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TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK
INVESTMENT MEETING

Thursday, December 4, 2025

10:11 a.m.

Teachers' Retirement System of New York City
55 Water Street, 16th Floor
New York, New York 10041

William Montague
Digital Reporter
Commission No. 01MO0009174

1 APPEARANCES

2 PATRICIA REILLY, EXECUTIVE DIRECTOR

3 THAD MCTIGUE, DEPUTY EXECUTIVE DIRECTOR

4 THOMAS BROWN, CHAIR, TRUSTEE

5 KEVIN LUI, MAYOR'S OFFICE

6 BRYAN BERGE, MAYOR'S OFFICE

7 JOHN DORSA, OFFICE OF THE COMPTROLLER, TRUSTEE

8 RENEE PEARCE, ESQ., TRS

9 VICTORIA LEE, TRUSTEE

10 ANTHONY GIORDANO, PANEL ON EDUCATIONAL POLICY, TRUSTEE

11 CHRISTINA MCGRATH, TRUSTEE

12

13 ALSO PRESENT:

14 LIZ SANCHEZ, TRS

15 PRISCILLA BAILEY, TRS

16 KATE VISCONTI, OFFICE OF THE COMPTROLLER

17 DANIEL HAAS, OFFICE OF THE COMPTROLLER

18 MITCH FIELDING, OFFICE OF THE COMPTROLLER

19 JOHN MERSEBURG, OFFICE OF THE COMPTROLLER

20 FRANCESCO BRINDISI, BAM

21 DONALD DE ROSA, BAM

22 MORAIMA PARES, BAM

23 ERIC OTERO, BAM

24 JOHN GLUSZAK, BAM

25 JACKIE YE, BAM

1 APPEARANCES (cont'd)

2 WILFREDO SUAREZ, BAM

3 SANYA COWAN, BAM

4 KIM BOSTON, BAM

5 JANET LONDONO-VALLE, BAM

6 AMANDA JANUSZ, GOLDMAN SACHS

7 MICHAEL FULVIO, GOLDMAN SACHS

8 GINA TARANTINO, GOLDMAN SACHS

9 JENNIFER GOA, NEW YORK CITY RETIREMENT SYSTEMS

10 SEAN BARBER, HAMILTON LANE

11 JONATHAN SOKOLOFF, LGP GREEN EQUITY INVESTORS X

12 ELAINE CHEN, LGP GREEN EQUITY INVESTORS X

13 WIL WARREN, LEXINGTON CAPITAL PARTNERS XI

14 TAYLOR ROBINSON, LEXINGTON CAPITAL PARTNERS XI

15 SARAH CHERIAN, LEXINGTON CAPITAL PARTNERS XI

16 KATIE LISLE, LEXINGTON CAPITAL PARTNERS XI

17 LILI DUNN, BELL PARTNERS GROWTH AND INCOME FUND

18 JOSEPH CANNON, BELL PARTNERS GROWTH AND INCOME FUND

19 MEGHAN BURKE, BELL PARTNERS GROWTH AND INCOME FUND

20 JAMES MAINA, STEPSTONE GROUP

21 MARC RIVITZ, STEPSTONE GROUP

22 AL RABIL, KAYNE ANDERSON REAL ESTATE PARTNERS VII

23 MIKE BELAY, KAYNE ANDERSON REAL ESTATE PARTNERS VII

24 MEGAN SAUNDERS, KAYNE ANDERSON REAL ESTATE PARTNERS VII

25 CLAIRE BENKEN, KAYNE ANDERSON REAL ESTATE PARTNERS VII

1 APPEARANCES (cont'd)

2 NELSON HIOE, RAITH REAL ESTATE FUND IV

3 WILLIAM LANDIS, RAITH REAL ESTATE FUND IV

4 EMMA D'AMICO, RAITH REAL ESTATE FUND IV

5 ANDREW ROSEN, TRS

6 ARISTEA AFTOUSMIS, TRS

7 ISAAC GLOVINSKY, TRS

8 MARIELLE ALI, TRS

9 KOMIL ATEAVE, TRS

10 PERRY WHITELE, TRS

11 ALICE HO, BERS

12 DAVID LEVINE, ESQ.

13 NADIA FAZHULINA, MAYOR'S OFFICE, TRUSTEE

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1 MS. REILLY: Good morning. Welcome to the
2 investment meeting of the Teachers' Retirement Board for
3 December 4th, 2025. I'll start by calling the roll.
4 Kevin Liu.

