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NEW YORK CITY TEACHERS' RETIREMENT SYSTEM  
BOARD MEETING

Held on Thursday, November 15, 2018, at 55 Water  
Street, New York, New York

10 ATTENDEES:

11 JOHN ADLER, Chairman, Trustee  
12 DAVID KAZANSKY, Trustee  
13 THOMAS BROWN, Trustee  
14 DEBRA PENNY, Trustee  
15 SUSANNAH VICKERS, Trustee  
16 LINDSEY OATES, Trustee  
17 PATRICIA REILLY, Teachers' Retirement System  
18 THAD McTIGUE, Teachers' Retirement System  
19 SUSAN STANG, Teachers' Retirement System  
20 VALERIE BUDZIK, Teachers' Retirement System

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23 REPORTED BY:

24 YAFFA KAPLAN  
25 JOB NO. 2467227

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ATTENDEES (Continued):

KAVITA KANWAR, Teachers' Retirement System  
LIZ SANCHEZ, Teachers' Retirement System  
ANNETTE HANHARAN, Teachers' Retirement System  
CARMELA CRIVELLI, Teachers' Retirement System  
ROBERT BETHELMI, Teachers' Retirement System  
PAUL RAUCCI, Teachers' Retirement System  
RENEE PEARCE, Teachers' Retirement System  
AMY CASSIDY, ESQ., Law Department  
SAM RUMLEY, Office of the Actuary  
DOLORES CAPONE, Office of the Actuary  
ANDREW BRADFORD, Teachers' Retirement System  
MELVYN AARONSON, Teachers' Retirement System  
PAUL MARTINIELLO, CEM

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Proceedings

MR. ADLER: All right, good afternoon.  
Welcome.  
MR. KAZANSKY: And one lovely afternoon  
it is.  
MR. ADLER: Welcome to this snowy day at  
the Teachers' Retirement System regular board  
meeting for November 15, 2018.  
Patricia, will you please call the roll?  
MS. REILLY: John Adler?  
MR. ADLER: I am here.  
MS. REILLY: Thomas Brown?  
MR. BROWN: Here.  
MS. REILLY: David Kazansky?  
MR. KAZANSKY: Present.  
MS. REILLY: Lindsey Oates?  
MS. OATES: Here.  
MS. REILLY: Debra Penny?  
MS. PENNY: Here.  
MS. REILLY: John Dorsa -- I mean, I'm  
sorry.  
MS. VICKERS: I am here for John Dorsa.  
Susannah Vickers.  
MS. REILLY: Okay.  
MR. ADLER: We have a quorum?

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MS. REILLY: We do.  
MR. ADLER: Before we move into our  
agenda, I would just like to ask Sam Rumley  
from the Office of the Actuary to make an  
introduction.  
MR. RUMLEY: Okay. Thank you. I would  
like to introduce to the board a colleague  
that works -- she is a manager in the  
actuarial services division at the Office of  
the Actuary. This is Dolores Capone. And she  
is part of the chief actuary's succession  
planning scenario along with her idea of  
having professional staff development, and  
finally just to give the board some continuity  
with the familiar face, so if you need to  
contact someone, Dolores is your individual.  
So thank you.  
MR. ADLER: With that, we will move  
ahead with the agenda.  
MS. REILLY: Next is an update on TRS  
operations. Kavita is going to give us that.  
Ms. KANWAR: Members have been notified  
that their account statements for the third  
quarter of 2018 are now available. On

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1 Proceedings  
2 November 5th, quarterly account statements  
3 were posted on a website for approximately  
4 125,000 members who are currently in service  
5 or on leave. Mailing of these statements will  
6 occur between November 16th and November 19th.  
7 On August 30, TDA quarterly statements  
8 were posted online for approximately 56,000  
9 members who have TDA-deferral status. Mailing  
10 occurred on November 5th. And finally, the  
11 TDA quarterly statements for TDA beneficiary  
12 participants were mailed to a population of  
13 approximately 1,000 members on October 24th.  
14 Earlier this fall we informed our members that  
15 the third-quarter account statements would be  
16 the last one they receive by mail. Future  
17 account statements will be available on our  
18 secure website. This is the latest step in  
19 our strategic effort to more paperless  
20 operations.

