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TEACHERS' RETIREMENT BOARD MEETING

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14 HELD AT:

15 55 WATER STREET
NEW YORK, NEW YORK

16

17 FEBRUARY 14, 2013
3:35 P.M. TO 4:00 P.M.

18

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:

RAYMOND SAROLA, Alternate Trustee

OFFICE OF THE ACTUARY:

ROBERT C. NORTH JR.

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TRS STAFF:

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ROBERT BETHELMY

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CARMELA CRIVELLI

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JOEL GILLER

5

ANNETTE HANRAHAN

ELLEN MURPHY-DeLEO

6

RENEE PEARCE

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OTHER ATTENDEES:

8

INGA VAN EYSDEN, Law Department

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SAMUEL FLAKS, Legal Unit - TRS

VINCENT CHIN, Department of Education

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1 TRS Regular Board Meeting, FEBRUARY 14, 2013

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

3 MS. REILLY: Good afternoon. Welcome to the February 14, 2013
4 meeting of the Teachers' Retirement Board. We will begin 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: Mona Romain?

14 MS. ROMAIN: Present.

15 MS. REILLY: Raymond Sarola?

16 MR. SAROLA: Here.

17 MS. REILLY: Ok, we do have a quorum so the next item on the
18 Agenda is the Update on TRS Operations. I am going to start by
19 introducing two (2) new Directors who have joined the Executive
20 Staff at TRS. Both were employees before, but they have been
21 promoted to Director. We have Anthony Mezzacappa. He is our
22 new Director of the Benefits Administration Department and we have
23 Annette Hanrahan, who you have seen here before, but she is taking
24 over the whole IT Department.

25 MR. AARONSON: We look forward to working with you guys.

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2 Congratulations.

3 MS. REILLY: And now Ellen has some updates for us.

4 MS. DeLEO: I just have a brief update on the 2012
5 Summer Retirements. There were twelve (12) Tier I/II retirement
6 cases that were being held due to the interest rate legislation
7 which recently passed. Since the passing of the legislation, TRS
8 has begun to finalize these Tier I/II retirement cases and of the
9 twelve (12) cases, nine (9) cases have been finalized and placed
10 on Retirement Payroll. The three (3) remaining Tier I/II cases
11 have been processed to receive an increased advanced payment
12 equal to 95% of their estimated finalized benefit while TRS
13 continues to work on finalizing these retirements.

14 MR. AARONSON: Do you think that they might be finalized
15 by when? The end of March?

16 MR. NORTH: Yes.

17 MS. DeLEO: We are kicking off the TDA Spring Campaign and
18 we have begun preparing for this. It is intended to reach out
19 to new members who have not yet joined the TDA Program. The
20 estimated population that will receive this mailing is approximately
21 12,500 and represents members that have joined since September 2011
22 to the present. This mailing is anticipated to be sent during the
23 week of March 11th.

24 MR. AARONSON: You know, in Pensions and Investment Newspaper
25 this week, or it could have been last week's, Teachers' Retirement

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2 System of New York City has the largest 403(b) program of any
3 program in the country.

4 MS. MARCH: Just make it bigger.

5 MR. McTIGUE: Congratulations.

6 MS. DeLEO: In terms of the Quarterly Account Statements
7 ("QAS"), the mailing of the fourth Quarter's Quarterly Account
8 Statement, to a population of approximately 110,370 members was
9 completed on February 11th.

10 The mailing of the fourth Quarter's TDA Quarterly Statement,
11 for participants with deferral status, to a population of
12 approximately 42,000 members was completed on February 12th.

13 The mailing of the fourth Quarter's TDA Quarterly Statement
14 for beneficiary participants, to a population of approximately 600
15 was completed on January 25th.

16 In addition to these statements, the third Quarter's Statements
17 and the remaining TDA Quarterly Statements for participants with TDA
18 deferral status, which were delayed due to the business disruption,
19 were printed and mailed by Pitney-Bowes. They are a vendor that is
20 part of our business continuity plan and these were mailed during
21 the last week of January.

22 MS. REILLY: Thank you Ellen. Next on the Executive Director's
23 Report is the matter of the next meeting. It has been suggested
24 that the next regular meeting of the Teachers' Retirement Board be
25 held on the third Thursday of the month, March 21, 2013.

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2 MR. AARONSON: Everybody check their Calendars.

3 MS. REILLY: So next on the Agenda is the Recommendation
4 for a Preliminary Fiscal Year 2013 Employer Contribution to the
5 New York City Teachers' Retirement System.