5 MR. LIU: Kevin Liu for Mayor Adams. Present.

6 MS. REILLY: Thomas Brown?

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

9 MS. REILLY: Good morning. Gregory Fulton?
10 John Dorsa?

11 MR. DORSA: John Dorsa, designee for
12 comptroller Brad Lander, present.

13 MS. REILLY: Victoria Lee?

14 MS. LEE: Present.

15 MS. REILLY: Christina McGrath?

16 MS. MCGRATH: Good morning, Patricia.
17 Present.

18 MS. REILLY: Good morning. We have a quorum
19 and I will turn it over to the chair.

20 CHAIR BROWN: Good morning, everybody. And we
21 start with the public agenda passport funds, and I
22 think Amanda is going to take that.

23 MS. JANUSZ: Good morning, Tom.

24 CHAIR BROWN: Good morning.

25 MS. JANUSZ: I think, Gina from our team,

1 before we can share her screen, we are going to start
2 with just a quick update on the final numbers for the
3 third quarter. We had previously shared a September
4 flash report, but just wanted to update the board on
5 the results through the end of the third quarter.

6 It was a strong quarter, a continuation of
7 what has been a very strong year. The passport funds
8 closed out the quarter at 23.3 billion in assets, up
9 from 21.2 to start the year. So we've seen some good
10 growth among the passport funds. 90 percent of those
11 assets are held within diversified equity funds, the
12 top fund shown here on the slide.

13 Gina, it looks like there's a -- a window
14 covering your screen. Great. Thank you. Can you flip
15 to the Sep -- the September results then, please.

16 The diversified equity fund for the quarter
17 returned close to seven percent, has trailed its
18 benchmark. It has continued to be a somewhat
19 challenging environment for active managers, really
20 across asset classes. So you do see the active sleeves
21 within both the US equity and international equity
22 sleeves have trailed their benchmarks.

23 The balanced fund for the quarter was up 3.16
24 percent, the international equity fund up over 5
25 percent, the sustainable equity fund being the laggard

1 for the quarter at up just under 1 percent. And this
2 is not reflective of -- of the changes that began to go
3 into effect in October. And then the passive funds at
4 the bottom of the slide, the US equity index up 8
5 percent for the quarter, and the international equity
6 index up 6 and a half percent. Any questions on 3Q?

7 CHAIR BROWN: Any questions for Amanda?

8 Great. We can move on to the October passport funds.

9 MS. JANUSZ: Okay.

10 CHAIR BROWN: Thank you, Amanda.

11 MS. JANUSZ: Gina, are you able to share the
12 October flash?

13 MS. TARANTINO: Yeah. Give me one second.
14 Sorry.

15 MS. JANUSZ: Thank you. So the month of
16 October, we saw a little bit of volatility to start the
17 month. Again, renewed threats of increased tariffs to
18 China. Trade policy has been one of the biggest
19 drivers of volatility that we've seen in calendar year
20 2025. But ultimately, strong earnings results did end
21 up landing us in mostly positive territory for the
22 month of October, really across the board here.

23 So you ended the month up even further in
24 terms of assets for the passport fund. So closing out
25 October at 23.6 billion in total assets, with the

1 diversified equity fund ending the month up 1.8
2 percent. The balance fund up about three quarters of a
3 percent, the international equity fund up 1.4 percent,
4 the sustainable equity fund up 1.2, and the passive
5 funds at the bottom of the slide, US being up 2.1
6 percent, and the international equity index up 1 and a
7 half percent for the month of October.

8 (Coughs.) Pardon me. All right. So, if
9 there's not any questions on October, I'll flip over to
10 the November Benchmark report.

11 CHAIR BROWN: Want some water?

12 MS. JANUSZ: I'm sorry. I have a frog in my
13 throat.

14 CHAIR BROWN: Do you need some water, Amanda?

15 MS. JANUSZ: I -- I have -- it's not helping.

16 CHAIR BROWN: Oh.

17 MS. JANUSZ: Thank you. Yeah, you want to do
18 November?

19 MR. FULVIO: Sure. So November was a month
20 where we did see a little bit more market volatility.
21 There were some notable down days toward the latter
22 part of the month, but we had a pretty strong early
23 part of the month in equity markets. The November
24 report is also in convene and on screen you can see a
25 modest positive return of about a quarter of a percent

1 for broad US equity markets.