21 The fall 2018 issues of our member  
22 newsletters have been published and posted on  
23 our website. In-Service News will be mailed  
24 to retired members over the next weeks and the  
25 Benefit Reports will be mailed to our

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1 Proceedings  
2 retirees.  
3 MS. REILLY: Thank you.  
4 MR. ADLER: Thank you.  
5 MS. REILLY: So next is the executive  
6 director's report and the first item there --  
7 oh, before I get to that, I did want to let  
8 everybody know that we have gotten a new  
9 investment and board meeting schedule as a  
10 handout. There has been a change which is  
11 highlighted in yellow.  
12 MR. ADLER: That's a change that's been  
13 previously sent out to us?  
14 MS. REILLY: Right but we are just  
15 making sure everybody has it.  
16 MR. ADLER: Okay, great. Thank you.  
17 MS. REILLY: So the executive director's  
18 report, and the next item is the matter of the  
19 minutes and it's been suggested -- I'm sorry.  
20 The next meeting and it's been suggested that  
21 the next regular meeting of the Teachers'  
22 Retirement Board be held on the third Thursday  
23 of the month, December 20, 2018.  
24 Next is adoption of the revised proxy  
25 voting guidelines.

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MR. KAZANSKY: Please skip to the resolved.  
MS. REILLY: "Resolved that the Retirement Board hereby ratifies adoption of the revised proxy voting guidelines for the Teachers' Retirement System".  
MR. ADLER: Okay. So this is a ratification really of a vote that the committee -- it's the committee's recommendation, proxy committee recommendation to the full board.  
So can we have a motion to adopt this resolution?  
MR. BROWN: So moved.  
MR. ADLER: Is there a second?  
MS. VICKERS: Second.  
MR. ADLER: We will take Ms. Vickers. I think she was in under the wire. Any discussion? Okay. All in favor of the motion to ratify adoption of the revised proxy voting guidelines, please say aye. Aye.  
MS. OATES: Aye.  
MS. PENNY: Aye.  
MS. VICKERS: Aye.

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MR. BROWN: Aye.  
MR. KAZANSKY: Aye.  
MR. ADLER: All opposed, please say nay. Any abstentions? Motion carries.  
MS. REILLY: Next item on the agenda is attendance at a conference, and the following resolution is presented for consideration and possible adoption.  
"Resolved that the Trustees of the Teachers' Retirement Board hereby approve the attendance and participation of the Executive Director and/or her designees and any interested Trustee at the National Conference on Public Employee Retirement System's Legislative Conference from January 27th through January 29, 2019.  
MR. ADLER: Okay. Is there a motion?  
MR. KAZANSKY: So moved.  
MR. ADLER: Thank you, Mr. Kazansky. Is there a second?  
MR. BROWN: Second.  
MR. ADLER: Thank you, Mr. Brown. Any discussion? All in favor of the motion to approve attendance at the NCPERS Legislative

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1 Proceedings  
2 Conference in January, please say aye. Aye.  
3 MS. OATES: Aye.  
4 MS. PENNY: Aye.  
5 MS. VICKERS: Aye.  
6 MR. BROWN: Aye.  
7 MR. KAZANSKY: Aye.  
8 MR. ADLER: All opposed, please say nay.  
9 Any abstentions? Motion carries.  
10 MS. REILLY: Next on the agenda is the  
11 matter of the calendar. And first item is the  
12 approval of all of the CIM minutes from  
13 10/17/2018, the investment meeting minutes  
14 from 10/4/2018, the board meetings from  
15 10/18/2018.  
16 MR. ADLER: So first, let me see if  
17 anyone has any comments or changes for any of  
18 those meeting minutes. Seeing none, can we  
19 get a motion to approve all the minutes that  
20 Patricia just read off?  
21 MS. VICKERS: So moved.  
22 MR. ADLER: Thank you, Ms. Vickers. Is  
23 there a second?  
24 MS. PENNY: Second.  
25 MR. ADLER: Thank you, Ms. Penny. Any

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1 Proceedings  
2 discussion? All in favor of approval of the  
3 motion approving the minutes, please say aye.  
4 Aye.  
5 MS. OATES: Aye.  
6 MS. PENNY: Aye.  
7 MS. VICKERS: Aye.  
8 MR. BROWN: Aye.  
9 MR. KAZANSKY: Aye.  
10 MR. ADLER: All opposed, please say nay.  
11 Any abstentions? Motion carries.  
12 MS. REILLY: Next is the calendar and  
13 you have all received an electronic version of  
14 the calendar.  
15 MR. KAZANSKY: Please waive the reading  
16 of the calendar.  
17 MR. ADLER: So we have the calendar in  
18 front of us. Is there a motion to approve  
19 adoption of the calendar?  
20 MR. KAZANSKY: So moved.  
21 MR. ADLER: Thank you, Mr. Kazansky. Is  
22 there a second?  
23 MR. BROWN: Second.  
24 MR. ADLER: Thank you, Mr. Brown. Any  
25 discussion? All in favor of the motion to

