NEW YORK CITY TEACHERS' RETIREMENT SYSTEM
INVESTMENT MEETING

Held on Thursday, December 7, 2017, at 55 Water Street, New York, New York

ATTENDEES:
JOHN ADLER, Chairman, Trustee
THOMAS BROWN, Trustee
ANTONIO RODRIGUEZ, Mayor's Office
SUSANNAH VICKERS, Trustee, Comptroller's Office
DAVID KAZANSKY, Trustee
RAYMOND ORLANDO, Trustee
DEBRA PENNY, Trustee
CYNTHIA COLLINS, Mayor's Office

REPORTED BY:
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ATTENDEES (Continued):
SUSAN STANG, Teachers' Retirement System
RON SWINGLE, Teachers' Retirement System
MICHAEL FULVIO, Rocaton
ROBIN PELLISH, Rocaton
DAVID MORTON, Rocaton
PAUL RAUCCI, Teachers' Retirement System
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
SANFORD RICH

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MR. ADLER: Good morning.

(Chorus of good morning.)

MR. ADLER: We can do better than that. Good morning.

(Chorus of good morning.)

MR. ADLER: I was really imitating the teachers I had. Welcome to the Teachers' Retirement System investment meeting for December 7, 2017.

Thad, will you please call the roll?

MR. McTIGUE: Certainly. John Adler?

MR. ADLER: I am here.

MR. McTIGUE: Thomas Brown?

MR. BROWN: Here.

MR. McTIGUE: David Kazansky?

MR. KAZANSKY: Present.

MR. McTIGUE: Debra Penny?

MS. PENNY: Here.

MR. McTIGUE: Raymond Orlando?

MR. ORLANDO: I am here.

MR. McTIGUE: Susannah Vickers?

MS. VICKERS: Here.

MR. McTIGUE: We have a quorum, sir.

MR. ADLER: Thank you so much. So with

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that, I will turn it over to Rocaton for the Passport Fund reports.

MS. PELLISH: Thank you.

MR. FULVIO: Good morning, everybody.

(Chorus of good morning.)

MR. FULVIO: That was better. The first item on the agenda is reviewing the performance from the third quarter. We weren't planning on spending too much time on it. We distributed the report ahead of time. You will recall we did review this performance at last month's meeting but happy to address any questions on the report if there are any that -- no? Okay. So we will cross that one off the list and head into October. Everybody should have that report underneath the first item.

And I guess just a reminder on performance so far through October, October was another strong month for the market with the US up about 2 percent. Developed markets outside the US were up a little bit less than that at about 1 and a half percent, and emerging markets 3.6 percent in October. So

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obviously what has been a real strong year continued through October, and actually, if you look back at the S & P 500, the last negative month for the S & P was actually October 2016. So when we look at this report, we see the one-year return, especially for the S & P 500, which ending in October was about 23.6 percent. We haven't seen a negative month in that entire one-year time period so it's pretty remarkable when we start talking about the numbers on this page.

So as of the end of October, Diversified Equity Fund was up about 17 percent so far year-to-date. That brought the one-year return to the fund to just shy of 23 percent, at 22.9 percent. So very strong absolute returns. When you compare that year-to-date return of 17 percent to the Russell 3000 Index, the fund is ahead by about 65 basis points. That outperformance was fueled by the nonUS equity exposure within the fund, which was up about 24 percent over that time period. There is also some strong relative performance by that component in the fund as well which

certainly helped, but what was a little bit of a drag, if you will, on performance was the Defensive Composite, which as we wouldn't expect, did not keep pace with the equity markets. That composite, however, was still up about 11.6 percent year-to-date, so pretty strong returns there from that composite.

The fund in the month of October was up about 2 percent, roughly in line with the US index and the hybrid benchmark, but again, the strong absolute returns continue and then relative results still somewhat mixed. The Bond Fund during the month had a very modest negative return to the tune of about 3 basis points. That fund continues to have muted returns with its fixed income -- low duration fixed income opportunity set. So its returns for the year-to-date time period were up about 1.5 percent, also roughly in line with its benchmark.

The International Equity Fund at the end of October, the year-to-date return there was about 23 and a half percent, just shy of that, but still some value added over its custom

benchmark, which was up about 23.1 percent. The Inflation Protection Fund for the month was up just shy of 1 percent with a positive return of about 80 basis points, and that brought the year-to-date return to positive 2.7 percent, which is ahead of both its custom benchmark and CPI so far this year. The Socially Responsive Equity Fund, you will see on the page that fund was up about 1 percent in October, bringing its year-to-date return to about 13.4 percent. That fund has lagged the S & P 500 so far this year by about 3 and a half percent. So I will pause there if there are any questions. If there is anything, I am happy to address.

Maybe we will then fast-forward one more month and talk about the markets in November, and then we will turn it over to actually to David to talk a little bit more broadly about the markets and our views.

But November was another positive month particularly here in the US. The Russell 3000 was up about 3 percent. And then abroad in developed markets, they were up about 1

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percent with emerging markets actually having a modest negative month by about half a percent. And again, that all serves the calendar year-to-date returns quite well. I will comment on the fiscal year-to-date for the US market was up about 10 percent, so just in the first five months of the year, a 10 percent return here in the US. NonUS over that time period also quite strong, about 8 percent for developed markets, and a little bit shy of that for emerging markets, and I will pause there if there are any questions.

MR. ADLER: Michael, you are doing a great job so far. Not a single question.

MR. FULVIO: I will end on a high note and turn it over to Robin and David to talk about our market views.

MS. PELLISH: So for those of you who don't recall, David Morton is a partner at Rocaton, one of the co-founders of the firm, and his role at the firm has many aspects but one of them is acting as chief market strategist. So he works very closely with the manager research teams, with the asset

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allocation teams, and with the consulting teams to try to make sense of all of the information and data that is flowing into the firm about markets, all of the news we hear from managers, from various strategists in the industry, and collaborates closely with all of those groups to develop market outlines and we have a process for that. And to also talk with our clients about trends and opportunities and risks in the market, and it might be an interesting way to focus the last session of the calendar year to talk about where we think we are in the market, what are some trends that are most obvious to us, and what are some of the risks that are most concerning to us. So with that, David.

MR. MORTON: Good morning, everybody. Nice to be here again. Just to give you a punchline before we go any further, in terms of what happens next, I don't know. No other investment strategist in the world knows, so turn off CNBC and Bloomberg News because you don't get any information that's useful for figuring out what's the future on those shows,

those stations.

I wanted to start off today -- there is a range of different things to talk about. Doesn't feel like I should just dive into the dec without saying something about the tax plan. I will try to be as loud as I can. So we obviously don't have tax reform that's being enacted yet. We have competing bills which have a lot of similarities, the details have to be ironed out, and one particular bill has to be approved, and that might be a first-quarter event but we know the broad sort of flavor, complexion of what's being suggested, and we also know how it was put together.

