

**In the Matter Of:**  
**NEW YORK CITY TEACHERS' RETIREMENT SYSTEM**

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**INVESTMENT MEETING**

*June 06, 2013*

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1384 Broadway, 19th Floor  
New York, NY 10018  
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TEACHERS' RETIREMENT SYSTEM  
of the  
CITY OF NEW YORK  
INVESTMENT COMMITTEE MEETING

9:55 a.m.

June 6, 2013

55 Water Street  
New York, New York

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ATTENDEES:

- MELVYN AARONSON, Chairperson, Trustee, TRS
- SANDRA MARCH, Trustee, TRS
- MONA ROMAIN, Trustee, TRS
- PATRICIA REILLY, TRS
- JUSTIN HOLT, Trustee, Finance
- LARRY SCHLOSS, Trustee, Comptroller's office
- THADDEUS McTIGUE, Trustee, Comptroller's office
- JENNIFER MALDONADO, Trustee
- JOEL GILLER, TRS
- MARC KATZ, TRS
- SUSAN STANG, TRS
- RENEE PEARCE, TRS
- ROBERT NORTH, JR., Chief Actuary
- ROBERTA UFFORD, Groom Law Group
- MARTIN GANTZ, Comptroller's office
- SEEMA HINGORANI, Comptroller's office
- KATHY MARTINO, Comptroller's office
- YVONNE NELSON, Comptroller's office
- PETRA NIKOVA, Comptroller's office
- ELIZABETH CALDAS, Comptroller's office
- MICHAEL FULVIO, Rocaton
- CHRIS LYON, Rocaton
- JOHN K. NAWROCKI, Rocaton
- STEVE BURNS, Townsend
- ISHIKA BANSAL, Townsend
- JEFF BARONE, Townsend
- MICHAEL KOENIG, Hamilton Lane

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

3 CHAIRMAN AARONSON: Patricia?

4 MS. REILLY: Good morning. Welcome  
5 to the June 6th Teachers' Retirement System  
6 Investment Meeting. I am going to start by  
7 taking the roll.

8 Melvyn Aaronson?

9 CHAIRMAN AARONSON: Here.

10 MS. REILLY: Justin Holt?

11 MR. HOLT: Here.

12 MS. REILLY: Jennifer Maldonado?

13 MS. MALDONADO: Here.

14 MS. REILLY: Sandra March?

15 MR. MARCH: Present.

16 MS. REILLY: Mona Romain?

17 MS. ROMAIN: Present.

18 MS. REILLY: Larry Schloss?

19 MR. SCHLOSS: Here.

20 MS. REILLY: Joseph Lewis?

21 (No response.)

22 MS. REILLY: Before I turn it over  
23 to the Chair, there are a few things that I  
24 want to go over.

25 First, during our regular board

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2 meeting, the last regular board meeting, we  
3 sent out the schedule for the next year's  
4 investment meeting dates and the regular board  
5 meeting dates. We asked that people bring  
6 feedback to this meeting if they have any  
7 issues with the dates that we have published.

8 There was one change that came to me;  
9 Thursday, May 1st, was not a good date for the  
10 teacher trustees, so I am going to change that  
11 to May 8th. Other than that, I didn't hear  
12 back from anybody else on the dates, so we are  
13 just going to adopt the schedule as the  
14 schedule for the next year, and it is subject  
15 to change, if needed.

16 CHAIRMAN AARONSON: Good.

17 MS. MARCH: Patricia, could you have  
18 it ready to distribute at our board meeting as  
19 the schedule for next year so that everybody  
20 not only walks away with e-mail copies but a  
21 hard copy.

22 MS. REILLY: I will do that.

23 The next thing is that this meeting  
24 and the next regular board meeting are not  
25 going to be streamed live out on web, but we

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2 are taping it and it will be posted later in  
3 the week.

4 The last piece of business is that  
5 you may see children walking around. There  
6 are about 70 children visiting Teachers'  
7 Retirement System today. The "Take Your  
8 Children to Work Day" was in April but,  
9 unfortunately, the New York City public school  
10 children had to take their state tests on the  
11 day that "Take Your Children to Work Day"  
12 landed, so we rescheduled it for today because  
13 New York City public school children are off  
14 from school today; so they are here visiting  
15 us, learning about what their moms and dads  
16 do. You may just see them walking by and I  
17 wanted to explain.

18 MS. MARCH: We thank you for being  
19 so flexible and for looking at the calendar to  
20 see what was going on in the lives of the  
21 children being educated in New York City.

22 MS. REILLY: Thank you.

23 CHAIRMAN AARONSON: Does that cover  
24 everything?

25 MS. REILLY: I will turn it over to

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2 you.

3 CHAIRMAN AARONSON: Now, we will go  
4 ahead with our business of the investment  
5 meeting, and the way we are going to handle it  
6 today is that we are going to get a public  
7 session from the pension fund and then we will  
8 get a public session from the variable funds,  
9 and we will then go into executive session on  
10 the variable funds, and then we will go into  
11 executive session on the pension funds.