2 Non-US equity markets were closer to flat, but
3 still positive for -- for the month overall. Where we
4 saw some negative performance was really outside of
5 developed markets in the emerging markets. You can see
6 that line item toward the middle of the page. The
7 emerging market index was down about 2.4 percent during
8 the month. Still a very, very strong environment for
9 all of these benchmarks so far, calendar year to date,
10 and I would say also for the fiscal year to date.

11 And then, just a little bit more notably,
12 as -- as the sustain -- the composition of the
13 sustainable equity fund continues to evolve, you'll
14 begin to see reference to both US and non-US, or I
15 should say global, markets as part of the sustainable
16 balance fund -- excuse me, sustainable equity fund. So
17 I'll just pause there and see if there's any questions.

18 CHAIR BROWN: Thank you, Michael. Any
19 questions for Michael or Amanda? Great. Thank you.
20 We move on to the public agenda pension fund. And I
21 think Dan Haas is going to do that. You can sit up
22 here, Dan.

23 MR. HAAS: Okay. Great.

24 CHAIR BROWN: Can you see? Thank you.
25 Welcome.

1 MR. HAAS: Thank you very much. Pleasure to
2 be in front of you.

3 CHAIR BROWN: Same here.

4 MR. HAAS: Well, good morning, everybody.
5 And -- and again, thanks for -- thanks for having me.
6 My name is Dan Haas. I'm serving a few hats here, but
7 kind of pinch hitting for -- for Francesco and for
8 Steve, you know, I -- just to give you a quarterly kind
9 of performance update and a little bit of commentary
10 around that, very similar to what we've seen before.

11 As we kind of run into this, again,
12 challenging my -- my inner Steve Meyer [phonetic] here,
13 a few headlines for you to kind of set the stage for
14 some of the things that we kind of lean into here.
15 And -- and the theme is just this. It's mixed signals,
16 right? We have a very strong economy. The S&P closed
17 last night, you know, about a percent off of its all
18 time highs, which we realized back in October.
19 Businesses have strong fundamentals, with great
20 earnings and great earnings growth, and it's fueling
21 quite a lot of growth of the economy.

22 On the other hand, markets are topping, right?
23 Think of the magnificent seven. If you think of the
24 top ten companies in the S&P, they account for
25 something like 30 percent of the index earnings. So

1 it's -- it's -- it feels peaky, right? And as we look
2 ahead, you're looking at other signals from -- from the
3 economy, and we see inflation running a little bit
4 higher than the target persistently.

5 We see unemployment slowly ticking up over
6 time. So there's some other signs of stresses in the
7 job market that we'll kind of get into in the following
8 slides. So that -- that creates a lot of uncertainty
9 among policymakers. And you see that kind of playing
10 out in the terms of, you know, the polarization of the
11 Fed, pressure from -- from policymakers to take a
12 specific direction, even though they're not necessarily
13 on the board of governors. You have unprecedented
14 dissent among the -- the [inaudible 00:08:29].

15 So they disagree on -- on policy direction
16 because, again, the road forward is a little less clear
17 than -- than it had been in the past. We'll kind of
18 jump into some of our charts. We'll shout out to the
19 Bloomberg here. You'll -- these charts will look very
20 familiar. We talked about inflation a little bit.
21 Again, CPI, we expect an update. This is through --
22 through August, but in September, we expect those
23 numbers to be out on the 18th of this month. And then
24 PCE, that -- that yellow line, we see that tomorrow,
25 and they think that's going to -- that's going to pop

1 up to about 2.8 percent.

2 At any rate, as we -- as we look at measures
3 of inflation, you see it kind of, again, above the --
4 the 2 percent target consistently. And -- and we'll
5 just see, you know, how that -- how that runs. If we
6 kind of move on to the next slide for unemployment.
7 Here, we're running at 4.4 percent headline
8 unemployment. That's within the range of what we call
9 the natural rate of unemployment or full employment,
10 which is somewhere four and five percent. Recently,
11 it's been -- it's been kind of steadily ticking up over
12 the past year and a half or so, but we're at 4.4
13 percent, which is not really a signal one way or the
14 other as to, you know, the -- the direction of that
15 particular metric.

16 However, you know, that green line there,
17 that's actually a new series. In the past, I showed
18 you kind of the headline labor participation rate,
19 which is, you know, prints something in the 62 percent
20 range. And we're switching that over now to the -- the
21 prime age workforce. So that's -- those are workers
22 aged 25 to 54 years old. And that shows a slightly
23 different metric.