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1 Proceedings  
2 approve the calendar, please say aye. Aye.  
3 MS. OATES: Aye.  
4 MS. PENNY: Aye.  
5 MS. VICKERS: Aye.  
6 MR. BROWN: Aye.  
7 MR. KAZANSKY: Aye.  
8 MR. ADLER: All opposed, please say nay.  
9 Any abstentions? Motion carries.  
10 MS. REILLY: Next, other business. We  
11 have a presentation by CEM.  
12 MR. MARTINIELLO: Good afternoon,  
13 pleasure to be here. I come from less snowy  
14 Canada to very snowy New York. My name is  
15 Paul Martiniello. I am a director with CEM  
16 Benchmarking which I understand most people in  
17 the room know who we are and what we do. I  
18 recognize a couple of faces.  
19 With that said, I did want to spend a  
20 couple of minutes giving a bit of context as  
21 to the service that we provide under the  
22 pension administration benchmarking and the  
23 results that I am going to review with you  
24 this afternoon.  
25 So our pension benchmarking

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1 Proceedings  
2 administration service looks at both your  
3 costs and service within -- we basically do an  
4 analysis and comparison among the peer group  
5 that essentially addresses whether or not your  
6 system is adding value based on what you are  
7 spending. So value for money. And those two  
8 elements of our report is what I am going to  
9 review in the next few minutes.  
10 That said, there is also a best global  
11 practices piece which I wanted to just  
12 highlight, and that has to do with the fact  
13 that, as you can appreciate, we work with  
14 pension plans all over the world and we have  
15 the luxury, if you will, and benefit of  
16 dealing with experts in the pension field like  
17 those in TRS NYC among the others in our  
18 database. And as a result, there is a lot of  
19 sharing of best practices and experiences that  
20 everybody values, and it's done either  
21 virtually online through a platform we have as  
22 well as conferences that we run once a year.  
23 Also we conduct some research, so I want to  
24 mention that and also give kudos to the team  
25 here at TRS in New York. I have known Kavita

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1                               Proceedings  
2 and a few others like Joan and Matt for  
3 several years and they have been great  
4 contributors to that effort, so I look forward  
5 to that as we move forward.

6               And the last bit of context I want to  
7 add is CEM is an acronym for cost-effective  
8 measurement and that's -- I think that's  
9 important to bring out because essentially  
10 cost-effectiveness is really about the  
11 cost-benefit dynamics, so it's not just  
12 reducing cost, being obsessed with reducing  
13 cost. Obviously that's always a good thing.  
14 I think what's most important is understanding  
15 the value that your system is providing to the  
16 members given what you are spending at the  
17 same time as managing costs, so that's just a  
18 point I wanted to bring out.

19               We have seen trends that speak to our  
20 global best practices that really support  
21 this. There is three main ones that I can  
22 highlight. Primarily number one is -- and  
23 they are all interrelated. I hope these all  
24 resonate with you, cost-effectiveness and all  
25 the various initiatives that go into making a

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1                               Proceedings  
2 system more cost-effective. There is focus on  
3 member communication, all things member  
4 communication, engagement which are obviously  
5 important to your member base, and something  
6 that we have seen become increasingly more  
7 important in the last few years. And the last  
8 thing is system modernization. This is a  
9 trend we have seen throughout our database,  
10 and there is various reasons why systems are  
11 modernizing, starting with strategic reasons.  
12 So your drive to maybe go more member-centric,  
13 for example. Obsolescence of your systems  
14 because they are just at the stage where they  
15 need to be updated, and the last one is  
16 complexity or dealing with increased  
17 complexity in your system of which, as you can  
18 appreciate, these are all interrelated. If  
19 your system is obsolete, then you are not  
20 going to be able to implement those. So those  
21 are trends we see throughout our database and  
22 I want to bring those up front because they do  
23 add some color to the results that we are  
24 going to see.

