

NEW YORK STATE
TEACHERS' RETIREMENT SYSTEM
10 CORPORATE WOODS DRIVE, ALBANY NY

Risk Committee Meeting

A meeting of the Risk Committee of the Retirement Board of the New York State Teachers' Retirement System was held on January 28, 2026. The meeting was called to order at 8:30 a.m. by Nicholas Smirensky, acting Chair.

The following individuals were in attendance:

Committee Members: Donald A. Little III, Jennifer Longtin, Nicholas Smirensky, Mark Stratton

Board Members: Eric Iberger, David Keefe, Scott Levy (via WebEx)

NYSTRS' Staff: Thomas Lee, Don Ampansiri, Matt Albano, John Rosenburg, Ryan Warren, Ryan Ranado, Rick Jensen, Matt Tice

Risk Committee Advisors: Sean Atkinson (via WebEx), Steve Huber (via WebEx), Peter Cosgrove (via WebEx)

Visitor: Juliet Benaquisto

Visitors via WebEx: Ben Sheng, FundFire; Sun Yu, Financial Times; Cyril Espaniol, WithIntelligence; Nate Weinstein, Osmosis; Diana Zuckerman, Retired Teacher; John Fricker

The following items were discussed:

1. Approval of the minutes of October 29, 2025

Upon motion of M. Stratton, seconded by D. Little and unanimously carried, the meeting minutes of October 29, 2025 were approved.

2. Risk Management Update

M. Albano provided a risk management update (Appendix A, pp. 3-15)

3. Enterprise Risk Assessment

M. Tice reviewed the Enterprise Risk report (Appendix B, pp. 16-26)

4. Investment Risk Update

R. Ranado reviewed the risk management key risk indicators dashboard (Appendix C, pp. 27-38).

5. Quarterly Review of Risk Management Team

Upon motion of J. Longtin, seconded by D. Little and unanimously carried, the Committee went into Executive Session at 9:03 a.m. to discuss personnel matters.

There being no further business, and with unanimous consent, the Committee came out of Executive Session and adjourned at 9:03 a.m.

Respectfully submitted,

A large black rectangular redaction box covering the signature of the person submitting the document.

Thomas K. Lee



Appendix A

Risk Management Key Deliverables

Risk Management

Risk Committee: January 28, 2026

Matthew Albano, CFA, Chief Risk Officer



Risk Committee: January 28, 2026

Risk Management Key Deliverables

Enterprise Risk and Compliance

Annual and Quarterly Review of Regulatory Items

- ❖ Personal Trade Monitoring Procedures (PTMP)/Material Non-Public Information (MNPI) compliance review
- ❖ Department of Financial Services (DFS) Annual Report for Placement Agent Disclosure
- ❖ Annual PTMP/ MNPI Training

Annual Insurance Renewal

- ❖ Procure various insurance policies and coverage for NYSTRS (examples include; fleet vehicles, Worker Compensation etc.)

Annual Office of Foreign Assets Control (OFAC) Risk Assessment

- ❖ Annual OFAC Training
- ❖ Quarterly OFAC Investment Manager Renewals

Annual Review of Business Continuity Plan (BCP)

Annual Risk Assessment

- ❖ Annual Risk Assessment Training
- ❖ Risk Factor Survey

Securities Exchange Commission (SEC) Red Flags Review

- ❖ Broker Attestations

Risk Management Key Deliverables

Information Security

Ad Hoc Information System Security Plan/Risk Assessments

Annual Data Classification Survey

Annual Information Security Risk Assessment

Annual Training

- ❖ Board Security Training
- ❖ Tabletop Reviews (Business Continuity Plan and Incident Response Plan)
- ❖ Information Security Training

Semi-Annual Information Security Review

- ❖ Key Risk Indicator Review
- ❖ Top Security Initiatives

Vendor Information Security Review

- ❖ Onboarding
- ❖ Semi-Annual

Risk Management Key Deliverables

Investment Risk

Annual Investment Policy Manual (IPM) Review

Portfolio Monitoring Reports

- ❖ Tracking Error
- ❖ Cash Flow/Asset Allocation

Quarterly Investment Risk Reports

- ❖ Key Risk Indicator Review
- ❖ Total Plan Risk Contribution
- ❖ Scenario Analysis

Thermal Coal & Restricted Criteria Review

- ❖ Quarterly Thermal Coal Screening
- ❖ Annual Restricted Criteria Holdings Review



Enterprise Risk and Compliance Update

Risk Management

Risk Committee: January 28, 2026

Matthew Albano, CFA, Chief Risk Officer

Matthew Tice, Director of Enterprise Risk



Regulatory Items Requiring Board Action

	Regulatory Item	Owner
January Meeting	Approve Business Continuity Plan (BCP)	Risk
	Approve Internal Audit Plan	Internal Audit

	Regulatory Item	Owner
April Meeting	Approve Annual Operating Budget	Finance
	Approve Other Post Employment Benefits (OPEB) Contribution	Actuary
	Approve Transfer of Reserves*	Executive

* If required

- Period of **October** through **December**: **55** required regulatory items were due and all were completed by departments.



Department of Financial Services (DFS) & Grant Thornton Follow-up

Risk Management

Risk Committee: January 28, 2026

Matthew Albano, CFA, Chief Risk Officer

Matthew Tice, Director of Enterprise Risk

2017 DFS Examination Follow-up

DFS Overview

Management Letter:

- 11 Recommendations related to Risk Management
- 10 Completed; 1 Outstanding

DFS Management Letter Update

Status 1/2025	Status 1/2026	DFS Recommendation	Deliverable / Notes
		H. Management Agreement Compliance Monitoring	<p>In Progress - 1/2026 Update:</p> <ul style="list-style-type: none"> • All Public Equity portfolio management guidelines have been coded and are being tested in the system. • Fixed Income internally managed portfolios and externally managed High Yield portfolios have been coded. • Externally managed Global Bond portfolios are in the process of being coded into the system. • Coding of the management guidelines for the externally managed Real Estate portfolios will be completed in 2026. • Additional resources have been allocated to the project to ensure completion in 2026.

2022 Grant Thornton ERM Maturity Assessment Follow-up

Grant Thornton Overview

Assessment Recommendations:

- 7 Recommendations related to Risk Management
- 7 Completed; 0 Outstanding

Grant Thornton Update

Status 1/2025	Status 1/2026	Grant Thornton Recommendation	Deliverable / Notes
Yellow	Green	Develop a scoring system to evaluate enterprise risks on both an inherent and residual scoring basis and key controls on the level of control effectiveness.	Completed: The ERM department adopted a 5x5 risk rating methodology, leveraging Likelihood and Impact scores to assess risks in the 2024 Annual Risk Assessment. For the 2025 assessment, the evaluation was expanded to include Inherent risk. Relevant controls were identified, collected, and documented within the GRC system.
Yellow	Green	Track and monitor risk information (including a comprehensive risk register and key controls) through a centralized, automated tool (such as a GRC system or similar).	Completed: The ERM department created a risk register within the GRC system to evaluate risks. The register was used as the basis for the 2024 and 2025 Annual Risk Assessment. Relevant controls were identified, collected, and documented within the GRC system.



Appendix B

Annual Risk Assessment

Enterprise Risk Management

Risk Committee: January 28, 2026

Matthew Albano, CFA, Chief Risk Officer

Matthew Tice, Director of Enterprise Risk



Risk Committee: January 28, 2026

Agenda

- ❑ Aligning With Our Charter
- ❑ Annual Risk Assessment Process
- ❑ NYSTRS Risk Pillars
- ❑ GRC Framework
- ❑ Risk Pillar Assessment Results & Mitigation

Strategies







Aligning With Our Charter

- ❑ Annually, the Enterprise Risk Management (ERM) department conducts an enterprise-wide risk assessment that is aligned with our charter to identify, measure, monitor, and report high level risks within and external to NYSTRS.
 - **Identify**: ERM reviews and updates the System's risk register with input from staff to ensure accuracy and relevance.
 - **Measure**: We evaluate the residual likelihood and impact of each risk—after considering existing controls - to prioritize risk response strategies.
 - **Monitor**: ERM collaborates with peers annually, analyzes industry risk studies for applicability, and recommends additional or updated mitigation measures.
 - **Reporting**: Assessment results are presented to the Risk Committee, Internal Audit, and Executive leadership for informed decision-making.

2025 Risk Assessment Process

- ❑ The annual assessment was conducted through the Governance, Risk, and Compliance (GRC) platform.
- ❑ Before distributing 70 individual risk assessments, the ERM team offered optional training sessions for risk owners at the Executive and Management levels.
- ❑ Risks were analyzed at the inherent and residual level to provide a baseline understanding of exposure.
 - Residual risk refers to the level of risk remaining after existing mitigations are considered.
 - Inherent risk represents the risk that exists in the absence of any mitigating measures.
- ❑ Key controls were identified for risks within the risk register.

NYSTRS' Risk Pillars

	<p>Governance Framework Risk</p>	<p>Risks related to how NYSTRS' policies and procedures are developed and managed. i.e. How decisions are made and implemented.</p>
	<p>Information Security Risk</p>	<p>Risks related to NYSTRS' information systems due to the unauthorized access, use, disclosure, disruption, modification, or destruction of data.</p>
	<p>Financial Risk</p>	<p>Risks that prevent NYSTRS from achieving stable financial performance and making informed decisions.</p>
	<p>Operational Risk</p>	<p>Risks resulting from inadequate or failed internal processes, people and systems or external events.</p>
	<p>Workforce Risk</p>	<p>Risks to NYSTRS' operational, financial, and reputational outcomes related to staffing.</p>
	<p>Reputational Risk</p>	<p>Risks related to negative publicity, public perception or events that have an adverse impact on NYSTRS' brand or image.</p>

Governance, Risk, and Compliance Framework



New York State Teachers' Retirement System

Mission: To provide our members with a secure pension.

Vision: To be the model for pension fund excellence and exceptional customer service.

Values: Integrity, Excellence, Respect, Resourcefulness, Diversity, Diligence, Balance

NYSTRS' Objectives

- To Promote Exceptional Governance
- To Provide Exceptional Service
- To Produce Exceptional Teams

Risk Pillars



Governance Risk



Information Security Risk



Financial Risk



Operational Risk

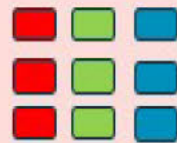


Workforce Risk



Reputational Risk

Risks



2025 Risk Pillar Assessment Results

- ① Governance Framework
- ② Information Security
- ③ Financial
- ④ Operational
- ⑤ Workforce
- ⑥ Reputational

Risk Rating

Response



Very High
High
Moderate
Low
Very Low

Stop
Urgent Action
Action
Monitor
No Action-Monitor







Impact

	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Severe
1 Highly Unlikely <5%					
2 Unlikely 6-34%			③	① ② ④ ⑤ ⑥	
3 Possible 35-65%					
4 Likely 66-84%					
5 Highly Likely >95%					

Likelihood









Risk Assessment Trend Results & Mitigation Strategies

Risk Pillar	Current Assessment <i>Likelihood</i>	Current Assessment <i>Impact</i>	Management Response
Governance Framework Risk	Unchanged 	Trending Down 	<ul style="list-style-type: none"> • Policy education and training • Critical positions review • Continue to monitor
Information Security Risk	Trending Down 	Trending Down 	<ul style="list-style-type: none"> • Provide targeted employee training on social engineering tactics, phishing schemes, and other fraudulent methods to strengthen awareness and response. • Enhance NYSTRS' cybersecurity posture by adhering to established frameworks and best practices for cyber hygiene and risk management. • Validate and secure the information security infrastructure through regular Vulnerability Assessments and Penetration Testing (VA/PT), coupled with comprehensive reviews and audits of existing controls. • Continue to monitor
Financial Risk	Trending Down 	Unchanged 	<ul style="list-style-type: none"> • Strong internal controls • Continue to monitor

- These trends were determined by comparing the assessment scores from last year's evaluation (2024) to the scores from the current assessment period (2025).

Risk Assessment Trend Results & Mitigation Strategies

Risk Pillar	Current Assessment <i>Likelihood</i>	Current Assessment <i>Impact</i>	Management Response
Operational Risk	Unchanged 	Trending Down 	<ul style="list-style-type: none"> • Documenting policies and procedures • Identification of critical positions • Cross training employees • Continue to monitor
Workforce Risk	Trending Down 	Unchanged 	<ul style="list-style-type: none"> • Identification and documentation of critical business processes • Departments continue to cross train staff on critical business processes • Succession planning • Continue to monitor
Reputational Risk	Unchanged 	Unchanged 	<ul style="list-style-type: none"> • Conflict of Interest review • Established escalation process • Continue to monitor

- These trends were determined by comparing the assessment scores from last year's evaluation (2024) to the scores from the current assessment period (2025).

Annual Risk Assessment Conclusion

- ❑ All six risk pillars were assessed as having a Likelihood of Highly Unlikely or Unlikely with the Impact assessed at Moderate. No new mitigations recommended and Risk Management will continue to monitor.
- ❑ Inherent risk assessments for 2025 aligned with expectations, providing a clear baseline for ongoing risk management.
- ❑ Key controls were identified for risks within the risk register.
- ❑ Based on the results, Enterprise Risk Management concludes that management and staff effectively address risks—both through established procedures and proactive responses to emerging issues.

Questions?





Investment Risk Update

Risk Management

Risk Committee: January 28, 2026

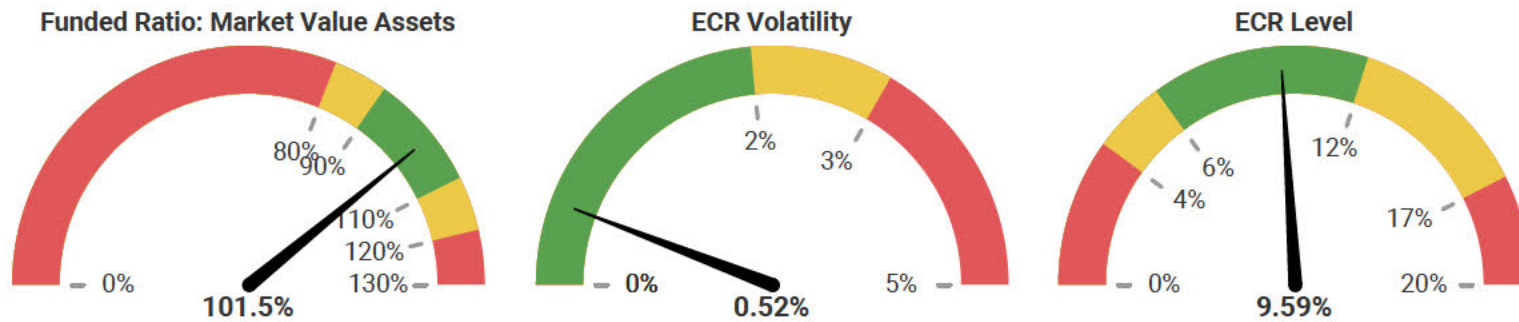
Matthew Albano, CFA, Chief Risk Officer

Ryan Ranado, CFA, Assistant Director of Investment Risk Management

Liquidity Key Risk Indicators (as of 12/31/2025)



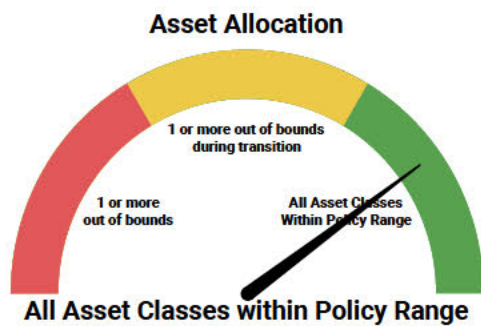
Unfunded Liability Key Risk Indicators (Valuation Date as of 6/30/2024)



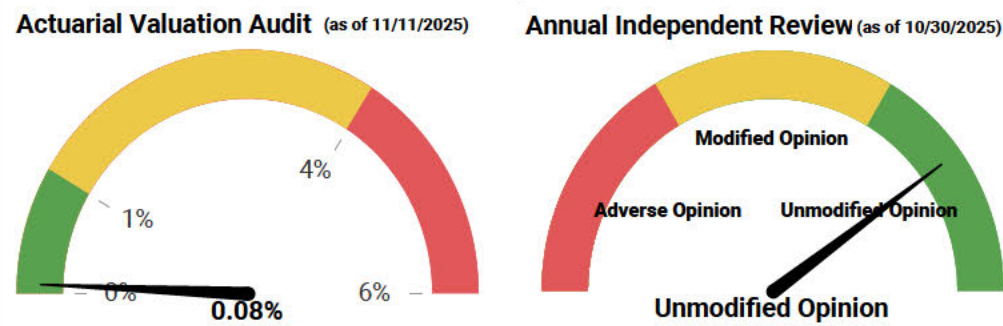
Investment Risk - Report Summary

- All liquidity KRI's remain within risk appetite.
- Staff continues to meet weekly on asset allocation to monitor and address liquidity requirements.
- All asset classes were within their respective asset allocation ranges as of quarter-end.
- Market volatility continued to subside during the quarter, which caused Total Plan Risk to decrease to 10.79% from 11.49% last quarter.

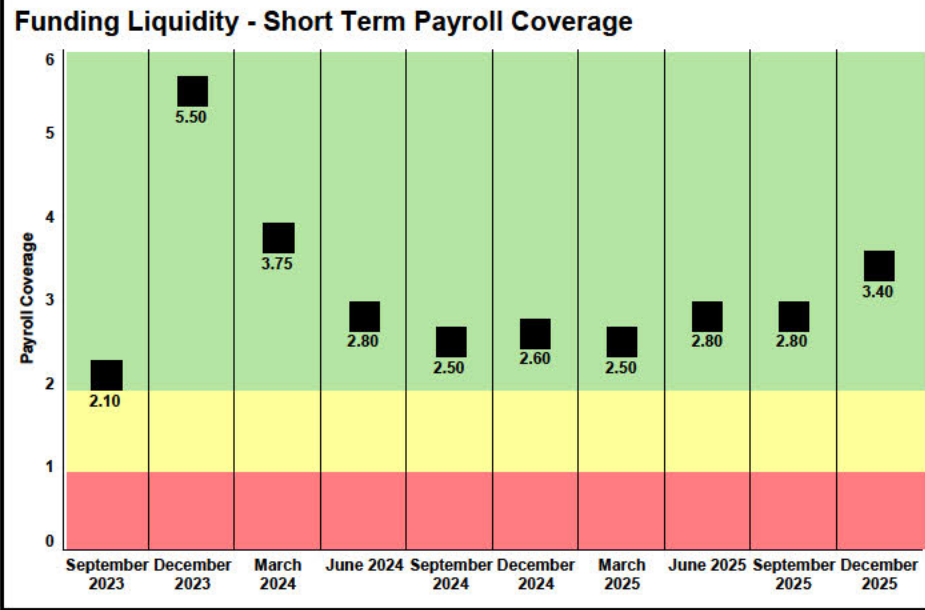
Market Key Risk Indicator (as of 12/31/2025)



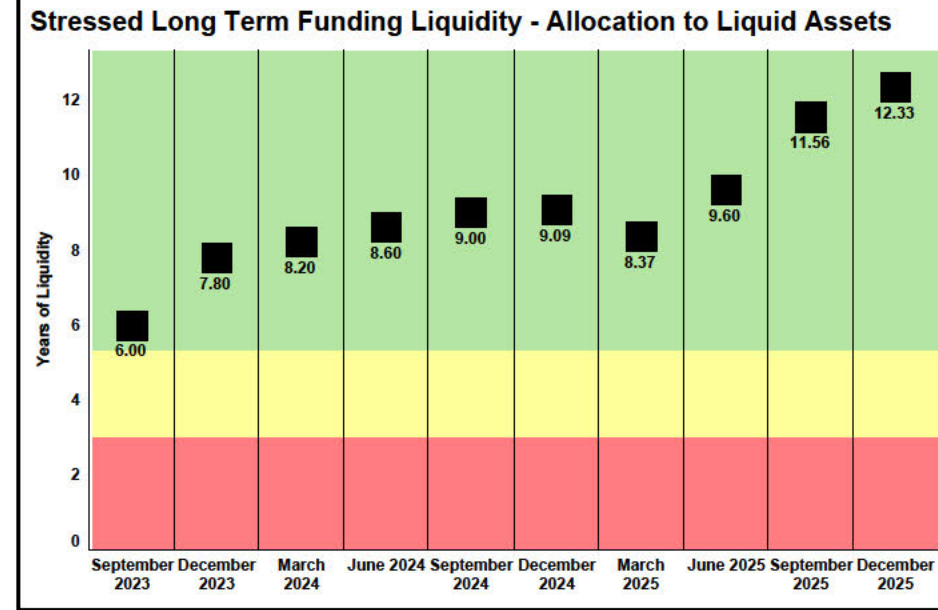
Actuarial Valuation Key Risk Indicators



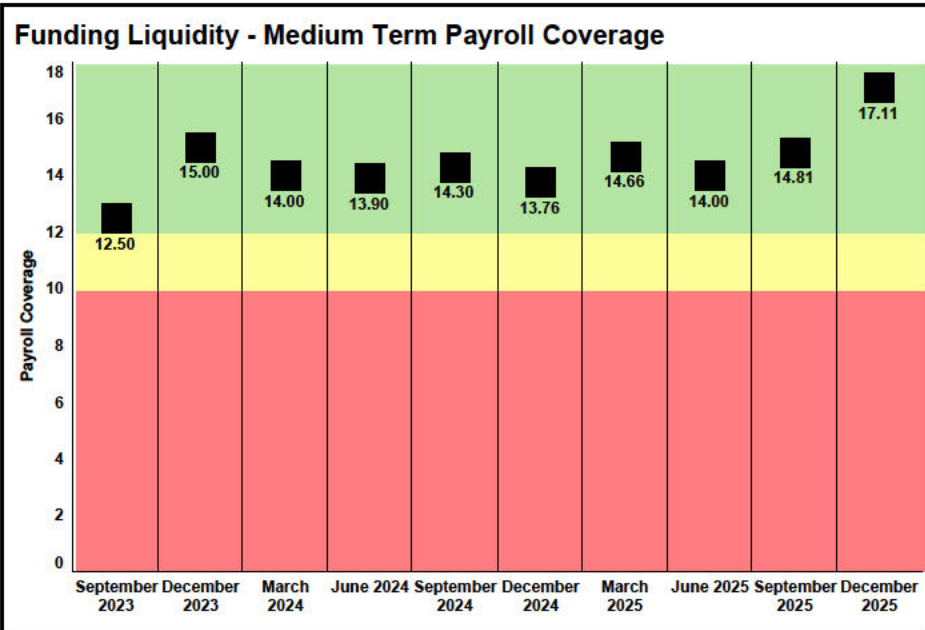
Liquidity Key Risk Indicators



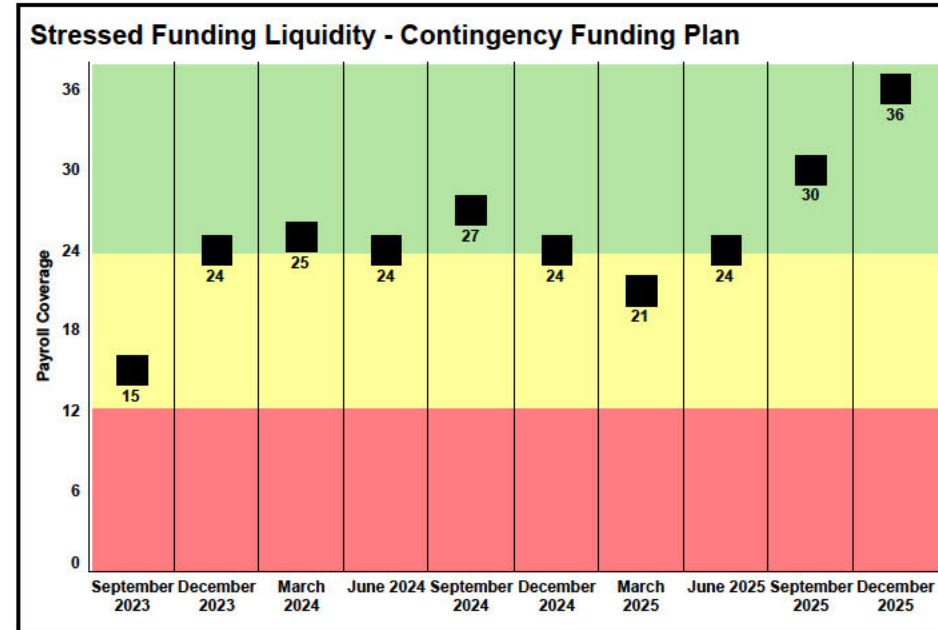
Short Term Payroll coverage calculates how many months of payroll we are carrying in cash.



The Stressed Long Term Liquidity KRI assumes a hypothetical 40% portfolio loss, then calculates years of required cash flow coverage from remaining public market assets and 12 months estimated net cash flows (includes stressed projections for: portfolio income, employer contributions and unfunded capital calls).



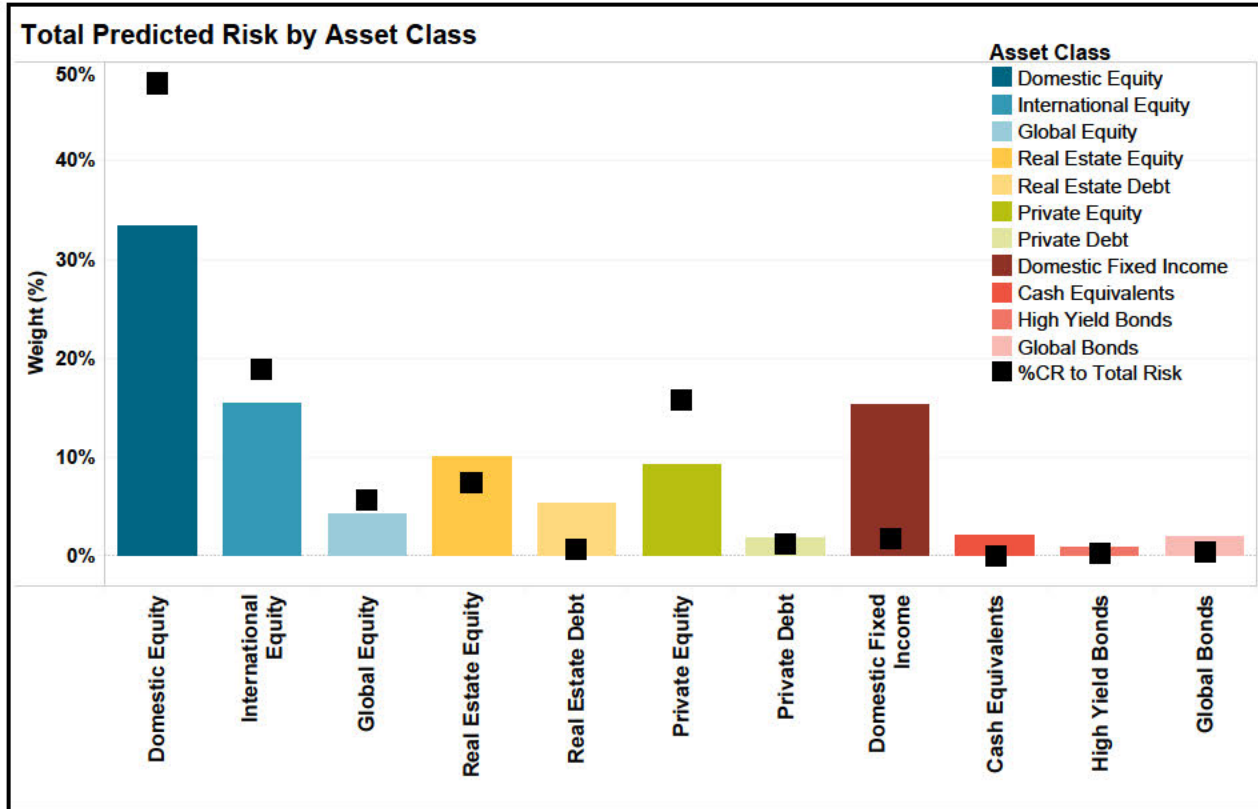
The Medium Term Payroll Coverage KRI seeks to evaluate how many months of payroll can be made using Cash and Domestic Fixed Income above its minimum allocation bound. It also takes into account the projected income and ECR contributions over the next 12 months, offset by 25% of capital calls on unfunded commitments. Capital calls of 25% are indicative of a "non-stressed" market environment.



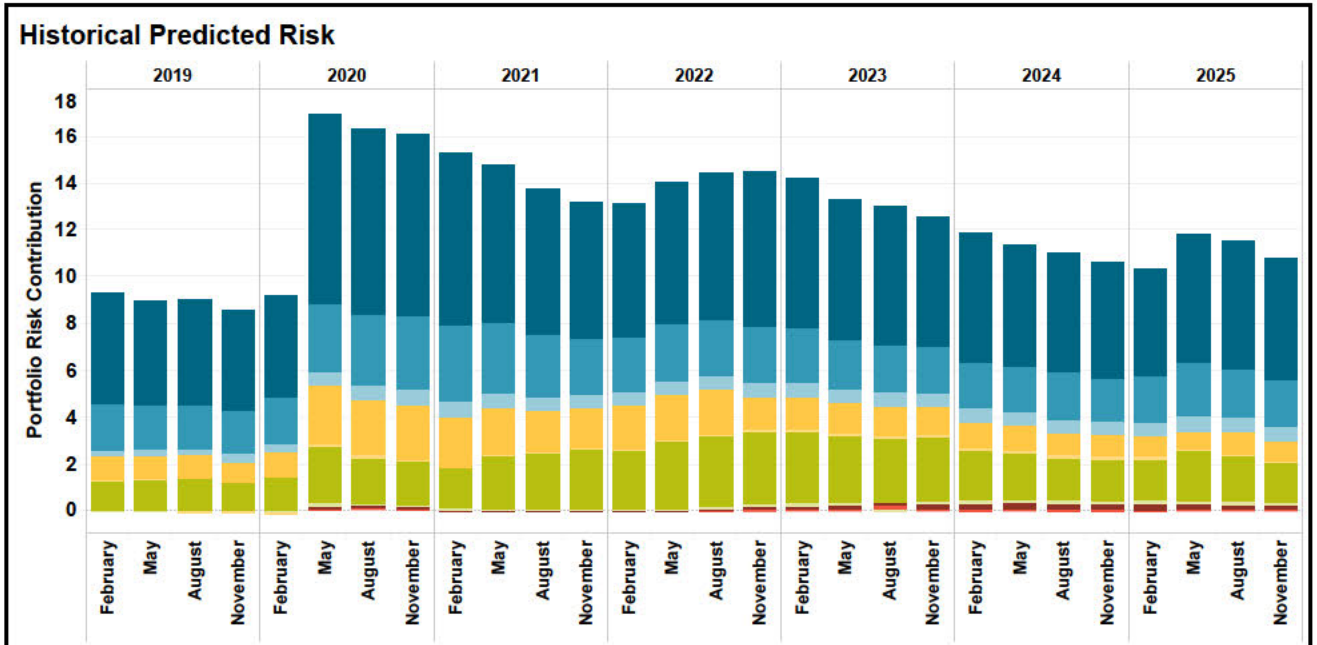
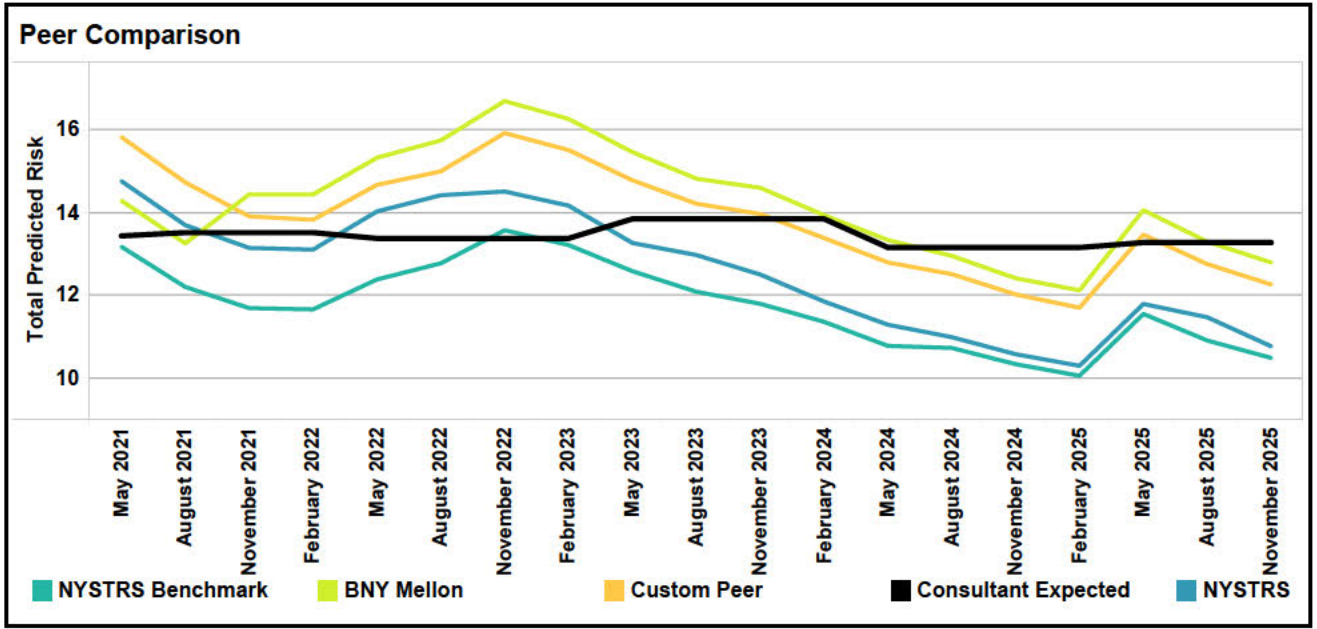
The Stressed Contingency Funding Liquidity KRI seeks to evaluate how many months of payroll can be made during a Global Financial Crisis (GFC) like scenario before NYSTRS' Contingency Funding Plan is triggered. GFC loss is modeled over 12 months with asset classes returning capital market assumptions years 2-5. Employer contributions are capped at 17%.

