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1 NEW YORK CITY TEACHERS' RETIREMENT SYSTEM

INVESTMENT MEETING

2 Held on Thursday, February 2, 2017

at

3 55 Water Street

New York, New York

4

5

ATTENDEES:

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JOHN ADLER, Chairperson, Trustee, Mayor's Office

7 PATRICIA REILLY, Executive Director, TRS

DEBRA PENNY, Trustee, TRS

8 THOMAS BROWN, Trustee, TRS

DAVID KAZANSKY, Trustee, TRS

9 RAYMOND ORLANDO, Trustee, Department of Education

SUSANNAH VICKERS, Trustee, Comptroller's Office

10 ANTONIO RODRIGUEZ, Trustee, Finance

THADDEUS MCTIGUE, Deputy Executive Director, TRS

11 SCOTT EVANS, CIO, Comptroller's Office

LIZ SANCHEZ, TRS

12 SUSAN STANG, TRS

VALERIE BUDZIK, TRS

13 DAVID LEVINE, Groome Law Group

MELVYN AARONSON, TRS

14 SHERRY CHAN, Chief Actuary

ROBIN PELLISH, Rocaton

15 MICHAEL FULVIO, Rocaton

ROBERT RAUCCI, TRS

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P R O C E E D I N G S

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(Time noted: 10:11 a.m.)

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4 CHAIRPERSON ADLER: Good morning,
5 everyone. Welcome to the February 2, 2017
6 investment meeting of the Teachers Retirement
7 System.

8 Patricia, will you call the roll?

9 MS. REILLY: John Adler?

10 CHAIRPERSON ADLER: Here.

11 MS. REILLY: Thomas Brown?

12 MR. BROWN: Here.

13 MS. REILLY: David Kazansky?

14 MR. KAZANSKY: Present.

15 MS. REILLY: Debra Penny?

16 MS. PENNY: Here.

17 MS. REILLY: Ray Orlando?

18 MR. ORLANDO: I'm here.

19 MS. REILLY: Susannah Vickers?

20 MS. VICKERS: Here.

21 MS. REILLY: We do have a quorum.

22 CHAIRPERSON ADLER: Thank you very much.

23 So, Rocaton folks, I'll pass it to you.

24 MS. REILLY: Before we start, I wanted

25 to remind everybody that we wanted to change the

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- 1 June 1 board meeting, which conflicts with the TRS
- 2 TDA meeting, because BAM has an annual conference.
- 3 We want some suggestions.

4 (Discussion off the record.)

5 CHAIRPERSON ADLER: It will be June 5,
6 10:00 a.m., right?

7 MS. REILLY: Right.

8 CHAIRPERSON ADLER: Robin?

9 MR. FULVIO: Good morning, everyone.

10 Diving into the December performance report for the
11 Passport funds. You might recall from the meeting
12 in January, we discussed the performance of the
13 markets at the end of the year. We talked about
14 the U.S. equity market having a continued strong
15 rally.

16 Late last year, the month of December,
17 the U.S. equity markets grew 2 percent. Abroad we
18 saw returns for emerging markets, more modest
19 actually, up about 1 percent. And developed
20 markets in December were up about 3 1/2 percent.

21 So continuing strong performance through
22 the end of the year in the equity markets. That
23 brought the year to date return for the Russell
24 3000 to about 12.8 percent, 11.7.

25 During that time period the diversified

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1 equity fund returned about 10 percent, and that
2 compared to the hybrid benchmark, roll up exposures
3 across markets, to about 11 percent. So you can
4 see the diversified equity funds for the calendar
5 year lagged somewhat.

6 When we looked back at the different
7 components within the diversified equity funds, the
8 defensive composite was up 8 percent last year.
9 And the actively managed composite was up 9
10 percent. The international equity composite was up
11 about 5 1/2 percent, so about 1 1/2 percent ahead
12 of its broad benchmark.

13 So again, we saw really strong markets
14 here in the U.S. for the year, somewhat positive
15 markets outside U.S.

16 At the end of the year the fund stood at
17 \$14 billion. That includes the asset transfer that
18 occurred at the end of the year, and those assets,
19 as you will recall, during the month of December
20 wen to the passive composite as well as the
21 international equity composite.

22 As far as the bond fund, at the end of
23 the year the fund stood at about \$390 million. The
24 month was modestly positive, bringing the year to
25 date return for 2016 to 1.8 percent. And that was

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1 modestly ahead of the Barclays 1 to 5 year credit
2 benchmark.

3 The international equity fund at the end
4 of the year was about \$114 million. Again, I noted
5 the performance was modestly positive for the year,
6 up 4.75 percent for the year, ahead of its
7 composite benchmark.

8 The inflation protection fund was about
9 \$50 million at the end of the year. It had a
10 positive month of December, bringing the year to
11 date return to 9 percent; and that surpassed both
12 its custom benchmark and CPI last year, which
13 returned about 2.1 percent.

14 CHAIRPERSON ADLER: Question. So, 9
15 percent is like off the charts for inflation
16 protection, especially the TPI has been very
17 steady, basically 2 percent, give or take; right?

18 MR. FULVIO: We had interesting similar
19 discussion this time last year. And so you will
20 note that this fund invests, a good allocation of
21 the fund is in commodities. And that commodities
22 exposure caused the fund lag significant CPI last
23 year. And this year that had the opposite impact,
24 because commodities, as you recall, came back last
25 year very strong.

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1 MR. EVANS: How much of the benchmark is
2 commodities?

3 MR. FULVIO: The benchmark in this fund
4 is pretty close to that as well -- this is more
5 broadly diversified.

6 MR. EVANS: They all have a lot of oil.

7 MS. PELLISH: A lot of energy.

8 MR. FULVIO: What Robin -- I'll note
9 quickly that the socially responsive equity fund at
10 the end of the year was about \$142 million, and
11 that fund last year returned about 10.4 percent
12 versus the S&P of about 12 percent.

13 And so one of the things I noted earlier
14 was the performance of the active managers within
15 the diversified equity fund, as well as the
16 international and the socially responsible equity
17 fund. And we find ourselves at least, especially
18 in the last year or so, talking a lot about the
19 difficulties of active management pretty broadly,
20 in the U.S. especially, non-U.S. managers did well
21 on a relative basis.

22 But what we saw was that a lot of these
23 challenges were pretty pronounced, not only during
24 parts of last year, but for the year as a whole.
25 There should be a handout underneath that report

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1 that has a bar chart on one side, and on the other
2 side a performance table. Maybe just starting very
3 quickly with the performance table.