25               With regards to our global database, I

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2 am not going to spend time here going through  
3 the details but will remind everyone it is a  
4 global database. We do work with pension  
5 plans all over the world except for a few that  
6 we are still trying to make some progress on  
7 in some European countries where we are not  
8 present, even some African, Asian countries as  
9 well as Latin America we have got some focus,  
10 and hopefully in the next year or so we will  
11 see more of those systems added to the global  
12 peer group. But what's more important for the  
13 purposes of our analysis and the results I am  
14 going to show is the custom peer group that we  
15 have established for your system, Teachers of  
16 New York. We have put together a peer group  
17 which we bound peers around you by size,  
18 especially including size of active number of  
19 members and annuitants, and the reason we  
20 focus on active members and annuitants and  
21 remove the inactives is because we know from  
22 experience that active members and annuitants  
23 are what primarily drives administration  
24 costs.

25 So as you can see, your system is very

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2 close to the median. Couple of things I want  
3 to highlight from this peer group are two  
4 things. One is the fact that this is  
5 consistent year over year so the same peer  
6 group as we compared to you last year, so that  
7 provides some consistency in our comparison  
8 especially when we look at trends.

9 Second thing is take a look at member  
10 mix in terms of your percentage of active and  
11 annuitants compared to your peer average and  
12 you are very close. As a matter of fact, your  
13 system has about 4 percent more active and  
14 annuitants than the peer average but very well  
15 aligned, so there is not a lot of noise, if  
16 you will, than having annuitants more active  
17 in your peer group.

18 So let's look at some numbers. Your  
19 total pension administration costs of 52  
20 million -- by the way, those are numbers for  
21 2017. Maybe I didn't make that clear up  
22 front. Fifty-two million dollars which  
23 translates to a cost of 235 dollars per active  
24 members and annuitants, which when we compare  
25 you to the peer group, the peer average of



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1                               Proceedings  
2 115, it puts you at 120 dollars more than the  
3 peer average.  
4       So what we ask at CEM is why. Why is  
5 your cost higher than the peer average, and we  
6 have got a model that breaks down the reasons  
7 which I am going to go into. Before I go into  
8 the details of that particular model though, I  
9 just wanted to highlight the complexity factor  
10 of your particular system which I don't think  
11 I need to tell anybody in this room you are a  
12 fairly complex system. We measure that  
13 relative to other systems, not only in your  
14 peer group but also the universe. So this  
15 chart you are looking at, the dark blue is you  
16 and the middle blue is your peers and the  
17 remainder are the universe, and you can see  
18 that basically when we look at your  
19 complexity, you are the third-highest not only  
20 in the peer group but the universe, and it  
21 reflects your policy and things that are  
22 typically out of control from a management's  
23 perspective, but I would like to bring that to  
24 your attention here because it does add some  
25 context around the fact that complexity does

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1                               Proceedings  
2 have an impact on administration costs and in  
3 the case of a system like yours which is going  
4 through a system modernization project, it can  
5 also have increased costs because of the  
6 things that you have to contend with when you  
7 are putting that system in place.  
8       So back to the model and why your costs  
9 are 120 dollars above the peer averages. So  
10 we at CEM have a model whereby we have six key  
11 drivers that we go through. The first one is  
12 economies of scale, which is a nonissue in the  
13 case of your system. The second two, number  
14 two and three have to do with transactions.  
15 The first one is the number of transactions  
16 that your system processes per member so it  
17 really reflects workloads. And the other  
18 element of that is productivity side which is  
19 how many transactions your FTE process and how  
20 effectively do they do that. So you can see  
21 the higher transactions per member in your  
22 case increased your costs per member above the  
23 peer average by 60 dollars, and there is a bit  
24 of an offset there of about 20 dollars in  
25 terms of the productivity and we are going to

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1 Proceedings  
2 go into some of this in a bit more detail.  
3 The fourth element has what to do with costs  
4 that vary by FTEs, so when you add an FTE to  
5 your system, you obviously have salaries and  
6 benefits, but there is also things like  
7 building utilities and HR, IT Desktop that  
8 could be impacted. Here we have a slight  
9 impact of \$3.52 that we will look at a little  
10 bit closer. We also look at third-party costs  
11 that relate to just front office activities.  
12 By "front office", I am referring to the way  
13 we define it at CEM are activities that come  
14 into contact with members and/or employers.  
15 Okay. So and there is -- you basically have  
16 lower third-party costs with respect to those  
17 types of transactions, and then the last key  
18 driver has to do with basically paying more or  
19 less for back office activity, and by "back  
20 office" we are talking about basically support  
21 activities such as governance, the major  
22 project which in this case will be your system  
23 administration, IT strategy, actuary, legal,  
24 et cetera.