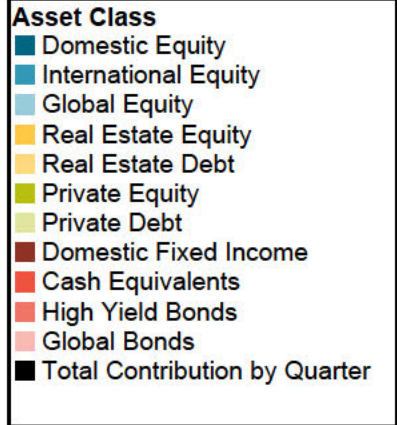
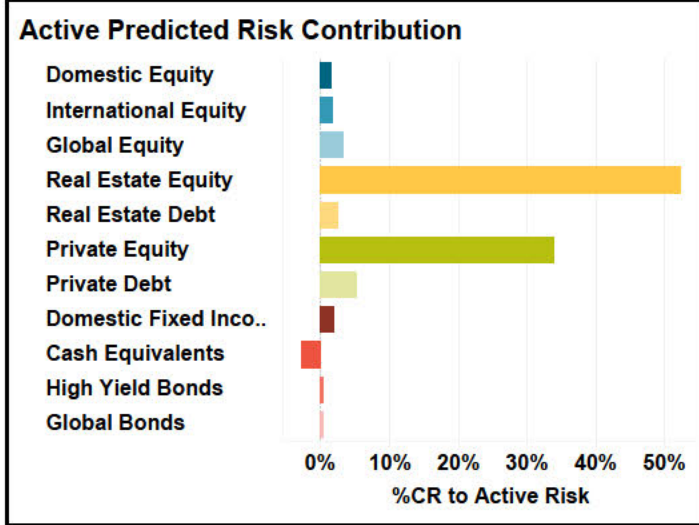
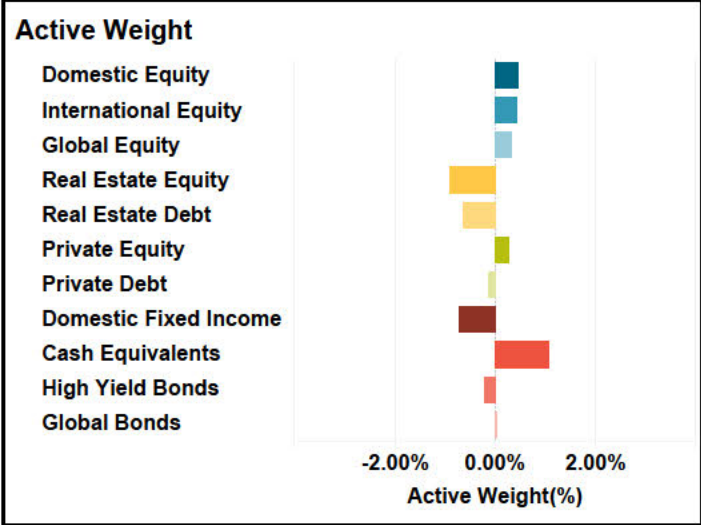
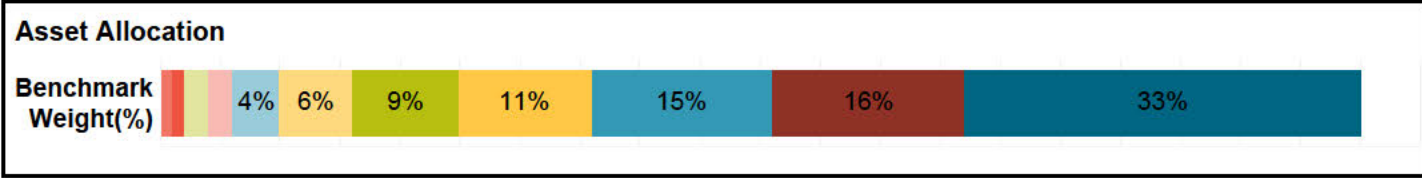
Observations:

Market volatility continued to subside during the quarter, which caused total plan risk to decrease to 10.79% from 11.49%. Equity investments continue to contribute the majority of total plan risk, with public equities asset classes contributing 72.5% of total plan risk.



Asset Class	Weight (%)	%CR to Total Risk	Portfolio Risk Contribution	Total Risk
Total Plan	100.00%	100.00%	10.79	10.79
Domestic Equity	33.46%	47.90%	5.17	16.13
International Equity	15.43%	18.95%	2.04	14.85
Global Equity	4.32%	5.71%	0.62	14.70
Real Estate Equity	10.12%	7.52%	0.81	11.18
Real Estate Debt	5.38%	0.59%	0.06	2.92
Private Equity	9.26%	15.73%	1.70	22.76
Private Debt	1.87%	1.24%	0.13	8.31
Domestic Fixed Inco..	15.30%	1.79%	0.19	5.10
Cash Equivalents	2.08%	0.00%	0.00	0.05
High Yield Bonds	0.79%	0.22%	0.02	4.19
Global Bonds	1.99%	0.34%	0.04	4.85



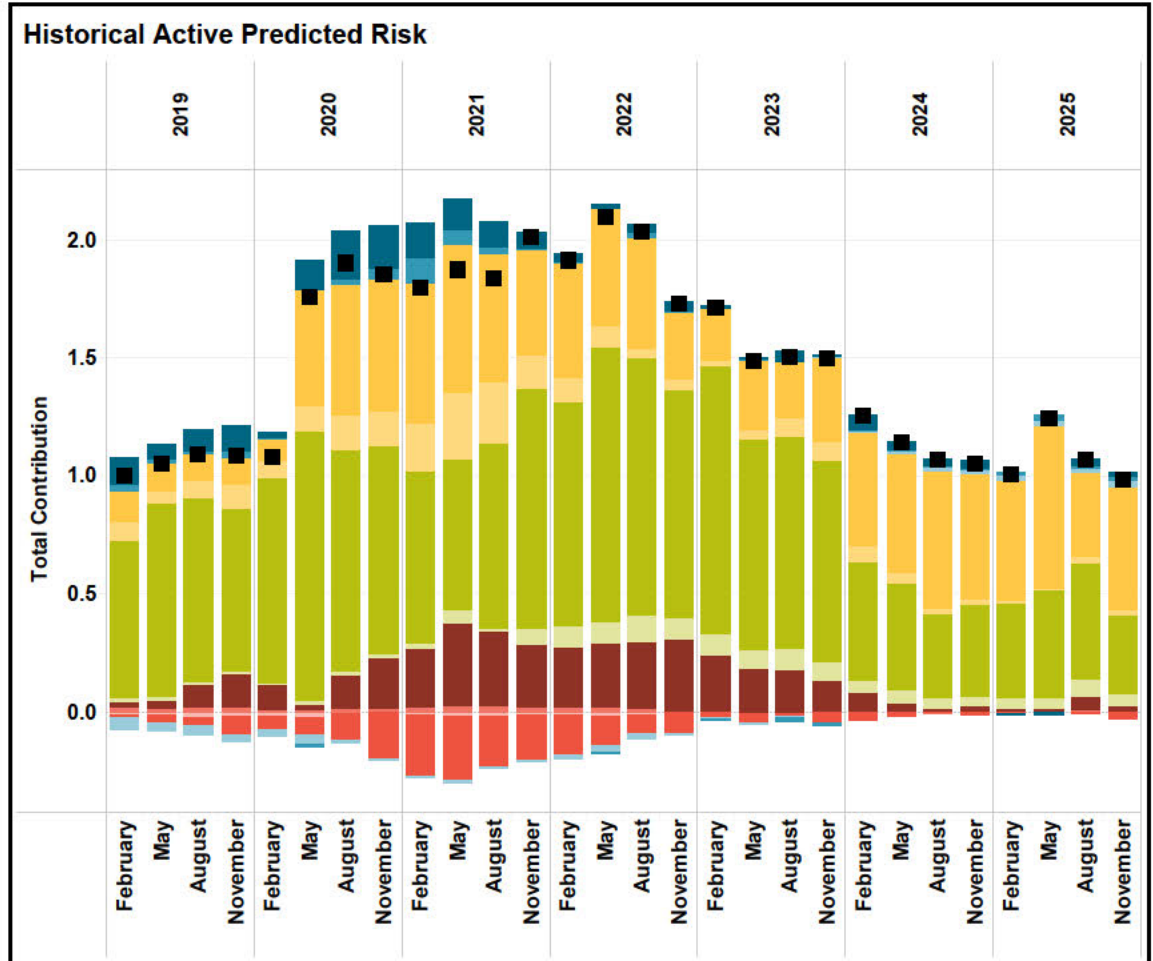


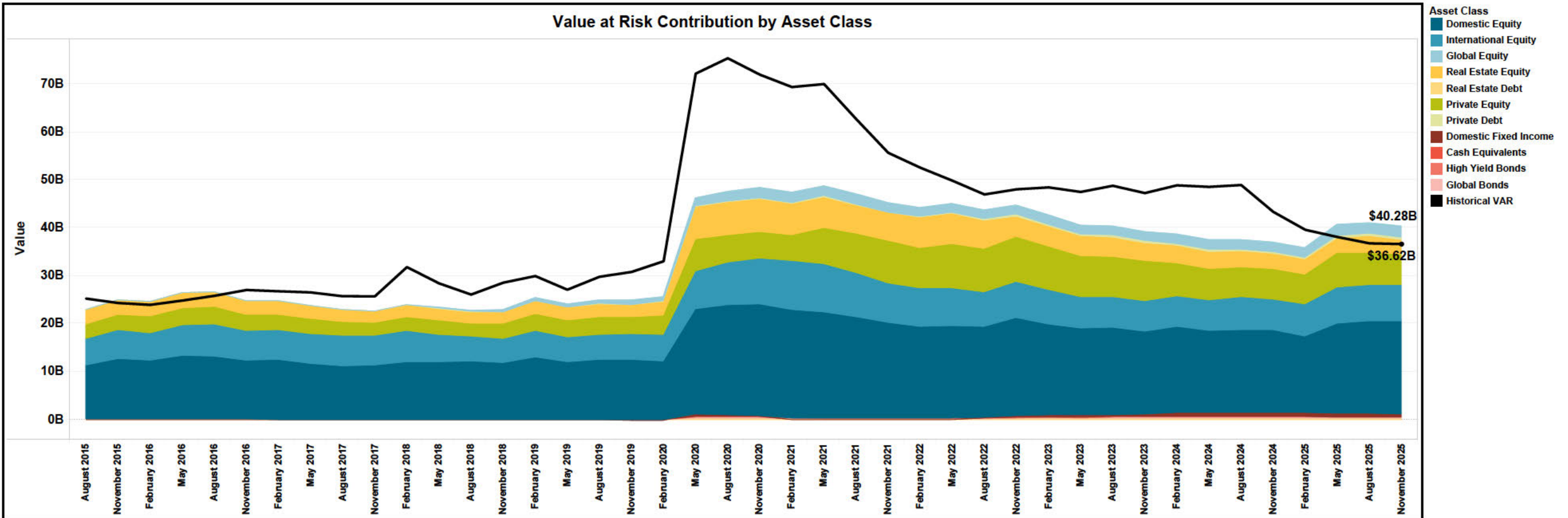
Active Predicted Risk:
Active Predicted Risk is defined as the expected volatility of excess returns, and results from differences between actual portfolio weights and holdings vs. policy weights and holdings. Excess returns may be positive or negative.

Active Risk for the Fund is largely controlled by limiting the difference between the actual and policy benchmark (target) weights for each asset class.

Benchmarking issues associated with private market portfolios also affect the measurement of 'active' risk. We see this most significantly with NYSTRS' private equity portfolio.

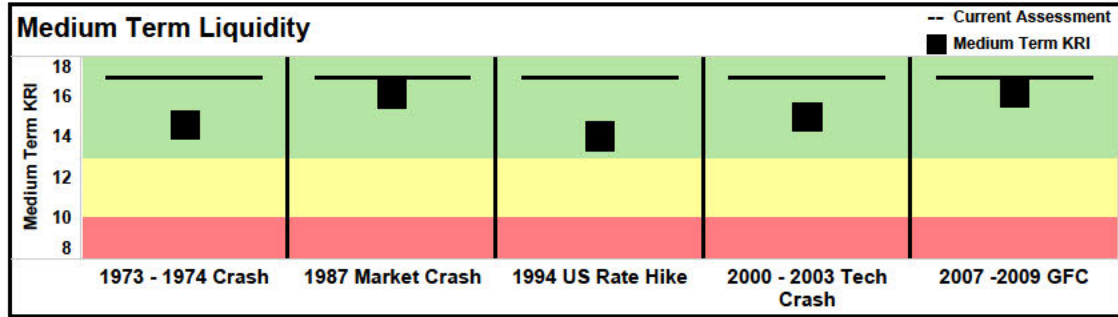
Asset Class	Weight(%)	Benchmark Weight(%)	Active Weight(%)	%CR to Active Risk	Total Contribution	Active Risk
Total Risk	100.00%	100.00%	0.00%	100.00%	0.99	0.99
Domestic Equity	33.46%	33.00%	0.46%	1.51%	0.01	0.09
International Equity	15.43%	15.00%	0.43%	1.62%	0.02	0.41
Global Equity	4.32%	4.00%	0.32%	3.21%	0.03	2.64
Real Estate Equity	10.12%	11.00%	-0.88%	52.31%	0.52	6.18
Real Estate Debt	5.38%	6.00%	-0.62%	2.51%	0.02	1.07
Private Debt	1.87%	2.00%	-0.13%	5.21%	0.05	4.89
Private Equity	9.26%	9.00%	0.26%	33.90%	0.33	5.55
Domestic Fixed Income	15.30%	16.00%	-0.70%	1.93%	0.02	0.17
Cash Equivalents	2.08%	1.00%	1.08%	-2.79%	-0.03	0.05
High Yield Bonds	0.79%	1.00%	-0.21%	0.34%	0.00	0.47
Global Bonds	1.99%	2.00%	-0.01%	0.25%	0.00	0.86





Portfolio Name	Total Portfolio VAR (\$M)	Diversification Benefit	Contribution to VAR (\$M)	(%)Contribution to VAR
Total Portfolio	\$47,740	(\$7,461)	\$40,278	100.00%
Domestic Equity	\$20,154		\$19,295	47.90%
International Equity	\$8,555		\$7,632	18.95%
Private Equity	\$7,867		\$6,336	15.73%
Real Estate Equity	\$4,224		\$3,029	7.52%
Global Equity	\$2,373		\$2,300	5.71%
Domestic Fixed Income	\$2,911		\$722	1.79%
Private Debt	\$580		\$499	1.24%
Real Estate Debt	\$588		\$238	0.59%
Global Bonds	\$360		\$136	0.34%
High Yield Bonds	\$124		\$91	0.22%
Cash Equivalents	\$4		\$0	0.00%

Historical Scenario Analysis - Liquidity KRI



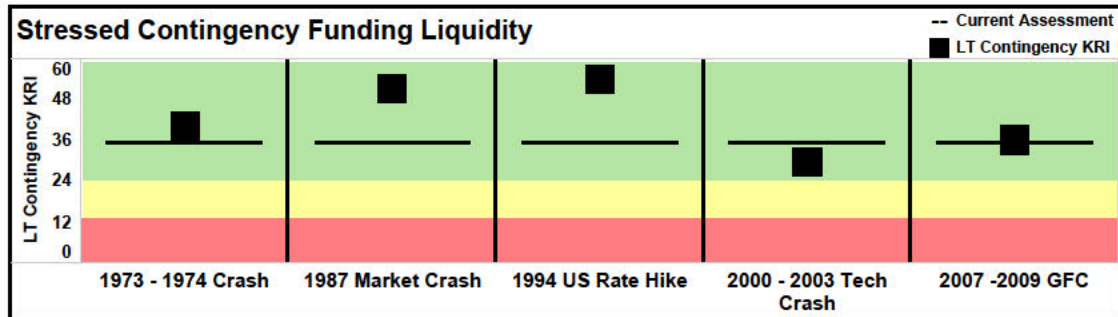
Scenario Analysis:

A scenario analysis seeks to determine how a portfolio may be affected by subjecting it to various historical or hypothetical market conditions. The charts to the left estimate how some of our liquidity KRI's would be impacted by the various historical scenarios.

Historical Scenarios:

The following historical scenarios apply market conditions experienced during their respective timeframes to NYSTRS' current portfolio over the course of a 1-year period. High level scenario inputs are provided below for context:

Historical Scenario	Date	Domestic Equity	UST Yields: 2y5y10y (bps)	Credit Spreads: AA/BB/CCC (bps)	Total Plan Loss
1973-1974 Stagflation & Rate Hikes	1/1/73 - 8/31/74	-34.54%	347	LIBOR 334	-23.37%
1987 Stock Market Crash	8/3/87 - 11/30/87	-26.44%	Unchanged	Unchanged	-12.52%
1994 US Rate Hike	1/31/94 - 12/13/94	-5.43%	162/152/131	2/36/0	-4.04%
2000 - 2003 Tech Crash & Recession	1/9/00 - 3/12/03	-46.51%	-488/-387/-281	-13/244/1151	-24.88%
2007 - 2009 Global Financial Crisis	9/30/07 - 3/4/09	-52.86%	-308/-226/-115	234/849/3779	-37.79%

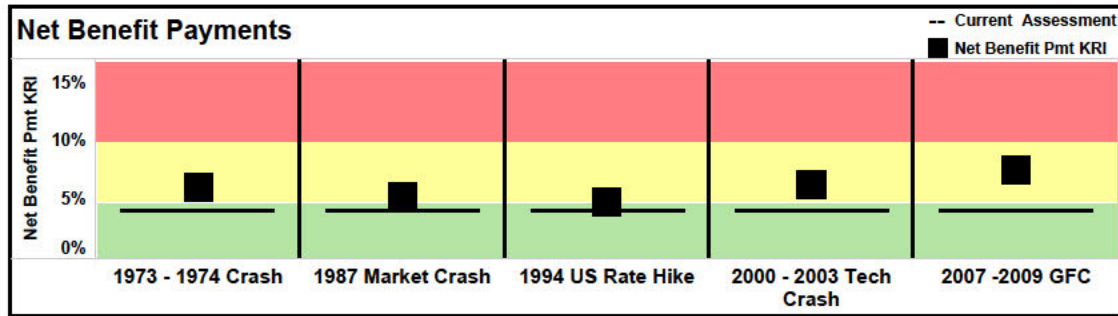


Medium Term Liquidity KRI:

The top chart depicts how each historical scenario would impact funding liquidity after a one-time rebalance to target policy weights. Cash and Domestic Fixed Income coverage represents how much of each asset class could be used to make payroll before lower asset allocation bounds were breached and additional rebalancing was required.

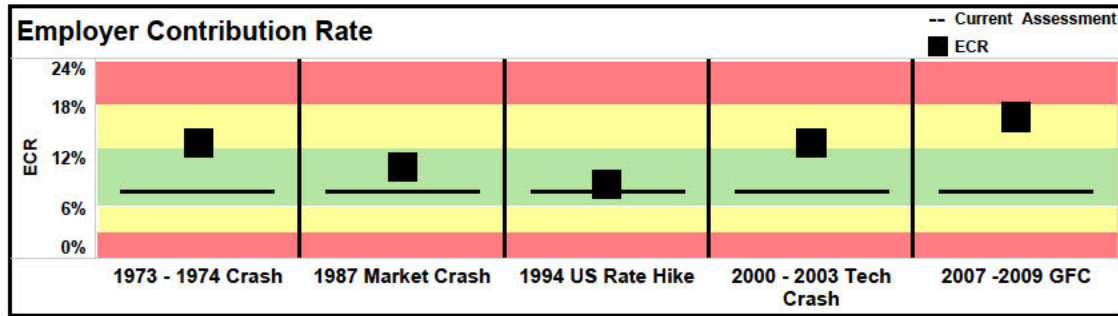
Stressed Contingency Funding Liquidity KRI :

The second chart depicts how each historical scenario would impact the Stressed Contingency Funding Liquidity KRI. This KRI is a measure which seeks to evaluate how many months of payroll can be made during one of these scenarios before NYSTRS' Contingency Funding Plan is triggered.



Net Benefit Payments as % of Assets:

The third chart depicts how each historical scenario would impact net benefit payments as a percentage of assets. Figures are representative of each scenarios market bottom and do not incorporate expected cash flows or market recovery. (Net Benefit Payments=Annual Benefit Payments-Employer & Employee Contributions)

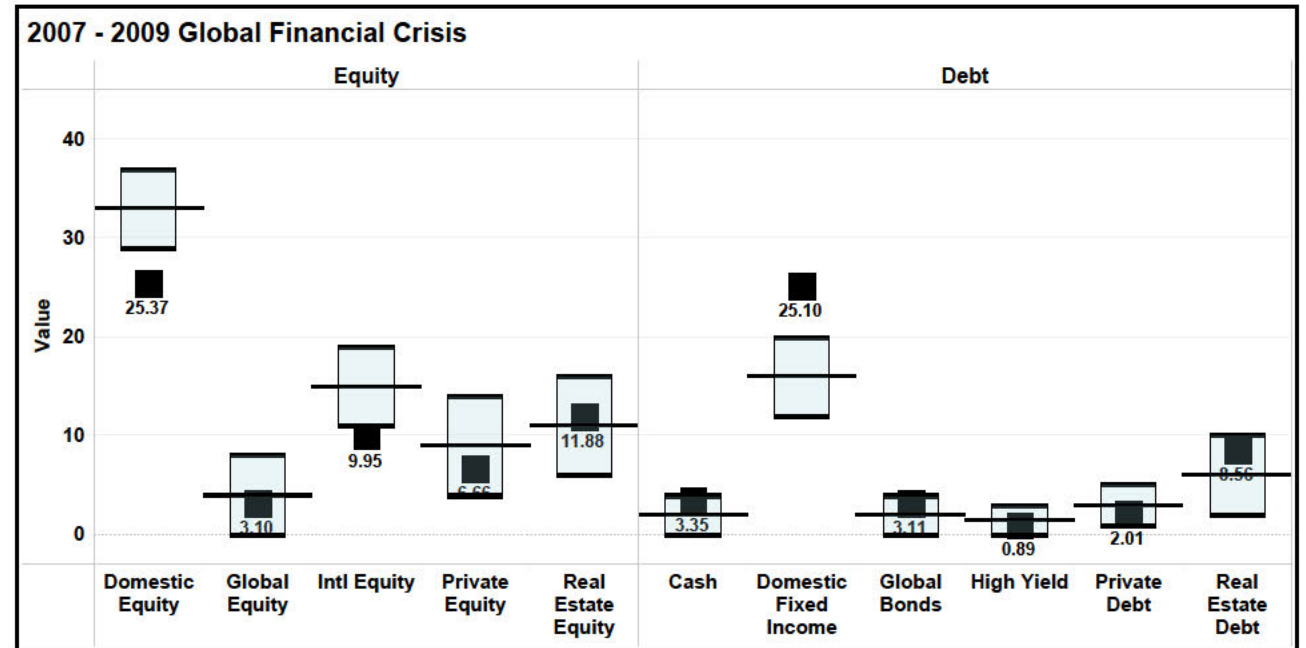
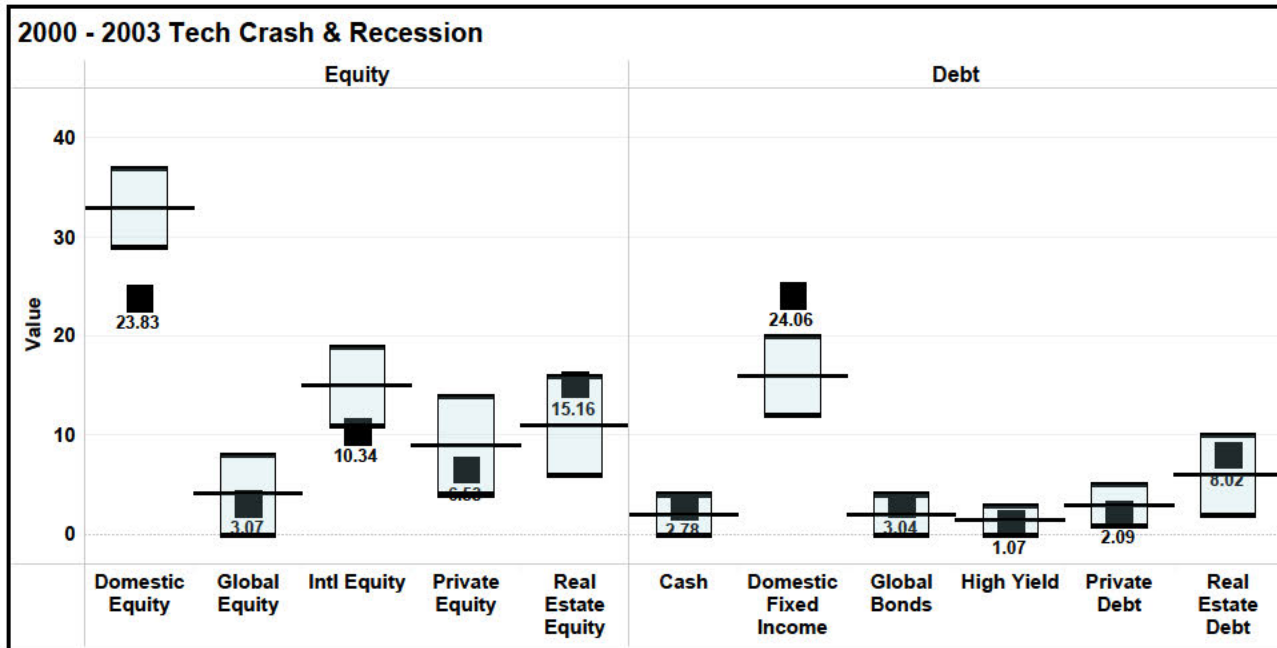
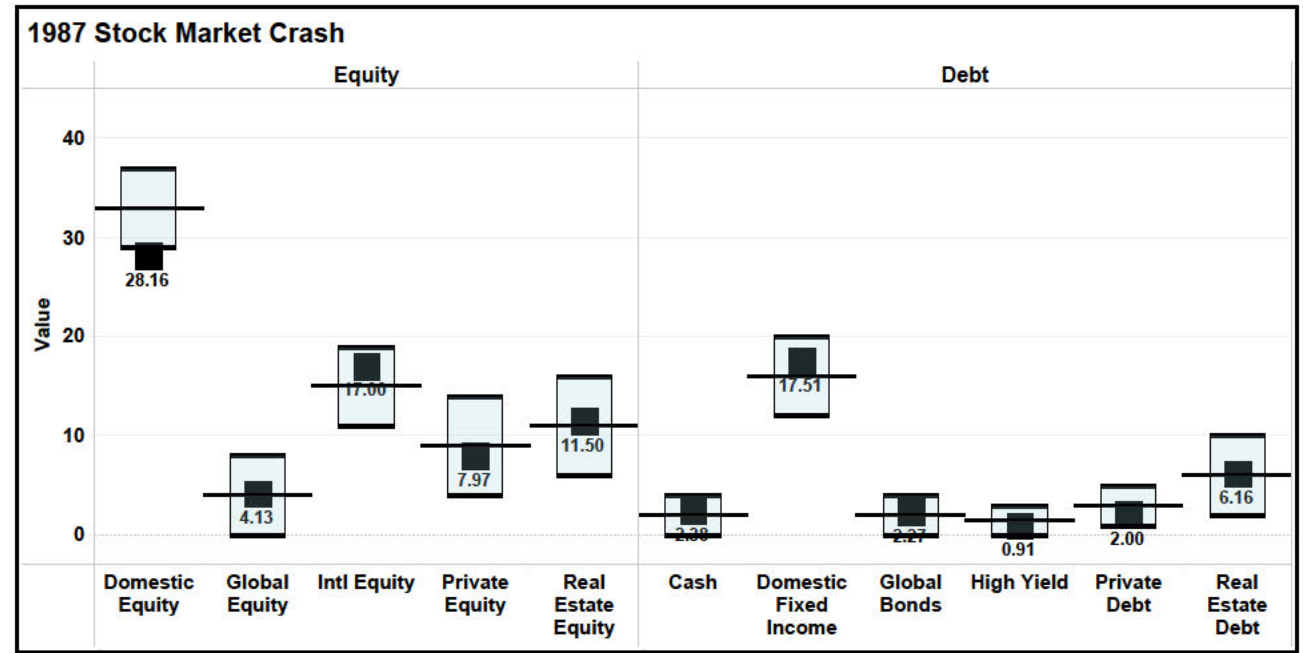
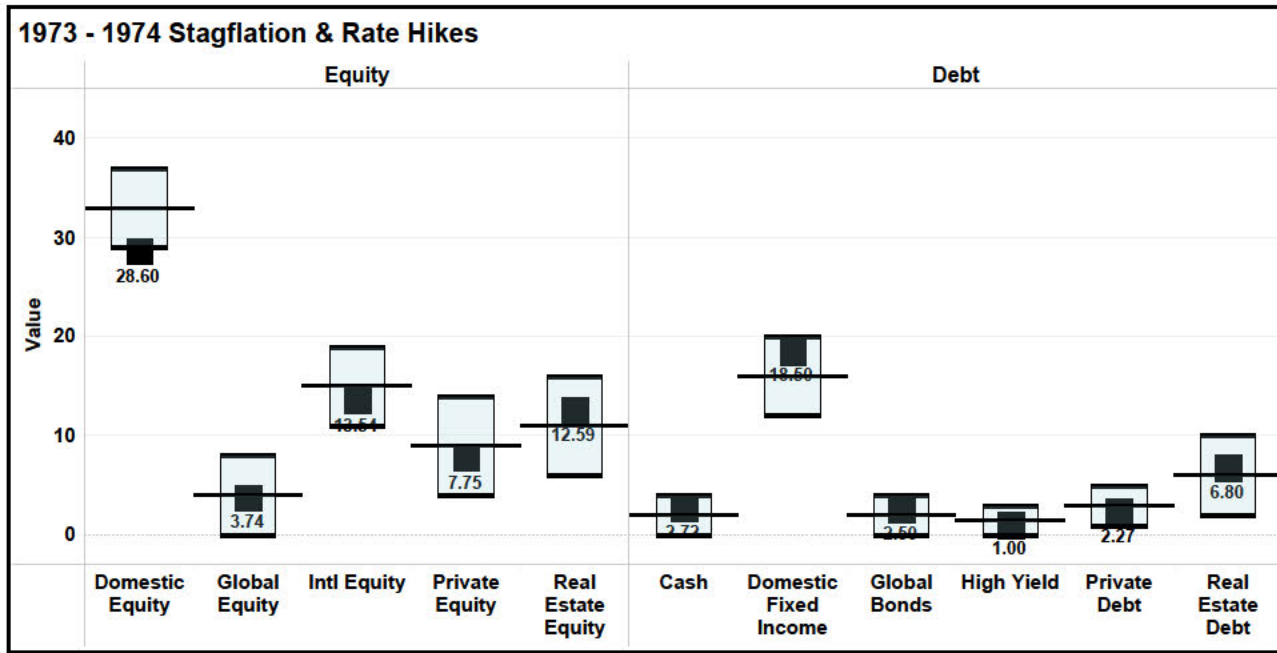


Employer Contribution Rate:

The bottom chart depicts how each historical scenario would immediately impact the Employer Contribution Rate (ECR) as a percentage of pay. Figures are representative of each scenario's market bottom and do not incorporate a market recovery. Note that absent a market recovery, the ECR would continue to increase in future years as the major asset loss continues to be smoothed in over the remainder of the five year smoothing period.