24 That metric is actually very near its all-time
25 high. It's -- it hit 84.3 percent back in 1997. Here

1 we're at 83.7 percent. That's a slightly different
2 signal than what you see for the -- the headline labor
3 participation rate, which is -- which is much lower
4 than its all time high. This suggests that at least
5 among this cohort of -- of workers, the prime age
6 workers, we're -- we're showing a bit of capacity
7 constraint there.

8 And depending on which way you want to look at
9 the coin, that could portend some headwinds in terms
10 of -- in terms of inflationary pressure from the labor
11 market. Or it could mean that we've got a little more
12 dry powder among the nontraditional, the non-prime age
13 working force. The time will tell how that plays out.

14 As we kind of move on to the next one, again,
15 GDP growth for -- for major developed economies, we
16 don't need to get too much into this because there's
17 only a few insights to kind of pull from this
18 particular metric. I'll note here, due to the
19 government shutdown, you know, the -- the US print is
20 back from -- back to June of this year. We expect
21 September update on the 18th of this month.

22 But if you do look at it, you notice that the
23 US, that red plot, is a little bit ahead of its -- of
24 our industrialized peers. You know, you see China
25 putting at 4.8 percent. However, you know, Bank of

1 England and I'm sorry, England and EU are slightly
2 lower than the US. US had relatively strong growth
3 among the developed peers.

4 The next data point I mentioned, on the 18th,
5 we think this will be a bit higher. The Atlanta Fed,
6 for instance -- of course, the GDP now estimate,
7 that's -- that's showing at a 3.9 percent level for
8 September. Other sources, and again, I pulled this
9 from the Atlanta Fed, they call it blue chip estimates,
10 is slightly lower, but still in the -- in the three
11 percent range. So we expect that to grow a little bit
12 as -- as again, the last quarter was a bit of a
13 hangover from spending early in the summer in relation
14 to tariffs, and we think it's just going to come back
15 up a little bit more.

16 Moving on to target rates and fed rates.
17 Again, with this, we're comparing the US to, again,
18 other major developed markets. You see that along with
19 Bank of England and the ECB, we're in the midst of a
20 rate cutting cycle. We stand at a 4 percent target
21 rate in the United States, and there's a -- there's a
22 very high likelihood, about a 90 percent chance, that
23 we'll see another 25 basis point cut next week on the
24 10th. This is -- this is, again, sort of a reaction to
25 the -- the aggressive rate hike cycle that we saw in

1 response to inflationary pressures.

2 As you see a sort of rotating out of concerns
3 for inflation and more into economic growth and
4 employment, we are starting to cut rates along with --
5 along with our industrialized peers. And of course,
6 down at the bottom is Japan, they're actually in the
7 midst of a hike cycle. They have kind of unique --
8 unique market pressures where they sustain a long
9 period of -- of, you know, deflation or very low
10 inflation, and they started to normalize a little bit
11 more. So they're able to raise rates, you know,
12 similarly.

13 Next slide, our treasury yields. Story here
14 really is one of normalization. There -- there are two
15 things that you see kind of floating here. If you look
16 at that gray line, the bottom line, that's what our
17 rates curve was back in 2020, five years ago. And you
18 can see the base rates were quite low, you know. Early
19 maturity government debt at that point was -- was
20 effectively free.

21 And that went up to about a percent -- half or
22 so for the three year debt. But it was a positively
23 sloping curve. You saw some current premium in there.
24 If you fast forward to today, the red line, you can see
25 that our base rates are quite higher. So we're getting

1 compensated more for fixed income investments to the
2 tune of four-ish percent.

3 The other -- the other takeaway there, again,
4 is just the -- the positive slope of that curve, the
5 fact that we're being compensated more for investing
6 longer term than shorter term. If we flip to the next
7 slide, that's kind of a demonstration. This is -- this
8 is a plot of what we call a twos tens curve, or a twos
9 tens spread, rather.

10 In the past, again, you can see the first half
11 of that graph, that red line is -- is a zero rate,
12 meaning that there's -- you -- you would have the exact
13 same rate if you bought a two-year treasury relative to
14 a ten-year treasury. In the past, that rate was
15 averted where you received more in yield for a two-year
16 treasury than a ten-year treasury.

17 That used to be a signal, and maybe it still
18 is, but for various technical reasons, it didn't pan
19 out this time. But that used to be a signal of a kind
20 of arbitrary doom, right? Oh, we're going to be in a
21 recession, typically from, you know, when you see that,
22 you know, somewhere from 6 to 24 months. And that
23 didn't come to pass on this past cycle. We had an
24 inversion of about two years before -- earlier this
25 year, where it's -- or about a year ago, where it

1 became positive, and now we have a 55 base point
2 positive spread between two-year yields and ten-year
3 yields.