4 We'll start with the bar chart. It's
5 got the blue and grey bars on it. One of the
6 things you would note here is that blue bars are
7 2016 as a whole, the grey bars are just the 4th
8 quarter.

9 And what we saw was that for the year,
10 nowhere near half the universe shown on the page
11 outperformed their prospective benchmarks last
12 year.

13 MS. PELLISH: So, just to take a step
14 back. This is the universe of mutual funds, and
15 the Morningstar universe. Morningstar monitors all
16 these mutual funds. They break it down into
17 groupings based on the managers' strategies. And
18 then we're comparing them to the benchmark the
19 manager puts in their prospectus.

20 So it's a simple division, over the
21 calendar year, what percentage of U.S. large value
22 mutual funds actually outperforms the benchmark
23 they state in the prospectus. And for 2016 it was
24 about a third. And that was a pretty big
25 percentage relative to some other groups.

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1 If you look particularly at U.S. large
2 growth, that was a terrible experience on a
3 relative basis. Only 6 percent of those managers
4 outperformed their prospectus benchmark. And we've
5 some of that mirrored in your portfolio. The large
6 growth managers did not do well.

7 MR. FULVIO: One of the other things
8 I'll note. Again, the bar chart only focuses on
9 last year. But if you look at the next page, going
10 further back. And the top section here shows
11 periods ending December 2016. The one below that
12 is a year earlier, 2015.

13 And you can see what the difference a
14 year makes in these numbers. The blue shaded
15 percentages are those that exceeded 50 percent.
16 You can see last year alone had a significant
17 impact on the long term numbers here.

18 MS. PELLISH: This is Morningstar again.
19 This is mutual fund data.

20 MR. EVANS: Same data --

21 MS. PELLISH: Same data, it's organized
22 a little differently, because it collapses growth
23 and value. But again, I think the takeaway here is
24 last year was terrible for active managers in the
25 U.S. equity market, relative to their -- not so

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1 much on an absolute basis, the market was up
2 strongly -- but on a relative basis, really to
3 passive alternatives.

4 And if you look over longer periods of
5 time, what you can see is that the record is still
6 pretty inferior for large cap U.S. equity managers,
7 which is a theme we have talked about and which is
8 why we're almost fully indexed.

9 I think we are fully indexed in the
10 pension fund and U.S. large cap. And we're very
11 heavily indexed in the variable funds.

12 MR. EVANS: Except for the emerging
13 managers.

14 MS. PELLISH: Thank you, Scott; except
15 for the emerging managers.

16 MR. EVANS: We'll scale this chart for
17 the next CIM, because it explains some of the
18 issues we have in the emerging --

19 CHAIRPERSON ADLER: Emerging markets or
20 managers, Scott?

21 MR. EVANS: Managers; sorry.

22 If you look, the really important
23 numbers here on the top of the chart, the Russell
24 1000 index, large cap, 70 percent or so of the U.S.
25 market. If you ignore, you have all kinds of

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1 reasons that last year was bad; but if you look
2 over to the longer term results, it's tough to beat
3 that benchmark across time and across managers. So
4 this is why -- I think Rocaon is doing the same
5 thing in the TDA -- but in the pension system we
6 have stopped trying to put active managers against
7 large cap.

8 The odds are better in small and in
9 international. The odds have been pretty good
10 there over time, even with the disastrous year in
11 2016, which was driven by the Googles and Netflixes
12 and so forth, extreme dispersion of the markets.

13 That's important as we talk about the --
14 CIM and some of the struggles they've had. You
15 have large cap mandates recommended --

16 CHAIRPERSON ADLER: When you say
17 "disastrous," you mean disastrous for active
18 management, not for the market? Because the market
19 was up in excess --

20 MR. EVANS: In was speaking in terms of,
21 disastrous in terms of active managers' ability to
22 beat the benchmark. Any time, you see this
23 periodically over time when you have huge expenses
24 in the valuations on huge stocks, managers tend to
25 be more equally weighted, they end up looking

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1 really bad in a situation like this. That's why
2 you have to look at the longer term numbers.
3 Sorry.

4 MS. PELLISH: The only caveat here is,
5 these are mutual funds, they generally have
6 reasonably significantly higher fees than you're
7 able to negotiate. You don't tend to use mutual
8 funds for this reason. Nonetheless, I think it's
9 indicative of the plight of active management in
10 general.

11 MR. KAZANSKY: I understand the theory
12 behind active management. But I'm looking at the
13 December numbers; and going back ten years I'm not
14 seeing the reality of it. In theory it makes sense
15 when there's a down market active management is
16 going to shine. I'm not seeing it.

17 Maybe at some point in the near future
18 maybe we can have a deep dive into our active
19 managers and who is doing what and maybe rethinking
20 our strategy here.

21 CHAIRPERSON ADLER: Specifically on U.S.
22 equity is what you're talking about; right?

23 MR. KAZANSKY: Yes, the actively managed
24 U.S. equity composite.

25 MS. PELLISH: Over the years it's been

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1 reduced to a modest allocation. But I agree,
2 another deep dive -- because the theory of active
3 management, when you're talking about large cap
4 managers, they acknowledge it's very, very
5 difficult to keep up in a bull market. The
6 argument has always been to wait for the downturn.

7 And if they can protect in the downturn
8 in a significant way, that's very valuable.
9 Because on a compounded basis it really makes a
10 difference, you can protect on the downside.

11 But if we look at the calendar
12 performance, which is page 7, you look at the
13 actively managed composite for the year 2008 when
14 the Russell 3000 down 37, we were down with the
15 market. And that's not your unique experience. I
16 will tell you that's across portfolios.

17 And I think we've done a lot to try to
18 negotiate fees, of course fees are a headwind.
19 We've done more work on performance based fees to
20 try to align fees and investment experience. But I
21 think the efficiency of information flow makes it
22 very difficult to have enough information. That's
23 what you need to outperform. You either need
24 special insight, a special process or special
25 access. In the large cap market, no one has

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1 special access. It's very difficult to get special
2 insight, and special process, as soon as you
3 identify an advantage it gets arbitrated away.
4 Others identify it.

5 So it's very difficult to have a
6 competitive advantage in a very efficient part of
7 the market.

8 MR. FULVIO: One of the other things
9 that made it more of an issue for active management
10 is the difficulties of active management in recent
11 years led to pretty stark amount of assets going
12 out of active last year into passive.

13 So one of the things we'll track over
14 time -- I apologize I don't have a chart to show
15 today -- it might have been hundreds of billions of
16 dollars out of active management flowing into
17 passive. It becomes a self-fulfilling prophecy.

