NEW YORK CITY TEACHERS' RETIREMENT SYSTEM

INVESTMENT MEETING

Held on Thursday, September 3, 2015, at 55 Water Street, New York, New York

ATTENDEES:

JOHN ADLER, Chairman, Trustee
SANDRA MARCH, Trustee
THOMAS BROWN, Trustee
SCOTT EVANS, Comptroller's Office
TISA LAPIDULA, Trustee
SUSANNAH VICKERS, Trustee, Comptroller's Office
CHARLOTTE BEYER, Trustee
DAVID KAZANSKY, Trustee
THAD McTIGUE, Teachers' Retirement System
MELVYN AARONSON
WESLEY PULISKIK, Comptroller's Office
ROBERT FENG, Comptroller's Office
SUSAN STANG, Teachers' Retirement System

REPORTED BY:

YAFFA KAPLAN

JOB NO. 163157

ATTENDEES (Continued):

MICHAEL FULVIO, Rocaton

CHRIS LYON, Rocaton

IAN LANOFF, Groom Law Group

RENEE PEARCE, Teachers' Retirement System

PETCHA NIKALOVA, Comptroller's Office

JOHN DORSA, Comptroller's Office

CHRIS PAK, Comptroller's Office

BRIAN COOK, Comptroller's Office

STEVE BURNS, Townsend

STEVE NOVICK, Cortland

ISHIKA BANSAL, Townsend

BILL FOSTER, Cortland

JANET LONDONO-VALLE, Comptroller's Office

SHERRY CHAN, Chief Actuary

ALEX DONE, Comptroller's Office

ENEASZ KADZIELA, Comptroller's Office

JOHN MERSEBURG, Comptroller's Office

KAREN BARCLAY, Comptroller's Office

TATIANA POHOTSKY, Comptroller's Office

MICHAEL GARLAND

RON SWINGLE

LIZ SANCHEZ, Teachers' Retirement System

Proceedings

MR. ADLER: Good morning. Welcome to the Teachers' Retirement System of the City of New York investment meeting for September 3, 2015.

Mr. McTigue, will you call the roll, please. Thank you.

Mr. Chairman?

MR. ADLER: Present.

MR. McTIGUE: Ms. Beyer?

MS. BEYER: Here.

MR. McTIGUE: Mr. Brown?

MR. BROWN: Here.

MR. McTIGUE: Mr. Kazansky?

MR. KAZANSKY: Here.

MR. McTIGUE: Ms. March?

MS. MARCH: Present.

MR. McTIGUE: I have Mr. Orlando, but --

MS. LAPIDULA: Tisa Lapidula for Ray Orlando.

MR. McTIGUE: Thank you.

Ms. Vickers?

MS. VICKERS: Here.

MR. McTIGUE: Mr. Chairman, we have a quorum. We can begin.

MR. ADLER: Thank you. So I think we are going to start with the Passport Funds' public session.

MR. LYON: Mike is going to start.

MR. FULVIO: Good morning, everyone. We are going to begin with the quarterly report, which this time we circulated it ahead of time so you don't have to spend too much time flipping through the pages. But we did want to mention the end of the year, fiscal year performance which you can focus on Tab Number 5 on page 23. I am going to note fiscal year returns for each of the Passport Funds. It's page 23 behind Tab 5.

So the fiscal year to date for that one-year return ending June 30th for the Diversified Equity Fund was a positive return of 4.8 5 percent versus the hybrid benchmark of 5.25 percent and the Russell 3000 Index of 7.3 percent. And as we discussed in many of the trailing time periods of late, the non-U.S. equity exposure here was a factor in leading to the relative underperformance to the broad U.S. equity market. Below that, the bond fund was 1.1 percent versus its benchmark

of 1.3 percent. The International Equity Fund, negative 3.9 percent versus its benchmark of 3.8 percent. The Inflation Protection Fund with a return of negative 4.8 percent versus its benchmark negative 3.7 percent. The Socially Responsive Equity Fund of 6.1 versus the S&P 500 at 7.4 percent. These returns are all net of investment manager fees.

So if we could jump into July, and this is the regular flash report that you should have as well, we will talk about the more recent market performance and volatility which is obviously notable in recent weeks. But you can see through the end of the month of July, performance was positive for U.S. equity markets with the Russell 3000 Index returning 1.67 percent. The Diversified Equity Fund did an okay job keeping pace, although modestly underperformed by about 20 basis points for a return of 1.47 percent. And year to date, that's the year to date for July 31st, a return of roughly 4 percent trailing the Russell 3000 Index by about 3.7 percent. And the hybrid benchmark had a return over that

time period of 4.2 percent. You can see in terms of the different underlying composites and the contribution to performance there, the actively-managed U.S. equity composite contributed on an overall basis to returns outperforming the Russell 3000 by about a little bit greater than 100 basis points and some relative underperformance by the international equity composite as well as the defensive strategies composite. However, the international equity composite has been a contributor in absolute returns to the performance of this fund year to date, so we are seeing some reversal in the performance between non-U.S. and U.S. equity markets. The bond fund had a return of about 1 percent modestly trailing its Barclays one to five-year credit index. That's over the year-to-date period.

During the month of July the returns were very close at about .16 percent. The International Equity Fund for the month was up about 1.5 percent, modest I should say, trailing by about 50 basis points, 58 basis points the EAFE Index. That brought the

year-to-date return for the international fund to about 6.8 percent versus the EAFE benchmark of about 8.1 percent. The Inflation Protection Fund was down about 1.8 percent in the month of July bringing the year=to-date performance for that fund to 2.2 percent, which is trailing its custom benchmark by about 40 basis points. The Socially Responsive Equity Fund had a positive month of July to the tune of 1.4 percent trailing the S&P 500 Index of about 2.1 percent. The year-to-date return for that fund is 2.2

percent versus the S&P at 3.4 percent. Again, those are returns all through July 31st.

Are there any questions on the performance of the Passport Funds? If you wouldn't mind then, we will move ahead to the performance of the markets through August. That's that one-pager. And Chris will speak a little bit more. You will notice there is some additional materials on the markets that will speak to the volatility overall of the markets, but we wanted to at least make reference to the benchmarks that we took -- we referred to.

You can see at the top of the page the Russell 3000 Index of August goes down 6.04 percent. The EAFE markets were down 7.3 percent. The defensive strategies composite down by about 4.4 percent and the hybrid benchmark for the Diversified Equity Fund was down about 6 percent as well. So we would expect to see the defensive strategies composite protected on the downside in this case. You can see the EAFE markets were down a little bit more than the U.S. equity markets so that naturally offset the returns of the defensive, but overall we would expect the fund's performance based on the hybrid benchmark to be roughly in line with the Russell 3000. Below that you can see the other proxies that we use, also look at for the other funds. The Inflation Protection Fund's underlying strategy was down about 1.5 percent. So again relative to the U.S. equity markets or broad equity markets in general, some relative outperformance there. And you can see the underlying strategy for the Socially Responsive Equity Fund down about 5.6 percent outperforming the S&P, which was also

down 6 percent.

If there is no questions there, Chris will go into some of the other more recent performance and volatilities in the markets.

MR. LYON: So I know we will cover some of this when we get to the pension, so I will just mention a couple of highlights that could be kind of complementary exhibits to what I assume Scott will go through.

This is called the capital markets update. Most of this information in here is current, so we compiled it yesterday. So it's current through the end of the day on September 1st. What you can see if you look on page 2 is some broader-based benchmark information than in the prior report, but in general what's interesting to us is that the turmoil in the markets has been very broad-based. So this isn't necessarily as much a reflection of a particular area at least in the developed markets in the U.S. experiencing particular acute problems as much as it is a reflection of the overall volatility, the reflections and concerns about China and how China impacts the broader global

marketplace and a little bit less about problems in particular with the U.S. equity market, for instance.

So if you look across the top part of the page you can see whether you are looking at August or you are looking at just the 9/1 column that is just that one first day of September, gives you a sense of the start we were off to. A lot of that was made up for yesterday but, nonetheless, you can see that the performance, the negative returns were pretty broad-based and not pronounced in one particular area. Of course there are exceptions to that and certain companies and we are at the point in the news cycle where everything is news now. But if you were to follow this hour by hour, minute by minute or even day by day, it was a quite a wild ride over the past handful of weeks. But I think what was encouraging to many market observers is that although there has been some trouble getting back to the levels that we started this patch of volatility at thus far, but there have been a number of times where market participants put money to work in expressing

some confidence at least in the developed markets in particular. And as many of you know, China is closed today so everyone is expecting it to be quiet.

If you flip ahead, what we try to do is put some of this in context in terms of where we have been. So on page 3 us in blue, non-U.S. developed in tan, and emerging markets in red. And this is not a Teachers' specific emerging markets benchmark, but this is a China heavy, broader emerging markets benchmark. And what you can see, of course, is that performance has fallen off sharply. The starting point is 2010. But that in the case of U.S. and to an extent non-U.S., we are still well above where we started about five years ago.

And from a valuation perspective on page 4 if we look at one form of price of earnings ratios, one measure for valuing equities, you can see there is still meaningful dispersion, there has been in the past few years, in how stocks are valued in the U.S. versus outside of the U.S. So that dispersion has actually widened out meaningfully in the past few years

and as a result of the most recent performance as well.