4 That's still a little bit below our long term,
5 kind of a long-term average. It was about 85 basis
6 points. But definitely sign of normalization in that
7 space. So to move to the next slide. Again, this is
8 just a quick snapshot of where our credit spreads are
9 today. That bottom line is the investment-grade
10 spread. So that's the amount extra yield you would
11 expect from invest -- from investing in high grade
12 corporate debt relative to a risk-free treasury. And
13 then the - the orange line above that is the same
14 metric, but for high yield debt, for lower grade
15 corporate debt.

16 Headline four then is the same for both. We
17 are -- we are near all-time lows for those, meaning
18 that the market isn't demanding a whole lot of extra
19 compensation for taking on the extra credit risk in
20 these types of debt. And they're also significantly
21 below this, you know, I'm showing you the 25-year
22 average here, significantly below that average as well.

23 So again, it speaks to a benign market
24 environment and the fact that, you know, people are
25 investing, you know, that they have that experience. I

1 will mention, just, you know, kind of wearing a risk
2 hat here, you -- you do see significant and extreme
3 dislocation at times of stress in this space, right?
4 When you see the spreads blow out, it happens suddenly
5 and -- and kind of extremely. That -- that accounts
6 for the spikes there, but it also recovers over time.

7 The knock on effect for our system is that
8 you're cash rich, you're well diversified, and you can
9 ride out these sorts of -- sorts of events. And then,
10 last slide for this section, market returns. There are
11 a few things that we show here. And again, this is --
12 these are kind of indus -- index returns, similar to
13 what Amanda was talking about. Obviously, lack of
14 another month because we are monthly participants, but
15 the -- the thing that really stands out to me, if you
16 look at the three-year returns, right? Particularly
17 for equity markets, that's, you know.

18 If you look at the US equity market, 24
19 percent year over year for each of the last three
20 years, that translates into almost doubling your
21 capital over three years in the US space. That is an
22 unprecedented, huge run up. You see that consistently,
23 you know, in developed international and emerging
24 markets. High yield has done quite well.

25 And if you look to the right there, what the

1 expected return are -- returns are, last time we
2 performed a strategic asset allocation for -- for each
3 of the systems, we just -- we -- we took estimates
4 from -- from Goldman Sachs, we took estimates from
5 other consultants. This is the average of those for
6 the same asset classes.

7 So you can see that when we set asset
8 allocation and -- and presented it to you, we weren't
9 expecting this sort of performance, right? Long-term
10 performance. There's an argument here for reversion to
11 mean. There's an argument here for -- certainly knock
12 on effects for how the estimates have progressed since
13 that point in time. But something to keep in the back
14 of our minds as we, you know, as we start thinking
15 about the next strategic allocation exercise that --
16 that I think comes with the new administration.

17 If you move to the next slide. Again, we --
18 we'll just walk quickly through your performance
19 overview for the third quarter. This is the snapshot I
20 have here. And it's -- it's kind of a lousy
21 performance metric, but it really does kind of distill
22 things. It can obviously be biased by beginning and
23 ending time frames, right? But over this particular
24 ten-year period, if we put \$1,000 down on a -- on a
25 guaranteed seven percent return, and we put \$1,000 into

1 the teacher's QPP portfolio, and [inaudible 00:19:25]
2 return for that matter, you'd see relative performance
3 over time. This is just cumulative returns over that
4 period of time.

5 Today, you know, at seven percent, you'd be
6 looking at something like \$1,950, so a little under
7 \$2,000 in total value. Teachers portfolio is around
8 2,300. So it's -- it's great performance. It's a
9 wonderful metric. Again, not -- if you're -- if you're
10 technical, it's not a great performance metric, but
11 it's a neat -- neat slide, I think, for -- for just
12 kind of framing the issue.

13 Moving on to the next slide, not much to talk
14 about here. This is just your portfolio composition.
15 As of the -- as of the third quarter, you know, you're
16 about a quarter in US equity. We're rebalancing. We
17 meet weekly, obviously, to -- to look at your active
18 weights and take action. A lot of times that's
19 tactical. It's raising cash to pay benefits or, you
20 know, moving things around. But when you see
21 particular sectors outperforming relative to others,
22 we'll bring those back within a range.

