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1 TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

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INVESTMENT MEETING

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Thursday, February 6, 2025

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10:11 a.m.

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Teachers' Retirement System of NYC

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55 Water Street, 16th Floor

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New York, New York 10041

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William Montague

Digital Reporter

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Notary Commission No. 01MO0009174

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APPEARANCES:

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PATRICIA REILLY, EXECUTIVE DIRECTOR

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THAD MCTIGUE, DEPUTY EXECUTIVE DIRECTOR

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THOMAS BROWN, CHAIR, TRUSTEE

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NADIA FAZHULINA, MAYOR'S OFFICE, TRUSTEE

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JOHN DORSA, OFFICE OF THE COMPTROLLER, TRUSTEE

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VICTORIA LEE, TRUSTEE

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CHRISTINA MCGRATH, TRUSTEE

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ANTHONY GIORDANO, PANEL FOR EDUCATIONAL POLICIES,
TRUSTEE

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Also Present:

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VALERIE BUDZIK, TRS

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LIZ SANCHEZ, TRS

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PRISCILLA BAILEY, TRS

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ARISTEA AFTOUSMIS, TRS

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LOREN PERRY, TRS

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KOMIL ATAEV, TRS

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RON SWINGLE, TRS

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ISAAC GLOVINSKY, ESQUIRE, TRS

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STEVE MEIER, BUREAU OF ASSET MANAGEMENT

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KATE VISCONTI, BUREAU OF ASSET MANAGEMENT

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ENEASZ KADZIELA, BUREAU OF ASSET MANAGEMENT

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WILFREDO SUAREZ, BUREAU OF ASSET MANAGEMENT

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JOHN AHN, BUREAU OF ASSET MANAGEMENT

25

MAREK TYSZKIEWICZ, CHIEF ACTUARY

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1 DONALD DE ROSA, OFFICE OF THE COMPTROLLER
2 DAVID LEVINE, GROOM LAW GROUP
3 MICHAEL FULVIO, ROCATON/GOLDMAN SACHS
4 AMANDA JANUSZ, ROCATON/GOLDMAN SACHS
5 SEAN BARBER, HAMILTON LANE
6 GINA TARANTINO, GOLDMAN SACHS
7 JUSTINE JAUME, TRS
8 SEAN KIRKPATRICK
9 DAN ZILBERMAN, WARBURG PINCUS
10 JEFF STEIN, WARBURG PINCUS
11 JIM WILSON, WARBURG PINCUS
12 ALEXI BAKER, WARBURG PINCUS
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1 (The proceedings commenced at 10:11 a.m.)
2 MS. REILLY: Good morning. Welcome to the
3 Investment Meeting of the Teachers' Retirement Board for
4 February 6th, 2025.
5 I'll start by calling the roll.
6 Nadia Fazhulina?
7 MS. FAZHULINA: Present.
8 MS. REILLY: Thomas Brown?
9 CHAIRMAN BROWN: Good morning, present.
10 MS. REILLY: Karine Apollon?
11 Gregory Faulkner?
12 Anthony Giordano?
13 All right. John Dorsa?
14 MR. DORSA: Present.
15 MS. REILLY: Victoria Lee?
16 MS. LEE: Good morning, present.
17 MS. REILLY: Christina McGrath?
18 MS. MCGRATH: Good morning, present.
19 MS. REILLY: We have a quorum. I'll turn it
20 over to the Chair.
21 CHAIRMAN BROWN: Great, thank you, Patricia.
22 Good morning, everybody. And we'll start this
23 morning's meeting with Goldman Sachs and the Passport
24 Funds December 2024 Performance Review.
25 MS. JANUSZ: Thanks, Tom.

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1 CHAIRMAN BROWN: Thank you, Amanda.

2 MS. JANUSZ: I think Gina from our team is
3 pulling up the December flash report.

4 And for the month of December, we did have
5 negative returns across the board for the Variable
6 Funds. You can see in that first column of returns in
7 the flash, although all modestly negative, you know,
8 anywhere from about 1 percent to 3 percent range for the
9 Variable Funds.

10 We did, as kind of a market backdrop, we did
11 see the Fed cutting interest rates by another 25 basis
12 points in the December meeting, so ending the year down
13 1 percent from where we were in terms of highs for
14 interest rates earlier in the year. But we also did
15 have the Fed come out with more hawkish comments around
16 a more gradual pace for cuts from here on out.

