 change to those allocations, but all of

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1 that hasn't been finalized. So I think  
2 that --

3 (Talking over each other.)

4 CHAIRPERSON ADLER: Just to be clear,  
5 what we're talking about for those --

6 MR. KAZANSKY: Was it the rebalancing  
7 ranges?

8 CHAIRPERSON ADLER: No, it's not.  
9 It's the maximum amount that can be  
10 allocated to any specific manager in the  
11 different private asset classes. It  
12 varies by asset class --

13 MS. VICKERS: To a specific fund.

14 CHAIRPERSON ADLER: It's to a fund  
15 and to a manager?

16 MS. VICKERS: Yes.

17 CHAIRPERSON ADLER: Okay. Thank you.  
18 It's to a fund and to a manager. So I  
19 think it's actually being discussed  
20 probably with Hamilton Lane and StepStone.

21 We have StepStone for real estate and  
22 infrastructure; right? And probably --  
23 you guys aren't in -- is it true also for  
24 OFI? You're not in discussions with OFI?

25 MS. PELLISH: No, I don't believe --

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1 MS. VICKERS: I think OFI did  
2 currently have the limitations in their  
3 asset section of the IPS.

4 MS. PELLISH: It doesn't refer to  
5 OFI.

6 CHAIRPERSON ADLER: Can I ask this  
7 question, and obviously we do have to  
8 review, but are there any other  
9 substantive changes in the appendices?

10 MS. PELLISH: We were very careful  
11 not to make any substantive changes that

12 reflect any decisions the Board has made.  
13 What we really tried to remove are  
14 redundancies throughout the documents, and  
15 then, again, to extract detail to the  
16 appendix -- details that are really  
17 important but they get lost in the main  
18 document. We've tried to have the main  
19 document be able to stand alone, on its  
20 own, with reference to appendices for  
21 detail regarding specific policies.

22 MS. VICKERS: And I would say that  
23 maybe -- you know, there's an asset --  
24 approved asset class, an asset allocations  
25 section that has things like the

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1 rebalancing ranges that were adopted  
2 during the last asset allocation.

3 It's possible that that document was  
4 not consistent with some of the things  
5 that the previous IPS, that were just old  
6 and had been there for a couple of years.  
7 So, you know, it's not new policy because  
8 it's our most recent approved selections,  
9 but it might have changed or sort of  
10 overwrote things that were in the previous  
11 draft.

12 MS. PELLISH: But I think that's  
13 because things that were in the previous  
14 draft should have been eliminated and  
15 changed. It no longer reflected the  
16 Board's decisions and policies.

17 MS. VICKERS: Right. But I'm just  
18 saying that it could be, if you're asking  
19 for any changes, that could be the case.

20 MR. KAZANSKY: I have a question in  
21 the appendices. Is it a typo or is there  
22 some difference between Appendix 4 and  
23 Appendix -- oh, I see, Appendix 12 was  
24 listed restriction --

25 MS. VICKERS: Any place the

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1 numbering --

2 (Talking over each other.)

3 MS. BUDZIK: Right. There is no  
4 Appendix 72 or 109. Thank God.

5 (Talking over each other.)

6 MS. PELLISH: There's still some  
7 typos, but I think they're in the right  
8 order. But somehow, there should have  
9 been a strike through one of the numbers,  
10 so instead of Appendix 98, it should have  
11 been --

12 MR. LEVINE: Kind of like the date on  
13 the front page. It says May February. I

14 assumed it was just a comparison --  
15 (Talking over each other.)  
16 (Discussion off the record.)  
17 CHAIRPERSON ADLER: Just one thing to  
18 notify the Board on, and someone's going  
19 to remind me, maybe Valerie or Robin or  
20 Susannah -- there was an appendix, like --  
21 so there's some related appendices, and I  
22 think that we ended up limiting one, if  
23 I'm not mistaken.

24 So there's -- I'm looking at page 3,  
25 the list of appendices. So there's

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1 divestment policy, and that's the  
2 divestment policy that the Board adopted.  
3 There is the excluded companies list,  
4 which is the list of companies that are  
5 currently excluded subject to the  
6 divestments that we have adopted.

7 And then there's -- wasn't there one  
8 other -- oh, restrictions on permissible  
9 investments; so what's that?

10 MS. VICKERS: I think it would be  
11 helpful maybe if we can all turn to where  
12 the appendices are --

13 MR. KAZANSKY: That's February bank  
14 list; right? For private markets?

15 (Talking over each other.)

16 MS. VICKERS: -- in the actual  
17 document. Then that gives the context to  
18 what we're talking about.

19 MS. BUDZIK: It should be on about  
20 page 19, eligible investments and policy  
21 restrictions.

22 MS. VICKERS: We're spending a lot of  
23 time on page 19.

24 MS. STANG: Third line from the  
25 bottom -- they also establish restrictions

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1 on --

2 MS. BUDZIK: This doesn't read  
3 correctly. This is -- I think some of it  
4 is that the red-line is not showing up the  
5 way it should.