I am not going to spend too much time talking about commodities other than everyone is aware that in general commodity prices, whether it's energy or some of the other commodities, are quite low. But I think you might be interested in an exhibit on market volatility and how that has spiked up. This one measure is the VIX, the Volatility Index that's tied to the S&P 500 activities. And at least on an intraday basis during that couple of Mondays ago when we had the largest volatility of the summer, what you -- what we saw was that was the first time that it got to a point where it was approaching the financial crisis levels. Of course, this was perhaps a shorter lift. We will see. Things have settled out somewhat since then and you can see that the numbers referred partway are red. Then thinking more, this is more equity oriented. But thinking more fixed income oriented although there has been some pressure in the credit markets because they are equity sensitive because of the corporate dominance and corporate, issuers hasn't been as significant. But there has also been pressure on interest rates and so interest rates, they are not the lowest they have been. But they continue to be low and there has been some volatility from an interest rate perspective.

So -- and then lastly if you flip ahead to page 9, you can see one -- just one of many ways of looking at currency. Although the dollar has been off a little bit lately, it's -- the valuation of the dollar is still very high relative to recent history. So that really impacts the non-U.S. investments as well thinking about them as a U.S.-based investor who generally doesn't have.

So a little bit of context for performance discussions that we will have and some reviews that we are doing in the executive session as well, but in the interest of keeping it moving and not stealing all of Scott's thunder we will pause there and see if there have any questions.

Great. So our advice is, don't watch it every minute and hopefully we will -- that's everything that we have for the Passport

Funds' public session.

MR. ADLER: Okay, thank you very much. So let's now move into the public agenda and I direct to turn it over to Mr. Evans.

MR. EVANS: Thank you, Mr. Chairman. We were very pleased to give you our new performance report and it's in the total fund overview. You will notice that it's the thinner -- I think it's a bound -- they have the latest version of it. Just make sure they have the exact one. We sent this to you a number of days ago and then we sent you a revised one yesterday, which John is handing out. It's important you see that one. That's the one that will go up on the website. It has a few adjustments, so that's coming around. It's promised where -- I will talk about what's new and then what's yet becoming, because we have been promising this for a while.

So what are the improvements? It's promised we are incorporating additional fee transparency into our quarterly reports today.

The format has been altered to shorten the packet at the same time. It's a much shorter

packet than we have used before. We got comments from all the trustees of all of the boards to see what was liked and what wasn't liked. We hope it more clearly focuses on net performance versus policy benchmark, something that we weren't able to see in prior reports. We welcome your input on the whole package, particularly if we have excluded exhibits that you are used to and you find essential for your work. So we -- from our perspective, we haven't excluded anything -- any information. There is a lot of duplicative information in the reports, but we may have inadvertently taken out the version that you really like to see. And we are still producing them and we are happy to put stuff back, but we wanted to try to slim down the packet.

This report, and this is important, gives you our current best estimate of investment performance net of all manager fees. This is a work-in-progress. The accuracy of our fee estimates will improve over time as recent transparency initiatives are realized and put into practice in the

custodian's formal performance reporting process. The documents in this public packet will be placed on the comptroller's public website at the conclusion of our quarterly meeting cycle. And the information in this packet will be included in its entirety and will be supplemented by detailed performance listing for each manager that compares net performance to policy benchmark for periods beginning 1/1/14. That's as far as we have been able to go back at this point. For technical reasons that I can explain, we may go back to the beginning of 2013 if we still can.

So what is still to come? For the public mandates, we will add an adjustment for fee reductions related to the attainment of manager contract maximums. It's kind of a technical thing that's not yet in this. For the private markets, and this is much more important as managers begin to comply with our formal requests for the Bureau of Asset Manager for more extensive fee and incentive payment disclosure and capital call and distribution notices, our fee drag estimates

will capture a larger share of private market fees and incentive payments. This quest for fee transparency was the motivation for the comptroller's decision to become a signatory to the recent letter of a consortium of state municipal finance officials to SEC Chair Mary Jo White. We also plan to convert the private markets fee estimates to an accrual basis as the fees charged more properly apportioned in the time period which they were earned by managers.

So with that statement out of the way, let me go to the report. Let's go to page 17 and get right to the quick of the matter. This is the new format that we are going to use to show you performance. You have the summary up in the top. In this case, the summary is for the total portfolio. And then as you go down, you can see the various sectors within the total portfolio. It will start with the gross returns. It will take out the fees, then it will compare the net returns to the benchmark. And on the bottom, you will see red if we are underperforming the benchmark net of fees with a parentheses

around it and blue -- I'm sorry, green, if we are out performing the benchmark. You can see that the first four columns have red and green, but the other columns are all in black. The columns that are all in black are still looking at gross of fees for public and net of fees for private and so those numbers don't include the fee detail and they won't, you know, going back in time. Just from 2014 going forward, we will have the full transparency.

So let me walk you through. Let's do the full fiscal year to date, which is the second column in. You can see we ended the fiscal year at $60.1 billion and our performance gross of fees was 2.99 percent. Estimated manager fees were 21 basis points and included 14 basis points from public markets on an accrual basis and 7 basis points from alternative on a cash basis. At 21 basis points is about 5 basis points short of the overall estimate that we have made which has some vagaries in this, but we believe as we get more information from the private markets that that 8 basis points -- 7 basis points

will rise. And what will happen is as we get a basis point of fees that we identify, that will increase the gross of fees report because we already have this state of net of fees which we are trying to get back to gross. So when we find a basis point of private market fees, it will also increase the gross. So the net will remain unchanged. That's important.

So we believe that you are looking at the right net of fees results today in 278. So that will probably not change as we get more fee transparency, but we will be able to fill in more of these blanks. We want to be able to see estimated management fees from public market on an accrual basis. We would like to see estimated management fees also on an accrual basis for public markets and we want to break out management fees from incentive fees and other fees and fee offsets. Really, really important when we understand -- to enable us to understand the finer points of the charges that we are getting from private market managers and how much of the gains in the portfolio are going to the managers, how much of the gains are

going to the beneficiaries. And this gain-sharing percentage is the critical issue with regard to fees in the month. So you will see us build this out, analyze it, begin to work it into our discussions with managers about fees. We are already doing that, but this will give us additional ammunition. And each one of the lines below that will be expanded to show this fee detail.

And we will show all this fee detail in the public session for each of the asset classes. On the public website, we will show the net return versus benchmark for each of the managers and I will discuss it in executive session in detail that we will have for you in executive session, so let me stop there. That was a lot of info on the new way of doing things. Before we go to the managers, I just want to give you a chance to give feedback, ask questions.

MR. ADLER: Scott, just a -- so for this, the three lines incentive fees, other fees, fee offsets that are planned, is that only for private assets or will there be some of that for public managers as well?

MR. EVANS: Generally speaking -- and there are some small exceptions. Generally speaking, we have flat fees for asset-based flat fees for public market mandates. And it's only the private market mandates that have the incentives, so you have the difference between the incentive fee and the base fee and have things like fee offsets and so forth. There are subtleties and as we get into some of the asset classes, we have a few active managers that have incentive fees and those will be thrown into the incentive fee piece. This is interesting in an aggregate level, but what you really want to see is the asset class by asset class detail and then the manager detail in executive session. Because what we want to see is if we are paying fancy fees to managers, we want to see fancy returns for our participants and we want to see that those fancy returns are a lot higher than the fancy fees we are paying. That's kind of a ground zero of our discussions with them, with these managers. So we have been talking a lot with them lately. We have been talking about colleagues in the public pension space. There

has been a lot of work on the detail that particularly private equity managers, but all private managers give us. And we can't fill out this form right now and that's a problem, so we are going to solve that problem. And every manager going forward is going to give us a capital call and distribution notice that has this full detail. Otherwise, they won't work for these pension funds.

And so our colleagues in California have the same approach to this. And while others have been less public, there are many of the largest pension funds in the country are taking this same approach. We are talking to each other through ILPA and the standard that we are using in private equity, for instance, the fee disclosure we are asking for is the ILPA standard. It may surprise you to learn that ILPA adopted this in 2011 and yet it hasn't been -- it hasn't been executed. Why hasn't it been executed? Because we haven't insisted on that. Well, it's 2015 and we are insisting on it. So, you know, I think there is a chance we deserve the transparency.

MS. MARCH: Can I ask a question? My

question is this: As part of the process that the comptroller's office does so well when we hire a manager and I guess I need an attorney to answer this question, isn't in our within our fiduciary duties -- you can't necessarily go back to those you already hired. But if you are hiring somebody in the future, isn't it within our fiduciary duties if you are hiring a new manager and you are presenting them with the template that you demand, if they don't accept that demand isn't that a reason for me as a trustee of this system to turn that manager down because they will not provide us with the necessary information to know what we are going to have the ability to earn on the assets we are giving them?

MR. EVANS: I believe the answer to that question is yes, but I can tell you I don't think we will face that problem. But if you face a manager that's not willing to give us detailed information, you will not see them sitting in front of you because they won't pass our screens.

Now, getting historical data on past performance and so forth is a trickier matter

which I would prefer to discuss specifically to specific managers in executive session because it has --

MS. MARCH: I agree with you, Scott. That's why I asked it as such a general question.

MR. EVANS: So this is a fundamental change in tenor of our -- you know, manner of working with these funds. It's been coming for a long time. You guys have been aggravated, we have been aggravated, and it's just reached a point where something had to be done.