12 I guess now I will turn it over to  
13 Larry Schloss.

14 MR. SCHLOSS: We have a very short  
15 agenda today, it is just reviewing the  
16 numbers. All the numbers are good.

17 Martin, do you want to start with the  
18 quarterly numbers for the quarter ending March  
19 30?

20 MR. GANTZ: Yes. Good morning  
21 Chairman, Trustees.

22 So, hopefully, everyone has that  
23 quarterly report. We have some extras if you  
24 don't. In short, before I go over and Seema  
25 goes over equities, I want to let you know,

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2 and Larry has been talking about this month  
3 after month when we go through the monthlies  
4 -- in fact, last month we went through the  
5 preliminary March numbers -- the equity  
6 markets, as well as all risky-asset classes,  
7 have done extremely well for the quarter.

8 There wasn't even a single period of time that  
9 exceeded two days that the markets were down.

10 So the markets effectively went up in a  
11 straight line, which is very unusual, and it  
12 started after the concerns about the fiscal  
13 cliff late last year. Equity markets rallied  
14 tremendously and all risky assets, for the  
15 most part, rallied extensively.

16 The U.S. equity markets were up over  
17 11 percent; non-U.S. developed markets were up  
18 over 5; emerging markets were roughly flat,  
19 and part of that has to do with concerns over  
20 growth in China and other emerging markets,  
21 but high yield continued its climb up another  
22 two-and-a-half percent. Investment grade  
23 fixed income, which is not a risky-asset  
24 class, was roughly flat because interest rates  
25 went up slightly during that period of time.



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2 But you see how it all gets put  
3 together; on page 10, you will see, first of  
4 all, on the top, as of March, the assets were  
5 49.6 billion, but as we will show, in just a  
6 moment Larry will talk about April, where  
7 assets are over 50 billion. On the left you  
8 see that the returns for the quarter was an  
9 extremely healthy 5.54, ahead of the policy  
10 benchmark, and for the fiscal year to date,  
11 12.38 since April. I don't want to steal  
12 Larry's thunder, but April was a good month,  
13 it will be even higher than that, when you see  
14 that.

15 You can also see, I also want to  
16 point out, the Spark notes here, and I have  
17 done this for the last couple of quarters, the  
18 ten-year number is now 8.68 for the overall  
19 returns.

20 The next two pages show on top the  
21 overall asset allocation and on the bottom,  
22 where we are versus policy. The first page on  
23 11 shows, without adjusting for the parking  
24 places, so I want you to turn to page 12 to  
25 show where the pension fund is allocated.

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2 This is the same page we went through last  
3 month and you will see that we are overweight  
4 U.S. equity, underweight Core+ 5 and TIPS.

5 When Larry goes through where we are  
6 in April, you will see that we are in balance  
7 for all the policies, roughly the same  
8 allocation, but because of where those  
9 allocations were, meaning U.S. equity  
10 overweight, Core+ 5 underweight, because Core+  
11 5 on an overall basis underperforms, it was  
12 roughly flat, and U.S. equity was the highest  
13 performing asset class. This was a very good  
14 place to be for the quarter that we were just  
15 in. As you saw the returns before, we were  
16 ahead of the benchmark and had a very strong  
17 return.

18 The next few pages, starting on page  
19 13, show attribution of returns, and you will  
20 see, just like I said, for the quarter ending  
21 March, which is on page 13, the allocation  
22 effect on the left was positive because of the  
23 overweight to U.S. equity and the underweight  
24 to Core+ 5. The managers detracted slightly,  
25 but most of that is from private equity

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because of the lag; when you have a strong bull market and public market, private equity lags because we are still looking at the September numbers, which had not caught up yet to the public markets. It works the same way in reverse, but it is a lagging effect.

The one year on page 14 shows that the allocation effects and the management effects were roughly neutral. There were some positives, so again, Core+ 5 underweight, U.S. equity overweight helps non-U.S for the beginning of the period because it was underweight, but the management effect, what helped was Core+ 5 and the U.S. EAFE return itself, as Seema will go over, and I will go over later as well.

We have a summary. We have three-year numbers and on the next page there's a summary of the allocation management effects.

Before I turn it over to Seema, I want to show you page 18. It shows where Teachers ranks versus other large public funds defined as greater than 10 billion dollars.

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2 On the left, quarter ending March, that 554  
3 number ranks you in the top quartile, in the  
4 14th percentile. If you turn the page, you  
5 will see the annualized numbers of one year,  
6 three years, four years. While the one year  
7 was three basis point away from the median,  
8 the 55th percentile, the four-year number was  
9 in the top quartile; the three-year number was  
10 well within the second quartile; also, the  
11 five-year number was in the top quartile. So  
12 the overall performance versus your peers is  
13 good.