6 MR. KAZANSKY: There's really no  
7 strikeout on this --

8 MS. BUDZIK: Yeah. And there should  
9 be some strikeout.

10 MS. REILLY: Valerie, can I ask you a  
11 question?

12 MS. BUDZIK: Me, a question?

13 MS. REILLY: Well, just -- it just  
14 seems like there's a lot of work to get  
15 this clean --



16 MS. BUDZIK: I think what happened is  
17 -- so Diana, the Comptroller's Office,  
18 circulated a draft that had the red-line,  
19 and it was correct. And then somehow in  
20 the transmission to Rocaton, things got a  
21 little confused.

22 MR. LEVINE: In the version that was  
23 distributed electronically before the  
24 meeting, it actually is correct. So I  
25 think it's just a printer hiccup here.

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1 (Talking over each other.)

2 CHAIRPERSON ADLER: Page 19, it's the  
3 bottom bullet on version -- because we did  
4 do work on this paragraph --

5 (Discussion off the record.)

6 MS. REILLY: Do you want to pull it  
7 up on the screen? We'll put it up on the  
8 screen (indicating).

9 (Discussion off the record.)

10 MR. KAZANSKY: May I make a  
11 suggestion in tandem with that? That, I  
12 know, John, you had said that you haven't  
13 gone through all of the appendices. Let's  
14 make sure we get that done so that any  
15 issues can be addressed so we can put this  
16 baby to bed at the Board meeting?

17 CHAIRPERSON ADLER: Yeah, right.

18 MS. VICKERS: And if anybody has any  
19 technology issues, formatting issues,  
20 tracking issues, that's understandable,  
21 and feel free to come back to me. I think  
22 -- I have the original stuff, and I can  
23 have it resent to you if you need it.

24 MS. PELLISH: Okay. Is there  
25 anything else --

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1 We agree to make the changes, and  
2 then forward everything for approval at  
3 the upcoming public Board meeting? Is  
4 that the plan?

5 MS. BUDZIK: Yes, I think we would  
6 recirculate this document with these  
7 changes, and we can highlight that  
8 paragraph and any additional tweaking we  
9 do to that paragraph. The appendices  
10 don't have any track changes in it, so  
11 those are easier documents to work  
12 through.

13 CHAIRPERSON ADLER: And they don't  
14 track changes because there haven't been  
15 changes made?

16 MS. VICKERS: A lot of them were  
17 created, so they are not --

18 MS. PELLISH: They were made by  
19 extracting language from the document  
20 itself.

21 CHAIRPERSON ADLER: Okay. But the  
22 ones that did exist before, they have not  
23 been changed?

24 MS. BUDZIK: None of them have been  
25 changed.

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1 CHAIRPERSON ADLER: I had the  
2 impression that the asset class --  
3 (Talking over each other.)

4 CHAIRPERSON ADLER: Any other  
5 questions on the Investment Policy  
6 Statement?

7 All right. I believe that concludes  
8 the business for the public agenda today.

9 Is there a motion to move into  
10 executive session?

11 MS. PENNY: I move pursuant to Public  
12 Officers Law Section 105 to go into  
13 executive session for discussions on  
14 specific investment matters.

15 MS. VICKERS: Second.

16 CHAIRPERSON ADLER: Thank you.  
17 Any discussion?

18 All in favor of the motion to exit  
19 public session and enter executive  
20 session, please say "Aye."

21 (A chorus of "Ayes.")

22 All opposed, please say "Nay."

23 Any abstentions?

24 (No response.)

25 Motions carries.

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1 (Whereupon the Board entered executive  
2 session. )

3 CHAIRPERSON ADLER: Okay. Anything  
4 else?

5 (No response.)

6 I believe that concludes our  
7 executive session agenda for today.

8 So, is there a motion to exit executive  
9 session and return to public session?

10 MR. BROWN: So moved.

11 CHAIRPERSON ADLER: Second?

12 MS. GREEN GILES: Second.

13 CHAIRPERSON ADLER: Thank you.

14 Any discussion?

15 (No response.)

16 All in favor of the motion to exit  
17 executive session and return to public  
18 session, please say "Aye."

19 (A chorus of "Ayes.")

20 All opposed, "Nay."  
21 Any abstentions?  
22 (No response.)  
23 Motion carries.  
24 (Whereupon, the Board returned to  
25 public session.)

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1 CHAIRPERSON ADLER: Okay. We are  
2 back in public session.  
3 Susan, could you please report out of  
4 the executive session?  
5 MS. STANG: Certainly. An executive  
6 session consensus was reached to renew  
7 various investment manager contracts.  
8 We held a discussion of the specific  
9 terms to be used in a specific investment.  
10 There was a discussion about different  
11 ways and approaches to implement our  
12 investment belief statement.  
13 CHAIRPERSON ADLER: Great. Thanks so  
14 much.  
15 I believe that concludes our business  
16 for today.  
17 Is there a motion to adjourn?  
18 MS. PENNY: So moved.  
19 CHAIRPERSON ADLER: Thank you.  
20 Is there a second?  
21 MR. KAZANSKY: Second.  
22 CHAIRPERSON ADLER: Thank you.  
23 Any discussion?  
24 (No response.)  
25 All in favor of the motion to

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1 adjourn, please say "Aye."  
2 (A chorus of "Ayes.")  
3 All opposed, please say "Nay."  
4 Any abstentions?  
5 (No response.)  
6 Motion carries.  
7 Meeting is adjourned.  
8 (Time noted: 1:11 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 Monday, May 6, 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 13th day of May, 2019.

JEFFREY SHAPIRO