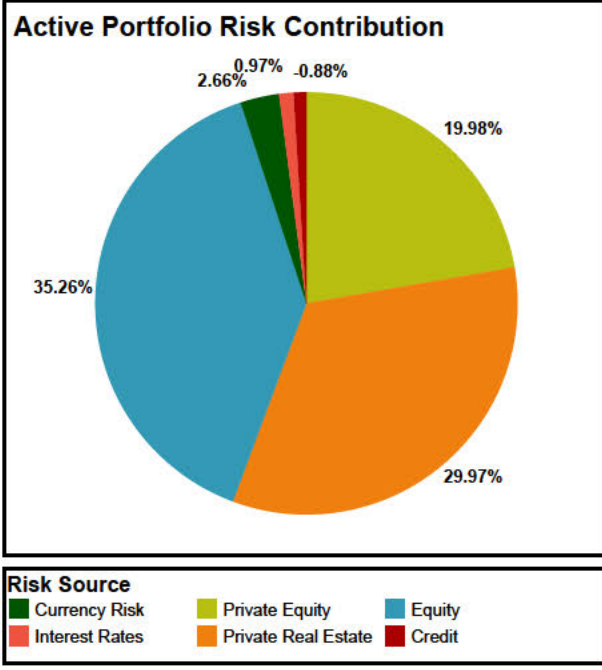
Scenario Analysis – Impact to Asset Allocation KRI

Data as of 11/28/2025



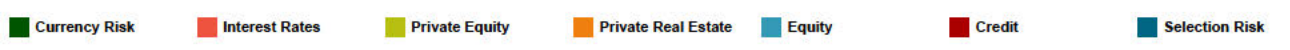
Predicted Risk by Risk Factor

Top 20 - Currency Total Exposure	
US Dollar	78.69%
Euro	4.68%
Japanese Yen	2.68%
British Pound Sterling	2.67%
Hong Kong Dollar	1.68%
Canadian Dollar	1.58%
New Taiwan Dollar	1.04%
Indian Rupee	1.01%
Swiss Franc	0.91%
Australian Dollar	0.89%
Chinese Yuan	0.82%
Korean Won	0.73%
Swedish Krona	0.51%
Brazilian Real	0.30%
Norwegian Krone	0.23%
Singapore Dollar	0.23%
South African Rand	0.18%
United Arab Emirates Dirham	0.17%
New Israeli Sheqel	0.11%
Mexican Peso	0.10%

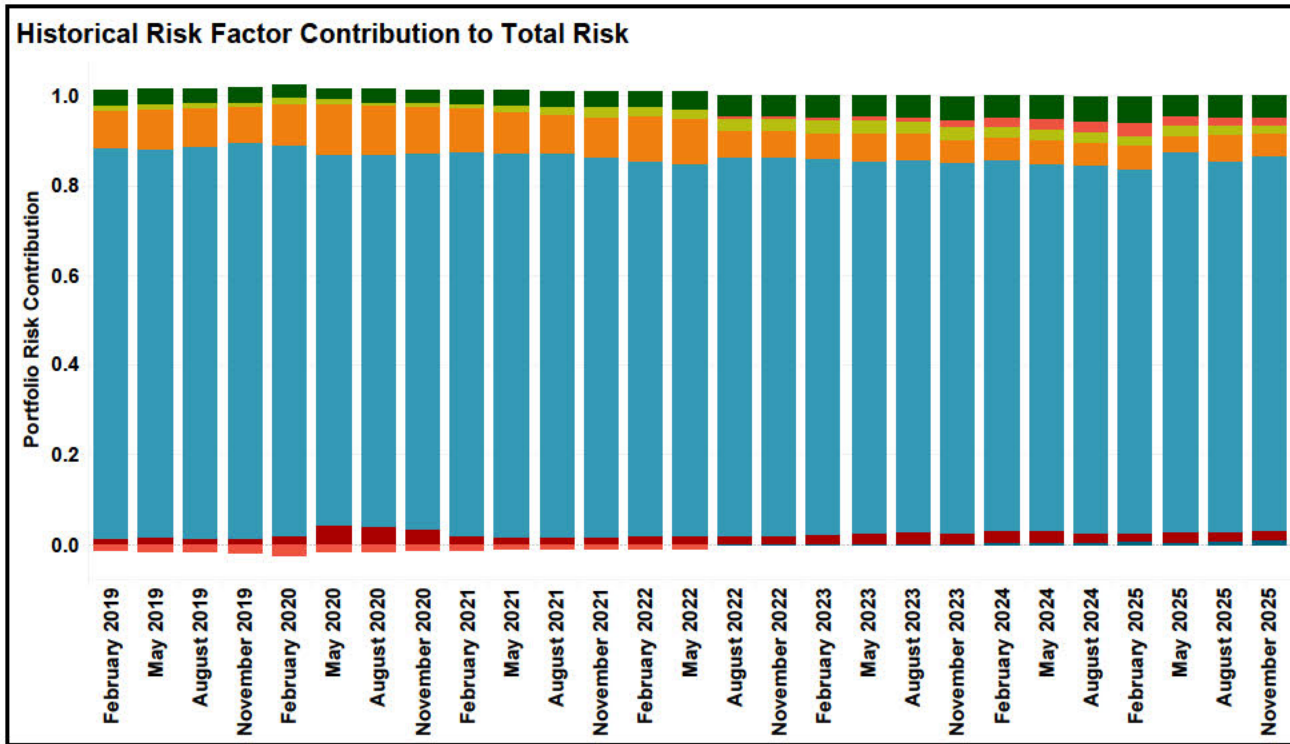


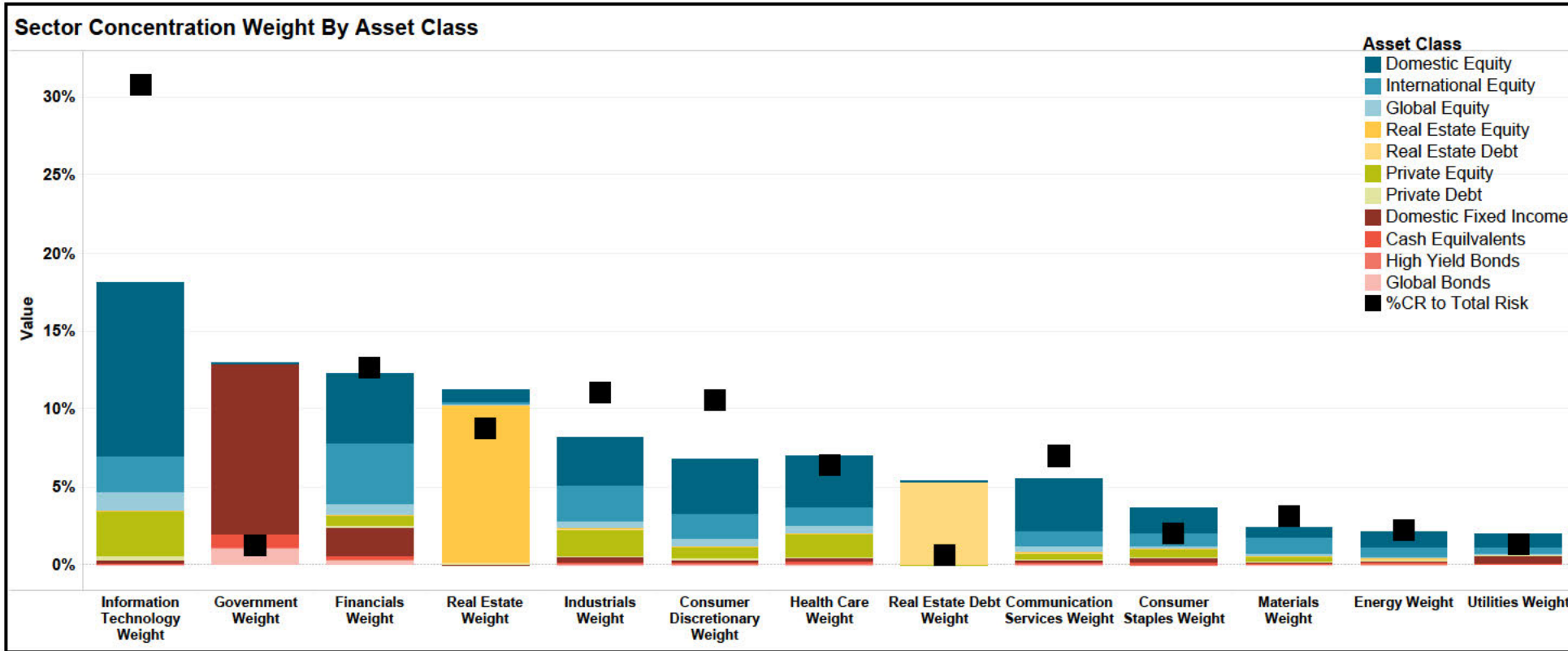
Risk Factors:
 Risk factors are characteristics shared by a group of securities that influence their risk and return as well as their correlations. The five common factor risk groups used for this analysis (equity, interest rates, credit, private equity, and private real estate) can be further decomposed into underlying factors such as industry, style, interest rate term structure, and geography. Each factor has an expected volatility and correlation with the other risk factors. All of NYSTRS holdings are modeled according to their exposures to individual risk factors.

Observations:
 Equity risk factors continued to contribute the majority of total plan risk.



Risk Source	Portfolio Risk Contribution	Portfolio Risk Contribution (%)	Benchmark Risk Contribution	Benchmark Portfolio Risk Contribution (%)	Active Portfolio Risk Contribution (%)
Total Risk	10.79	100.00%	10.51	100.00%	100.00%
Local Market Risk	10.27	95.22%	10.06	95.78%	97.34%
Common Factor Risk	10.15	94.05%	9.92	94.42%	85.93%
Equity	9.01	83.52%	8.31	79.05%	35.26%
Interest Rates	0.10	0.93%	0.12	1.11%	0.97%
Credit	0.24	2.20%	0.26	2.49%	-0.88%
Private Equity	0.20	1.86%	0.11	1.01%	19.98%
Private Real Estate	0.52	4.84%	1.04	9.85%	29.97%
Selection Risk	0.13	1.17%	0.14	1.36%	11.41%
Currency Risk	0.52	4.78%	0.44	4.22%	2.66%





Observations:

Sector contribution to risk is in line with expectations. Information Technology's contribution to total risk surpassed 30% for the first time this quarter, primarily driven by a higher weight due to strong performance.

Sectors:

In developing the sector schedule, NYSTRS began with industry recognized sectors used by MSCI and S&P. Five custom sectors were added to this base to accommodate the Fund's allocation to Government, Real Estate Debt, Real Estate Equity, Cash and "Other" investments.

The bar chart representing weight for each sector was then further divided by asset class; with shades of blue denoting public equity asset classes, red denoting public fixed income asset classes, green denoting private equity and debt, and orange denoting real estate equity and debt.

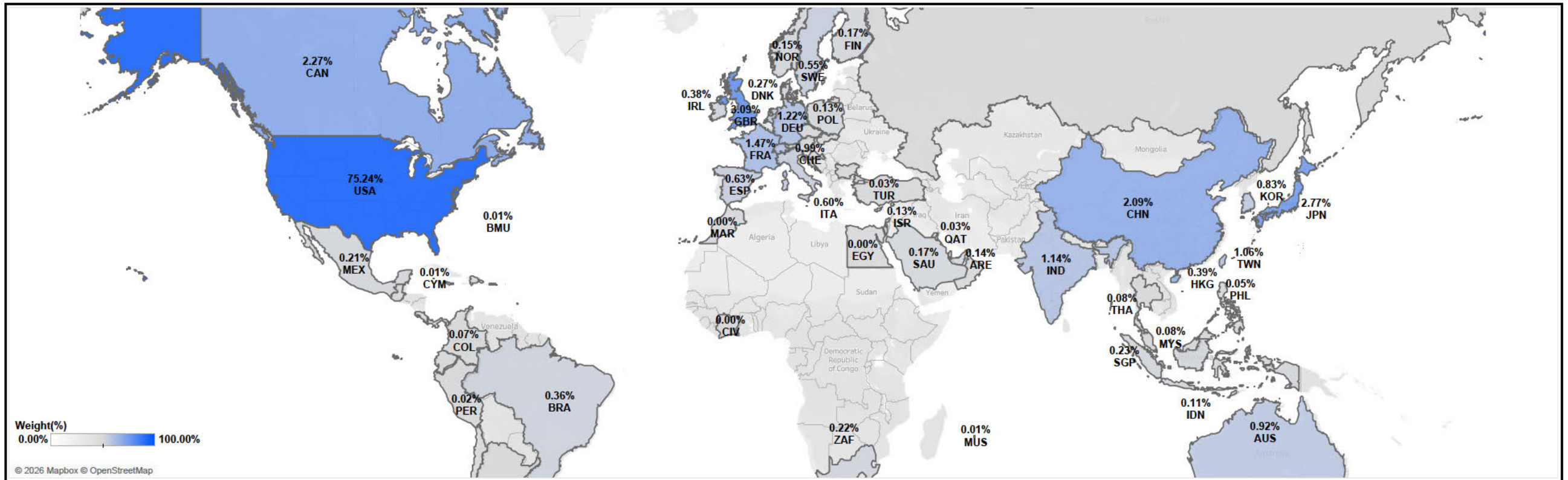
Defensive sectors such as Utilities, and Consumer Staples tend to be more stable and less volatile regardless of the condition of the overall financial markets. Because these sectors are not highly correlated with the business cycle, they are also known as "non-cyclical". Cyclical sectors such as Consumer Discretionary and Materials tend to be correlated with the business cycle and can be more volatile than defensive sectors.

These characteristics can be seen in the chart. The risk contribution by the defensive sectors is less than their market value allocation and the risk contribution by the cyclical sectors is higher than their market value allocation.

NYSTRS Sector	Market Value (\$M)	Weight (%)	Portfolio Risk Contribution	(%) CR to Total Risk	Total Risk
Total Plan	\$160,490	100.00%	10.79	100.00%	10.79
Information Technology	\$29,121	18.15%	3.32	30.80%	20.55
Financials	\$19,783	12.33%	1.37	12.67%	12.47
Government	\$20,860	13.00%	0.14	1.28%	4.63
Real Estate Equity	\$18,030	11.23%	0.94	8.74%	11.21
Industrials	\$13,397	8.35%	1.19	11.02%	15.24
Consumer Discretionary	\$11,108	6.92%	1.14	10.53%	18.14
Health Care	\$11,500	7.17%	0.69	6.41%	13.02
Real Estate Debt	\$8,638	5.38%	0.06	0.59%	2.92
Communication Services	\$8,859	5.52%	0.75	6.99%	17.16
Consumer Staples	\$5,916	3.69%	0.22	2.05%	9.51
Materials	\$3,944	2.46%	0.34	3.13%	16.32
Energy	\$3,676	2.29%	0.24	2.21%	16.56
Utilities	\$3,199	1.99%	0.14	1.30%	10.73

Observations:

Total Developed and Emerging market regions remain within 1% of the benchmark. Note: Country of exposure is generally determined by the country of incorporation of the issuing company.



Geographic Region	Market Value (\$M)	Weight (%)	BMK Weight (%)	Active Weight(%)	Portfolio Risk Contribution	(%)CR to Total Risk	Total Risk
Total Plan	\$160,490	100.00%	100.00%	0.00%	10.79	100.00%	10.79
Total Developed	\$148,554	92.56%	93.27%	-0.71%	9.96	92.33%	10.79
United States	\$120,760	75.24%	79.23%	-3.99%	7.79	72.16%	10.54
Europe and Middle East	\$17,164	10.69%	8.65%	2.05%	1.39	12.85%	15.04
Japan	\$4,452	2.77%	2.45%	0.32%	0.32	2.97%	17.08
Pacific ex Japan	\$2,539	1.58%	1.22%	0.36%	0.22	2.02%	16.80
Canada	\$3,639	2.27%	1.71%	0.56%	0.25	2.34%	13.19
Total Emerging	\$10,997	6.85%	6.17%	0.68%	0.81	7.46%	15.21
Asia	\$8,731	5.44%	5.20%	0.24%	0.64	5.98%	16.37
EMEA	\$1,076	0.67%	0.53%	0.14%	0.08	0.72%	16.38
Latin America	\$1,189	0.74%	0.44%	0.30%	0.08	0.76%	16.27
Total Other	\$942	0.59%	0.56%	0.03%	0.02	0.16%	5.27
Rest of the World	\$588	0.37%	0.34%	0.03%	0.00	0.04%	3.25
Frontier	\$355	0.22%	0.22%	0.00%	0.01	0.12%	11.75

Appendix:

Developed Markets			Emerging Markets			Frontier Markets		
Americas	EMEA	APAC	Americas	EMEA	APAC	Americas	EMEA	APAC
Canada USA	Austria Belgium Denmark Finland France Germany Ireland Israel Italy Netherlands Norway Portugal Spain Sweden Switzerland UK	Australia Hong Kong Japan New Zealand Singapore	Brazil Chile Colombia Mexico Peru	Czech Republic Egypt Greece Hungary Kuwait Poland Qatar Saudi Arabia South Africa Turkey UAE	China India Indonesia Korea Malaysia Philippines Taiwan Thailand	—	Bahrain Benin* Burkina Faso* Croatia Guinea-Bissau* Iceland Ivory Coast* Jordan Kazakhstan Kenya Mali* Mauritius Morocco Niger* Oman Senegal* Serbia Togo* Tunisia	Bangladesh Pakistan Sri Lanka Vietnam
						Advanced Frontier Markets		
							Estonia Latvia Lithuania Romania Slovenia	
Standalone Markets¹								
						Americas	EMEA ²	APAC ³
						Argentina Jamaica Panama Trinidad and Tobago	Bosnia and Herzegovina Bulgaria Lebanon Malta Nigeria Palestine Ukraine Zimbabwe	—

*MSCI.com/market-classification

**NEW YORK STATE
TEACHERS' RETIREMENT SYSTEM**

**INVESTMENT COMMITTEE MEETING
January 28, 2026**

INVESTMENT COMMITTEE MEETING
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
10 Corporate Woods Drive, Albany NY

A meeting of the Investment Committee of the Retirement Board was held at the System on January 28, 2026. Nicholas Smirensky, Chair, called the meeting to order at 9:04 a.m.

The following individuals were in attendance:

Investment Committee Members

Eric Iberger, David Keefe, Scott Levy (via WebEx), Jennifer Longtin, Nicholas Smirensky

Board Members

Donald A. Little III, Natalie McKay, Mark Stratton

Staff

Thomas Lee, Don Ampansiri, Kathy Ebert, Gerald Yahoudy, Melody Prangle, Vijay Madala, Shannon Bonesteel, Danny Malavé, Matt Albano, Margaret Andriola, Emily Ekland, Han Yik, Sandra Schaufler, Aaron VanDerwiell, Chris Brown, Kevin Maloney, Michael Morrell, Heidi Brennan, Sarah Garrand, Matt Pinchinat, Binoop Unni, Joe Wood, Heather Marks, Tom King, Matt Minicucci, Wanette Alston, Sheilish Hylton, Stacey Lesser Meehan

System Consultants

Callan: Tom Shingler, Carlo Stadlinger, David Zee (via WebEx)

StepStone: Scott Schwind

Visitors

In person: Juliet Benaquisto

Via WebEx: Ben Sheng, Fundfire; Sun Yu, Financial Times; Cyril Espanol, WithIntelligence; Nate Weinstein, Osmosis; Diana Zuckerman, Retired Teacher; John Fricker

Approval of Minutes

A. Approval of Minutes of October 29, 2025 Investment Committee Meeting

There being no additions or corrections to the minutes of the October 29, 2025 meeting, the minutes were approved with a motion made by E. Iberger, seconded by D. Keefe and unanimously carried.

Presentations

A. Executive Session

Upon motion of D. Keefe, seconded by J. Longtin and unanimously carried, the Committee went into Executive Session at 9:05 a.m. to hear a Public Equities presentation and a Fixed Income manager presentation. Upon motion of J. Longtin, seconded by D. Keefe and unanimously carried, the Committee came out of Executive Session at 10:42 a.m.

B. High Yield Program Policy Benchmark Proposed Change

A VanDerwiel and D. Bondi gave a presentation recommending NYSTRS' high yield program's policy benchmark follow the ICE BofA US HY Constrained Index (HUC0) instead of the ICE BofA BB-B US HY Constrained Index (HUC4), effective July 1, 2026 (Appendix A, pp, 13-54).

1. Resolution on High Yield Benchmark Change

Upon motion of E. Iberger, seconded by J. Longtin and unanimously carried by the Committee, the following resolution was unanimously recommended to the Retirement Board:

RESOLVED, That the System is authorized to change the High Yield Bonds policy benchmark from the ICE BofA BB-B US High Yield Constrained Index to the ICE BofA US High Yield Constrained Index effective as of July 1, 2026; and be it further

RESOLVED, The Investment Policy Manual, as presented to the Retirement Board, reflecting such policy benchmark change effective as of July 1, 2026 is approved and accepted; and be it further

RESOLVED, That the Executive Director and Chief Investment Officer or designee is authorized to take such other actions as may be necessary or required to implement such policy benchmark change.

The Committee heard reports and updates from staff and reviewed the following information regarding the System's investments and performance:

Review of Investments

1. Investment Committee Executive Summary (Appendix B, pp. 55-61)
2. Public Equities Update (Appendix C, pp. 62-64)
3. Fixed Income Update (Appendix D, p. 65)
4. Real Estate Update (Appendix E, pp. 66-69)
5. Private Equity/Debt Update (Appendix F, pp. 70-73)

Policy Review and Action

- A. Consent Agenda Recommendation Items A 1-2 (Appendix G, pp. 74-75)

N. Smirensky asked the Committee members if any of the consent agenda items should be moved to regular discussion items. Hearing no objections, the Committee proceeded to move the Consent Agenda Recommendation items (A 1-2) together with one motion.

Upon motion of J. Longtin, seconded by D. Keefe and unanimously carried by the Committee, the following consent agenda item resolutions were moved and unanimously recommended to the Retirement Board:

1. Renew Consultant

- Callan – General Investment Consultant

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to contract with Callan LLC to act as:

- i) the System’s general investment consultant, to review the System’s asset allocation and recommend any changes therein, if necessary, and to monitor the performance of the System’s external investment managers, for a period of one year, commencing May 1, 2026, at an annual cost of \$539,063 which includes the fee for an asset liability study; and
- ii) the System’s secondary private equity and private debt consultant to provide individual fund due diligence at \$35,000 per fund and to perform such assignments and optional services as may be determined by the Executive Director and Chief Investment Officer, or designee, in connection therewith, for the one-year period commencing May 1, 2026.

2. Renew Managers

- AEW Capital Management

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	AEW Capital Management, LP
NYSTRS Department:	Real Estate
Original Contract Date:	04/15/2022
Approved Renewal Period:	04/15/2026 – 04/14/2027
Mandate	
• Asset Class:	Real Estate Investment Trusts
• Account Benchmark	FTSE NAREIT Equity Residential REIT
• Active or Passive:	Active
• Account Inception Date:	09/14/2022

- ARGA Investment Management

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	ARGA Investment Management, LP
NYSTRS Department:	Public Equities
Approved Renewal Period:	5/16/2026 – 5/15/2027
Mandate	
• Asset Class:	International Equities
• Account Benchmark:	MSCI ACWI exUS Index
• Active or Passive:	Active

- Ariel Investments LLC

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	Ariel Investments LLC
NYSTRS Department:	Public Equities
Approved Renewal Period:	4/10/2026 – 4/9/2027
Mandate	
• Asset Class:	International Equities
• Account Benchmark:	MSCI ACWI exUS Index
• Active or Passive:	Active

- Arrowstreet

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	Arrowstreet Capital LP
NYSTRS Department:	Public Equities
Approved Renewal Period:	3/26/2026 – 3/25/2027
Mandate 1	
• Asset Class:	International Equities
• Account Benchmark:	MSCI ACWI exUS Index
• Active or Passive:	Active
Mandate 2	
• Asset Class:	Global Equities
• Account Benchmark:	MSCI ACWI Index
• Active or Passive:	Active

- Bank of NY Mellon (Securities Lending)

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	The Bank of New York Mellon
NYSTRS Department:	Fixed Income
Approved Renewal Period:	3/17/2026 – 3/16/2027
Mandate	
• Asset Class:	Securities Lending
• Account Benchmark:	N/A
• Active or Passive:	Active

- Black Rock Financial Management, Inc. (CMBS)

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	Black Rock Financial Management, Inc.
NYSTRS Department:	Real Estate
Original Contract Date:	04/03/2001
Approved Renewal Period:	04/03/2026 – 04/02/2027
Mandate	
• Asset Class:	Commercial Mortgage Backed Securities
• Account Benchmark	Bloomberg Non-Agency Inv Grade CMBS
• Active or Passive:	Active
• Account Inception Date:	05/01/2001

- Cohen & Steers Capital Mgt – Multi Strategy

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	Cohen & Steers Capital Management, Inc.
NYSTRS Department:	Real Estate
Original Contract Date:	02/12/2018
Approved Renewal Period:	02/12/2026 – 02/11/2027
Mandate	
• Asset Class:	Real Estate Investment Trusts
• Account Benchmark	Custom Blended Benchmark: FTSE NAREIT Equity REIT (65%), FTSE NAREIT Preferred Stock (35%), ICE BofA US REIT (5%)
• Active or Passive:	Active
• Account Inception Date:	03/01/2018

- PGIM, Inc.

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	PGIM, Inc.
NYSTRS Department:	Fixed Income
Approved Renewal Period:	02/21/2026-02/20/2027
Mandate	
• Asset Class:	Fixed Income – High Yield
• Account Benchmark:	Bloomberg US High Yield 1% Issuer Capped Index (I09038US)
• Active or Passive:	Active

- J.P. Morgan Investment Management Inc.

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	J.P. Morgan Investment Management Inc.
NYSTRS Department:	Fixed Income
Approved Renewal Period:	03/05/2026-03/04/2027
Mandate	
• Asset Class:	Fixed Income – High Yield
• Account Benchmark:	ICE BofAML BB-B US High Yield Constrained Index (HUC4)
• Active or Passive:	Active

- Principal Real Estate Investors

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	Principal Real Estate Investors, LLC
NYSTRS Department:	Real Estate
Original Contract Date:	02/11/2022
Approved Renewal Period:	02/11/2026 – 02/10/2027
Mandate	
• Asset Class:	Real Estate Investment Trusts
• Account Benchmark	FTSE NAREIT All Equity REIT
• Active or Passive:	Active
• Account Inception Date:	04/01/2022

- Raith Capital Partners

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	Raith Capital Partners, LLC
NYSTRS Department:	Real Estate
Original Contract Date:	02/07/2019
Approved Renewal Period:	02/07/2026 – 02/06/2027
Mandate	
• Asset Class:	Public & Private Opportunistic Commercial Real Estate Debt Opportunities
• Account Benchmark	Bloomberg CMBS: BBB (Public)

	GL Crossover +100 bps (Private)
• Active or Passive:	Active
• Account Inception Date:	04/01/2019

- RhumbLine Advisors

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	RhumbLine Advisers LP
NYSTRS Department:	Public Equities
Approved Renewal Period:	3/30/2026 – 3/29/2027
Mandate	
• Asset Class:	International Equities
• Account Benchmark:	MSCI ACWI exUS Index
• Active or Passive:	Passive

- Xponance (f/k/a FIS Group)

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	Xponance, Inc
NYSTRS Department:	Public Equities
Approved Renewal Period:	4/25/2026 – 4/24/2027
Mandate	
• Asset Class:	International Equities
• Account Benchmark:	MSCI ACWI exUS Index
• Active or Passive:	Active

2. Resolution on BlackRock Systematic Enhanced High Yield

Upon motion of J. Longtin, seconded by D. Keefe and unanimously carried by the Committee, the following resolution was unanimously recommended to the Retirement Board:

RESOLVED, That, subject to the satisfactory completion of due diligence, the Executive Director and Chief Investment Officer or designee is authorized to contract with BlackRock Financial Management, Inc. to manage a portion of the System's fixed income portfolio in a US Broad Market High Yield Portfolio fixed income mandate benchmarked to the ICE BofA US High Yield Constrained Index (HUC0) and to allocate an initial funding of up to \$200 million to such manager in one or more tranches; and be it further

RESOLVED That the Executive Director and Chief Investment Officer or designee is authorized to execute such documents and to take such actions as may be necessary or required to implement the foregoing resolution.

3. Resolution Approving Changes to Investment Policy Manual (QAC)

Upon motion of D. Keefe, seconded by E. Iberger and unanimously carried by the Committee, the following resolution was unanimously recommended to the Retirement Board:

WHEREAS, The System plans to establish the Quantitative Advisory Committee ("QAC") consisting of external members to advise the Public Equities Department on quantitative strategies for the System's internal portfolios; and

WHEREAS, The System desires to confer upon QAC members the benefits of New York State Public Officers Law ("POL") Section 18, which provides for the defense and indemnification of persons holding a position by appointment in the service of a public entity; and

WHEREAS, The System desires to amend the Investment Policy Manual to document the QAC; and now therefore be it

RESOLVED, That, pursuant to POL Section 18(2), the Retirement Board hereby authorizes the System (i) to confer the benefits of POL Section 18 upon QAC members and (ii) to be held liable for the costs incurred under POL Section 18; and be it further

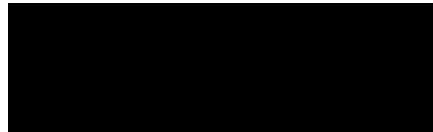
RESOLVED, That the change to the Investment Policy Manual to add a reference to the QAC, as presented to the Retirement Board, is approved and accepted; and be it further

RESOLVED, That the Executive Director and Chief Investment Officer or designee is authorized to take such other actions as may be necessary or required to implement the foregoing resolutions.

Informational reports

- The Committee reviewed the following informational reports: EDCIO Investment Discretion Report (Appendix H, pp. 76-79) and Mail Vote Quarterly Board Report (Appendix I, p. 80) and REAC Quarterly Transactions Board Report (Appendix J p. 81).

Respectfully submitted,



Thomas K. Lee



New York State
Teachers'
Retirement
System

Appendix A

NYSTRS Fixed Income

High Yield Policy Benchmark

High Yield AUM at 12/31/25

0.86% versus 1.00% Target

	Mandate	Benchmark	Market Value	% HY AUM	Inception Date
TOTAL	-	ICE BofA BB-B US HY Constrained Index ¹	\$1,376,090,432	100%	11/29/2017
JPMorgan	BB-B	ICE BofA BB-B US HY Constrained Index ¹	\$436,694,912	31.7%	05/01/2018
NCRAM	Broad HY	ICE BofA US High Yield Constrained ²	\$664,849,110	48.3%	10/14/2022
Advent	Broad HY	ICE BofA US High Yield Constrained ²	\$81,283,942	5.9%	10/16/2024
PGIM	Broad HY	Bloomberg US HY – 1% Issuer Cap ³	\$193,262,468	14.0%	04/04/2023

1. The ICE BofA BB-B US HY Constrained Index (HUC4) tracks performance of USD-denominated BB and B-rated below investment grade corporate debt issued publicly in the US, with issuer exposure capped at 2%.

2. The ICE BofA US High Yield Constrained Index (HUC0) tracks performance of USD-denominated below investment grade corporate debt issued publicly in the US, with issuer exposure capped at 2%.

3. The Bloomberg US HY – 1% Issuer Capped Index (I09038US) tracks performance of USD-denominated below investment grade corporate debt issued publicly in the US, with issuer exposure capped at 1%.

High Yield Policy Benchmark Change

1. Why are you presenting to the Committee?	<ul style="list-style-type: none"> ■ Fixed Income recommends replacing NYSTRS high yield program’s current policy benchmark to the ICE BofA US HY Constrained Index (HUC0) from the ICE BofA BB-B US HY Constrained Index (HUC4)
2. What are the key points of the presentation?	<ul style="list-style-type: none"> ■ NYSTRS exercised caution and discretion with instituting an up-in-quality HY mandate given unfamiliarity with investing in the asset class in 2017 and so chose the HUC4 benchmark ■ Following several years of ongoing due diligence on the BB-B HY mandates, the team became more comfortable and established investments with broad HY mandates which represent the full market opportunity set and include issuers rated Caa1/CCC+ and below ■ HUC0 is more appropriate and relevant given the majority of the HY program is allocated to broad HY
3. What are the key risks or concerns of taking no action vs taking action?	<ul style="list-style-type: none"> ■ NYSTRS’ HY program would continue to measure against an inappropriate benchmark that doesn’t align with new investment mandates, majority portfolio assets, risk profile, and overall investment goals ■ Increases tracking error and could prompt concerns over gaming an “easy” benchmark
4. What are the anticipated future changes to NYSTRS if the action is implemented?	<ul style="list-style-type: none"> ■ Convert to a more suitable, appropriate and relevant benchmark for the HY program
5. What action will the Committee be asked to take?	<ul style="list-style-type: none"> ■ Approve replacing NYSTRS HY policy benchmark to the ICE BofA US HY Constrained Index (HUC0) from the ICE BofA BB-B US HY Constrained Index (HUC4) effective July 1, 2026

January 2026



**Benchmark Review for New York
State Teachers' Retirement
System**

ICE BofA High Yield Constrained &
BB-B High Yield Constrained
Benchmarks

Important Disclosures regarding the use of this document are included at the end of this document. These disclosures are an integral part of this document and should be considered by the user.

Executive Summary

Callan recommends the use of the ICE BofA High Yield Constrained Benchmark:

- This benchmark is reflective of the opportunity set and manager exposures of the NYSTRS portfolio
- This benchmark is appropriate for measuring the performance and risk of the NYSTRS portfolio
- This benchmark reduces tracking error/misfit risk as compared to using ICE BofA High Yield Constrained BB-B Benchmark

Market Benchmarks – Criteria and Definitions

The Research Foundation of the CFA Institute published *A Primer for Investment Trustees* that established criteria for judging performance benchmarks:

- 1) **Unambiguous** – the benchmark should be clearly understood by all parties involved in the investment program
- 2) **Investable** – the benchmark should represent an investable alternative; that is, the plan could choose to invest in the benchmark passively rather than hire the particular manager
- 3) **Measurable** – the benchmark's rate of return should be readily calculable
- 4) **Appropriate** – the benchmark should reflect the manager's typical risk characteristics and area of expertise
- 5) **Specified in advance** – the benchmark must be specified prior to the evaluation period and known to all interested parties
- 6) **Owned** – the benchmark should be acknowledged and accepted as an appropriate accountability standard by the party responsible for the performance

ICE BofA BB-B High Yield Constrained and High Yield Constrained Comparison

BB-B Index has:

- ~10% Omission of <CCC rated issuers
- 63 bps lower effective yield
- ~2 pts premium par weighted trading price
- Lower market value weight in Industrials in lieu of Financial and Utility industries
- Lower market value weight in Media and Telecomm sub-industries

ICE BofA (Constrained)	BB-B HY (HUC4)	High Yield (HUC0)
Market Value (\$tn)	1.334	1.475
Credit Quality (%)	BB3	B1
<i>BB</i>	63.8	57.7
<i>B</i>	36.2	32.7
<i>CCC</i>		9.2
<i>CC</i>		0.3
<i>C</i>		0.1
Effective Duration (yrs)	2.89	2.87
Spread Duration (yrs)	2.80	2.78
Effective Yield (%)	5.90	6.53
OAS (bps)	233	297
Par Weighted Price	100.22	98.06
Par Weighted Coupon	6.50	6.62

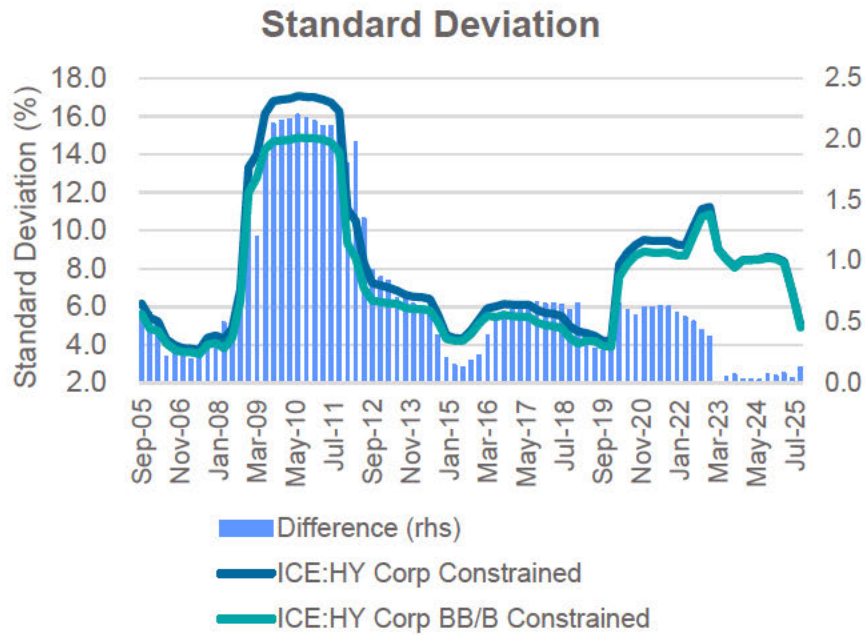
Industry Distribution (%)	BB-B HY (HUC4)	High Yield (HUC0)	Difference
Financial	10.7	10.5	0.2
<i>Banking</i>	0.1	0.1	0.0
<i>Financial Services</i>	8.2	7.7	0.5
<i>Insurance</i>	2.3	2.7	(0.4)
Industrials	85.0	85.6	(0.6)
<i>Automotive</i>	3.3	3.2	0.1
<i>Basic Industry</i>	10.0	9.7	0.3
<i>Capital Goods</i>	6.3	6.4	(0.1)
<i>Consumer Goods</i>	3.6	3.6	0.0
<i>Energy</i>	11.6	10.9	0.8
<i>Healthcare</i>	8.1	8.4	(0.3)
<i>Leisure</i>	6.4	6.1	0.3
<i>Media</i>	7.3	8.6	(1.3)
<i>Real Estate</i>	3.8	3.9	(0.0)
<i>Retail</i>	5.9	5.7	0.2
<i>Services</i>	6.1	6.1	0.0
<i>Technology & Electronics</i>	5.4	5.3	0.1
<i>Telecommunications</i>	5.7	6.5	(0.7)
<i>Transportation</i>	1.4	1.3	0.1
Utility	4.3	3.9	0.4

Maturity Distribution (%)	BB-B HY (HUC4)	High Yield (HUC0)	Difference
<i>0-3 Year</i>	18.7	19.2	(0.5)
<i>3-5 Year</i>	39.3	40.5	(1.3)
<i>5-7 Year</i>	26.8	26.0	0.8
<i>7-10 Year</i>	13.3	12.2	1.0
<i>10-20 Year</i>	1.6	1.7	(0.1)
<i>20+ Year</i>	0.3	0.3	0.0

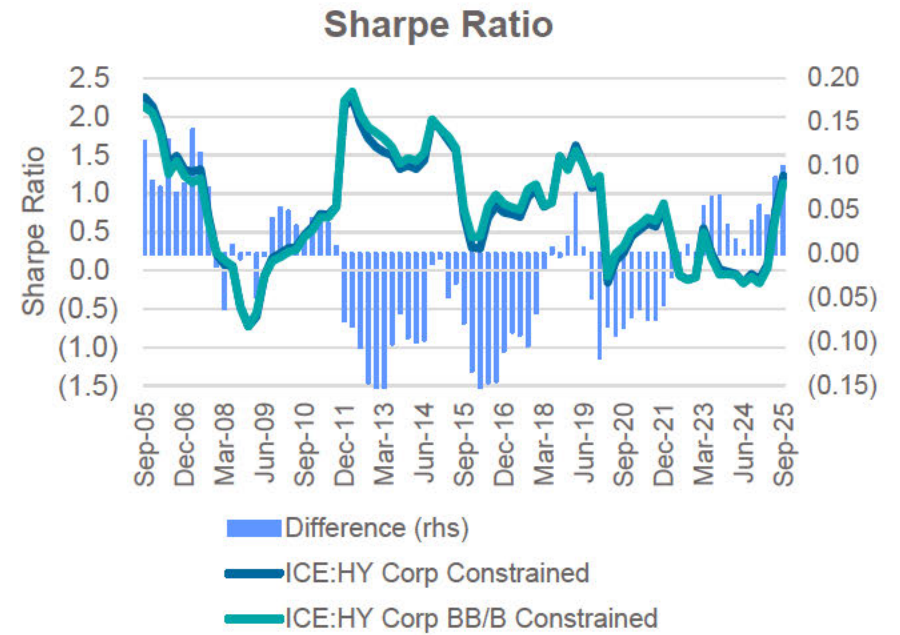
Source: ICE BofA, data as of 12/31/25

Risk Metrics

Rolling 36-Month For 20 Years Ended Sept. 2025



Full spectrum high yield index exhibited higher standard deviation during market dislocations but typically immaterial difference to the higher quality BB-B index.