14 Unless you have questions, I will  
15 turn it over to Seema for the equity numbers.

16 MS. HINGORANI: So if you turn to  
17 page 22, this is Teachers' domestic equity  
18 allocation, about 40 percent of the total  
19 fund. As you know, you have seen a pie chart  
20 of about 95 percent of the dollars here are  
21 asset-free managed.

22 I will point out a couple of columns  
23 of good news to you under the active  
24 management side, what you do have.

25 First, though if you just look at the

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2 index return column, to what Martin mentioned  
3 earlier, the Russell 3000 Index is up about 11  
4 percent, but if you look at mid cap, small cap  
5 versus large cap, you might remember that we  
6 had overweighted mid cap and overweighted  
7 small cap and underweighted large cap. That  
8 actually helped us a lot, not only in the  
9 quarter, but also in the fiscal year to date,  
10 the trailing three years and the trailing four  
11 years, which is good to see.

12 I will just mention specifically that  
13 small cap active has outperformed and your  
14 large cap active, on the other hand, has been  
15 behind the benchmark over a longer period of  
16 time, but we talked about large cap before and  
17 I am sure we will have ongoing discussions  
18 about how to think about that, but overall, a  
19 very good performance on the active side of  
20 the portfolio.

21 If you then just turn to page 30,  
22 this goes to your international allocation.  
23 Different from U.S., as you can see in the pie  
24 chart on left, much more money is managed  
25 actively versus passively in the

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2 international. Again, if you look at the  
3 index return column, you can see the  
4 differences that Martin was mentioning about  
5 the U.S. being up about 11 percent, as many  
6 funds, the Russell 3000, EAFE markets, being  
7 up five percent, and then the EM markets being  
8 down a little bit in the quarter, rated to  
9 some things Martin mentioned about China  
10 slowing.

11 If you look in the difference column,  
12 I just wanted to point out the last row there,  
13 the active EM outperforming by over a hundred  
14 basis points in the quarter. We are now  
15 starting to see, which is what we were hoping  
16 to see, that the new emerging-market managers  
17 that Teachers hired last year are now starting  
18 to perform the way we would like them to  
19 perform. So, we are looking for that to  
20 continue.

21 If you turn to the next page, 31,  
22 that just goes through some more detail on  
23 EAFE, and the purple bar being the EAFE  
24 markets, the Teachers' portfolio and the  
25 yellow bar being the index. You can see that

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2 in the quarter, the Teachers' portfolio  
3 outperformed the benchmark in line, basically,  
4 fiscal year to date and then ahead in both the  
5 trailing 12 months and trailing three years.  
6 So those are good results.

7 If you then turn to page 36, we will  
8 go through a little bit about the emerging  
9 markets. Now, these returns are all  
10 considered good returns in the managed part,  
11 which is still evolving with BlackRock in  
12 making sure that it is exactly in line with  
13 the way it is supposed to be. That's why you  
14 are starting to see differences between the  
15 green bar and the yellow bar. It shouldn't be  
16 that dramatic. We are working on that with  
17 them and it should be resolved this month, but  
18 if you look at the overall EM portfolio for  
19 Teachers, which is the blue bar, you can see  
20 that in the quarter it is nicely outperforming  
21 the benchmark -- down, but nicely  
22 outperforming.

23 In the active EM, which is the purple  
24 bar, you can see it is basically flat for the  
25 quarter, versus the down index. If you look

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2 at the fiscal year to date, including a strong  
3 out performance in the purple bar, which is  
4 your active EM relative to the Benchmark, and  
5 similarly in the trailing 12-month period.

6 If there are no questions, I will  
7 turn it to back Martin.

8 MR. GANTZ: On page 39 we have a  
9 summary of the overall fixed-income portfolio.  
10 There is a pie chart. About nearly one-third  
11 of the assets are in fixed income, that's over  
12 16 billion dollars, and you can see from the  
13 pie chart that light blue is, just about 50  
14 percent is in investment grade Core+ 5, which  
15 we will start with. The next page breaks it  
16 down, so you have Investment grade Core+ 5; 16  
17 percent of the assets, or just shy of eight  
18 billion dollars were invested as of March 31st  
19 in the program.

20 Drawing your attention to the  
21 over/underweight column, which shows the  
22 underweighted Treasury sector, overweight  
23 spread sectors which are the mortgage and  
24 credit sectors, those helped. As you see in  
25 the difference column, other than the one



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2 basis point negative for the treasury sector,  
3 the overall performance is good, as we will  
4 see on the next page.

5 Just to give you an idea of how the  
6 managers were doing, of the 15 managers in the  
7 program, five outperformed, five  
8 underperformed; and of the five, four by just  
9 a few basis points. In fact, for the one year  
10 and the three-year numbers, you had 14  
11 managers in the program, 12 outperformed, two  
12 underperformed, and those two also were just a  
13 few basis points off. So the program has done  
14 very well.