18 MS. PELLISH: As an active manager will
19 tell you that creates mispricings. So, what you
20 see is dollars flowing into a cap weighted
21 benchmark, pushing up the prices of the largest cap
22 weighted. So Apple -- that creates a mispricing
23 and an opportunity for active managers to generate
24 returns. So we will see. This isn't new trend.
25 So we agree completely.

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1 MR. KAZANSKY: Thanks.

2 MR. FULVIO: Quickly we'll go over
3 January market performance. It's the benchmark
4 report everybody should have. For the month of
5 January, the U.S. market measured by the Russell
6 3000 index were up 1.9 percent abroad. In
7 developed markets, we saw that they were up about
8 2.9 percent. Non U.S. small cap markets were up
9 3.5, and emerging markets up 3.5 percent.

10 So that should bode well for the
11 diversified equity fund. You can see the hybrid
12 benchmark here. We're expecting a positive return
13 of about 2.1 percent.

14 The benchmark for the bond fund is up
15 about one-fourth of a percent.

16 I commented earlier on the international
17 markets. Together we would expect the
18 international markets to be up somewhere in the 3
19 percent neighborhood, 3.2 percent.

20 The underlying strategy for the
21 inflation protection fund was also positive, to the
22 tune of about 60 basis points. And with that, the
23 underlying strategy for the socially responsive
24 fund, it appears to do very well relative to the
25 S&P in January, nice to start the year on the right

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1 foot.

2 So we will be back next month to present

3 the managers.

4 MS. PELLISH: To perform again.

5 (Laughter.)

6 MR. FULVIO: That concludes the comments

7 we have on the performance --

8 CHAIRPERSON ADLER: I'll turn it over to

9 Scott.

10 MR. EVANS: Susannah?

11 MS. VICKERS: I want to remind

12 everybody, I think we are in the process of

13 discussing IPS and divestment. At the last meeting

14 Trustees expressed a desire to start a conversation

15 on both of those topics. Our office has circulated

16 the e-mail, divestment information from other funds

17 across the country, as well as the relevant section

18 in the SOIP document, which you also have before

19 you.

20 With regard to the IPS we did a couple

21 of different things. Antonio helped us go through

22 the SOIP document and link up where the text and

23 proposals in SOIP link up to the IPS. So when you

24 are going through the SOIP you will see an

25 annotation referring to a certain section or page

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1 of the IPS.

2 And then we thought it would be helpful
3 to do the opposite and go through the IPS and see
4 where it can link back to the SOIP. So you also
5 have before you, and was e-mailed last night, a
6 copy of the IPS with notes and different places of
7 where it links back to the SOIP.

8 So it should be pretty clear going back
9 and forth, what places that BAM focused on in
10 making recommendations about how to update the IPS.
11 And we thought it would be a good basis for
12 discussion moving forward.

13 So any questions before we start the
14 discussion, in terms of the materials we have
15 available?

16 MR. KAZANSKY: I just want to say at the
17 point of repeating myself far too much, that as far
18 as the Board should be concerned, the IPS is the
19 governing document; and that the statement of
20 investment principles should be only a guide that
21 brings us back to the IPS for where the specifics
22 lie. And that if there is an argument between the
23 two over which supersedes which, the IPS should
24 always be the one, since that's the official
25 document that the boards have put together.

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1 MS. VICKERS: Absolutely. The SOIP was
2 a suggestion to get things started; because as we
3 all see, the IPS is a big document and there were
4 certain things that were urgent in terms of needing
5 attention. We dealt with some of those
6 individually at previous CIMs in terms of
7 rebalancing ranges, parking places, things like
8 that.

9 So Scott will take you through it; but I
10 think the SOIP is important because it's kind of a
11 cheat sheet of what has to be addressed, but it
12 links back to the IPS.

13 MR. EVANS: I wouldn't look at the SOIP
14 and our objective -- whether or not to do anything
15 but to suggest -- these are the parts of the IPS
16 that are most relevant to us in terms of
17 interpreting your wishes to execute our policy.
18 And what we were finding was, not only with you but
19 the other four systems, that these IPSs have been
20 layered over the years and amended without going
21 back and restructuring them, so that they were,
22 many of them, internally inconsistent in terms of
23 the instructions that we had.

24 And so we didn't feel that we were any
25 more in a position where we could follow the IPSs

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1 in managing funds, and that concerned me greatly.

2 So what I did was put together sort of
3 those topic that are most relevant to us conducting
4 our version at the Bureau of Asset Management and
5 try to get agreement among the five boards in terms
6 of the principles to be used.

7 Now we're moving to the next step.
8 Different boards want to do it different ways.
9 Some would like to take the SOIP and sort of append
10 it to our existing IPS and say, okay, this
11 supersedes anything in the IPS that deals with
12 these topics. And that way you don't have to go
13 through and redo the IPS.

14 You all, from what I understand, have
15 requested instead that what we do is take the SOIP,
16 translate it into the relevant parts of the IPS,
17 and go about the matter of rolling up our sleeves
18 and doing the hard work of trying to streamline the
19 IPS so it's not internally inconsistent; and that
20 we have clear marching orders to BAM from the Board
21 with regard to investment policy.

22 So that's what we have done. I have to
23 giber a shout-out again, as Susannah did, to
24 Antonio and the Mayor's Office, who did a lot of
25 the heavy lifting and volunteered for the

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1 assignment -- we're doing a lot of things, you did
2 a terrific job working with Susannah's team to try
3 to translate this; not only here, but with the
4 other four systems as well.

5 You can if you want ignore the SOIP now
6 and look at the proposals we have to add to the IPS
7 in the relevant sections. But I will warn you that
8 in the sections we'll have to go back and look at
9 the other language. And I recommend that you look
10 at the other language and try to come to a place
11 where we have clean marching orders.

12 For me, all I'm trying to do is get
13 clean marching orders from the five boards that I
14 serve so my team can execute it efficiently. That
15 was the objective.

16 MR. KAZANSKY: I understand. I have
17 question when you say "inconsistent." Are you
18 saying that there is language in the IPS that
19 contradicts other language in that same relevant
20 section of the IPS?

21 MR. EVANS: Yes.

22 MR. KAZANSKY: Or are you saying it
23 contradicts the asset allocation?

24 MR. EVANS: No, it contradicts other
25 language in the IPS. We found this frequently in

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1 IPS. I think that Teachers was better than most.
2 If you notice, when you look at the language --
3 when these guys came back to me I shot back at them
4 because I'd forgotten we did this. Actually, when
5 we were building the SOIP we worked a lot from the
6 Teachers' language in many of the things because it
7 was particularly clean.

8 But some of the other IPSs for the other
9 systems, the language is more cumbersome, and BERS
10 doesn't even have an IPS.