And we are not the only public pension fund to feel this way. My compliments to CalPERS on stepping out. And they have received a lot of criticism in the press, which we have shared in for not knowing what our fees are, et cetera. We are able on a fund-by-fund basis with the help of our consultants to go back and get all this information. But to collect it in a regular basis, on a bulk basis across hedge funds of partnerships which is what we need to do to produce returns to you, needs to be systemic.

And this is why we have gone to the SEC and said, look, this is -- something needs to change in terms of fundamental transparency between managers, general partners and limited partners. We will change it here in New York City. It's tougher if you are a small plan and they shouldn't have to deal with that either. So the larger funds are out there being very noisy about this and all funds will benefit.

MS. MARCH: Just want to add one thing. I think sitting here looking at our attorneys who are sitting here, I think that some of them -- my question is: What can we do with existing managers who refuse to now participate with this? I think that's a very, very good question that I really think we need the legal answer for. What can we do with those managers who we may not have requested this information of before, but why should we take manager A who we are now hiring and forget about manager B who really may be in the same asset class performing the same kind of, you know, investment and not insist that they do it? What is the legal right that we have to insist that the existing managers do it? And I think that's a question -- without going to the name of an individual manager, that we really should ask that question.

MR. ADLER: So do any of the people at the table --

MR. LANOFF: Well, I mean, you have contracts, and particularly with the private equity general managers, and so your ability to influence those managers depends on what you have in your contract. My -- I haven't seen your contracts. My guess is you don't have the flexibility to just dump a general manager because today he or she is refusing to cooperate. But for the future, I mean, that's certainly something that should be built into the contract.

MR. EVANS: Just to get a little technical, one of the things that we are doing as we speak is changing our side letter language to require -- in the case of private equities to require the ILPA capital call and distribution notice as part of the contract. Just to your point.

MR. ADLER: This is for new managers?

MR. EVANS: Correct. I will say this, that many of the largest managers and I believe almost all of the managers that are on our list -- just talking private equity now on our list of firms we are interested in re-upping our investment with have told us that they are willing to provide.

MR. LANOFF: I mean, that's a good point. They are all interested in getting re-upped. So even if you don't have a contract provision, that allows you to enforce it.

MR. EVANS: I think this problem is going away as we speak but, you know, it takes standing up and demanding in the way that the folks in California have done, Scott did here with Tom DiNapoli, New York State. And so I am feeling good about it. But you have to convert it in -- and a lot -- some of the smaller states have been at this for a while, but they haven't all converted it into accrual-based accounting where you can see it

all very clearly in the returns and you can
weigh the relative importance of the totality
of the fees that are being paid to the returns

that are being delivered. You have to take
that last step in the transparency in order
for it really to become useful to you as
trustees and to us as your investment advisor.

MS. MARCH: I am not even interested in
going back to yesterday. I am interested in
going to tomorrow and I am interested -- I am
not going to -- I don't believe that I have a
thought in my head about saying to an existing
manager, I would like you to go back to 2012
and let me know how you complied with our new
standard. I just want them prospectively to
do it. I don't care about -- I can't undo.

MR. EVANS: We are in pretty good shape
there.

MS. MARCH: That's what I want them to
do.

MR. ADLER: Although correct me if I am
wrong, but to be able to judge the performance
of the existing funds we need an

apples-to-apples comparison where we are getting the full disclosure, right? So if we have say a 2008 vintage fund that doesn't give us the same data that we are getting from the more recent vintage, then we don't have a

clear way to judge, you know, the performance of that manager. So -- but I agree, I mean, I think --

MS. MARCH: That's the re-up.

MR. ADLER: -- anybody who wants the possibility of re-upping is going to understand that they have to provide us with this data and this format in order for us to consider going with them.

MR. EVANS: Good. Well, we are happy to have your support on this and we will hope to get you very quickly in the circumstance where you never have to look at a manager who hasn't already agreed to provide this type of disclosure.

MS. MARCH: I just want to say for the public record, this board has supported that for eons.

MR. EVANS: Yes, you have.

MS. MARCH: And it is so good to hear it happening now in the rest of the world.

MR. EVANS: You are all -- from the day I got here and I know for many days and many years prior to me getting here, this has been an issue for you. And, you know, you are

absolutely right to be on this issue.

And, okay, very quickly here if we go to page 10, I just want to break out the quarter's results. It was a down quarter. The plan was down 29 basis points versus the index down 42, so we added 13 relative to the policy benchmark. Most of that 11 of the 13 coming from selection.

You can see on page 13 where the selection came from. You have got negatives in domestic equity and opportunistic fixed being offset by positives in developed markets and private equity relative to the benchmark. A lot of that has to do with the active results.

In page 14, you can see how we are doing relative to other large plans. Plans -- page 14, plans greater than 10 billion. I have added two new dots here. The green dot is an index portfolio that is the same index portfolio that the police use in their VSF and it's 25 percent fixed income. And you can look at that as sort of the maximum risk that we can take under the basket clause if we are just using indexed assets, so domestic equity,

international equity and Barclays Ag. While the police used that, it's 75 percent equities. So I thought maybe a better thing to look at for comparison purposes is to use the 35 percent fixed income portfolio which is representative of the five systems overall, 65 percent equities, 35 percent fixed income. And you can see where you would end up relative to the TUCS universe. And one of the reasons I put it on here is the Teachers' benchmark down 42 basis points was in very bottom of the TUCS universe which surprised me at first. It was a good quarter for us on a relative basis, but I was surprised we were in the bottom 1 percent in terms of our policy benchmark, bottom 4 percent in terms of our system. As you can see the index portfolio if you look down at the bottom for the 35 which is closest to the mix there, there was also in the 99 percentile.

So you have a -- you have a portfolio which is heavily indexed in its equity and it's also heavily tilted towards public equities relative to the other people in the TUCS universe using much more alternatives and

that sort of thing. You can see over -- while heard over the quarter during the past three quarters and down near the middle of the pack and in various periods you are at the top of the pack and middle of the pack in the total index portfolio.

This PME 35 I think is a great thing for us to watch because it's simple portfolio to construct. It's actually a simple portfolio to invest in and it provides a good comparitor for us over time for how much value we are adding with the complex portfolio that we are building. And this will become a topic of discussion in our asset allocation studies and so I thought having a steady diet of this kind of comparative information might be useful. So I just wanted to point that out because it is a new -- just quickly tell you that 35 portfolio is 40 percent Russell 3000, 25 percent Morgan Stanley EAFE, and 35 percent Barclays Ag. State Street has compiled the results for us. Okay, that's all I had to say.

If we turn back to page 17, the asset class heads are going to walk you through

their results for their piece. And let me start with John Merseburg, who will take you through equity.

MR. MERSEBURG: Thank you, Scott.

I will start my commentary on page 20. And the first section on the top of page 20 shows the performance of Teachers' U.S. equity composite, which is primarily invested in cap-weighted index funds. The performance was flat for the quarter, returned about 7 percent for the fiscal year which trailed the benchmark by 50 basis points for the quarter and 27 basis points for the fiscal year. And was driven primarily by an overweight to the S&P 400 index fund and some poor performance by the manager of managers. And if anybody has any specific questions about specific managers, I would ask that you hold those for the executive session.

If you jump to the last composite on page 20, it shows the total developed markets composite. And that composite was ahead of both the EAFE and the EAFE IMI indices for both the quarter and the fiscal year. The EAFE IMI is a broader index that adds small

cap companies to the EAFE index. Teachers added active small cap-developed market managers in May of 2013 and subsequently added small cap passive allocation in February of 2014. So for the more recent trailing periods, the EAFE IMI is a better overall benchmark while the more distant years are best judged versus the straight EAFE index.

If there are no questions, turn to the next page, please. And you will see that the first composite shown on page 21 is the active developed composite and it shows that the active composite was again ahead of both the EAFE and the EAFE IMI indices for both the quarter and the fiscal year. This actively developed composite has a slight large cap tilt while a passive composite. The other part of the portfolio has a small cap tilt, but when you combine them both it results in the total developed markets composite has a slight large tilt.

The second composite on page 21 shows the performance of the passive index managers. That composite was slightly behind the EAFE IMI for the fiscal year and that was because

of some cash drag, because there were two very large cash flows during the year. The next composite is the developed growth, excuse me, that trailed for the quarter and the year at 42 and 60 basis points respectively. The next developed value composite shown was ahead of the benchmark by 51 and 242 basis points for the quarter and the year while the developed, the small cap active composite was ahead of the benchmark by 33 basis points for the quarter but trailed by 52 basis points for fiscal year.

And next we have the total emerging markets composite. That's the next-to-last composite shown on page 21. That trailed its custom benchmark by 11 basis points for the quarter and 139 basis points for the fiscal year. And this was driven by the performance of the active managers, which is shown in the last composite on the page. Trailed the benchmark by 10 basis points for the quarter and 137 basis points for the fiscal year.