6 MS. MARCH: Move to the Resolved.

7 MS. REILLY: Resolved, that the Employer Contribution to
8 the New York City Teachers' Retirement System for Fiscal Year 2013
9 be revised from \$2,673,078,096 to \$2,853,909,197 and such revision
10 is hereby approved by the Retirement Board.

11 MR. AARONSON: Does anybody have any questions that they would
12 like to ask the Actuary about that? (hearing none) Is there a
13 motion to accept?

14 MS. ROMAIN: So moved.

15 MS. GRIMM: Second.

16 MR. AARONSON: Is there any discussion? Seeing none, all those
17 in favor of the recommendation say aye.

18 (Whereupon, all those present so indicted.)

19 MR. AARONSON: Any opposed? Seeing no opposition, the motion
20 carries.

21 MR. NORTH: And I thank the Board.

22 MS. REILLY: Next on the Agenda is a report on the February 7,
23 2013 Special Board Meeting held in Executive Session.

24 MR. AARONSON: You may recall that the Board held a special
25 meeting on February 7th, in Executive Session, pursuant to Public

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2 Officer Law, Section 105. At this meeting, the Board passed
3 two (2) resolutions regarding the purchases and sales of
4 securities. These resolutions are to be made public once the
5 sales have been completed. I have been informed, shortly before
6 this meeting started, by the Comptroller's Office and the TRS
7 Investment Administration staff, that the required actions have
8 been taken and that the resolutions may now be made public.
9 I therefore request that the Executive Director now read the
10 resolutions into public record.

11 MS. REILLY: Whereas, in light of the recent tragic events
12 in Newton, Connecticut, Casas Adobes, Arizona and Aurora, Colorado
13 and the continued widespread gun violence in America, the Board
14 of Trustees of the Teachers' Retirement System of the City of New
15 York had determined that gun violence threatens the lives of
16 students, and of educators and other public servants; and

17 Whereas, the Board directed the Office of the Comptroller,
18 Bureau of Asset Management and its investment consultant Rocaton
19 Investment Advisors to undertake an analysis of the System's
20 holdings in gun manufacturers and the impact on the portfolio
21 of such holdings and of their possible sale; and

22 Whereas, gun and ammunition manufacturers are generally
23 defined as companies that receive material revenue from the
24 manufacture of civilian firearms and ammunition; ("Gun
25 Manufacturers") and

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2 Whereas, after an extensive review that included, but was
3 not limited to, analysis from the Comptroller's Bureau of Asset
4 Management, Rocaton Investment Advisors and investment managers
5 of the System, both Rocaton and the Comptroller's Office have
6 determined that divesting from Gun Manufacturers, which constitute
7 an extremely small proportion of the Russell 3000 Index and of the
8 System's portfolio, is expected to have virtually no, or a
9 negligible, impact on the performance or risk profile of the
10 System's holdings over the long term; and

11 Whereas, based upon the foregoing analyses and the relevant
12 fiduciary standards, the New York City Office of the Corporation
13 Counsel has advised the Board that divestiture of the System's
14 investments in Gun Manufacturers would not be inconsistent with
15 the Trustees' fiduciary duties; now therefore be it

16 Resolved, the Board directs the Bureau of Asset Management
17 to divest as soon as practicable, in an orderly manner, from all
18 Gun Manufacturers, including the following:

19 Alliant Techsystems Inc., Olin Corp, Smith & Wesson, Sturm
20 Ruger and Forjas Taurus; and be it further

21 Resolved, that the Board directs the Comptroller's Bureau
22 of Asset Management to send notice to all existing and future
23 public and private markets managers of the addition of Gun
24 Manufacturers, but not limited to the companies named above,
25 to the System's list of prohibited investments; and be it further

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2 Resolved, that the Board directs Rocaton Investment
3 Advisors and the Comptroller's Bureau of Asset Management,
4 working with counsel, to monitor whether the directive provided
5 herein remains consistent with relevant fiduciary standards.
6 This resolution shall take effect immediately.

