

3 INVESTMENT MEETING

5

7 10:00 a.m.

9 Teachers' Retirement System of NYC

11 New York, New York 10041

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23 William Montague
24 Digital Reporter
Notary Commission No. 01MO0009174

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1 APPEARANCES:

2 PATRICIA REILLY, EXECUTIVE DIRECTOR

3 THAD MCTIGUE, DEPUTY EXECUTIVE DIRECTOR

4 THOMAS BROWN, CHAIR, TRUSTEE

5 KEVIN LIU, MAYOR'S OFFICE, TRUSTEE

6 JOHN DORSA, OFFICE OF THE COMPTROLLER, TRUSTEE

7 VICTORIA LEE, TRUSTEE

8 CHRISTINA MCGRATH, TRUSTEE

9 ANTHONY GIORDANO, PANEL FOR EDUCATIONAL POLICIES,
10 TRUSTEE

11 Also Present:

12 LIZ SANCHEZ, TRS

13 PRISCILLA BAILEY, TRS

14 ARISTEA AFTOUSMIS, TRS

15 LOREN PERRY, TRS

16 RON SWINGLE, TRS

17 ANDREW ROSEN, TRS

18 KAMIL ATAEV, TRS

19 ISAAC GLOVINSKY, ESQUIRE, TRS

20 VALERIE BUDZIK, ESQUIRE, TRS

21 NADIA FAZHULINA, OFFICE OF THE MAYOR

22 STEVE MEIER, BUREAU OF ASSET MANAGEMENT

23 VALERIE RED-HORSE MOHL, BUREAU OF ASSET MANAGEMENT

24 ENEASZ KADZIELA, BUREAU OF ASSET MANAGEMENT

25 JOHN MERSEBURG, BUREAU OF ASSET MANAGEMENT

1 STEVE POULOS, BUREAU OF ASSET MANAGEMENT
2 WILFREDO SUAREZ, BUREAU OF ASSET MANAGEMENT
3 JANET LONDONO-VALLE, BUREAU OF ASSET MANAGEMENT
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5 MITCH FIELDING, BUREAU OF ASSET MANAGEMENT
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7 SANYA COWAN, BUREAU OF ASSET MANAGEMENT
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9 STEVE PAK, BUREAU OF ASSET MANAGEMENT
10 KIM BOSTON, BUREAU OF ASSET MANAGEMENT
11 JOHN AHN, BUREAU OF ASSET MANAGEMENT
12 JENNIFER GAO, BUREAU OF ASSET MANAGEMENT
13 MAREK TYSZKIEWICZ, CHIEF ACTUARY
14 TOM O'HARA, OFFICE OF THE ACTUARY
15 DAVID LEVINE, GROOM LAW GROUP
16 MICHAEL FULVIO, ROCATON/GOLDMAN SACHS
17 AMANDA JANUSZ, ROCATON/GOLDMAN SACHS
18 GINA TARANTINO, GOLDMAN SACHS
19 MARC RIVITZ, STEPSTONE
20 JUSTIN THIBAUT, STEPSTONE
21 JAMES MAINA, STEPSTONE
22 SEAN BARBER, HAMILTON LANE
23
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1 (The proceedings commenced at 10:00 a.m.)

2 MS. REILLY: Good morning. Welcome to the
3 Investment Meeting of the Teachers' Retirement Board for
4 May 8th, 2025. I'll start by calling the roll.

5 Bryan Berge? Well, I'm sorry, it's Kevin Liu.

6 MR. LIU: Kevin Liu for Mayor Adams, present.

7 MS. REILLY: Thomas Brown?

8 CHAIR BROWN: Present, Patricia. Good
9 morning.

10 MS. REILLY: Gregory Faulkner?

11 John Dorsa?

12 MR. DORSA: John Dorsa, designee for
13 Comptroller Brad Lander, present.

14 MS. REILLY: Victoria Lee?

15 MS. LEE: Good morning, present.

16 MS. REILLY: Good morning.

17 Christina McGrath?

18 MS. MCGRATH: Good morning, Patricia, present.

19 MS. REILLY: We have a quorum. Turning it
20 over to the Chair.

21 CHAIR BROWN: Thank you, Patricia.

22 Good morning, everybody. And we'll begin with
23 Passport Funds March 2025 Performance Review, and that's
24 Goldman Sachs.