And then moving to -- wrapping up on the top of page 22 on the next page, you will go see that the passive emerging markets

allocation trailed the custom benchmark by 3 basis points for the quarter and 70 basis points for the fiscal year. And this composite also had two large cash flows and

fiscal year performance suffered a little bit
because of those cash flows.
Are there any questions on the public
equity portion of this report? If not, I will
hand it off to fixed income.
MR. ADLER: Robert Feng.
MR. FENG: Good morning. I am going to
go through the fixed income numbers and give
you an update on the market as well.
So the fixed income portion of the
overall Teachers' plan is about 37 percent.
And out of the 37 percent of over-structured
fixed income which we outperformed on a
quarter basis, but we underperformed on a
fiscal year basis by about 20 points. It's
actually 17 percent of the overall plan and
structured as 47-1/2 percent of the overall
fixed income total. So the core space
actually we are underweight treasuries and
overweight mortgages in credit, which actually
helped U.S. outperform in the second quarter

but hurt U.S. in terms of the performance for
the fiscal year.

Convertible bond which is 1.7 of the overall plan and 4.6 of the fixed income total, we have an issue that we are working out right now with the benchmark provider and we are going to correct that. And Scott and us need to just talk about the correct benchmark for that. So we will talk -- oh, I'm sorry, page 18. Please feel free to interrupt if you have any questions. Sorry about that. Okay.

Okay, just continuing along, the total return for TIPS is 2.3 percent of the overall plan and 6.2 percent of the fixed income portion. That actually was pretty -- pretty flat for the quarter and for fiscal year. 75 percent of our allocation is to a passive fund right now.

Going next to enhanced yield or high yield is 4-1/2 percent of the overall plan and 12 percent of the fixed income total. That was a little bit more of a difficult quarter and a difficult fiscal year. A lot of our managers had an increased exposure to energy as the energy space widened out. They were a little too early to make the call, so it actually hurt us in overall performance.

Going next to bank loans which is 2.6 percent of the overall plan and 6.9 percent of the fixed income total and the bank loans actually did pretty well. It's a shorter-dated floating rate asset class, so tracks the rates. There is no -- it's not a fixed portion on that and a couple of our managers are doing third-quarter sourcing deals, so actually that did pretty well. And progress which is a 20 percent basis points of the overall plan and 50 basis points of the fixed income total, we are lagging a little bit behind because of the EMD exposure that we have in the progress accounts.

And if you guys have any questions please, feel free or we can talk about the managers in the executive session, okay? Thanks.

MR. ADLER: Thanks, Robert. I will turn to Brian I think. Talk about ETI.

MR. COOK: So on page 19, in the final line of page 19, you can see the overall ETI portfolio. This was a little hard for us. We underperformed our benchmark by 1.11 percent over the past quarter and by 19 basis points over the last 12 months. Primarily this was led by the PPAR program. I have been saying for a long time we have been getting a lot of good value in our mark to market as our portfolio has been estimated up in its value. Unfortunately now we are seeing the downside of that which is as interest rates fluctuate on the open market our PPAR program, if we were to sell the loans, they were less than they would be otherwise. While I can go through it all individually if you wanted to, you can see on page 19 of the executive -- okay, Scott.

MR. EVANS: Not executive stuff.

MR. COOK: Sorry. I normally go through each of my managers, which is what makes it a little bit weird for me.

So if we look at the large collateral benefit book starting on page 8 and -- I will kind of give you sort of an overall of what my managers did, but we won't reference where it's listed. So the first thing I would like

to note is I did get the comment from you guys that we should be trying to make -- just right on page 8 should look like this in case somebody doesn't have it, that we should try to make it a little bit more readable. So we are attempting to do so. This is a work-in-progress, but you can see we have moved all the totals to the second page along with the charts. So the PPAR program underperformed by 4.84 percent over the second quarter and 2.43 percent over the last 12 months. We originated in the second quarter $6.5 million of loans to create a preserved 275 units. And we also made additional rate locks for another 928 units primarily through Citibank, CPC and Wells Fargo.

If we go to the next page where we show our quarterly reports, on page 10 and 11 we have AFL-CIO HIIT. So I am happy to say they outperformed their portfolio by 50 basis points over the -- this quarter and by 38 basis points over the last 12 months. And when I was here last time I said they had underperformed by 3 basis points but, don't worry, we expect them to follow the benchmark

and expect them to be up. So we are actually very happy that they have done so, though it's been a quiet month -- quarter for new investments. But we should see that increasing as we get to the new allocation we had previously talked about.

And then last if we go to the final page on page 12, Access Capital Strategies, they underperformed their benchmark by 3 basis points in the second quarter but outperformed by 118 basis points over the last trailing 12 months. So this is very good for us. They didn't make a lot of investments over this last quarter, but they continue to manage the single-family home portfolio to ensure that it's free of predatory equity.

And with that, I will turn it over to private equity.

MR. KADZIELA: Good morning. I will be

walking you all through the private equity quarterly report for the quarter ended March 31st, beginning in the total fund overview, the --

MR. ADLER: Which book and which page?

MR. KADZIELA: The first book we were

previously using, page 24. And as a reminder, private equity is on a three-month lag. So on page 24, we show the total portfolio overview of performance. As of the first quarter, the private equity portfolio had a market value of approximately 2.8 billion which represents 4.7 percent of total plan assets relative to a 6 percent target. In addition, the unfunded commitments were about 2.1 billion, which results in a total exposure of 5 billion to the asset class. As of March 31st the plan's since inception net IRR, which is the top line, was 9.47 percent and the net investment multiple was 1.34 times.

Let's now turn to the agenda package for a more detailed look at the quarterly results. It's in the big book which also begins on page

24. And here we have a snapshot of your portfolio and the quarterly performance. So once again as of March 31st, Teachers had 5.7 billion in active commitments across 96 million managers and 148 funds. Over the quarter, the market value increased by 98 million. And if you look at the bottom of the table, you will see that the portfolio's since

inception IRR increased 17 basis points from 9.3 to 9.47 percent, while the net total value multiple remained steady at 1.3 times.

If we turn to page 27, you can review the portfolio returns over various time periods and the relevant benchmarks. Since inception, the portfolio has generated a 9.47 percent net IRR lagging the program's benchmark which is the Russell 3000 plus 300 basis points by 380 basis points. And on a one-year basis, the portfolio generated a 9.43 percent net IRR which does trail the program's benchmark by 589 basis points due to the continued outperformance of the public markets. However, given the long-dated nature of the asset class, we believe that the since inception figures are the most relevant.

Turning to page 29, you will see the portfolio performance broken up by strategy and you can see that special situations and turnaround as well as large buyouts and secondary strategies continue to perform well for Teachers.

On page 31 you will find a summary of the portfolio's quarterly cash flows and you

will notice that the portfolio has been increasingly cash-flow positive, especially in the latest quarter as distributions from partnerships exceed drawdowns.

And, lastly, I would like to turn to page 32 to review the portfolio diversification. Here you can see that the portfolio is diversified by strategy which is the first pie chart in the left with buyouts representing the largest exposure, 54 percent relative to a 60 to 85 percent target. And we expect this exposure to increase as we source and commit to high-conviction buyout managers.

And on the bottom in terms of geography at the portfolio company level, you will see that North America represents the largest exposure at 81 percent, Western Europe at 14, and the rest of the world at 5 percent. We also break out New York State and New York City exposure here. And in terms of market value, 8 percent of Teachers' portfolio is in New York State companies and 4 percent is in New York City-based companies.

And with that, I will open it up to any questions.

MR. EVANS: Any questions for PE team? Any questions?

Thank you. We will turn to the real estate group, Real Assets.

MS. LONDONO-VALLE: Good morning. So I am going to be doing the same thing that Eneasz just did. I will walk you through the real estate portfolio. It's going to start on page 28 in your fund overview.

MR. ADLER: Page 28 of which?

MS. LONDONO-VALLE: This one, the fund

overview. And then we will turn over to just give you some additional highlights from your agenda package.

So as of first quarter, the real estate had 1.5 billion in total market value. That represents 2.6 -- that's the top line, by the way. Sandy, I see you looking. That represents 2.6 percent of your total plan assets. That is in the top line. The top line is the real assets which includes real estate and infrastructure, so the middle line I guess. And your portfolio since inception has generated a 9.3 percent net IRR and a 1.3 times multiple.

And if you can turn to page 47 of the agenda book, that's the big thick book, I will just give you some additional highlights.

On page 1, the real assets had an allocation of 6 percent or 3.6 billion. And as of March 31, 2015, the portfolio was funded at 1.5 billion or 2.6. On a funded and committed basis, it had 2.4 billion or 4 percent across 45 investments and 35 managers.

During the quarter, the portfolio achieved a 4.3 total return on a weighted -- on a weighted-time basis and it is comprised of 1 percent of income and 3.4 in appreciation. The net return was 3.3 percent. On a rolling one-year basis so yes, sorry, on a one-year rolling basis the total return on basis was 15 percent. And the benchmark return is -- is 100 basis points premium over the ODCE net for a full-market cycle. And this benchmark is exceeded over the one year, five years and ten years and since inception periods.

On page 2, on a funded and committed basis you will see in the graph that the core/core plus and the noncore portfolios are within their targets of 40 to 60 percent. The

core/core plus represents 966 million or 42.7 percent of the total portfolio and the noncore is at -- is 1.4 billion for 58.1 percent. The remainder is emerging managers, the portfolio which is 29 million or 1.2 percent.

If you skip to page 5, you will note that the portfolio is well-diversified both by property type and by geography. And if you look at the bottom graph -- do you have any questions? If you look at the bottom graph, the Northeast section there is a little triangle that represents the New York City MSA and the Teachers' portfolio which is at 18.5 percent. And, again, since inception the portfolio has achieved 9.3 percent net IRR and 1.3 multiple.