25 I just want to point one thing out which

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1 Proceedings  
2 is -- this is an exception. An additional  
3 calculation we made for your system that you  
4 see there to the right has an asterisk on it  
5 specifically next to major projects, and  
6 that's due to the fact that there was some  
7 questions around okay, well, here at TRS NYC  
8 we expense our major projects on an annual  
9 basis versus other systems may amortize it  
10 over longer periods. So what's the impact?  
11 Well, you can see we did a calculation with an  
12 assumption of eight-year amortization, which  
13 is as far as the data for yourselves that we  
14 can actually do this calculation. You can see  
15 the difference. There is a bit of a  
16 difference. It's not really material. Your  
17 costs would have been 62 dollars more than the  
18 peer average versus the 71.

19 And just as a side note, I will say  
20 within your peer group there is only three  
21 that are not conducting system administration  
22 projects, and within those three, the majority  
23 actually are -- they do both. Some amoritize,  
24 capitalize the costs, and others expense it,  
25 so they capitalize some and expense other

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1 Proceedings  
2 parts of that. So and then like yourselves,  
3 there is just three that just expense it  
4 fully, so I want to make sure that everybody  
5 is clear that you are in a very comparable  
6 group with regards to that so I wouldn't be  
7 too concerned.

8 Now let's go into a bit more detail as  
9 to some of the more material drivers behind  
10 the costs. The transactions per volume. So  
11 this one is interesting. First of all,  
12 transaction volumes we knew through our  
13 experience are key driver of cost, so it's  
14 something to take a look at. As you can see  
15 in the case of your system, it was  
16 substantially higher than the peer average by  
17 193 percent which led to an increase of total  
18 cost per member by \$60.18. And we are going  
19 to see in a few minutes -- actually not in a  
20 few minutes, in a few seconds because I am  
21 going to flip to the slide in a little bit  
22 more detail and I apologize it's a little bit  
23 hard to read, but I just want to drive down  
24 what those transactions look like.

25 So we are not going to go into this but

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1 Proceedings  
2 this is what I referred to earlier as the  
3 front office transaction so everything that  
4 comes into contact with members in terms of  
5 things like putting pensions into pay and  
6 accepting new members, withdrawals,  
7 everything, everything to do with member  
8 communication. And the third block is your  
9 data collection and data maintenance with  
10 respect to the work you do with employers. So  
11 specifically the difference here and the  
12 driver for TRS NYC has to do with what I have  
13 come to learn about your system is the deficit  
14 and credit of service that you have with your  
15 teachers and the collection of that on a  
16 retroactive basis and I understand there is  
17 two elements. There is just the normal course  
18 of business that happens with teachers on an  
19 ongoing basis and there is a more exceptional  
20 situation where you have got this five-year  
21 contract with the union that there is a whole  
22 bunch of these being processed and inhabited  
23 for a couple of years and this will drop off  
24 in about three years' time in 2020. And that  
25 second element is what really has driven the

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2 transactions up in particular with what we are  
3 labelling here 1-D, the purchases and  
4 transferring, and that's one of the more  
5 expensive type of transactions. So that's  
6 really what's driving the cost relative to  
7 your peer average for your system, and when  
8 that drops off, you did a quick calculation,  
9 if it drops off to numbers, the management  
10 team told me it would have 75 percent drop-off  
11 which would have a substantial impact on that.

12               The two other activities I want to point  
13 out is first one listed as calls and e-mails  
14 but really talking about call volume. As you  
15 can see, they are substantially higher than  
16 the peer average. That I also understand is  
17 driven a lot by the same issue with deficit  
18 and credit of service where letters are sent  
19 to the members and there is a definitive spike  
20 in call volumes that are seen. A lot of  
21 members are calling for status updates on the  
22 situation, which I am also told will be online  
23 shortly and that will ideally have an impact  
24 on less calls as well. And then the third one  
25 is the member counseling, one on one. We have

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1                               Proceedings  
2 seen an increase on that activity in the past  
3 year, which has an administrative cost to it.  
4 However, I will tell you, jumping ahead to the  
5 service side, we have also seen an increase in  
6 your service scores as a result of one-on-one  
7 counseling which members love, right? That's  
8 a very valued service albeit kind of an  
9 expensive one too.

10               In terms of the productivity, I am not  
11 going to really say much more about this.  
12 Like I said, there is an offset in the case of  
13 TRS NYC. Your staff -- if you look at  
14 transactions per FTE and what's processed, you  
15 process more transactions per FTE than peers  
16 in a few average areas, but not surprisingly  
17 it's what we just saw with respect to the  
18 purchases transferred in as well as the  
19 handling of those calls. Okay? So that has  
20 the effect of dropping the cost by -- in this  
21 case \$20.27 relative to the peer average. In  
22 terms of actual costs per FTE, these are -- as  
23 I mentioned earlier, the costs varied at FTE.  
24 You can see that if we look at the total, your  
25 total cost per FTE increased by \$3.52 relative

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1 Proceedings

2 to the peer average.