23 And we have -- we have fairly tight
24 constraints on that. So we're never very far away from
25 your adjusted strategic asset allocation. Again,

1 your -- your public equities are a little bit less than
2 half of the overall portfolio, 46 percent. Fixed
3 income is about a third of it, and the rest is
4 alternative. Moving on to the next slide. This is
5 your -- these are your planned returns as of the -- oh,
6 my goodness, I've got a terrible -- I should -- the
7 header there should say September 30th. Pardon me.

8 But this is for your third quarter, so
9 September 30th, 2025. Again, nothing -- nothing
10 unfamiliar for you here, but we're showing you the
11 quarterly returns out to your ten-year returns. We're
12 comparing it to your policy return. A public market
13 equivalent of 65 percent public equities, 35 percent
14 fixed income, and then the Tux universe. So your --
15 your peers of large pension systems. Again, all
16 positive returns. You know, you tend to lag your
17 policy return and the public market equivalent returns.
18 Again, that's driven largely by the public market
19 runoff that we've seen over the last several years.

20 And that's -- that's driven so much return in
21 that space that the fact that we've allocated to
22 alternative investments like private equity, that have
23 public market benchmarks, we see as lagging a little
24 bit. But -- not good or bad, but just it is what it
25 is, right? A good -- a good results, nevertheless.

1 I want to move into -- here we go. Strategy
2 returns or returns at your strategy level. You know,
3 as we start looking at your equities, again, strong
4 three-year performance, green across the board. You
5 see core fixed income at your five year. That's a --
6 that's a slightly negative number. But again, that has
7 more to do with structural market components.

8 It's base -- the -- the expansion of the base
9 rate over the past five years, you know, it has dragged
10 performance there a little bit, but still -- still a
11 good positive overall outcome. Moving into how these
12 same strategies performed relative to benchmarks,
13 again, a mixed bag here. You see nothing -- nothing
14 terribly extreme. You see the World ex US, you know,
15 lagging fairly significantly over the one-year period.
16 Again, that is a -- it's a combination of two things,
17 right?

18 We've made specific allocation decisions to
19 sub policy -- or, I'm sorry, to sub asset groups.
20 Right? So for instance, in the US, you know, rather
21 than being exposed only to the Russell 3000, we have
22 specific allocations that go out to small cap growth,
23 for instance. So you have some style components
24 that -- that work into those active returns. And then
25 similarly, the -- the rest of that would be attributed

1 to how individual managers within those cohorts
2 performed.

3 Moving on to alternatives, headline here, you
4 know, again, great returns are, you know, positive
5 across the board. Private equity, those returns are
6 muted a bit just due to the -- the structure of the
7 secondary sale that was completed back in March. Real
8 estate, still recovering from COVID and the
9 deflationary pressures that came after that in the '22
10 context.

11 But -- but again, a return positive
12 performance and probably fundamentals are -- are
13 improving, you know. I'll save that for Mr. Gluszak to
14 discuss in more detail. And then infrastructure and
15 alternative credit, again, consistent positive, strong
16 performance from -- from each of those classes, good
17 news. Showing you the same -- the -- the same
18 strategies on a relative basis.

19 Obviously, what's jumping off the page there
20 is the relative returns for private equity to that
21 public market benchmark, the Russell 3000. Again, same
22 metrics at play here, right? The Russell 3000 is
23 driven by a relatively small cohort of largely IT
24 companies, right? It's -- it's -- it plays into the
25 magnificent seven, plays into the conversation you're

1 hearing about -- about AI bubbles, you know that sort
2 of a thing. That's driven quite a lot of performance.
3 Good or bad, it is what it is.

4 Your private equity book access is a slightly
5 different sector of the economy, right? It's -- it's
6 middle market buyout companies, if you -- if you're
7 thinking very generally, which -- which just perform
8 differently. There are different pricing mechanisms at
9 play for these asset classes where your -- your marks
10 are marked by model, as a matter of convention.

11 Those models are often derived from metrics
12 like cash flow and earnings growth and -- and
13 multiples, which tend to be more steady. So you don't
14 see runoffs as quickly or -- or sell offs for that
15 matter as quickly as you would in public markets, which
16 are -- which are subject to the vagaries of -- of the
17 investment population. So that -- that explains a lot
18 of what's causing that difference.

19 Again, strong performance out of -- out of
20 infrastructure and -- and alternative credit. This
21 next slide here, actually, one of my favorites, and I
22 got to credit Ed Berman for -- for conceptualizing it.
23 Ed always wanted to equate volatility within your
24 portfolio to expected returns, and that's -- that's a
25 great way to frame it. Here, those bars represent the

1 portfolio volatility for each of those strategies or
2 the portfolio at large over a three-month horizon,
3 right? So within a standard deviation or about
4 two-thirds of the time, you could expect your -- your
5 actual returns to fall within those bands. And about a
6 third of the time, you expect it to -- to run outside
7 of those bands.

