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NEW YORK CITY TEACHERS' RETIREMENT SYSTEM

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INVESTMENT MEETING

4

Held on Thursday, October 7, 2021

5

Via

6

Zoom Videoconference

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ATTENDEES:

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DEBRA PENNY, Chairperson, Trustee, TRS

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THOMAS BROWN, Trustee, TRS

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DAVID KAZANSKY, Trustee, TRS

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JOHN ADLER, Trustee, Mayor's Office

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SUSANNAH VICKERS, Trustee, Comptroller's Office

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RUSSELL BUCKLEY, Trustee

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NATALIE GREEN GILES, Trustee

16

CYNTHIA COLLINS, Trustee, Mayor's Office

17

PATRICIA REILLY, TRS, Executive Director

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THADDEUS MCTIGUE, TRS, Deputy Executive Director

19

VALERIE BUDZIK, TRS

20

LIZ SANCHEZ, TRS

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SUSAN STANG, TRS

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STEVE YUAN, Mayor's Office

23

MICHAEL HADDAD, Comptroller's Office

24

DEVON ALEXANDER, Rocaton

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MICHAEL FULVIO, Rocaton

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ATTENDEES (Cont'd)

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ROBIN PELLISH, Rocaton

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SHACHI BHATT, Comptroller's Office

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ALEX DONE, Comptroller's Office

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JIMMY YAN, Comptroller's Office

6

JOHN MERSEBURG, Comptroller's Office

7

GREGORY ZELIKOVSKY, Office of the Actuary

8

DANIEL HAAS, Comptroller's Office

9

SUMANTA RAY, Mayor's Office

10

STEVE YUAN, Mayor's Office

11

DAVID LEVINE, Groom Law Group

12

RONALD SWINGLE

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SANFORD RICH

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WESLEY PULISIC, Comptroller's Office

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P R O C E E D I N G S

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3 (Time noted: 10:04 a.m.)
4 (Meeting already in progress.
5 Discussion off the record.)
6 MS. REILLY: Good morning. Welcome
7 to the Teachers' Retirement System's
8 Investment Meeting for October 7th, 2021.
9 I'll start by calling the roll.
10 John Adler?
11 MR. ADLER: Still here.
12 MS. REILLY: Thomas Brown?
13 MR. BROWN: Good morning, Patricia.
14 MS. REILLY: Good morning.
15 Natalie Green Giles?
16 MS. GREEN GILES: Yes, I'm here.
17 MS. REILLY: David Kazansky?
18 MR. KAZANSKY: Present.
19 MS. REILLY: Russell Buckley?
20 MR. BUCKLEY: I'm here.
21 MS. REILLY: Debra Penny?
22 CHAIRPERSON PENNY: Good morning.
23 MS. REILLY: Susannah Vickers?
24 MS. VICKERS: I'm here.
25 MS. REILLY: We have a quorum, so

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1 I'll turn it over to you, Madam Chair.
2 CHAIRPERSON PENNY: All right.
3 Thank you so much.
4 Let's go to the first item on the
5 agenda: Passport Funds, August 2021
6 Performance Review, and take it away,
7 Michael Fulvio.
8 MS. PELLISH: Can I interrupt for a
9 moment, Madam Chair?
10 CHAIRPERSON PENNY: Just when
11 Michael was going to take it away. Okay.
12 MS. PELLISH: Sorry. I'm sorry, but
13 we have a new member of the Rocaton team
14 who has joined this call. I believe he
15 is on, Devon Alexander. And I just
16 wanted to --
17 MR. ALEXANDER: Hi, everyone.
18 MS. PELLISH: -- if we were all in
19 person, it would be obvious, but since
20 it's not, I just wanted to make sure that
21 the Board was aware that we've added
22 another person to this relationship team:
23 Devon Alexander, who joined the Rocaton
24 team just about a week ago.
25 And can I give him thirty seconds to

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1 introduce himself? Is that okay?
2 CHAIRPERSON PENNY: Sure,
3 absolutely. Welcome, Devon.

4 MR. ALEXANDER: Thank you. Thank
5 you, Robin.

6 Devon Alexander, been on the team
7 roughly four days now; brand new. In a
8 previous life, at Georgia Bank, BNP
9 Paribas, Lehman Brothers, all in a
10 capacity of corporate investment banking,
11 and now lending my hand to wherever
12 possible on the Teachers' team.

13 Thank you for having me.

14 MS. PENNY: Great. Thank you.

15 MR. ALEXANDER: Thank you.

16 MS. PELLISH: And now back to our --

17 (Talking over each other.)