11 CHAIRPERSON ADLER: BERS doesn't have an
12 IPS? I thought they have an older one.

13 CHAIRPERSON ADLER: Really, really old.
14 The failed at the last --

15 So this is a problem.

16 MR. ORLANDO: No criticism meant, of
17 course, of the BERS Board or its behavior. It has
18 a new executive director, as you may know, and new
19 employee trustees working very hard to update all
20 of our important policies and procedures.

21 That was on the record.

22 MR. EVANS: We are in constant
23 communication with BERS, as we are with all the
24 systems. And really the effect of it is no
25 different across the systems. But for me and my

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1 team, trying to execute these IPS's it's become
2 cumbersome and has gotten so weighty that they are
3 not serving their role as the primary guiding force
4 we need to do our job.

5 So that was what the attempt was here,
6 to have a three page document that we can use kind
7 of as a Bible. I understand your need to look at
8 the whole IPS. That's your prerogative as the
9 Board. We will do it your way, and that's how
10 we'll try serve it up.

11 MS. BUDZIK: I want to clarify from a
12 compliance perspective how TRS understands this
13 work. The statement of investment principles at
14 this point doesn't exist as an official document
15 for the Board; it hasn't been adopted.

16 And that to the extent a Board meeting
17 and action is proposed by whomever, typically the
18 Comptroller's Office, in the investment area, that
19 is different than what is specified in the IPS, our
20 understanding is the Comptroller's obligation to
21 update the IPS to reflect the action that was
22 approved by the Board.

23 To be clear that we are not operating
24 inconsistent with the IPS, from a perspective, when
25 the Board approves something that changes something

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1 in the IPS it's more than going through the
2 compliance function of updating the IPS.

3 MS. REILLY: Which is the responsibility
4 of the Comptroller's Office.

5 MR. EVANS: This is different than what
6 I've been told. It's the responsibility of the
7 Comptroller's Office to update and --

8 MS. BUDZIK: To maintain the IPS. The
9 Board approves both on any action, and to the
10 extent it changes something in the IPS, the
11 Comptroller's Office is maintaining the IPS to
12 amend it to reflect that action was approved by the
13 Board.

14 MS. VICKERS: A couple thoughts on that.
15 Just to be clear, the IPS though is the Teachers
16 Board document, it's drafted and approved by
17 Teacher Trustees. But you are saying that the
18 Comptroller's Office maintains it, even though it's
19 a Board document.

20 MS. BUDZIK: Yes; that has been the
21 practice.

22 MS. VICKERS: That's not entirely the
23 way we've been operating. There is one case I can
24 think of, maybe someone else will remember the
25 specifics; there was an action that was taken that

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1 necessitated a change in the IPS. I think David
2 and I spoke about language for the approval that
3 mentioned updating the IPS to reflect the Board
4 action. So that was very clear that it was baked
5 into the recommendation.

6 But in terms of who the keeper of the
7 IPS is, who needed to make that update, I think
8 that's something that maybe we can focus on going
9 forward.

10 MR. EVANS: I don't think there's any
11 problem in running it that way. I actually think
12 it might be productive to run it that way.

13 Again, my objective here -- when I got
14 here I had five sets of extremely confusing
15 instructions on how we should execute the role.
16 There was a lot of practice that evolved over time.
17 And I was fairly insistent that we have a crisp set
18 of instructions for the investment team. So that's
19 how I came up with the statement of investment
20 principles. You can view it.

21 I think as we're talking about now, it's
22 a set of proposed language to be inserted into the
23 IPS. And we'd love to work with you to now -- we
24 talked about this language well before I brought it
25 to the CIM. I had several sessions with the

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1 Trustees about this to get their thoughts on it.

2 We met with all five boards on this.

3 And so we'd like to move forward and

4 work with you to streamline the IPS. It's BAM's

5 charge, the Comptroller's Office's charge to be the

6 keeper of the IPS and the proactive force in

7 streamlining, and we're happy to take that role.

8 And it is my objective to get streamlined

9 instructions that are somewhat consistent among the

10 five boards.

11 MR. McTIGUE: Given my experience, it's

12 always been my understanding that going back to the

13 mid 90's it was always BAM's responsibility to

14 maintain that IPS. I think it's important to put

15 on the record that I'm unaware of any circumstance

16 where this Board acted inconsistent with the IPS

17 and if there was something that wasn't consistent,

18 that was noted in the --

19 MS. VICKERS: I don't think anybody

20 thinks that that occurred. I think there was one

21 instance, sorry that I can't remember, there was an

22 investment recommendation by BAM that necessitated

23 an update for an amendment to the IPS. And I was

24 just mentioning that BAM bake that into the

25 recommendation that we gave to the boards and the

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1 language, included in the language that the Board
2 had consensus around.

3 MR. EVANS: Let me be clear. We're not
4 trying to throw anything at anybody here. We're
5 just trying to get clear instructions.

6 MS. BUDZIK: I think that comment, from
7 a compliance perspective, again, we don't want to
8 suggest this was the Wild West out there. To the
9 extent any action --

10 MR. EVANS: We've never knowingly done
11 something inconsistent with the IPS. The IPS is
12 difficult to interpret, and in some cases when you
13 get down to really technical matters, because it
14 goes to very, very low level of detail, it can be
15 vague as to which way the specific instructions in
16 the IPS are.

17 My recommendation is that we pull the
18 altitude up a little bit on the document, make it
19 principles based to the extent we can, so that
20 there is a clear understanding by this
21 administration of BAM and any administrations that
22 follow, on what your marching orders are in terms
23 of how the portfolio should be managed.

24 I'm not trying to say any mistakes were
25 made in the past or anything; I'm just trying to

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1 move forward in an efficient manner.

2 MS. REILLY: In addition to, as votes
3 were taken and the IPS updated to reflect the
4 change of the Board's position as far as the IPS is
5 concerned, there is also every three years, BAM's
6 supposed to review the IPS and come back to the
7 Board with changes and streamlining, and any
8 updates you want to make to the IPS, and then the
9 Board can review those changes and approve the IPS.

10 As a matter of fact, it says the
11 resolution --

12 MS. BUDZIK: It's in the IPS that it's
13 reviewed, in addition to any periodic changes.

14 MR. EVANS: So rather than being an ad
15 hoc movement on our part, it's actually part of
16 what you're expecting from us.

17 (Talking over each other.)

