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1 NEW YORK CITY TEACHERS' RETIREMENT SYSTEM
INVESTMENT MEETING
2 held on Thursday, February 3, 2011
at
3 55 Water Street
New York, New York

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5

ATTENDEES:

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7 MELVYN AARONSON, Acting Chairperson, Trustee
MONA ROMAIN, Trustee
LARRY SCHLOSS, Trustee, Comptroller's Office
8 RANJI NAGASWAMI, Trustee, Finance
NELSON SERRANO, Executive Director, TRS
9 LISETTE NIEVES, Trustee
LIZ CALDAS, Comptroller's Office
10 MARTIN GANTZ, Comptroller's Office
JOEL GILLER, Comptroller's Office
11 MARC GROSS, Comptroller's Office
SEEMA HINGORANI, Comptroller's Office
12 THADDEUS McTIGUE, Comptroller's Office
MARC KATZ, TRS
13 SUSAN STANG, TRS
YVONNE NELSON, Comptroller's Office
14 ROBERT C. NORTH, JR., Actuary
RENEE PEARCE
15 CHRIS LYON, Rocaton
ROBIN PELISH, Rocaton
16 JULIE MOORE, Rocaton
KAREN SEEMEN, Corporation Counsel
17 ROBERTA UFFORD
JAMIE SMART
18 JANICE EMERY
STEVE BYRNES, Townsend
19 SARAH CACHAT, Townsend

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P R O C E E D I N G S

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(Time noted: 9:36 a.m.)

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MR. SERRANO: Good morning, everybody.

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We we're going to begin the February 3rd,

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2011, investment meeting of the Teachers' Retirement

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Board by calling the roll.

8

Melvyn Aaronson?

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MR. AARONSON: Here.

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MR. SERRANO: Kathleen Grimm?

11

(No response.)

12

Sandra March?

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(No response.)

14

Not present also, out on an injury.

15

Ranji Nagaswami?

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MS. NAGASWAMI: Here.

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MR. SERRANO: Lisette Nieves?

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(No response.)

19

She is not present, but I think she's

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expected later today.

21

Mona Romain?

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MS. ROMAIN: Here.

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MR. SERRANO: Larry Schloss?

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MR. SCHLOSS: Present.

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MR. SERRANO: We do have a quorum.

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First, we need to elect an acting

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chairperson.

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MS. ROMAIN: I nominate Mr. Aaronson.

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MR. SERRANO: Anybody second that?

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MR. SCHLOSS: Second.

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MR. SERRANO: All in favor say "Aye."

7

(A chorus of "Ayes.")

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MR. SERRANO: Any opposed? Any abstentions?

9

Congratulations.

10

CHAIRPERSON AARONSON: So, today is the

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investment meeting and we are going to follow the

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following order: We are going to start with the public

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pension fund report. We're going to follow that with

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the public variable report. We are going to follow that

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with the variable executive session. And then, we are

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going to go into the pension fund executive session.

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That will be the order of our day and that

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means that Mr. Schloss --

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MR. SCHLOSS: Thank you very much.

20

Mr. Gantz?

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MR. GANTZ: Yes.

22

So, we are talking now about the December

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flash report, December 31st, that everyone should have a

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copy of, and we have extras.

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During the month of December, the equity

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1 markets rallied considerably with U.S. stocks,
2 increasing in the 6 to 7 percent range, and non-U.S.
3 equities going up even more. The investment grade
4 credit markets, however, fell about 1 percent as
5 long-term interest rates increased, for the second month
6 in a row.

7 High yield and convertibles are up as well,
8 in the fixed income, as investors continued to search
9 for yield.

10 So, for the fiscal year-to-date column, you
11 will see we're now exactly halfway through the fiscal
12 year. Returns are very strong. The equity turned as
13 strong with U.S. and non-U.S. equities, both now greater
14 than 20 percent, and total equities are now in 2271.

15 Fixed income returns. Investment grade
16 fixed income on the U.S. fixed income line returns were
17 much muted, but they were positive at 1.96 percent.
18 High yield and convertible bonds returns were higher --
19 a high yield that over 9 percent in convertible bonds
20 and over 14 percent, bringing total fixed income to
21 3.66.

22 Total Teachers' fund as of December 31st,
23 after fees, was 16 percent. And if you take a look at
24 the market value, we're now just short of \$40 billion;
25 and that represents an increase of over \$5 billion from

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1 the 6/30 market value. January and February to date has
2 been good, too, so we wouldn't be surprised to see a
3 breaking of \$40 billion at the next report.

4 Are there any questions?

5 CHAIRPERSON AARONSON: And I thank you for
6 that report. And I thank the Comptroller's Office for
7 their great investment skills and hopefully this will
8 continue.

9 MR. SCHLOSS: That completes our public
10 session.

11 CHAIRPERSON AARONSON: So, now, we are in
12 the public session for the variable funds.

13 MR. LYON: Good morning.

14 I'd like to start with the diversified
15 equity fund. And I'll not repeat all of Martin's
16 comments, but rather just generally agree with his
17 market commentary. And given that, it was good month in
18 December, finishing out a strong year performance for
19 the diversified equity fund.

20 And if you start with that report that was
21 sent ahead and passed out today, you can see that we are
22 at \$10.06 billion at the end of the year, and that all
23 of the major composites were generally and fairly in
24 line with their targets; with some exceptions, in
25 particular for market movements but also temporary

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1 allocations to certain categories.