3 Two components to highlight here. The  
4 first is the fact that major project staff  
5 costs are higher. I think that's potentially  
6 to be expected given where you are at with  
7 your project, and I just want to clarify that  
8 this does include -- so this includes all  
9 staff under the management of TRS of which  
10 some are consultants that are part of that.  
11 So that's the definition. The other component  
12 to this is the fact that buildings and  
13 utilities are quite a bit higher and that has  
14 to do with your environment in which you work  
15 in.

16 Just as a note on the major project cost  
17 and staff, I just want to add some color again  
18 on a global perspective I have seen. We took  
19 a look at numbers in our universe database  
20 that for 2000 to 2016 -- I don't have the '17  
21 numbers but we saw an increase in costs in  
22 major projects and IT of 17 percent per annum  
23 every year for those seven years. We would  
24 like to say we have seen a reduction in costs  
25 in other activities like member-facing

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1 Proceedings

2 activities. I think the jury is still out on  
3 that. It's a little bit early because we  
4 don't have enough data but I think we will.  
5 That's the expectation but what we have seen  
6 is absolutely an increase in the amount of  
7 online activity. Members are going online  
8 into the secure portion of websites for their  
9 systems to the tune of 9 percent increase  
10 annually over that same time period. So we  
11 hope that as we move forward that the benefits  
12 of the work that's being done on the system  
13 will show some efficiencies. They are  
14 certainly starting to show some division to  
15 the member utility and what they can do.

16 MR. ADLER: Can I just ask a question?

17 MR. MARTINIELLO: Sure.

18 MR. ADLER: So the building utilities,  
19 that's a huge disparity there. So is that  
20 just based on the cost of our rent and the  
21 associated cost?

22 MR. MARTINIELLO: Correct. That's what  
23 I suspect. Exactly.

24 MR. ADLER: And the salary stuff, that  
25 includes fringes, that includes pension and

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1 Proceedings  
2 health-care costs; is that correct; is that  
3 right or not because pension costs are not  
4 included in our budget I don't believe so --

5 MR. MARTINIELLO: It does include  
6 salaries and benefits. So if benefits -- if  
7 the health care for your or the pensions for  
8 your staff are in there --

9 MR. ADLER: You may not know whether  
10 because remember, our budget doesn't --

11 MR. McTIGUE: It does not include that.  
12 I don't know how they calculate this.

13 MR. ADLER: Just curious. That's fine.

14 MS. REILLY: But you can look, our staff  
15 are paid less than our peer average.

16 MR. ADLER: Although that may be because  
17 they are not including the pension costs  
18 whereas others are. It may not be an  
19 apples-to-apples comparison.

20 MS. REILLY: Well, we are all supposed  
21 to be all doing the same thing.

22 MR. ADLER: I know but because our  
23 budget doesn't include our pension cost, our  
24 most recent budget, we just did an asterisk,  
25 but previously it wasn't in there at all.

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2 Anyway --  
3 MR. MARTINIELLO: I am not going to  
4 spend some time on this next slide because it  
5 does speak more to the cost environment. This  
6 is in comparison to your -- to the other peers  
7 that we are comparing you to, and you can see  
8 that in the case of yourselves, based on where  
9 you are located, you do have the highest cost  
10 environment. In terms of back office  
11 activities, now looking at what you are  
12 actually paying for these back office  
13 activities relative to the peers, you can see  
14 that there is really two components that are  
15 higher and the first is governance and  
16 financial control. So this is governance that  
17 includes financial administration, control,  
18 board strategy policy, as well as government  
19 public relations. That's all bucketed into  
20 that, so you spend more than your peers on  
21 that which leads to 12.41 increase.

22 And the next one is the major one which  
23 I am sure everybody is aware of is the major  
24 projects which like I said, there is a trend  
25 out there and we are hoping that at some point

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1 Proceedings  
2 in time benefits will be seen with regards to  
3 that kind of investment. I am very curious to  
4 see how that unfolds.