15 As you can see on the next page, page  
16 41, as I mentioned in my opening comments,  
17 Core+ 5 was roughly flat, benchmark was  
18 slightly negative, but the returns were  
19 slightly positive, which gave you a 40  
20 basis-point advantage. For the fiscal year to  
21 date, the return for the benchmark shown in  
22 yellow was a very modest 202, but the managers  
23 really added value, as I mentioned, adding  
24 over 100 basis points, returning 312, similar  
25 for the one-year number, 12-month number, 561

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2 versus 469. Similar out performance for  
3 longer time periods with the returns in  
4 roughly six to seven percent.

5 I also want to point out something  
6 else, which is something I will point out in  
7 another chart. If you look at the very bottom  
8 of the page, you will see volatility in terms  
9 of standard deviation, which is volatility,  
10 the ups and downs of the market. The  
11 volatility number, just recently, in the last  
12 few days, has really fallen off a cliff, so  
13 you see the three-year number, we have  
14 achieved that seven percent return on 2.6  
15 percent volatility, which is really quite  
16 remarkable, and now the 15-year volatility is  
17 now below four percent. So the program has  
18 diversified, as you know, from the asset-  
19 allocation volatility and in the past the  
20 return has been there.

21 TIPS, on the next page, also similar  
22 to Core+ 5, negative, slightly negative,  
23 roughly flat benchmark outperforming slightly  
24 by 20 basis points, and at the fiscal year to  
25 date, PIMCO did particularly well and that

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2 helped the 42 basis point out performance;  
3 that's the 287 number you see. The one-year  
4 number, the 621, was 50 basis points ahead;  
5 PIMCO did very well.

6 Similar story, the three-year number,  
7 you see the volatility really falls off the  
8 cliff. It has been very low volatility.

9 Larry will show you that one of the charts is  
10 the fix; the volatility, not just in the  
11 equity markets but fixed-income markets have  
12 really slowed down. That's changed a little  
13 bit, it's come up in the last few days, but as  
14 of March, it had really come down.

15 High yields, on page 43, that's six  
16 percent of the portfolio -- actually, a little  
17 bit more, just shy of three billion dollars  
18 for the quarter. Remember, we did a search so  
19 we now have managers, all managers are on  
20 performance. The term was 280, which was 90  
21 basis points ahead of the benchmark. Of the  
22 seven managers, six outperformed and, of  
23 course, as you would expect in the bull  
24 market, the one manager that underperformed  
25 was your most defensive manager, which is what

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2 we would expect.

3 The fiscal year-to-date number was  
4 over ten percent, over 100 basis points ahead,  
5 and the 135, the ten-year numbers are  
6 remarkably high. When you look at ten years,  
7 the high yield is over nine percent; that's a  
8 remarkable number. I want to point out also,  
9 with the Core+ 5, if you look at the bottom,  
10 the standard deviation of 8.1 percent, we  
11 achieved that nine percent return with eight  
12 percent volatility.

13 On a relative basis the fixed income  
14 is a volatile asset class, so it has been a  
15 very slow and steady smooth ride for high  
16 yield. It is not going to last forever, but  
17 it has done very well and, moreover, managers  
18 have added value on top of that.

19 Convertible bonds on page 44, it's  
20 about one-and-a-half percent, rounded off to  
21 two on this page, for the overall asset  
22 allocation. Returns were very strong because  
23 it's very tied to the equity market, so on an  
24 absolute basis it was 569, a strong return,  
25 but that was behind the benchmark by 200 basis

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2 points, but you see the purple or brown, I am  
3 not very good with colors, the other benchmark  
4 is purple.

5 MS. MARCH: Magenta.

6 MR. GANTZ: Thank you.

7 That's the index, that's the custom  
8 index, because each of the managers had their  
9 own separate index, so we take the weighted  
10 average of those and versus that, actually,  
11 the managers have done well. As you know, we  
12 spoke previously, at a previous executive  
13 session, that we are taking steps to address  
14 the under performance.

15 The next chart is opportunistic fixed  
16 income. So you have numbers here, some of  
17 these numbers are obviously very good and are  
18 lagging. We will have, in our annual plan  
19 coming up, a fuller, more full information,  
20 but for the quarter, a very strong quarter, as  
21 you would expect.

22 The yellow, which is a ten percent  
23 annual return benchmark and the JP Morgan  
24 benchmark plus premium, fiscal year to date  
25 was ahead of the ten percent, behind the JP

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2 Morgan and the one-year number; very strong,  
3 nearly 15 percent at three years as well.

4 Basically, the program is doing what we were  
5 hoping it would do.

6 Unless there are any other questions,  
7 I will turn it over to Kathy for ETI's.

8 MS. MARTINO: Good morning. Your ETI  
9 portfolio continues to be a very steady  
10 performer and it has outperformed its custom  
11 and the Barclays for all periods.

