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NEW YORK CITY TEACHERS' RETIREMENT SYSTEM

3

REGULAR BOARD MEETING

4

Held on Thursday, December 15, 2022

5

Via

6

Zoom Videoconference

7

8

ATTENDEES:

9

DEBRA PENNY, Chairperson, Trustee, TRS

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THOMAS BROWN, Trustee, TRS

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DAVID KAZANSKY, Trustee, TRS

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JOHN DORSA, Trustee, Comptroller's Office

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ALISON HIRSH, Comptroller's Office

14

RUSSELL BUCKLEY, Trustee

15

BRYAN BERGE, Trustee, Mayor's Office

16

PATRICIA REILLY, TRS, Executive Director

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VALERIE BUDZIK, TRS

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LIZ SANCHEZ, TRS

19

ISAAC GLOVINSKY, TRS

20

KAVITA KANWAR, TRS

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ANITA HANRAHAN, TRS

22

MATT LASKOWSKI, TRS

23

KEVIN BALOOD

24

ADEL NAIROOZ

25

KATE CHEN, TRS

- 1 ATTENDEES (Cont'd)
- 2 ROSA POLANCO
- 3 ANDREW BRADFORD, TRS
- 4 NATARJAN KRISHNAMOORTHY
- 5 BOB GRAY, TRS
- 6 RENEE PEARCE
- 7 PAUL RAUCCI
- 8 ANTHONY MEZZACAPPA, TRS
- 9 ROBERT BETHELMY, TRS
- 10 JAMES BROWN
- 11 DARREN TROTTER
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P R O C E E D I N G S

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(Time noted: 3:30 p.m.)

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MS. REILLY: Welcome to the board

6

meeting of the Teachers' Retirement

7

System for December 15, 2022.

8

We'll start by calling the roll.

9

Bryan Berge?

10

MR. BERGE: Bryan Berge,

11

representing Mayor Eric Adams,

12

participating, sadly, remotely today.

13

MS. REILLY: Thomas Brown?

14

MR. BROWN: Present. Good

15

afternoon.

16

MS. REILLY: Russell Buckley?

17

MR. BUCKLEY: Present (unclear).

18

MS. REILLY: Alison Hirsh?

19

John Dorsa?

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MR. DORSA: John Dorsa representing

21

Comptroller Brad Lander and Alison Hirsh.

22

MS. REILLY: David Kazansky?

23

MR. KAZANSKY: Present.

24

MS. REILLY: Debra Penny?

25

CHAIRPERSON PENNY: Present.

1 Good afternoon.

2 MS. REILLY: We have a quorum.

3 Next we'll do an update on
4 operations. Kavita Kanwar will give that
5 update.

6 MS. KANWAR: Good afternoon, all.

7 TRS has implemented the final
8 provision of Chapter 53 of the laws of
9 2022. The law temporarily excludes
10 overtime pay for the -- figures used to
11 set pension contribution rates for Tier 6
12 members.

13 As as a result of the change, over
14 7,000 members had their 2022 contribution
15 rates reduced, and they also received the
16 refund of excess contributions in
17 November.

18 On January 1 a new plan goes into
19 effect for Tier 6 members, which means
20 that contribution rates are again
21 changed.

22 TRS is currently reviewing updated
23 salary engaged information for these
24 members and will implement the new
25 required rate changes in January.

1 TRS has completed the latest new
2 member newsletters -- our members will
3 receive their newsletter in the mail
4 later this month.

5 Thank you.

6 MS. REILLY: Thanks.

7 CHAIRPERSON PENNY: Kavita, the Tier
8 6 members that got the refund, can you
9 send us a letter -- they received -- that
10 would be great.

11 MS. KANWAR: Yes.

12 CHAIRPERSON PENNY: Thank you.

13 MS. REILLY: Next is an update from
14 the Actuary.

15 MR. TROTTER: As you know, the
16 actuarial interest rate is 7 percent.
17 It's set in statute, and the statute
18 defining the 7 percent expires July 1,
19 2023. So that affects the employer
20 contribution rate for fiscal years 2021
21 and later.

22 The Actuary doesn't set the
23 actuarial interest rate, the state
24 legislature does, based on the
25 recommendations of the various

1 stakeholders.