5 Now I am going to switch gears. So we  
6 have gone through costs. I am going to go to  
7 the other side and that's service. So we have  
8 a very in-depth survey of 120 questions on  
9 service-related items and these are items that  
10 are deemed value add to your members and that  
11 allows us to basically score your system on a  
12 scale of 1 to 100 as to where you are in  
13 service and compare that to the peers and you  
14 can see that your total service score of 76  
15 was below the peer median of 84, but I will  
16 say it has increased significantly since last  
17 year and I am going to go into that in a  
18 couple of slides.

19 What I do want to highlight here are a  
20 couple of things. First of all, the goal is  
21 not to be 100. That's just not cost  
22 effective. It really -- this part of the  
23 report really is useful for the management  
24 team to assess where they are different from  
25 their peer groups and basically look at where

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1 Proceedings  
2 they may be able to add certain services or  
3 quite frankly even reduce. You can go the  
4 other way around. At the end of the day, it  
5 has to be services valued by your member base  
6 and that's what is most important. So to look  
7 at some of the key service metrics that we  
8 include in the score, these five in particular  
9 are ones that we measure right across the  
10 board and highlight in the executive summary  
11 because they are important to members at the  
12 end of the day. The first one is member  
13 contacts, and within that specifically the  
14 percentage of calls resulting in undesired  
15 call outcomes as well as average total wait  
16 time including time negotiating auto  
17 attendances, and you can see that for TRS NYC  
18 it's been since 2014 an improvement and a  
19 tremendous one at that. So kudos to the team  
20 here for that. Especially I would say the  
21 first one, percentage of calls, undesired call  
22 outcomes, both of these things are going to  
23 help and have helped improve the service  
24 score, and more importantly, I am sure your  
25 members are quite pleased with that.

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1 Proceedings

2 In terms of the website, you have gone  
3 from nine online tools to 12 in the past year  
4 and that's also fantastic. A little bit less  
5 than the peer average of 14. But I also  
6 understand that will continue to improve with  
7 the implementation of your new pension system.

8 In terms of one-on-one counseling, here  
9 is what we are showing is really the  
10 percentage of your active membership that  
11 attend one-on-one counseling as well as a  
12 second bullet speaks to the average of your  
13 active membership that attends presentations,  
14 and in both cases they are substantially  
15 higher than the peer average which reflects  
16 engagement by your member base. The fourth  
17 one, pension inceptions has to do with how  
18 quick you can turn a pension or put a pension  
19 into pay and make sure there is no gap between  
20 their paycheck and now pension pay. You guys  
21 are at the top of the game there so I have  
22 nothing really to add. That's been consistent  
23 year over year.

24 In terms of member statements as well, I  
25 don't have anything to add. You have current

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1 Proceedings

2 material in terms of the data for member  
3 statements as well as you provide estimates on  
4 the member statement as to what they can  
5 expect in the future with their pension, which  
6 is also something that's highly valued and  
7 been proven to increase engagement by members.

8 So looking at your specific score and  
9 why has it gone up from 70 to 76 in the last  
10 year and you can see here the trend from 2014  
11 and up to 2017 -- I have already talked about  
12 the call center so I am not going to review  
13 that -- as well as the website. I mentioned  
14 the reasons behind that. On the one-on-one  
15 counseling it's -- the one improvement there  
16 that had an impact this past year is you now  
17 provide realtime written benefit estimates and  
18 service credit cost estimates, and in terms of  
19 satisfaction surveying, your surveying on the  
20 one-on-one-counseling focused primarily on  
21 that activity which is excellent. Now, can  
22 this be improved? It always can be improved.  
23 Like I said, the goal is not to get to 100 but  
24 there is always room for improvement and our  
25 report actually goes into quite a bit of



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2 details as to the areas which you can improve  
3 and based on our model, how many points you  
4 would gain.

5               I just highlighted three material ones  
6 here, which the first one has to do with  
7 satisfaction surveying. So essentially the  
8 more satisfaction surveying that you do of  
9 your members on matters deemed important to  
10 them like putting pensions into pay, like  
11 telephone calls, written estimates, purchase  
12 transfers in, et cetera, the better service  
13 score will you have.

14               In terms of menu layers on your phone  
15 call tree, the fewer the better, so there is  
16 room for improvement there, and lastly, with  
17 regards to reaching a knowledgeable person, as  
18 the numbers are already showing, there is a  
19 tremendous improvement to get to 137 seconds  
20 there. There is still room to improve based  
21 again on our model. Whether that's something  
22 that makes sense for your system is something  
23 only you can decide. That's something that  
24 can be looked at.

