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IN RE: INVESTMENT MEETING - SEPTEMBER 3, 2026

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Thursday, September 3, 2026

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10:00 am

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Teachers' Retirement System of NYC
55 Water Street, 16th floor
New York, New York 10041

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Digital Reporter

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14 (Proceedings recorded by digital sound recording: transcript
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1 (Proceedings commenced.)

2 MS. REILLY: Good morning. Welcome to the
3 investment meeting of the Teachers Retirement Board for
4 September 3rd, 2026. I'll start by calling the roll.

5 Thomas Brown?

6 MR. BROWN: Here. Good morning, Patricia.

7 MS. REILLY: Victoria Lee?

8 MS. LEE: Present.

9 MS. REILLY: Christina McGrath?

10 MS. MCGRATH: Good morning, Patricia.
11 Present.

12 MS. REILLY: Good morning.

13 Ahmer Qadeer?

14 MR. QADEER: Ahmer Qadeer.

15 MS. REILLY: Ahmer Qadeer. Thank you.

16 MR. QADEER: Present.

17 MS. REILLY: Thank you.

18 Amy Slattery?

19 MS. SLATTERY: Present and good morning.

20 MS. REILLY: We have a quorum.

21 MR. BROWN: Great. Thank you, Patricia.

22 MS. REILLY: Turn it over to the chair.

23 MR. BROWN: Welcome, everyone. Welcome back.

24 I hope that you all had a good summer break, and
25 welcome to the first investment meeting of the

1 2006-2007 school year. And with that, we'll start with
2 the second quarter 2026 Passport Funds performance.

3 And I think this is GSAM.

4 Amanda, do you have this?

5 MS. JANUSZ: Sure. Thanks, Tom.

6 MR. BROWN: Thank you.

7 MS. JANUSZ: All right. [inaudible 00:01:49].

8 Okay. So we have a couple of reports to catch up on
9 here for the Passport Funds since we last met. So this
10 up on the screen is our second quarter performance
11 report for the Passport Funds showing results through
12 the end of June. And the second quarter feels like
13 quite a while ago at this point.

14 But just to kind of summarize, the second
15 quarter was an incredibly strong market, the strongest
16 quarter we've seen since 2Q of 2020 when we were coming
17 off the lows of March 2020 with the initial COVID
18 selloff. And that was really a recovery or rebound
19 here this year from the equity selloff and -- and
20 energy shock that we saw in the month of March related
21 to the US-Iran conflict, primarily. So a lot of the
22 performance we're seeing in the three-month column
23 there for 2Q is really a recovery of a lot of what was
24 lost in March, and then some additional growth.

25 So in absolute terms, very strong numbers with

1 the diversified equity fund up over 14 percent for the
2 quarter. And looking at the fiscal year in the
3 one-year column, up over 20 percent for the one-year
4 period for the diversified equity fund. So very strong
5 absolute numbers really across the board for the funds
6 of the Passport program. Double-digit one-year returns
7 for all except for the balance fund, which is very
8 conservative with over 70 percent in short-term bonds.

9 One thing that has been a bit of a drag in
10 relative terms has been active management. So
11 particularly within US equities and to a little bit of
12 a lesser extent in international equities, the active
13 managers have not quite kept pace with their benchmarks
14 in this year because that has been very much dominated
15 by a very narrow set of leading stocks. But overall,
16 the quarter ended with plan assets at 25.2 billion
17 across the Passport Funds.

18 I'll just flip here, the more current update
19 through the end of July. And so if you look at that
20 one-month column there for July, we did see a little
21 bit of a pullback in July. So while the second quarter
22 was very strong, we are still continuing to deal with
23 some of the uncertainty around the US-Iran conflict
24 that has continued to cause a little bit of volatility,
25 including some concerns about inflation and just

1 general market growth.

2 So a little bit of negative performance that
3 we're seeing, as low as a negative 1 percent for the
4 international equity index fund or positive 74 basis
5 points for the active international fund. And so
6 that's also, I think, representative of some of the
7 volatility that we've continued to see.

8 So the international index fund is passively
9 tracking its international benchmark, although for the
10 month of July, it underperformed by over 1 percent,
11 right? And that's really reflective of the amount of
12 volatility we saw throughout the month of -- of July to
13 see how much tracking error for index. At the end of
14 July, closed out at just about 25.1 billion in assets
15 across the Passport Funds.