17 So in terms of markets, we did, of course,
18 have a bit of a drop at the end of December, a little
19 bit of negative markets, but overall, like I said,
20 modestly negative results for the month.

21 If we look out for the calendar year for the
22 Variable Funds, you see positive results across the
23 board for each of the Variable Funds, although a little
24 bit of a mix in terms of relative results. The
25 Diversified Equity Funds, where the bulk of your assets

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1 sit in the Passport Funds, was up over 18 percent, when
2 we look at the full calendar year, the strongest
3 component of that return coming from passive US equity
4 exposure, a little bit of weaker results from the
5 international sleeve, which only was up around
6 3-and-a-half percent for the calendar year.

7 Looking down the page, I would also highlight
8 the Sustainable Equity Fund, which was one of your
9 strongest absolute performance on the year, was up over
10 20 percent for calendar year '24, but did not keep pace
11 with its benchmark. And that's pretty typical for what
12 we saw last year. It was a difficult time for active
13 managers in general, and particularly in this large cap
14 growth space, that Russell 1000 growth benchmark that
15 the Sustainable Equity Fund benchmarks itself was really
16 one of the toughest benchmarks to beat and was very much
17 dominated by those big high flying growth stocks that
18 have dominated equity markets.

19 So overall, a strong year for the Variable
20 Funds, and we ended the year around \$21.2 billion in
21 total assets for Variable Funds.

22 CHAIRMAN BROWN: Thank you, Amanda.

23 Any questions for, Amanda? No? Great.

24 Then we'll move on to the January 2025 Market
25 Performance Update.

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1 MS. JANUSZ: Yeah. So as you all know, we
2 don't yet have results for the funds themselves, but we
3 do have a benchmark report to use as proxy for the

4 Passport Funds here, and thankfully, for the month of
5 January, we saw a bit of a bounce-back from the negative
6 results in December, in pretty similar scale. So
7 December, most of your funds were down around 3 percent
8 for the month of January, up around 3 percent for most
9 of those funds. The Balanced Fund being up around 1.3
10 percent in January.

11 And of course, towards the end of January, we
12 did see a couple of blips, particularly around the noise
13 around DeepSeek and what that might mean for stocks like
14 NVIDIA and others that are playing in this AI space, and
15 also the disruption around what's going to be happening
16 with tariffs with different countries and trading
17 partners. That has carried through here into February.

18 So despite a little bit of noise at the end of
19 the month, we did land in positive territory across
20 asset classes here for January.

21 CHAIRMAN BROWN: That's good to know. Great,
22 thank you, Amanda.

23 Any questions for Amanda? Great.

24 And then we move on to the Public Agenda
25 Pension Fund Market Commentary.

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1 I guess, Steve, you'll take it away?

2 MR. MEIER: Yep. Thank you, Mr. Chair.

3 CHAIRMAN BROWN: Thank you, Steve. Thank you.

4 MR. MEIER: Great. Just to echo a lot of what
5 Amanda has already said, and I'll be very succinct this
6 morning, on the first slide -- Donald?

7 Just a quick look at, well, three things, the
8 economy as a backdrop to the markets, and then finally
9 your performance.

10 So the economy is actually in quite good
11 shape. You can look here on the upper left-hand side,
12 you can see real GDP for the fourth quarter came in at
13 2-and-a-half percent above trend. Trend is using around
14 2 percent, maybe 2.1 percent, so solid growth.

15 Inflation is below that. You can see US
16 inflation, CPI for December year over year, just 2.9
17 percent, so it's trended down. It's actually up a
18 little bit from where it had been previously. Inflation
19 has proven to be stickier, I'd say, than the Fed likes,
20 and Amanda is absolutely correct that we had a rate cut
21 in December, but hawkish sentiment that it will be
22 probably a while until there are more. The market,
23 right now, is pricing between one and two additional 25
24 basis point rate cuts by the end of 2025.

25 The employment picture is actually quite

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1 strong as well. If you look on the upper right-hand
2 side, the unemployment rate, as it stood in December, is
3 4.1 percent. We have a new non-farm payroll report and
4 unemployment report tomorrow morning at 8:30. For
5 December, non-farm payrolls were expected to come in at

6 165,000 jobs created. It actually came in at 256,000
7 jobs created.