12 Now I would like you to turn to the  
13 large book, page 7, collateral benefits. We  
14 did tweak the report a little bit so that for  
15 each investment you can see activity for the  
16 prior quarter, in addition to totals. I will  
17 bring your attention to one highlight. The  
18 numbers show up on page 9, the AFL/CIO housing  
19 made 89 million dollar investment in the  
20 Mitchell Lama -- actually not Mitchell Lama,  
21 it's Unionville Housing Amalgamated Warbasse.  
22 It provided a bridge loan so they could  
23 quickly make repairs that were needed after  
24 the hurricane. They were completely flooded.  
25 They needed to get operational, so that was a

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2 nice investment.

3 Sorry, on page 7 you did almost  
4 13-and-a-half million in multi-family  
5 mortgages, in commitments, and purchased  
6 six-and-a-half million. A lot of the 13  
7 million was for a former Mitchell Lama that  
8 will remain affordable because of this  
9 financing. There are regular agreements on  
10 site.

11 Unless you have any questions, I will  
12 turn it over to Liz.

13 MS. CALDAS: So I have the private  
14 equity quarterly report. That's in a separate  
15 handout. I passed that out. It looks like  
16 this (indicating).

17 If you turn a few pages in to page  
18 2-1, which is actually the first page with a  
19 number on it, page number 2-1 down here, on  
20 the top of the page it says "portfolio  
21 snapshot." You have to go past the blank page  
22 that says Section 2. It is blank and it will  
23 be right after that.

24 So per your policy statement,  
25 Teachers has six percent allocation in private

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2 equity and as of December 31, 2012, private  
3 equity constituted five percent of the  
4 Teachers' plan, so we are getting there.

5 If you look at the portfolio below,  
6 you will see that the quarter ending, the  
7 fourth quarter, that your total commitments  
8 were 4.3 billion. The capital it contributed  
9 was 3.3 billion and you got back total  
10 distributions of 1.2 billion, and your  
11 portfolio is at market value of 2.2 billion,  
12 so it is nicely growing. You will see that  
13 your total value multiple, since inception at  
14 the end of the year -- it was more than 12 at  
15 one point, three times -- since inception is  
16 at 8.59; so growing by six-fifths from the  
17 previous quarter and certainly much more  
18 significant from the previous year, so we will  
19 continue to see that grow and we are very  
20 excited about that.

21 If you turn to the next page 2-2,  
22 since reviewing end-of-year reports, we will  
23 say this table shows what you did for the year  
24 2012 and you made seven investments into seven  
25 private-equity funds for a total of 617.8



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2 million, and so all these great deals. Again,  
3 it's Ares Corporate Opportunities, which is a  
4 special situation turnaround; Warburg Pincus,  
5 which is a growth equity; Trilantic, mid  
6 market; ICV, small; Carlisle 6, in the  
7 Carlisle 6 side, ties in with your  
8 co-investment vehicle, which is a mega buyout;  
9 and then Platinum Equity, which is a special  
10 turnaround situation. So we are excited to  
11 see these guys get to work and start creating  
12 returns for you.

13 If you turn to page 2.2-4, you will  
14 see how you are performing against your  
15 benchmarks. So I am going to go to the most  
16 meaningful one here, which is since inception  
17 because it shows really nice progression  
18 there. You're again at 8.59 times IRR since  
19 inception, and against the bench or economic  
20 pool, you're 75 basis points above; you're  
21 outperforming there and that's positive. But  
22 then you see the last bar underneath, which is  
23 the Russell 3000 plus 300 basis points; you're  
24 underperforming by 100 basis points, but you  
25 are getting up there. You're at 9.5 times,

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2 you were at 8.5 times, so we will continue to  
3 see that grow.

4 If you turn a little bit further up  
5 to page 2-7, I will show you the strategies  
6 which are working for you, which are your top  
7 three performers:

8 So you will see in this table you  
9 have all the different strategies across all  
10 of your portfolios, how much has been  
11 committed and the IRR. And based on IRR,  
12 you've got three of the top performers:  
13 Growth equity is leading the pack at 18.85  
14 percent IRR; followed by special situations  
15 turnaround, 18.24, which is continued growth.  
16 We made some great investments in the year in  
17 those areas, both of those areas; and then  
18 followed by corporate finance large buyouts at  
19 16.3 percent. So we are excited about that.

20 The last area I will leave you is  
21 2.8; give you a peak into what we are doing  
22 for the first quarter. We're focusing on the  
23 fourth quarter; you will see that we have had  
24 a nice progression coming out of the third  
25 quarter. The top bar is cash that's paid in,

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2 the bottom bar is distributions coming back to  
3 you. So you will see that when you look  
4 across all of the previous quarters, you were  
5 at a nice all-time high at the end of the  
6 year, ending on a very nice note of 203.7  
7 million distribution coming back to you.

8 So I will end it there, and we will  
9 continue to see this progression as we  
10 continue to mature.

11 MR. SCHLOSS: Thank you.

12 MS. NELSON: Moving on to the real  
13 estate highlights for the fourth quarter of  
14 2012. If you look in the big board book, it  
15 is on page 18, and I am going to summarize and  
16 give you the highlights and stay right here on  
17 this page.