16 And then our last update here in terms of
17 performance for the Passport is just a preliminary
18 benchmark update through the end of August since we
19 don't have actual results for the funds just yet. And
20 so August is notoriously a weaker performing month for
21 the markets. We -- we actually did have positive
22 performance here really across the board.

23 And so you can see returns for each of these
24 representative indexes ranging from about 1 percent to
25 3 percent for the month of August, the strongest

1 performance coming from non-US equities, particularly
2 some of the riskier segments. So international
3 small-cap and emerging markets, which has done
4 extremely well really since the March lows.

5 We closed out the month of August with some
6 comments from the Fed chair, Kevin Warsh's Jackson Hole
7 comments, which the market perceived it as a bit more
8 hawkish. And so at this point, we are still -- our
9 base case assumption is that the rates will continue --
10 the Fed will maintain rates essentially flat through
11 the end of the year, although increasing the
12 possibility of a rate increase. Whereas, you know,
13 where we were sitting a year ago, would have expected
14 further interest rate decreases at this point.

15 MR. BROWN: Great. Thank you. Any questions?
16 Great. So we move on now to a market overview, and Dan
17 is going to do that for us.

18 Thanks, Dan.

19 MR. HAAS: Good morning, everyone. Good
20 morning, deputies. Sorry to see summer coming to an
21 end, but I'm very glad to be sitting before you again
22 today. Some quarterly update slides for you. Of
23 course, in the interest of -- of your long agenda,
24 we'll --we'll flip through them. Please do feel free
25 to interrupt me with any questions.

1 Jumping into our headlines, a couple of themes
2 that we'll lean into today. Inflation has become kind
3 of an energy-driven headline event. We're seeing kind
4 of muted impacts through there. We'll get into that a
5 little bit more later.

6 We're seeing the labor market soften a little
7 bit from a macro perspective but still growing. The
8 growth -- GDP growth has slowed as well, but it remains
9 positive. And the central banks have a little bit more
10 clear policy path moving forward as a result of these,
11 but, you know, still very much data dependent. And
12 then contrast that, at the same time, corporate
13 fundamentals are -- are amazingly strong, and it's
14 enough to keep credit spreads and -- and equity risk
15 premia compressed.

16 Just looking at the -- moving into the slides
17 themselves. Again, headline CPI. I'm showing you a
18 slightly different series this time around. I'm
19 showing you CPI, PCE, both the headline numbers and the
20 core numbers, just to give you a sense of -- of how
21 energy prices are or are not, in this case, filtering
22 into the core.

23 So the core numbers typically exclude pricing
24 impacts of -- of food and energy, and whereas the
25 headline numbers do. The CPI headline number that you

1 see there is 3.4 percent in July. I'm sorry, that
2 was -- was that June? Sorry, nope, that's July.

3 Yeah, 3.4 percent in June. Energy as a
4 component of that was -- was up 14.7 percent
5 year-over-year. The core CPI, by contrast, eased to 2
6 and a half percent, which reinforced the point that
7 much of the recent headline acceleration has been
8 concentrated in energy rather than spreading more
9 broadly through consumer prices.

10 PCE tells us a somewhat similar story but less
11 comfortable. PCE, that's the -- that's the preferred
12 measure that the Fed looks at. Headline was 3.7
13 percent. The core PCE is 3.3 percent, which again,
14 is -- is -- remains sticky and -- and well above the
15 Fed's preferred target of around 2 percent, or at least
16 the last regime of the Fed. But I think that's still
17 more -- they more or less target the 2 percent number.
18 At least I knew.

19 All right. So again, the -- the story changed
20 considerably since we last spoke in the spring. The
21 Iranian conflict produced a sharp increase in energy
22 prices that pushed the headline inflation a bit higher.
23 But so far, that -- that shock has been relatively
24 muted with regard to the core CPI or PCE metrics. And
25 that's encouraging because it suggests that it hasn't

1 turned into a generalized price pressure that could be
2 a little bit more sticky in the long run.

3 So the key question is no longer simply
4 whether oil remains expensive. It's whether higher
5 energy and transportation costs begin migrating into
6 the wages of goods and service prices. The July CPI
7 data suggest again -- you know, argue against that kind
8 of broader migration. But again, the PCE is -- is a
9 bit higher than we would have liked.