18 MS. BUDZIK: Right on schedule.

19 MR. EVANS: So we don't expect you to
20 absorb this entire thing now. We just wanted to
21 present the work, get clear instructions from you
22 all about the scope of what we're trying to do,
23 answer any questions from you as we begin this
24 work. But that would be my overall mission, would
25 be to try to get the IPS to the altitude of the

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1 statement of investment principles on direct
2 BAM-related, investment-related matters; and to
3 carefully consider anything that's at a lower
4 altitude that may need to be an exception that 's
5 specifically notated.

6 But I don't think -- one of the things
7 we did was to survey IPS's for other leading public
8 and private pension systems to see how we compared;
9 and we were comfortable that the altitude and focus
10 of those recommendations embedded in our statement
11 of investment principles was at the right level.

12 We're happy to talk about that. It is,
13 after all, your responsibility to give us a charge,
14 and if we don't have that right you can reorient
15 us.

16 CHAIRPERSON ADLER: I have a question.
17 As I understand it, what this long IPS document
18 reflects, the red lines and comments, is the points
19 from the statement of investment principles that
20 you are referencing or adding or changing in the
21 IPS; is that right?

22 MR. EVANS: In some cases, you will find
23 a number of them, that the statement of investment
24 principles used verbatim language from the existing
25 TRS IPS. And I said before, I used the TRS IPS on

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1 purpose, because it happened to be particularly
2 clearly stated among the documents that we were
3 working with.

4 So there are many of them that there's
5 no change recommended, but I wanted to show you,
6 thanks to Antonio, where it was that we were
7 pulling these things from.

8 CHAIRPERSON ADLER: Two things. One is
9 that, what I just heard you say a moment ago is
10 that you feel like the IPS has too much detail.
11 And so, are there parts of the IPS that you would
12 like to either excise or change to not go into so
13 much detail as you're describing? Because I think,
14 truthfully, I think what I hear the Board saying is
15 that the Board wants the IPS to be the controlling
16 document, not the statement of investment
17 principles. They don't want them to be
18 inconsistent.

19 But I think what I hear you saying is,
20 that you want, since the Board wants the IPS to be
21 the controlling document, you want the IPS to be
22 more principles based and less detailed on how it
23 goes.

24 But I don't think -- again we got this
25 yesterday, late and I haven't looked at it in

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1 detail -- but it doesn't seem to me you've gone
2 through and said we don't think this is necessary.

3 MR. EVANS: No, we' haven't gotten to
4 that state, John. What we did is to draft the
5 statement of investment principles. And again,
6 with the help of your staff, we have sort of drawn
7 a line into the IPS to begin the work of working on
8 the IPS itself.

9 And until we had the conversation that
10 we just had, I was under the impression that you
11 all were going to tell us where you wanted to move,
12 and that we would work with you.

13 If you would like us to come back with a
14 proposal on how to streamline the IPS, we'd be
15 happy to do so. What I was giving you is just a
16 philosophy on how we would go at it. I have not
17 attempted to start the work on your IPS proper at
18 all. I was waiting for your instructions to do so.

19 CHAIRPERSON ADLER: Dave?

20 MR. KAZANSKY: Couple questions. Number
21 1, does Rocaton have any role in going through this
22 as our general consultant?

23 MR. EVANS: Sure. When we put the
24 statement of investment principles together we
25 checked in with Robin and her team, with the other

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1 consultants and their teams to get their feedback,
2 to get their thoughts about what was standard and
3 non- standard in the industry. And so absolutely,
4 I would encourage you to seek Rocaton's advice and
5 ask us to work together with them, as we will work
6 with the other consultants with the other five
7 systems.

8 You will appreciate -- I understand what
9 you guys care about is the Teachers' IPS. But
10 we're running, we have five clients and we need to
11 try to have some harmony in a way that we're taking
12 instructions. And so, I've got a five part
13 optimization to work out. It's not your problem,
14 it's my problem.

15 MR. KAZANSKY: I understand. I think
16 from my advantage point on our IPS, you used the
17 phrase "cheat sheet" to refer to the SOIP earlier.

18 MR. EVANS: A series of --

19 MR. KAZANSKY: I prefer the Cliff Notes
20 version. If I were wanting to get an understanding
21 of War and Peace I might get the Cliff Notes so I
22 understand the basic concepts. But if I really
23 want to dig into the material to know what's going
24 into that particular piece of work, I have to read
25 the book itself.

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1 CHAIRPERSON ADLER: In the original
2 Russian.

3 MR. KAZANSKY: That's my expectation
4 with these two documents, that this is the novel,
5 these are the Cliff Notes.

6 (Indicating.)

7 MR. EVANS: In fact, I would suggest the
8 statement of investment principles should go away.
9 It was just a set of recommendations. And what we
10 would do is try to work together to get the
11 instructions in the IPS itself to the point where
12 it was a brief enough novel that everyone in BAM
13 who's out there executing would have a working
14 memory of the components, would quickly understand
15 hitting the borders of the IPS.

16 If it's a tune we need a scholar to
17 interpret, we've got a problem. I think we're
18 close enough to that that -- we shouldn't have to
19 bring in ODC, for most things the investment people
20 ought to be able to read the IPS and know exactly
21 what is expected of them.

22 And so, we're happy to work together
23 with you on this and roll up our sleeves and get
24 this document really tight.

25 MR. KAZANSKY: Okay.

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1 MS. REILLY: And maybe when looking at
2 it you can organize it differently, so that
3 information is front and center, and maybe the
4 other parts of it are still there --

5 MR. EVANS: Just to be clear, I was
6 really under the impression that this was your
7 document and I shouldn't mess with it and come in
8 with those kind of wholesale suggestions. I am
9 more than happy to do to.

10 It's my basic belief that what you have
11 here in the IPS is, in terms of the vernacular of
12 the industry and the way that the industry works in
13 the private sector, you have an investment policy
14 statement and a board charter.

15 And there are a lot of items in here
16 about the way the boards work, the way the
17 representation works, et cetera, that private firms
18 would have in their board charter, and are
19 extraneous to -- they're important in terms of how
20 the board will work, but they're exogenous to your
21 instructions to BAM on how we ought to manage the
22 portfolio.

23 So what I would suggest is that we take
24 those elements that are part of BAM's charge from
25 the Board and put them in one place. So I think

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1 that just increases the clarity. And if there are
2 other things the Board wants to put into the IPS
3 for whatever reasons the Board has, I have no
4 objection to it, but it's kind of exogenous to my
5 world. I'm happy for my staff to be help, like
6 Antonio's staff helped us, to work on those
7 aspects. My focus is on the stuff directly related
8 to our charge.

9 CHAIRPERSON ADLER: Let me make a
10 process suggestion, and let's have a discussion of
11 where we go from here.

12 It seems to me in your statement of
13 investment principles there are a number of new
14 things that are not currently in the IPS, which I
15 think are delineated as proposed additions.