18 As you know, the allocation to the  
19 real asset class is six percent, and as it  
20 relates to real estate, we are at 2.2 percent  
21 invested and 3.2 percent committed. If you  
22 look at the portfolio as it stood at fourth  
23 quarter 2012, the market value, what we had in  
24 the ground is about a billion dollars. We  
25 have about 500 million dollar of commitment

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2 that we have yet to fund, so all together our  
3 exposure to real estate is 1.5 billion  
4 dollars.

5 If you kind of look at this portfolio  
6 in different ways, in terms of our strategies,  
7 it is about 43 percent core and 57 percent  
8 non-core. We have been very selective in the  
9 core space, as you know, and even right now,  
10 even though we're in the midst of a recovery,  
11 there are certain gateway cities, apartments  
12 and office are already above recession levels.  
13 So we are being quite careful in terms of our  
14 commitment in core space.

15 All together we have close to 40  
16 investments, 39 investments and they are being  
17 pursued by 30 managers that we have. The  
18 portfolio is well diversified by geography and  
19 property type and the portfolio leverage, at  
20 this point, is 44 percent. The reason why I  
21 point that out is that during the global  
22 finance crisis, as you know, we were impacted  
23 adversely by leverage. So what you are seeing  
24 here in this 44 percent, compared to the 62  
25 percent leverage that your portfolio carried

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2 during the crisis, is that your managers are  
3 being quite prudent and careful. They are  
4 looking for singles and doubles, not swinging  
5 for the fences. They are looking for  
6 investments that they can improve just by  
7 doing basic real estate; leasing, doing the  
8 lobby over, and there's less reliance on  
9 financial engineering.

10 Leverage is good, but it is good when  
11 it makes sense and I think that you are seeing  
12 that difference there in what your managers  
13 are doing.

14 Turning to the quarterly results, the  
15 performance was two-and-a-half percent net,  
16 which is 20 dips above the benchmark. Our  
17 benchmark is Odyssey plus 100 basis points.  
18 The Odyssey is our time weighted benchmark for  
19 core real-estate properties, and because we  
20 have a portfolio blend of non-core and core  
21 strategies, we have added about a hundred  
22 basis points premium, and for the quarter our  
23 return is quite competitive.

24 As you look down at the bottom, at  
25 the graph, it shows how the Teachers'

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2 portfolio has performed during different time  
3 periods. I just talked about the quarterly  
4 return for the one year, it was 9.5 percent,  
5 which was a little under the benchmark. The  
6 three year was exceeding the benchmark at 330  
7 basis points. The five year kind of captures  
8 all of the crises, and we did have mixed  
9 results from managers there, but importantly,  
10 if you look at the "since inception"  
11 literature, it's 8.5 percent; that's your  
12 time-weighted return. If you look at your  
13 "since-inception" results in terms of IRR,  
14 there's that 7.1 percent return at 1.2 times  
15 multiple.

16 So, for the long term, very positive  
17 results for real estate. Post quarter we have  
18 about 546 million dollars in commitment. We  
19 recently closed on two deals, Related and  
20 EMIS, for a total of 205 million dollars on  
21 behalf of Teachers. These are both New York  
22 centered programs.

23 So if anyone has any questions on the  
24 real estate, I am happy to answer them.

25 Thank you very much.

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2 MR. SCHLOSS: It was a great  
3 quarter, that's the bottom line.

4 Let's go to the update, April  
5 numbers, in this package. Just a couple of  
6 overall comments on what is happening.

7 So we've got this really gradual  
8 recovery going on in the United States, and  
9 the recession in Europe is kind of slowing.  
10 It's trying to signal that at some point it is  
11 going to take its foot off the gas, and they  
12 seem to be having a difficult time  
13 communicating exactly when and how or else  
14 they are trying to specifically not  
15 communicate exactly when and how. That said,  
16 they are trying to tell you that there's a  
17 time to be nimble. They're going to follow it  
18 up, they're going to follow it down, but  
19 change is coming, on the one hand. On the  
20 other hand, again, the economy is sort of  
21 growing two to three percent, just not enough.

22 So Bernanke spoke in the Senate and  
23 the Congress, he said something that spooked  
24 the markets and in the last week or two of  
25 May, the ten-year Treasury went from 1.6 to

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2 2.2 percent in two weeks and it could have  
3 some bad effects in our portfolio for the end  
4 of May. I will tell you that the markets over  
5 reacted, but the markets do what the markets  
6 feel like doing, but change is in the wind and  
7 we're slowly doing a little bit of changing of  
8 our portfolios, which I will go into in a  
9 second, but again, very slowly around the  
10 edges.

11 We start on page 34. This is the  
12 markets in April. April was a good month.  
13 Again, January, February, March and April, if  
14 you look at the first column on the left, U.S.  
15 equity markets drop one to two percent. EAFE  
16 had a booming month of five percent; emerging  
17 markets up a little less than one percent.  
18 Treasuries and non-core investment grade is up  
19 one to two percent, and high yield is up about  
20 two percent. So everything was up one to two  
21 percent.