8 So if we look at your third quarter
9 performance, that's the -- those are the plots that you
10 see there, the yellow triangles. And you can see that,
11 you know, good news across the board, you know, for the
12 most part. Emerging markets equity fell, you know,
13 fell a little bit outside of their -- their band, but
14 that's not -- that's not unconscionable. It's just
15 about a third of the time that you expect that. But
16 great news across the board, but it's -- it's not
17 highly unusual, positive and negative.

18 Moving into this last slide, again, portfolio
19 risk summary, something we've -- we've sort of
20 discussed here in the past. And again, there --
21 this -- this table on the top left, it tries to distill
22 your allocation decisions, right? We're comparing the
23 allocation decision to that market portfolio with 65
24 percent mixed equities and 35 percent of -- of markets
25 that have US fixed income, to your policy benchmark and

1 then to the portfolio you're handing around today.

2 If you look at the market portfolio, again,
3 we've got metrics kind of down the -- down that first
4 column. The equity allocation, that's how much equity
5 risk we're taking in each of the portfolios. Your
6 interest rate and credit spread duration. Again,
7 that's a -- that's a measure of -- of interest rate
8 sensitivity that you have.

9 So price sensitivity to changes in interest
10 rates or changes in spreads, as the case may be. And
11 then some top line risk, what the -- what the risk --
12 the predicted risk of the overall portfolio is, how
13 much we can expect that risk to vary from its benchmark
14 as -- as your active risk, and then the beta to the
15 S&P.

16 So if we -- if we kind of work across the
17 page, starting with the market portfolio, you have
18 certain implications where, you know, your -- your rate
19 duration and your spread duration are 2.1 percent and
20 1.2 percent, respectively. If you move over to the
21 policy benchmark, so how -- how you've actually
22 allocated your -- your portfolio as a matter of policy,
23 you see those risks have declined a little bit. You
24 take a little bit less rate and exposure risk as a
25 matter of -- as a matter of policy.

1 You can see that the overall risk, the total
2 risk of the portfolio, is down slightly, right?
3 From -- from 10.4 percent to 9.3 percent. And then we
4 have a lower beta to the S&P, right? 53 basis points
5 as opposed to 60 basis points. So that's -- that's
6 that's how your policy has been set. If you look at
7 the portfolio on -- on September 30th, again, we're a
8 little bit lighter in equity. That has more to do with
9 parking places for your alternative assets, and I think
10 we tend to allocate a little bit more to fixed income
11 for infrastructure and real estate parking places. But
12 that's -- we've also taken slightly more interest rate
13 and credit duration risk.

14 The total portfolio risk is a little bit
15 higher than the benchmark. Your active risk at 1.8
16 percent -- again, that's the amount that you would
17 expect the returns to deviate from benchmark returns.
18 That's 1.8 percent, which is constrained to a fairly
19 narrow band. We'll talk about that in a second, you
20 know, historically. And then your beta is 55 basis
21 points. Again, lower than the public market portfolio,
22 a little bit higher than policy portfolio.

23 MR. DORSA: I have a question.

24 MR. HAAS: Sure.

25 MR. DORSA: So I've seen this chart before,

1 but I guess I just never realized it. So the active
2 risk is NA. So does that just imply all the policy
3 benchmarks are just the passive with no alterations
4 to -- no premiums on there or anything?

5 MR. HAAS: Yeah.

6 MR. DORSA: Like, what strikes me is, like,
7 the PE piece is just the ten percent private equity.
8 Is that just an index of, like, on the bottom, it says
9 policy benchmark?

10 MR. HAAS: Yep.

11 MR. DORSA: Is that just the -- there --
12 there's no premium on that benchmark?

13 MR. HAAS: Correct. Yeah.

14 MR. DORSA: Okay. I just wanted to make that
15 clear. Yeah.

16 MR. HAAS: Whether -- whether you measure the
17 risk of the Russell 3000 with a 300 basis point kicker,
18 like we have for liquidity purposes and as a matter of
19 policy, or just the Russell 3000, the volatility is the
20 same.

21 MR. DORSA: Got you. Okay. Good.

22 MR. HAAS: Yeah. And the reason you don't
23 see -- we measure your active risk relative to the
24 policy benchmark, just as a matter of course. So
25 there -- there is no metric really between the policy

1 benchmark and the market portfolio.