10 So, you know, if we -- if we look forward, you
11 know, to August and September, again, renewed rise in
12 oil prices, just as the -- as the conflict reheats,
13 obviously adds pressure and -- and a headwind to that
14 story. As we move into the unemployment picture,
15 again, unemployment, it declined from, you know, 4.3
16 that we were looking at in March down to 4.1, and the
17 prime age labor force participation fell from -- from
18 May to June as well.

19 Again, the July payroll employment actually
20 declined by 23,000 jobs. So again, a bit of a
21 softening there. But, you know, again, if we're -- if
22 we're characterizing the labor market, it's sort of a
23 low-hire, low-fire environment. Companies aren't
24 laying workers off aggressively, but they also aren't
25 adding workers, you know, anything like, you know,

1 you -- you expect in a more recessionary environment.

2 So this Friday, you know, the -- the
3 unemployment report is particularly important. Another
4 weak payroll number would strengthen the argument that
5 labor demand is deteriorating, or conversely, a stable
6 unemployment with weak hiring and falling labor supply
7 would leave the Fed in sort of an awkward position from
8 a -- from a policy perspective, a cooling labor market
9 without the usual recessionary rise in unemployment.

10 So, you know, very much looking forward and -- and
11 underline sort of the data-dependent environment that
12 we're in.

13 As we move on to economic growth, again, here
14 we're -- we're looking at the US in the red line
15 compared to China in green and -- and the UK in the
16 white. So industrialized [inaudible 00:12:47] is kind
17 of simplified a little bit from the five economies that
18 we used to show you. US real GDP remained at 2.1
19 percent above last year -- you know, numbers a year
20 ago, although that more recent sequential data shows a
21 bit of a loss of momentum.

22 The economy expanded at -- at a 1.5 percent
23 annualized rate during the second quarter, the quarter
24 end of June, which was down from 2.1 percent in the
25 first quarter. And that gives -- it gives us the idea

1 that the economy is still growing at a reasonable rate
2 on a trailing basis, but the momentum is slowing a bit.
3 The BEA contributes the second quarter deterioration
4 primarily to weaker government spending and slower
5 investments in exports.

6 And that's partially offset by strong consumer
7 spending, which again, sort of underlies a theme that
8 we're seeing in the capital markets as well. It sort
9 of informs the -- the next slide, our --our rate
10 environment. And again, since we last spoke, central
11 banks have moved from sort of an easing bias to a
12 little bit more of a renewed tightening bias. The Fed,
13 thus far, has -- has held its target rate at about 3.75
14 percent.

15 The July vote was unusually revealing, though.
16 Three FOMC members dissented in favor of a 25 basis
17 point hike in July. At present, market is assigned
18 roughly a two-thirds probability to a September Fed
19 hike. So in a couple of weeks, we may -- we could
20 expect a 25-basis point rate hike. And that's sharply
21 up from -- from what we've observed from recent
22 history.

23 ECB went a step further. They raised --
24 raised 25 basis points in June, I think, just after we
25 spoke last, and that took the deposit rate up to 2.25

1 percent. And again, they were -- they're citing
2 inflationary pressure owing to energy shocks, you know,
3 energy price shocks.

4 BOE has held steady at 3.75, like the US. But
5 again, the internal debate there has moved in the same
6 direction. Two members of -- of that board favored a
7 hike in June, and three of them favored a hike in July.
8 So again, it's -- there is definitely a tightening bias
9 among the policymakers.

10 So further increases are now a meaningful -- a
11 meaningful near term possibility, particularly for the
12 Fed and the ECB. The constraint is weakening growth
13 and -- and unemployment. Central banks are trying to
14 prevent an energy shock from becoming a persistent
15 inflation without over tightening into an already
16 moderating economy. It's -- it's -- that's the
17 conflict that we're sort of trying to manage through
18 right now.

19 Let's take a quick look at the -- at the yield
20 curves. I'm showing you three series this time around.
21 So again, same -- same on the run yield curve. So
22 we're showing rates at different maturities for US
23 Treasuries. The gray line at the bottom is -- is where
24 we were six months ago, the blue line is three months
25 ago, and the red line is where we are today.

1 And it's interesting insofar as that's a --
2 it's a -- it's not unusual, but it's a meaningful
3 expansion in -- in rates over time. And there's sort
4 of two stories playing out. One is sort of policy
5 driven, and the other one is -- is more long-term in
6 nature and -- and driven by inflation expansions -- or
7 inflation expectations, pardon me.