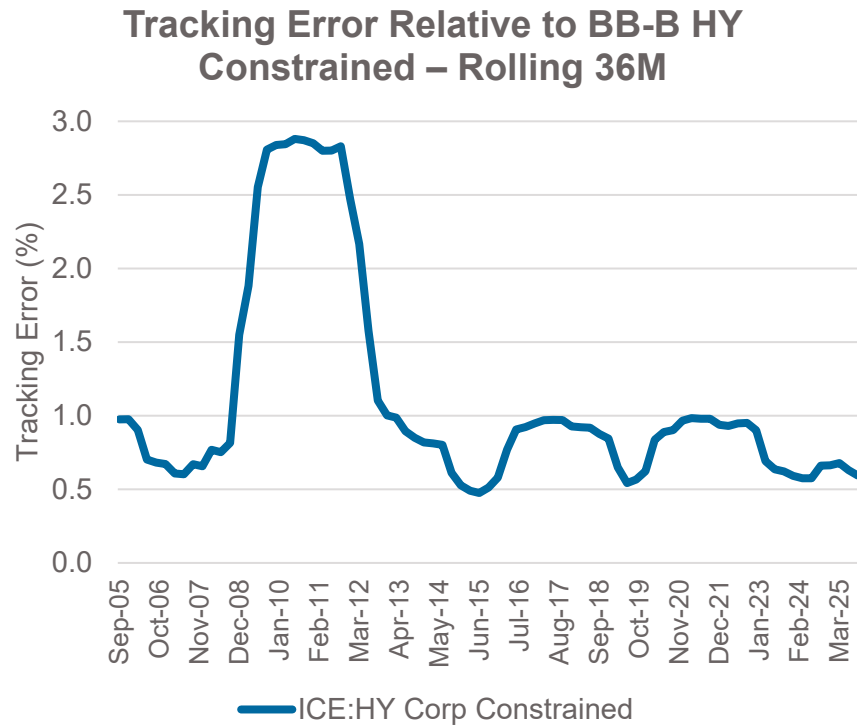


Full spectrum high yield index averaged lower total return per unit of risk relative to the higher quality BB-B index though Sharpe ratio for both indexes are fairly similar.

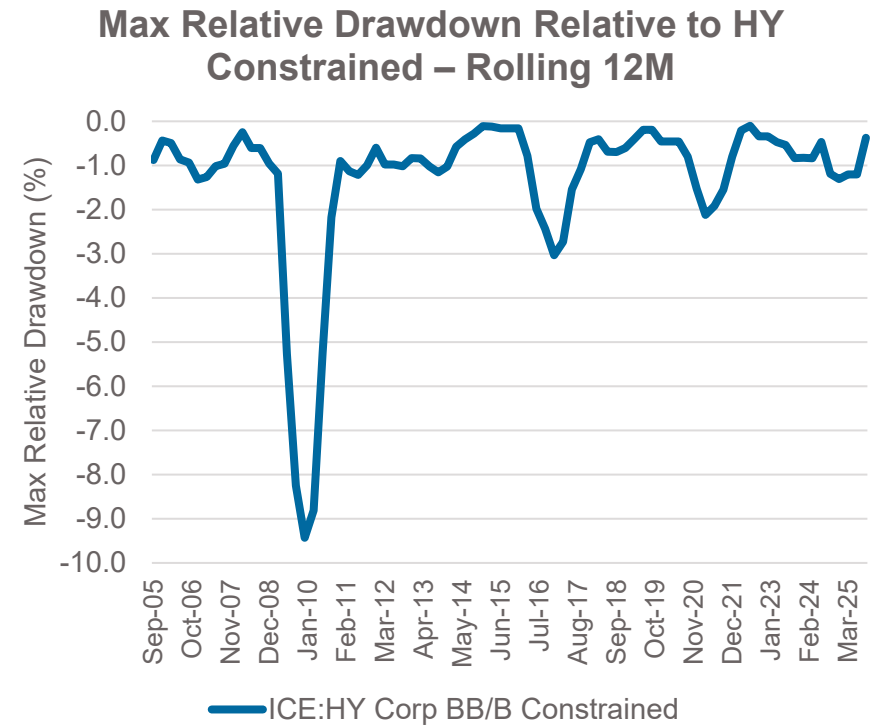
Source: Callan PEP, ICE BofA

Risk Metrics

For 20 Years Ended Sept. 2025



Excluding the GFC period, ex-post tracking error averaged approximately 75 bps. Depending on the risk factor model used, either historical or Monte Carlo (95%), ex-ante active risk is estimated at about 25 bps or 41 bps, respectively, mainly from Tech & Communication sub-industries within Industrials.

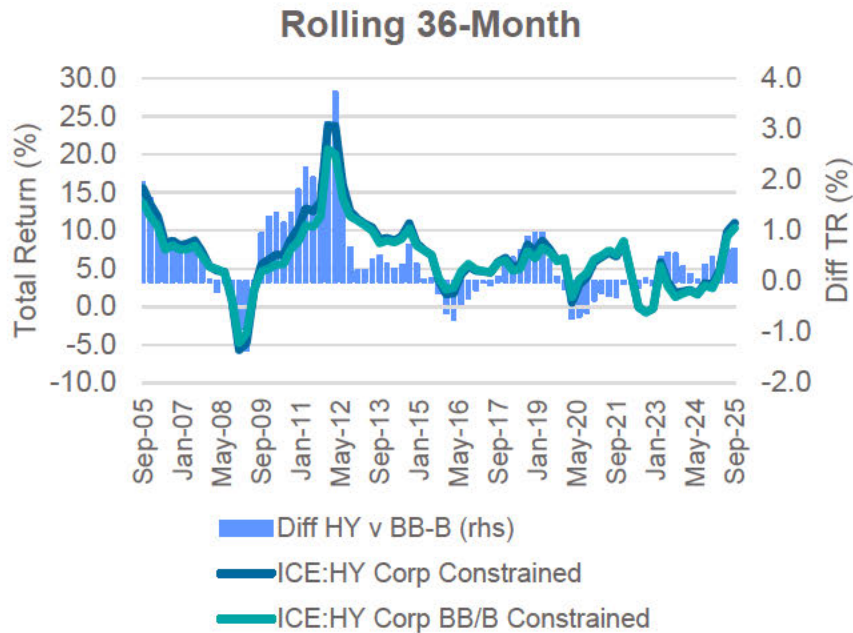


Maximum relative drawdown was more severe in the higher quality BB-B segment after the worst period of the GFC, primarily because it did not benefit as much when risk assets began rallying in March 2009. Other episodic market dislocations, such as the metals and mining sell-off in 2015, COVID in 2020, and the Federal Reserve's 500 bps of interest rate hikes, did not produce nearly as large a differential between the two indexes as during the GFC.

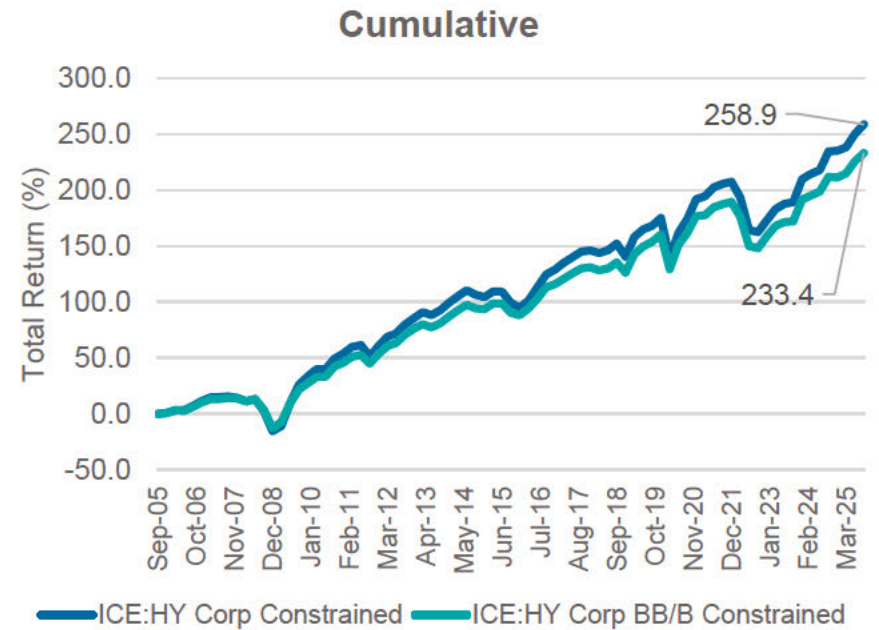
Source: Callan PEP, ICE BofA

Total Return

For 20 Years Ended Sept. 2025



Over the last 20 years, rolling returns have shown material deviations between the full spectrum and higher quality high yield indexes. The amplitude of these differences was much larger in the pre-GFC period, whereas in more recent years the dispersion has generally trended around +/- 1%.

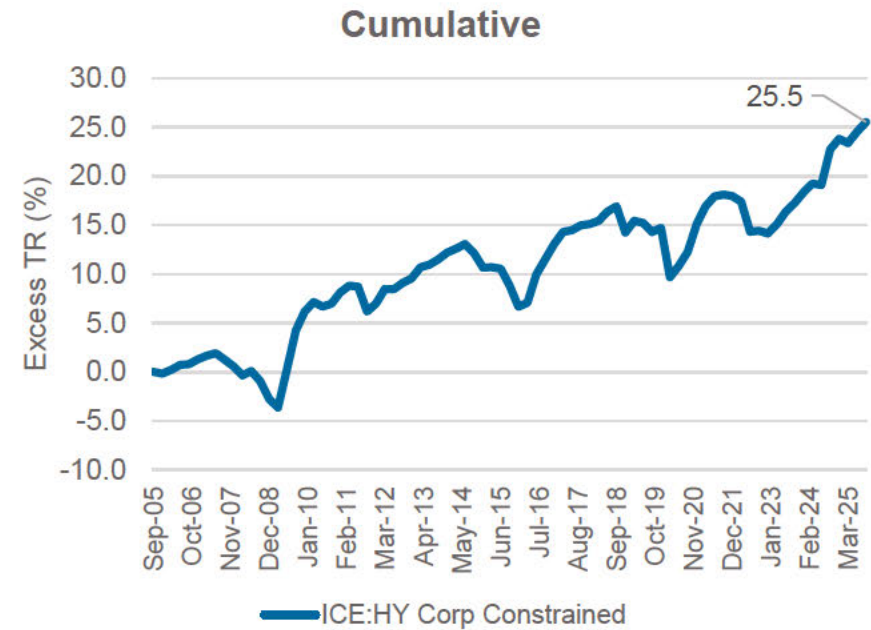
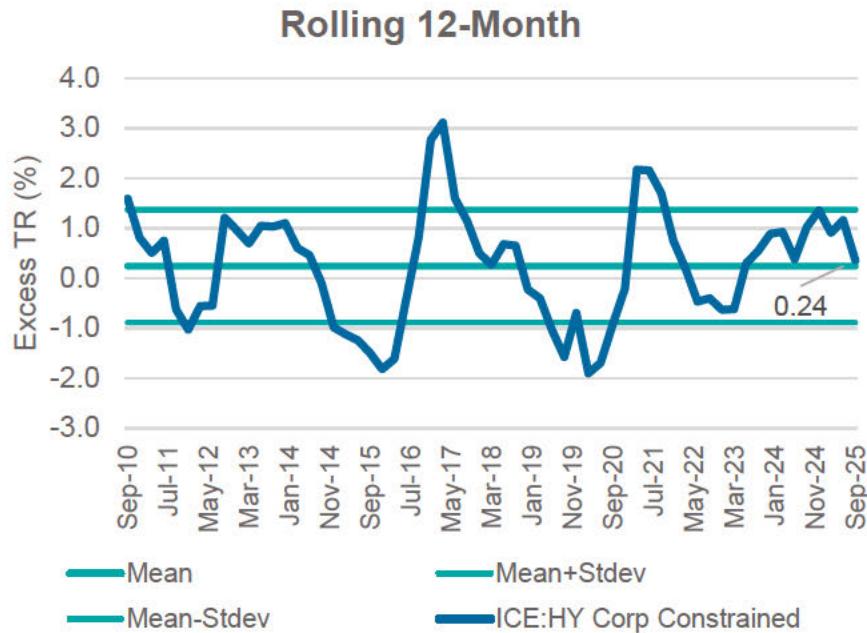


Full spectrum high yield index outpaced the higher quality BB-B by 40 bps annualized, over the trailing 20 years.

Source: Callan PEP, ICE BofA

Excess Total Return Relative to BB-B High Yield Constrained

For 15 and 20 Years Ended Sept. 2025



Trailing 12-month performance differences varied $\pm 1\%$ (1 standard deviation) over the past 20 years, with extreme peaks and troughs extending greater than $\pm 2\%$.

These bouts can introduce basis risks at a plan's strategic level if benchmarks of underlying strategies are not aligned.

Full spectrum high yield outpaced higher quality BB-B over the long term due to its higher income profile. However, issuer defaults are not always captured in benchmarks' returns.

Source: Callan PEP, ICE BofA

Important Disclosures

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Any decision made on the basis of this document is sole responsibility of the client, as the intended recipient, and it is incumbent upon the client to make an independent determination of the suitability and consequences of such a decision.

Callan undertakes no obligation to update the information contained herein except as specifically requested by the client.

Past performance is no guarantee of future results.

About Callan

Callan was founded as an employee-owned investment consulting firm in 1973. Ever since, we have empowered institutional investor with creative, customized investment solutions backed by proprietary research, exclusive data, and ongoing education. Today, Callan provides advisory services to institutional investor clients with more than \$3 trillion in total assets, which makes it among the largest independently owned investment consulting firms in the U.S. Callan uses a client-focused consulting model to serve pension and defined contribution plan sponsors, endowments, foundations, independent investment advisers, investment managers, and other asset owners. Callan has six offices throughout the U.S. For more information, please visit www.callan.com.

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I. Introduction

The New York State Teachers' Retirement System ("System") exists for the exclusive purpose of providing retirement, disability and survivor benefits to System members and their beneficiaries, as prescribed by the laws of New York and its governing statutes and rules and regulations, and to cover reasonable expenses incurred to provide such benefits.

The System was established in 1921 by an act of the New York State Legislature pursuant to Chapter 503 of the Laws of 1920 which was subsequently recodified by Chapter 820 of the Laws of 1947 as Article 11 of the Education Law. The principal statutory authority for the investment of System funds is contained in Section 508 of the Education Law and Section 177 of the Retirement and Social Security Law.

This Investment Policy Manual ("Manual") incorporates the laws, documents, principles and standards that guide the management of the System's investments. The Executive Director and Chief Investment Officer shall administer this Manual pursuant to law and the investment policies adopted by the Retirement Board. This document is intended to be binding upon all persons with authority over the System's assets, including external investment managers/advisors, custodians, consultants, broker-dealers and staff.

The Manual is the result of the System's careful and prudent study. The Manual includes the System's Statement of Investment Policy ("Policy") and sub-policies, which taken together present the Retirement Board's conclusions as to the most suitable combination of investments, within the legal requirements, which will satisfy the System's ongoing obligations to members and their beneficiaries.

II. Purpose of This Manual

The purpose of this Manual is to:

- A. Set forth the investment policies, objectives and guidelines the Retirement Board determines to be appropriate, prudent and, in consideration of the System's needs, to comply with current laws and to direct the System's investment activities.
- B. Establish criteria to evaluate the System's investment performance.
- C. Communicate investment policies, objectives, guidelines and performance criteria to the staff, external investment managers/advisors, consultants, custodians and all other interested parties.
- D. Serve as a review document to guide ongoing oversight of the System's investments for compliance with the laws of New York State and applicable federal laws.



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- E. Demonstrate the Retirement Board's fulfillment of its responsibilities to manage the investments of the System solely in the interest of members and their beneficiaries.
- F. Document the Retirement Board's fulfillment of its overall fiduciary responsibilities with respect to the investment of System assets.

III. Responsible Parties and Their Duties

- A. The System was established by an act of the New York State Legislature. The Legislature may modify the System's structures through amendment of the laws from time to time. The laws also specify requirements for the System's investments.
- B. The Retirement Board is vested under section 504 of the New York Education Law with the responsibility for the general administration and operation of the System. Members of the Retirement Board are fiduciaries and their responsibilities with respect to the System's assets include completing each of the duties below as a prudent expert:
 1. Set the policies, objectives and guidelines for investment of the System's assets and evaluate compliance with investment policy and the laws of New York.
 2. Study thoroughly each issue affecting the System's investments to make educated and prudent decisions.
 3. Select qualified professionals to assist in implementing the investment policies.
 4. Evaluate total fund performance as well as all of its distinct components.
 5. Oversee risk management for all aspects of the System.
- C. Pursuant to §136-1.6(c) of Title 11 of the New York Codes, Rules and Regulations (the Regulations of the New York State Department of Financial Services), the Retirement Board may, consistent with its fiduciary duties, delegate its investment authority to a committee or agent within well-defined guidelines, subject to review by the Retirement Board.
- D. The duty of System staff is to administer the System consistent with the policies and decisions of the Retirement Board and the provisions of the laws of New York State and to provide input for the Retirement Board so issues can be studied fully prior to any Retirement Board decision. In addition, staff is responsible for



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interacting with and managing the System's relationships with outside professionals and other constituencies.

The System's management is responsible for the accuracy of published information, as well as for the maintenance of appropriate internal controls needed to safeguard assets and facilitate the efficient operation of the System.

The responsibilities of executives, managers and internal committees that are involved in the investment process are briefly described below:

1. The Executive Director and Chief Investment Officer shall allocate the available funds to the various investment classes and coordinate the activities of the Managing Director of Fixed Income; Managing Director of Public Equities; Managing Director of Private Equity; and the Managing Director of Real Estate through periodic meetings of the Internal Investment Committee.
2. The Managing Director of Public Equities, with the assistance of investment consultants as the Managing Director deems necessary, shall oversee the selection of external public equity investment managers and monitor those external investment equity managers. The Managing Director of Public Equities shall manage the System's internal public equity portfolios and will manage the disposition of private equity stock distributions with the intent of achieving an orderly liquidation of the securities received.
3. The Managing Director of Private Equity, with the assistance of investment consultants as the Managing Director deems necessary, shall oversee the selection, monitoring and disposition of external private equity and private debt investments.
4. The Managing Director of Real Estate, with the assistance of investment advisors and/or consultants as the Managing Director deems necessary, shall manage the System's investment in direct and commingled equity real estate investments, publicly traded equity real estate securities, commercial mortgages, publicly traded commercial mortgage-backed securities, real estate mezzanine funds and other real estate related investments as required by the Executive Director and Chief Investment Officer.
5. The Managing Director of Fixed Income shall manage the System's internal long-term bond portfolios and shall oversee the short-term bond portfolio to ensure short-term cash is invested to meet the System's operating cash needs. The Managing Director of Fixed Income, with the assistance of investment consultants as the Managing Director deems necessary, shall oversee the selection of external fixed income investment managers and monitor those external fixed income managers. The Managing Director of



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- Fixed Income shall also oversee the purchase or sale of foreign currencies executed as the result of investment capital calls or distributions and shall monitor the performance of agent securities lenders, with a focus on the lenders' investment of securities lending cash collateral.
6. The Chief Risk Officer shall provide a centralized, coordinating point to facilitate enterprise risk management, which is a comprehensive program to identify, evaluate and address risks to the System's property, interests, investments, members and employees. The Chief Risk Officer works with other executives and managers in establishing effective risk management in their areas of responsibility, monitors progress and assists in reporting relevant risk information throughout the System.
 7. The Chief Financial Officer shall maintain the official general ledger of the System, which is supported by various investment sub-ledgers and provides the System's financial statements. In coordination with the Custodial Bank, the Chief Financial Officer shall maintain the official investment accounting book of record for securities portfolios and provide investment-related reports and shall be responsible for all rates of return and related performance data for all individual investment portfolios and at the Total Fund level.
 8. The General Counsel shall provide legal advice regarding compliance with legal investment criteria including System policy together with governing statutes, rules and regulations and other legal issues and, together with the Managing Directors, and the assistance of outside counsel as warranted, review and approve investment contracts.
 9. The Director of Internal Audit shall provide broad audit coverage of investment areas to provide management with information about the adequacy and effectiveness of internal controls and the quality of performance.
 10. The Senior Advisor to the Executive Director and Chief Investment Officer - Stewardship, will provide advice and guidance, with the assistance of consultants as the Senior Advisor deems necessary, on managing the Retirement System's investments consistent with the Responsible Stewardship Policy. In collaboration with General Counsel and the Executive Director and Chief Investment Officer, manage the Retirement System's Corporate Governance program consistent with adopted Policies and Procedures.
 11. The Internal Investment Committee is an advisory committee to the Executive Director and Chief Investment Officer. The committee members include: the Executive Director and Chief Investment Officer; Managing Director of Private Equity; Managing Director of Fixed Income; Managing Director of Public Equities; and Managing Director of Real Estate.



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The Committee reviews and recommends the following: investment proposals, annual Asset Allocation report, annual Private Equity and Private Debt reviews and the annual Real Estate Debt and Equity Strategic reviews. The Committee receives updates and presentations from, and consults as prudent and applicable with, internal investment staff, external investment managers and external consultants. The Committee reviews monthly, or more frequently as needed, System cash flow projections, planned investment funding and asset allocation status.

12. The Investment Valuation Committee reviews and/or determines the valuation methods to be used to determine the fair value of the System's investments for financial reporting. The Committee is comprised of a representative from the following non-investment departments: Finance, Investment Operations, Risk Management and Legal (non-voting member). Additionally, subject matter experts (internal or external to the System) may advise the Committee depending on the investment being reviewed but will not be voting members.
- E. The Investment and Real Estate Advisory Committees are made up of industry professionals with appropriate experience and background and are appointed by the Retirement Board to provide advice to the Retirement Board on investment matters. The role of the Real Estate Advisory Committee is described in more detail in the Real Estate section of this Investment Policy Manual.
- F. An External Investment Manager/Advisor is a third-party entity or firm retained to manage a portion of the System's assets under specified guidelines. An external manager may be engaged to invest funds directly or may be engaged to hire other external investment managers operating as a fund-of-funds or manager of managers. Securities investment managers must be registered as Investment Advisors under the Investment Advisors Act of 1940, unless exempted from registration. External investment managers/advisors may have discretion and authority within the parameters established by the Retirement Board and staff for determining and implementing investment strategy.
- G. Broker-Dealers are firms that act as intermediaries in the purchase or sale of securities for internally or externally managed portfolios. As brokers, such firms facilitate trades by bringing together buyers and sellers of securities (in an agency capacity). As dealers, they act as the actual buyer or seller on the other side of the trade (in a principal capacity).
- H. The Statutory Custodian is head of the Division of the Treasury in the Department of Taxation and Finance and is designated by law as the Custodian of the System's assets except for loans to System members. All disbursements of System funds



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must be authorized by the Statutory Custodian or such person as they may authorize.

- I. The Custodial Bank is responsible for the safekeeping of all public securities and shall be the official accounting book of record for securities portfolios as designated by the System. The Custodial Bank is also responsible for all investment rate of return calculations.

- J. Consultants are persons or firms who are retained by the System to provide professional advice. In particular, the System retains investment consultants for the following purposes:
 1. Make recommendations regarding changes in the current asset allocation policy, including recommending asset allocation targets, ranges, benchmarks and additional investment classes
 2. Assist in strategic reviews for various asset classes
 3. Assist in performing investment manager searches and recommend potential firms for further System due diligence.
 4. Provide a qualitative and quantitative review of proposed investment opportunities
 5. Provide a qualitative and quantitative review of the performance of the external managers and make retention recommendations
 6. Provide educational assistance regarding investment matters and fiduciary duties

IV. Controlling Statutes and Regulations

The Banking Law (§235), the Education Law (Article 11, §508), the Retirement and Social Security Law (Article 4-A, §§176 - 179), and such other laws which from time to time may be enacted, authorize or control investments by public retirement systems. Under such laws, the System may invest in issues of the United States Treasury and instrumentalities of the United States Government; high-grade corporate bonds; mortgage-backed securities; municipal securities of New York State and its political subdivisions or authorities; bonds of the Commonwealth of Canada and its political subdivisions or authorities; preferred shares; common stocks; deposits in savings banks; equity real estate; mortgage loans; foreign equities; and other permitted investments itemized in the laws of New York State. These parameters, among other



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things, may specify limitations on the percentage of assets which may be invested by the System in various classes of assets.

In recent years, rules and policies were modified to enable writing of covered call options, venture capital investing, securities lending and purchase of securities not registered under the Securities Act of 1933, provided such transactions are consistent with fiduciary responsibilities and requirements of the laws under which the System operates. Furthermore, the policies permit investment in limited partnerships, joint ventures, real estate investment trusts, real estate operating companies, group trusts, common trust funds, collective investment funds, investment companies (as defined under the Investment Company Act of 1940), life insurance separate accounts and other vehicles established primarily for the purpose of investing in capital assets. Additionally, the policies contained in this Manual permit the use of derivatives including those described below under VIII. Use of Derivatives.

Under §177(9) of the Retirement and Social Security Law, and subject to guidelines adopted by the Retirement Board, up to thirty-five percent (35%) of assets may be invested in types of assets not otherwise specifically authorized, provided the Retirement Board is satisfied such investments are in accordance with the "prudent expert" rule. Additionally, Education Law §508(18) permits the Retirement Board to delegate its authority to invest to external investment managers/advisors.

All assets will be valued at fair value to determine compliance with legal limits. Descriptions of the legal limits applied to each asset class are included in the sub-policy for those investments.

Pursuant to §508(3) of the Education Law, no member or employee of the Retirement Board may have any interest, direct or indirect, in the gains or profits of the System's investment portfolio, nor may any such person receive, directly or indirectly, any pay or emolument (except, of course, for his/her normal salary) for any services rendered in connection with any of the System's investments.

Additionally, pursuant to §136-1.6 of the New York Codes, Rules and Regulations, the Retirement Board, as "administrative head" of the System, is a fiduciary. The Retirement Board shall act solely in the interests of the members and beneficiaries of the System and shall perform its responsibilities in a manner consistent with those of a reasonably prudent person exercising care, skill and caution.

The Retirement Board and staff are subject to a Code of Ethics adopted by the System. The System's Code of Ethics policy states "System person in a policy-making or investment-related position" shall mean any member of the System's Retirement Board and any System employee who either participates in the Manager/Executive Plan or participates in the negotiating unit in a Grade 18 or higher title (including trainee titles, for which the target title is Grade 18 or higher) in but not limited to the



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Procurement Office, Real Estate, Investment Operations, Risk Management or Investment Departments are required to submit an annual disclosure statement.

Designated staff are also subject to the *Personal Monitoring and Trading Procedures* ("Personal Trading Procedures") and *Material Non-Public Information Procedures* ("MNPI Procedures"). The Personal Trading Procedures contain provisions reasonably necessary to detect and prevent covered employees and their related persons from engaging in personal trading in violation of applicable law, including the general anti-fraud rules under federal and state securities laws and fiduciary duties owed to the System.

V. Objectives

All investment transactions undertaken on behalf of the System will be for the sole benefit of the members and their beneficiaries, for the exclusive purpose of providing benefits and defraying reasonable administrative expenses.

The System's long-term objective is to earn an average rate of return greater than the rate of return of representative indices for individual asset classes but no less than the actuarial assumption rate (currently 6.95% per annum). The indices are identified in Section VI - Asset Allocation Policy. Rates of return are net of fees and other expenses. Volatility of returns, or risk, for the System, as measured by standard deviation of investment returns, should be commensurate with the level of returns expected to be achieved over a long period of time.

VI. Asset Allocation Policy

The System's asset allocation and underlying asset class policy benchmarks are reviewed and recommended by the Executive Director and Chief Investment Officer to the Retirement Board for approval annually. Asset allocation is the definition of allowable asset classes and the distribution of assets among those asset classes. As fiduciaries, the Retirement Board has a duty to diversify the investments of the fund to reduce risk, while maximizing the investment return. The System believes that the most significant contributor to a fund's long-term investment performance is asset allocation. Accordingly, asset allocation is one of the most important fiduciary decisions.

The recommended targets and rebalancing ranges listed below have been approved by the Retirement Board. Target allocations may not always be maintained at any specific point in time as actual asset allocation will be dictated by current and anticipated market conditions. Asset classes will not be considered 'Out of Bounds' during established transition periods; e.g., due to changes in asset allocation policy. Progress toward completion of the transition shall be reported to the Board quarterly.



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Asset Allocation: Recommended Targets and Rebalancing Ranges

<u>Asset Class</u>	<u>Range</u>	<u>Target</u>
Domestic Equity	29 - 37%	33%
International Equity	11 - 19%	15%
Global Equity	0 - 8%	4%
Domestic Fixed Income	12 - 20%	16%
Real Estate Equity	6 - 16%	11%
Real Estate Debt	2 - 10%	6%
Private Equity	4 - 14%	9%
Private Debt	0.5 - 5%	2%
Global Bonds	0 - 4%	2%
High Yield Bonds	0 - 3%	1%
Short Term Investments (Cash Equivalents)	0 - 4%	1%
		----- 100%

Policy Benchmarks

Policy benchmarks set the standards against which the performance of the System's Asset Classes is measured. Differences in portfolio management strategies, composition of holdings and other factors will result in differences between the benchmarks and the System's actual results. Policy level benchmarks are proposed by the Managing Director of the applicable asset class with guidance from the general investment consultant. Policy Level benchmarks and any subsequent changes are approved by the Investment Committee of the Retirement Board.



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<u>Asset Class</u>	<u>Policy Benchmark</u>
Domestic Equity	S&P Composite 1500 Index
International Equity	MSCI ACWI Ex-U.S. Index
Global Equity	MSCI ACWI Index
Domestic Fixed	Bloomberg U.S. Aggregate Float Adjusted Bond Index
Global Bonds	Bloomberg Global Aggregate Float Adjusted Ex-CNY Bond Index (hedged to USD)
High Yield Bonds	ICE BofA BB-B US High Yield Constrained Index <u>ICE BofA US High Yield Constrained Index</u>
Real Estate Equity	NCREIF-ODCE Index
Real Estate Debt	Giliberto-Levy Custom Index
Private Equity	S&P 500 Index (Plus 5%)
Private Debt	Morningstar LSTA US Leveraged Loan Index (Plus 3%)
Short Term Investments (Cash Equivalents)	iMoneyNet Money Fund Average™ /All Taxable

A. **Domestic Equity:** The System's benchmark for domestic equity portfolios, taken as a whole, is the S&P Composite 1500 Index. Within the domestic equity asset class, funds may be internally or externally managed. Internally managed funds may be passively managed to the applicable benchmark or may follow enhanced strategies. Passive management is designed to achieve a minimal tracking error in matching performance of the index fund with the appropriate benchmark for that portfolio; enhanced strategies are typically designed to deliver a tracking error of up to 125 basis points, with the expectation of investment returns in excess of the benchmark. External managers are engaged in a variety of investment styles to diversify sources of investment return and to provide returns commensurate with risk taken. The strategic target allocation for the domestic equity portfolio is approximately eighty-five percent (85%) passively managed and fifteen percent (15%) in enhanced and/or active strategies.

B. **International Equity:** Within the international equity asset class, seventy-five percent (75%) is targeted to be passively managed and twenty-five percent



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(25%) actively managed to the MSCI ACWI Ex-U.S. Index. Funds may be internally or externally managed. Passive managers passively manage country, currency and security selection to simulate the returns and characteristics of the MSCI ACWI Ex-U.S. Index. Active core managers actively manage country, currency and security selection with the objective of outperforming the MSCI ACWI Ex-U.S. Index (or relevant benchmark e.g. MSCI EAFE, MSCI EM), generally over a market cycle.

