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NEW YORK CITY TEACHERS' RETIREMENT SYSTEM  
INVESTMENT MEETING

Held on Thursday, December 6, 2018, at 55 Water  
Street, New York, New York

ATTENDEES:

JOHN ADLER, Chairman, Trustee  
THOMAS BROWN, Trustee  
DEBRA PENNY, Trustee  
SUSANNAH VICKERS, Trustee, Comptroller's Office  
DAVID KAZANSKY, Trustee  
PATRICIA REILLY, Teachers' Retirement System  
JOHN DORSA, Comptroller's Office

REPORTED BY:

YAFFA KAPLAN  
JOB NO. 2467228

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ATTENDEES (Continued):

SUSAN STANG, Teachers' Retirement System  
RON SWINGLE, Teachers' Retirement System  
ROBIN PELLISH, Rocaton  
MICHAEL FULVIO, Rocaton  
DAVID PALKOVIC, Rocaton  
THAD McTIGUE, Teachers' Retirement System  
VALERIE BUDZIK, Teachers' Retirement System  
LIZ SANCHEZ, Teachers' Retirement System  
SHERRY CHAN, Office of the Actuary  
DAVID LEVINE, Groom Law Group  
CYNTHIA COLLINS, Mayor's Office  
SUMANTE RAY, Mayor's Office  
ANTONIO RODRIGUEZ, BERS  
JOHN MERSEBURG, Comptroller's Office

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1 Proceedings  
2 MR. ADLER: Okay, good morning. Good  
3 morning, everyone. Welcome to the Teachers'  
4 Retirement Investment Meeting for December 6,  
5 2018.  
6 Patricia, will you please call the roll.  
7 MS. REILLY: Yes.  
8 John Adler?  
9 MR. ADLER: Present.  
10 MS. REILLY: Thomas Brown?  
11 MR. BROWN: Here.  
12 MS. REILLY: David Kazansky?  
13 MR. KAZANSKY: Present.  
14 MS. REILLY: Lindsey Oates?  
15 Debra Penny?  
16 MS. PENNY: Here.  
17 MS. REILLY: Susannah Vickers?  
18 MS. VICKERS: Here.  
19 MS. REILLY: We have a quorum.  
20 MR. ADLER: Thank you, Patricia.  
21 Before we move into the agenda, there  
22 has been a request to add an item to the  
23 agenda which would be the common investment  
24 meeting extension resolution. We would do  
25 that at the end of the public session after we

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1 Proceedings  
2 come out of executive session. Any objections  
3 to adding that to the agenda? Okay, seeing  
4 none, that's unanimous consent. So we will  
5 add that item to the agenda.  
6 And with that, I will turn the meeting  
7 over to Rocaton for the performance report.  
8 MR. FULVIO: Good morning.  
9 MR. ADLER: Good morning, Michael.  
10 MR. FULVIO: So we circulated in advance  
11 the quarterly performance report for the third  
12 quarter of 2018, calendar year 2018. We have  
13 already reviewed this performance at prior  
14 meetings and because the report was circulated  
15 ahead of time, maybe I will just cite it on  
16 very high level again how the Passport Funds  
17 did, but I am not going to go through the  
18 report in detail. Happy to answer any  
19 questions that come up.  
20 At the end of the third quarter, the  
21 Diversified Equity Fund was about 16.2 billion  
22 in assets. The performance for the calendar  
23 year to date was about -- was positive return  
24 7.3 percent. For the fiscal year to date,  
25 that being one quarter, the fund was up 5.5

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1 Proceedings

2 percent. And relative to the hybrid benchmark  
3 for those time periods, the fund was roughly  
4 in line or slightly behind its hybrid  
5 benchmark. In that time period, the broad  
6 U.S. equity market was up about 7 percent for  
7 the third quarter. And for the calendar year  
8 to date through the third quarter, the U.S.  
9 equity market was up about 10-1/2 percent.

10 MS. VICKERS: On our sheet it says that  
11 all of those --

12 MR. FULVIO: I'm sorry, I am focused on  
13 the quarterly performance. And I should have  
14 noted I am on page 21 of that report, which is  
15 just behind Tab 5.

16 MS. STANG: How much things change.

17 MR. FULVIO: We will talk about how  
18 things have changed since then.

19 MR. KAZANSKY: Do we have to?

20 MR. FULVIO: Unfortunately.

21 So what really drove the performance for  
22 the fund during the first quarter of the  
23 fiscal year, third quarter of the calendar  
24 year was really strong performance by U.S.  
25 equity markets. As I noted earlier, up about

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2 7 percent during that time period. Non-U.S.  
3 markets were -- had a modest positive return  
4 of about 1-1/2 percent. Even though the  
5 defensive strategies composite did not keep up  
6 as we would expect with the broad U.S. equity  
7 markets, it did return about 3.8 percent to  
8 capture about 54 percent of the U.S.  
9 upmarket. You will recall that that includes  
10 other diversifying asset classes to help with  
11 that downside protection that we did see a  
12 little bit of in October. And with respect to  
13 active management, as a whole active  
14 management had a modest -- modestly detracted  
15 from the relative returns of this fund. It's  
16 about 25 basis points of the relative  
17 performance in terms of how active management  
18 impacted the fund through the quarter.