7 MR. AARONSON: Thank you and could you read the second
8 resolution please?

9 MS. REILLY: (Resolution Re: Investment of the Variable
10 Annuity Funds) Whereas, in light of the recent tragic events
11 in Newtown, Connecticut, Casas Adobes, Arizona and Aurora,
12 Colorado and the continued widespread gun violence in America,
13 the Board of Trustees of the Teachers' Retirement System of the
14 City of New York has determined that gun violence threatens the
15 lives of students and of educators and other public servants; and

16 Whereas, the Board directed the Variable Annuity Funds
17 investment consultant Rocaton Investment Advisors and TRS
18 Investment Administration staff to undertake an analysis of the
19 System's holdings in gun and ammunition manufacturers and the
20 impact on the portfolio of such holdings and of their possible
21 sale; and

22 Whereas, gun and ammunition manufacturers are generally
23 defined as companies that receive material revenue from the
24 manufacture of civilian firearms and ammunition ("Gun
25 Manufacturers"); and

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2 Whereas, after an extensive review that included, but was
3 not limited to, analysis from the Rocaton Investment Advisors
4 and investment managers of the System, both Rocaton and TRS
5 Investment Administration staff have determined that divesting
6 from gun manufacturers, which constitute an extremely small
7 portion of the Russell 3000 Index and of the portfolios of the
8 Variable Annuity Funds, is expected to have virtually no, or a
9 negligible, impact on the performance or risk profile of the
10 Variable Annuity Funds over the long term; and

11 Whereas, based upon the foregoing analyses and the relevant
12 fiduciary standards, the System's counsel, and fiduciary counsel,
13 Groom Law Group, has advised the Board that divestiture of
14 investments in Gun Manufacturers by the Variable Annuity Funds
15 would not be inconsistent with the Trustees' fiduciary duties; now
16 therefore be it

17 Resolved, the Board directs the divestment as soon as
18 practicable, in an orderly manner, from all Gun Manufacturers that
19 may be held in separately managed accounts within the Variable
20 Annuity Funds, including the following:

21 Alliant Techsystems Inc., Olin Corp., Smith & Wesson, Sturm
22 Ruger and Forjas Taurus; and be it further

23 Resolved, that the Board directs that notice shall be sent
24 to all existing and future separate account managers of the
25 addition of Gun Manufacturers, including but not limited to the

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2 companies named above, to the list of prohibited investments of
3 the Variable Annuity Funds; and be it further

4 Resolved, that the Board directs Rocatton Investment Advisors
5 and the TRS Investment Administration staff, working with counsel,
6 to monitor whether the directive provided herein remains consistent
7 with relevant fiduciary standards; and be it further

8 Resolved, that the Chair, or in his absence, the Deputy
9 Executive Director, or in her absence, the Director of Investment
10 Administration, is hereby authorized and directed to take any action
11 as may be necessary to implement this resolution.

12 This resolution shall take effect immediately.

13 MR. AARONSON: Thank you very much. May I request that you
14 report out the vote on this resolution?

15 MS. REILLY: Yes. Melvyn Aaronson voted aye; Kathleen Grimm
16 was not present; Sandra March voted aye; Thad McTigue voted aye;
17 Mona Romain voted aye; Raymond Sarola voted nay.

18 MR. SAROLA: Mr. Chairman, may I be heard on the vote?

19 MR. AARONSON: Yes.

20 MR. SAROLA: Thank you. As I stated during the vote on these
21 resolutions, for the past decade there is no person in the country
22 who has been a stronger, more effective advocate, for rational
23 gun regulation than Mayor Bloomberg. Pension investments, however,
24 should be considered and made based on a disciplined risk-reward
25 analysis that will protect fund assets in the interest of its

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2 members and of all 8.4 million city residents. Rarely, if ever,
3 should pension investments be subject to considerations outside
4 that economic analysis. It was for these reasons the Mayor's
5 Office voted no on the resolutions.

6 MR. AARONSON: Anybody else?

7 MS. MARCH: I would like to take this opportunity to thank
8 the Investment staff at the Comptroller's Office, our consultant
9 Rocaton, our attorneys, our outside counsel, corporation counsel
10 and our counsels at Teachers' Retirement System for guiding us
11 as fiduciaries which brought us to this point; helping us to
12 understand what the word de minimis meant and that we were quite
13 capable of being able to do this as fiduciaries and Trustees of
14 this retirement system.

15 MS. ROMAIN: I would also like to say something. We were
16 assured that as fiduciaries, that alternative portfolios could be
17 constructed with same risk return profile without these stocks.

18 MR. McTIGUE: Mr. Chairman, if I may be heard?

19 MR. AARONSON: Yes.

20 MR. McTIGUE: As we said, at the time of the vote, our vote
21 was based on the fact that we did receive an extensive analysis
22 from your investment management, from our independent consultant
23 Rocaton Investment Advisors and I hear from the Law Department
24 that such vote would be consistent with our fiduciary obligations.
25 So, I think it is important to restate that our vote was in fact,

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2 based on extensive analyses and review.