18 Well, maybe next month.

19 MR. FULVIO: Maybe next month. But
20 certainly happy to have him -- have an
21 extra set of hands.

22 So I'll begin with the performance
23 for the Passport Funds for the month of
24 August, and everyone should have that
25 report in the materials that were

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1 circulated. Just very quick, at a high
2 level, August, as you might recall, was
3 an up month for global equity markets in
4 contrast to what we've seen in -- what we
5 saw in September, which we'll cover in a
6 few moments. But really positive returns
7 across the board for the Passport Funds
8 as a result of the stronger equity market
9 returns. And those returns for the Funds
10 ranged anywhere from 75 basis points for
11 the Balanced Fund to about 4.5 percent
12 for the Sustainable Equity Fund.

13 At the top of the report you can see
14 the Diversified Equity Fund eclipsed the
15 \$20 billion in asset mark and ended the
16 month about \$20.3 billion. The return
17 for that Fund during the month of August
18 was 2.4 percent.

19 Absolute returns were bolstered by
20 U.S. equities which, in total, you can
21 see for the Russell 3000 Index, returned
22 over 2.8 percent for the month. And
23 relative results for the Fund generally
24 lag their respective benchmarks. The
25 Fund's global composite index, you can

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1 see there, returned about 2.67 percent,
2 and the hybrid benchmark returned about
3 2.5 percent.

4 So while active management in the
5 international composite contributed to

6 the overall results during August, you
7 can see softer relative results from the
8 U.S. active and defensive composite
9 contributed to some of the lagging in
10 relative results.

11 The Balanced Fund with assets just
12 shy of about \$600 million slightly
13 underperformed its composite benchmark.
14 And then just below that, as you'll note,
15 the International Equity Fund with about
16 \$250 million in assets -- I noted earlier
17 the relative contribution from
18 international equity managers. You can
19 see again that Fund outperformed its
20 composite benchmark by about 24 basis
21 points.

22 The Sustainable Equity Fund had
23 another strong month, you can see, up
24 about four and a half percent,
25 outperforming its underlying benchmark,

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1 the Russell 1000 Index, which returned
2 about 3.75 during the month. And
3 year-to-date, that Fund is handily ahead
4 by about five percent, so continued
5 strong results there.

6 And then lastly, you can note that
7 the two Index Funds at the bottom of the
8 page, the U.S. Equity Index Fund with
9 about \$70 billion in assets had about a
10 three percent return for the month. And
11 the International Equity Index with about
12 \$11 million in assets returned about
13 1.8 percent.

14 So I'll pause there and see if
15 there's any questions before covering
16 September very briefly.

17 CHAIRPERSON PENNY: Any questions
18 for Mike?

19 (No response.)

20 I guess not.

21 MR. FULVIO: We will move ahead.

22 For folks who have the September
23 Preliminary Monthly Benchmark Report,
24 I'll start at the high level and just
25 note we did see more market volatility in

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1 later September. That's continued into
2 early October. But obviously a stark
3 difference in terms of the direction of
4 returns that show up on this page
5 compared to what we looked at for the
6 first couple months of the third quarter.

7 So increased concerns around

8 inflation and labor shortages, as well as
9 uncertainty around Congress's ability to
10 pass legislation to fund the government,
11 increase the debt ceiling, all things
12 that in more recent headlines this week
13 seemed to be getting addressed in some
14 order. But also, you know, just some
15 ongoing discussion around the
16 infrastructure package as well.

17 There's also, you know, with the
18 likelihood of a Fed beginning to taper
19 the monetary support later this year,
20 just a bit more volatility in the
21 markets. And that's showing up not only
22 in the VIX, but you can see to end the
23 month of September, U.S. equity markets,
24 as measured by the Russell 3000 Index,
25 for example, down about four and a half

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1 percent. Not quite as negative returns
2 from equity markets abroad, so developed
3 markets down about 2.9 percent, emerging
4 markets down about four percent. So
5 again, definitely different from a
6 directional standpoint.

7 All told, the Global Market
8 Composite benchmark for the Diversified
9 Equity Fund, which again you'll recall is
10 about 80 percent U.S., 20 percent
11 non-U.S, down about 4.2 percent for the
12 month. And the Diversified Equity Funds
13 hybrid benchmark, which again includes
14 the composite component for the defensive
15 strategies, that was down about
16 3.9 percent. So, a little bit of
17 protection from the defensive strategies
18 composite benchmark in terms of how that
19 all rolls up.

20 The Balanced Funds benchmark was
21 down about 1.4 percent for the month.
22 And then as I noted earlier, you can see
23 in the middle of the page, the
24 International Equity benchmarks, large
25 caps down about 2.9, smaller caps down

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1 about 3.5 percent. And again, for the
2 emerging markets, down about four
3 percent.

4 Obviously, one of the other things
5 contributing to the volatility in
6 emerging markets during the period of
7 late September and so far into October
8 has been more volatility in markets
9 around the news in China with respect to

10 Evergrande and their ability to finance
11 their debt; and obviously concerns a
12 little bit more broadly that that might
13 mean broader impact in China for the
14 economy there.