If you have any questions --

MR. ADLER: Any questions for, Janet?

Thanks, Janet. Turn it to infrastructure now.

MS. NIKOLOVA: Good morning. So I will start, as my colleagues, with the total fund overview book.

If you can look on the top of page 28 you will see a line for infrastructure where

you see the total commitments for Teachers are 270 million, the contributions are 65 million, the market value is 67 million, and the net IRR is 14.93. As I mentioned before, we will continue to mention for at least a few more meetings the results are great, but they are not very meaningful because the program is very -- in very early stages. It's still small, developing in its very early stages, so we still need to see how the funds would perform over time.

With that, we can move to the book with the reports and other materials. Just to compare on page 61 the portfolio performance versus benchmarks, again the benchmark for infrastructure is CPI plus 4 which was 5.6. So we are comparing the 4.9 to 5.6 benchmark and it's a pretty good overperformance, but again not very meaningful for now.

If you can, please turn to page 70 of the same book. What I wanted to point out is how the portfolio is developing in terms of geography and sectors with the same caveat of still being in early stages. You can see that right now the portfolio is very focused on

North America. That's pretty much the West 62 percent and Europe 38 percent approximately. In terms of the sectors it's primarily focused on renewables right now with 62 percent approximately, transportation 17 -- I am giving approximate numbers, 17.4 and energy 16.5. So diversification also appears to be building up nicely, still a lot of room to grow.

And then the last page of the report, this is page 71, gives you the risk management matrix and just walks you through performance versus benchmarks, the diversification, also managers' diversification or the parameters of the program, and one metric that I did want to mention is leverage. According to the program, the leverage could be up to 65 percent and you are well below that number which is positive credit. Positive decreases the risk.

With that, I conclude my comments. Questions?

MR. KAZANSKY: I have a question. What is our allocation for infrastructure?

MS. NIKOLOVA: So the allocation is

actually a three-assets level. This is how it was approved. We have a separate policy so we have separate parameters, but there is no allocation for real estate or infrastructure separately. It's all at the real assets level.

MR. EVANS: We are going to visit that in our asset allocation discussion later this fall.

MR. KAZANSKY: Because I am looking at $370 million commitment isn't that much and we have only actually contributed a fraction of that. Are we -- why is that? I mean, is there -- is there more opportunity out there that we are just not finding or --

MS. NIKOLOVA: Right. So -- well, you may recall is that when we started investing in infrastructure, the discussion was we find that infrastructure is a relative new asset class. So the way we talked about investments and presented it to the plans is around two to three investments per year.

And as you also know, we primarily fund -- invest through funds right now. We are trying to look at some co-investments, but this also takes time because they are executed alongside existing managers. So it's kind of like you need to have managers, they need to start investing when these kind of investment opportunities come. So it's -- the deal flow on infrastructure is a little bit different just because the universe is different and the maturity of the funds is different. The first year, we did three funds in infrastructure. Last year, we did one which was related to the deal flow in the sector. We saw a lot of bank-related funds, et cetera. We looked at many things, many things and brought for your consideration. We are looking at a very strong pipeline. We have a co-investment that we are working on signing an NDA for, so there are more opportunities coming. And this year do a strong -- stronger pipeline than last year.

MR. KAZANSKY: Great. Thank you.

MS. MARCH: And I would like just to say to my colleague who asked that question, the problem is that this great country is not capable for or does not want to do what they have done in Canada and what they have done in

Australia. And, therefore, unfortunately there are not products that we can invest in. And I don't know how we as an institution get involved with other institutions like ours to see that they developed the products, because we do live in a country that does need a lot of rebuilding. And the problem is they don't want to do it unless they can probably do it the same way we deal with private equity and that's not what we want to do.

So I don't know what we do when we finish correcting the world on fees. Can we please correct the world on infrastructure so that David doesn't have to ask that question, because we all sit here at this board and we want to do it. They just -- the investment world has not yet decided in this country that they are ready to do it. And I don't know what we do to make them be ready to do it because as -- as a fund we have absolutely committed ourselves to it, but we just can't find the investment.

MR. EVANS: Sandy, you should feel comfort that we are actively working with the other large pension funds in this country to

look for mechanisms to invest in infrastructure. Petya spends a good bit of time with many of the major pension funds here, in Canada, and we are involved in an Australia fund and so we very much want to find investments in infrastructure that meet our return in volatility needs. I think as you heard me say many times, infrastructure is a wonderful or potentially is a wonderful asset class for a pension fund because it protects you from the types of inflation risks that we have with our liabilities. And so we are very anxious to find productive infrastructure investments, but as you can appreciate we are also very disciplined in making sure we only do so in terms that benefit the Teachers in New York City. And I know you want that as much as we do.

MS. MARCH: Right.

MR. EVANS: But Petya and her team have

been extraordinarily disciplined. They have looked at everything and talked to everybody and even some situations where we got all the right partners, but the deal just didn't have the right terms. And we will keep going, we

will keep working with everybody. We are committed to it.

MS. MARCH: Maybe we can convince in this great State of New York, someone to come up with an investment so we can prove the power of this state and we don't always have to hear about the communities that the lights go out on. And I know you have -- there is no doubt that we are in -- it's those in this room want it. It's those people out there who can't make enough money on it and are not willing to do it.

MR. EVANS: We will continue to fight diligently to find these kind of investments.

MS. MARCH: Together we will do that.

MR. EVANS: Great, Petya.

I will turn now to the July performance review. I want to do this quickly. It's the foldout version.

I am going to go quickly to page 28 so you can see the performance for the month. First, I will have you go -- if you look at fiscal year ending 6/30/15, it's the seventh line over all the way on the bottom, it says total Teachers' return was 2.99. I am scoping

into that because if you will remember from the last piece, that's the same time period. The 2.99 is the gross of the expenses of the 21 basis points for the expenses, so this whole report is still on that gross basis. Now, we go over to the trailing one month and you can see the Teachers' portfolio is up 45 basis points for the month versus the benchmark at 65 basis points. We have the detail below it.

I will turn it quickly to page 30 where we can take a look at the adjusted policy weights. You know, this is the end of July entering into the turbulence in August and you can see we went into it in exactly the same fashion that we have been in the last couple of months. Pretty much neutrally weighted across the equity sleeves and in fixed income, underweight long-duration assets in core fixed income and inflation linked, and overweight what is referred to as cash here which is really anything less than four years. I won't take you to the footnotes of the main report, but if you look at this same slide in the main report for the June quarter it shows the

duration or interest-rated sensitivity of the combined portfolio of the long and short assets in the Barclays Ag. You will see we fairly neutral to Barclays Ag, so our interest rate sensitivity is no longer or, you know, greater than the general bond market. While that's the right thing for us to do very long term, that's why we have the core plus 5 portfolio. During this environment, we think it makes sense to strap it down to a neutral weight. So nothing has changed in that respect.

Now, I am not going to go through all the market stuff here because it became out of

date quickly in August and I did the same
thing Chris did. And, I apologize, we should
have coordinated more because I got some of
the same slides that he does. And of course
Chris working for Rocaton, he has got fancier
graphics than we do.
MS. MARCH: That's why we have him.
MR. EVANS: I know. If I had known, I
would have gotten his slides rather than
printing out the Bloomberg stuff. Shows you a
lot of the same things. What I had the team

do is just update these pages say yesterday
for you so you can get fresh numbers. You can
see the dollar phenomena that Chris showed
you, the slide on the second page
trade-weighted dollar, the euro exchange rate.
You can you go through these at your leisure,
the oil price, the big drop-off that we had.
We have got the West Texas Intermediate.
I will stop at the same place that Chris
stopped on page 5. Just take a look at that
volatility. I mean, that's the -- it's the
fear index in the market. It's the degree of

uncertainty. The market had become very complacent and then suddenly in August it lost its cool. And it lost its cool because the Chinese government couldn't seem to contain their speculative stock market. And what really got people's attention was when they suddenly dropped the value of the currency in light of the pressures that they were facing in the market. They were having to sell massive quantities of U.S. government bonds in order to defend their currency and they finally gave up all of a sudden. People are very suspicious of -- the market is very

suspicious of the manner in which they are going through this, the lack of transparency, some of the bizarre statements that were made in recent days about whether they have given up trying to support the markets so now they are going to arrest all the folks that are perpetuating the decline in the markets. These are not the sort of things that give the Western World confidence that the Chinese authorities are making a transition to a market-based economy.

And, you know, I am being funny, but it's not really a funny matter. Because if the Chinese don't make this transition and they don't effectively move from an industrial export economy to a consumption-based economy, the incremental growth in the world is going to take a hit and we are all very vulnerable. We have got nice little slow growth situation going up in the U.S. and Europe is trying mightily to use the same tools. If China really decelerates, we have got a problem in terms of global growth and that's why the markets are so spooked. And, quite frankly, nobody has good data. Nobody has good data

and that's causing anxiety.

Now if you are short-term trader, this is a nightmare, this is an absolute nightmare. You could be out of business tomorrow. We are driving an aircraft carrier. It's -- it's built to deal with choppy waters. We are on a long-term journey here. We change direction very slowly. We are just as focused on all these issues as everyone else is, but we are not panicking. We are not changing our strategy. We will evaluate it on a regular basis just like we always do. We rebalance, that's our policy. And we will continue that same policy. I am going to try to keep that asset allocation portfolio looking just like I showed it to you every month. And, you know, that's it.