16 MR. EVANS: Yes.

17 CHAIRPERSON ADLER: So I think at the
18 first step for the Board -- not today -- is to go
19 through those proposed additions and decide whether
20 the Board agrees with each of them.

21 Then, the second step, it seems to me,
22 is to go through the existing IPS and see whether
23 there are things in there that are not in your
24 statement of investment principles that the Board
25 feels are central to those which you just described

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1 as, I want to use the term "marching orders," but
2 that's not quite the right term. I think you
3 called them, your critical to what BAM does for the
4 Teachers Retirement System.

5 So, for example, I don't know, but if
6 there's something in here that we think really
7 needs to be part of, that you have to have front
8 and center for what you do that's not in this front
9 and center document right now, I think we should
10 highlight that.

11 And then, it seems to me the third step
12 is then going through this now revised IPS for
13 items in here that are either in conflict with
14 other parts of it or we feel are unnecessary at
15 this point for the IPS.

16 MR. EVANS: If I'm understanding you,
17 what you first do is go through any new proposals
18 we have.

19 CHAIRPERSON ADLER: Yes.

20 MR. EVANS: Then the Board would
21 identify anything that want to make sure stays in,
22 and we can talk about that.

23 CHAIRPERSON ADLER: Right.

24 MR. EVANS: After that, list to try to
25 propose a streamlined version.

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1 CHAIRPERSON ADLER: It's basically
2 deletions or reductions or edits to the document,
3 so that at the end we are all satisfied that we
4 have the IPS that we want, that works for you, and
5 that you can use this Cliff Notes, knowing that the
6 Board has approved it --

7 MS. VICKERS: As Scott said, I think
8 it's helpful in focusing, but let's forget it. I
9 think everybody wants one thing and it should be
10 the IPS. If everybody wants --

11 CHAIRPERSON ADLER: Then the second step
12 might not be necessary. In other words, if we're
13 just focusing on the IPS, what we really need to do
14 is first focus on your proposed additions; and then
15 second since we don't have to worry about that
16 anymore, then go through the IPS and decide what is
17 in conflict and what is unnecessary.

18 MR. EVANS: And everything else just
19 drops out.

20 CHAIRPERSON ADLER: WHAT needs to be
21 updated.

22 (Talking over each other.)

23 MS. VICKERS: That's not BAM coming back
24 to the Board.

25 CHAIRPERSON ADLER: Right.

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1 It seems to me maybe what we can do for
2 next month is, first step of looking at your
3 decisions, looking at where you're putting them in
4 the IPS, and seeing if everybody is okay with that.

5 And then the second step, which is going
6 to be more detailed -- and I do think that that
7 should be a collaboration between BAM and the
8 Board. You have already done this, so it's really
9 up to the Board, including you Susannah, to do the
10 first step.

11 But then the second step of going
12 through the document, honestly, what I think we
13 should do is delegate a committee, which I would
14 propose includes Rocaton, someone from BAM --

15 MS. VICKERS: Me and someone else.

16 CHAIRPERSON ADLER: Plus Robin, someone
17 from BAM and another Trustee or two; maybe I would
18 actually propose Antonio from my office and then
19 one or more Teacher Trustees. Anybody else who
20 wants to, but a working committee to work with the
21 document and say, okay we don't think this is
22 necessary.

23 I'm not saying you, per se, Robin, but
24 someone from Rocaton.

25 Ideally, today is the February board

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1 meeting. For the March board meeting we do the
2 additions, and hopefully the April board meeting
3 come back with edits, reductions, changes.

4 MS. PELLISH: May I make a slight
5 suggestion? I would do it holistically. I think
6 dealing with additions separately -- it all has to
7 flow together. So maybe it makes sense to take two
8 months and come back with one integrated set of
9 recommendations.

10 MR. BROWN: You could have someone from
11 TRS on that committee as well.

12 CHAIRPERSON ADLER: You mean staff?

13 Sure, absolutely.

14 Should we decide who today?

15 Are you okay with being a volunteer?

16 MR. ORLANDO: I'd be happy to join
17 Antonio in the volunteering area.

18 CHAIRPERSON ADLER: So Ray, Antonio --

19 MS. REILLY: Valerie and Susan.

20 MS. PELLISH: Rocaton will participate.

21 CHAIRPERSON ADLER: It's almost the
22 whole Board at this point.

23 (Laughter.)

24 Really, the truth is that we can't sit
25 down and go through it line by line. People need

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1 to come in with some proposals. So that's really
2 why I suggest a subcommittee that could do that, as
3 opposed to everybody. We will figure it out.

4 MR. EVANS: I'll point out, you brought
5 up the divestment policy before. The divestment
6 policy is embedded in the third bullet point, which
7 is a proposal about an investable universe. And it
8 effectively -- this shorter document -- two bullets
9 under Objective and three bullets under Philosophy.

10 "All securities held in the portfolio should be
11 included in the relevant Board approved investable
12 universe -- consistent with the Board's values,
13 expressed -- " (Reading.)

14 So, effectively excluded from that
15 investable universe would be any companies who fail
16 to meet those criteria with us, be divested from
17 the portfolio.

18 If you approach it as an investable
19 universe, you can then evaluate that investable
20 universe, its risk characteristics, et cetera, and
21 analyze it.

22 I point that out as one proposal that's
23 particularly topical, because you also asked about
24 divestment policies. And my recommendation would
25 be that we approach divestment, the whole issue of

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1 divestment, from the perspective of an investable
2 universe. It's easier for us to then measure what
3 we've done and keep track of it. As you know,
4 we're having trouble making sure that the
5 resolutions that can happen at a very high level
6 are consistent and kept track of and updated over
7 time. It would help a lot.

8 I mention that parenthetically, and we
9 can go through the other ones.

10 MS. VICKERS: I would also point out,
11 since we're talking about it, another I think
12 topical idea that's embedded in all of this, on
13 page 16 of the IPS you will see a proposed addition
14 that includes a reference paragraph for
15 rebalancing.

16 So one thing that we talked about
17 internally, trying to avoid the need to update the
18 IPS every time the Board updates an asset
19 allocation or rebalancing or something like that;
20 that the IPS, instead of giving a specific number,
21 would refer to the most recent strategic allocation
22 or whatever policy that has been approved by the
23 Board.

24 So I think having a reference paragraph
25 in maybe many places might be helpful in keeping

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1 the document at a high level and also relevant.

2 MR. EVANS: That allows you to update
3 the strategic allocation without going back and
4 changing -- to incorporated in my reference. The
5 reference document would include the target asset
6 allocation the approved rebalancing ranges, the
7 approved place-holders.