8 So on the front end, markets have repriced the
9 Fed, and I think we talked about this a little bit back
10 in June. The two-year rate has risen -- has risen
11 about 102 basis points in the last two -- yeah, in the
12 last two -- or last six months rather. And then -- and
13 that sort of replaces the -- the easing bias that we
14 had back then with kind of a higher for longer rate
15 regime that we expect now, and that's -- that's what
16 drove that 102-basis point increase.

17 On the long end, the ten years and 30-year
18 maturities have risen because it's more driven by
19 persistent inflation expectations and term premium and
20 fiscal concerns. So again, we -- we saw the headline
21 about a week ago, you know, that the US debt has
22 surpassed \$40 trillion, and that just sort of
23 underlines a concern that, you know, the fiscal house
24 perhaps could be in better shape.

25 And that is reflecting itself through market's

1 expectation of -- of yield over at the longer end
2 because that's where you're investing for inflation
3 expectations. So the two combined give you almost a
4 parallel shift in the curve of -- of, you know, call it
5 80 or 100 basis points, which, again, not -- not highly
6 unusual, but -- but meaningful in the context of -- of
7 the cost of capital moving forward and -- and how --
8 how aggressive, I guess, consumers will be at spending,
9 you know, all the -- all the kind of macro knock-on
10 effects that you think of from -- from a higher rate
11 environment.

12 If we contrast that with the next slide where
13 we're talking about credit spreads, what's different
14 here is -- is pretty much absolutely nothing,
15 interestingly enough. Yeah. And that -- that actually
16 is the story, right? Investment grade option-adjusted
17 spreads were -- were at 78 basis points at -- at -- on
18 August 31st. High-yield spreads were at 261 basis
19 points. And those are tight historical spread levels.

20 The treasury market is -- you know, is pricing
21 greater macro and inflation uncertainty, but the
22 corporate bond market is not pricing that meaningful
23 deterioration in corporate solvency. The reason for
24 that is that corporate earnings are strong, balance
25 sheets are -- are generally healthy, and default

1 expectations are -- are contained.

2 And in that, you know, in all, high all and
3 yields continue to attract buyers to credit. So again,
4 it's a -- it's a risk-on environment. People are --
5 are happy to invest money in this space, and they're
6 not demanding an extra premium. So same story that
7 we've been talking about forever -- for a -- for a very
8 long time, that those tight spreads are really driven
9 by strong corporate fundamentals, which translates a
10 little bit into the next slide where it's just a quick
11 synopsis of market returns as of June 30th.

12 And again, if you're looking at the equity
13 returns, right? Again, those -- those great numbers
14 are -- are -- it's got four factors driving that.
15 Earnings growth is particularly strong. You know, S&P
16 500 earnings were up roughly 50 percent from -- from
17 last year. Headline is -- is distorted a little bit
18 by -- by, you know, gains in -- in hyperscalers and --
19 and the Magnificent 7.

20 You know, if you look at Alphabet and Amazon,
21 they had particularly strong second quarter returns, or
22 second quarter earnings growth numbers. But even
23 excluding those numbers, the earnings growth was still
24 around 32 percent year-on-year as opposed to the 50
25 percent without it is all in. So ten of the 11 sectors

1 in the S&P 500 reported positive earnings growth.

2 So again, it is -- it is a broad and robust
3 expansion there, led by, you know, Magnificent 7 or --
4 or kind of tech-related companies. Revenue growth also
5 strong. So again, beyond earnings, top line revenue is
6 growing as well. S&P 500 revenue growth was about 15
7 percent, strongest since 2021.

8 And again, all 11 sectors in the S&P reported
9 positive revenue growth. Margins are improving. So
10 again, the -- the effect to which -- the impact to
11 which companies' net margins are -- are increasing.
12 That was up about 15.7 percent. Again, it's the
13 highest in -- in FactSet series going back to 2009.

14 And then, as I mentioned, of course, AI is
15 a -- is a huge contributor there. So there's a lot of
16 capital flows in there, and -- and the earnings outlook
17 for those particular companies is -- is particularly
18 strong.

19 Headwinds to that, you know, there's some
20 concentration that we -- that we need to think about.
21 Again, that's -- that's a top heavy market. So led by
22 Magnificent 7 hyperscalers, that -- that space, they've
23 got outsized representation in the benchmark. So
24 again, a -- a cold in that space can turn into a flu
25 for overall returns, right, at the -- at the index

1 level.