2 My recommendation is to keep it at 7
3 percent and extend it for two more years.
4 So change the date from July 1, 2023 to
5 July 1, 2025.

6 And we're asking the Board to
7 support, formal support, supporting my
8 office to work with the Law Department in
9 drafting the extender bill for this
10 legislation.

11 In your package you should have a
12 one-page handout, slide, titled
13 "Actuarial Interest Rate Discussion."
14 And this is kind of, if I could spend a
15 couple minutes going through this, my
16 thinking about 7 percent.

17 In the upper left hand corner you
18 see the TRS historical returns. And you
19 see a lot of volatility. These are
20 historical returns the Office of the
21 Actuary has been tracking for the last 40
22 years, since 1983.

23 We basically take down the returns
24 published by the Comptroller's Office.
25 It's not a perfect representation,

1 because in most recent years the returns
2 are net of expenses. In later years
3 they're gross returns. So it's not a
4 perfect apples to apples, but it's a
5 pretty good representation of what the
6 plan has done for the last 40 years.

7 You see on the table below I put the
8 geometric averages and the benefit
9 returns, over the last 10, 20, 30 and 40
10 years. You see pretty good returns in
11 excess of 7 percent.

12 So I kind of, you know, past
13 performance isn't indicative of the
14 future as they say in the investment
15 world. So YOU can't base future returns
16 on what's happened in the past, but this
17 is more of a smell test. And if you look
18 at this, 7 percent smells pretty good.

19 So that's past. We're going to look
20 at the present, and that's the upper
21 right hand corner. This is what current
22 other public sector retirement systems
23 are using for their actuarial interest
24 rate.

25 This is based on a survey from

1 NASRA, National Association of State
2 Pension Administrators. There's 131
3 public sector plans in there. You see
4 the horizontal flat line across the
5 middle, that's where the 7 percent. And
6 there's a yellow arrow pointing to
7 NYCERS.

8 So on the X axis each of the other
9 plans' name is shown. Teachers is right
10 next to NYCERS. Not shown in the data
11 are the other three New York systems.
12 Police, Fire and BERS weren't part of
13 this.

14 So there's actually more at that
15 horizontal 7 percent level. You see, all
16 the way to the two ends, the extremes to
17 the left are the Kentucky Employee
18 Retirement System at 5 1/4 percent. All
19 the way to the right, you don't see the
20 name, but 7.55 percent is Mississippi
21 BERS.

22 I don't know what their asset
23 allocations are, how much they're
24 managing, whether they're comparable. So
25 that makes a comparison not too

1 scientific.

2 Once again, you shouldn't base your
3 future interest rate based on what other
4 plans are doing. But if you look at
5 this, the message is you're mainstream.
6 Seven percent is kind of what most plans
7 are doing, the majority of plans are
8 doing.

9 Now, if you get to the lower left
10 hand corner, that's where we start doing
11 math and projecting what we think
12 investment consultants think your long
13 term expected returns are. And long term
14 is defined as 30 years.

15 These are results from a survey we
16 did when we published your GASB 67 and 68
17 reports. So in an appendix of those
18 reports we have all of your own
19 investment consultants' projections for
20 the total return and inflation.

21 And you can see TRS is at 7.35
22 percent long term -- once again, above
23 the 7 percent that we're talking about
24 extending.

25 And in fact, if anything, you see

1 the top row is your 2022 and the bottom
2 section is 2021. There's been an upward
3 -- on the expected returns. So your
4 investment consultants are even thinking
5 it's going to be more than it has been
6 since 2021.

7 The final -- section here, lower
8 right hand side, is a quote from the last
9 actuarial audit. So the Comptroller
10 hires an actuarial auditor every four
11 years. The last one was Bolton, on June
12 4, 2019. Their opinion was 7 percent is
13 reasonable as an assumption.

14 And the Comptroller hired a new
15 actuarial auditor. The new auditor's
16 report is expected to be published March
17 2024. So that kind of ties into the two
18 year request to extend it, so we can
19 extend it two years, see what the new
20 auditor says.

21 We're in kind of a state of
22 uncertainty in the markets right now. So
23 keeping it at 7 percent, see what happens
24 in the next two years, seeing what the
25 next auditor says. Kind of thinking what

1 the most reasonable approach is to the
2 actuarial interest rate.