So some people focus on decision-making processes and how you arrive at a complex set of decisions, and if you focus on those type of elements, you can't be anything other than dismayed about what has gone on in Washington to arrive at this. It was rushed through, there wasn't a lot of debate about it. It was put together behind closed doors, and frankly, I am not trying to come here and make a

political statement about it. It's just the reality of it. I am actually going to try to focus more on the economic impact, so sort of the corporate tax cut that's going to come along. So I think from a process standpoint, it doesn't look good. Maybe you can say well, I need to find something optimistic to say about what's going on. Well, they have, in fact, made some sort of set of decisions, so if you were frustrated that Washington wasn't getting something done, now they have got something done whether you like it or not.

So maybe there is an element of optimism there. Maybe the stock market has reacted to something actually getting done and being delivered through any kind of process. You know, part of I think what the stock market has reacted to, the stock market has reacted positively generally to the tax plan as it's broadly outlined as it's moved through the House and the Senate. Perhaps what the corporate world is reacting to, first and foremost, is a significant cut in the corporate tax rate from 35 percent to 21

percent -- sorry, 20 percent. That on the surface seems like it would be positive for business. It lowers the cost of capital. Makes businesses more profitable on an after-tax basis clearly. That should level the playing field internationally, make it more attractive for businesses to stay here, for businesses to start here, for businesses that are perhaps going to move overseas to rethink those types of plans. Also the tax regime that's going to be imposed on businesses that earn profits overseas is also going to be adjusted to make it less attractive to keep all of those funds offshore, and there is now a mechanism for those to be brought back. There is a relatively modest tax rate.

So I think one of the things you will hear in the press is there is hundreds of billions of dollars of funds that are going to come back into the US. Therefore, won't that drive growth, won't that improve the job picture, so on, and so I think that set of statements largely is nonsensical and I will

tell you why. I mean, it seems intuitive. You might say well, that doesn't make any sense to me what you just said. It seems intuitive if you bring back a body of funds to the size of hundreds of billions back in the US, surely it has to get spent on something and invested in some way. That's a perfectly rational thing to say.

However, all of these companies that are cash-rich offshore have high credit quality typically, are able to borrow today in the US at practically nothing. Two, 3 percent I would say is practically nothing for a range of different tenors of debt. If they had something they wanted to invest in, they would have done it already. They don't need the money to come back to enable them to invest. So the idea it's coming back to enable them to invest isn't true. Most economists will tell you that's not true, it's not likely it will really result in anything other than higher dividends to equity holders. You own a lot of equity so that's certainly a positive for you, but that's really where it's going to feed

into the economy.

The money comes back, probably going to result in shared buybacks, large dividends that will feed back into investment profits over time. Everything else being equal, maybe it makes the stock market go up. You might think that all that money coming back in therefore must make the stock market go up. The stock market anticipates these types of things, so the returns you see today are anticipatory of this development in the tax plan. So there is an old saying, you know, market rises on the rumor and sells off on the news, and maybe once we actually get money coming back onshore, maybe the market will be less excited by those types of things.

So what is learned is that corporate tax rate is going to drive growth for the US economy. I think it's been estimated that with no increase in growth, it's going to cost taxpayers -- it's going to cost the Treasury one and a half trillion over ten years. Total US debt is 20 trillion. So I am not sure one and a half trillion over ten years is

necessarily -- it is a big number, but it's not necessarily that big over the course of ten years. We already have a large debt. Economists and various nonpartisan tax institutes have a set or calculated that they think the extra growth that this might create will perhaps knock half a trillion off that number, so the costs over ten years, one trillion to have corporate tax cuts, the individual tax cuts with all of the other changes and so on and so forth.

So if you take that at face value, you might say this doesn't make sense. It's costing us a greater amount of money on the deficit or the end of ten years basically. That's what it's saying. The country will be poorer at the end of ten years. Forecasting over ten years is really tough in economics. I would say forecasting over one year is really tough in economics and I am not -- I have a lot of respect for the economics profession but -- no, really, I do. They have a tremendous record in being wrong. Really, really tremendous record in being wrong.

There was a statement in -- there was an op-ed in the Financial Times two days ago which had the opening paragraph was basically saying economists just can't get anything right. What are we going to do with that profession basically. And their problems are they have tended to rely on overly mathematical models to try to predict. These are enormous sets of individual collective calculations that happen over a long period of time, and it's just beyond our ability to compute. Even if we could compute, we just don't necessarily understand all the links to it and so on.

So that's not to say this tax plan isn't a good idea. Just saying a lot of the forecasts and predictions, take with a large grain of salt.

MR. ADLER: Salt.

MR. MORTON: I will get to that in a moment. It wasn't an intended pun, but I will get there in a second. If I was to find something optimistic to say about it, it's that -- and I am not sure I said this in January but one of the things that's been

missing for the last ten years in the US economy is animal spirits. That businesses had confidence to invest, we had higher levels of investment on an ongoing basis, that type of phenomenon has really been missing for the last ten years, and I don't know that this gets it going. I don't know that this creates enough business confidence that businesses start investing more in the US in excess of the growth of expectations of what these policy institutes have developed but it might. If you combine it recently with other good things that are going on such as cost of energy for businesses in the US is one of the cheapest in the developed world, our cost of electricity is cheaper than most of the developed world and is falling. In addition, we have plentiful supplies of natural gas. There are significant industries that are moving back into the US such as chemicals, plastics. So on. When you combine corporate tax cuts, making it more attractive for businesses to come back into the US, and then combine it with the sort of the large labor

supply that generally is available in the US, high level of technical capabilities, and so on, and with the business climate we have, maybe put all those things together you get better growth, but I think if you were to say that's definitely going to happen, there is not a lot of evidence or backing or support for making the statement to suggest it's going to work. Definitely a hypothetical and perhaps is less than a 50/50 shot we are able to grow faster than the various institutes of forecasts going forward. So let me just say very quickly before I move on, the state and local income tax change, just to put it very simply, we get daily research pieces from Bridgewater. They calculated the impact over ten years of this removal of the state and local income tax reduction nationally, and for what they calculated was essentially a one trillion dollar transfer of wealth from those of us who pay income tax, state income tax, local income tax to those that don't over ten years, which is a big doubt. It's money out of our pockets to states and individuals

within states who don't have income tax.

That's point A. It will make the state treasuries in some states very, very uncomfortable, who are already uncomfortable. States like Connecticut, New Jersey already have challenged budget processes, rising debt levels, inability to deal with a variety of different municipal issues. This doesn't help at all. It makes those states less attractive for businesses to stay. Businesses now have a greater incentive -- doesn't mean they will move, but they now have a greater economic incentive to move to states that don't have a economic impact if this goes ahead, this planned legislation.