8 Consensus estimate for tomorrow is 4.1 percent
9 unemployment and another 170,000 jobs created in the
10 month of January. We'll see how that pans out.

11 And finally, on the lower right-hand side,
12 world currencies, the US dollar is pretty much strong
13 across the board, evidenced by the other currencies
14 showing up in red relative to the US dollar. This is
15 all relative to the US dollar. So again, strong dollar.
16 It has to do with a number of things. The growth rate
17 is quite good in the States. There's perception that we
18 have a new administration that will be, perhaps, more
19 pro-growth, which is attracting more capital into the US
20 markets, and again, just the positive capital flows
21 associated with that.

22 On the next slide, a quick look at rates. On
23 the upper left-hand side, you can see where we have been
24 over the last year. Rates, as Amanda reflected, came
25 down in the US, official interest rates, 100 basis

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1 The Bank of England actually cut rates another
2 25 basis points just this morning, which means that
3 their change over the last year is down 75 basis points.

4 And the Bank of Japan at the bottom there is
5 really an outlier. They actually just raised rates
6 again in January, so their official rates are now 50
7 basis points, and again, that's coming -- sorry, 60
8 basis points. That's coming off of where they were a
9 year ago, at a negative 10 basis points. They were --
10 had negative rates for a prolonged period of time, and
11 this is the first rate hiking cycle since the global
12 financial crisis. So some -- a differentiated outcome
13 there.

14 The slide below that, there's -- sorry, the
15 chart below that, US Treasury yield curve. The red top
16 is the most recent, and it shows that we really had
17 mostly a dis-inversion of the yield curve, meaning that
18 longer rates are now typically longer than short rates.
19 You'd expect to get more -- a maturity premium as you
20 invest out of the curve.

21 The fact that that red bar, that red line is
22 above the arm bar also reflects that US Treasury yields
23 have moved up and bond price is low. It's been a little
24 bit painful, painful to get there, but the income

0011 component of your fixed income investments is now more
1 significant, which is a benefit.

2 On the upper right-hand side, you can see we
3 have investment grade credit spreads and high yield
4 credit spreads. They have actually come in quite a bit.
5 I don't know that they're necessarily compelling now. A
6 lot of this has to do with the fact that we have had
7

8 strong growth, relatively low defaults, but for example,
9 in high yield, and you can see on the far right-hand
10 side the change is a decline of 70 basis points in high
11 yield spreads. And the spread is basically what you
12 get, an equivalent US dollar Treasury with the same
13 duration plus, in this instance today, 260 basis points
14 of additional spread.

15 And finally, below that, you can see how the
16 yield curve has changed. So two-year yields are
17 basically where they were a year ago. They were at 420,
18 they were 420 this morning, they were at 421 yield a
19 year ago. But we have seen a backup in longer term
20 rates for a number of reasons.

21 US Treasury 10-year sovereigns have actually
22 moved up 63 basis points. Higher yields mean lower bond
23 prices. Again, a little bit painful to get there, but
24 you now have carry and income associated with your fixed
25 income investments. That is very positive.

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1 The last note I'd make, last comment I'd make
2 on the slide is the 30-year fixed mortgage rates. It's
3 still at 7 percent, still relatively high. That has to
4 do with the backup in US Treasury yields. And
5 obviously, I don't think that's a great picture for
6 housing, and that's why existing home and new home sales
7 have been down. There's a lot less activity in internal
8 over in housing right now because the mortgage rates are
9 relatively high.

10 On the next slide, a quick just look
11 year-to-date where we are on stocks and bonds? Here's
12 the good news, and I think Amanda touched on this as
13 well in her January update, stock prices are up pretty
14 much across the board, with a couple of exceptions
15 towards the bottom in Asia, but that's just
16 year-to-date. You see the percent change year-to-date,
17 and the percent change in currency differentials
18 year-to-date, that's what those two green lines on the
19 left are showing you, those columns. So a good outcome
20 so far for stocks, although it's very early, it's only
21 one month's worth of performance.

22 And on the right-hand side, those are 10-year
23 sovereign yields. Most of those numbers to the far, far
24 right, the year-to-date change, are negative. That
25 means that yields have come down, bond prices have gone

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1 up. So a positive thing for portfolios as well.