3 MR. AARONSON: Thank you very much.

4 MS. GRIMM: I was not there and I (inaudible) opposed the
5 motion. I agree with Raymond, but I think decisions about
6 investments need to be more broadly seen. Obviously, the vote
7 has been taken.

8 MR. AARONSON: Thank you. Can we move on to the next item?

9 MS. REILLY: Alright. The next item is the Calendar. First,
10 we have the approval of the Minutes for the regular meetings held
11 on January 17, 2013.

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

13 MS. MARCH: So moved.

14 MR. AARONSON: Do I hear a second?

15 MS. ROMAIN: Second.

16 MR. AARONSON: Any discussion? All those in favor of approving
17 the minutes?

18 (Whereupon, all those present so indicated.)

19 MR. AARONSON: Anybody oppose? Minutes are carried.

20 MS. REILLY: On the Calendar, you have all been provided with
21 a copy of the Calendar, I will just review it.

22 Pages 1 through 14 the Monthly Periodic Payroll of TDA, Excess,
23 Loan Payments; Page 15 is the Payment Summary Advanced Payments for
24 New Retirees and TDA annuitants; Pages 16 through 25 inclusive and
25 Pages 26 through 47 inclusive are for Fractional Payments; Page 48

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2 through 55 inclusive are the Uncollected Checks for Deceased
3 Members; Pages 59 through 68 inclusive is the Beneficiary
4 Continual Option payments; Pages 69 through 70 are the Conversion
5 to Pop-up Payments; Pages 71 through 114 inclusive are Beneficiaries
6 who receive One-Time Payments from their QPP and TDA Accounts;
7 Pages 115 through 117 are the Return Net Accumulated Salary
8 deductions; Page 118 is the Transfer Funds between the Banks;
9 Pages 119 through 123 is the Purchase and Sales of Securities
10 transacted from the Passport Fund Program; Pages 124 through 137
11 are Outstanding Checks; Pages 138 through 140 are Revisions
12 including those under Class Coverage; Page 141 is the Payoff
13 without Pay; Pages 142 through 144 are Payments for Service
14 Credit; and Page 146 is New Service Retirement Payroll.

14 And that is it for the Calendar.

15 MR. AARONSON: Do I hear a motion to accept the Calendar?

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

17 MR. AARONSON: Do I hear a second?

18 MS. GRIMM: Second.

19 MR. AARONSON: Any discussion? All those in favor?

20 (Whereupon, all those present so indicated.)

21 MR. AARONSON: Any opposed? Calendar has been carried.

22 Thank you very much Patricia.

23 MS. REILLY: Next on the Agenda is Other Business.

24 MR. AARONSON: Does any Board Member have any other business
25 that they would like to bring up?

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2 MS. MARCH: Just to wish everybody a Happy Valentine's
3 Day. Love is important.

4 MS. REILLY: I would like to, if I may, I wanted to make
5 an announcement. We would like to inform the Board that we
6 will be dedicating the Boardroom in Nelson Serrano's memory,
7 at the next Board Meeting on March 21, 2013. So we look forward
8 to doing that and we will be inviting his family. They will be
9 here.

10 MR. AARONSON: Thank you for that. Any other business
11 before the Board? Seeing none...

12 MS. MARCH: We have a motion to move into Executive Session
13 pursuant to Public Officers Law Section 105 to go into this session
14 for Attorney / Client discussions regarding a Legal Matter.

15 MS. ROMAIN: Second.

16 MR. AARONSON: Is there any discussion? Seeing none, all
17 those in favor of moving into Executive Session for Client /
18 Attorney Matter say aye.

19 (Whereupon, all those present so indicated.)

20 MR. AARONSON: All those opposed? No opposed. We are now
21 in Executive Session.

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

23 MR. AARONSON: Do I hear a motion to leave Executive Session?

24 MS. MARCH: So moved, Mr. Chairman.

25 MS. GRIMM: Second.

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2 MR. AARONSON: Any discussion? All those in favor?

3 (Whereupon, all those present so indicated.)

4 MR. AARONSON: Any opposed? Ok, so we are out of Executive
5 Session and in Executive Session the Board received advice from
6 the Corporation Counsel regarding a pending legal matter. No
7 action is being taken at this time.

8 Do I hear a motion to adjourn?

9 MS. MARCH: So moved.

10 MS. ROMAIN: Second.

11 MR. AARONSON: Any discussion? All those in favor of
12 adjourning say aye.

13 (Whereupon, all those present so indicated.)

14 MR. AARONSON: Any opposed? Thank you very much for your
15 attendance and Happy Valentine's Day. We are adjourned.

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