So with that cheering news, I will move on to what I think is great news. So if you open the dec, I think the title was carefully chosen. We mean it in all sincerity. We don't know what happens. We think long and hard about the types of things that we might be afraid of, the range of different outcomes that might be apparent in the marketplace. One thing we know could be wrong in a given

year, but what we try to spend time on is understanding where we think consensus might be wrong, where our clients might benefit having a different view or different approach, different exposure than the marketplace does in general.

But just to start off, reasons to be cheerful, come up with that line. It's a song, 1980s pop song. Those of you who know it can sing along. For those of you who don't, you should listen to it. But anyway, there are some things that are good. Today global growth prospects are the best they have been in a decade. I will talk about that a little more. Twelve months ago, 24 months ago, 36 months ago, and for most of the last five to seven years, particularly the American media felt the eurozone was going to fall apart. It was never our view. I have dual citizenship. What I will tell you, Europe matters more to Europeans than the media --

MR. ADLER: Say that again. Europe matters more to Europeans --

MR. MORTON: Europe matters more to

Europeans than the American media gives it credit for. So there is just the way we might dislike people from Texas or any other state -- pick any state you want -- there are petty differences between countries and cultures. The Germans always get to the swimming pool first and take the seats all around the pool. Little things like that which irritate one country versus another, but for the most part they want to be European. They recognize they are small countries on the global scale, and this is not a recent thing. Since the mid-1950s, they have been coming closer and closer together. That's not an experiment that's failing. That's a successful experiment. The European Union was set up not to have a stronger economy. It was set up to keep peace in the continent. That's what it was set up for. It's an unmitigated success. So that's the really strong sense that keeps getting missed. They don't look at it as being a failure. It has problems, it has challenges, the Germans complain about paying for the Greeks in terms of a bailout

here, a bailout there, but it's political pandering, those types of statements. The Germans really know that their economy is so strong because they get to export from a currency which is a lower value than if there is an independent country. So EU really works for the Germans, so all those things, we are not going to pay for the Greeks, so on and so forth, they are just negotiating the size of the check that they are going to pay. It's not trying to kick Greece out of the eurozone. I will come back to that in a second.

Low energy prices, I will talk about that a little more. Realized portfolio results are great. That's something that has to be recognized and give you some comfort. The next page, for most of the last ten years, the US has grown slowly. The eurozone hasn't. Japan hasn't. And various emerging markets have gone into recession, come back out of a recession, so on and so forth. For the first time in a decade, all of those regions are growing. US is growing, continues to grow. At a modest pace but we are still growing,

consistently growing. The eurozone is actually growing faster than we have this year. Japan is growing. Emerging markets are growing, Chinese growth is stable. Brazil is coming out of its recession quite quickly. All of those things, this is the first time in a decade that all these countries are moving forward in a positive direction. Is that good news for the equity market? It's been good news for the equity market. Whether that continues to drive equity market returns higher, we will have to see. It's definitely good for equity markets today. It's good for credit market returns in the sense that we have had low levels of default across many different types of asset class for many years now, so growth is good for low level of defaults, getting our money back from bonds that you essentially lent to corporations, to countries, to municipalities, so forth. Definitely a positive, and it feels to us like there is also some momentum behind growth globally.

If there is a "but" to this type of

analysis, what we would say is one, it's always hard to predict recession. Economists -- not to pick on them again -- are not good at forecasting recession. Very few people forecasted the recession that happened in 2007, the one that happened earlier in the decade after the tech boom. None of these were forecasted well by the economists.

One thing that actually does a pretty good job forecasting recessions is the shape of the yield curve. If the shape of the yield curve goes negative, especially from two years to ten years so two years yields more than the ten year, that typically has been a very good predictor of uncoming recession. We are not negative today, but the 2/10 spread is 64 basis points today and it's been falling over the last couple of years, so we are heading in a direction that normally, based on the financial history of the last 30, 40 years, has predicted a recession. That doesn't necessarily mean we are going to have a recession. It doesn't feel today that we are going to have a recession. Probably feels

quite positive and so on and so forth.

I would just say most other times when we are in this environment, it also hasn't felt there is a recession coming when a recession has, in fact, been coming, so it remains something that's difficult to predict. What we would say the ten-year part of the curve is perhaps lower in yield today just because of the amount of the central bank's treasuries and securities, so maybe the spread is artificially low today, so that's maybe one caveat against saying that the yield curve is predictive here, but you know, remains to be seen.

Move forward one page. I mentioned a little bit about Europe. I believe we were having a conversation late last year, early this year about the prospect of lots of European elections. We were worried about the far right making significant gains in European elections and that basically European politics would fracture and pull to the extremes, weakening the result to stay European and therefore becoming a source of financial

market volatility. So that was the worry 12 months ago.

Again, this year, today or throughout 2017 has been proved not to be the case. So you might remember after the German election, most of the headlines were far right party got 10 or 11 percent of the vote and that's alarming certainly. What was really important was that Angela Merkel stayed in power. Got more votes than anybody else. The European project from the German prospective is going to stay intact. Now, she hasn't been able to form a coalition, so there is some noise about what happened there but the center of German politics held. The center of French politics held in fantastic form earlier in the year. Not only did Macron get an overwhelming majority versus the far right in the runoff, but they also got most of the parliamentary seats as well. So they got a fantastic mandate to go forth and reform France. Doesn't mean they will. Lots of opposing forces but Germany and France are the center of the European Union. They held together the

center, their politics held together. The center of Europe holds together. The source of volatility I think has been pushed further out into the future.

Greece has been renegotiating debt deals. The new president of the EU is Portuguese. If you recall five years ago, Portugal was being thrown out of the EU. The EU is holding together. It's not going to be a source of the volatility for the next couple of years in financial markets.

MR. BROWN: Even without the UK?

MR. MORTON: I almost forgot about them. One of the worst political decisions ever, but you know, we will see. I know we can debate that. We have one of our own but not to compete with that, but you know, it's -- Brexit is an ugly process. I think the European Union will hold together very nicely without the UK. The UK is going to pay a big price. They still haven't figured out how big of a price it's going to be. Hasn't really followed through into their economic data yet but it will. It will. It's not going to be a

good thing. They have to -- they had all of these favorable trade treaties to be part of the European Union, and now they have got to find trade negotiation lawyers because they didn't have them. They were part of the European Union, didn't have to negotiate trade deals, and now have to negotiate bilateral trade deals with tens of scores of different countries. Crazy.

I think it's interesting the most people in favor of Brexit, the party that really pushed Brexit, the leaders resigned the following day. Now, like you want us to leave, oh, no, no, we were just kidding. So you know, it's unfortunate because, you know, I have family -- I have friends whose families don't talk to each other anymore because older generations may have voted in favor of Brexit because they sort of remember the Britian preEuropean Union or their childhood when, you know, nobody was at risk and everybody played outside and all those wonderful things you remember.