8 MR. FULVIO: Appendix --

9 MR. EVANS: The appendix, and then the
10 appendix would be updated every time -- certainly
11 with hindsight I would have done it that way. But
12 we had to take advantage of hindsight now, set it
13 up for the next time.

14 MS. VICKERS: Last question for the
15 subcommittee. Who will organize the subcommittee?
16 Is it BAM or TRS? In terms of getting everybody's
17 availability and scheduling meetings.

18 CHAIRPERSON ADLER: I'm happy to defer
19 to BAM, if BAM wants to take that on.

20 MS. VICKERS: Sure.

21 MR. ORLANDO: I second the motion, Mr.
22 Adler.

23 MS. PELLISH: If you like, Rocaton can
24 volunteer for that.

25 CHAIRPERSON ADLER: To organize it?

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1 MS. PELLISH: Yes.

2 (Talking over each other.)

3 We can most of it over the phone, and

4 we're in New York. We will volunteer.

5 MS. VICKERS: Thank you.

6 MS. REILLY: You can use TRS facilities,

7 meeting rooms.

8 CHAIRPERSON ADLER: To be clear, this

9 agenda item was the IPS and the divestment policy.

10 Did you want to have more discussion about the

11 divestment policy than we just suggested?

12 MR. EVANS: No. We provided you with a

13 bunch of documents to look at divestment policies

14 of others. And we can think about the divestment

15 policy in a number of ways. But I think there

16 ought to be a path the Board goes down on its way

17 to divestment, which when you divest from a

18 security, from an economic standpoint, you are

19 taking on uncompensated risk. And you want to take

20 on uncompensated risk very, very carefully as a

21 fiduciary.

22 And so, this is why there is so much

23 attention. And also when you divest you give up

24 your leverage to engage with the company -- you're

25 not a shareholder anymore, they could care less.

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1 And so, divestment is always a last
2 resort, and you want to make sure you go through a
3 well documented process that can lead you to a
4 decision to take on uncompensated risk that is well
5 thought out and well documented, that you can use
6 to defend yourself against somebody charging that
7 it was an unwise fiduciary decision.

8 I'd point you to the State of California
9 where they went through all kinds of funs and games
10 at the Board relative to their historical
11 divestment from tobacco. And so, this would
12 insulate you from them.

13 But from an IPS standpoint, you can see
14 this as kind of a subsidiary of your decision to
15 create an investable universe for BAM. How did you
16 come up with that investable universe? You
17 excluded some companies. You excluded some
18 companies after going through a very well thought
19 out, well documented process, that I would suggest
20 to you should have a very high bar.

21 That insulates you from all kinds of
22 pressures that might come along to make a snap
23 decision. We've seen some of that.

24 And so I think there are many good
25 policies in there, but you should do it your way.

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1 You should do it in a way you are comfortable with.
2 I just mentioned our proposal, it would sit on top
3 of any specific divestment policy.

4 CHAIRPERSON ADLER: This is really my
5 question. You are not advocating that that
6 statement about investable universe substitutes for
7 a divestment policy. I think you are saying the
8 divestment policy should be consistent with having
9 an investable universe.

10 MR. EVANS: Let's say that the
11 investable universe doesn't include gun
12 manufacturers. I think that would probably be the
13 case -- you'd have to have a process for
14 determining you are comfortable excluding gun
15 manufacturers from the investable universe, you're
16 comfortable with the extra risk that takes on, and
17 it's gone through a vetting process. You don't
18 feel that you're giving up too much leverage,
19 you've exhausted all possible attempts to reason
20 with management, whatever.

21 And you've got that all in the board
22 minutes and everything and it's a very deliberative
23 process.

24 So it's an investment policy, how you
25 narrow the investable universe, one way that you

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1 narrow the investable universe.

2 For instance, you have other policies
3 that would conform to the same thing. You have
4 excluded certain countries in your policy, most of
5 them in the emerging markets. And you can write
6 that into the policies for -- you could reframe it
7 for policies to create the investable universe, in
8 a positive sense.

9 I think that becomes sort of an
10 overarching policy that helps all of these other
11 things that reduce the investable universe go
12 through a consistent process.

13 MR. KAZANSKY: Would I be correct that
14 inherent in whatever divestment policy we have
15 would be some sort of language that would apply,
16 monitoring of the investments that we have; that
17 way, if a company that we have investments in or
18 whatever the case may be, suddenly decides to also
19 become a gun manufacturer, the example I would use;
20 we'd be able to monitor that and have a process of
21 bringing that to light so we can follow the
22 appropriate policy.

23 MR. EVANS: I think that's the sort of
24 thing you need to build in explicitly. Some of
25 those things are easier to do in practice than

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1 others. We will talk through that when we go
2 through the details of it.

3 But I think there's some good examples
4 for you to consider, that you will want to
5 customize to your own values and your own preferred
6 way of doing things.

7 CHAIRPERSON ADLER: So what is our
8 process for doing that? It seems like it's a
9 little bit distinct from this IPS. It will be
10 incorporated in the IPS, but it seems a special
11 case, as it were. I don't know if we want to do it
12 in the same way we're dealing with the IPS.

13 I think, based on those drafts you
14 circulated, somebody needs to work, or a committee
15 needs to work on drafting a divestment process for
16 this Board.

17 MR. EVANS: I would urge you to include
18 a member of the BAM staff on your committee, but I
19 don't think this particular one would be a good one
20 for us to lead; because if you ask the investment
21 manager what level -- an investment manager can't
22 take a position on exogenous social issues,
23 environmental issues, et cetera. But just based on
24 the laws of the land, ask the investment manager
25 without any framing, how much uncompensated risk

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1 can the portfolio take? The answer is zero.

2 And this is why when you ask an
3 investment manager to lead a discussion on policy
4 on this, "Well, we should engage, we should never
5 divest." And if you ask me as your investment
6 manager, that's what I would answer.

7 So the Board has got to supercede that
8 and take on uncompensated risk while weighing it
9 very, very carefully; and instruct the manager that
10 he's operating in a constrained investable
11 universe. And then within that constrained
12 universe I can now answer the question without
13 having those conflicts.

14 We should be there, for example, to tell
15 you how practical with the data existent that we
16 can come back to you in the time frame that you
17 want. You want to make sure that all aspects of
18 that are executable. And so we should be there to
19 help you with that. But this would have to be led
20 by the Board and not by BAM.

21 MS. PELLISH: Two quick thoughts. One
22 is that, in reviewing the divestment policies, I
23 think the best of the divestment policies have
24 outlined a process for making a divestment decision
25 that leads to a conclusion that it is not an

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1 uncompensated risk. So it identifies risk, clear
2 and present risks of retains that exposure that
3 would lead to expected losses.