2 Fundamentals broadening, but index level
3 returns, you know, remain unusually dependent on a
4 relatively small group of companies. We mentioned, of
5 course, the higher interest rates. Again, that -- that
6 means the hurdle rate that -- that you -- you have in
7 your return expectations for equity markets has
8 increased.

9 So again, a bit of a headwind there compared
10 to, you know, investors' alternative investment -- you
11 know, investment opportunities. And then, you know,
12 the same headwinds of -- of energy tariffs, you know,
13 energy pricing and tariffs, again, creating a -- a
14 headwind toward corporate earnings, which could
15 deteriorate some of this great performance that we've
16 seen in the past.

17 Yeah. Public market returns -- just summing
18 it up, public market returns continue to be supported
19 by unusually strong earnings growth. That provides
20 genuine fundamental support for the current valuations.
21 The risk is that those expectations are not
22 correspondingly high. We have elevated treasury
23 yields, energy- and tariff-related cost pressures, and
24 significant index concentration, which leave markets
25 more vulnerable even to modest disappointments in

1 earnings or growth.

2 So similar to when you see huge drawdowns
3 in -- in credit spreads, you know, you can see a large
4 drawdown if expectations aren't met in -- in capital
5 markets as well in public -- you know, public equity
6 markets. Something -- something to watch out for, you
7 know. We are reducing the -- the path of success, you
8 know, just market pricing in with premium pretty --
9 pretty aggressively.

10 Moving on to the portfolios themselves or
11 the -- the teachers' portfolio itself. Again, not --
12 not a great official slide here, but something I'd like
13 to -- to pop up. Again, this is -- this is the
14 portfolio net growth over a ten-year period compared to
15 the 7 percent target.

16 Again, strong performance, particularly in the
17 last couple of years. You know, over this particular
18 ten-year period, the -- \$1,000 invested in the
19 teachers' pension plan would have -- would have
20 resulted in a \$2,300 to 2,4- or 2,298, I think, \$2,300
21 to ending value. At 7 percent grown, that \$1,000 would
22 have translated into about \$1,967. So a little under
23 \$2,000. So again, a nice positive split there.

24 Start looking at your planned returns relative
25 to the benchmarks on the next slide. Again, we'll --

1 we'll -- these are -- these are net returns compared to
2 your policy, a public market equivalent of 65 percent
3 stocks, 35 percent fixed income, and then a median TUCS
4 universe of -- of similarly sized pension funds.
5 Again, nice returns over -- over almost all the
6 periods. Even the quarter ended in June, you saw a 7.5
7 percent return in the portfolio.

8 But even out of -- out of the ten-year number,
9 8.7 percent over ten years is -- is a -- is a pretty
10 positive result. As usual -- not as usual, but
11 partially as an artifact of -- of, you know, public
12 markets trading up so aggressively in recent years, you
13 see that the policy return tends to outpace the plan
14 return. And again, that's -- that's -- you know,
15 that's relevant because we assign public market
16 benchmarks to your private market assets and they're
17 just different growth. You know, they just -- they
18 just grew differently.

19 The public market equivalent, again, that's an
20 all-public market benchmark. You see that same
21 phenomenon playing out there, where because public
22 markets are trading up so aggressively, they tend to
23 outperform the plan itself where you have investments
24 in private equity, infrastructure, and real estate.
25 And then the medium fund TUCS, again, those are

1 similarly sized plans that you have. The -- the
2 differences there are really driven by just changes or
3 differences in asset allocation and -- and methodology
4 between this plan and large -- large peers.

5 Any questions on this material as we -- we
6 move forward?

7 MR. TARBOX: Dan, if I could, could I make --

8 MR. HAAS: Sure.

9 MR. TARBOX: -- a couple of comments on that?

10 MR. HAAS: Sure.

11 MR. TARBOX: First of all, we're --we're
12 thrilled that the plan had such a strong return, almost
13 double the actuarial target. That's great for -- for
14 the funding status. But I do want to point out that
15 we've still got work to do.

16 First and foremost, you can see in these
17 numbers that the policy return was almost two
18 percentage points higher. That's an indication that
19 our active managers were not necessarily doing as well
20 as the broad markets as they -- as they would have. So
21 we've got work to do there on those managers to keep an
22 eye on. Still a very healthy return.