MR. ADLER: Make Britain great again.

MR. MORTON: And the younger generation just assumed you were European. You didn't need to go out to vote to make sure they were European. So you had all these older people went out, wanted to vote to get back to being British. The younger said we are European, we don't have to go out to vote, and ended up with the majority votes for Brexit.

MR. BROWN: It was Article 50.

MR. MORTON: They invoked the start of the process to leave the European Union. That's Article 50. So as a result, the UK is going to have to pay the European Union something 50 billion dollars over a period of time.

MR. ADLER: A billion for each Article 50.

MR. MORTON: It's still an open question how many jobs leave London. So far, not that many have left. You hear people say over time tens of thousands of jobs will leave and go to Frankfurt and/or Dublin. Dublin is a lovely city but doesn't have the housing to facilitate that kind of a move. Frankfurt doesn't have the infrastructure. Paris doesn't have the infrastructure. The overwhelming majority of financial jobs will stay in London, but they will lose some on the margin perhaps.

So anyway. Keep going on here. Basic idea is Europe, even with the UK pulling out, will not be a significant source of financial risk. The UK will have problems. The sterling will fall. At various times we have had volatility in different ways, but I don't think it's going to try to feed through to the rest of the financial markets elsewhere.

So the next page talks about your returns. You already talked about your returns. You know how strong they have been. These are way stronger in the 12-month period of time than we had forecasted was likely in the beginning of the year. So that's good news. That's already in your portfolio values. We would forecast returns -- we have a page further back that has sort of our capital markets assumptions going further out. We think markets are really expensive today.

And I think that's part and parcel of having strong returns over the last several years.

If you look on this page, the longer term performance S & P 500 over 5 years is 15 percent. That's way in excesss of what you would expect the S & P 500 to do over any five-year period. Over ten years, 7 and a half percent is probably right around where our return expectations would be for equity market returns.

MR. ADLER: The ten-year number, that includes 2008 obviously?

MR. MORTON: Yes.

MR. ADLER: It's kind of crazy -- "crazy" is the wrong word. It's kind of astonishing in a way that ten-year number including 2008 is now above our -- you know, above your value of capital markets.

MR. MORTON: So we have an equilibrium assumption in the equity market close to 7 and a half percent, so equilibrium ignores starting point valuations. So I think if you asked us over a 30-year time frame what should we earn from the equity market, we would say something pretty close to that. Maybe a little inside that but not too far away.

MS. PELLISH: But the real question is what does it mean if over the past five years you earn 15 percent? How do you get back down to 7?

MR. MORTON: Moving on from the reasons to be cheerful -- maybe I should have done it in reverse order and started out with the reasons to be cautious. So valuations are very expensive. That's true in just about any publicly traded market, but we will talk about why.

A large part of the reason why is what is the second bullet here, 4 and a half trillion and counting of -- I won't call it funny money but financial balances have shown up in central banks and did not involve securities. That's the beauty of central banking. You don't actually have to tax people. You actually create money and go out and buy financial securities, and that's what we have been doing both in the US, Europe, Japan for most of the last decade,

post-financial crisis, and then say something about political uncertainty as well here.

So the next page talks about the S & P 500 and just its valuations levels. Not at peak valuations levels, but it keeps inching higher and higher towards peak valuation levels. It's not far from where this chart calculates the end of 1929 valuations were, and fast-forward to today's date, maybe we are pretty close to it, but we are not at 1999 levels but we are sort of moving higher and higher. There aren't too many points in time through the last let's say 100 years where equity markets have been more expensive than they are today, so I think that's -- our expectation is about not necessarily the next 12 months. I don't think we have the ability to predict the next 12 months' returns in any market to be quite honest, but I think if you look out over five years to Robin's point, you have to mean reverse to financial market returns, and that's not necessarily optimistic to consider.

The next page talks about US valuation

versus nonUS and emerging markets equities. You probably have these discussions when you consider the complexion of your total equity portfolio. The US stocks are more expensive than stocks are in Europe and Japan. US stocks are more expensive than emerging stocks are significantly still today. Both nonUS and emerging markets equities have improved in the last 12, 24 months both in currency improvement but also in the equity market and economic growth prospects in those regions, but the fact remains it's still a large part of your equity portfolio to invest in the US, is still going to be expensed to equity kind of situations.

So on page 9, central bank activity. So you might ask well, why are interest rates so low today, why is the equity market so high. I don't think there was ever one explanation for complex market phenomenon like these, but a large part of the explanation perhaps is central bank activity. If you remember post-financial crisis, the US central banks and Treasury quickly rose to financial

markets' assistance by pumping in large amounts of liquidity in the market and continued to do that for a number of years. The European markets were much slower getting there. They didn't start for a period of time after the US did it, but over the last few years, the Japanese also created money buying financial assets in their markets.

Today, the US is tapering. They are taking liquidity back out of the markets, letting securities mature, not buying new securities, so they are not adding to global liquidity here in the US, but in Europe and Japan they still are adding to global liquidity by again creating monetary values that they then go out and buy securities with. On a global scale, there is more liquidity still going into global markets from central banks, so it's still a net positive for bond prices to stay high and to go higher and for equity prices to go higher. Just everything else being equal. Transmission, no central banks goes out and buys equities. They go out and buy corporate bonds. I think the Japanese

also have manufacturers, but typically they don't buy equities. You might ask well, what is the point that they are buying sovereign bonds or corporate bonds have to do with it?

Well, if you think, in the world today, at any point in time, there is a finite quantity of financial securities available. The central bank turns up, buys a billion dollars of any type of security, even if it's Japanese treasury bond, JGB, Japanese treasury bond. People who held that Japanese treasury bond now have cash. They don't have the bond anymore. They take that cash and buy something else. Whoever has to sell them that security now has cash in their hand, they go out and buy something else. That money eventually finds its way to something else, and ultimately this liquidity, if it's not met with a greater supply of funds, then it has to find its way to risk your assets.

Equity markets, that's your real estate portfolio, your private equity portfolio, all of those values have been lifted by this activity in central bank. Your values are not

being lifted by greater productivity. They are being lifted by greater amounts of liquidity being put into the financial markets. Where the risk is now the US is tapering. Soon, maybe in the next couple of years, the ECB will start to taper also but -- and eventually -- well, I don't want to make predictions what the Japanese do because it seems its own test case. Very different from the issues to sort of deal with, but generally speaking, we are going to have to face an environment where liquidity in financial markets, growth, just natural economic growth has to take over just in response to that liquidity not coming down.

MR. ADLER: Basically you guys are saying at some point the equity markets are going to refer to the mean, and if that happens, that will then have an impact on the Fed and the central banks and injecting the liquidity.