It is really getting crazy out there with the markets. It's not necessarily bad news if you are long-term investor as we are. You suddenly -- we have gone from an environment where you weren't getting paid to take risk at all because people weren't worried about risk. You can see right on this page, people weren't worried about risk and

with all the money sloshing around from the central banks they were perfectly happy to bid up equity prices.

Well, let's have a look at what happened over the past couple of days. You can see it on page 8 the anxiety in the yield spread so how much more interest you people demand for marginal companies high-yield companies or high-risk companies, you can see back in 2008 and 2009 suddenly they demanded enormous premiums. 2011 the last time the volatility spiked, it shot up to 800 basis points and here it's shooting up 400 basis points and climbing and the investment grade is even going north. It's not the same kind of huge move, but you are seeing an increase. What does that mean? When Teachers said that's cash to invest, we are getting paid more to take the risks, the credit risks that are vetted here. That's not all bad news. There is bad news in the bonds we had getting marked down. But if we are consistent in our plan, we win in the long term.

If you turn to the next page, you can see the equity markets. And we view the price

being paid here by the blue line, the multiple of earnings that we are paying for share of stock and it's been up in the 20 range. You can see it's 18 to 19 range and then it just dived down to 17.1 at the end. Chris showed you a smooth sort of normalized PE. This is a more raw version. I think Rocaton does some of the best work out there in terms of valuation on various asset classes, so it's -- its charts are really worth paying attention to. This just makes the raw point that stocks are getting cheaper. They are cheaper than they have been in a while. They are still not cheap. They were cheap in 2010 and 2011.

And the other charts I am not going to go through, but you can go through the various sectors of the market what's happening to those prices. And nice chart on page 12 shows you the relative performance of the U.S. market, Russell 3000 in weight versus EAFE in red and emerging markets in yellow. As you can see, emerging markets are the ones that have really been clobbered during all of this anxiety. I won't go through it, but on the

next page you can see the percentage change in the indices over the month. Chris went over this, so there is no use going.

You might be interested in the last page which is, what does it all mean? This 57,856, where is Robert? That snapshot was taken on the 31st.

MR. FENG: On the system market value?

MR. EVANS: Yes.

MR. FENG: Yes, I believe so.

MR. EVANS: So it says July 31st in the bottom. July 31st was 60.36. We did an estimate, it's an estimate taking it up to the end of August just so you can see what's the dynamic been on the portfolio. And that just gives you a sense.

Finally, someone had asked me about this, you can handle the basket stuff in public session, right? The -- on the next page which is the back there, you see the basket summary. One of you had asked me how much capacity do we have after all this craziness, has it been eaten up by the denominator effect of the market going down. We took this snapshots on August 26th and

still had 6-1/2 percent of capacity left in
the portfolio.
MS. MARCH: So let's hope it doesn't go
down any more.
MR. EVANS: We have got a ways to deal
with. But we are really focused on this
because it's sort of an artificial constraint
sort of put on us by the state and we will
continue to monitor it.
That does it for me on this part of the
agenda. I am happy to answer any questions
that you might have.
Okay, we will now turn to Mike Garland
who is the education special entree for today
and he is going to talk to us about corporate
governance and responsible investment.
MS. MARCH: May I say something about,
Mr. Garland. As the employees' representative
on the proxy committee, it is truly a pleasure
to have such a knowledgeable person working in
that area. And as someone who has been
involved with it for a while, it's always
something that I learn whenever I have to
learn with Michael Garland. So welcome, Mr.
Garland.

MR. GARLAND: Thank you. Good morning to everyone. That was a very, very, very kind introduction and I appreciated the invitation to do an overview of our program, what we do, why we do it. And to be fair, some of the long-serving trustees can probably give this presentation. And I know even some of the new trustees are already familiar and have been briefed on some of the initiatives, so we will step back a little.

This is really just an overview without diving into some of the more exciting work because there is a lot we do that doesn't have the same kind of profile, but is critically important to the funds. So I want to make sure does everyone have -- I put together a PowerPoint. So let's start on the first page, just an overview of the program. First and foremost, our responsibility is to fulfill the funds and the fiduciary's duty with respect to voting proxies. The funds long ago made a decision to retain the voting authority and not allow the managers to vote on the domestic portfolios. So you hold nearly 3,500 U.S. public companies. We have a team that

votes -- every company has to have an annual meeting every year, vote on directors, executive compensation, other management proposals as well as shareholder proposals. It's roughly 30,000 individual ballot items a year and we vote those -- cast those votes under the guidelines by the proxy committees of the board.

In addition, we exercise the funds' ownership rights. We are actively long-term owners. We try to strengthen corporate governance of portfolio companies and promote sustainable business practices and sort of the scope of responsibilities within our team.

In addition to proxy voting policies and implementation, by the way, we also oversee the policy, but not the implementation with respect to the global proxy voting guidelines which is something we are looking at as well.

Engaging portfolio companies. And I see here both routine and through shareholder initiatives, routine engagements. We may talk to a company about a particular proxy vote relatively routine engagements. I distinguish that from shareowner initiatives where we come

to the board and we are advocating for a specific reform or filing a proposal at a company. That's the advocacy role.

Institutional investor collaboration. We have both formal collaborations where we are members of a Council of Institutional Investors and Ceres in other groups, but also informal. We work very closely and increasingly closely with our peers, large asset owners both here in the U.S. and our investment managers in some cases and abroad.

We also engage with our regulators. Primarily the SEC and securities regulators, but it can be the EPA. If we have a view about a reform there, it's important that the investor voice be heard. And then additional responsible, investment activities that we either lead or are resourced within BAM to the asset classes and other staff and support their efforts.

We have an eight-member team. It was seven until a few months ago. We recently added Scott Zdrazil. Stand up for a moment.

MR. ZDRAZIL: Good morning.

MR. GARLAND: We are lucky to have

Scott. He ran the corporate governance team at Amalgamated Bank, one of your investment managers. He brings a lot of necessary capacity as we try and work more closely externally both engaging with other investors as well our portfolio companies.

Turning to the next slide, why it matters, why is what we do important? It's beyond just your fiduciary responsibility. As you well know, you are long-term investors both a reflection of your time horizon. You know your actuarial time horizon is decades, but it's also your investment strategy. So more than 80 percent of at least your U.S. public equities are indexed. And so an active manager who doesn't have confidence in management or is concerned about a board, can -- they call it the Wall Street walk. If you are invested in Enron and you get concerned, you walk, you sell your shares. You can't do that. So the only way that we can protect and create value within that portfolio is to actively engage in portfolio companies on the quality of the board, the structure, and levels of executive pay, et

cetera. So the goal is to manage risk. At minimum, I would say it's a risk management strategy hopefully to help create long-term value. And there are various sets of engagement approach and tools that we use to do that.

Next slide, some of the overall issues and themes. First and foremost is always the board of directors. We engage portfolio companies on a broad range of issues, but at the end of the day we rely on the board to represent our interests and to oversee management over the long term. But we do engage on the independence, accountability and the composition of the board and composition really speaks to the diversity and the quality, is it the right people with the right range of skills and experience. Executive compensation, both the level of the pay. It's critical not only excessive pay, I know it sort of violates people's sensibilities, but it's the incentive structure within the company. People do what you pay them to do, so you want it aligned with long-term sustainable performance. Again, focused on

diversity within the workplace. The funds have a long history of advocating for worker and human rights issue, engage on climate change risks and other environmental risks, and have been long been active in promoting the disclosure of corporate political spending.

Turn to the next page. I just want to sort of give a sense of what I call the continuum of U.S. pension fund activism. And Teachers and the New York systems, frankly, have long been well to the right on this spectrum. And, in fact, New York City among the institutional investors community is probably the most active historically filing shareholder proposals specifically. I want to be clear that's one tool. And we try to broaden the toolkit, but we submit shareholders proposals. We have actively opposed the election of directors; you see the vote no campaign. From time to time you served as the plaintiff in litigation. Running director candidates is somewhat aspirational. I am not sure anyone has really been able to do it, but really thanks to

the -- really the leadership of New York this year. I think that's something that is something that we can contemplate in the relatively near term. And I will speak a little bit about that in a minute, but come back to the proxy committee soon.

And just to put some things in context, there is really a long history of leadership and collaboration with the funds and the comptroller's office within the institutional investor community. So it was I believe

Harrison Goldin co-founded the Council of Institutional Investors in 1985. We are active members. I co-chair the activism committee at the council. Comptroller Holtzman I believe co-founded Ceres, which was originally called the -- I think it was the Coalition for Environmentally Responsible Economy. It's no longer an acronym. Within that, we are part of something called the Investor Network on Climate Risk. It's a subgroup within a group that focuses largely on climate change and environment, but sustainability broadly from an investor perspective. And we are an active member and

Comptroller Stringer actually sits on the board of Ceres. And that's a formal board 501c3 and I represent him on that board. So those are what I consider our formal collaborations.

I mentioned just through the shareholders proposals and other activities, TRS and other funds have very long history of promoting individual reforms at individual companies. The McBride principles New York City was a leader on, some sexual nondiscrimination companies. And just to give you a flavor in our active participation in on going informal collaborations, we are part of a human capital working group largely led by the UAW VEBA with a lot of big pension funds. And this we are not really promoting a specific reform, but started engaging companies as human capital is a broader frame. It's not worker rights or diversity. It's if you think about management has to manage their financial capital, their physical capital, plants and equipment and the environment and human capital in order to create value, so how do companies think about their workers as an

asset to drive value creation, not just a cost to be minimized. What are the methods they use to measure that, how does the board oversee it. And this is part of a learning exercise for us to instill best practice as well as to engage companies.