2 MR. DORSA: Thanks for the clarification.

3 MR. HAAS: Of course. And then finally, the
4 charts on the right there.

5 Thanks, Wilfredo.

6 Again, this is just a plot, historical plot
7 over the past 12 months of -- of your total portfolio
8 risk. Again, we're showing the -- the orange line is
9 your portfolio and ground. The policy benchmark is the
10 plot just below it, and then the market portfolio is
11 the plot just above it. You can see that they react
12 similarly to -- to market events. You see that --
13 you'll notice that in April, your risk popped up
14 significantly. That's really sort of a response to the
15 liberation -- the market response to liberation day
16 announcements, where there's a lot of uncertainty
17 around the tariffs and -- and what it would do to the
18 economy at large.

19 And then you see it kind of declining over
20 time. That's -- that's -- you see similar patterns
21 with the VIX and the -- and the move indices, the
22 volatility indices that we took a look at quite a bit.
23 And then the bottom one is just your active risk.
24 Again, that's just the amount that you could expect
25 your returns to vary between the portfolio and the

1 benchmark. And that's fairly tightly bound between 1 7
2 and 1 9 over the past 12 months, which is consistent
3 with what we've seen in the past. I'll stop there. If
4 you have any questions for --

5 CHAIR BROWN: Any questions for Dan? Well
6 done. You have some competition there.

7 MR. HAAS: I will try that. He's [inaudible
8 00:31:58] than I am.

9 CHAIR BROWN: Well done. Thank you. Thank
10 you.

11 MR. HAAS: Great. Thanks.

12 CHAIR BROWN: Any other questions? Great. So
13 I think that brings us to the conclusion of our public
14 agenda. We'll hear a motion to go into executive
15 session.

16 MR. DORSA: So moved.

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

19 MS. LEE: Second.

20 CHAIR BROWN: It's been seconded. Any
21 questions or comments, questions? All those in favor
22 of going into executive session, please say aye.

23 (Ayes were heard.)

24 CHAIR BROWN: Opposed say nay. Abstentions.
25 We're now in executive session. Thank you. Liz,

1 you'll let us know when we're ready.

2 (Exit Public Session; enter Executive Session.)

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

4 CHAIR BROWN: Thank you. Welcome back to
5 public session, and I believe we will have a readout
6 from TRS's Priscilla Bailey.

7 MS. BAILEY: Good morning, everyone.

8 CHAIR BROWN: Hey, Priscilla.

9 MS. BAILEY: For the executive agenda in the
10 passport funds, there was a presentation for Company
11 Fusion to the Investable Universe. Consensus was
12 reached and a resolution was passed. In the executive
13 session of the pension fund, there was an update on
14 preliminary performance. There was a domestic small
15 cup growth presentation. Consensus was reached.

16 This was followed by an emerging markets
17 growth presentation. Consensus was reached. There
18 were two private equity presentations. Consensus was
19 reached on both. And finally, there were three real
20 estate presentations, and consensus was reached on all
21 three. Details to be made available at the appropriate
22 time.

23 CHAIR BROWN: Priscilla --

24 MS. BAILEY: Thank you.

25 CHAIR BROWN: Priscilla, thank you so much.

1 Appreciate it.

2 MS. BAILEY: Thank you, sir.

3 CHAIR BROWN: And I believe that brings us to
4 the end of our public session. And as always, I thank
5 Will, our recorder, and Adrian, our TRS tech. Thank
6 you guys so much. Much appreciated. Any questions
7 before we ask for a motion to adjourn? So, therefore,
8 I will entertain a motion to adjourn.

9 MR. DORSA: So moved.

10 CHAIR BROWN: It's been moved. Is it
11 seconded?

12 MS. MCGRATH: Second.

13 CHAIR BROWN: I'm sorry?

14 MS. MCGRATH: Second.

15 CHAIR BROWN: Oh, it has been seconded.

16 Great.

17 MR. GIORDANO: And third.

18 CHAIR BROWN: Conversation. Questions? Yes.

19 All those in favor of adjourning, please say aye.

20 (Ayes were heard.)

21 CHAIR BROWN: Those opposed say nay. We are
22 adjourned. Thank you so much. I forgot to say happy
23 holiday to everybody. Can you get that -- squeeze that
24 in, Will?

25 THE REPORTER: Yeah.

1 The recording stopped.

2 (End of audio recording.)

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