MR. MORTON: So that's a good point. What has the Fed done in the last seven, eight years whenever there has been market

volatility? They said no, we are not going to raise rates, we were just kidding, and then six months later when markets have calmed, they are like well, now we might increase rates a little. So there is this push and pull. So if the Fed is tapering, the ECB is tapering, the markets become more volatile as a result. They will start tapering or try to find ways to calm markets. It seems like they have taken on this responsibility of being -- I don't know the underwriters of financial market returns, but they are happy sort of acting in that regard.

And we now have a new head of the Fed here, Jerome Powell, who seems cut out of the same cloth as Janet Yellin. Just a different person of Janet Yellin, which is what Trump wanted to put into his base. So I don't know that we will see any radical behavior out of him. They might have if they picked the other guy. John Taylor was also considered for the job, so we are -- I think we are at the point of financial markets going forward, so there is volatility so there will be some push and

pull there. So if we do have greater sychronized global growth going forward, that gives central bank cover to start to reduce the size of their portfolios, but it's a big if.

The next couple of pages I won't dwell on. You know the benefits of being diversified. I just note on page 10, the equity market wasn't the only place to get strong returns in the last several years. We could have gotten in high yield bonds for example. We think high yield bonds somehow -- despite they used to be called junk. Junk is a pretty good name for them because they are low investment grade and they are not even senior. But they performed way in excess of what we would have expected from them.

If you march back to the starting point, they have done way better than we would have expected them to. Defaults have been significantly lower across the board, but even just long corporate investment grade bonds have also done relatively well or fantastically well over a 10 percent

annualized return during that period of time also.

But if you look at the return expectations going forward, the green bars are Rocaton's assumptions for the next ten years. So if you look at the US equity returns for which is the teal covered bar -- I guess that's teal or gray -- but anyway, the gray bar says annualized versus right, about 3 percent annualized expected return for the next ten years to be quite -- quite painful to revert to that.

I am going to skip forward two pages in the interest of time to page 12. Let me just explain what this chart is. This is a drilldown chart of the S & P 500. Goes back to the late 1980s. This page shows you how bad the equity market performance was at certain times. You see, there is a really negative -- almost down 50 percent market twice. Early 2000s and then again in 2008 and this is -- let me just ask you how many of you were able to predict either of those ahead of time? Nobody has actually ever been able to

predict market crashes of this kind. Not all -- even after the fact, not completely sure of the cause of the last market crash. Perhaps we know the tech crash of early 2000s and what caused that. Not only are they very difficult to predict or impossible to predict, they happen more than they are supposed to happen. Each point in time when the market was down, close to 50 percent here, probably would have picked up a newspaper, and somebody would have told you it's one-in-a-hundred-year fall in the equity market. Well, it's happened twice in the last 15 years. It's not one in a hundred. It's way more probablistic than I think staticians would have us believe.

We are not trying to predict whether this is going to happen again. But equity market performance, when you think about what happens in your portfolio, should be part of the way you think about any portfolio that you are overlooking. Equity market can sell off much more than anybody can predict at any point in time and in response to things you can't predict. It always happens in ways you

can't predict. The 1929 crash nobody predicted; 1987 crash nobody predicted; early 2000 tech crash nobody predicted. Perhaps people saw the equity market was way overvalued, but I am not sure we saw the 60 percent to fall, and I think very few people really understood the risk in the financial system in 2007 moving forward. So we don't know what the next problem will be in the marketplace, and I think we have highlighted on the earlier pages one aspect of financial market performance today, which we are worried about which is central bank activity.

So if you look, there is a common theme among any of the equity market crashes. Leverage in the system. So whether that's leverage to innovation or leverage to the housing market as we were in the last crash, some form of leverage. Where do we have leverage today? It's the quantitative easing that we have seen from central banks where they have created these balances and bought securities and that floated markets up as a result.

So ways to mitigate the risk. Just being in the equity market. I know you have a broad and diversified portfolio. Not all of your portfolio is equity. Healthy fixed income allocation strategy. You have long duration fixed income also in the last year, which has a relatively good record in diversifying risk exposure. And you have ongoing active program in real estate and private equity to try and diversify. You have a big investment problem which is a -- you have a lot of money to go around. If you were 300 million, it would be pretty easy to say something dislocated, we will put 20 million into that tomorrow or next week. It's hard for your size to be able to move quickly and take advantage of market opportunities as they unfold, and quite often you won't be able to get enough of those opportunities for it to make sense with the size the system is.

So you have to be strategic in the way that you approach your asset allocation. Be mindful of the downside risk and try to find as many ways to diversify your risk exposure

as much as you can. I know you have an active program in alternatives which hopefully can mitigate some of that downside risk if it arrives.

So just page 14 has our forward-looking assumptions. Not all that cheerful to look at. They are much lower than what you realized. That's not because we are overly depressive. It's just we try to be rational in our expectations of what markets can produce. If you look at this, the fixed income returns are quite low as a result, and

I think a lot of the marketplace worries about interest rates rising. I would say to you don't worry about interest rates rising. Hope that they rise. It's the only way you can get higher returns from fixed income is if interest rates rise. So keep that in mind. I think too many investors with long-term prospectives are worried about duration in their portfolio, worried about interest rates rising and so on. I think we should embrace those ideas if you are focused on the long term.

So in summary, I think it's great that portfolio values have risen as much as they have, and I think you should reflect on that being a positive and helping you towards long-term goals and I think you should be vigilant about protecting that and being as diversified as you possibly can be.

We originally put these slides together for a high net worth audience. It was always trying to follow the equity market and to tell us what's happening next week. You are not in that mode. You are much more strategic in the way you think, and you have a broadly diversified portfolio. So you have I think in place a number of the elements that we would say give you the best possible opportunity to hit your long-term objectives over time. This isn't an environment where we would encourage you to take greater active risks. Some people want to take greater active risks because they feel like they are missing out on returns. This is probably not the time to do that. This is probably the time to think about whether you have the right level of risk going

forward and maybe to think about other ways to diversify.

Be opportunistic if you can be opportunistic at your size. If there are market volatility periods that last longer than a few months, perhaps there are ways for you to take advantage of that. Hard at your size but doesn't mean that you shouldn't consider it at the time and think about whether there are ways that you can react positively to market dislocations. One example would be December 2015 to about February 2016. It's too short a period of time to be able to react. We had this period of market volatility that just happened really in the period of maybe six, seven weeks. The Fed raised rates, oil prices were falling, and just this impact on the stock market and credit market. If you have those types of period where maybe it goes longer than a few months, maybe there is opportunities to take risks in the market which you can compensate better and maybe still do that with the size of your portfolio is at. So I think with

that, I will end unless there are other questions for anyone.

MR. ADLER: Questions for David?

MR. BROWN: I don't have a question, I have a comment. Thank you.

MR. MORTON: No problem.

MS. PELLISH: Great. Thanks, David. So I think the divestment policy is up next.