23 And equally important is, you see the public
24 market equivalent, that 65/35 portfolio said if you
25 only had stocks and bonds and didn't have any private

1 assets, you would have earned more. Now, that's not an
2 upsetting outcome to me because typically, private
3 markets we're going to get in the range of, say, eight
4 to 12, eight to 15 percent. In this case, that
5 difference is a large measure. It shows that pri --
6 this was a year that despite doing great, private
7 assets didn't really help accelerate that or boost
8 that.

9 But that's because the public stock market
10 just roared, just absolutely ripped, and emerging
11 markets in particular. So I just wanted to add that
12 although we're very happy with the outcome for the
13 year, we see some examp -- within those numbers when we
14 go a little deeper, there is work to be done on our
15 active managers and our -- I don't have any concerns
16 about our -- our private markets because they're doing
17 well and made a contribution, but this just happened to
18 be one year in which they didn't give us the -- the
19 bump that they -- they usually do.

20 But at the end of the day, then the bottom
21 number, though, tells me that, you know, we weren't in
22 this situation alone. Most other funds of similar size
23 and -- and -- among public employees came up -- came
24 out about the same. So although, you know, we wish we
25 could have done even a little bit better on top of a

1 great year, we're in good company and representative of
2 what our peers around the country are doing. So I'll
3 leave it at that.

4 MR. HAAS: Thanks. We're going to get into --

5 MR. MCTIGUE: The TUCS -- the TUCS number for
6 the median, do you know how big that -- the plans are
7 that are planned over, like, 5 billion, 10 billion?

8 MR. HAAS: They're plans in excess of 10
9 billion, if I remember correctly. I'll get those
10 numbers. I'll -- I'll email you those numbers later
11 [inaudible 00:28:05] but it's -- it's median public
12 pension plans, I believe, over \$10 billion.

13 MR. MCTIGUE: Yes, sir.

14 MR. TARBOX: But it's a subset of all -- of
15 all pension funds, but typically, it's the biggest of
16 the big.

17 MR. MCTIGUE: Biggest. Okay.

18 MR. TARBOX: And that's -- that's why we use
19 it because it's more reflective of what plans our size
20 and our composition would be doing. But that's -- in
21 some ways, I take a lot of comfort in the fact that
22 we're right there in the middle of the pack with our
23 peers.

24 MR. MCTIGUE: And when you say all, it's all
25 public, right, if I recall correctly?

1 MR. TARBOX: That's my understanding.

2 MR. HAAS: Yeah, those are public.

3 MR. TARBOX: With subsets --

4 MR. HAAS: Yeah.

5 MR. TARBOX: -- yeah.

6 MR. HAAS: Yeah.

7 MR. TARBOX: Because, you know, corporate
8 plans and different universities have all kinds of
9 different liabilities and -- and different strategies.
10 So we -- we want a peer median or a peer universe that
11 is similar to they're -- they're trying to do what
12 we're doing, which is meet our retiree liabilities.

13 MR. MCTIGUE: Thank you.

14 MR. HAAS: And, Thad, I'll -- I'll -- once I
15 get back to the office, I'll double-check that, okay?

16 MR. MCTIGUE: Thanks.

17 MR. HAAS: Make sure you got the right
18 numbers.

19 So just kind of looking at the public market
20 returns, again, same story here, you know, great to
21 show a slide with all green on it. Particularly strong
22 performance, you know, for -- for public equity
23 securities, you know, going out, you know, not only for
24 the -- for the year but, you know, to the ten year.
25 That's a pretty strong performance.

1 Core fixed income also returning positive
2 numbers for the year, you know, and that's -- that's
3 sort of despite the rate expansion that we've seen in
4 the past six months. So again, a cohort of managers
5 are -- are performing well, and we're continuing to
6 get -- to get carry and -- and, you know, see some
7 returns from those spaces. If we look at those returns
8 relative to their benchmarks, this is kind of getting
9 into to what Monte alluded to a minute ago.

10 There we go. You can see that the active
11 returns, they're actually not a million miles off of
12 their benchmarks. And -- and yeah, you can see the US
13 equity strategy relative to the Russell 3,000 hues
14 fairly tightly to the -- the benchmark return. Again,
15 that's -- that's largely a passive allocation that we
16 have in the US.