15 The Sustainable Equity Funds
16 underlying strategy, you can see that was
17 down about 5.4 percent for the month of
18 September. And then beyond that, the
19 Index Funds for the other two variable
20 Funds.

21 So I'll pause there and see if
22 there's any questions. Otherwise, I will
23 turn it back to the Chair.

24 CHAIRPERSON PENNY: Any questions
25 for Mike?

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1 MR. BUCKLEY: Hey, I have one quick
2 question for Mike.

3 Looking at the Brown Advisory
4 Sustainable Growth and I see, like, the
5 month down 5.42, and yet it's -- so it's
6 lagging the rest of the benchmarks on
7 this sheet. At the same time, it's up,
8 ahead of every other Fund, fiscal
9 year-to-date.

10 I was wondering if you had any
11 comment or could provide any insight on
12 that? Just an interesting juxtaposition
13 of those two numbers for me.

14 MR. FULVIO: Yeah, a big part of
15 that too is the Growth/Value dynamic.
16 And that strategy, as you'll recall,
17 tends to be a growth year strategy that
18 -- the same is true for -- obviously, we
19 use the Growth Index to benchmark it.
20 Where we did see Value do a little bit
21 better earlier in the year, we started to
22 see that revert a little bit towards the
23 end of the second quarter and the early
24 part of the third. That's also led to a
25 little bit of the broader results around

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1 active managers as well.

2 But, yes. No, you're spot on,
3 Russell. So, calendar year-to-date, that
4 strategy's up about 19 percent. And it's
5 not as -- I would say it's not as
6 growth-y as the Growth Index which is
7 also -- even though the Growth Index is
8 up about 14 percent, having a little bit
9 more of a value-oriented discipline, even
10 though it's a growth strategy, we
11 definitely think of it as a growth

12 strategy, has served that strategy quite
13 well for relative performance so far this
14 year. It's going to be more diversified
15 than the Growth Index.

16 MR. BUCKLEY: No, I think you put
17 the nail on the head for me there. Thank
18 you. I appreciate it.

19 MR. FULVIO: Any other questions?

20 CHAIRPERSON PENNY: Any other
21 questions for Mike? Anything else for
22 public agenda, public session?

23 Hearing none, do I hear a motion to
24 go into executive?

25 MR. BROWN: So moved.

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1 CHAIRPERSON PENNY: Thank you,
2 Mr. Brown.

3 Do I hear a second?

4 MS. VICKERS: Second.

5 CHAIRPERSON PENNY: Thank you,
6 Susannah.

7 Any discussion?

8 (No response.)

9 All those in favor, please say

10 "Aye."

11 (A chorus of "Ayes.")

12 Any opposed?

13 Any abstentions?

14 (No response.)

15 Okay. For those of you leaving us,
16 have a wonderful day. For those of you
17 who are moving over, see you in a minute.

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

3 (Whereupon, the Board returned to
4 public session.)

5 CHAIRPERSON PENNY: We are back into
6 public session, and Susan Stang, would
7 you please report out?

8 MS. STANG: Certainly. In executive
9 session, there was a further discussion
10 of an OFI, of an opportunistic fixed
11 income investment. It was discussed at
12 last month's CIM. Consensus was reached.

13 There was a further discussion on

14 public equity recommendations from last
15 month's CIM. Consensus was reached.
16 We received an overview and an
17 update on an ongoing investment
18 initiative within the public markets.
19 There was a discussion following.
20 We discussed a compliance issue at
21 another pension system and the
22 protections in place to guard against a
23 similar occurrence at New York City.
24 CHAIRPERSON PENNY: Thank you very
25 much.

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1 Anything else from public session?
2 (No response.)
3 Okay. Hearing nothing, do I hear a
4 motion to adjourn?
5 MR. BROWN: So moved.
6 CHAIRPERSON PENNY: Thank you,
7 Mr. Brown.
8 Do I hear a second?
9 MS. VICKERS: Second.
10 CHAIRPERSON PENNY: Thank you,
11 Ms. Vickers.
12 Any discussion?
13 (No response.)
14 All those in favor, please say
15 "Aye."
16 (A chorus of "Ayes.")
17 Any opposed?
18 Any abstentions?
19 (No response.)
20 Have a wonderful day, everyone.
21 (Whereupon, at 1:04 p.m., the matter
22 was concluded.)
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1 C E R T I F I C A T I O N
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3 I, Jeffrey Shapiro, a Stenographic
4 Reporter and Notary Public, within and for the
5 State of New York, do hereby certify that I
6 reported the proceedings in the within-entitled
7 matter, on Thursday, October 7, 2021, and that
8 this is an accurate transcription of these
9 proceedings.
10 IN WITNESS WHEREOF, I have hereunto
11 set my hand this 19th day of October, 2021.
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JEFFREY SHAPIRO