25 Michael?

1 MR. FULVIO: Thank you, Chair.

2 Good morning, everyone. Jean is going to
3 share her screen, and I will talk through some of the
4 numbers here, and I'm going to focus a little bit more
5 so on the first quarter as a whole, which I know we did
6 chat a little bit about in terms of market performance
7 last month, but we'll dive a little bit deeper into some
8 of the numbers as it relates specifically to the
9 Passport Funds.

10 So the Diversified Equity Fund ended the
11 quarter with about \$18.2 billion in assets. The fund
12 itself was down just over 3 percent, a little bit behind
13 its benchmarks for the quarter. It was a challenging
14 period for active management both in US and non-US
15 markets within the portfolio.

16 We saw the US equities, during the quarter,
17 down about 4.95 percent, so just shy of 5 percent. On
18 the flip side of that, international equity markets, as
19 measured by the International Composite Benchmark, were
20 up over 5 percent. So we have definitely seen, as we
21 have been talking about, divergence between US and
22 non-US equity markets to start the year. Not
23 surprising, given all that's going on in both the
24 political and market backdrop that we have talked about
25 as well. And so far, calendar year-to-date, as I noted

1 before, that fund is down about 3 percent.

2 On the flip side of that, the Balanced Fund,
3 with about \$640 million in assets, you can see that was
4 up about 1 percent. That fund, you'll recall, is
5 comprised of both global equities but also short
6 duration, or short-term, fixed income, high quality US
7 investment grade fixed income instruments. As yields
8 came down in the first quarter, that was a bolster, if
9 you will, to bolster, if you will, the performance of
10 that fund.

11 The International Equity Fund, which is
12 structured to align with the International Composite of
13 the Diversified Equity Fund, that had a positive return
14 of about 3.2 percent. As I noted, with some of the
15 challenges of active management in that quarter, that
16 fund did lag the 5 percent return of the benchmark.

17 And the Sustainable Equity Fund, which you'll
18 recall is comprised of US-oriented large cap growth
19 strategy, that fund was down about 10 percent for the
20 first quarter, in line with the market during that time
21 period.

22 It was a very challenging period, especially
23 for some of those high flying growth companies that we
24 had seen do quite well in the US over the last three
25 years. They were very much out of favor in the first

1 quarter.

2 And then you can see, finally, returns and
3 assets for the US Equity and International Equity Index
4 Funds, which were, as you'd expect, aligned with their
5 benchmarks. The US Fund down about 4.8 percent and the
6 International Equity Index Fund up about 5.4 percent.

7 So I'll just pause there and see if there's
8 any questions.

9 CHAIR BROWN: Any questions for Michael?

10 Thank you.

11 MR. FULVIO: Great. So we will switch over to
12 the month of April, which was a long year in and of
13 itself. I know we met, I think it was close to the
14 middle of April when we were in the thick of the
15 rollercoaster ride that the markets were going on during
16 the month.

17 It was an interesting month not only for all
18 of the policy news coming out of Washington and how
19 really the global market community was reacting, both in
20 terms of different political perspectives from many
21 countries, but also in terms of what we were hearing
22 with respect to trade and how many in the economy had
23 gone from having pretty constructive views, many market
24 participants had gone from having pretty constructive
25 views on the US economy coming into 2025, and how

1 quickly we saw many take a pause on those constructive
2 views in the middle of April, as we started hearing more
3 uncertainty around policy positions coming out of
4 Washington.

5 So if you think about what we talked about at
6 the beginning of this year, very much a focus on the
7 resilience of the US economy, the strength of earnings
8 and balance sheets coming into 2025.