17 And then when you look at the World ex-US and
18 emerging markets cohorts, they tend to have more active
19 managers in there, and you can see a little bit more
20 disparity in -- in returns. So again, that's -- that's
21 what Monte was mentioning before, is some of the work
22 that we have to do as we -- as we roll out tools
23 like -- like MARS and -- and are beginning to -- to
24 involve conversations with managers, that's what we
25 sort of focus in on now, is -- is what's driving

1 performance and -- and how does that -- how does that
2 fit into an overall portfolio context.

3 Okay. Fixed income, again, the good news
4 there, you know, lots of green on the page and -- and
5 again, not a ton of active return as you'd expect in
6 those -- in those strategies. So they're -- they're
7 fairly close to their benchmark returns.

8 We'll move into your alternative space, the
9 next slide. Again, pretty good news there. But again,
10 the -- the same thing that we've been -- we've been
11 sort of talking through lately. These are, again,
12 lagged by an additional quarter. We're giving you the
13 official returns that -- that your consultants would
14 recognize as well.

15 So these are -- these are dollar-weighted
16 returns for periods ended March 31st. But steady, even
17 performance over the -- the -- you know, over those
18 periods. You know, you can see that there's a bit
19 of -- the only red on the pages is -- is three year in
20 private real estate. Again, this is driven by -- by
21 market forces and -- and a consolidation in office
22 and -- and reaction to the rate expansion that we saw
23 back in 2022 or so, you know, '22 or '23.

24 Moving into -- sorry. Any questions on this
25 before we move forward?

1 MR. BROWN: Questions?

2 MR. HAAS: No. Okay. Moving into the returns
3 relative to their benchmarks. Again, the red that you
4 see there, that private equity active return, when we
5 compare the private equity's actual return to the
6 Russell 3,000 with a 300-basis point premium on there,
7 it gives you -- it gives you the magnitude, you know,
8 to the extent by which the -- the public works
9 [inaudible 00:32:31] have really been ripping along for
10 the last couple of years.

11 And -- and that has flown through -- you know,
12 obviously translated through to that. So again,
13 that -- that by itself sort of explains a lot of the --
14 the underperformance that you see relative to the
15 policy benchmark. That's -- that's what I'm trying
16 to --

17 MR. TARBOX: I'm -- I'm not trying to shirk
18 Dan, that you're -- you're technically correct, but I'm
19 not even sure I'd call that underperformance. And the
20 reason is with respect to private equity, we saw it
21 previously, the Russell 3,000 was up over 20 percent.
22 So if our benchmark is, you know, 22 percent plus
23 another 300 basis points on top, that would have been
24 25 percent for private equity. And that's an
25 unrealistic -- in our opinion, unrealistic expectation

1 and would have been excessively risky over the long
2 haul.

3 So it's one of those years where, you know,
4 it's not fair to beat up on some of the private asset
5 classes because publicly traded stocks did so well.
6 You know, the good news is still we made a lot of money
7 across the board, and virtually all the portfolio
8 worked the way it was supposed to. So I don't want
9 that 1,307 number to -- for you to come away thinking
10 there's something not going right there. It's because
11 the public market benchmark was just so roaring that
12 it's unrealistic to think that private equity would
13 have kept up.

14 And we -- I will say that we expect, you know,
15 those private asset classes to bang out steady and
16 somewhat more consistent returns for a variety of
17 valuation reasons, and they're not going to ride the
18 roller coaster because we know we can have 20 percent
19 years in the stock market one year. What's -- what's
20 that going to be followed by?

21 I'm not making a prediction here, but, you
22 know, we -- we also have negative years from time to
23 time. And in that case, the situation will be entirely
24 reversed and the private market assets will better
25 demonstrate their benefits for fund diversification.

1 MR. HAAS: Yeah. Well, that's much better
2 than I was putting it down. But that's the case.
3 And -- and I think if you think back to the last down
4 year we saw, '21, '22, somewhere in there, we saw
5 that -- that play out just as well.

6 Even -- even during the pandemic, when -- when
7 public markets sold off significantly, we saw quite a
8 lot of resilience in our alternatives. And I wouldn't
9 say the slide had flipped, but you saw a lot more green
10 on this slide than you would have expected. And again,
11 it's just an artifact of public markets doing what they
12 do versus our alternative investments kind of
13 performing as -- as we expect them to.