MR. ADLER: Valerie, are you leading this?

MS. BUDZIK: Yes. So everybody should have a copy of the draft divestment policy in front of you. I will start with just a little background.

This policy is part of the longer initiative of reviewing the System's investment policy statement. And there is a subcommittee that was reviewing the policy statement, some teacher-members, participants from the Mayor's office and from the Comptroller's office, and Rocaton is organizing the effort. As part of that, we talked about a divestment policy and probably a good idea to develop one, and it's TRS's

assignment to draft the policy and we did. So maybe two meetings ago, we went over kind of bit of a high level what the elements were of divestment policy and got some direction from the Board and we think that direction is reflected in this draft policy and I will now go over it.

So the first section is the scope of the policy and really it's to -- it's to establish a framework when a divestment initiative comes to the Board and we defined a divestment initiative as a request to sell investments or refrain from making additional investments in, you know, individual or groups of securities for reasons that may include noneconomic factors. And obviously any consideration of that type of initiative needs to comport with the Board's fiduciary duties, what's not covered by the divestment policy, and this was to me -- it's a statement of fact. If mutual funds are co-mingled structures where TRS doesn't control the investment guidelines, you can't get out of all these investments and the private market investments, which right now

the way maybe a divestment type issue is dealt with in the private markets, and that is the Board's policy. Its IPS and its documentation for private market investments. You have opt-out rights. So the Board has the ability to opt out of specific investments if they raise reputational risks, concerns, that are inconsistent with the Board's policies.

So based on the discussion that we had a few months ago, this next section is divestment considerations and engagement. The first paragraph here is the Board would like its investment program to -- and the entities that it invests in to meet high standards of conduct, using ethical business practices and strong ESG policies. Having said that, we also recognize given the size of our assets, it's not the case that because we have invested in a company that we approve of their product's policies or practices. So we would like TRS to promote good practices and policies, but we recognize that at the end of the day, we have a lot of assets to invest and not every investment means we are supportive

of the specific company.

And I think the most important thing that came out of our discussions is that there is an agreement that engagement should be the first course of action whenever possible. So the policy states that, and we believe that's the most effective way to promote long-term value for our participants. We do have language in there "Engagement in certain cases might be futile". I think you know that when you see it, so there is flexibility in responding to a divestment initiative. You wouldn't have to first go through an engagement process if you feel that process would be futile.

So the next part of the policy is in the event the Board determines engagement is futile or that you have gone through the engagement process and it just hasn't produced satisfactory results, the Board could direct the divestment analysis and that would include a standard fiduciary analysis of whether selling a security and prohibiting investments, new investments in the security,

what impact it would have on the portfolio, kind of the risk return perspective and that is required under fiduciary standards. So we can go over the elements of the investment analysis but the Board is familiar with what's included in an investment analysis. We would also require that any decision to divest would be supported by an opinion of fiduciary counsel. It would never be prudent to move forward with divestment without getting a legal opinion, and that has always been the Board's practice.

The last part of the policy is execution and monitoring and so that part of the policy was provided by the Comptroller's office if they wanted to walk through any specific details, but essentially in executing the resolution of the divestment has to be clear as to what you are divesting from, should list the specific company, and that on an ongoing basis we have -- BAM on an annual basis will be -- BAM will monitor the divestment, its impact on the portfolio, on an annual basis come back to the Board, indicate the companies

that the Board has divested from, the Board would review that, both to adjust the list depending on what the Comptroller's information says. And that BAM will have divestment procedures internally. We don't detail those here. That would be an internal process to BAM.

So that's the policy at a high level. We think it's an appropriate level of detail for a policy document, and I guess with that we would take any questions.

MR. ADLER: Should we take a look at the policy that Susannah --

MS. VICKERS: Maybe we should discuss this and then discuss the other process in review because I don't want to confuse things too much.

I have a question. In the last sentence of the last paragraph under divestment considerations and engagement is the phrasing around "Any company reviewed for divestment must have a significant and clear and direct nexus to the injury or risk".

Is that sort of legal language that

other pension funds or other divestment policies have or sort of where did that language come from?

MS. BUDZIK: It was present in the other policies that we reviewed. Other policies sometimes in more detail or in a more restrictive way. I would argue it states the obvious, that you wouldn't divest with a company that has no relation to whatever the issue or concern is.

MS. VICKERS: I was just wondering if that phraseology is consistent with other policies.

MS. BUDZIK: And it is.

MR. ADLER: I just want to point out that in that sentence, it gives me comfort that it says "in general" in front, so that if there is some unusual situation that we can't prove, you know, direct nexus to the injury or risk, whatever -- I can't anticipate what the situation would be, but the "in general" gives us some wiggle room to consider it in any event. So because I don't really want to tie the Board's hands, I think the first sentence

here where it says the decision to divest is committed exclusively to the discretion of the Board subject to fiduciary standards, to me that is the key sentence in the whole thing here that the Board is the one who ultimately retains the authority as to whether to divest or not if we are considering a divestment.

And so you know, I think the process that is laid out here is appropriate, and I think that, you know, the -- whatever you want to call it, the conditions that the policy sets are appropriate, but that sentence says that at the end of the day, the Board is the one to make the decision frankly regardless of what is or isn't in this policy.

MR. BROWN: Where do you see that?

MR. ADLER: The first sentence on the last paragraph under divestment considerations and engagement and that paragraph where the Board is the one that retains discretion. Obviously subject to our fiduciary duty because everything the Board does is subject

to our fiduciary duty.
MS. PELLISH: I have a -- this is

nitpicky but I think an important one, the third-to-last paragraph about performance benchmarks being narrowed on the second page on the back. So the third-to-last paragraph on the whole policy about performance benchmarks being narrowed, I think it may be narrowed accordingly. So if you just tell our public equity managers to divest of three gun manufacturers, we are not going to change the benchmark. It depends how broad the restriction is as a result.
MS. BUDZIK: Okay.
MS. PELLISH: So instead of "will", "may". We have only done that at the country level, and this doesn't apply to country exclusions.
MS. VICKERS: And there could be other language. "Adjusted" rather than "narrowed".
MS. PELLISH: I think the key word is "may". We will take appropriate action if necessary. Until some indication, no action is necessary.
MS. BUDZIK: So if we want to talk a little bit so the Comptroller -- you have a

document that was circulated and then this policy. This policy is narrower and the Board can consider that because your policy -- it was divestment and then the exclusions because from our perspective, this policy is setting forth a high level framework for reviewing divestment initiative, and there are pretty kind of specific steps that you have to go through to support a divestment initiative. We thought the kind of broader initiatives and the policy that the Board has with respect to, for example, the country screen didn't fit so well in here, and I would say an important element for that is requirement for engagement. So for example, right now the Board, we don't invest in certain countries. Russia. I don't know how you engage with Russia.
MR. ADLER: We give Vlad a call.
MR. ORLANDO: I think we use the Twitter.
MS. BUDZIK: And then the requirement that the specific countries be listed and that's analyzed, that's hard to do on a

country basis. Clearly there are large overlaps between the country screens and divestment and you have to consider the country screens in any divestment analysis, but we did keep this policy very kind of focused on kind of traditional divestment initiatives.