2 So, at the extreme, you can see that there
3 are a few categories that are about 4 percent over their
4 long-term targets, but that's not all due to the
5 market -- again, it's hard to do that with temporary
6 allocations.

7 If you flip ahead to page 3, you can see the
8 actual performance results, Teachers' total right in the
9 middle. The total diversified equity fund returned 6
10 and a half percent for the month of December, and that
11 was right in between the hybrid benchmark and the broad
12 Russell 3000 index. So, that's within the range of what
13 we are expecting when we talked about it last month.

14 And you can see that that finishes out a
15 strong year in terms of absolute performance, at 15
16 percent; 15.02 was the Variable A return for the
17 calendar year period.

18 During the month, International was one of
19 the stronger performers. But for the one-year period,
20 the International and the defensive composite, for
21 different reasons, both distracted from the returns.

22 Any questions?

23 CHAIRPERSON AARONSON: Seeing none, why
24 don't we go on to the next?

25 MR. LYON: Great.

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1 The next report combines together Variable
2 C, D and E; for shorthand, International Equity,
3 Inflation Protection and Socially Responsive Equity
4 Fund. You can see the top last, the various asset
5 values. These are shown in thousands. So, \$73 million
6 in Variable C, \$17 million each in Variables D and E.

7 And if you look at the performance, you can
8 see, again, that the more equity-oriented of the Options
9 C and E, a very strong month in absolute returns and
10 relatively close to the benchmarks.

11 The Variable C and D, the inflation
12 protection option, was in positive territory. And
13 meaningfully, it had a benchmark for the month; though
14 as we've mentioned, most of the times, this is not a
15 benchmark we expect to track closely for the long haul.
16 And if you will look at the year-to-date results, you
17 can see that the Variable C fund got almost 9 percent
18 for the year 2010.

19 The inflation protection fund, Variable D,
20 would got almost 13 percent, well ahead of the
21 benchmark. And the socially responsive fund would have
22 21 and a half percent, roughly. Again, we're ahead of
23 the benchmark.

24 And therefore, they're continuing to be very
25 strong since inception returns for each of these and

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1 there were options that were added several years ago.

2 Any questions on that?

3 CHAIRPERSON AARONSON: Yes. I noticed that
4 recently, the month of December was higher than it has
5 been for a very long time.

6 Do you think that there's anything that we
7 have to be concerned about because of that?

8 MR. LYON: It picked up from a fairly low
9 base. So, the other thing is that these are subject to
10 a lot of revision. So, this is one snapshot of the
11 number that gets revised at series in different times.
12 But there is certainly some concern over time that
13 inflation will pick up.

14 But, again, starting from such a low level,
15 then having an investment option such as that and other
16 assets that are very sensitive to inflation, we do view
17 as helpful and appropriate. But we're at the moment not
18 concerned about in your term "dramatic spike" but rather
19 maybe a more gradual increase.

20 CHAIRPERSON AARONSON: Thank you.

21 Any other questions?

22 MR. LYON: And then lastly, you took a
23 preview of the January report that we will present at
24 the next meeting. Through January you can see that, in
25 general, equities perform strongly. Fixed income was

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1 flat to negative depending on this type of fixed income.
2 And so, if we try to approximate the benchmark for
3 Variable A, we are guessing roughly 2 percent return.
4 So, we expect it to be something fairly close to that,
5 when we have performance information in and some of the
6 other options that are primarily invested in mutual
7 funds.

8 So, the mutual funds had shown that they
9 were in modest to fairly different positive territories
10 for the month. So, a good start for the calendar year
11 for the most part.

12 That's everything we have for the variable
13 funds for the public session.

14 Any questions?

15 CHAIRPERSON AARONSON: Seeing none, can I
16 have a motion to go into executive session?

17 MS. NAGASWAMI: So moved.

18 MS. ROMAIN: Second.

19 CHAIRPERSON AARONSON: Any objection?

(At this time the meeting went into executive session)

17 CHAIRPERSON AARONSON: Motion to go back to
18 public session?

19 MS. ROMAIN: So moved.

20 MS. NAGASWAMI: Second.

21 CHAIRPERSON AARONSON: Back in regular
22 session. And we would like a report from Ms. Stang
23 about what we did in the private session.

24 MS. STANG: In the executive session of the
25 variable funds, there was a discussion of how to

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1 implement the prior resolution. Consensus was reached,
2 which will be announced at the appropriate time.

3 There was also a presentation by an
4 investment manager. A consensus was developed, which
5 will be announced at the appropriate time.

6 In the executive session of the pension
7 fund, the detailed monthly performance review was
8 presented.

9 A presentation on asset allocation was
10 received, a discussion followed. No decisions were
11 made.

12 And then there was a presentation about the
13 real estate market, which was received.

14 CHAIRPERSON AARONSON: Are there any
15 questions or comments about that?

16 Next is a motion to adjourn.

17 MR. KATZ: Motion.

18 MR. SCHLOSS: Second.

19 CHAIRPERSON AARONSON: Anybody objecting?

20 We are adjourned.

21 (Time noted: 2:38 p.m.)

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

I, Jeffrey Shapiro, a Shorthand Reporter and Notary Public, within and for the State of New York, do hereby certify that I reported the proceedings in the within-entitled matter, on Thursday, February 3, 2011, at the offices of the NYC TEACHERS RETIREMENT SYSTEM, 55 Water Street, New York, New York, and that this is an accurate transcription of these proceedings.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____, 2011.

JEFFREY SHAPIRO, Reporter