9 In many ways, the strength of US balance
10 sheets have not changed. We just wrapped up or are
11 close to wrapping up what was a pretty positive earning
12 cycle for US companies, and in spite of all that, we're
13 seeing such significant market volatility, really driven
14 by, as we talked about before, uncertainty, and I would
15 say, in many cases, an unwillingness for companies to
16 provide guidance in such uncertain times. It's very
17 difficult for many to plan around capital expenditures.

18 There's two sides to that. We did hear in
19 Meta's earnings announcement that they are going to move
20 forward with continuing CapEx focused on AI. They do
21 think that that's the future. But many companies who,
22 even though they had strong earnings announcements in
23 the last few weeks, have paused on providing guidance
24 for the year because of that uncertainty.

25 We call that uncertainty, generally, when

1 we're hearing about it, soft economic data. There's
2 also the consumer side of that where, in April, we were
3 seeing pretty significant softening to that soft
4 economic data from the consumer side as well. And the
5 converse to that is on the, what we call hard economic
6 data, which, for the US, has continued to look
7 resilient.

8 So we have seen inflation actually come down
9 very slightly in the US to start the year, growth has
10 not really started to change materially or slow
11 significantly, and labor prints, in the last few weeks,
12 have continued to also be somewhat resilient.

13 I think as we start to see some of the hard
14 economic data turn over the next few months, that will
15 certainly be a reason for concern. At this point, I
16 think the concern really more so is just around
17 increased uncertainty and market volatility and feeling
18 confident in your ability to manage through that.

19 So with all of that and all of the craziness
20 of the month of April, the US equity market was down
21 just shy of a half of a percent, so about two-thirds of
22 a percent. International equity markets were up about
23 3.75 percent. So again, we have continued to see
24 divergence among equity markets, but showing some
25 resolve in terms of how markets rounded out for the

1 month.

2 And I'll pause there and see if there's any
3 questions. There's a whole host of numbers on the
4 market benchmarks here, but you can see, across the
5 board, pretty strong, or I should say at least positive
6 numbers in all cases except for with respect to the US
7 Equity Index Fund, which had a negative return of about
8 negative 0.7 percent.

9 CHAIR BROWN: Thank you, Michael.

10 Any questions for Michael or Goldman Sachs?

11 Thank you.

12 Before we move on, Patricia, let the record
13 show that Anthony Giordano is now present. Thank you.

14 And we move on. Any questions for Michael?

15 Let's move on.

16 Now, any market commentary in the Pension Fund
17 for Public agenda, Steve?

18 MR. MEIER: Great. Thank you, Mr. Chair.

19 Good morning, Trustees.

20 CHAIR BROWN: Good morning, Steve.

21 MR. MEIER: Wilfredo is waiting back at the
22 ranch.

23 Thanks, Wilfredo. One more slide, please.

24 Mike hit the nail on the head. Sometimes I
25 even wonder why I come to these meetings because Mike

1 does such a great job of the market updates, but
2 "uncertainty" is the buzzword.

3 So we added just a couple of headlines that we
4 thought were noteworthy that really came out in the
5 month, during the month of April. Up top, you can see
6 "Tariffs, inflation and market uncertainty." Again,
7 it's really having an impact on consumer sentiment,
8 consumer confidence, business sentiment, business
9 confidence, and investor sentiment, and investor
10 confidence.

11 To Mike's point, though, we really haven't
12 seen a lot of that show up in the hard data because
13 consumers actually were doing a lot of front running in
14 that expectation of higher inflation. They were buying
15 things earlier, expecting the tariffs would have a
16 negative impact on the price of those goods.

17 We also saw it during the month of April.
18 Gold hit over -- traded, at one point, over \$3,500 per
19 Troy ounce. It's about \$3,345 this morning, so it's
20 come off a little bit, but again, another example of a
21 flight to quality and a flight away from, say, the US
22 dollar. We'll talk a little bit more.