- C. Global Equity: Within the global equity asset class, one hundred percent (100%) is actively managed to the MSCI ACWI Index. Active managers actively manage country, currency and security selection with the objective of outperforming the MSCI ACWI (or other appropriate benchmark) generally over a market cycle.
- D. Other Asset Classes: All other asset classes are actively managed.
- E. Reporting: A quarterly report showing the current asset allocation status within the major asset classes is submitted quarterly to the Retirement Board by the Investment Operations Department.
- F. Annual Review: The Retirement Board annually reviews the asset allocation relative to recent and historical investment experience and considers new developments. This includes a review and revision, where appropriate, of the long-term capital market assumptions regarding expected investment returns, standard deviations, and correlations.
- G. Fund Liquidity: The Executive Director and Chief Investment Officer, in consultation with the Internal Investment Committee, is responsible for allocating cash to planned program investments and targeted asset allocations while taking into account the operational cash needs of the System.
- H. Rebalancing: The Executive Director and Chief Investment Officer, in consultation with the Internal Investment Committee, is responsible for periodic and orderly rebalancing of the portfolios so that asset classes remain within asset allocation rebalancing ranges and for establishing an orderly rebalancing plan should one or more asset classes fall outside the established range.

VII. Asset Valuation

Assets are valued at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.



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- A. Publicly traded assets shall be valued based upon a quoted market price from an independent source. The custodial bank will provide current market prices for assets held in custody as documented in the custodial contract and in custody policies and procedures.
- B. Real Estate Equity Investments shall be valued in accordance with Section VI of the Equity Real Estate Investments Policy.
- C. Timberland Investments shall be valued in accordance with Exhibit 1 of the Timberland Investments Policy.
- D. Mortgages shall be valued by a third-party valuation service. The market price will recognize a spread over the like-term treasury and other collateral or credit factors as appropriate.
- E. Private Equity and Private Debt Investments are valued using methodologies consistent with FASB ASC 820. Non-US investments which are not subject to US Generally Accepted Accounting Principles follow similar fair valuation standards acceptable in their jurisdiction.

VIII. Use of Derivatives

At the total portfolio level, derivatives may only be used to implement asset allocation changes in a cost-effective manner, prudently implement investment strategies in a risk-controlled manner, or reduce transaction costs or taxes. Derivatives may not be used at the total portfolio level to create explicit leverage (borrowing).

- A. Internally Managed Portfolios: The use of derivatives is currently limited to the following:
 - (1) Public Equities: The Covered Call Option Program and Futures-Based Rebalancing. These programs may be used in the System's internally managed domestic equity portfolios. The purpose of the Covered Call Option Program is to modestly supplement System income by writing calls when appropriate. The purpose of the Futures-Based Rebalancing program is to minimize asset allocation risk and reduce transaction costs relative to cash market trading. See the Domestic Equity Securities sub-policy Appendix A for Covered Call Option Guidelines and Appendix B for Futures-Based Rebalancing Guidelines.

And

- (2) Internally Managed Fixed Income Portfolios:



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- (a) use interest rate futures to manage portfolio duration
- (b) trade forward-settling securities in the To-Be-Announced (TBA) market
- (c) use currency forwards for the purposes of trade settlement or managing currency risk

B. Externally Managed Portfolios: Some of the System's external managers currently have authorization for a broader use of derivatives.

Contracts with separate account managers will identify the types of derivatives that may be used, consistent with this sub-policy and prudent discretion. Managers must notify the System of modifications in the types of derivatives used and obtain System approval of such modifications.

Investments in commingled funds are open to other investors; therefore, it is not possible for the System to insist that the managers of such funds abide by System policy regarding the use of derivatives. Where applicable, Managing Directors of public security asset classes will review a manager's use of derivatives within their respective asset class on an ongoing basis to determine whether continued investment in a fund is prudent.

IX. Ownership Limitation and Fiduciary Obligations

NYSTRS may invest in commingled funds, separately managed accounts (SMAs), funds-of-one and other structures. In making such investments, NYSTRS is subject to fiduciary obligations set forth in NYCRR 136-1.6(a) and (h). Although NYSTRS is not subject to Title I of ERISA, NYSTRS generally looks to ERISA for relevant legal guidance on the application of fiduciary obligations in investment matters.

Commingled Funds:

1. NYSTRS' ownership in commingled funds shall generally be less than 25%.
2. NYSTRS' ownership in commingled funds may be equal to or greater than 25% if, as determined by NYSTRS' legal counsel, either (A) appropriate fiduciary standards are reflected in the fund documents; or (B) the fund is structured as a VCOC or REOC.

SMAs and Funds-of-One:

1. NYSTRS may be the sole beneficial owner of an SMA or the sole LP in a



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fund-of-one if, as determined by NYSTRS' legal counsel, (A) appropriate fiduciary standards are reflected in the investment documents; or (B) in the case of funds-of-one, the fund is structured as a VCOC or REOC.

For other investment structures, Investment staff shall consult with the System's legal counsel on any ownership limitation and appropriate fiduciary standards.

X. Guidelines for Custodians

Timely and accurate completion of custodial functions is necessary for effective investment management and accurate record keeping. The following are responsibilities of the custodian(s) for the segments of the System's assets for which each custodian is responsible:

- A. Provide complete custody, depository and accounting service for the designated accounts
- B. Implement in a timely and effective manner the investment actions as directed by the staff and external investment manager(s)/advisors
- C. Collect all income and principal and properly report on the periodic statements
- D. Provide periodic statements of holdings including all transactions and daily activity reports for the System
- E. Provide daily reporting on cash activity and balances
- F. Provide staff assistance in the completion of activities such as the annual audit and transaction verification
- G. Indemnify the System for non-market losses of stocks and securities held on behalf of the System
- H. Provide investment performance for designated portfolios and Total Fund return

XI. Other

A. Performance Reporting

The performance of the System's internally and externally managed portfolios relative to the appropriate benchmarks and the objectives of the overall System portfolio will be provided to the Retirement Board on a quarterly basis. See Investment Rate of Return Policy for information on calculation methodology.



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B. Review and Modification of Policy

The Executive Director and Chief Investment Officer shall administer this Manual pursuant to the investment policies of the Retirement Board and shall review the Manual periodically to determine if modifications are necessary or desirable. Modifications shall be promptly communicated to all external investment managers/advisors and other responsible parties, as appropriate.

XII. Glossary of Common Investment Types

Investment in any instrument or security remains subject to applicable law and circumstances then prevailing. The most common investments are cited below:

- A. American Depositary Receipts (ADRs) are receipts for the shares of a foreign-based corporation held in the vault of a U.S. bank and entitling the shareholder to all dividends and capital gains. These are traded on various U.S.-based exchanges and are available for hundreds of stocks from numerous countries.
- B. Commercial Mortgage Backed Securities (CMBS) are backed by a pool of commercial mortgages on income-producing property or large single mortgage.
- C. Commercial Mortgage Lending investments are notes and bonds secured by a mortgage or deed of trust providing a first lien on real estate.
- D. Derivatives are financial instruments such as forwards, futures, options, swaps or other instruments whose values are “derived” from another financial instrument.
- E. Domestic Equity Securities for System purposes typically consist of corporate common stock. Generally, these stocks must be (i) registered on a national securities exchange, or (ii) otherwise registered under the Securities Exchange Act of 1934 with price quotations furnished through a nationwide automated quotations system (see RSSL s. 177(2)(d) for legal requirements). Domestic Equity Securities also include stock in corporate real estate investment trusts (REITs), which are traded on a national exchange and acquired as part of an internally managed index fund or by one of the System’s domestic equity managers.
- F. Domestic Fixed Income Securities are U.S. Treasury or Government agency obligations; asset backed securities (i.e., equipment trust certificates); corporate



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bonds including financial, industrial, and/or utility bonds; U.S. dollar denominated Euro or Yankee bonds, including Canadian obligations payable in U.S. dollars; residential and commercial mortgage-backed securities; and pass-through certificates. For System purposes, domestic fixed income securities primarily consist of instruments with maturities in excess of twelve (12) months at time of purchase.

- G. Emerging Market Equities are common or preferred corporate stocks and investment shares which are registered on recognized exchanges outside the U.S. Emerging market countries are the developing international countries that have a relatively low per capita Gross National Product. There is a wide variety of economic, regulatory and market development among the emerging countries.
- H. Equity Real Estate Investments are any investments in real property, either made directly or through the use of pooled vehicles such as limited partnerships, open or closed-end commingled funds, publicly traded real estate securities and private Real Estate Operating Companies (REOCs).
- I. Global Bonds include domestic fixed income securities (see F. above) as well as treasury, government related, corporate and securitized bonds denominated in currencies other than the U.S. dollar that are issued and traded outside the United States.
- J. Global Equities are a combination of domestic and international equities. (see E. and K. in this section for descriptions of domestic and international equities).
- K. International Equity Securities are common or preferred corporate stocks and investment trust shares registered on recognized exchanges outside the U.S.
- L. Private Equity investments are a variety of direct and indirect equity investments made through commingled funds, Separately Managed Accounts (SMAs) or funds of one, such as limited partnerships that fall outside the core portfolios of stocks, bonds, mortgages, and real estate.
- M. Private Debt investments are a variety of direct or indirect debt investments made through commingled funds, Separately Managed Accounts (SMAs) or funds of one such as limited partnerships that fall outside the core portfolios of stocks, bonds, mortgages, and real estate.
- N. Real Estate Mezzanine Investments are investments either made directly or through commingled funds or partnerships in subordinate loans secured by real estate or borrower interests in real estate.



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- O. Repurchase Agreements are agreements between a seller and a buyer, whereby the seller agrees to repurchase the securities at an agreed upon price and, usually, at a stated time.
- P. Securities Lending is the act of loaning a security to a borrower for cash or non-cash collateral pursuant to an agreement to return the collateral for an identical security in the future.
- Q. Short-Term Investments (Cash Equivalents) include, but are not limited to, interest bearing or discount instruments such as money market funds; U.S. Treasury Bills; U.S. Government Agency Discount Notes; corporate-issued commercial paper; bank-issued Certificates of Deposit; bankers' acceptances; and fully collateralized repurchase agreements. For System purposes, short-term investments consist primarily of instruments maturing in twelve (12) months or less at time of purchase.
- R. Emerging Market Bonds are bonds issued by sovereigns, quasi-sovereigns, and corporations in developing countries.
- S. High Yield Bonds are bonds that are rated non-investment grade (below Baa3/BBB-) by the credit rating agencies and can also be referred to as speculative-grade bonds or junk bonds.
- T. Leveraged Loans are commercial loans extended to a non-investment grade (high yield) corporation by a group of lenders and sold (or syndicated) to other banks or institutional investors.

XIII. Glossary of Indices Used by the Retirement System

Domestic Equity

The S&P Composite 1500 Index measures the total return of 1,500 actively traded U.S. companies. The index is a combination of the S&P 500, S&P Midcap 400 and the S&P Smallcap 600 indices. The index is capitalization weighted and its members are U.S. companies.

The S&P 100 Index is a subset of the S&P 500 Index and measures the performance of large cap companies in the U.S. The index is comprised of 100 major blue chip companies across multiple industry groups and is capitalization-weighted.

The S&P 500 Index measures the total return of 500 large capitalization companies. The index tracks technology, communications, industrial, transportation, financial, real estate, consumer related, energy and utility stocks and is capitalization-weighted.



The S&P SmallCap 600 Index measures the total return of 600 actively traded U.S. companies in the small cap segment of the U.S. equity market. The index covers approximately 3% of the U.S. equity market and is capitalization-weighted.

The S&P MidCap 400 Index measures the total return of 400 mid-sized U.S. companies. The index covers approximately 7% of the U.S. equity market and is capitalization-weighted.

International Equity

The MSCI ACWI ex-US (All Country World Index ex US) Index is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets excluding the United States. The MSCI ACWI ex-US consists of over 45 country indices comprising developed and emerging markets. The Index captures approximately 85% of the opportunity set outside the US and holds over 2,000 securities. The term "free float" refers to the number of shares of stock publicly owned and available for trading.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The MSCI Emerging Markets Index covers over 1,000 securities in more than 20 emerging market countries.

The MSCI EAFE Index is an equity index with large and midcap representation across more than 20 developed market countries around the world, excluding the US and Canada. The MSCI EAFE Index contains around 900 constituents and covers approximately 85% of the free float-adjusted market capitalization in each member country.

The MSCI Canada Index is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of Canada. The index contains approximately 100 large and mid-capitalization securities representing approximately 85% of the total market.

The MSCI India IMI Index is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of India. The index contains over 400 stocks of large, mid and small cap Indian stocks representing approximately 99% of the total market.

Global Equities



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The MSCI ACWI (All Country World Index) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of both developed and emerging markets including the United States. The MSCI ACWI consists of more than 45 country indices comprising developed and emerging markets. The Index captures approximately 85% of the opportunity set globally and holds over 2,700 securities. The term “free float” refers to the number of shares of stock publicly owned and available for trading.

Short Term Cash Equivalents

The iMoneyNet Money Fund Average™/All Taxable measures the total return of all major taxable money market funds and includes government, institutional and special purpose funds.

Domestic Fixed Income

The Bloomberg U.S. Aggregate Float Adjusted Bond Index measures the total return of publicly issued and investment grade, taxable, nonconvertible, U.S. dollar-denominated debt of the U.S. Government or any agency thereof, corporate securities, agency mortgage pass-through securities, Yankees, commercial mortgage-backed securities and asset-backed securities. To be eligible for inclusion, securities must possess certain traits including but not limited to: be fully taxable; fixed rate; investment grade and have at least 1 year until final maturity. Index returns are reported at full market value weight. The U.S. Aggregate Bond Index was created in 1986 with history built back to January 1976. With an inception date of July 1, 2009, the U.S. Aggregate Float-Adjusted has the same number of issuers as the U.S. Aggregate Bond Index, however, it is a subset as it excludes published net holdings of U.S. Treasuries, U.S. Agencies, and fixed rate MBS pass-throughs held in Federal Reserve System Open Market Account (SOMA) accounts.

High Yield Bonds

The ICE BofA U.S. High Yield Constrained Index was incepted in December 1996 and contains all securities in the ICE BofA U.S. High Yield Index (incepted August 1986), but caps individual issuer exposure at 2%. To be included in the index, securities must have a below investment grade rating, have at least 18 months to final maturity at the time of issuance, have at least one year remaining term to final maturity, possess a fixed coupon and individual issues should have a minimum size of \$250 million. Permitted security types include original issue zero coupon bonds, 144a securities, pay in kind (PIK) securities and callable perpetual securities that are at least one year from the first call date.



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The ICE BofA BB-B U.S. High Yield Constrained Index contains all securities in the ICE BofA U.S. High Yield Index that are rated Ba1 through B3 with issuer exposure capped at 2%. The index has the same final maturity, remaining maturity, coupon, minimum size, and security type restrictions as the ICE BofA U.S. High Yield Constrained Index described above.

The Bloomberg U.S. High Yield 1% Issuer Capped Index is an issuer constrained version of the U.S. Corporate High Yield Index that covers non-investment grade, fixed rate, taxable corporate bond market. It limits issuer exposures to a maximum 1% and redistributes the excess market value index wide on a pro rata basis. Securities must be rated below investment grade (Ba 1 /BB+/ or below) using the middle rating of Moody's, S&P, and Fitch, and have at least one year until final maturity.

Global Bonds

The Bloomberg Global Aggregate Float Adjusted Bond Index Ex-CNY (hedged to USD) provides a broad-based measure of the global investment grade fixed rate debt from developed and emerging local currency markets and consists of four main components: the U.S. Aggregate; the Pan-European Aggregate, the Asian-Pacific Aggregate Index and the Canadian Aggregate Indices. The index is comprised of securities from developed and emerging market issuers in the following primary sectors: Global Treasury, Government Related, Corporate, and Securitized. To be eligible for inclusion, securities must possess certain traits including but not limited to: be fully taxable; fixed rate; investment grade; and have at least 1 year until final maturity. The Global Aggregate Bond Index was created in 1999 with an index history that was backfilled to 1990. With an inception date of July 1, 2009, the Global Aggregate Float Adjusted Index has the same number of issuers as the Global Aggregate Bond Index, however, it is a subset as it excludes published net holdings of securities purchased and held by central banks. This index excludes Chinese local currency (CNY) denominated bonds.

The Bloomberg Global Aggregate Corporate Bond Index (hedged to USD) is a component of the Bloomberg Global Aggregate Bond Index that includes only corporate bonds. The inclusion rules are the same as noted above for the Bloomberg Global Aggregate Float Adjusted Bond Index Ex CNY (hedged to USD) benchmark and also excludes CNY-denominated corporate bonds.

The Bloomberg Emerging Markets USD Aggregate Investment Grade 10% Country Capped Bond Index includes U.S. dollar denominated bonds issued by emerging market issuers. The index is comprised of securities from sovereign, quasi-sovereign, and corporate issuers. To be eligible for inclusion, securities must possess certain traits including, but not limited to, being fully taxable, investment grade rated, and having at least 1 year until final maturity.



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Real Estate Private Equity

The National Council of Real Estate Investment Fiduciaries Open-End Diversified Core Equity Fund Index (NFI-ODCE) is a capitalization-weighted, gross and net of fee, time-weighted return index with an inception date of December 31, 1977. Open-end Funds are generally defined as infinite-life vehicles consisting of multiple investors who have the ability to enter or exit the fund on a periodic basis, thereby providing a degree of potential investment liquidity. The term "Diversified Core Equity" is a style that typically reflects lower risk investment strategies utilizing low leverage and generally represented by equity ownership positions in stable U.S. operating properties. The index includes property investments at ownership share, cash balances, and leverage.

Real Estate Public Equity

The Wilshire U.S. REIT Index measures the total return of a portfolio of publicly traded U.S. Real Estate Investment Trusts (REITs). The index is weighted by the float-adjusted market capitalization.

The FTSE EPRA/NAREIT Developed Global Index (unhedged in USD) measures the performance of listed real estate companies and real estate investment trusts (REITS) worldwide. The index is a market capitalization-weighted index, based on the last trade prices of shares of all eligible companies.

The FTSE NAREIT U.S. Real Estate Index measures the industry-wide performance of U.S. real estate investment trusts (REITs) and listed real estate companies. The index is weighted by equity market capitalization. All tax-qualified REITs with common shares traded on the NYSE, AMEX, or NASDAQ will be eligible, subject to minimum size, liquidity, and free-float adjustment criteria.

The FTSE NAREIT Preferred Stock Index measures the performance of all publicly tradable, non-convertible, perpetual preferred stocks that meet a minimum size requirement of \$550 million in face value, issued by companies that are members of the FTSE NAREIT All REITs Index. The index is calculated on a market capitalization weighted basis with capping to avoid single-issuer concentration.

The ICE BofA US REIT Debt Index is a subset of the ICE BofA US Corporate Index including all securities of REIT issuers. ICE BofA Corporate Master Index (Credit quality: A-) tracks the performance of U.S. dollar-denominated investment-grade corporate debt publicly issued in the U.S. domestic market.



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Real Estate Private Debt

The Giliberto-Levy Custom Index measures the investment performance of fixed-rate, fixed-term senior loans that are made by and held in the investment portfolios of institutional lenders such as life insurance companies and pension funds. First produced in 1993, the index has been in continuous publication for more than 30 years and provides historical standard time-weighted returns. Underlying collateral comprises domestic commercial real estate spanning the four major property types as well as other property sectors such as lodging and mixed use. The Index can also be viewed in three tranches based on the loan to value of the marked to market debt. The custom index is customized specifically for NYSTRS. It includes the Investment Grade Tranche only, excludes "other" property type category and has a minimum loan size of \$40 million for Office and \$25 million for Retail, Industrial and Multi-Family.

The Giliberto-Levy Crossover Index is a subset of the first mortgage positions in the Giliberto-Levy Custom Index whose LTV is between 70.1% and 85.0%

Real Estate Public Debt

The Bloomberg Non-Agency Investment Grade CMBS Index measures the market of conduit and fusion CMBS deals with a minimum deal size of \$500 million at issuance with at least \$300 million currently outstanding. The index was launched in 1997 and includes SEC registered securities with a rating of (Baa3/BBB-/BBB/) or higher with a fixed rate coupon and remaining average life of at least one year. As of July 1, 2014, the US Investment Grade CMBS Index began to include Agency CMBS transactions. The Private Label sub-index excludes these agency multi-family CMBS transactions.

The Bloomberg US CMBS 2.0 Index measures the market of investment-grade CMBS and fusion deals issued since the beginning of 2010. While many of the CMBS 2.0 deals are already eligible for the broader US Investment Grade CMBS Index, this new index captures additional securities with a broader set of eligibility criteria including lower minimum deal size of \$250 million.

The Bloomberg US CMBS Non-Agency Investment Grade BBB Index measures the BBB-rated market of US Non-Agency conduit and fusion CMBS deals with a minimum current deal size of \$300 million.

Private Equity

The S&P 500 Index returns plus 5% is the benchmark for the System's private equity investments. The S&P 500 measures the total return of 500 large capitalization companies. The index tracks technology, communications, industrial, transportation,



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financial, real estate, consumer related, energy and utility stocks and is capitalization weighted.

Private Debt

The Morningstar/LSTA Leveraged Loan Total Return Index returns plus 3% is the benchmark for the System's private debt investments. The Morningstar/LSTA Leverage Loan Total Return Index is a market capitalization weighted index that tracks the institutional loan market. Prices are determined through dealer bid/ask quotes. Constituents are senior secured institutional loans with a minimum initial spread of 125 basis points and a term of at least 1 year. Constituents are removed from the index when no bid has been posted for 12 consecutive weeks or the loan is repaid.

XIV. Glossary of Acronyms and Other Terms

A. Acronyms:

BL: Banking Law

EL: Education Law

ERISA: Employee Retirement Income Security Act of 1974

NASD: National Association of Securities Dealers

NYCRR: New York Codes, Rules, and Regulations

PIK: payment in kind security pays interest or dividends in the form of additional securities in lieu of cash

REAC: Real Estate Advisory Committee

RFP: Request for Proposal

RSSL: Retirement and Social Security Law

SEC: Securities and Exchange Commission

STIF: Short-Term Investment Fund



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USD: US Dollar

144a: SEC rule issued in 1990 that permits institutional investors to trade privately placed or "144a" securities

B. Brokerage Terms:

1. Directed Brokerage: refers to an arrangement where a certain dollar amount or percentage of trades is directed to designated broker-dealers. Negotiated brokerage, external commission recapture, and soft dollar arrangements are all forms of directed brokerage.
 - a. Negotiated Brokerage: refers to trades that are charged a negotiated commission rate resulting in lower up-front trading costs.
 - b. External Commission Recapture: an arrangement between the System, broker(s), and external manager(s), whereby, the manager(s) agree to direct a portion of commissions paid to broker(s) designated by the System, who agree to refund a portion of the commissions they receive from trading directly to the System. Receipt of these refunds can improve overall System returns through reduced costs.
 - c. Soft Dollar Arrangements: brokers establish an account for the Plan sponsor or its managers and pay certain Plan expenses or buy research services for the Plan or its manager directly from the commission activity in this account. This allows the Plan or its manager access to services and lowers direct cash expense since the Plan or its manager does not actually pay the service providers directly.
2. Recapture Rate: percentage of each commission dollar in a recapture program which is returned to the System. For a 1.5:1 recapture rate, the percentage of commission returned to the System would be sixty-seven percent (67%).

C. Covered Call Option Terms:

1. Covered Call Option: A contract allowing, but not requiring, the option holder to buy from the System a given number of shares of stock at a given price on or before a specific date. Once an option is written by the System, the underlying securities will be placed in an escrow account to "cover" the transaction. As evident by this definition, a particular call option will be characterized by two features:



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- a. Underlying Security: The stock which the option holder may buy.
- b. Contract: Each contract allows the option holder to buy one hundred (100) shares of the underlying security.
2. Exercise Price: The price at which the stock can be purchased by the option holder at any time up to the option's expiration date (sometimes referred to as strike price).
3. Expiration Date: The last day an option can be exercised. Contracts are usually traded in three, six, or nine-month contracts and expire on the first Saturday after the third Friday of its expiration month.
4. Intrinsic Value: The amount by which the stock price exceeds the strike price.
5. Premium: Value of the option or the market price that a buyer of an option pays the writer for rights conveyed by the option. The writer is entitled to retain this amount whether or not the buyer exercises the option. The premium is composed of two values, the intrinsic value and the time value.
6. Time Value: The excess of the option premium over the intrinsic value.

D. Futures Terms:

1. Exchange Traded Index Futures: Standardized contracts traded on an organized exchange that is based on an Index (i.e. S&P 500, Russell 2000, etc.). Counterparty risk is substantially reduced and transparency is increased due to the use of a central clearinghouse.
2. FCM Broker: Futures Commission Merchants (FCMs) are those authorized firms that clear Commodity Futures and Option trades.
3. Initial Margin: The amount a trader must deposit before trading any futures.
4. Maintenance Margin: The minimum amount of equity that must be maintained in a margin account.
5. Margin Account: An account maintained with the FCM Broker to cover the daily mark-to-market transaction.
6. Margin Call: A broker's demand on an investor using margin to deposit additional money or securities so that the margin account is brought up to the minimum maintenance margin.

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7. **Notional Value:** The total face value of the futures or options contract. This term is commonly used in the options, futures, and currency markets because a very small amount of invested money can control a large position (and have a large consequence for the trader). For example, one S&P 500 Index futures contract obligates the buyer to buy 250 units of the S&P 500 Index. If the index is trading at \$1,000, then the single futures contract is similar to investing \$250,000 (250 x \$1,000). Therefore, \$250,000 is the notional value underlying the futures contract.
8. Interest rate futures are derivatives instruments for the purchase and sale of underlying bonds on a specified date at a predetermined price. U.S. Treasury futures are standardized contracts for the purchase and sale of U.S. government notes or bonds for future delivery. Treasury futures can be used as an efficient tool for hedging interest rate risk and managing portfolio duration.

E. Risk Types:

1. **Counterparty Credit Risk:** The risk of default of any party owing cash or securities to the System as the result of a transaction. These parties may include, but are not limited to, the counterparty and the issuer. Counterparty credit risk is negligible to the System for transactions cleared on a delivery versus payment (DVP) basis.
2. **Liquidity Risk:** There are two types of liquidity risk: market liquidity risk and funding liquidity risk. Market liquidity risk is the risk of being unable to purchase or liquidate a security quickly enough (or in requisite quantities) at a fair price. Market liquidity risk differs from market risk. Market liquidity risk only reflects realized price changes, while market risk reflects both realized and unrealized price changes. Funding liquidity risk relates to the relative ease of the organization to meet its cash flow needs as they come due.
3. **Market Risk:** The risk of unexpected change in market price (amount or direction). Price changes in securities can result from movements in equity markets, interest rates, credit spreads and currency exchange rates. Market risk incorporates both realized and unrealized price changes.
4. **Operational Risk:** The risk of inadequate controls against fraud, incorrect market valuation, failure to record or settle a deal, settlement with the wrong counterparty, failure to collect amounts due, failure of the computer system, or enforceability of contracts. The implications of operational risk include both financial loss and loss of reputation.



NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
INVESTMENT POLICY MANUAL
Statement of Investment Policy

5. Geo-Political Risk: The risk of the occurrence of an unanticipated international and/or domestic incident such as war, assassination, terrorism, pandemic or energy shock that adversely affects global and capital markets resulting in the re-pricing of securities.
6. Political Risk: The risk of nationalization or other unfavorable government action.
7. Idiosyncratic Risk: Firm specific risk or the risk of the change in a price of a security due to the unique circumstances of that security.
8. Basis Risk The risk resulting from pricing differences between the derivatives instrument and the underlying security. For example, the risk that cash vs. futures spread will widen or narrow between the times a hedge position is established and closed.
9. Credit Risk: The financial risk that an obligation will not be paid resulting in a loss.
10. Asset Allocation Risk: The risk associated with being outside the asset class bounds or diverging from the target allocation.

Appendix B



Investment Committee Executive Summary

Investment Committee January 28, 2026

*Christopher Brown, CPA
Deputy Chief Financial Officer - Investment Operations Department*

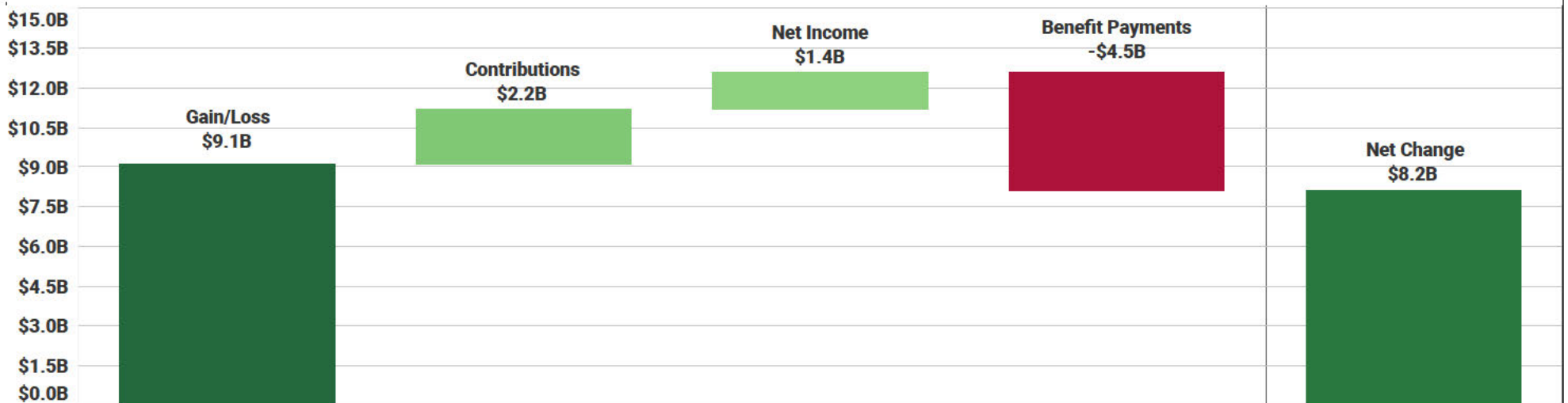
Investment Committee Executive Summary 56

Market Value Summary ('000s)

Asset Category	Asset Class	December 31, 2025		September 30, 2025		December 31, 2024	
		Net Asset Value	% Net Asset Value	Net Asset Value	% Net Asset Value	Net Asset Value	% Net Asset Value
Equity	Domestic Equity	\$53,517,302	33.4%	\$53,385,693	34.0%	\$49,463,616	33.7%
	International Equity	\$25,361,293	15.9%	\$24,738,913	15.7%	\$20,789,187	14.2%
	Global Equity	\$7,029,919	4.4%	\$6,921,003	4.4%	\$6,171,432	4.2%
	Real Estate Equity	\$15,738,152	9.8%	\$15,952,961	10.1%	\$16,468,362	11.2%
	Private Equity	\$14,574,701	9.1%	\$14,466,302	9.2%	\$14,335,588	9.8%
	Asset Category Subtotal	\$116,221,366	72.6%	\$115,464,872	73.5%	\$107,228,185	73.0%
Debt	Domestic Fixed Income	\$24,958,113	15.6%	\$23,314,271	14.8%	\$22,120,623	15.1%
	Global Bonds	\$3,166,926	2.0%	\$3,090,675	2.0%	\$2,887,884	2.0%
	High Yield	\$1,376,090	0.9%	\$1,353,896	0.9%	\$1,594,531	1.1%
	Real Estate Debt	\$8,460,999	5.3%	\$8,766,834	5.6%	\$8,511,505	5.8%
	Private Debt	\$3,089,313	1.9%	\$2,977,347	1.9%	\$2,557,413	1.7%
	Cash & Short Term Debt	\$2,748,754	1.7%	\$2,205,132	1.4%	\$1,947,249	1.3%
Asset Category Subtotal	\$43,800,195	27.4%	\$41,708,154	26.5%	\$39,619,205	27.0%	
Total Plan		\$160,021,561	100.0%	\$157,173,027	100.0%	\$146,847,391	100.0%

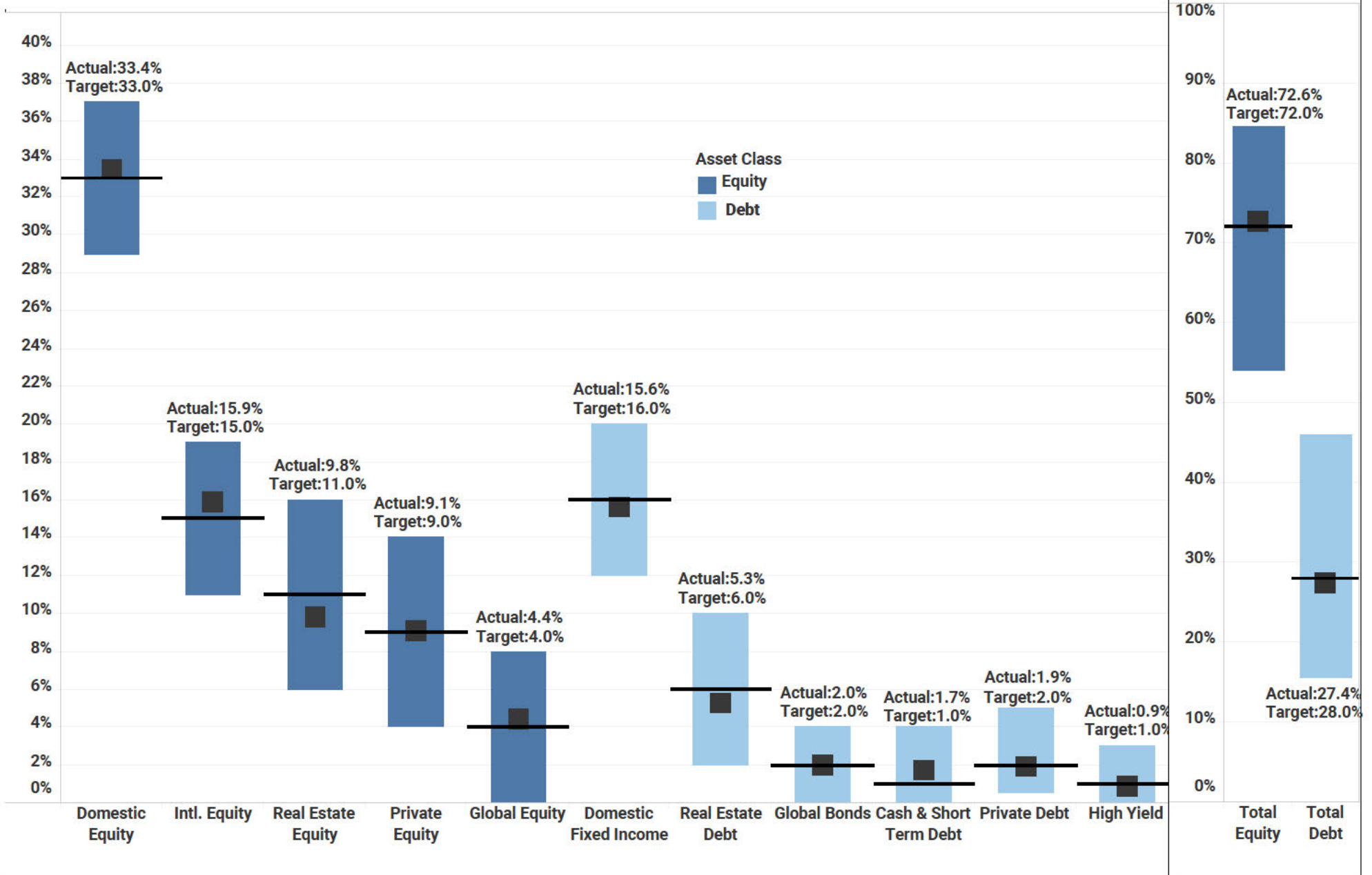
Due to rounding, numbers may not sum to 100%.