22 If you go to page 30, it's set up  
23 exactly the same way we have been set up for  
24 the past six or 12 months. We are over  
25 allocated U.S. equities, which is great; and



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2 as Martin mentioned, under allocated Core+ 5  
3 TIPS, and that's absolutely the right place to  
4 be. Everything else is pretty close to spot  
5 on, closer -- a little closer here or there.

6 So what was the result that came out  
7 of that? If you go to page 35, again, you  
8 recall I said everything was up one to two  
9 percent, and we were up 1.7 percent. All the  
10 numbers were positive, so that was good. That  
11 brings our year to date to about 14.3 percent,  
12 so we are doing all right. I would say May  
13 our guesstimate is we are plus or minus zero.  
14 So we are okay, just trying to get to the end  
15 of the year. So hold your breath it has been  
16 choppy.

17 Again, we have had some losses  
18 probably in our Core+ 5 portfolio, but we will  
19 see how it all works out. Again, we are into  
20 the 11th month of the year. If you then go to  
21 page 27, what that shows you, I'm happy to  
22 report for the first time that we're over 50  
23 billion dollars; so at some point it is a good  
24 fund. Again, if you look at this page, it's  
25 pretty much straight up for the year. We

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2 started at 42-and-a-half and we are at 50;  
3 that's pretty good.

4 If you look at that on a longer-term  
5 perspective on the next page, page 28, again  
6 an all time high. There's a ten-year number  
7 up about eight-and-quarter. That's great. So  
8 all systems are go. We are having a little  
9 turbulence as we try to land the plane to June  
10 30th, but I think we will end over seven net,  
11 unless all hell breaks loose, which I really  
12 don't anticipate. So things are working all  
13 right. We are slowly going to start to dial  
14 our risks down a little bit in high yield  
15 bonds, but again, slowly. That's about it.  
16 Managers are all doing generally fine.

17 Any questions?

18 So that ends the quarter, April and  
19 we will be back for the year-end results next  
20 time. That ends our remarks for the public  
21 session.

22 CHAIRMAN AARONSON: Thank you very  
23 much.

24 MR. FULVIO: The first general item  
25 was the first quarter report for the Passport

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2 Fund which, as you might recall, was  
3 distributed ahead of time. I think in the  
4 past we started that to see if anyone had any  
5 questions regarding that report or performance  
6 for the first quarter, but we did cover the  
7 performance at the last meeting.

8 We will give an update of the year to  
9 date in general for everything as we work  
10 through the April performance, but are there  
11 any questions on the first quarter?

12 So we will start by echoing what  
13 Larry said, the first quarter was a good  
14 quarter, and April continued with a strong  
15 performance across markets. Now I am on the  
16 diversified equity fund report for April. At  
17 the bottom of the page, total assets at the  
18 end of the month were about ten-and-a-half  
19 billion dollars, up over the month from just  
20 over 10.3 billion dollars. In terms of items  
21 to note on this page, this page now reflects  
22 the full funding of the FDA crescent fund,  
23 which, as you might recall, is being  
24 transitioned into, as we sold out of the Lord  
25 Abbett portfolio.

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2 Any questions on the allocations  
3 themselves? If not, we will flip ahead to  
4 page 3.

5 In the middle of page 3, you see the  
6 line item for Teachers' total, the total  
7 return for the diversified equity fund, and  
8 for the month you can see a positive return,  
9 about two percent. That's about 40 basis  
10 points ahead of the U.S. equity market,  
11 measured by the Russell 3000 index. You can  
12 see we outperformed, that was helped by a  
13 strong performance relative to the U.S. by a  
14 non-U.S. equity allocation within this fund,  
15 as non-U.S. equities were up 4.3 percent in  
16 the fund, and it was also helped by  
17 performance in a defensive composite, which  
18 returned about two percent as well. So both  
19 of those ahead of the broad U.S. equity market  
20 by about 1.6 percent.

21 Year to date, you can see here  
22 through April the return for diversified  
23 equity fund is positive 12 percent, which is  
24 in line with what we expect to see given the  
25 return for the hybrid benchmark. That is

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2 slightly trailing the Russell 3000, primarily  
3 due to some weakness earlier in the year by  
4 non-U.S. equity exposure, having non-U.S.  
5 equity markets up about 9.7 percent.

6 If there are no questions on the  
7 diversified equity funds, we can move ahead.

8 Now we are on the report that shows  
9 the bond fund, Variable B. You can see assets  
10 at the end of April were about 370 million  
11 dollars -- 372 million dollars, sorry, and  
12 those assets have been relatively stable over  
13 time. The performance through the month of  
14 April was up about 22.5 percent, and year to  
15 date, up about a half a percent, both in line  
16 with the benchmark for Barclays one to five  
17 year credit index.