And then the Carbon Asset Risk

initiative, which is a very large initiative organized by Ceres and Ceres' sister organizations in Europe and Australia, where we co-signed a couple of years a letter to I think north of 50 of the largest fossil fuel companies in the world, U.S. and non-U.S., and asked them to disclose risk scenarios under a business as usual under one scenario and another scenario of the global or political ilk to keep climate from warming more than 2 degrees Celsius. And what that means for their business plan is, frankly, the price of the carbon. And we remain an active participant in that group.

And finally and most importantly in terms of the moment, we are the leader of the Board of Accountability Project which we launched last fall to try and roll out proxy

access, the ability of shareholders to nominate directors to board going company by company. Since we failed over the past 15 years to get the SEC to enact -- actually, we succeeded in getting the SEC to enact a rule, but the Chamber of Commerce and business roundtable viewed it and overturned and we got frustrated waiting for them to reissue the rule. Notwithstanding the history, I think I can objectively say even with my bias it's the most successful and consequential campaign that we have launched today and, frankly, has moved much more quickly than I think we could have imagined in our best case scenario last fall.

If you turn the page, this is just a few headlines to give you a sense. And I will be coming to the proxy committees probably early next month, if not sooner, to give a full report on last year and make a recommendation for going forward. I know that in the past couple of years the chair has invited me to report out and give the proxy committee report to the full board so, you know, we can go deeper into the initiative.

I am happy to respond to questions today, but I think the expectation --

MS. MARCH: I don't have a question. I

just want to add one thing if I can to this because I do believe that apartheid in South Africa, that the two systems in this city played a huge role in that when we divested our assets in those people who would not uphold. So I just wanted to say that. It was this system and NYCERS who did that. And I just wanted that added to the list of what our institution has done led by the comptrollers. There is no doubt about that. If Harrison Goldin didn't start it with CII -- and each controller after that picked it up and carried it through and it has been a wonderful thing that we have done to move our society forward. So I don't mean to -- I just wanted to add that.

MR. GARLAND: I am going to add that on this slide for the presentation to other boards. Absolutely a fair point and very visible within the investor community and remains so, so absolutely.

MR. EVANS: There is a proud history of

the corporate governance in the cities as you point out, Sandy. And I know this board is very interested to see that we act cooperatively with other -- collectively with other large pension funds. Nowhere is that more evident than corporate governance. And I have to say that although we are participating in all fields with other leading pension funds, there is no where that it's more clear that New York City is a leader than in corporate governance. Proxy access has absolutely captured the spotlight and set the agenda for the whole corporate governance world and they are very much working off the wind of Mr. Garland who has done an outstanding job representing the city on the global stage.

MR. GARLAND: One other point on that I want to make. We do have a long history of collaboration, but we have also -- because we have often engaged on issues that were we were somewhat unique in the public fund community engaging in human rights issues, so we have often aligned ourselves with some of the smaller socially responsible funds. And in order to move something that's as contentious as proxy access, the boards are very resistant. We are large, but ultimately alone. We are not large enough, so we are working very hard now to deepen and broaden our relationships with some of the biggest investors in the country and the world. We have always had good relationships with CalPERS and CalSTERS. We are working more closely with them. We have developed a good relationship with Deutsche Bank, working with some investment managers at TIAA-CREF in a much closer way than we ever have historically. I think with the addition of Scott, it allows us to do more than that. So I think we are able -- we are building toward and already able to hit above our weight class. And so we are going to continue to do that because, you know, it's one thing to ask a company for additional disclosure to adopt a policy; it's another thing to walk in and say we want the right to name -- nominate directors for election to your board. And so that's one of our focuses.

Finally, I just want to talk on the last

slide just briefly on some of the other responsible investment activities beyond the corporate governance and portfolio engagement. Responsible investment surveys were a resource to you and throughout BAM, so a great example the asset owner disclosure project is a nonprofit group that goes out and evaluates the 200 largest asset owners in the world and how they are responding to climate change. They are going to rate you whether you respond to their survey or not. In 2013, TRS received a D rating and was ranked 55 out of 200. We worked with you this year to respond to that survey. You moved from 55 to 20, received an A rating with triple A being the highest, but proud -- and it wasn't necessarily that you were doing anything differently. It was that they didn't know what you were doing. And they went to your website and I told them a lot of the information on the activism on our website. That wasn't enough, so we responded to the survey. So that was one example. PRI survey, we stand ready to help for the funds of the members. I know that's NYCERS.

Responsible contractor policy, we are

working with other BAM staff to assess and benchmark the existing policy and to benchmark with peer best practice, because I know there have been a number of requests recently that caused us to look at the current policy and see if there maybe a need to update it. We think if we update the RCP, it can help mitigate investment and reputational risk by defining expectations of fund managers for labor law compliance and provision of fair wages and benefits ands also provide a roadmap for stakeholder roles under the policy when issues arise.

And then finally the investment manager ESG questionnaire where investment managers, part of the due diligence they answer a set of questions, a subset of those speak to how they think about non-financial risk, whether it's environmental or human capital risk. And we help to review those responses and to provide feedback to BAM during searches for that.

So that's a quick overview. I am happy to go deeper on any pieces of it that you would like or any questions.

MR. KAZANSKY: One thing I would like to

say without trying to heap too much additional praise on what you are doing is that, at the NCPERS conference earlier this year you had the opportunity to speak to -- I think it was over 500 different public pension systems. And the brief presentation that you gave, because you had to catch a plane to fight some war somehow --

MR. GARLAND: I had to go to a shareholder meeting on one of the proposals in Houston.

MR. KAZANSKY: -- was really received I would say better than just about every other presentation there and was a great publicity for what we are doing here in New York, but also really galvanizing the systems throughout the country. So great work.

MR. GARLAND: Thank you.

And for others, that was really focused on the board and accounting trying to get other investors to understand why it was important to be supportive. So I appreciate the trustee's support for approving it, because it was and remains an ambitious effort just the number of meetings we had to cover

and I want to mention we received significant support. When we launched, we did all these proposals. You did it. It would have been difficult to move it as quickly as we did without some support from big funds.

And I want to single out CalPERS in particular. If a proposal goes to a vote, and most of these did, we have to show up at the meeting to present it or the vote doesn't count. CalPERS went to dozens of meetings for us, so we didn't have to send people to different meetings. We may have to send more out this year, but I was going to say save this for the proxy committee meeting.

But the SEC staff, they have an economic research unit. And because we chose to

announce all 75 in the initiative on one day,
it allowed them to do an event study of the
impact, the SEC. So this isn't anyone with a
bias concluded that the launch of this
initiative had a abnormal positive impact on
the performance of the 75 focus companies by
.5 percent. 50 basis points return and they
said it might have -- it would be more
efficient probably if there was a universal

rule because this may not have picked the
right companies or the companies that needed
the most were adopted, both of which
reenforced our view we would rather have the
universal rule, but in the meantime we are
going to do what we can to protect.
MR. EVANS: Thanks, Mike.
MS. MARCH: Thank you so much.
MR. ADLER: Thank you, Mike.
MR. EVANS: We wish we had, you know,
such rosy things to report on every
educational session, but we are pleased to do
that. I will give you quickly an asset
allocation update and Chris may want to add

something to it.

As you know, you all voted for us to begin the periodic review of our asset allocation. We were able to get similar votes in all five of the cities' pension funds. And we began to meet over the summer. We had one meeting where all consultants were in attendance. We got everybody in the room and the idea was that we were going to agree on methodology, agree on ways that we would approach the problem. I have to tell you that

your consultant, Rocaton, played a leadership role in there and continues to play a leadership role as we bring this all together. They have a very fine asset allocation team and we are relying on them in a disproportionate way as we do this.

As we move forward, I am -- my staff and I are going to have two separate meetings with each of the five consultants. I have already had that meeting with Chris and Robin and their asset allocation team. I have had the meeting with all the other consultants except for one and we are further refining the approach. We will have a second meeting in September/early October with each of the managers again further refining, making sure we are all looking at the same thing. Then we will have another meeting probably in October when all five of the consultants come back together and we will wrestle out the various proposals that will be given to the five boards. I want to make sure that they are internally consistent, but not so different from each other that we end up with wildly different portfolios. And we will be back to

you hopefully in November with November meetings with a set of options for you to consider for asset allocation for the Teachers' fund.

MS. MARCH: Scott, I am assuming at all of these meetings our actuary is there?

MR. EVANS: Yes. Sherry was at the first meeting, has been invited to all the meetings. I think not every meeting is value added enough in terms of the new information

that's being introduced for Sherry to spend
her time on it, but she has been very
valuable. And you will see as we move forward
that we will integrate the actuary's thinking
and some of the sensitivities that she is
aware of so that you can get information from
both of us in a way that's useful to you. And
so we talked a lot about that. But it will
help you to understand the relationship of the
riskiness of the portfolio to other dynamics
that the city is facing and that Sherry is
facing.
And so if either Sherry or Chris would
like to add additional comments to the
update --

MR. LYON: I have learned to quit while
I am ahead, but I would just want to say it's
our pleasure to collaborate. And we feel the
process that's put in place by the
comptroller's office is working well and is a
good way to balance that each consultant has
unique insights, but you have one investment
advisor in BAM. And so there is a thoughtful

plan of that consistency you are looking for as well as trying not to water down Rocaton's view that we are trying to share with the board. So I think it will work well and so far it's in a good place.