Components of Change in Total Investments FYTD: 7/1/2025 to 12/31/2025 \$151.8B to \$160.0B



Investment Committee Executive Summary ⁵⁷

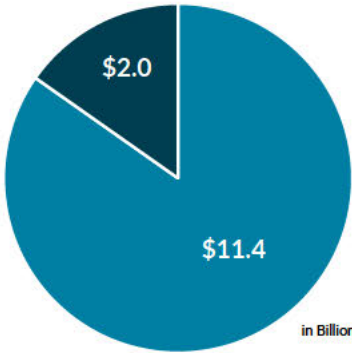
NYSTRS' Asset Allocation: \$160.0B (December 31, 2025)



Investment Committee Executive Summary 58

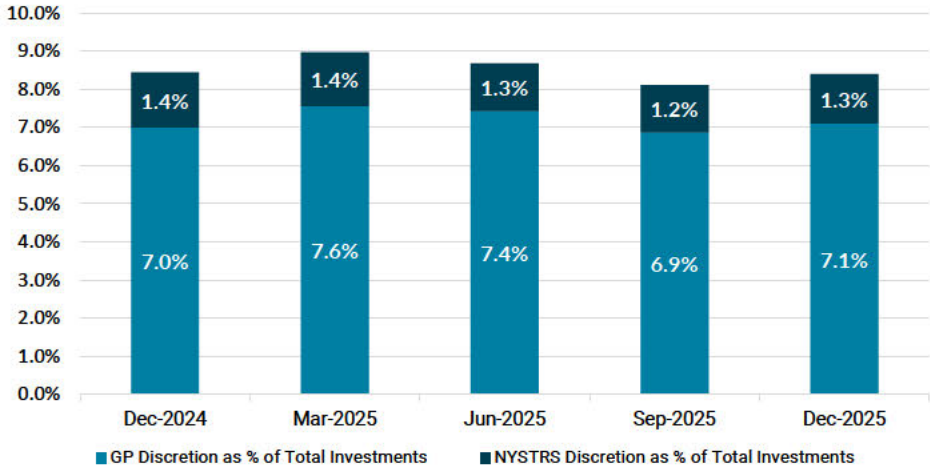
Unfunded Commitments - Private Assets

Total Unfunded Commitments at 12/31/2025 \$13.4B

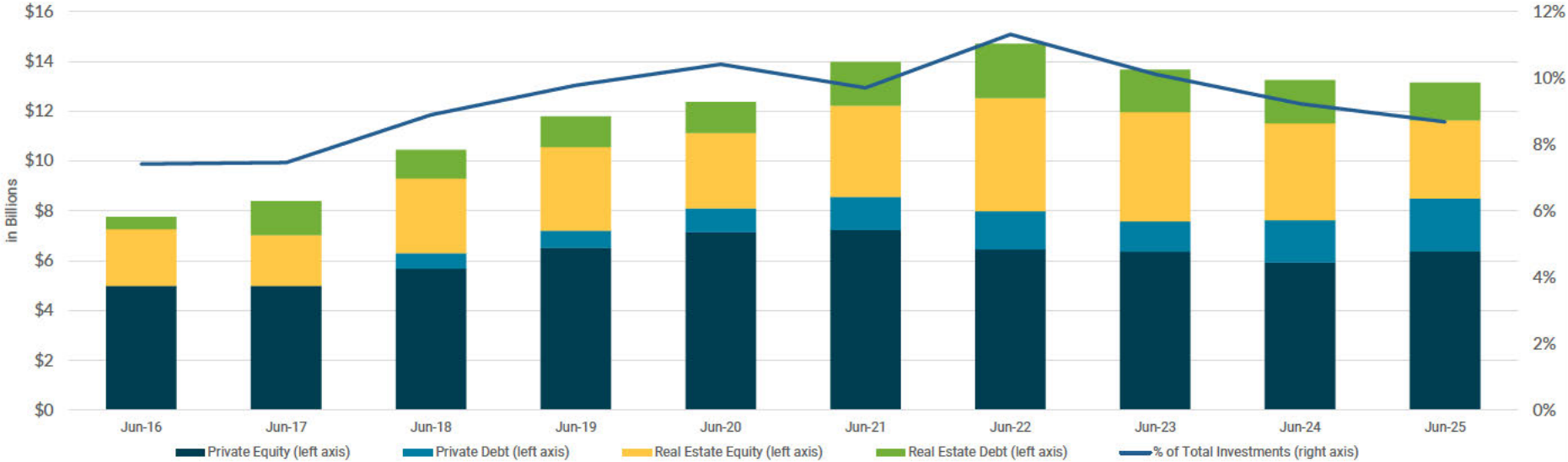


■ GP Discretion ■ NYSTRS Discretion

Unfunded Commitments - GP vs. NYSTRS Discretion

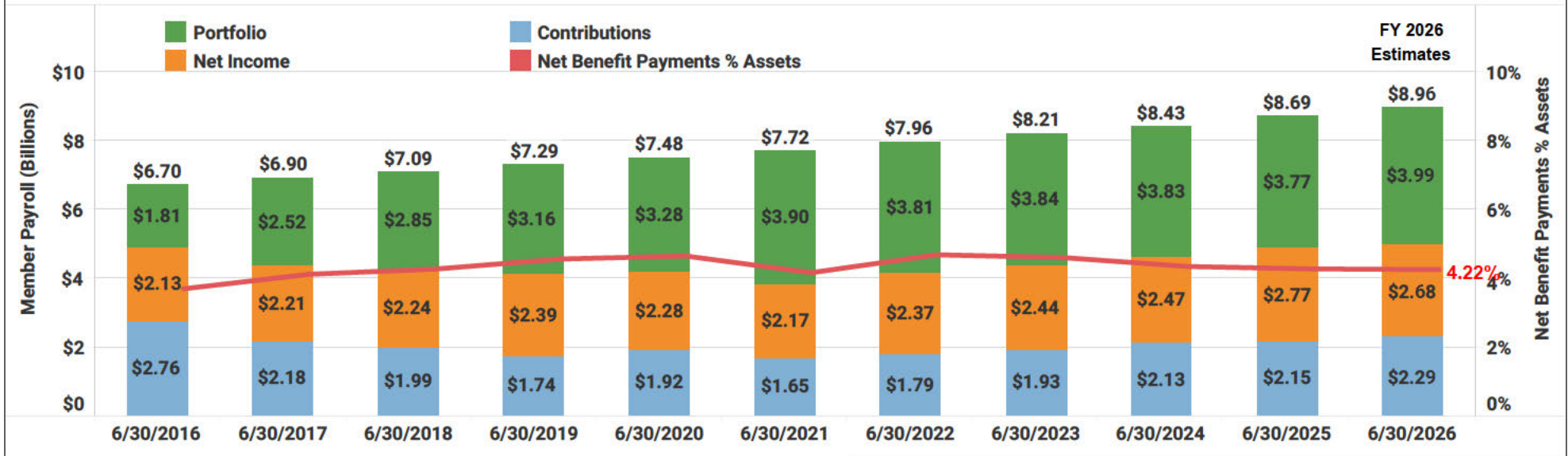


Unfunded Commitments - by Asset Class and % of Total Investments

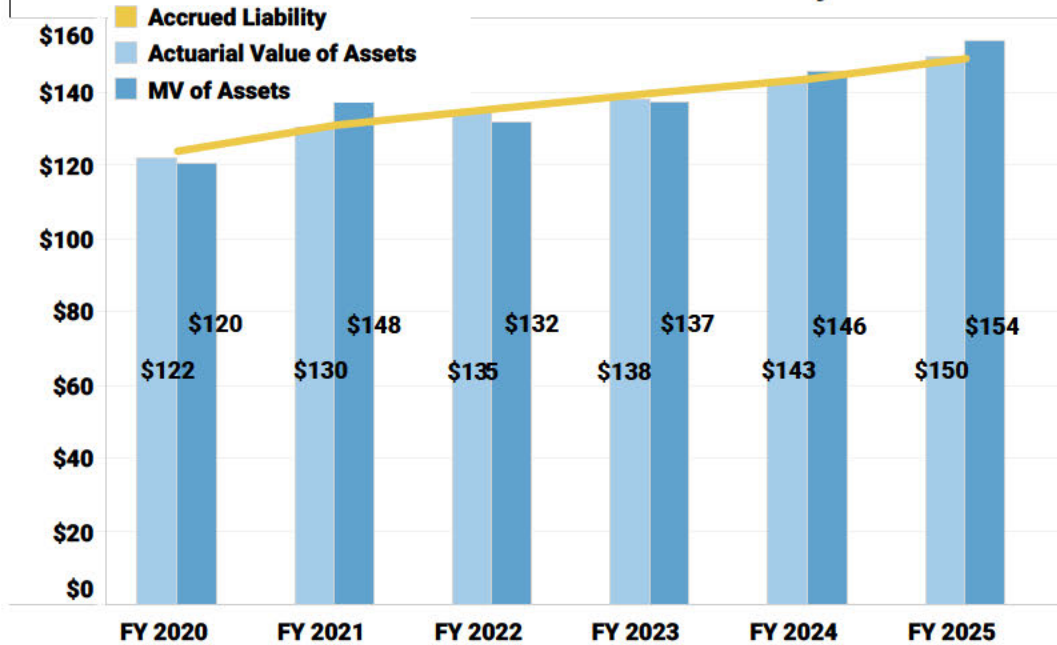


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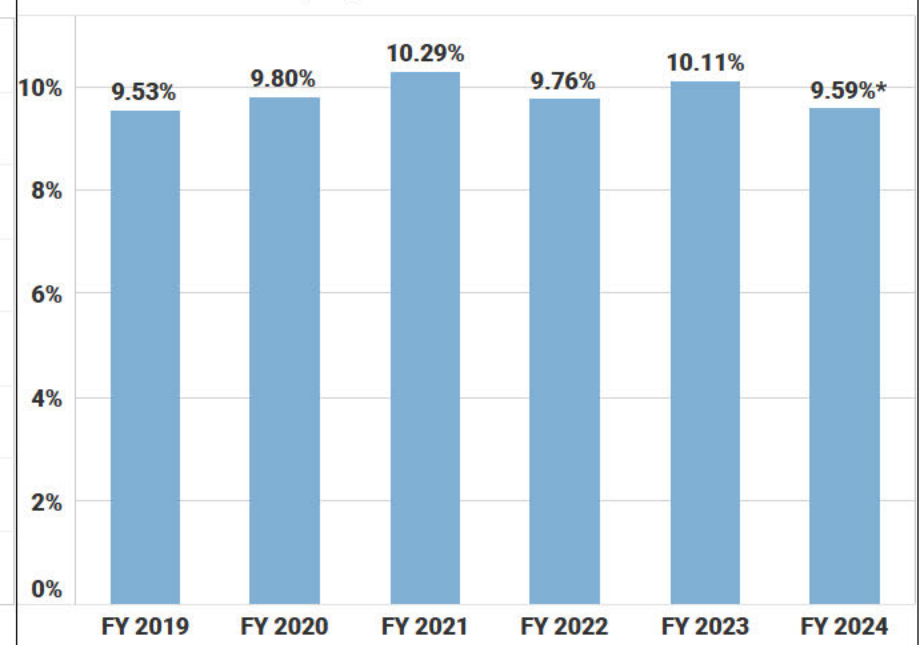
Member Payroll Funding Sources



Assets & Actuarial Accrued Liability



Employer Contribution Rate



Investment Committee Executive Summary ⁶⁰

Public Market Performance as of December 31, 2025

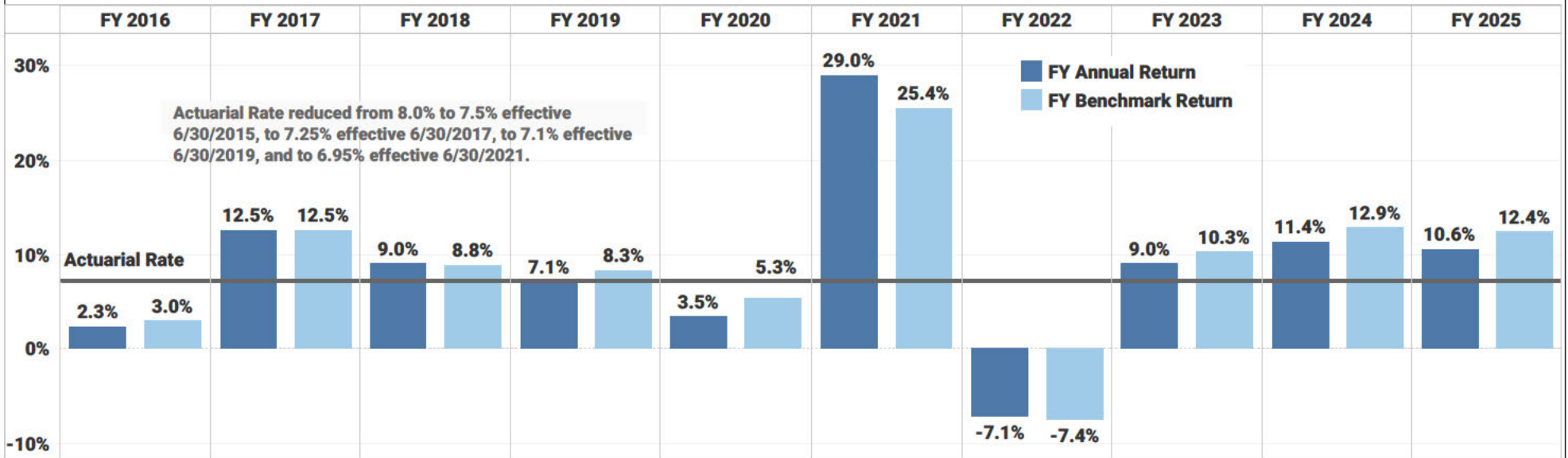
Asset Class	Current QTR	
	Net Return	Excess Return
Domestic Equity	2.7%	0.1%
International Equity	4.9%	-0.1%
Global Equity	3.7%	0.4%
Private Equity	N/A	N/A
Real Estate Equity	-1.4%	0.0%
Domestic Fixed Income	1.0%	-0.1%
Global Bonds	0.9%	0.2%
High Yield Bonds	1.6%	0.0%
Private Debt	N/A	N/A
Real Estate Debt	1.6%	0.1%
Short Term	1.0%	0.1%
Total Public Markets	2.6%	0.0%

RE Equity is REITs only and RE Debt is CMBS only.
For additional performance information see Supplemental Materials.

Total Fund Performance as of September 30, 2025

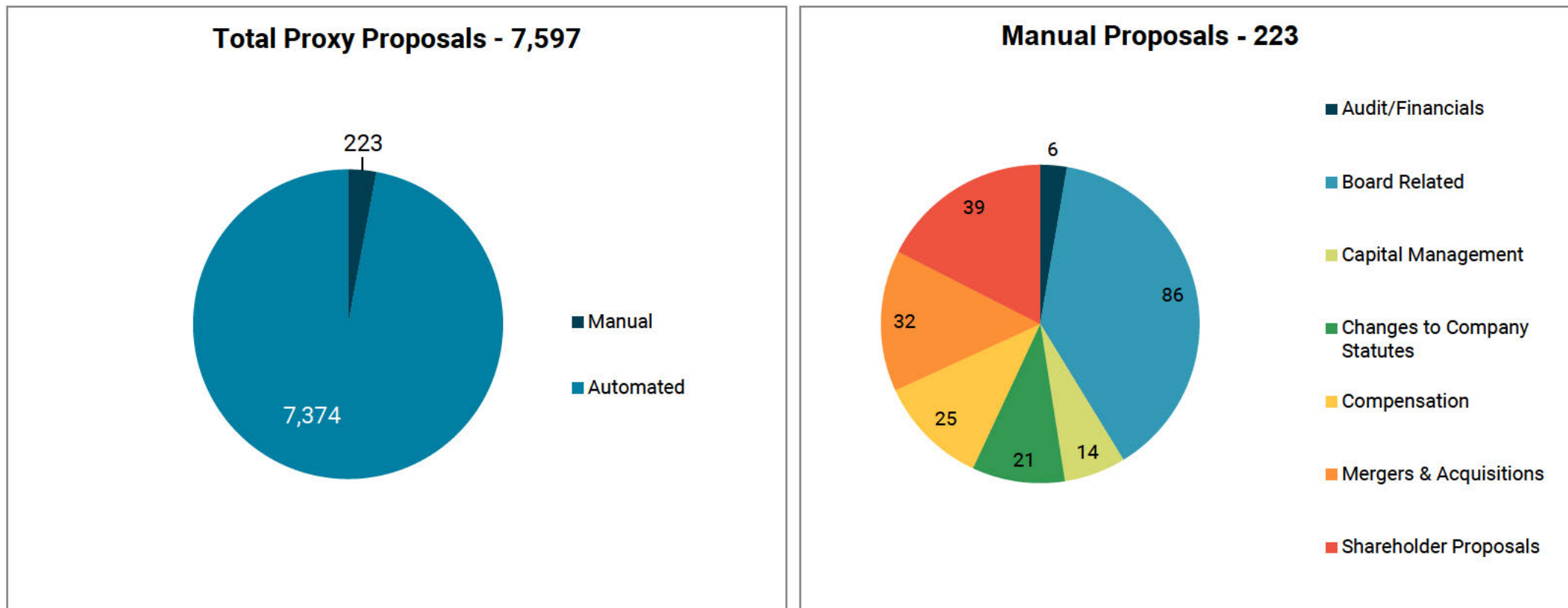
Asset Class	QTR		FYTD		10YR	
	Net Return	Excess Return	Net Return	Excess Return	Net Return	Excess Return
Domestic Equity	8.1%	0.1%	8.1%	0.1%	14.8%	-0.1%
International Equity	6.6%	-0.2%	6.6%	-0.2%	8.7%	0.5%
Global Equity	7.0%	-0.6%	7.0%	-0.6%	N/A	N/A
Private Equity	2.0%	-7.3%	2.0%	-7.3%	13.5%	-6.8%
Real Estate Equity	0.5%	-0.1%	0.5%	-0.1%	5.1%	0.7%
Domestic Fixed Income	2.0%	0.0%	2.0%	0.0%	1.9%	0.0%
Global Bonds	1.9%	0.5%	1.9%	0.5%	2.6%	0.5%
High Yield Bonds	2.5%	0.2%	2.5%	0.2%	N/A	N/A
Private Debt	3.1%	0.6%	3.1%	0.6%	N/A	N/A
Real Estate Debt	2.0%	0.2%	2.0%	0.2%	4.0%	0.4%
Short Term	1.1%	0.1%	1.1%	0.1%	2.2%	0.4%
Total Fund	4.8%	-0.6%	4.8%	-0.6%	9.3%	-0.6%

Annual Performance



Investment Committee Executive Summary

Proxy Voting Summary: 10/1/2025 - 12/31/2025



The System has implemented automated voting for those issues that can reliably be voted according to NYSTRS' Stock Proxy Voting policy without review in the U.S. and Canada and has implemented automated voting for a majority of issues in all other international markets. Those requiring review are voted manually utilizing research provided by our proxy advisory service to support the decision. In general, the System supports corporate management if management's position appears reasonable, is not detrimental to the long range economic prospects of the company, and does not tend to diminish shareholder rights. Should a complex issue arise which is not included in the Stock Proxy Voting policy, the Executive Director and Chief Investment Officer or his designee is authorized to exercise best judgment in voting such issue.

Audit/Financials - The System may oppose auditor selection if there are concerns about objectivity.

Board Related - The System supports independent and diverse directors.

Capital Management - The System generally supports proposals that provide the company with flexibility provided they do not limit shareholder rights.

Changes to Company Statutes - The System generally supports proposals relating to bylaw or organizational changes provided they do not limit shareholder rights.

Compensation - The System generally supports reasonable compensation plans which are tied to objective performance measures. Stock option plans should be used to motivate corporate personnel.

Mergers & Acquisitions - Proposals are reviewed on a case by case basis.

Shareholder Proposals (type & number) - Compensation: 3, Environment: 18, Governance: 8, Social: 9, and Other: 1.



Appendix C

Public Equities Managing Director Update

*Sandra Maria Schaufler, CFA
Public Equities*

Public Equity MD Update

	Mkt Val	Asset Allocation %			Portfolio Net Returns %					Excess Returns %				
	\$B*	Actual	Target	Range	Qtr	FYTD	1Y	3Y Ann	5Y Ann	Qtr	FYTD	1Y	3Y Ann	5Y Ann
Public Equities	\$ 85.9				3.40	11.25	21.92	21.02	12.20	0.05	-0.03	0.14	0.35	0.18
Domestic Equities	\$ 53.5	33.44	33	29-37	2.67	11.00	17.12	22.31	14.05	0.09	0.19	0.10	0.22	0.10
<i>Domestic Passive</i>	\$ 46.3				2.62	10.92	17.05	22.17	14.01	0.04	0.12	0.04	0.08	0.05
<i>Domestic Active</i>	\$ 7.2				2.94	11.43	17.53	23.34	14.44	0.36	0.63	0.52	1.25	0.48
International Equities	\$ 25.4	15.85	15	11-19	4.92	11.89	32.78	18.08	8.35	-0.13	-0.40	0.39	0.75	0.44
<i>International Passive</i>	\$ 17.4				4.96	12.27	32.83	17.62	8.17	-0.09	-0.02	0.44	0.29	0.26
<i>International Active</i>	\$ 7.9				4.83	11.05	32.62	19.08	8.69	-0.22	-1.24	0.23	1.75	0.79
Global Equities	\$ 7.0	4.39	4	0-8	3.70	10.97	22.73	19.52	11.21	0.40	-0.19	0.39	-1.13	0.01

* Due to rounding, market values may not sum. Note: Data as of 12/31/2025.

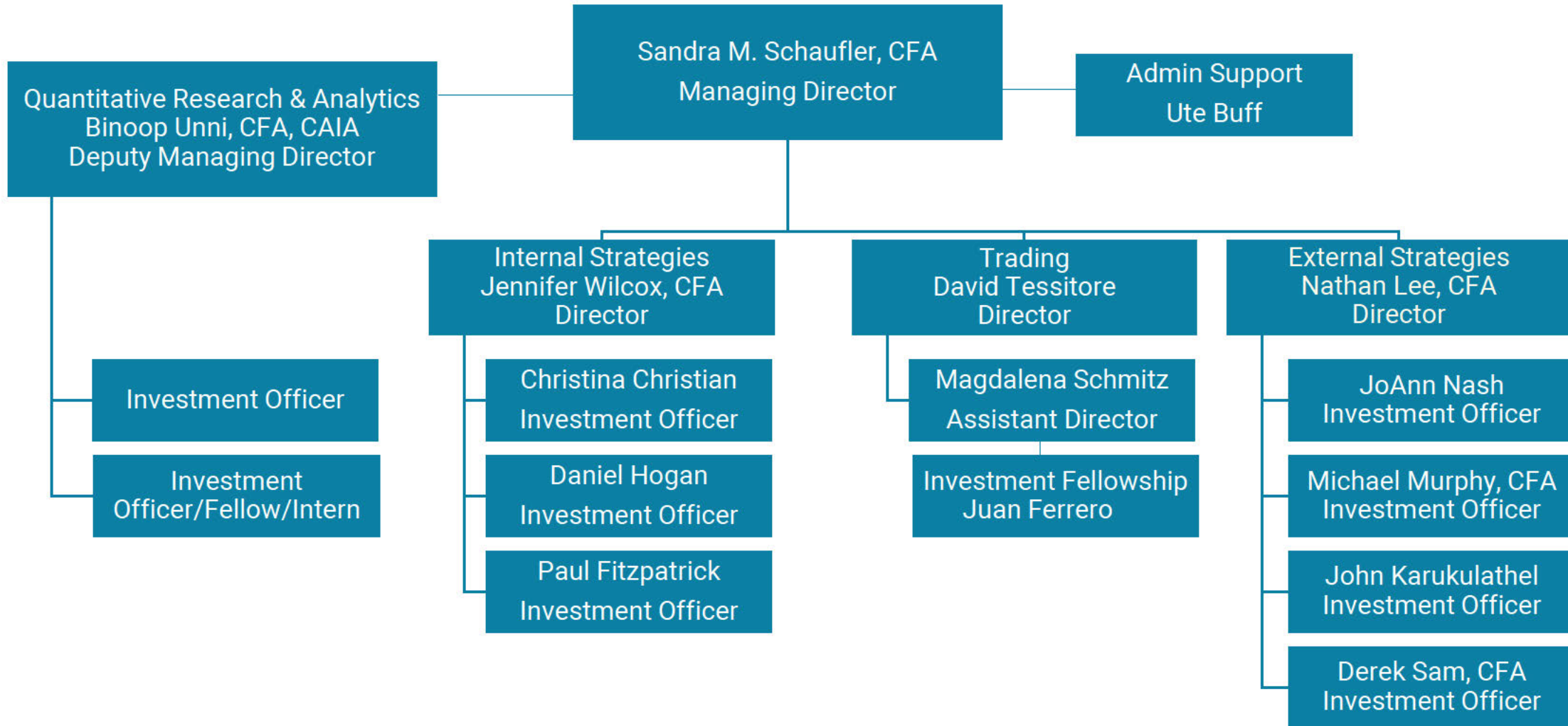
Market Commentary Q4

- Global equities rose (MSCI ACWI +3.29%), despite ongoing macroeconomic uncertainty and geopolitical risk.
- U.S. equities posted modest gains (S&P 1500 +2.58%), supported by earnings strengths, easing inflation, Federal Reserve rate cuts, and resilient consumer spending.
- International equities (MSCI ACWI ex US +5.05%) outperformed, led by Europe and Emerging Markets.
- Value outperformed Growth across both US and international markets.
- Technology performed well globally on continued AI adoption and sustained cloud demand.
- Emerging Markets outperformed (MSCI EM + 4.73%) and ended the calendar year up 33.57%, supported by a weaker U.S. dollar and renewed capital flows.

Portfolio Performance & Activity Q4

- The Public Equities portfolio returned 3.4%, with Domestic and Global sleeves outperforming their respective benchmarks, while International slightly lagged.
- Domestic, International and Global Equities remain above target, but well within approved strategic ranges.
- \$1.84 billion was raised from the Public Equities portfolio: \$1.10 billion from Domestic Equities, \$588 million from International Equities, and \$150 million from Global Equities.
- Internal international passive portfolio implementation continues to progress, with testing currently underway for developed European markets.
- Implemented a modified organizational structure with the Public Equities team and propose the formation of a Quantitative Advisory Committee.

NYSTRS - Public Equities



	<u>Mkt Val</u>	<u>Asset Allocation %</u>			<u>Portfolio Net Returns %</u>					<u>Excess Returns %</u>				
	<u>\$B</u>	<u>Actual</u>	<u>Target</u>	<u>Range</u>	<u>Qtr</u>	<u>FYTD</u>	<u>1Y</u>	<u>3Y Ann</u>	<u>5Y Ann</u>	<u>Qtr</u>	<u>FYTD</u>	<u>1Y</u>	<u>3Y Ann</u>	<u>5Y Ann</u>
Internally Managed	\$28.2	17.7	17	12-24										
<i>Domestic Fixed Income</i>	\$25.0	15.6	16	12-20	1.00	3.02	7.48	4.93	0.50	-0.07	-0.06	0.27	0.25	0.87
<i>Short-Term Bond</i>	\$2.7	1.7	1	0-4	1.03	2.14	4.37	4.99	3.33	0.11	0.23	0.40	0.42	0.33
<i>Emerging Market Debt</i>	\$0.6	0.4			1.17	4.67	10.52			0.15	0.02	0.95		
Externally Managed	\$4.0	2.5	3	0-7										
<i>Global Aggregate Bonds</i>	\$2.3	1.4	2	0-4	0.90	2.48	5.85	5.16	-0.04	0.12	0.28	0.61	0.15	0.17
<i>Global Carbon Transition</i>	\$0.4	0.2			0.93	3.17	7.34			0.01	0.00	0.26		
<i>High Yield</i>	\$1.4	0.9	1	0-3	1.56	4.06	8.92	9.54	4.38	-0.01	0.18	0.19	0.18	0.27

Qtr. Market Commentary:

- **US:** UST curve steepened as <5yr yields declined while >5yr yields increased while only long duration USTs had negative returns
- **Global:** US markets outperformed Europe and Asia while hedged returns exceeded unhedged
- **Credit:** Investment Grade & High Yield spreads traded in a fairly tight range during the quarter with IG ending slightly wider & HY slightly tighter
- **EM:** USD denominated EMD saw strong quarter-end & full year performance on Fed cuts and robust investor demand

Positioning and Performance:

- **Domestic FI:** \$1.61 billion net inflows in qtr.
 - Quarterly underperformance on security selection
 - Tracking error low on policy uncertainty
- **EM:** Outperformed on US Treasury exposure and security selection within corporate bonds
- **Short-Term:** Portfolio yield falling on Fed rate cuts
- **External:** Solid performance in Global Agg portfolios; High Yield & Carbon Transition performance in-line with benchmarks

Outlook:

- **Policy:** The Fed could deliver one cut in 1H26 while board composition to become more dovish with Senate likely confirming new chair
- **Macro:** Indications of labor market weakness but insufficient to stall expansion; Increased AI investment to boost GDP growth in 2026
- **Rates:** Government debt increasing but manageable; Nearing end of cutting cycle but curves steep on expected economic expansion
- **Credit:** Continued expansion phase in credit cycle given solid fundamentals and profit margins expected to remain elevated



Appendix E

Commercial Real Estate (CRE) Equity and Debt Investments Managing Director Update

Investment Committee - January 28, 2026

David C. Gillan, CPA
Managing Director of Real Estate

CRE Equity Portfolio	12/31/25 Value	Target	Range	Actual	w/Commitments	
	\$15,738	11%	6%-16%	9.8%	11.6%	
Performance for Periods Ended September 30, 2025						
Strategy (Inception Date)	Net Asset Value	Current Quarter	1 Year	5 Year	10 Year	Since Inception
Direct Properties (2/90)	\$6,072	-0.1%	-6.0%	2.2%	3.9%	8.4%
Core Funds (7/85)	\$1,364	-0.5%	-2.4%	-1.7%	0.4%	5.6%
Value Added (12/89)	\$1,873	-0.2%	-1.8%	8.5%	11.7%	11.0%
Opportunistic (3/99)	\$3,855	-0.1%	2.3%	7.7%	7.3%	10.0%
U.S. RE Securities (7/95)	\$1,903	4.1%	-0.3%	8.9%	7.3%	10.8%
Global RE Securities (9/17)	\$567	3.1%	-1.2%	6.1%	-	3.6%
Timber (12/98)	\$241	0.1%	1.7%	10.6%	6.7%	5.3%
Total CRE Equity Portfolio	\$15,875	0.5%	-2.5%	4.3%	5.1%	7.7%
NCREIF-ODCE (Spliced)	-	0.5%	3.2%	2.6%	4.4%	6.0%

Market Commentary:

- Green Street's CPPI (private asset values) reflected a 2.3% increase over the prior twelve months. The CPPI is now 15.9% below the 2022 peak. At the sector level, performance leaders over the prior twelve months were healthcare (5%), strip retail (5%) and data centers (5%). No sector experienced a negative valuation movement over 2025 with office now sitting 35% below the 2022 peak after a 2% increase.
- After maintaining a slight discount to private market valuations for the majority of 2025, REIT pricing ended the year at a 4% discount. However, wide dispersion exists among the property types with health care REITs trading at a 51% premium to the private asset pricing and single-family rental REITs trading at a 25% discount to private assets.
- While new construction remains subdued, the industrial and multifamily sectors are still working through supply issues, primarily in the sunbelt markets that attracted outsized investment over the last several years.

Portfolio Activity:

- Acquisitions continues to focus on opportunities with resilient, diversified cash flow in locations with durable long term demand profiles such as tertiary markets with strong medical and educational institutions.
- Capital raising activity remains elevated and the pipeline reflects several commingled fund opportunities with existing partners as well as exposure to new fund strategies across infrastructure, industrial and diversified strategies.
- Staff continue to monitor financing rates and will look to opportunistically add leverage when accretive to current income.
- During the 4th quarter, the System closed on commitments to commingled funds totaling \$350 million with global diversified and U.S. multifamily strategies.

Portfolio Performance & Positioning:

- Over the last 12 months, the CRE Equity portfolio produced a total net return of -2.5%, which underperformed the NCREIF ODCE policy benchmark.
- Drivers of the lower nominal performance for the year continue to be our exposure to office which has been slow to regain occupancy, value declines for multi-family properties in select markets with significant new supply, and primarily due to our cold storage exposure which has been impacted by lower tenant inventory levels, due to the cost of carrying higher priced inventories impacting demand.
- Drivers of the positive relative performance to the benchmark include strong income returns for directly held properties, recovery of value at our NYC office property due to a considerable amount of leasing and the performance of our public security portfolios driven by secular trends in healthcare, retail and technology during the quarter.

CRE Debt Portfolio	12/31/25 Value	Target	Range	Actual	w/Commitments	
	\$8,461	6%	2%-10%	5.3%	6.4%	
Performance for Periods Ended September 30, 2025						
Strategy (Inception Date)	Net Asset Value	Current Quarter	1 Year	5 Years	10 Years	Since Inception
First Mortgages (7/85)	\$2,423	1.8%	6.0%	3.1%	3.9%	7.7%
Commercial MBS (4/01)	\$3,610	2.3%	7.7%	3.0%	3.4%	4.7%
Core Plus Strategies (8/04)	\$2,176	2.0%	6.3%	3.4%	4.6%	4.1%
Opportunistic Debt (9/01)	\$621	0.3%	3.9%	4.2%	5.9%	1.4%
Total CRE Debt Portfolio	\$8,830	2.0%	6.6%	3.2%	4.0%	7.6%
GL Custom Index (Spliced)	-	1.7%	5.8%	2.2%	3.5%	7.7%

Market Commentary:

- Interest rates continue to decline. The Federal Reserve cut the federal funds rate by 25 basis points in September, 25 basis points in October, 25 basis points in December, and there is a low probability that there will be an additional cut at the January meeting. In addition, the 5-year U.S. Treasury yield declined by approximately 64 basis points during 2025.
- Lending spreads have also compressed due to improving real estate fundamentals, and more available capital and competition from lenders.
- Transaction volume has picked up as a result of the incremental lower interest rates, increasing the System's pipeline for debt opportunities.