23 And then the last point on the lower left-hand
24 side, the dollar keeps falling and it's losing somewhat
25 of its luster as a safe haven asset. Year-to-date, the

1 US dollar is off a little -- almost 9 percent versus,
2 say, the euro. And as a general matter, it's down
3 across the board against other currencies. Some of this
4 has to do with the increased fear of recession in the
5 States. Also, it has to do with a little bit of flight
6 away from US dollar assets, which we continue to monitor
7 and look at.

8 On the next slide, just a quick look at
9 those -- these are familiar charts. On the upper
10 left-hand side, you can see inflation measures and GDP
11 growth. To Mike's point, we really haven't seen a
12 dramatic impact. Now, we did see the growth come down
13 in the first quarter from 2.5 percent at the end of last
14 year to just 2 percent. That's the early estimate of
15 first quarter GDP growth. That's still trend, which
16 means the long-term average growth of the US economy is
17 about 2 percent.

18 China continues to hold in there above 5
19 percent. More importantly, I think, for today, is the
20 UK. Their growth has slowed quite significantly.
21 They're forecasting a 1 percent growth. They actually
22 cut interest rates 25 basis points this morning, and
23 China actually cut rates 10 basis points yesterday, to
24 spur some economic growth, also to address some of the
25 concerns that that economy has and will continue to have

1 relative to tariffs.

2 On the lower portion of the left-hand side,
3 you can see inflation is still pretty strongly above the
4 Central Bank 2 percent target, 2.4 percent in the
5 States. I think core PCE was up over 3 percent, so a
6 little bit of inflationary pressures there. But as a
7 general matter, inflation still becomes, it still is an
8 issue and a challenge for many of the central banks
9 around the world.

10 Again, echoing Mike's point on the far data on
11 the upper right-hand side, unemployment is still 4.2
12 percent, unchanged from the prior month. The average of
13 the last three month non-farm payrolls adjusted for
14 revisions is about 155,000 jobs created per month.
15 That's actually quite strong and pretty constructive for
16 the US economy.

17 And lastly, world currencies. As I mentioned,
18 all that green is a reflection of, say, the Euro
19 appreciating, in a one-month space, 3.7 percent, versus
20 the US dollar. So again, a flight away from US dollar
21 assets.

22 I'd also ask you just to look at the euro
23 number out three months. The euro has appreciated
24 relative to the dollar by 8.8 percent. I'm going to go
25 through a slide in a minute that will look at the German

1 DAX index, and you'll be able to see the local market
2 return versus your return that includes this 8.8
3 percent, or actually 10 percent in currency appreciation
4 as well.

5 On the next slide, as I mentioned, rates have
6 been fairly -- I can't really say they have been stable.
7 China cut 10 basis points yesterday. The Fed remained
8 on hold since its last interest rate reduction in
9 December of last year. Given all the uncertainty, the
10 Fed needs to be patient and vigilant against
11 inflationary pressures as well as the declining growth.
12 Again, they have a dual mandate to focus on full
13 employment and stable pricing, stable price levels. So
14 again, they're continuing to monitor the situation as
15 the impact of potential tariffs and actual tariffs kind
16 of work their way through not just the soft data but the
17 hard data as well.

18 Below that, you can see a graph. I ask you to
19 look at just two lines here. The red one is the most
20 recent from the 5th of May, and the one below that in
21 gray is from the end of 2021. And this basically says
22 if you look in the two-year sector, the two-year
23 Treasury yields are about 290 basis points above where
24 they were a few years back. And that just basically
25 means you're getting more income from your fixed income.

1 On the upper right-hand side, a look at credit
2 spreads, they have widened for the year, but they have
3 tightened a little bit. So investment grade credit
4 spreads up top measured by the Bloomberg US Ag Corporate
5 Average, option adjusted spread is a fancy way of saying
6 it, is 102 basis points. That's actually in about 10
7 basis points from the prior month. And in high yield,
8 those credit spreads have actually widened out as high
9 as 470, I believe was the high mark, maybe a little
10 higher than that. And it's come in nicely. Since the
11 last time we spoke, it's in about 60 basis points,
12 again, increasing the price of those assets.