19 So I will pause there and if there is no  
20 question, I will go into the other funds.

21 MR. ADLER: Any questions on the equity  
22 fund? Okay.

23 MR. FULVIO: The balanced fund ended the  
24 quarter with assets of about \$386 million.  
25 For the quarter that fund was up about 1.3



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2 actively-managed U.S. and international equity  
3 composites there we saw some relative  
4 underperformance on the U.S. side, but some  
5 relative outperformance on the international  
6 equity side. And all told, as I mentioned  
7 earlier, that fund was performed roughly in  
8 line with its benchmarks for the month.

9               One thing I did note when I was  
10 commenting about the September assets we  
11 talked about is the Diversified Equity Fund at  
12 the end of the quarter had about \$16.2  
13 billion. At the end of the month that was  
14 about 14.9 billion, so again significant  
15 market impact that you get when the market is  
16 down 7 percent.

17               MR. ADLER: Can I ask a question?

18               MR. FULVIO: Sure.

19               MR. ADLER: So the -- I get that the  
20 defensive strategies, you know, outperformed  
21 the Russell 3000 for the three months by about  
22 20 basis points. And for the, you know, month  
23 of October, terrible month by about 200 basis  
24 points. Yet when we look at it compared to  
25 the Russell 3000 Index, the overall

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2 Diversified Equity Fund, it was either the  
3 equivalent to the index for the quarter it  
4 was, you know, down about 120 basis points.  
5 Actively managed, you know, substantially  
6 underperformed in both of those periods.  
7 International is essentially in line with the  
8 international. I am just trying to figure  
9 out: So we have this whole defensive  
10 composite and it's specifically there for, you  
11 know, periods like this, but -- and so you  
12 would think that then that overall we would  
13 outperform in a negative market, but we  
14 didn't. Can you --

15               MS. PELLISH: So the defensive composite  
16 is only 10 percent of the fund and it's still.  
17 When we designed the defensive composite --  
18 and there is no reason you should recall this,  
19 but when we have had discussions with the  
20 board we designed the defensive composite to  
21 have a beta of .8 so that we have some  
22 participation on the way up.

23               MR. ADLER: Just increased that last  
24 year.

25               MS. PELLISH: Yes. Yes. So there is -

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there is only a modest opportunity to shelter  
the total fund from down equity markets.

3

Again because it's 10 percent, we have an  
equity beta of .8. The only way to actually  
significantly mitigate the risk protect the  
fund against the risk of a significant market  
downturn is to do something that has -- has  
much less beta. And so this goes back to the  
pension fund discussions, long treasurer  
bonds.

11

12

MR. ADLER: Right, I understand.

13

MS. PELLISH: And then you run the risk  
of significantly lagging on the way up.

14

15

MR. ADLER: I get that. And maybe this  
is, you know, a concern that given that we are  
really still in the midst of this long bull  
market, we haven't yet -- we are close I  
think, but we haven't yet exited it is what I  
would say especially, you know, anyway. Maybe  
now we have in December, but whatever. When I  
look at the performance across time periods,  
we consistently underperform the index. You  
know, in each of the -- or the benchmark, you  
know, and so the question I had -- and this is

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all net, right, net of fees?

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MS. PELLISH: Absolutely. So can I just  
jump in?

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MR. ADLER: Yes, please. You know where  
I am going.

6

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MS. PELLISH: I do know where you are  
going and I think that's obviously a  
legitimate question.

9

10

We have a discussion in the executive  
agenda of today regarding the Passport options  
and I think that discussion will touch on one  
of the points you are raising.

13

14

MR. ADLER: Beautiful. Okay, fantastic.  
Thank you.

15

16

Anything else on the month of October?

17

Let's just put that in the rearview mirror.