Portfolio Activity:

- Origination staff will continue to focus on the most attractive opportunities based on yield, credit, collateral, and duration.
- Even with the decline in interest rates, real estate debt investments continue to provide strong risk adjusted returns.
 - Five-year first mortgages on stabilized assets provide yields in the 5.00%-5.25% range.
 - Investment grade CMBS securities provide yields in the 4.75%-7.50% range.
 - Senior mezzanine and bridge loans provide shorter term floating rate yields in excess of 7.00%.
- During the 4th quarter, the System closed on a \$125 million commitment to a commingled fund targeting opportunistic debt on office properties in New York City. The System also closed on two first mortgages on stabilized multifamily assets totaling \$101.8 million.

Portfolio Performance & Positioning:

- Over the last 12 months, the Debt Portfolio produced a net return of 6.6% which outperformed the policy benchmark.
- CMBS drove positive performance vs the benchmark. Our CMBS portfolio primarily consists of investment grade and single asset/single borrower positions which benefit from individual security and credit selection.
- The existing first mortgage portfolio is impacted by legacy loans on office assets at fixed rates below current market rates, while at the same time benefitting from new originations focused on multi-family and industrial loans.
- We continue to work through legacy mezzanine loans on office and multi-family properties in the debt separate accounts where borrowers are unable to meet full debt service payments, extension tests, or repayment of principal at maturity. Staff continues to restructure these loans through extensions with paydowns or reserves.

Equity Real Estate Performance for Periods Ended September 30, 2025						
Strategy (Inception Date)	Net Asset Value	Current Quarter	1 Year	5 Year	10 Year	Since Inception
Direct Properties (2/90)	\$6,072	-0.1%	-6.0%	2.2%	3.9%	8.4%
Core Funds (7/85)	\$1,364	-0.5%	-2.4%	-1.7%	0.4%	5.6%
Value Added (12/89)	\$1,873	-0.2%	-1.8%	8.5%	11.7%	11.0%
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Global RE Securities (9/17)	\$567	3.1%	-1.2%	6.1%	-	3.6%
Timber (12/98)	\$241	0.1%	1.7%	10.6%	6.7%	5.3%
Total CRE Equity Portfolio	\$15,875	0.5%	-2.5%	4.3%	5.1%	7.7%
Blended Benchmark*	-	1.4%	3.2%	2.8%	4.1%	5.9%

Debt Real Estate Performance for Periods Ended September 30, 2025						
Strategy (Inception Date)	Net Asset Value	Current Quarter	1 Year	5 Years	10 Years	Since Inception
First Mortgages (7/85)	\$2,423	1.8%	6.0%	3.1%	3.9%	7.7%
Commercial MBS (4/01)	\$3,610	2.3%	7.7%	3.0%	3.4%	4.7%
Core Plus Strategies (8/04)	\$2,176	2.0%	6.3%	3.4%	4.6%	4.1%
Opportunistic Debt (9/01)	\$621	0.3%	3.9%	4.2%	5.9%	1.4%
Total CRE Debt Portfolio	\$8,830	2.0%	6.6%	3.2%	4.0%	7.6%
Blended Benchmark*	-	1.9%	5.9%	2.1%	3.5%	7.7%

* The Blended Benchmarks used here represent the market-value weighted average of the underlying benchmarks for all of the public/private strategies. The System's Real Estate Policy benchmark is the NCREIF-ODCE for the Real Estate Equity Portfolio, and the Gilberto-Levy Custom Index for the Real Estate Debt Portfolio.

Appendix F

Private Equity & Private Debt Managing Director Update

Investment Committee – January 28, 2026

*Gerald J. Yahoudy II, CAIA, FDP
Private Equity & Private Debt*

Private equity summary as of 12/31/2025

	Market Value	Actual Allocation	Target Allocation	Allocation Range		
	\$14.6B	9.1%	9.0%	4% - 14%		
Net TWR as of 9/30/25	1-Year	3-Year	5-Year	10-Year	20-Year	30-Year
NYSTRS PE Portfolio	8.2%	7.6%	12.4%	13.5%	12.9%	13.4%
Excess Return						
S&P 500 + 500bps (1)	-14.4%	-22.3%	-9.1%	-6.8%	-3.0%	-2.1%
S&P 1500 (2)	-8.4%	-16.5%	-3.8%	-1.4%	2.1%	2.9%
MSCI ACWI (3)	-9.1%	-15.5%	-1.2%	1.6%	4.7%	N/A
Russell 2000	-2.6%	-7.6%	0.8%	3.7%	4.8%	4.8%
MSCI ACWI IMI	-8.6%	-14.9%	-0.9%	1.9%	4.7%	5.6%

(1) Private Equity Benchmark, (2) Public Equity Domestic Benchmark, (3) Public Equity Global Benchmark

Market Commentary:

Portfolio Activity & Asset Allocation:

Portfolio Performance & Positioning:

Other Updates:

- PE market activity and liquidity continue to improve with expectations for continued improvement in 2026.
- PD continues to be a go to source for buyouts and M&A relative to public markets.
- Yields on PD have compressed given lower base rates and tighter spreads and expectations for defaults are increasing. However, PD is still generating strong risk adjusted returns.
- Quarterly valuations for both private equity and private debt increased 2.0% and 3.0% respectively from 6/30/25.
- For the quarter ended 12/31, one PD fund (existing relationship) was approved by the IIC.
- Cash flows for the first half of the current fiscal year were positive for PE and negative for PD.
- Both Private Equity and Private Debt are outperforming public markets over the long run.
- Continued focus on diversification in the PD portfolio by adding strategies beyond direct lending such as opportunistic, co-investments and asset backed.
- On the PE side, exploring additions to our growth equity portfolio.
- See next page for additional benchmarking data.

Private debt summary as of 12/31/2025 71

	Market Value	Actual Allocation	Target Allocation	Allocation Range
	\$3.1B	1.9%	2.0%	0.5% - 5%
Net TWR as of 9/30/25	1-Year	3-Year	5-Year	
NYSTRS PD Portfolio	8.7%	9.6%	11.0%	
Excess Return				
Morningstar LSTA + 300bps	-1.3%	-3.3%	1.0%	
Bloomberg Agggregate (1)	5.8%	4.6%	11.4%	
Bloomberg HY	1.3%	-1.5%	5.4%	

(1) Fixed Income Long Term Bond Benchmark

NYSTRS' Private Equity Horizon Net IRRs (9/30/25) vs Cambridge Benchmarks

72

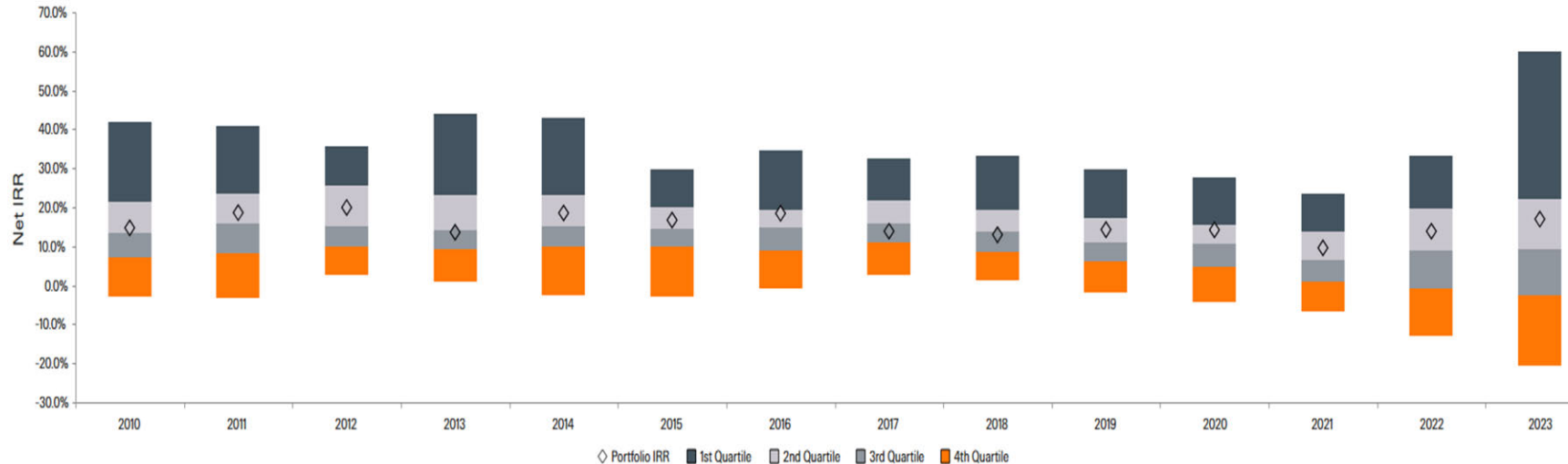
Private Equity	1-Year	3-Year	5-Year	10-Year	15-Year
NYSTRS Total PE	8.0%	7.7%	13.3%	14.1%	14.2%
NYSTRS US PE	8.4%	8.1%	14.0%	14.6%	14.9%
NYSTRS Non US PE	6.0%	5.9%	10.7%	11.8%	11.3%
NYSTRS S/M Buyouts	6.4%	8.1%	16.9%	16.9%	17.3%
NYSTRS All Buyouts	5.9%	8.4%	13.5%	15.2%	15.9%
Cambridge US PE Index* (6/30/25)	8.7%	7.4%	16.4%	14.7%	15.9%
NYSTRS VC/Growth	27.8%	11.8%	19.8%	16.4%	15.0%
Cambridge US VC Index* (6/30/25)	11.4%	0.13%	15.0%	13.1%	15.4%

- Returns from NYSTRS' Buyout (S/M) Portfolio outperformed the 3yr, 5yr, 10yr, and 15yr Cambridge benchmarks.
- Returns from NYSTRS' VC/Growth portfolio outperformed the 1yr, 3yr, 5yr, and 10yr Cambridge benchmarks.

NYSTRS' IRR's per SPI (StepStone's reporting platform)

* - <https://www.cambridgeassociates.com/private-investment-benchmarks/>

NYSTRS' Private Equity Net IRR Quartile Rankings by Vintage Year vs. StepStone's All PE Benchmark as of 9/30/25



- In 2010, NYSTRS adjusted the PE program to focus on lower middle market buyouts.
- This change resulted in net IRRs exceeding the median benchmark performance in 11 of the last 14 years.

PME+ vs. NYSTRS Net IRRs as of 9/30/25

Private Equity	1-Year	3-Year	5-Year	10-Year	15-Year	Inception
PME+ S&P 500	16.9%	25.2%	16.9%	15.5%	14.9%	10.3%
NYSTRS PE vs S&P500 PME+	-8.9%	-17.5%	-3.7%	-1.5%	-0.7%	2.3%
PME+ S&P 1500	15.9%	24.4%	16.8%	15.2%	14.7%	N/A
NYSTRS PE vs S&P 1500 PME+	-7.9%	-16.7%	-3.5%	-1.1%	-0.5%	N/A
PME+ MSCI ACWI	17.0%	23.9%	14.3%	12.6%	10.6%	N/A
NYSTRS PE vs. MSCI ACWI PME+	-9.0%	-16.2%	-1.0%	1.4%	3.6%	N/A
PME+ MSCI ACWI IMI	16.6%	23.3%	14.1%	12.4%	10.6%	N/A
NYSTRS PE vs ACWI IMI PME+	-8.6%	-15.6%	-0.8%	1.7%	3.7%	N/A
PME+ Russell 2000	10.1%	15.1%	12.2%	10.2%	11.3%	9.2%
NYSTRS PE vs Russell 2000 PME+	-2.1%	-7.4%	1.1%	3.9%	2.9%	3.4%

- Net IRRs of the PE portfolio on a PME+ basis have outperformed NYSTRS' PE benchmark and various other public market indices over the long term.

Private Debt	1-Year	3-Year	5-Year	7-Year	Inception
PME+ Morningstar LSTA	7.0%	9.6%	7.4%	6.7%	6.7%
NYSTRS PD vs LSTA PME+	1.6%	-0.1%	2.9%	2.7%	3.2%
PME+ S&P UBS Leveraged Loan Index	3.0%	8.0%	6.2%	5.7%	5.7%
NYSTRS PD vs S&P UBS LLI PME+	5.6%	1.6%	4.1%	3.7%	4.2%
PME+ BofA Merrill Lynch US High Yield	4.8%	7.6%	3.0%	3.8%	3.6%
NYSTRS PD vs. BofA Merrill Lynch US HY PME+	3.8%	1.9%	7.3%	5.7%	6.3%

- Net IRRs of the PD portfolio on a PME+ basis, have outperformed NYSTRS' PD benchmark in most time periods and have outperformed various other public debt benchmarks over time.



Appendix G

Investment Committee Meeting – Agenda pp. 40-41

January 28, 2026

COMMITTEE MEMBERS

Nicholas Smirensky, Chair

Eric Iberger, David Keefe, Scott Levy, Jennifer Longtin, Ruth Mahoney

MINUTES

- A. Approval of Minutes of October 29, 2025 Meeting pp. 42-52

PRESENTATIONS

- A. Public Equities Presentation (motion for **Executive Session** pursuant to Open Meetings Law Section 105 (1) (f) to discuss financial history and matters leading to the appointment/removal of a particular corporation) pp. 53-69
- B. Fixed Income Presentation (motion for **Executive Session** pursuant to Open Meetings Law Section 105 (1) (f) to discuss financial history and matters leading to the appointment/removal of a particular corporation) pp. 70-120
- C. High Yield Program Policy Benchmark Change
1. HY Board Summary pp. 121-123
 2. Callan Summary pp. 124-134
 3. Redline Changes to Statement of Investment Policy section of Investment Policy Manual pp. 135-162
 4. Resolution on High Yield Benchmark Change p. 163

UPDATES

- A. Investment Comm Exec Summary – C. Brown pp. 164-170
- B. Public Equities Update – S. Schaufler pp. 171-173
- C. Fixed Income Update – A. VanDerwiel p. 174
- D. Real Estate Update – K. Maloney pp. 175-178
- E. Private Equity/Debt Update – G. Yahoudy p. 179-182

INVESTMENT COMMITTEE ACTION REQUIRED

- A. **Consent Agenda Recommendation Items A 1a and 2 a-m** pp. 183-197
1. Renew Consultant
 - a. Callan – General Investment Consultant p. 184
 2. Renew Managers:
 - a. AEW p. 185
 - b. Arga Investment Management p. 186
 - c. Ariel Investments (Active Int'l Equity) LLC p. 187
 - d. Arrowstreet (Active Int'l Equity) p. 188
 - e. Bank of New York Mellon (Securities Lending) p. 189
 - f. BlackRock Financial Management, Inc (CMBS) p. 190
 - g. Cohen & Steers Capital Mgt-Multi Strategy p. 191
 - h. PGIM (High Yield) p. 192
 - i. J.P. Morgan Investment Management Inc p. 193
 - j. Principal Real Estate Investors p. 194

- k. Raith Capital Partners p. 195
 - l. RhumbLine Advisors LP (Passive Int'l Equity) p. 196
 - m. Xponance (f/k/a FIS Group) (Active Int'l Equity) p. 197
- B. Additional Action Items
- 1. Resolution on BlackRock Systematic Enhanced High Yield p. 198
 - 2. Update to Investment Policy Manual
 - a. Redline-Proposed Changes to Statement of Investment Policy section of the Investment Policy Manual for addition of a Quantitative Advisory Committee pp. 199-226
 - b. Resolution Approving Changes to Investment Policy Manual (QAC) p. 227

Informational Reports

- 1. EDCIO Investment Discretion Report pp. 228-231
- 2. Mail Vote Quarterly Board Report p. 232
- 3. REAC Quarterly Transactions Board Report p. 233



Memorandum

Appendix H

TO: Retirement Board

FROM: T. Lee

SUBJECT: Quarterly Report of Executive Director and Chief Investment Officer Investment Discretion Exercised October - December 2025

Fixed Income

Period	Action Taken	Amount
Q/E 12/31/25	Net cash and securities reallocated into internally managed Long-Term Bonds	\$1,610.1 M
Q/E 12/31/25	Net cash and securities reallocated into internally managed Emerging Market Debt	\$50.1 M



TO: Retirement Board
FROM: T. Lee
SUBJECT: Quarterly Report of Executive Director and Chief Investment Officer Investment Discretion Exercised October - December 2025

Public Equities

Period	Action Taken	Amount
Q/E 12/31/2025	Cash reallocated out of externally managed Domestic equity portfolio	\$100.0 M
Q/E 12/31/2025	Cash reallocated out of externally managed International equity portfolio	\$580.0 M
Q/E 12/31/2025	Cash reallocated out of externally managed Global equity portfolio	\$150.0 M
Q/E 12/31/2025	Cash reallocated out of internally managed Domestic equity portfolio	\$1.0 B
Q/E 12/31/2025	Cash reallocated out of internally managed International equity portfolio	\$8.0 M



TO: Retirement Board
FROM: T. Lee
SUBJECT: Quarterly Report of Executive Director and Chief Investment Officer Investment Discretion Exercised October - December 2025

Real Estate - New Commitments

Date of Internal Inv. Comm. Approval	Investment Name	Amount	New or Existing Relationship
Nov 5 2025	Abacus Multifamily Partners VII	\$200M	Existing
Nov 18 2025	SL Green Opportunity Debt Fund	\$125M	New
Nov 20 2025	Trio Pointe	\$34M	Mortgage
Dec 8 2025	Pallas	\$67.8M	Mortgage

Real Estate - Dispositions

Date of Internal Inv. Comm. Approval	Investment Name	Amount	Date Transaction Closed
	- None -		

Real Estate

Period	Action Taken	Amount
	- None -	



TO: Retirement Board
FROM: T. Lee
SUBJECT: Quarterly Report of Executive Director and Chief Investment Officer Investment Discretion Exercised October - December 2025

Private Equity/Debt – New Commitments

Date of Internal Inv. Comm. Approval	Investment Name	Amount	New or Existing Relationship
12-17-2025	OIC Structured Equity CI NY	\$50M	Existing



Memorandum

Appendix I

TO: Retirement Board

FROM: T. Lee

SUBJECT: Quarterly Board Report of Mail Votesⁱ for the period October-December 2025

Date	Type (Full Board Vote or Investment Committee Vote	Transaction
	NONE	

ⁱ "...The Board may act by a unanimous vote of its members taken by mail and/or e-mail and other electronic means approved by the System, or by telephone confirmed by mail and/or other electronic means approved by the System, on occasional matters determined by the President to be non-controversial in nature so as not to require a special meeting of the Board but having circumstances which make it impractical to delay action until the next annual or stated meeting of the Board..." from NYSTRS' Bylaws



**New York State
Teachers'
Retirement
System**

Memorandum

Appendix J

TO: Retirement Board
FROM: T. Lee
SUBJECT: REAC Quarterly Transactions Board Report of for the period October – December 2025

Transaction	Approved by REAC	ED/CIO Discretion Exercised
Trio Pointe – Direct Mortgage	Yes –11/18/25	\$34M
Pallas – Direct Mortgage	Yes – 12/4/25	\$67.8M

NEW YORK STATE
TEACHERS' RETIREMENT SYSTEM
10 CORPORATE WOODS DRIVE, ALBANY NY

Disability Review Committee Meeting

A meeting of the Disability Review Committee of the Retirement Board was held at the System on January 28, 2026. The meeting was called to order at 11:51 a.m. by Eric Iberger, Chair.

The following individuals were in attendance:

Committee Members: Eric Iberger, David Keefe, Scott Levy (via WebEx), Donald A. Little III, Jennifer Longtin, Natalie McKay, Nicholas Smirensky, Mark Stratton

Visitor: Juliet Benaquisto

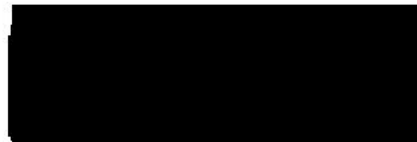
Visitors via WebEx: Ben Sheng, FundFire; Sun Yu, Financial Times; Cyril Espaniol, WithIntelligence; Nate Weinstein, Osmosis; Diana Zuckerman, Retired Teacher; John Fricker

Upon motion of D. Little, seconded by D. Keefe and unanimously carried, the meeting minutes of October 29, 2025 were approved.

E. Iberger, Chair, reported that the System's Medical Board had met monthly over the prior three months and that a disability denial resolution and a disability rescission resolution would be brought before the Board at its meeting on January 29, 2026.

There being no further business, the Committee unanimously adjourned at 11:51 a.m.

Respectfully submitted,

A large black rectangular redaction box covering the signature of the official.

Thomas K. Lee

NEW YORK STATE
TEACHERS' RETIREMENT SYSTEM
10 Corporate Woods Drive, Albany NY

Ethics Committee Meeting

A meeting of the Ethics Committee of the Retirement Board was held at the System on January 28, 2026. The meeting was called to order by Donald A. Little III, acting Chair, at 1:04 p.m.

The following individuals were in attendance:

Committee Members: Donald A. Little III, Nicholas Smirensky,
Thomas Lee, Don Ampansiri

Board Members: David Keefe, Eric Iberger, Scott Levy (via WebEx), Jennifer Longtin, Natalie McKay, Mark Stratton

NYSTRS Staff: Matt Albano

Visitor: Juliet Benaquisto

Visitors via WebEx: Ben Sheng, FundFire; Sun Yu, Financial Times; Cyril Espaniol, WithIntelligence; Nate Weinstein, Osmosis;
Diana Zuckerman, Retired Teacher; John Fricker

Upon motion of T. Lee, seconded by D. Ampansiri and unanimously carried, the minutes of the October 29, 2025 meeting were approved.

M. Albano reported that the Annual Disclosure Statements and EDCIO quarterly disclosures had been reviewed with no issues or concerns being found.

There being no further business, and with unanimous consent, the meeting adjourned at 1:04 p.m.

Respectfully submitted,



Thomas K. Lee

NEW YORK STATE
TEACHERS' RETIREMENT SYSTEM
10 CORPORATE WOODS DRIVE, ALBANY NY

Executive Committee Meeting

A meeting of the Executive Committee of the Retirement Board of the New York State Teachers' Retirement System was held at the System on January 28, 2026.

The following individuals were in attendance:

Committee Members: David Keefe, Eric Iberger, Nicholas Smirensky

Board Members: Donald A. Little III, Scott Levy (via WebEx), Jennifer Longtin, Natalie McKay, Mark Stratton

NYSTRS' Staff: Thomas K. Lee, Don Ampansiri

Visitor: Juliet Benaquisto

Visitors via WebEx: Ben Sheng, FundFire; Sun Yu, Financial Times; Cyril Espaniol, WithIntelligence; Nate Weinstein, Osmosis; Diana Zuckerman, Retired Teacher; John Fricker

The meeting was called to order by D. Keefe, Chair, at 1:05 p.m.

The following items were discussed:

1. Approval of minutes of October 29, 2025 meeting

Upon motion of N. Smirensky, seconded by E. Iberger and unanimously carried, the minutes of the October 29, 2025 meeting were approved.

2. Legislative Update

D. Ampansiri provided a recap of the 2025 Legislative Program and Legislations of Interest and an update of the 2026 Legislative Program (Appendix A, pp. 3-8)

3. Finance Reports

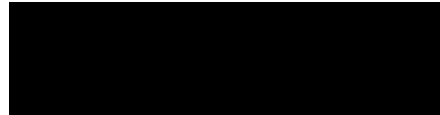
The Committee members reviewed System financial reports (Appendix B, pp. 9-13).

4. Quarterly Signatory Additions and Deletions

The Committee members reviewed the quarterly signatory report (Appendix C, p. 14)

Having no further business, the Committee unanimously adjourned the meeting at 1:14 p.m.

Respectfully submitted,

A solid black rectangular box redacting the signature of the person submitting the document.

Thomas K. Lee



To: Retirement Board
From: D. Ampansiri, Jr./ K. Vrbanac
CC: T. Lee
Date: January 20, 2026
Re: NYSTRS 2026 Legislative Update

At each January Board meeting, staff provides a legislative update on legislation of interest for the previous year, status of any program bills for the previous year, the legislative program for the current year, and any pertinent legislation of interest introduced thus far in the current legislative session that may have a significant impact on the System. Attached to this memorandum, please find the 2025 Legislation of Interest chart and the 2025 Legislative Program Grid. Please note that the Legislation of Interest chart lists only bills that were signed into law or vetoed in the 2025 legislative session, apart from any proposed special interest bills of NYSTRS' members and retirees.

2025 Legislative Program

The 2025 Legislative Program proposed one new bill, Program bill 25-1 (MWBE Report). This bill would amend Education Law Section 508-a subdivision 2(b) to change the date in which NYSTRS is required to submit its MWBE report from 60 days after fiscal year end (June 30) to on or before December 31 of the current year. The Senate Civil Service and Pensions Committee introduced Program bill 25-1 on May 27, 2025 as S8234 and passed it on June 10, 2025. It was then delivered to the Assembly, but it did not get introduced in the Assembly Government Employees Committee before the last day of the 2025 legislative session on June 12, 2025.

2026 Legislative Program

The 2026 Legislative Program carries forward Program bill 25-1 respectively as Program bill 26-1 (MWBE Report). Staff are working to schedule meetings with Senator Robert Jackson, Chair of the Senate Civil Service and Pensions Committee to present and seek reintroduction and Assembly Member Stacey Pheffer Amato, Chair of Assembly Government Employees Committee to present and seek introduction of Program bill 26-1 for 2026 Legislative Program.

2026 Legislation of Interest that may affect NYSTRS

To date, there are no new bills of significant interest to report. Staff continues to actively monitor for proposed legislation that is introduced that may impact the System. As the current session progresses, any matter of significant and/or immediate impact to the System will be promptly reported to the Board.

2025 LEGISLATION OF INTEREST TO NYSTRS

Senate No. Assembly No.	Subject	Introduced By
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I. BUDGET

S3005C A3005C (Part VV)	<p>Amends Part HH of Chapter 56 of the laws of 2022, most recently amended by Part GG of Chapter 55 of the laws of 2024, to extend the waiver of the earnings-after-retirement limitation for two more years to June 30, 2027, for retired members who return to work with a school district or a board of cooperative educational services (BOCES). The current expiration date is June 30, 2025, for the waiver of this limit. This act shall take effect immediately once signed into law and shall be deemed repealed on June 30, 2027.</p> <p>Last Action: 05/07/25 Passed Senate 05/07/25 Passed Assembly 05/08/25 Delivered to the Governor 05/09/25 Signed by the Governor [Chapter 55 of the Laws of 2025]</p>	Article VII (PPGG)
S3009C A3009C (Part F) (Subpart A)	<p>Amends Real Property Law by adding a new Article 16 to enforce a ninety-day waiting period for an institutional real estate investor to purchase, acquire, or offer to purchase or acquire any interest in a single-family residence or two-family residence, commencing on July 1, 2025.</p> <p>05/08/25 Passed Senate 05/08/25 Passed Assembly 05/08/25 Delivered to the Governor 05/09/25 Signed by the Governor [Chapter 59 of the Laws of 2025]</p>	Article VII (REV)

II. AMENDMENTS TO THE RETIREMENT AND SOCIAL SECURITY LAW

S8087 A8652	<p>Removes the cap on the overtime ceiling used to calculate member contributions and pension benefits for tier 6 NYCTA subject to 25/55 retirement program.</p> <p>Last Action: 06/13/25 Passed Senate 06/16/25 Passed Assembly 12/08/25 Delivered to Governor 12/19/25 Vetoed by the Governor – Veto Memo 158</p>	Gounardes Pheffer
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III. AMENDMENTS TO THE EDUCATION LAW

S954 A1580	<p>Creates the “Teachers’ Fossil Fuel Divestment Act” requiring the NYSTRS Board to create an exclusion list of coal producers and oil and gas producers and provides timeframes for divesting any investments in companies included on the exclusion list; requires reporting to the legislature.</p> <p>Last Action 01/08/25 Referred to CS (Senate) 01/10/25 Referred to GE (Assembly)</p>	Brisport Kelles
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IV. AMENDMENTS TO THE CIVIL SERVICE LAW

S1724 A1979	<p>Requires public employers to notify the organization that advocates for managerial or confidential employees within 30 day from when an employee is hired or promoted as managerial or confidential with the employee’s personal data and job duties and title information.</p> <p>Last Action: 02/25/25 Passed Senate 04/01/25 Passed Assembly 04/01/25 Returned to Senate 10/09/25 Delivered to the Governor 10/16/25 Vetoed by the Governor (Veto Memo 48)</p>	Jackson Pheffer Amato
S5760 A6624	<p>Requires appointing authorities to provide appointment and promotion letters when extending an offer of appointment or promotion to a position in the classified service.</p> <p>Last Action: 05/21/25 Passed Assembly 06/11/25 Passed Senate 06/11/25 Returned to Assembly 12/08/25 Delivered to the Governor 12/19/25 Signed by the Governor [Chapter 657 of the Laws of 2025]</p>	Jackson Pheffer Amato
S12 A779	<p>Allows employers and unions to negotiate layoff rights in collective bargaining agreements that exceed the floor for layoff rights contained in Section 80.</p> <p>Last Action: 02/25/25 Passed Assembly 06/11/25 Passed Senate 09/05/25 Delivered to the Governor 09/05/25 Signed by the Governor [Chapter 361 of the Laws of 2025]</p>	Jackson Pheffer Amato

V. AMENDMENTS TO THE LABOR LAW

S5254 A6612	<p>Protects employees involved an investigation of workplace violence from a reduction of wages.</p> <p>Last Action: 03/26/25 Passed Senate 06/11/25 Passed Assembly 06/11/25 Returned to Senate 09/05/25 Delivered to the Governor 09/05/25 Signed by the Governor [Chapter 364 of the Laws of 2025]</p>	Ryan Bronson
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VI. OTHERS

S1261A A3392A	<p>Amends Domestic Relations Law Sections 170 and 200 to allow for a no fault separation where the parties have documented irreconcilable differences for a period of 6 months.</p> <p>Last Action: 03/05/25 Passed Senate 03/24/25 Passed Assembly 03/24/25 Return to Senate 12/08/25 Delivered to the Governor 12/19/25 Signed by the Governor [Chapter 673 of the Laws of 2025]</p>	Krueger Lavine
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VII. SPECIAL INTEREST MEMBER BILLS

S4485 A7838	<p>Grants James Demarco retroactive membership in the NYSTRS from Tier 2 to Tier 1 based on time he was a non-member for seasonal employment in July 1969.</p> <p>Last Action: 02/05/25 Referred to CS (Senate) 04/11/25 Referred to GE (Assembly)</p>	Gallivan DiPietro
S4490 A7785	<p>Allows Christine Hasseler, retired Tier 1 member of NYSTRS, to have her retirement benefit recalculated to include retirement incentive payments that her employer failed to pay her within the required timeframe, before the end of her retirement year.</p> <p>Last Action: 02/05/25 Referred to CS (Senate) 04/10/25 Referred to GE (Assembly)</p>	Helming Manktelow

<p>S4491 A7780</p>	<p>Allows Jeffrey Alva Beall, who retired as a Tier 4 from NYSTRS before Chapter 41 of the Laws of 2016 was signed into law, to purchase 3 years of military service for the period of active-duty service between April 17, 1984 to February 27, 1987, retroactive to his effective date of retirement.</p> <p>Last Action: 02/05/25 Referred to CS (Senate) 04/10/25 Referred to GE (Assembly)</p>	<p>Helming Manktelow</p>
<p>A7073</p>	<p>Grants retroactive membership to Eileen Saumell in NYSTRS based on her employment for the period of August 8, 1994 to August 27, 2004 with the Nassau County Demonstration Project, a non-participating employer.</p> <p>Last Action: 03/20/25 Referred to GE (Assembly)</p>	<p>Gandolfo</p>
<p>S7339 A7083</p>	<p>Authorizes retired member Carl Spatola to receive a refund of contributions from NYSTRS for the period of October 1, 2000 through June 30, 2004, the period of time prior to the transfer between retirement systems.</p> <p>Last Action: 03/20/25 Referred to GE (Assembly) 04/10/25 Referred to CS (Senate)</p>	<p>Weik Gandolfo</p>
<p>S6856 A7541</p>	<p>Allows Kyle Brower, retiree of NYSTRS to receive a performance of duty disability retirement benefit equal to three-quarters of FAS instead of ordinary disability benefit, retroactive to date of retirement, July 9, 2013.</p> <p>Last Action: 03/25/25 Referred to CS (Senate) 04/01/25 Referred to GE (Assembly)</p>	<p>Palumbo Giglio</p>
<p>A8179</p>	<p>Removes the exclusion of salary increases greater than 10% of the average of the prior two years' in calculating the final average salary of Joanne Halverson when she retires in June 2025.</p> <p>Last Action: 05/05/25 Referred to GE (Assembly)</p>	<p>DeStefano</p>
<p>S8190 A8671</p>	<p>Authorizes Thomas Collins to change his option election made at the time of retirement with the New York State Teachers' Retirement System from the Maximum to the 100% Survivor Option designating his wife as the beneficiary.</p> <p>Last Action: 05/20/25 Referred to CS (Senate) 05/27/25 Referred to GE (Assembly)</p>	<p>Weber Wieder</p>

NYSTRS 2025 LEGISLATIVE PROGRAM GRID

Subject	Com. Ref.	2025 Bill No.	Sponsor	Report 1 st /2 nd	3 RD Reading	Passed	To Gov.	Gov.'s Action
25-1 Amends Education Law Section 508-a subdivision 2 (b) to change the due date in which the New York State Teachers' Retirement System is required to submit the MWBE report to on or before December 31 after fiscal year end. No Cost	CS 5/27/25 Rules 6/10/25 ----- Referred GE 6/10/25	S8234 -----	Jackson -----	Ordered to Third Reading -----	6/10/25 -----	6/10/25 -----	-----	

Committees: GE = Assembly Governmental Employees Committee;
 CS = Senate Civil Service and Pensions Committee

NEW YORK STATE
TEACHERS' RETIREMENT SYSTEM

MEMORANDUM

Appendix B

TO: T. Lee

FROM: Office of the CFO / Finance Department

DATE: January 28, 2026

SUBJECT: Retirement Board Package

Attached are the System's quarterly financial statements and related schedules for the quarters ended December 31, 2025 and 2024.