3 One last thing, I've been talking
4 about the actuarial interest rate this
5 whole time. The statute that expires July
6 1, 2023 also sets three interest rates
7 that are actual interest rates that are
8 credited member contributions. Those are
9 for Tier 1, Tier 2 members for the
10 annuity (unclear) increased take home
11 pay. Those have historically not
12 changed. So we're also recommending this
13 bill extension that would keep those the
14 same.

15 So, I'll pause to see if there are
16 any questions.

17 If they're not, we're asking that
18 the Board adopt a resolution, and our
19 office be provided a sample instructing
20 us to work with the Law Office. It
21 becomes helpful when we submit the
22 proposed bill to the legislature -- the
23 memorandum of support to say TRS
24 supported this, here is their resolution.

25 So, are there any questions?

1 CHAIRPERSON PENNY: Thank you.

2 (Inaudible discussion.)

3 MS. REILLY: So, next on the agenda
4 is the executive director's report.

5 The first item is the next meeting.
6 It has been suggested that the next
7 meeting of the Teachers Retirement Board
8 be held on the third Thursday of the
9 month, January 19, 2023.

10 Next is a resolution for the
11 authorization for the Comptroller of the
12 City of New York for investing in QPP
13 funds.

14 MR. KAZANSKY: Please waive the
15 reading.

16 CHAIRPERSON PENNY: Do I have a
17 motion to accept this?

18 MR. BROWN: So moved.

19 CHAIRPERSON PENNY: Thank you.

20 Do I hear a second?

21 MR. KADZIELA: Second.

22 CHAIRPERSON PENNY: Thank you.

23 All in favor of please say "Aye."

24 (A chorus of "Ayes.")

25 Any opposed?

1 Any discussion or questions?

2 (No response.)

3 Motion carries.

4 MR. TROTTER: Thank you for your
5 continued support.

6 MS. REILLY: Next is authorization
7 for the Comptroller of the City of New
8 York to invest certain tax-deferred
9 annuity funds.

10 MR. KAZANSKY: Please waive the
11 reading.

12 CHAIRPERSON PENNY: Do I have a
13 motion to approve this?

14 MR. KAZANSKY: So moved.

15 CHAIRPERSON PENNY: Thank you.

16 Do I have a second?

17 MR. BROWN: Second.

18 CHAIRPERSON PENNY: Thank you.

19 Any questions?

20 (No response.)

21 All in favor please say "Aye."

22 (A chorus of "Ayes.")

23 Any opposed?

24 Any abstentions?

25 (No response.)

1 The motion carries.

2 MR. DORSA: Once again, thank you on
3 behalf of the Comptroller's Office.

4 CHAIRPERSON PENNY: You're quite
5 welcome.

6 MS. REILLY: Next is a resolution to
7 support legislation to continue certain
8 interest rates.

9 MR. KAZANSKY: Please skip to the
10 resolve.

11 MS. REILLY: "Resolved, that the
12 Board requests that the Corporation
13 Counsel develop, with the review and
14 assistance of the Actuary, and that the
15 New York State Legislature and Governor
16 enact, legislation providing for a
17 two-year extension of the current AIR and
18 the rates of special interest, additional
19 interest and supplementary interest."

20 CHAIRPERSON PENNY: Do I hear a
21 motion to approve?

22 MR. BROWN: So moved.

23 CHAIRPERSON PENNY: Thank you.

24 Do I hear a second?

25 MR. KAZANSKY: Second.

1 CHAIRPERSON PENNY: Thank you.
2 Any questions?
3 (No response.)
4 All those in favor please say "Aye."
5 (A chorus of "Ayes.")
6 All opposed?
7 Any abstentions?
8 (No response.)
9 Motion carries.
10 MS. REILLY: The next resolution is
11 for attendance at a conference:
12 "Resolved, that Trustees of the
13 Teachers Retirement Board hereby approves
14 attendance and participation of the
15 executive director and/or her designees
16 and any interested Trustees for the
17 Council of Institutional Investors 2023
18 spring conference, from March 6 through
19 March 8 2023."
20 CHAIRPERSON PENNY: Do I hear a
21 motion to approve attendance at the
22 conference?
23 MR. KAZANSKY: So moved.
24 CHAIRPERSON PENNY: Thank you.
25 Do I have a second?