13 MR. DORSA: Steve, I just have one thing, and
14 maybe this is just for the next time.

15 In the change column, where it's negative
16 green 1 percent, could you do red for negative and the
17 greens for positive because it's kind of confusing, just
18 aesthetically. I'm just pointing that out.

19 MR. MEIER: Well, one talks -- yeah, okay.

20 MR. DORSA: You see my point? I'm just -- you
21 know, red and green --

22 MR. MEIER: Spreads have come in --

23 MR. DORSA: Yeah, but you see it's negative 1
24 and it's --

25 CHAIR BROWN: I like to see more green,

1 though.

2 (Laughter.)

3 MR. MEIER: Yeah, I think that's what I'm
4 hearing.

5 MR. DORSA: That's fine. That's fine. Just a
6 critique, as I'm seeing it now.

7 MR. MEIER: We'll pretty it up. I'll run that
8 by Dan.

9 MR. DORSA: Because negative, I think of in
10 red, and not --

11 MR. MEIER: Well, it's a decline in spreads.

12 MR. DORSA: Yeah, I'm just making the point.
13 I'm a common man.

14 MR. MEIER: Yeah. Yes, you are.

15 (Laughter.)

16 MR. MEIER: Below that, reference rates,
17 moving on, you can see two-year Treasuries at 384, 10s
18 at 435. There are 430 today. They started the year, if
19 you remember, at 458. In the middle part of April, they
20 traded as low as 385 in yield. Again, so there's a lot
21 of volatility there, and Mike talked about that, and
22 I'll talk about that a little bit more in a moment.

23 On the next slide, just a quick look at where
24 we are. Again, equity indices on your left-hand side
25 and bond market, 10-year -- or sovereign yields

1 year-to-date.

2 You can see there's a little bit of red up top
3 on the left-hand side. That's the industrial, Dow Jones
4 industrials, the S&P 500 and the NASDAQ composite, all
5 in red for year-to-date, but actually, they were much
6 further down earlier on in April. So the recovery has
7 been pretty substantial.

8 I'd say the other point I would make is look
9 at Line Number 24, the DAX, the D-A-X, where it actually
10 shows -- and I can keep this on the slide, this is the
11 only thing that's really noteworthy is the DAX. The
12 German stock index is up 17 percent year-to-date in
13 local currency terms, but when you convert those back to
14 US dollars, and we're a US dollar investor, it's fully a
15 28.16 percent return. So that's the benefit of having a
16 weaker dollar when you hold non-US assets.

17 The other thing, as I said, I take off of this
18 is I look at where Treasury yields are. This is 10-year
19 US Treasury yield, 435-ish at the last print, about
20 where it's been on average for the year. And again,
21 it's traded as high as 479. And as I mentioned, closing
22 at 399 but traded as low as 385 intraday at the peak of
23 disruption in April.

24 Moving on to the next slide, just a look at
25 volatility, and I think Mike covered this well, but just

1 a couple measures. This is a look at two volatility
2 measures. In red, on the right-hand scale, is the VIX,
3 that's also known as the fear index. This is the
4 options market expectations, the V-I-X. It's the
5 options market expectation for volatility over the next
6 30 days. It's actually come down substantially, but it
7 was as high as 55, 54-ish. The all time high of the VIX
8 was October 24th, 2008, at 89, to provide some context.

9 So volatility has come off, again, as the
10 market has had a chance to digest the impact of tariffs,
11 potential impact of tariffs and some of the rhetoric
12 around that. But it is, as I said, still somewhat
13 elevated, even though it's at 24, relative to where it's
14 been more recently. You see the red line.

15 On the left-hand scale, that's the MOVE Index,
16 that's the Merrill Lynch Options Volatility Index. It's
17 also known as the VIX for bonds. Again, a fear index,
18 and again, looking at levels at their peak at between
19 120 and 140. That shows an elevated stress level in the
20 fixed income markets, in US Treasuries in particular.