25               Now, I have heard from management all

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2 three of these things are being worked on, and  
3 there will be improvement to the score the way  
4 we calculate it if not in 2018, by 2019. So  
5 now to put it back together and in terms of  
6 cost and service, I am not going to repeat  
7 everything you just heard. The costs as you  
8 know are above your peer average and we know  
9 why. The primary reasons why being your major  
10 project, system administration modernization  
11 work, as well as the somewhat unique spike in  
12 processing of transactions, and on the flip  
13 side your service score is improved so it  
14 really is going in the direction you want to  
15 see. Your costs are being maintained and your  
16 service score is going up, which leads back to  
17 my earlier comment about looking at more of  
18 the dynamic between costs and benefit and  
19 making sure you are ideally providing quality  
20 service to your members while maintaining your  
21 soft costs.

22               So that's my presentation. I hope I  
23 stayed within the time. I did want to give  
24 thanks to Kavita and Michael and all the  
25 others on the team that spend the time to

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1 Proceedings  
2 provide us with the data because without that,  
3 none of this could be possible. And we will  
4 open the floor to any questions.  
5 MR. ADLER: Questions for Paul? Can we  
6 get a copy of the presentation?  
7 MR. MARTINIELLO: Sure.  
8 MR. ADLER: Great. Okay. Thank you.  
9 MR. MARTINIELLO: Thanks for your time.  
10 MR. ADLER: Let me just say  
11 congratulations to the team on service  
12 improvement, really very substantial  
13 improvement over the past year. So that's  
14 great work.  
15 MR. KAZANSKY: Teachers are always happy  
16 to see the grades go up.  
17 MR. ADLER: Okay. Questions, comments  
18 from the public?  
19 MR. AARONSON: The public is very  
20 pleased to see improvement that we made at TRS  
21 this year.  
22 MR. ADLER: Thank you, Mel Public. Okay  
23 anything else for our public agenda? So I  
24 think we have a matter we need to take up in  
25 executive session. So can we have a motion to

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1 Proceedings  
2 exit public and go into executive session?  
3 MS. PENNY: Sure. I move pursuant to  
4 Public Officers Law Section 105 to go into  
5 executive session for discussions regarding  
6 specific contract matters.  
7 MR. ADLER: Thank you. Is there a  
8 second?  
9 MS. VICKERS: Second.  
10 MR. ADLER: Thank you. Any discussion?  
11 All in favor of the motion to exit public  
12 session and go into executive session, please  
13 say aye. Aye.  
14 MS. OATES: Aye.  
15 MS. PENNY: Aye.  
16 MS. VICKERS: Aye.  
17 MR. BROWN: Aye.  
18 MR. KAZANSKY: Aye.  
19 MR. ADLER: All opposed, please say nay.  
20 Any abstentions? Motion carries.  
21 (Whereupon, the meeting went into Executive Session.)  
22 MR. ADLER: Okay. Very good. So a  
23 motion to return to public session would be in  
24 order. Is there such a motion?  
25 MS. VICKERS: So moved.

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MR. ADLER: Thank you, Ms. Vickers. Is there a second?  
MR. BROWN: Second.  
MR. ADLER: Thank you, Mr. Brown. Any discussion? All in favor of the motion to exit executive session and return to public session, please say aye. Aye.  
MS. OATES: Aye.  
MS. PENNY: Aye.  
MS. VICKERS: Aye.  
MR. BROWN: Aye.  
MR. KAZANSKY: Aye.  
MR. ADLER: All opposed, please say nay. Any abstentions? Motion carries.  
Okay. We are back in public session. Susan, will you please report out of executive session.  
MS. STANG: In executive session, certain investment contract matters were discussed. Consensus was reached, which will be announced at the appropriate time.  
MR. ADLER: Thank you very much. Anything further for today? Seeing nothing, a

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motion to adjourn would be in order.  
MR. BROWN: So moved.  
MR. ADLER: Thank you, Mr. Brown. Is there a second?  
MS. VICKERS: Second.  
MR. ADLER: Thank you, Ms. Vickers. Any discussion? All in favor of the motion to adjourn, please say aye. Aye.  
MS. OATES: Aye.  
MS. PENNY: Aye.  
MS. VICKERS: Aye.  
MR. BROWN: Aye.  
MR. KAZANSKY: Aye.  
MR. ADLER: I think it's unanimous. The meeting is adjourned.  
(Time noted: 4:22 p.m.)

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by me therein.

IN WITNESS WHEREOF, I have hereunto  
set my hand this 28th day of November,  
2018.

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YAFFA KAPLAN