18 If you wouldn't mind flipping to the  
19 next page, page 2, this page refers to  
20 performance and assets of the international  
21 equity fund, which is about 86-and-a-half  
22 million dollars at the end of April. The  
23 inflation protection fund was about 35 million  
24 dollars at the end of April, and the socially  
25 responsive equity fund was about 46 million

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2 dollars at the end of April.

3 Right along the middle of the page  
4 you can see the total performance of the  
5 international equity fund for the month. It  
6 was up about 4.3, percent versus the E.P.  
7 benchmark was up 5.3 percent; however, year to  
8 date, on an absolute basis, the fund was up in  
9 excess of nine-and-a-half percent, and that is  
10 slightly behind the index for the year to date  
11 at 10.8 percent.

12 The inflation protection fund  
13 returned about two percent for the month of  
14 April, so close to the equity market, they're  
15 not what we would typically expect to see, and  
16 you can see that that two percent return, as  
17 well as the TIPS benchmark, as well as the CPI  
18 benchmark, which were about flat for the  
19 month.

20 On the year-to-date basis, the  
21 inflation protection fund was up about 2.9  
22 percent. Again, that's also ahead of the TIPS  
23 and CPI-plus benchmarks.

24 At the bottom of the page, the  
25 socially responsive equity fund, as you can

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2 two-and-a-third percent, so you would expect  
3 to see that slight down on the international  
4 equities fund, and you can see below that the  
5 performance for the inflation protection fund;  
6 that is down about two-and-a-half percent.  
7 Also, it's the reverse for the Neuberger  
8 Berman Fund, it's up about two-and-a-half  
9 percent.

10 So that was all we had prepared for  
11 the public session.

12 CHAIRMAN AARONSON: Thank you very  
13 much.

14 Do I have a motion to go into  
15 executive session?

16 MS. MARCH: I move that we go into  
17 executive session under the Public Officers  
18 Law 105 for the purpose of discussing sales  
19 and securities.

20 CHAIRMAN AARONSON: Is there a  
21 second?

22 MR. SCHLOSS: Second.

23 CHAIRMAN AARONSON: Is there any  
24 discussion?

25 (No response.)

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CHAIRMAN AARONSON: All those in favor?

(Chorus of "ayes.")

CHAIRMAN AARONSON: Any opposed?

(No response.)

(Whereupon, at this time, the meeting continued in executive session.)



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2 CHAIRMAN AARONSON: We are now in  
3 public session and what we would like is, Ms.  
4 Stang, if you can give a summary of what we  
5 did in executive session.

6 MS. STANG: In executive session of  
7 the variable funds, renewals, various  
8 investment manager contracts, certain prior  
9 contracts were discussed. Consensus was  
10 reached, which will be done at the appropriate  
11 time.

12 In the executive session for the  
13 pension fund, one manager update was  
14 presented. There was a discussion of  
15 reconstituting various indices in the equity  
16 portfolios. Consensus was reached and will be  
17 announced at the appropriate time, and the  
18 infrastructure annual plan was presented.  
19 Consensus was reached and will be announced at  
20 the appropriate time.

21 The infrastructure investment was  
22 presented and discussed. Consensus was  
23 reached, which will be announced at the  
24 appropriate time.

25 Two private equity investments were

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2 presented and discussed. Consensus was  
3 reached and will be announced at the  
4 appropriate time.

5 A presentation on the securities-  
6 lending program was received and discussed.  
7 Consensus was reached, which will be announced  
8 at the appropriate time.

9 A presentation on the ETI investment  
10 was received and discussed. Consensus was  
11 developed, which will be announced at the  
12 appropriate time.

13 CHAIRMAN AARONSON: Is there any  
14 other business before the board?

15 (No response.)

16 Motion adjourn?

17 MS. MARCH: So moved.

18 MS. ROMAIN: Second.

19 CHAIRMAN AARONSON: Any discussion?

20 (No response.)

21 CHAIRMAN AARONSON: All in those in  
22 favor of adjourning?

23 (A chorus of "ayes.")

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

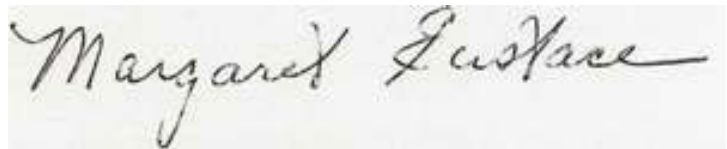
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C E R T I F I C A T I O N

I, MARGARET EUSTACE, a Shorthand Reporter and Notary Public, within and for the State of New York, do hereby certify that I reported the proceedings in the Investment Committee Meeting, on June 6, 2013, at 55 Water Street, New York, New York, and that to the best of my ability, this is an accurate transcription of these proceedings.

IN WITNESS WHEREOF, I have hereunto set my hand this 19th day of \_\_June\_\_\_\_, 2013.



MARGARET EUSTACE, Reporter