1 MR. BROWN: Second.

2 CHAIRPERSON PENNY: Thank you.

3 Any questions?

4 (No response.)

5 All those in favor say "Aye."

6 (A chorus of "ayes.")

7 Any opposed?

8 Abstentions?

9 (No response.)

10 Motion is approved.

11 If anyone is interested please ask
12 the Executive Director about it.

13 MS. REILLY: Next is the calendar.
14 On the first item on the calendar is the
15 approval of the minutes. We had minutes
16 of November 3, 2022 investment meeting
17 minutes, November 17, 2023 board meeting
18 minutes, November 17, 2023 special
19 investment meeting minutes.

20 CHAIRPERSON PENNY: Do I hear a
21 motion to approve?

22 MR. DORSA: Just a point of
23 clarification. November 17, 2023 didn't
24 happen yet.

25 (Laughter.)

1 MS. REILLY: November 17, 2022 board
2 meeting minutes, November 17, special
3 investment meeting.

4 Thank you.

5 MR. DORSA: I'm happy to so move
6 those.

7 (Laughter.)

8 CHAIRPERSON PENNY: Thank you.

9 Do I hear a second?

10 MR. BROWN: Second.

11 CHAIRPERSON PENNY: Questions?

12 All those in favor please say "Aye."

13 (A chorus of "Ayes.")

14 Any opposed?

15 Any Abstentions?

16 (No response.)

17 The minutes are approved.

18 MS. REILLY: Other business. I
19 wanted to give the Board an update that
20 we had a discussion at the board meeting
21 with OMB about the employee contribution
22 process and suggested changes from OMB.

23 I met with the executive director
24 from the Police pension fund as well as
25 from NYCERS. We reviewed everything, and

1 just our determination and the fact that
2 the majority of our board members, not
3 entirely, but the majority of members
4 were not in favor in the change of the
5 process.

6 So we communicated that to OMB, that
7 we don't think, that we believe that the
8 controls in place are sound, and that the
9 process is efficient as it is, and we
10 don't think the change they're
11 recommending is going to make it any more
12 (unclear).

13 So we wrote to them and said we're
14 not in favor of that change. We haven't
15 heard back. I did get a letter from OMB
16 today, under the existing process for
17 employee contributions --

18 CHAIRPERSON PENNY: Thank you.

19 MS. REILLY: I'll go back to the
20 calendar and other items. You all
21 received an electronic copy of those
22 items and had an opportunity to review
23 them.

24 MR. KAZANSKY: Please waive the
25 reading of the calendar.

1 MS. REILLY: Thank you.

2 CHAIRPERSON PENNY: Do I have a
3 motion?

4 MR. KAZANSKY: So moved.

5 CHAIRPERSON PENNY: Thank you.

6 Do I have a second?

7 MS. HIRSH: Second.

8 CHAIRPERSON PENNY: Thank you,
9 Alison.

10 Any questions?

11 (No response.)

12 All those in favor please say "Aye."

13 (A chorus of "Ayes.")

14 Any opposed?

15 Any abstentions?

16 (No response.)

17 Calendar passes.

18 MR. BERGE: I did not vote, but I'm
19 strongly in favor.

20 CHAIRPERSON PENNY: Do you want to
21 read the calendar, Bryan?

22 MR. BERGE: No. That's okay.

23 (Laughter.)

24 MS. REILLY: Other business -- from
25 the public?

1 (No response.)

2 Seeing none.

3 CHAIRPERSON PENNY: Since we have no
4 other business, do I have a motion to
5 adjourn?

6 MR. KAZANSKY: So moved.

7 CHAIRPERSON PENNY: Thank you.

8 A second?

9 MR. BROWN: Second.

10 CHAIRPERSON PENNY: Questions?

11 (No response.)

12 All those in favor of adjourning
13 please say "Aye."

14 (A chorus of "Ayes.")

15 Opposed?

16 Any abstentions?

17 (No response.)

18 We stand adjourned.

19 (Whereupon, at 3:54 p.m., the matter
20 was concluded.)

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

I, Jeffrey Shapiro, a Stenographic 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 Thursday, December 15, 2022, and that this is an accurate transcription of these proceedings.

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of December, 2022.

JEFFREY SHAPIRO