2 Now to the substance of the conversation.
3 Next slide. A quick look at your performance over
4 different periods of time, and you can see here that
5 your performance in one month for December was actually
6 mostly negative in public markets. Amanda talked about
7 the fact that the markets have sold off and we're a
8 little bit more volatile. Typically, you'd expect to
9 see a Santa Claus rally in December and see more green,

10 but we didn't have that this year.
11 Most importantly, I think you need to look
12 out, say 10 years, to look at the long-term average
13 annual returns per asset class. And at the very bottom,
14 your total plan returns for the 10-year period, average
15 7 percent, which is your benchmark return target. And
16 you can see, obviously, we have had differences in terms
17 of performance. So US equities, on average over the
18 last 10 years, have returned 12.6 percent, and those are
19 your US equity investments, your portfolio performance.
20 Remember that the average of the five general
21 consultants, the average 10-year return assumption for
22 US equities is just 6.7 percent, so I just caution you
23 not to expect a 12.6 percent going forward. It should
24 come down, if I had to guess, in the low to mid single
25 digits perhaps this year, but that's just a guess.

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1 I think the other two takeaways are the
2 performance, on average, of private equity at 13.8
3 percent, which is, obviously, why you invest and spend
4 so much time in private equity, and I think we're
5 exceptional in that area.
6 Also, infrastructure, you can see with it
7 steady Eddie, one year, 10.3 percent, three years, 10.5
8 percent, 11-year average annual return, 11 percent, and
9 fully for 10 years, average annual returns for the
10 infrastructure portfolio, again, under DCIO Petya
11 Nikolova's watchful eye and really strong investment
12 acumen, up 11.8 percent on average. So good outcomes
13 and we hope to continue that in the future.
14 Any questions about anything I touched on?
15 CHAIRMAN BROWN: Any questions for Steve?
16 Thank you, appreciate it.
17 I think that wraps up our agenda for the
18 Public Session. Any questions? Great.
19 Is there a motion to go into Executive
20 Session?
21 MS. MCGRATH: So moved.
22 CHAIRMAN BROWN: Thank you.
23 MR. DORSA: Second.
24 CHAIRMAN BROWN: And thank you, John.
25 Any questions? All those in favor of going

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1 into executive Session, please say aye?
2 (Ayes were heard.)
3 CHAIRMAN BROWN: Those opposed, say any? Any
4 abstentions?
5 We are now in Executive Session. Thank you.
6 (Exit Public Session; enter Executive
7 Session.)
8 (Exit Executive Session; enter Public
9 Session.)
10 CHAIRMAN BROWN: Thank you. We are now back
11 in Public Session. Welcome back.

12 We are going to have a readout from Priscilla
13 or -- oh, Priscilla. Priscilla Bailey, thank you.
14 We'll have a readout.
15 MS. BAILEY: You bet.
16 In the Executive Session of the Passport fund,
17 there was no manager update.
18 There was a presentation on a manager
19 recommendation. Details will be made -- to be made
20 available at the appropriate time.
21 In the Executive Session of the Pension Fund,
22 there was an update on preliminary performance.
23 There was no manager update.
24 There was a private equity presentation.
25 Consensus -- consensus was reached. Again, details to
0016 be made available at the appropriate time. Thank you.
1 CHAIRMAN BROWN: Thank you, Priscilla.
2 MS. BAILEY: Thank you.
3 CHAIRMAN BROWN: I think that concludes our
4 business in Public Session.
5 And as always, before we adjourn, I'd like to
6 thank Will, our recorder, and Richard, our TRS tech rep,
7 for making this meeting go smoothly. Much appreciated.
8 And with that, I'll entertain a motion to
9 adjourn.
10 MR. DORSA: So moved.
11 CHAIRMAN BROWN: It has been moved. Thank
12 you, John.
13 MS. MCGRATH: Second.
14 CHAIRMAN BROWN: And thank you, Christina, for
15 seconding it. Are there any questions? Thank you.
16 All those in favor of adjourning this meeting,
17 please say aye?
18 (Ayes were heard.)
19 CHAIRMAN BROWN: And those opposed, say nay?
20 Any abstentions?
21 I get to use this. The meeting has been
22 adjourned. Thank you.
23 (The proceedings concluded at 11:07 a.m.)
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4 Notary Public within and for the State of New York, do
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18 IN WITNESS THEREOF, I have hereunto set my
19 hand this 18th day of February 2025.
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