14 Any questions before we move on?

15 MR. BROWN: Any questions for Dan?

16 MR. HAAS: Okay. Well, let's bring it back up
17 to today then.

18 Let me just move into the next slide there,
19 Donald.

20 Okay. So your preliminary returns through
21 August 31st, so really hot off the presses. Again,
22 your -- your 2026 fiscal returns were 13.1 percent.
23 You know, as you can see, a lot of that was driven in
24 the last half of the year. A little bit half of that
25 was driven in the last half of the year.

1 So your calendar year to date at 7.2 percent
2 was -- was a good chunk of your 13 percent return. So
3 far, this year, you saw 1.2 percent, and the month of
4 August was a 1.6 percent return, which implies that
5 July was a bit soft.

6 The -- the -- call it summer doldrums. But
7 again, what we're seeing there, translating through a
8 little bit, if you look at the US government returns
9 and the -- and the investment grade returns, a bit of
10 that is the expansion of the yield curve that we talked
11 about a few minutes ago. You see public markets kind
12 of doing what they're -- I'm sorry, equity market is
13 doing what they're supposed to do, you know, returning,
14 you know, 2, 3 percent, you know, in the month. So not
15 a bad start to the year and -- and, you know, much luck
16 going forward.

17 That's all I have for you for now. Any
18 questions?

19 MR. BROWN: Thank you, Dan.

20 Any questions for Dan? Great.

21 MR. TARBOX: The good news is the party
22 continues. The markets are continuing to roar, and
23 we're having -- we're off to a ripping start this year.
24 I hope that continues, but my gut, my experience says,
25 you know, that every good day is going to be tempered

1 by a bad day. And, you know, let's keep that -- keep
2 that in mind. The party is not going to roll on
3 indefinitely. Fingers crossed. All you can do.

4 MR. BROWN: Thank you, Monte.

5 Thank you, Dan. Appreciate it.

6 MR. HAAS: Thank you.

7 MR. BROWN: With that, I think we've come to
8 the end of our public agenda. Any questions? All
9 right. So is there a motion to go into executive
10 session?

11 MS. LEE: So moved.

12 MR. BROWN: And is there a second?

13 MS. MCGRATH: Second.

14 MR. BROWN: Great. Any questions or concerns?
15 And -- okay. So all those in favor of going into an
16 executive session, please say aye.

17 (Ayes were heard.)

18 (Exit Public Session; enter Executive
19 Session.)

20 (Exit Executive Session; enter Public
21 Session.)

22 MR. BROWN: Great. We're back into public
23 session. And with that, we'll have a readout from
24 Priscilla Bailey.

25 MS. BAILEY: Hello, good -- is it -- oh, God,

1 it's afternoon. Good afternoon, everyone in the room.

2 How are you?

3 MR. BROWN: Good afternoon, Priscilla. How
4 are you?

5 MS. BAILEY: Very good. Very good. Okay. As
6 for the readout. In the executive session of the
7 Passport -- Passport Fund, there were three manager
8 updates. There was a presentation on the annual review
9 of company exclusion. Consensus was reached.

10 In the executive session of the pension fund,
11 there were two manager updates. There was an
12 alternative credit consultant presentation. Consensus
13 was reached. There was an economically targeted
14 investment presentation. Consensus was reached.

15 There was a private equity presentation.
16 There were two -- there was a private -- sorry, there
17 was a private equity presentation. Consensus was
18 reached. There were two infrastructure presentation.
19 Consensus was reached on both.

20 Finally, there was a public fixed income
21 presentation. Consensus was reached. Details to be
22 made available at the appropriate time. Thank you.

23 MR. BROWN: Thank you, Priscilla. And
24 before --

25 MS. BAILEY: Thank you.

1 MR. BROWN: Thank you, Priscilla.

2 And before I ask for a motion to adjourn, I'd
3 just like to thank Will, our reporter, and our Janice,
4 our TRS tech person. Thank you very much, guys. I
5 appreciate it.

6 And with that, are there any questions? Any
7 other anything else to add? Great. So with that, do I
8 hear a motion to adjourn?

9 MS. LEE: So moved.

10 MR. BROWN: It's been moved, and is there a
11 second?

12 MS. MCGRATH: Second.

13 MR. BROWN: Seconded. Any questions? All
14 those in favor of adjourning, please say aye.

15 (Ayes were heard.)

16 MS. REILLY: Opposed, say nay.

17 We are adjourned. Thank you, everybody.

18 (Proceedings concluded.)

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IN WITNESS THEREOF, I have hereunto set my
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