18

19

Okay, you want to review November?  
MR. FULVIO: So November was a positive  
month across markets with a couple of  
exceptions. In the U.S., the Russell 3000 was  
up about 2 percent bringing the calendar  
year-to-date return back up to 4-1/2 percent  
through end the November. Since then December  
has been a little bit more rocky and the

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2 market has been down today. As a whole, the  
3 S&P is probably still up about 1 percent year  
4 to date. The international composite  
5 benchmark when you roll that up, that was  
6 actually also modestly flat to slightly  
7 positive for the month of November. What's  
8 going on behind the scenes there, EM actually  
9 drove up the return there and supported that  
10 EM. The custom benchmark there was up about 3  
11 percent during November, even though developed  
12 markets were modestly negative in both large  
13 cap and a little bit more negative in small  
14 cap. The small-cap portion of the developed  
15 markets was down about 80 basis points. And  
16 as far as the defensive strategies benchmark,  
17 that was up about 1.5 percent for the year.  
18 So the Diversified Equity Fund hybrid  
19 benchmark all told was up about 1.6 percent.  
20 The balanced fund benchmark was up about 70  
21 basis points, the underlying strategy for the  
22 Inflation Protection Fund had a flat month,  
23 and the underlying strategy for the Socially  
24 Responsive Equity Fund added about 150 over  
25 its benchmark.

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2 MR. ADLER: Okay, any questions about  
3 November?  
4 MR. FULVIO: David is going to hand out  
5 the handout for the discussion of the CIM  
6 resolution.  
7 MR. ADLER: We are going to do that  
8 after.  
9 MR. FULVIO: Okay. So I think that's  
10 all for the public agenda for now, yes.  
11 MR. ADLER: Okay. So with that, a  
12 motion to exit public session and enter  
13 executive session would be in order. Is there  
14 such a motion?  
15 MS. VICKERS: So moved pursuant to  
16 Public Officers Law 105.  
17 MR. ADLER: Thank you. Is there a  
18 second?  
19 MS. PENNY: Second.  
20 MR. ADLER: Thank you.  
21 Any discussion? All in favor of the  
22 motion to enter public session and enter  
23 executive session, please say aye. Aye.  
24 MS. VICKERS: Aye.  
25 MS. PENNY: Aye.

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MR. BROWN: Aye.

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MR. KAZANSKY: Aye.

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MR. ADLER: All opposed, please say nay.

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Any abstentions? Motion carries. Okay, we are off.

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(Whereupon, the meeting went into Executive Session.)

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MR. ADLER: We have a motion made and

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seconded to exit executive session and return

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to public session. Any discussion? All in

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favor of the motion, please say aye. Aye.

12

MS. VICKERS: Aye.

13

MS. PENNY: Aye.

14

MR. BROWN: Aye.

15

MR. KAZANSKY: Aye.

16

MR. ADLER: All opposed, please say nay.

17

Any abstentions? Motion carries.

18

Okay, we are back in public section.

19

Susan, would you report out of executive

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session, please?

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MS. STANG: Great.

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In executive session there was a

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discussion about portfolio of options in the

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Passport Funds. Consensus was reached which

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will be announced at the appropriate time.

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There was a presentation on certain passive

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investment strategies. There was a discussion

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of corporate developments to a service

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provider. There was a follow-up discussion on

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small allocation within the TRS pension fund

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and an administrative matter was discussed.

8

MR. ADLER: Thank you very much.

9

We have one resolution to consider here

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regarding extension of participation in the

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common investment meeting. Pat, will you read

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it?

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MR. KAZANSKY: Please skip to the

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"Resolved."

15

MS. REILLY: "Resolved: The Teacher

16

Retirement board extends for a one-year period

17

its participation in the common investment

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meeting as described and subject to the

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conditions of the board's 2015 and 2016 CIM

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resolutions; And be it further resolved;

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nothing in this resolution shall abrogate any

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rights or waive any responsibilities reserved

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to the board of trustees under applicable

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law."

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MR. ADLER: Thank you.



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Is there a motion to approve this resolution?

MR. BROWN: So moved.

MR. ADLER: Is there a second?

MS. PENNY: Second.

MR. ADLER: Thank you.

Any discussion? All in favor of the resolution to extend our participation in the common investment meeting, please say aye. Aye.

MS. VICKERS: Aye.

MS. PENNY: Aye.

MR. BROWN: Aye.

MR. KAZANSKY: Aye.

MR. ADLER: All opposed, please say nay. Any abstentions? Motion carries.

I believe that concludes our business for today. Is there a motion to adjourn?

MS. VICKERS: So moved.

MR. ADLER: Is there a second?

MR. KAZANSKY: Second.

MR. ADLER: Thank you.

Any discussion? All in favor of the motion to adjourn, please say aye. Aye.

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MS. VICKERS: Aye.

MS. PENNY: Aye.

MR. BROWN: Aye.

MR. KAZANSKY: Aye.

MR. ADLER: It's unanimous, the motion carries. The meeting is adjourned. Thank you.

[Time noted: 1:49 p.m.]

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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 foregoing record of  
proceedings is a full and correct  
transcript of the stenographic notes taken  
by me therein.

IN WITNESS WHEREOF, I have hereunto  
set my hand this 17th day of December,  
2018.

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YAFFA KAPLAN