MS. VICKERS: And I am not sure that the country restrictions are the restrictions that the people who drafted some language from BAM were meaning, so I am trying to double-check that because obviously, you know, BAM's interest in this I would say is two-fold. First, to have a policy that everybody agrees to and is clear enough that all sort of expectations are well laid out and it's a policy that, you know, is robust enough to include a lot of fiduciary standards and the things we need to consider as well sort of should be understandable enough, so it might be a public document that external stakeholders can take a look at it. We also agree that divestment should be the first option and only when --

MR. ADLER: Engagement.

MS. VICKERS: I'm sorry. Only when engagement is exhausted do we talk about divestment. And then lastly, the end part of this is execution and monitoring. As we sort of talked about in other meetings, when there have been issues -- as technology develops, as markets get more complicated -- in BAM's ability to ensure that the previous divestments are being clearly kept in terms of what's in our portfolio in public markets. Market names of companies change, business practices of companies change, and there hasn't been honestly a robust-enough system at BAM to take all of those things and to put them in.

Now, with the new risk system and our new compliance unit, BAM is in a much better position to do that. So our goal is having sort of clear guidelines in terms of sort of how the divestments, if divestments occur, what the parameters are, what asset classes they apply to, et cetera, and then from that BAM's idea was to create a list of excluded companies, and that list would be in effect annually until the list is updated by BAM and brought to the Board to see if there are any changes like if the company merges or buys another company or something like that.

So really our goal -- and I think it's captured to a great extent in this draft and some of the other drafts that have been around -- is just to really, really make sure that it's clear what the Board's intent was and how BAM should carry it out and those instructions are articulated to managers and then there is some way that BAM cannot be asked to do something that it can't do. So BAM, if there is a list that everybody agrees to and that list is in effect annually, that's a list that BAM will be monitoring and that is a list that will be explained to the portfolio managers and that's what will be excluded until the time the list is refreshed and updated. So I think that substantively we are all on the same page and I would like the opportunity to just go through this and submit any edits if necessary going forward.

MR. ADLER: I think everybody wants that opportunity. We are not deciding --

MS. BUDZIK: This is not for a vote.

MS. VICKERS: Yes, I know.

MR. KAZANSKY: So Susannah, just so I am clear on the concept of this annual list, so if at some point in the middle of that period, your risk system at BAM identifies some anomaly that we have to deal with, that would be brought to us immediately, or would that be brought to us when the list is due to be refreshed at the end of that year?

MS. VICKERS: If we are aware of it, I think that we would bring it to you. You know, if on the front page of the New York Times it says this company buys that company, then we would be able to react to that news. And I am not quite sure our risk system would necessarily spit something out. What I am trying to explain is that it's really important that BAM has clear instruction, and in the past the instruction has been sort of unclear. So stuff is happening throughout the year or how do we react to that news or stuff

like that. We just want everybody to understand how we will be monitoring and how we are able to monitor and that is really by having a list and use that as the basis for -- for the execution for that year, and if that list changes, then that will change the execution for the following year. But if something happens in the marketplace that isn't on the front page of the New York Times, we may not pick it up. Unless, you know, somebody alerts us to it or our consultants are but we don't think that -- and we want to be honest about this. I don't think that BAM is able to react to every single small change in the marketplace on an immediate basis. What we are doing is we are creating a list with the best information we have at the time. That's the list we are communicating to everybody, and that's the list we will all be working off of unless something radically changes or when we change the list at that time next year. So we don't want -- and you know, this is a sort of an issue for BAM. We don't want somebody to say, why didn't you

sell this stock? We now know that tobacco is being sold in Norway or this kind of thing that we weren't paying attention to and we are not going to be held liable for not seeing that because it wasn't on the list and it was not something that BAM was aware of through normal course of monitoring and sort of the business that BAM does.

MR. KAZANSKY: Okay.

MR. ADLER: It says -- the draft policy says "BAM will provide to the Board at least annually an undated divestment list".

MS. VICKERS: If something big happens but I just want to inarticulately try to clarify that BAM --

MR. ADLER: We got it.

MS. VICKERS: This is so much more than we have ever done before, but we can't be expected to kind of do -- to react in an immediate way if small changes happen in the marketplace about some of the areas or securities that we have divested from.

MR. KAZANSKY: Right, right but with the new risk system you have that you are better

capable of doing that before you have it. So that's included. That's fine.

MS. VICKERS: Absolutely.

MS. BUDZIK: So the execution and

monitoring section -- I wouldn't say it's verbatim but it's pretty close to verbatim as to what --

MS. VICKERS: Yes. I see you made some changes so we can go back and talk about them.

MR. ADLER: I would also like to point one thing out that's important to me. In the first sentence of the whole policy under scope where it says the end of the sentence, "Basically for reasons that may include noneconomic factors", and "that may include" implies that it may include economic factors as well, so we are not limiting ourselves, and I would argue that the quote, unquote, noneconomic factors that we are considering are actually economic factors as well. Like we are not going to invest in something -- we are not going to consider divestment unless it has economic implications as well consistent with our fiduciary duties which the whole

policy makes clear but that word "may" is important. I am just saying just like the "may" -- the "may" that you pointed out.

MR. ORLANDO: Going back to Mr. Adler's "in general", I didn't like the "in general".

MR. ADLER: You don't like the "in general"?

MR. ORLANDO: Not to be pedantic but since you are being pedantic, I should join you. It's confusing. You have to have a specific reason.

MR. ADLER: You have to have a specific reason, but the entire -- which I think someone pointed out it is kind of a legalistic -- "direct nexus to the injury or risk", it could be a indirect nexus. For example -- I will throw out an example. There were some issue that was raised at some point in time about Costco selling shrimp that was farmed by slave labor, right, so now conceivably we might -- I think we did engage with Costco.

MS. VICKERS: We sent them a very strongly worded letter with the words "slave

labor".

MR. ADLER: We do not support slave labor. I think you would agree with that statement.

MR. ORLANDO: I do agree with that statement.

MR. ADLER: However, one could have an argument about whether -- I am not proposing -- let me say this for the record. I am not proposing that we divest from Costco, and I actually am a Costco shopper. I can pull out my Costco Member card. However, I don't buy shrimp there. Just kidding. I don't buy shrimp there.

MR. ORLANDO: In general, you don't buy shrimp there.

MR. ADLER: Yes. Okay.