4 So I guess I quibble with -- the
5 divestment policy should be, I think, focused on
6 divestment when retaining that exposure would lead
7 to uncompensated risk; not the reverse.

8 CHAIRPERSON ADLER: I totally agree. In
9 theory, Scott, yes, when you reduce the investable
10 universe you're increasing risk. But the reality
11 is that we're looking at either securities or
12 industries or what have you where the Board
13 believes just what Robin said; that holding on to
14 those securities increases risk, and that we
15 improve our risk profile by divesting them.

16 MR. EVANS: I'm not disagreeing with
17 that or disagreeing at all with Robin that that's
18 how the Board ought to take it. But I don't think
19 that BAM is in a position to judge whether gun
20 manufacturers are going to --

21 MR. KAZANSKY: If I may, TRS staff like
22 Valerie's and Susan's team should be leading the
23 charge on that, to some degree.

24 MS. PELLISH: Sorry to interrupt. The
25 second sentence I wanted to say was, that I'm not

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1 sure why -- I defer entirely to the Board -- I'm
2 not sure why it would be a separate effort. I
3 would think that the IPS should be an integrated
4 document that reflects, just as Scott and BAM were
5 putting forward, that reflects a perspective and a
6 set of principles, and that language should be
7 integrated throughout, that language and
8 perspective and philosophy should be integrated
9 throughout the document. And the divestment policy
10 is one aspect of that viewpoint.

11 So I'm not sure why it would be a
12 separate effort.

13 CHAIRPERSON ADLER: I agree. I do think
14 that the divestment thing, which is going to be a
15 new part, does need to be integrated with the rest.
16 But someone or some group needs to take
17 responsibility for coming up with the initial
18 draft, which would then become integrated into the
19 whole process.

20 And so, Dave, I agree it would be useful
21 for the staff to weigh in on that. But I do think
22 a committee of board members needs to get it
23 started. And I will once again volunteer the
24 Mayor's Office, though at this point I'm happy to
25 take the lead --

0049

1 But Scott just said BAM shouldn't do it.

2 MR. EVANS: I was pointing out that BAM
3 should be at the table, but some of these judgments
4 are going to need to happen at the Board level.

5 CHAIRPERSON ADLER: Absolutely.

6 MR. EVANS: And so, being realistic
7 about it. I think Robin makes an excellent point,
8 that it's part of an integrated process, so it
9 might be sub work stream --

10 CHAIRPERSON ADLER: The point -- I would
11 actually like you guys to volunteer your Deputy
12 Comptroller for Responsible Investment, Mr.
13 Garland, who I think has a lot of experience in the
14 engagement versus divestment arena, and could be
15 very helpful -- not to say only him from BAM --

16 MR. EVANS: A person with this
17 particular sub stream. And any time we talk about
18 this topic, we've got Mike and his team close by.

19 MS. VICKERS: I've done a lot of
20 thinking about this, and as a Trustee rather than
21 as an employee of BAM, I'd be happy to volunteer,
22 if we do it together.

23 CHAIRPERSON ADLER: Sure; sounds great.
24 Again, it gets folded in and integrated into this
25 overall IPS process. We need to get started.

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1 MS. VICKERS: We need to put together a
2 paragraph.

3 CHAIRPERSON ADLER: Maybe more than a
4 paragraph.

5 So I think we have a process. Anything
6 else people want to discuss on this agenda item,
7 investment policies, divestment policy? I don't
8 think we have to make a decision about that in any
9 way today, just have a process on how to move
10 forward.

11 MS. PELLISH: One question. I think I
12 heard, but I want to confirm. Is it the thought
13 that the surviving document would be the IPS, and
14 that we no longer need an SOIP?

15 MR. EVANS: Yes.

16 MS. PELLISH: Okay.

17 CHAIRPERSON ADLER: Okay. At this point
18 the plan is to put this back on the agenda for
19 April.

20 I believe that concludes public agenda
21 for today. A motion would be in order to go into
22 executive session.

23 MS. PENNY: I move, pursuant to Public
24 Officer's Law Section 105 to go into executive
25 session for discussions regarding specific

0051

1 investment matters.

2 CHAIRPERSON ADLER: There's a motion.

3 Is there second?

4 MR. KAZANSKY: Second.

5 CHAIRPERSON ADLER: Any discussion?

6 (No response.)

7 All favor of the motion all in favor of

8 the motion please say "Aye."

9 (A chorus of "Ayes.")

10 Any opposed say "Nay."

11 Abstentions?

12 (No response.)

13 Motion carries.

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1 (Whereupon, the Board entered executive
2 session.)

3 A motion would be in order to exit
4 executive session and return to public session.

5 Is there such a motion?

6 MR. BROWN: Motion.

7 MS. PENNY: Second.

8 CHAIRPERSON ADLER: Discussion?

9 (No response.)

10 All in favor of the motion to exit
11 executive session and return to public session, say
12 "Aye."

13 (A chorus of "ayes.")

14 Opposed?

15 Abstentions?

16 (No response.)

17 We're out of executive session.)

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1 (Whereupon, the Board returned to public
2 session.)

3 CHAIRPERSON ADLER: Susan, would you
4 please report out?

5 MS. STANG: In executive session one
6 manager update was presented.

7 There was a presentation on the
8 defensive composite of Variable A, which was --

9 A regulatory issue was requested for
10 private equity managers and was discussed.

11 CHAIRPERSON ADLER: Thank you very much.

12 That concludes our business for today.

13 Is there a motion to adjourn?

14 MS. VICKERS: So moved.

15 MR. BROWN: Second.

16 CHAIRPERSON ADLER: Discussion?

17 (No response.)

18 All in favor of the motion to adjourn
19 please say "Aye."

20 (A chorus of "ayes.")

21 Opposed? Abstentions?

22 Motion carries. The meeting is
23 adjourned.

24 (Time noted: 12:15 p.m.)

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2 CERTIFICATION

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4 I, Jeffrey Shapiro, a Shorthand

5 Reporter and Notary Public, within and for the

6 State of New York, do hereby certify that I

7 reported the proceedings in the within-entitled

8 matter, on Thursday, February 2, 2017, at the

9 offices of the NEW YORK CITY TEACHERS RETIREMENT

10 SYSTEM, 55 Water Street, New York, New York, and

11 that this is an accurate transcription of these

12 proceedings.

13 IN WITNESS WHEREOF, I have hereunto set

14 my hand this 9th day of February, 2017.

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20 JEFFREY SHAPIRO

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