MR. EVANS: What I am doing is different than what's been done in the past. Rather than taking all the expectations for U.S. markets and sort of homogenizing them and running that through everybody's system, you have very different thoughts with Rocaton versus BUC versus Callan and so forth. What I am trying to do is ensure there is a common process and common lens that we are putting everything through, but Chris and Robin and team are going to come back with different suggestions how we might alter the portfolio

from BUC.

Now, I have to make sure that those different suggestions are within reason because if they are too dissimilar, we will lose the purchasing economies that we get across the five systems. So it's a tension, but I would rather do it after we get the full benefit of each consultant's insight and the pairs' trades, if you will, moving out of one asset class into another and the impact on the portfolio and to be able to weigh them and see the various levels of conviction that each of the consultants have. That's why I am having them have sort of a joint process. It's not that typical for them to do it. I have to say they have been extraordinarily cooperative and very helpful.

MS. MARCH: Good. And then after the lesson is all prepared, we are going to be ready to learn.

MR. ADLER: So I just have a question: When you say you come back to us in November with a set of proposals, so that will be essentially the first opportunity for the trustees to engage on, you know, the -- in the

process?

MR. EVANS: You know, that was what you asked us to do is come back with some recommendations. And, you know, we are happy to do that and we are happy to talk in greater depth in an intermediate basis, if you would like.

MS. MARCH: If I can pick up on John's feeling I think sitting on this board a very long time, asset allocation was not decided at one meeting by the board. It was an education process for us also. So I think if I am incorrect, correct me, John. I think what John is saying is: As you are preparing the lesson and you have done your weeks or months of work, I do not believe that one meeting is going to be the decision -- I think we have to be educated while you are putting the thoughts together as to how you got to that process so we understand it. Because I think that each of the boards has its own disposition toward what its risk tolerance is and you may come up with one thing and my risk tolerance as a trustee sitting on the Teachers' board may be very different than one of the other four

boards. So I think the only way we can get there is if we are brought along from the first grade to the Master's or Doctorate degree. And it can't be accomplished in one meeting.

MR. EVANS: So I think that's terrific and we are thrilled to engage with you in a deeper level over however many meetings you would like to do it and whatever increments you would like and whatever depth you would like to get involved in the process, so I am at your disposal as I know Chris is and Sherry is. And we are happy to -- you know, to have you participate at any level you would like. What I thought made some sense is for us to kind of get through the technicalities of putting these expectations in a consistent way into something that we could put in front of you for you to wrestle with.

MS. MARCH: My question is: Are you coming back with one model?

MR. EVANS: No.

MS. MARCH: Okay. You are going to come back with several different models and then over the course of a period of time, we are

going to be educated on those models?
MR. EVANS: Absolutely.
MS. MARCH: Listen, I don't want to be in the meetings where you're meeting with the consultants, the actuary and the comptroller's office. Am I correct, John, that's not where you are headed? I want as a board to totally understand what went into the thinking.
MR. EVANS: Oh, absolutely, yes.
MS. MARCH: Because we come up with different positions on different boards. I don't want a model that's going to come out and say, This is what we have decided is going to be good for us to do because this is what we are going to have the ability to have the lowest fees on.
MR. EVANS: Absolutely. It's the most important decision that you make as a board.
MS. MARCH: That we make, that's right.
MR. EVANS: What our job is, to try to frame the discussion in a way that will be helpful to you in making the decision. And as I said before, we can get into any level of depth that you want. But the framework that we are trying to provide, just so you know, is

to come to you and say here is the current policy portfolio and here is how we could disturb the public or the current policy to increase the return for the same level of risk, one option or to reduce the risk for the same level of return. So there are, you know, three options to consider; the current portfolio, more risk, or less risk.

At the same time, we are coming to you and saying here is the passive portfolio, the 65/35 passive portfolio, how can we disturb that to get to a position of greater return for the same level of less return for -- less risk for the same level of return and there are options there and what does that mean in terms of risk appetite and how can we look at risk appetite for the portfolio and we will lay it out.

The consultants, all of them, are quite expert at serving us in a way that's very useful to you. And we have no intention of coming and saying, We have talked in our closed room and our decision is one, A. It's our job to lay the decision in front of you and help you grapple with it because this is

your decision, not ours.

MS. MARCH: It's just my memory tells me it took me three or four months to come to that conclusion because I had a very -- you know, I had the education. And that's what I am saying: If your work is going to take three or four months and then our work is going to take three or four months, it's going to take the whole year. And what I am saying is: If it can be done while you are coming to your conclusions we are simultaneously being educated about why you are going in that direction presented by you at this meeting, that would be very helpful because it wouldn't take us that long if we are doing it simultaneously maybe. Maybe we could do this within four months, if in three of the months while you are working your four months we had some kind of education as it was going along.

MR. EVANS: I think it's a good idea. We did an initial education. Why don't we try to come back in October and help you understand the process that we are agreeing on right now so that you are one meeting down the road by the time we come back with the actual

numbers. Sure, that's a good idea.

MR. KAZANSKY: Just for me, the comment that you made about effecting purchasing power in the asset allocation work, that interests me a great deal. Because while I have a healthy respect for the other boards and especially the people who sit around this table that serve on those boards as well, my concern is this board.

MR. EVANS: Sure.

MR. KAZANSKY: And I don't want our asset allocation to be hampered by anybody else. So when you are putting that together, I really want to try to get into the nitty-gritty with that.

MR. EVANS: Yes. But I will point out that even though this is the biggest portfolio, that because you have a very similar portfolio to NYCERS and to the police

and then fire in diminishing importance, you
get much better prices. And so everybody gets
better prices because we are able to purchase
on behalf of everybody. But no question about
it, the sort of economies of staffing, you
know, the Bureau of Asset Management becomes

difficult if we were to have completely
different philosophies, completely different
portfolios. So there is a large commonality
that works to benefit everyone, but we
just -- that's what I meant in terms of trying
to structure. And that's been done in the
past too. There are just different ways of
doing it. I tried to describe the approach
that we are planning to take.

MR. KAZANSKY: Thanks.

And, Sherry, did you want to say
anything?

MS. CHAN: I am good.

MR. EVANS: Good. That concludes, Mr.
Chairman, our public remarks for today's
session.

MR. ADLER: Okay, so I think a motion

would be in order to end public session and enter executive session.
MS. MARCH: I move that pursuant to Public Officers Law's Section 105, to go into executive session with discussions regarding the purchase of sales of securities and updates of specific investment managers.
MR. ADLER: Is there a second?

MS. BEYER: I second it.
MR. ADLER: Thank you. Any discussion?
All in favor, please say aye. Aye.
MS. BEYER: Aye.
MR. BROWN: Aye.
MS. MARCH: Aye.
MS. VICKERS: Aye.
MS. LAPIDULA: Aye.
MR. KAZANSKY: Aye.
MR. ADLER: Aye.
Opposed? Abstentions?
Okay, motion carries. So that concludes the public session and why don't we take a short bathroom break.
(Recess taken.)

MR. ADLER: So I think a motion. Can we get a motion to exit executive session?

MS. MARCH: I move that we go out of executive session.

MR. ADLER: Is there a second?

MR. DORSA: Second.

MR. ADLER: All in favor of the motion, please say aye. Moved and seconded.

Any discussion? All in favor, please say aye. Aye.

MR. BROWN: Aye.

MS. MARCH: Aye.

MR. DORSA: Aye.

MS. LAPIDULA: Aye.

MR. KAZANSKY: Aye.

MR. ADLER: Opposed? Abstentions?

The motion carries. We are back in public session. Susan, you want to report out from executive session.

MS. STANG: Certainly.

In the executive session of the Passport Funds one manager update was presented, a presentation on performance-based fees was presented, a presentation on the international equity composite was received.

In the executive session in the pension fund an appendix on performance and fees was received, several manager updates were presented, proposed language to the IPS was discussed, and there were two presentations about real estate investments that were received and discussed. Consensus was reached which will be announced at the appropriate time.

MR. ADLER: Very good. Thank you. So I

think that's the end of our agenda. A motion to adjourn would be in order.

MS. MARCH: I move that we adjourn.

MR. DORSA: Second.

MR. ADLER: Moved and seconded.

Any discussion? All in favor, please say aye. Aye.

MR. BROWN: Aye.

MS. MARCH: Aye.

MR. DORSA: Aye.

MS. LAPIDULA: Aye.

MR. KAZANSKY: Aye.
MR. ADLER: Any opposed? Abstentions?
The meeting is adjourned.
[Time noted: 2:54 p.m.]

C E R T I F I C A T E

STATE OF NEW YORK)
: ss.
COUNTY OF QUEENS)

I, YAFFA KAPLAN, a Notary Public within and for the State of New York, do hereby certify:

That the proceedings hereinbefore set

forth are a true record.

I further certify that I am not related to any of the parties to this action by blood or marriage, and that I am in no way interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set my hand this 13th day of September, 2015.

____

YAFFA KAPLAN