MR. LEVINE: But if it's inside soup --

MR. ADLER: My point is boycotting Costco or divesting from Costco may not be the best way to get at the slave labor practices at the shrimpers, but we might consider it even though one could argue that the nexus is indirect and not direct. That's my point

because we don't own shares in the shrimpers that are out there on the South Seas using slave labor, so I just want to allow for that.

MR. ORLANDO: Okay.

MR. ADLER: Thank you, and by the way, let me just say something about divestment, which is the threat of divestment is also a potential form of engagement where you say to the company we want you to do X or we may consider divestment, but if our policy says we can't do that, then that threat is an empty threat. You know, so just the whole point here is not to tie our hands too much. Okay?

MR. ORLANDO: I repeat okay.

MR. ADLER: Thank you, Mr. Orlando. High praise coming from the trustee seated to my left.

MR. ORLANDO: Indeed.

MR. ADLER: Anything else on the divestment policy for today? So at a future meeting, whether we will do at our next meeting or not, folks will come back with comments, questions including BAM with any comments or questions.

MS. BUDZIK: Or do you want to send us those comments and questions in the intervening period and we will --

MR. ADLER: That would be okay with the Comptroller's office?

MS. VICKERS: Yes.

MR. ADLER: So then should we say we will put this on the schedule for next month, or you want more time than that? Next month? Okay.

MS. BUDZIK: Related to this, and Robin, do you want to just talk about the issue with the country screens and the Board's plans in that area?

So at the last CIM, at the breakout session, there was discussion of reviewing the country screens.

MR. ADLER: In connection with that investment, that particular investment, Global Equity.

MS. PELLISH: So we have discussed with some of the teacher members subsequent to that breakout session a need to refresh the current policy excluding certain countries and a

process by which that might be refreshed, so another way of saying let's review what we did, what decisions we made, and either confirm or challenge the current policy and expand or reduce the list of exclusions, country exclusions, and so we are planning to embark on that project and probably will collaborate with another firm who has significant -- we haven't identified the firm, but we would like the next step to be to identify some potential firms to collaborate with on that and to bring that information to the Board.

MR. ADLER: So that's going to take some period of time.

MS. PELLISH: Yes but hopefully, you know, we are talking months, not years. So that's it.

MR. ADLER: 2018 time?

MS. PELLISH: Absolutely.

MR. ADLER: Okay. So anything else on the divestment policy? Okay. Thank you. So then we have the CIM resolution. Which is in the packet.

MS. BUDZIK: So the annual authorization to participate in the Common Investment Meeting. It's expiring certainly prior to the next CIM, so this resolution would authorize participation in the Common Investment Meeting for the upcoming year. Thad, do you want to read the resolution?

MR. McTIGUE: Is it okay with the Board if I skip to the "Resolved"?

MR. KAZANSKY: It would be appreciated.

MR. McTIGUE: They are the same copy if you have two. We just wanted to make sure everything is on the table.

"Resolved, by the Teachers' Retirement Board as Trustees of the Teachers' Retirement System that: The Teachers' Retirement Board extends for a one-year period its participation in the Common Investment Meeting as described and subject to the conditions of the Board's 2015 and 2016 CIM resolutions; and be it further resolved, nothing in this resolution shall abrogate any rights or waive any responsibilities reserved to the Board of Trustees under applicable law."

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MR. ADLER: Just a question before we move to see if there is a motion to adopts the resolution. If I am not mistaken, typically we don't do resolutions at the investment meeting. We do them at the regular board meeting. Is that my --

MS. BUDZIK: That's correct.

MR. ADLER: So we would basically be -- I don't know what the right term is -- changing our rules for today because we have to do this in advance of Monday?

MS. BUDZIK: Right.

MR. ADLER: So let me just first ask the trustees: Are there any objections to considering and potentially adopting this resolution today at the investment meeting rather than at our next board meeting?

MR. ORLANDO: I don't object.

MR. KAZANSKY: No objection.

MR. BROWN: No objection.

MR. ADLER: Great. So with that, is there a motion to adopt this resolution regarding the Common Investment Meeting?

MR. KAZANSKY: So moved.

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MR. ADLER: Is there a second?

MS. PENNY: Second.

MR. ADLER: Moved and seconded. Any discussion? Okay. All in favor of the motion to extend our participation in the Common Investment Meeting, please say aye. Aye.

MS. VICKERS: Aye.

MR. BROWN: Aye.

MR. KAZANSKY: Aye.

MR. ORLANDO: Aye.

MS. PENNY: Aye.

MR. ADLER: All opposed, please say nay.

Any abstentions? Motion carries. Okay. I
think that concludes our public agenda for
today. We do have an executive session -- or
let me just ask. Are there --
      MS. STANG: Very brief executive
session.
      MR. ADLER: Very brief executive session
but an executive session nonetheless, so is
there a motion to exit public session and
enter executive session?
      MS. PENNY: I move pursuant to Public
Officer Law Section 105 to go into executive

session for discussion regarding specific
investment matters.
      MR. ADLER: Thank you, Ms. Penny. Is
there a second?
      MS. VICKERS: Second.
      MR. ADLER: Thank you, Ms. Vickers. Any
discussion? All in favor of the motion to
exit public session and enter executive
session, please say aye. Aye.
      MS. VICKERS: Aye.
      MR. BROWN: Aye.
      MR. KAZANSKY: Aye.
      MR. ORLANDO: Aye.
      MS. PENNY: Aye.
      MR. ADLER: All opposed, please say
nay. Any abstentions? Motion carries. We
are now entering executive session.
      MR. ADLER: Okay.
      MR. ADLER: So do we have a motion to
exit executive session and go back into public
session?
      MS. PENNY: So moved.
      MR. ADLER: Is there a second?
      MR. BROWN: Second.

      MR. ADLER: Any discussion? All in
favor, please say aye. Aye.
      MS. VICKERS: Aye.
      MR. BROWN: Aye.
      MR. KAZANSKY: Aye.
      MR. ORLANDO: Aye.
      MS. PENNY: Aye.
      MR. ADLER: All opposed, please say
nay. Any abstentions? Okay. Motion carries.
      Back in public session. Susan, will you
please report out of executive session?
      MS. STANG: In executive session two
updates were provided.
      MR. ADLER: Thank you so much. I

believe that concludes our business for today. Is there a motion to adjourn?
MS. VICKERS: So moved.
MR. ADLER: Is there a second?
MS. PENNY: Second.
MR. ADLER: Any discussion? All in favor of the motion to adjourn, please say aye. Aye.
MS. VICKERS: Aye.
MR. BROWN: Aye.

MR. KAZANSKY: Aye.
MR. ORLANDO: Aye.
MS. PENNY: Aye.
MR. ADLER: All opposed, please say nay. Any abstentions? Motion carries. Meeting is adjourned.
(Time noted: 11:44 a.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 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 19th day of December, 2017.

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YAFFA KAPLAN