21 And lastly, on the next slide, just a look at
22 performance, your performance, actually, through the end
23 of the first quarter, March 31st, 2025. A little bit of
24 red in there. I hate to tell you, obviously, April was
25 more challenging. But you can see where we are.

1 Again, as long-term investors, we tend to
2 focus, we should focus always on long-term results. 10
3 years out, you can look at the strong performance of US
4 equities, private equity, infrastructure, and fixed
5 income. It struggled a little bit with the low levels
6 of rates in the back of the (indiscernible) we have
7 seen.

8 And with that, I'll open up to any questions.

9 CHAIR BROWN: Thank you, Steve.

10 Any questions for Steve?

11 Thank you. Well done.

12 Great. I think that concludes our business in
13 Public Session. Do I hear a motion to go into Executive
14 Session?

15 MS. LEE: So moved.

16 CHAIR BROWN: It's been moved. Is there a
17 second?

18 MR. DORSA: Second.

19 CHAIR BROWN: Thank you, John.

20 Any questions, concerns? Great. All those in
21 favor of going into Executive Session, please say aye?

22 (Ayes were heard.)

23 CHAIR BROWN: Those opposed, say nay?
24 Abstentions?

25 We are now in Public -- now in Executive

1 Session. Thank you.

2 (Exit Public Session; enter Executive
3 Session.)

4 (Exit Executive Session; enter Public
5 Session.)

6 CHAIR BROWN: Thank you. Welcome back to
7 Public Session. And I personally welcome back to Public
8 Session and I personally welcome back our consultant,
9 Michael Fulvio from Goldman Sachs.

10 Great. I believe, at this time, we're going
11 to have a readout of what we discussed in Executive
12 Session.

13 MS. BAILEY: You bet. Thank you, Mr. Chair.
14 Hello, everyone, by the way.

15 CHAIR BROWN: Hey, Priscilla. How are you?

16 MS. BAILEY: How are you?

17 CHAIR BROWN: I'm fine.

18 MS. BAILEY: In the Executive Session of the
19 Passport Fund, there was a manager update. There was a
20 presentation on a service provider. Consensus was
21 reached.

22 In the Executive Session of the pension fund,
23 there was an update on preliminary performance. There
24 were two portfolio construction updates.

25 There was an alternative credit presentation.

1 Consensus was reached.

2 There were two private equity presentations.

3 Consensus was reached on both.

4 There was a real estate presentation. The
5 matter was table.

6 There was a manager update and public equity
7 presentation. Consensus was reached.

8 The meeting concluded with a discussion on a
9 contracting matter. Details to be made available at an
10 appropriate time.

11 CHAIR BROWN: Oh, Priscilla, thank you so
12 much. Well done. Thank you.

13 MS. BAILEY: Thank you.

14 CHAIR BROWN: Are there any questions for
15 Priscilla?

16 I think that concludes our agenda on the
17 Public Session.

18 Oh, you have a question, Priscilla, or you
19 just -- no, you just -- oh, you're waving goodbye.
20 Okay. Wait, wait, wave goodbye when we adjourn.

21 Do I have a motion to adjourn?

22 MS. MCGRATH: So moved.

23 MR. DORSA: Second.

24 CHAIR BROWN: It has been moved and it has
25 been seconded. Thank you, Christina. Thank you, John.

1 Any discussion? All those in favor of
2 adjourning, please say aye?

3 (Ayes were heard.)

4 CHAIR BROWN: Those opposed, say nay? Any
5 abstentions? This meeting is now adjourned. Thank you,
6 everybody. Thanks, Priscilla.

7 (The proceedings concluded at 1:36 p.m.)

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15 hand this 21st day of May 2025.

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17 of this matter.

18 IN WITNESS THEREOF, I have hereunto set my
19 hand this 21st day of May 2025.

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