The following is a list of the documents included:

1. Statements of Fiduciary Net Position (Unaudited)
2. Statements of Changes in Fiduciary Net Position (Unaudited)
3. Schedule of Administrative Expenses (Unaudited)



NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
Statements of Fiduciary Net Position (Unaudited)

December 31, 2025 and 2024

Assets	2025	2024
Investments at fair value:		
Domestic equity	\$ 53,488,150,207	\$ 49,431,222,593
International equity	25,253,850,452	20,693,317,003
Global equity	7,012,644,267	6,158,238,474
Real estate equity	15,724,840,499	16,453,145,721
Private equity	14,574,700,662	14,335,588,052
Domestic fixed income	24,776,375,962	21,962,730,958
High-yield bonds	1,356,208,593	1,571,793,182
Global bonds	3,161,609,922	2,889,618,413
Real estate debt	8,446,316,005	8,498,257,868
Private debt	3,089,313,041	2,557,413,107
Cash equivalents	2,913,503,061	1,946,326,933
Total investments	<u>159,797,512,671</u>	<u>146,497,652,304</u>
Receivables:		
Employer	952,626,435	976,961,387
Member	134,262,099	116,864,567
Investment income	443,091,433	399,905,830
Investment sales	46,828,361	67,695,431
Total receivables	<u>1,576,808,328</u>	<u>1,561,427,215</u>
Other assets:		
Securities lending collateral, invested	304,390,920	254,158,169
Member loans	291,014,365	283,064,908
Net investment in capital assets	33,089,325	23,831,188
Miscellaneous assets	13,670,452	5,752,664
Total other assets	<u>642,165,062</u>	<u>566,806,929</u>
Total assets	<u>162,016,486,061</u>	<u>148,625,886,448</u>
Deferred outflows of resources:		
Changes in net OPEB liability	14,785,531	15,718,775
Changes in net pension liability	7,990,733	12,201,645
Total deferred outflows of resources	<u>22,776,264</u>	<u>27,920,420</u>
Liabilities		
Securities lending collateral, due to borrowers	302,956,674	252,842,956
Investment purchases payable	258,214,285	110,368,537
Mortgage escrows and deposits, net of investments	35,000	14,035,000
Net OPEB liability	48,195,049	50,667,926
Other liabilities	213,336,091	204,212,190
Total liabilities	<u>822,737,099</u>	<u>632,126,609</u>
Deferred inflows of resources:		
Changes in net OPEB liability	4,037,200	1,280,285
Changes in net pension liability	543,817	9,080,289
Total deferred inflows of resources	<u>4,581,017</u>	<u>10,360,574</u>
Net position restricted for pensions	<u>\$161,211,944,209</u>	<u>\$148,011,319,685</u>



NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
Statements of Changes in Fiduciary Net Position (Unaudited)

For the six months ending December 31, 2025 and 2024

Additions:	<u>2025</u>	<u>2024</u>
Investment income:		
Net increase in fair value of investments	\$ 9,081,955,763	\$ 4,186,777,041
Interest	682,051,887	634,087,078
Dividends	592,769,522	614,467,848
Real estate, net operating income	286,423,567	272,504,031
Securities lending, gross earnings	5,381,698	8,550,645
Other (net)	2,139,245	(2,092,606)
	<u>10,650,721,682</u>	<u>5,714,294,037</u>
Less: Investment expenses	226,535,931	218,900,556
Securities lending:		
Broker rebates	3,732,867	7,007,563
Management fees	228,045	223,041
(Appreciation) depreciation on collateral	(126,474)	204,395
Net investment income	<u>10,420,351,313</u>	<u>5,487,958,482</u>
Contributions:		
Employer	947,287,113	971,650,033
Member	146,418,159	128,122,768
Transfers (to)/from other systems	46,158,609	5,583,293
Total contributions	<u>1,139,863,881</u>	<u>1,105,356,094</u>
Net additions	<u>11,560,215,194</u>	<u>6,593,314,576</u>
Deductions:		
Retirement benefit payments, periodic	4,441,910,829	4,308,484,757
Beneficiary payments	35,489,524	38,229,743
Return of contributions	13,285,010	10,811,406
Administrative expenses	50,710,863	45,903,765
Total deductions	<u>4,541,396,226</u>	<u>4,403,429,671</u>
Net increase in net position	7,018,818,968	2,189,884,905
Net position restricted for pensions, beginning of year	<u>154,193,125,241</u>	<u>145,821,434,780</u>
Net position restricted for pensions, end of period	<u><u>\$161,211,944,209</u></u>	<u><u>\$148,011,319,685</u></u>



NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
 Schedule of Administrative Expenses (Unaudited)
 Compared to Budget Appropriations for 2025-2026

	Budget Appropriations 2025-2026	Expenses and Encumbrances YTD 12/31/2025	Remaining Balance 12/31/2025	Actual Expenses YTD 12/31/2025
Salaries:				
Salaries	\$ 56,390,605	\$ 25,613,203	\$ 30,777,402	\$ 25,613,203
Overtime salaries	65,000	65,611	(611)	65,611
Social Security	3,989,494	1,689,917	2,299,577	1,689,917
Subtotal Salaries	<u>60,445,099</u>	<u>27,368,731</u>	<u>33,076,368</u>	<u>27,368,731</u>
Benefits				
Employees retirement	8,346,652	4,553,633	3,793,019	4,553,633
Dental insurance	448,139	196,064	252,075	196,064
Health insurance	9,967,701	4,240,147	5,727,554	4,234,598
OPEB contribution	6,236,000	3,118,000	3,118,000	3,118,000
Civil service	95,000	50,547	44,453	50,547
Subtotal Benefits	<u>25,093,492</u>	<u>12,158,391</u>	<u>12,935,101</u>	<u>12,152,842</u>
Total salaries and benefits	<u>85,538,591</u>	<u>39,527,122</u>	<u>46,011,469</u>	<u>39,521,573</u>
Building occupancy:				
Building security and vending	496,000	270,238	225,762	161,117
Building supplies and expenses	150,000	37,745	112,255	37,745
Heat, light and power	455,000	221,400	233,600	221,400
Insurance	481,386	472,159	9,227	472,159
Municipal assessments	199,000	113,259	85,741	113,259
Office supplies and expenses	161,500	100,701	60,799	100,701
Storage	43,000	36,995	6,005	34,641
Telephone	535,000	227,224	307,776	227,224
Total building occupancy	<u>2,520,886</u>	<u>1,479,721</u>	<u>1,041,165</u>	<u>1,368,246</u>
Computer:				
IT Hardware Purchases	1,436,000	224,646	1,211,354	219,121
IT Software Purchases	449,000	130,570	318,430	125,618
Software and support services	7,812,386	4,667,457	3,144,929	4,044,431
Project Costs - Hardware and Software	173,000	7,230	165,770	7,230
Total computer	<u>9,870,386</u>	<u>5,029,903</u>	<u>4,840,483</u>	<u>4,396,400</u>
Personnel and meeting:				
Board - meetings, travel and education	150,000	41,612	108,388	41,612
Delegates meeting	500,000	104,394	395,606	102,061
Dues	397,058	102,767	294,291	96,387
Employee Engagement	57,196	10,874	46,322	10,874



NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
 Schedule of Administrative Expenses (Unaudited) (Continued)

Compared to Budget Appropriations for 2025-2026

	Budget Appropriations 2025-2026	Expenses and Encumbrances YTD 12/31/2025	Remaining Balance 12/31/2025	Actual Expenses YTD 12/31/2025
Personnel and meeting (continued):				
Library	\$ 51,160	\$ 23,153	\$ 28,007	\$ 15,153
Overtime meals	2,500	1,684	816	1,684
Personnel expenses	389,385	129,054	260,331	86,588
Pre-retirement seminars	118,000	69,877	48,123	67,126
Staff schooling	1,028,274	116,765	911,509	87,243
Travel and automobile expense	565,435	194,622	370,813	190,530
Tuition assistance	50,000	26,434	23,566	26,434
Wellness fund	9,500	2,201	7,299	1,301
Meeting Expense	20,400	5,916	14,484	5,916
Total personnel and meeting	<u>3,338,908</u>	<u>829,353</u>	<u>2,509,555</u>	<u>732,909</u>
Professional and governmental services:				
Auditors - financial	422,600	407,800	14,800	280,820
Disability medical examinations	100,000	36,770	63,230	36,770
Postage and cartage	1,102,107	598,264	503,843	598,264
Professional fees and services	1,942,381	1,082,304	860,077	607,677
Publications	292,000	99,962	192,038	75,137
Project Costs - Professional Fees	2,353,750	1,743,792	609,958	1,087,688
Statutory custodian charges	155,000	82,500	72,500	82,500
Total professional and governmental services	<u>6,367,838</u>	<u>4,051,392</u>	<u>2,316,446</u>	<u>2,768,856</u>
Capital improvement program:				
Depreciation - building and improvements	1,815,816	827,233	988,583	827,233
Depreciation - equipment	310,905	12,984	297,921	12,984
Amort./depreciation - computer micro	1,328,517	597,422	731,095	597,422
Building improvement expense	281,000	86,165	194,835	43,857
Building maintenance contracts	986,180	707,295	278,885	271,445
Equipment	63,000	12,449	50,551	7,586
Equipment maintenance	67,000	34,309	32,691	26,978
Fleet maintenance	40,000	12,175	27,825	12,175
Capital contingency	2,060,022	—	2,060,022	—
SBITA Interest Expense	—	9,433	(9,433)	9,433
SBITA Asset Amortization Expense	1,547,558	113,766	1,433,792	113,766
Total capital improvement program	<u>8,499,998</u>	<u>2,413,231</u>	<u>6,086,767</u>	<u>1,922,879</u>
Total Administration Expenses	<u>\$ 116,136,607</u>	<u>\$ 53,330,722</u>	<u>\$ 62,805,885</u>	<u>\$ 50,710,863</u>



Quarterly Signatory Additions & Deletions

For Quarter Ended December 31, 2025

Division	Name	Position	Warrant Signatory	Document Signatory
Executive	Kathy LaFond	Manager/Director	Not Applicable	Added
Fixed Income	Michael Federici	Executive	Deleted	Deleted
Private Equity	Joseph Holm	Manager/Director	Added	Added
Public Equities	David Tessitore	Manager/Director	Added	Added
Public Equities	Sandra Schaufler	Executive	Added	Added

Appendix C

NEW YORK STATE
TEACHERS' RETIREMENT SYSTEM
Audit Committee Meeting

A meeting of the Audit Committee of the New York State Teachers' Retirement System was held at the System on January 28, 2026.

Committee Members: Phyllis Harrington (via Webex), Eric Iberger, David Keefe, Donald A. Little III, Jennifer Longtin

Board Members: Scott Levy (via WebEx), Natalie McKay, Nicholas Smirensky, Mark Stratton

NYSTRS Staff: Thomas K. Lee, Don Ampansiri, Kathy Ebert, Bruce Woolley, Teddi Kaczmarek, Darlene Dempsey, Matt Horton

Audit Committee Advisor: Sue Landauer (via WebEx)

Visitor: Juliet Benaquisto

Visitors via WebEx: Ben Sheng, FundFire; Sun Yu, Financial Times; Cyril Espaniol, WithIntelligence; Nate Weinstein, Osmosis; Diana Zuckerman, Retired Teacher; John Fricker

J. Longtin, Chair, called the meeting to order at 1:15 p.m.

1. Approval of Minutes from December 10, 2025

Upon motion of D. Little seconded by E. Iberger and unanimously carried, the Committee approved the minutes of the December 10, 2025 meeting.

2. Annual Internal Audit Report for the year ending December 31, 2025

K. Ebert reviewed the report.

3. Status of the Report on DFS Examination of NYSTRS July 1, 2016 – June 30, 2021

K. Ebert reported that we held an exit meeting with DFS on January 7, 2026 to discuss our response to DFS suggestions offered during the examination

of the period July 1, 2016-June 30, 2021. Our responses will be included in their final report which will be posted on the DFS website.

4. Internal Audit Update

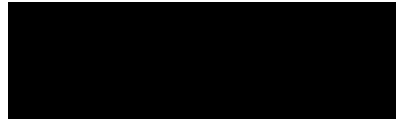
K. Ebert and staff provided updates on internal audits.

5. Executive Session

Upon motion of E. Iberger, seconded by D. Little and unanimously carried, the Committee went into Executive Session at 1:52 p.m. to discuss personnel matters. Upon motion of D. Little, seconded by D. Keefe and unanimously carried, the Committee came out of Executive Session at 2:11 p.m.

There being no further business, and with unanimous consent, the meeting adjourned at 2:11 p.m.

Respectfully submitted,

A solid black rectangular box used to redact the signature of the person submitting the document.

Thomas K. Lee

**NEW YORK STATE
TEACHERS' RETIREMENT SYSTEM**

**BOARD MEETING
January 29, 2026**

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NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
10 CORPORATE WOODS DRIVE, ALBANY, NY

THE ANNUAL MEETING OF THE NEW YORK STATE TEACHERS' RETIREMENT BOARD was held at the System on January 29, 2026. The meeting was called to order at 8:30 a.m. by President David Keefe. Natalie McKay led the group in the Pledge of Allegiance.

ATTENDANCE:

Present: Phyllis Harrington (via WebEx), Eric Iberger, David Keefe, Donald A. Little III, Scott Levy (via WebEx), Jennifer Longtin, Natalie McKay, Nicholas Smirensky, Mark Stratton and Thomas Lee

A. Election of Retirement Board Officers

P. Harrington nominated D. Keefe for President and N. Smirensky for Vice-President. There were no further nominations. Upon motion of D. Little, seconded by J. Longtin and unanimously carried, D. Keefe and N. Smirensky were elected as President and Vice President of the Board.

B. Introduction of Visitors

T. Lee introduced the following visitors: Juliet Benaquisto; Robert Steyer, Pensions & Investments (via WebEx); Sun Yu, Financial Times (via WebEx); John Fricker

C. Correspondence

None.

D. Approval of Board Minutes of October 30, 2025 and Board Retreat Minutes of December 9, 2025

There being no additions or corrections to the Board minutes of October 30, 2025 or the Board Retreat minutes of December 9, 2025, the minutes were approved with a motion made by N. Smirensky, seconded by J. Longtin and unanimously carried.

Committee Reports/Action Items

A. Audit Committee

J. Longtin, Chair, reported that the Committee had met on December 10, 2025 and January 28, 2026 and had reviewed audit reports and the 2026 Audit Plan.

1. Resolution on Audit Committee Charter (R1)

D. Little offered the following resolution, seconded by N. McKay and

unanimously carried by the Board:

RESOLVED, That the amended Audit Committee Charter, as presented to and reviewed by the Retirement Board, is hereby approved and adopted as the charter of the Retirement System's Audit Committee.

2. Resolution on Internal Audit Plan 2026 (R2)

D. Little offered the following resolution, seconded by N. McKay and

unanimously carried by the Board:

WHEREAS, System staff has presented to the Audit Committee of the Retirement Board a proposed internal audit plan for the year ending December 31, 2026, a copy of which is annexed hereto and made a part hereof as Appendix A p. 13; be it

RESOLVED, That the Internal Audit Plan for the year ending December 31, 2026 is approved as presented.

B. Disability Review Committee

1. Disability Denial Resolution (R3)

D. Little offered the following resolution, seconded by J. Longtin and

unanimously carried by the Board:

WHEREAS, After reviewing the medical information submitted in connection with the following members, the Medical Board has determined the members are not incapacitated for the performance of gainful employment and has recommended the members' applications be denied, be it

RESOLVED, That the applications for retirement on account of disability submitted by the following members be denied as recommended by the Medical Board:



2. Disability Rescission Resolution (R4)

D. Little offered the following resolution, seconded by J. Longtin and unanimously carried by the Board:

WHEREAS, After reviewing the physician's report of the following annuitant who has retired for disability, the Medical Board believes they are improved and no longer incapacitated for the performance of duty and recommended they be restored to active membership, therefore, be it

RESOLVED, That upon recommendation of the Medical Board, the action taken in retiring the following member for disability be rescinded and they be restored to active membership on the date indicated:

<u>EmpID</u>	<u>Date Retired</u>	<u>Date Restored</u>
██████████	07/09/2013	12/11/2025

C. Executive Committee

D. Keefe said the Committee met January 28, 2026 and reviewed Legislative updates, System financials and a signatory report.

D. Ethics Committee

D. Little, acting Chair, reported that the Committee had met on January 28, 2026 to hear reports on annual disclosure statements and EDCIO quarterly disclosures.

E. Investment Committee

1. Consent Agenda Items #1 A and B (Appendix B, pp. 14-15)

N. Smirensky, Chair, asked the Board members if any of the consent agenda items should be moved to regular discussion items. Hearing no objections, the Board proceeded to move the Consent Agenda Items #1 A and B together with one motion.

P. Harrington offered the following consent agenda resolutions, seconded by J.

Longtin and unanimously carried by the Board:

A. Renew Consultant

- Callan – General Investment Consultant (R5)

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to contract with Callan LLC to act as:

- i) the System's general investment consultant, to review the System's asset allocation and recommend any changes therein, if necessary, and to monitor the performance of the System's external investment managers, for a period of one year, commencing May 1, 2026, at an annual cost of \$539,063 which includes the fee for an asset liability study; and

- ii) the System's secondary private equity and private debt consultant to provide individual fund due diligence at \$35,000 per fund and to perform such assignments and optional services as may be determined by the Executive Director and Chief Investment Officer, or designee, in connection therewith, for the one-year period commencing May 1, 2026.

B. Renew Managers

- AEW Capital Management (R6)

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	AEW Capital Management, LP
NYSTRS Department:	Real Estate
Original Contract Date:	04/15/2022
Approved Renewal Period:	04/15/2026 – 04/14/2027
Mandate	
• Asset Class:	Real Estate Investment Trusts
• Account Benchmark	FTSE NAREIT Equity Residential REIT
• Active or Passive:	Active
• Account Inception Date:	09/14/2022

- ARGA Investment Management (R7)

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	ARGA Investment Management, LP
NYSTRS Department:	Public Equities
Approved Renewal Period:	5/16/2026 – 5/15/2027
Mandate	
• Asset Class:	International Equities
• Account Benchmark:	MSCI ACWI exUS Index
• Active or Passive:	Active

- Ariel Investments LLC (R8)

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	Ariel Investments LLC
NYSTRS Department:	Public Equities
Approved Renewal Period:	4/10/2026 – 4/9/2027
Mandate	
• Asset Class:	International Equities
• Account Benchmark:	MSCI ACWI exUS Index
• Active or Passive:	Active

- Arrowstreet Capital LP (R9)

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	Arrowstreet Capital LP
NYSTRS Department:	Public Equities
Approved Renewal Period:	3/26/2026 – 3/25/2027
Mandate 1	
• Asset Class:	International Equities
• Account Benchmark:	MSCI ACWI exUS Index
• Active or Passive:	Active
Mandate 2	
• Asset Class:	Global Equities
• Account Benchmark:	MSCI ACWI Index
• Active or Passive:	Active

- Bank of NY Mellon (Securities Lending) (R10)

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	The Bank of New York Mellon
NYSTRS Department:	Fixed Income
Approved Renewal Period:	3/17/2026 – 3/16/2027
Mandate	
• Asset Class:	Securities Lending
• Account Benchmark:	N/A
• Active or Passive:	Active

- Black Rock Financial Management, Inc. (CMBS) (R11)

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	Black Rock Financial Management, Inc.
NYSTRS Department:	Real Estate
Original Contract Date:	04/03/2001
Approved Renewal Period:	04/03/2026 – 04/02/2027
Mandate	
• Asset Class:	Commercial Mortgage Backed Securities
• Account Benchmark	Bloomberg Non-Agency Inv Grade CMBS
• Active or Passive:	Active
• Account Inception Date:	05/01/2001

- Cohen & Steers Capital Mgt – Multi Strategy (R12)

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	Cohen & Steers Capital Management, Inc.
NYSTRS Department:	Real Estate
Original Contract Date:	02/12/2018
Approved Renewal Period:	02/12/2026 – 02/11/2027
Mandate	
• Asset Class:	Real Estate Investment Trusts
• Account Benchmark	Custom Blended Benchmark: FTSE NAREIT Equity REIT (65%), FTSE NAREIT Preferred Stock (35%), ICE BofA US REIT (5%)
• Active or Passive:	Active
• Account Inception Date:	03/01/2018

- J.P. Morgan Investment Management Inc. (R13)

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	J.P. Morgan Investment Management Inc.
NYSTRS Department:	Fixed Income
Approved Renewal Period:	03/05/2026-03/04/2027

Mandate	
• Asset Class:	Fixed Income – High Yield
• Account Benchmark:	ICE BofAML BB-B US High Yield Constrained Index (HUC4)
• Active or Passive:	Active

- PGIM, Inc. (R14)

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	PGIM, Inc.
NYSTRS Department:	Fixed Income
Approved Renewal Period:	02/21/2026-02/20/2027
Mandate	
• Asset Class:	Fixed Income – High Yield
• Account Benchmark:	Bloomberg US High Yield 1% Issuer Capped Index (I09038US)
• Active or Passive:	Active

- Principal Real Estate Investors (R15)

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	Principal Real Estate Investors, LLC
NYSTRS Department:	Real Estate
Original Contract Date:	02/11/2022
Approved Renewal Period:	02/11/2026 – 02/10/2027

Mandate	
• Asset Class:	Real Estate Investment Trusts
• Account Benchmark	FTSE NAREIT All Equity REIT
• Active or Passive:	Active
• Account Inception Date:	04/01/2022

- Raith Capital Partners (R16)

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	Raith Capital Partners, LLC
NYSTRS Department:	Real Estate
Original Contract Date:	02/07/2019
Approved Renewal Period:	02/07/2026 – 02/06/2027
Mandate	
• Asset Class:	Public & Private Opportunistic Commercial Real Estate Debt Opportunities
• Account Benchmark	Bloomberg CMBS: BBB (Public) GL Crossover +100 bps (Private)
• Active or Passive:	Active
• Account Inception Date:	04/01/2019

- RhumbLine Advisors (R17)

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	RhumbLine Advisers LP
NYSTRS Department:	Public Equities
Approved Renewal Period:	3/30/2026 – 3/29/2027
Mandate	
• Asset Class:	International Equities
• Account Benchmark:	MSCI ACWI exUS Index
• Active or Passive:	Passive

- Xponance (f/k/a FIS Group) (R18)

RESOLVED, That the Executive Director and Chief Investment Officer, or designee, is authorized to renew the following external investment manager mandate for one year:

Investment Manager:	Xponance, Inc
NYSTRS Department:	Public Equities
Approved Renewal Period:	4/25/2026 – 4/24/2027
Mandate	
• Asset Class:	International Equities
• Account Benchmark:	MSCI ACWI exUS Index
• Active or Passive:	Active

2. Resolution on High Yield Program Policy Benchmark Change (R19)

S. Levy offered the following resolution, seconded by J. Longtin and unanimously carried by the Board:

RESOLVED, That the System is authorized to change the High Yield Bonds policy benchmark from the ICE BofA BB-B US High Yield Constrained Index to the ICE BofA US High Yield Constrained Index effective as of July 1, 2026; and be it further

RESOLVED, The Investment Policy Manual, as presented to the Retirement Board, reflecting such policy benchmark change effective as of July 1, 2026 is approved and accepted; and be it further

RESOLVED, That the Executive Director and Chief Investment Officer or designee is authorized to take such other actions as may be necessary or required to implement such policy benchmark change.

3. Resolution on BlackRock Systematic Enhanced High Yield (R20)

J. Longtin offered the following resolution, seconded by E. Iberger and
unanimously carried by the Board:

RESOLVED, That, subject to the satisfactory completion of due diligence, the Executive Director and Chief Investment Officer or designee is authorized to contract with BlackRock Financial Management, Inc. to manage a portion of the System's fixed income portfolio in a US Broad Market High Yield Portfolio fixed income mandate benchmarked to the ICE BofA US High Yield Constrained Index (HUC0) and to allocate an initial funding of up to \$200 million to such manager in one or more tranches; and be it further

RESOLVED That the Executive Director and Chief Investment Officer or designee is authorized to execute such documents and to take such actions as may be necessary or required to implement the foregoing resolution.

4. Resolution Approving Changes to Investment Policy Manual (QAC) (R21)

J. Longtin offered the following resolution, seconded by E. Iberger and
unanimously carried by the Board:

WHEREAS, The System plans to establish the Quantitative Advisory Committee ("QAC") consisting of external members to advise the Public Equities Department on quantitative strategies for the System's internal portfolios; and

WHEREAS, The System desires to confer upon QAC members the benefits of New York State Public Officers Law ("POL") Section 18, which provides for the defense and indemnification of persons holding a position by appointment in the service of a public entity; and

WHEREAS, The System desires to amend the Investment Policy Manual to document the QAC; and now therefore be it

RESOLVED, That, pursuant to POL Section 18(2), the Retirement Board hereby authorizes the System (i) to confer the benefits of POL Section 18 upon QAC members and (ii) to be held liable for the costs incurred under POL Section 18; and be it further

RESOLVED, That the change to the Investment Policy Manual to add a reference to the QAC, as presented to the Retirement Board, is approved and accepted; and be it further

RESOLVED, That the Executive Director and Chief Investment Officer or designee is authorized to take such other actions as may be necessary or required to implement the foregoing resolutions.

F. Risk Committee

N. Smirensky, acting Chair, reported that the Committee had met on January 28, 2026 and heard updates on risk management including DFS and Grant Thornton follow up, enterprise risk, and key risk indicators.

Staff Reports

A. Old Business – none.

B. New Business

1. Litigation

Don Ampansiri reviewed the Litigation report (Appendix C, pp. 16-18).

2. Member Relations Update

Shannon Bonesteel provided a Member Relations update. Colleen Laven, Erica Mortimore, Teddi Kaczmarek and Andy Whitney presented a process overview on Quality Assurance (Appendix D, pp. 19-21).

3. TED Strategic Plan Update

Danny Malavé and Matt Pinchinat provided an update on TED activities over the last quarter (Appendix E, pp. 22-26).

4. Stewardship Update

Han Yik provided the Board with an update on the System's stewardship program.

5. Estimated Employer Contribution Rate

Melody Prangley and Heather Marks gave an update on the estimated Employer Contribution Rate (Appendix F, pp. 27-41)

Upon motion of E. Iberger, seconded by D. Little and unanimously carried, the Board went into Executive Session at 10:15 a.m. to discuss personnel and succession planning matters. Upon motion of D. Little, seconded by J. Longtin and unanimously carried, the Board came out of Executive Session at 10:35 a.m. and adjourned.

Respectfully submitted,

A large black rectangular redaction box covering the signature of Thomas K. Lee.

Thomas K. Lee

Appendix A: 2026 Audit Plan

	Type	Auditable Entity	Engagement Objective To provide reasonable assurance that controls are properly designed and operating effectively to support the underlying processes
1	RA	Participating Employer Review/Employer Reporting	Verify salary, service and demographic information with a sample of participating employers agrees to System records
2	IT	IT General Controls	Change management processes, including change identification, approval, testing, documentation, and post-implementation review
3	IT	Application Controls	Application development (SDLC) within key applications focusing on secure coding, testing, and deployment practices
4	IT	IT General Controls	Manage user access rights to application and services
5	AM	Warrants	Verify warrant instructions are properly authorized and approved
6	AM	Fixed Income External Fund Management	Monitoring performance, risk and activity of global and high-yield bond managers is in compliance with the IPM
7	AM	Private Equity and Private Debt Portfolio Management	Selection, monitoring, and disposition of private equity and debt funds are in compliance with the IPM
8	AM	Public Equity Portfolio Management	Daily investment process for internally managed portfolios are in compliance with the IPM
9	GA	Payroll	Ensure payments to employees are accurate and complete
10	GA	Compliance	Ensure documentation supports payments are made in compliance with Office of Foreign Assets Control requirements
11	GA	Operating Expenses	Follow-up - verify purchase from p-cards are in compliance with existing policies and procedures
12	RA	Disability Retirement	Create disability retirement payments and review earnings after retirement
13	RA	Retirement Benefit	Create retirement benefits that are accurate and complete
14	RA	Member Service Credit	Verify prior service credit posted to a member's account
15	RA	Member Administration	Controls over caller verification and release of information
16	RA	Transfer Service Credit	Transfer service credit to another eligible retirement system
17	GA	Accounts Payable	Follow-up - travel expenses are in compliance with existing policies and procedures
18	RA	Estimates	Calculations requested by members for projected benefits
19	AM	CRE Acquisitions and Debt Origination	Debt origination is in compliance with the IPM
20	AM	IOD Private Markets	Verify official book of record is reconciled quarterly to supporting documentation (Private I)
21	AM	Asset Management Fee	Investment fees agree with contract requirements and are reported on the Schedule of Investment Fees and Expenses
22	GA	Recruitment	Review process for recruitment and talent acquisition
23	GA	Employee Benefits	Ensure tuition reimbursement for employees is in compliance with existing policies
24	GA	Governance	Performance and management of risk using National Conference on Public Employee Retirement Systems best practices
25	RA	Quality Assurance	Verify the review process effectively ensures the accuracy of the active member death benefits calculations
26	RA	Membership	Verify tier reinstatements

Key	
18	Committed
8	Additional pipeline
26	Total engagements



Annual Retirement Board Meeting – Agenda pp. 295-296

January 29, 2026

Call to Order by President

- A. Election of Officers
- B. Introduction of Visitors
- C. Correspondence - none
- D. Approval of Board Meeting Minutes October 30, 2025 and Board Retreat Minutes December 9, 2025 pp. 297-315

COMMITTEE REPORTS & ACTION ITEMS

- A. Audit Committee – J. Longtin, Chair
 - 1. Chair's Report
 - 2. Resolution on Audit Committee Charter (R1, p. 316)
 - 3. Resolution Approving Internal Audit Plan 2026 (R2, pp. 317-318)
- B. Disability Review Committee – E. Iberger, Chair
 - 1. Disability Denial Resolution (R3, p. 319)
 - 2. Disability Rescission Resolution (R4, p. 320)
- C. Executive Committee – D. Keefe, Chair
- D. Ethics Committee – R. Mahoney, Chair
- E. Investment Committee – N. Smirensky, Chair
 - 1. **Consent Agenda Items A 1 and B 1-13** pp. 321-334
 - A. Renew Consultant
 - 1. Callan – General Investment Consultant (R5, p. 321)
 - B. Renew Agreements:
 - 1. AEW (R6, p. 322)
 - 2. Arga Investment Management (R7, p. 323)
 - 3. Ariel Investments LLC (R8, p. 324)
 - 4. Arrowstreet (R9, p. 325)
 - 5. Bank of New York Mellon (Securities Lending) (R10, p. 326)
 - 6. BlackRock Financial Management, Inc. (CMBS) (R11, p. 327)
 - 7. Cohen & Steers Capital Mgt-Multi Strategy (R12, p. 328)
 - 8. J.P. Morgan Investment Management Inc. (R13, p. 329)
 - 9. PGIM (R14, p. 330)
 - 10. Principal Real Estate Investors (R15, p. 331)
 - 11. Raith Capital Partners (R16, p. 332)
 - 12. RhumbLine Advisors LP (R17, p. 333)
 - 13. Xponance (f/k/a FIS Group) (R18, p. 334)
 - 2. Resolution on High Yield Program Policy Benchmark Change (R19, p. 335)
 - 3. Resolution on BlackRock Systematic Enhanced High Yield (R20, p. 336)
 - 4. Resolution Approving Changes to Investment Policy Manual-QAC (R21, p. 337)
- F. Risk Committee – R. Mahoney, Chair
 - 1. Chair's Report

STAFF REPORTS

- A. Old Business
- B. New Business
 - 1. Litigation – D. Ampansiri pp. 338-340
 - 2. Member Relations Update – S. Bonesteel pp. 341-344
 - a. Process Overview – C. Laven, E. Mortimore, A. Whitney and T. Kaczmarek pp. 345-347
 - 3. TED Strategic Plan Update – D. Malavé, M. Pinchinat pp. 348-352
 - 4. Stewardship Update – H. Yik
 - 5. Estimated Employer Contribution Rate Presentation – M. Pranglely pp. 353-367



**New York State
Teachers'
Retirement
System**

Appendix C

To: Retirement Board
From: D. Ampansiri, Jr./ J. Graham
CC: T. Lee
Date: January 20, 2026
Re: Status of System Litigation as of January 20, 2026

UPDATE ON PENDING LAWSUITS SINCE THE LAST REPORT

Christopher Moll v. New York State Teachers' Retirement System

Action commenced: 5/5/2025

CURRENT STATUS: December 16, 2025, the Court found in favor of the System and dismissed the petition. Petitioner has 30 days to file a notice of appeal.

Summary of the case/background information:

Petitioner, a Tier 4 member, challenged the System's denial of his application for disability retirement. Petitioner contends the final determination was irrational because Petitioner's medical documentation supports a finding that he is totally and permanently disabled from all gainful employment. The System and the Medical Board, however, chose to rely more on an independent medical examination (IME) and the opinion of a board-certified specialist. The IME doctor concluded that Petitioner is capable of sedentary work and that Petitioner was not totally and permanently disabled from all gainful employment. It is well-settled in case law that where there is conflict of medical opinion between a member's treating physician and the System's appointed IME/board certified physician, that the Medical Board may choose to rely on the opinion of one over another. In this instance, the Medical Board relied upon the IME, and the System rendered its final determination.

Steven Minard v. New York State Teachers' Retirement System

Action commenced: 6/30/2025

CURRENT STATUS: October 21, 2025, the Court found in favor of the System and dismissed the petition. Petitioner did not appeal so the case is now closed.

Summary of the case/background information:

Petitioner, a Tier 4 member, is challenging the System's determination excluding for pension purposes certain payments he received while a member of the NYS Police and Fire Retirement System (PFRS). Wages that are generally eligible for final average salary calculation are defined by Retirement and Social Security Law (RSSL) Article 15, §601 as "...regular compensation earned by and paid to a member..." NYSTRS' Rules and Regulations under 21 CRR-NY §5003.1 further defines and unequivocally states that "regular" salary "shall exclude ...payments which are not part of the salary base."

Petitioner transferred his PFRS membership to NYSTRS. NYSTRS reviewed his transfer file and determined that payments received for comp cashout, sick incentive, uniform allowance, vacation cashout, holiday cash out, chart day cash out and payment in exchange for any type of unused leave time are, by definition, NOT part of the base salary, and are ineligible for inclusion in his NYSTRS pension calculations.

Petitioner argues that NYSTRS' rules and regulations regarding pension eligible compensation should not apply to the compensation paid to him while a member of PFRS. Irrespective of the fact that he has transferred to NYSTRS he insists that in this regard PFRS rules & regulations survive the transfer and continue to apply at NYSTRS. Yet, in all other regards he freely discards those same PFRS rules and regulations particularly those applicable to his pension factor and gladly accepts NYSTRS' rules and regulations as the latter provides him with a higher pension factor (and accordingly a higher pension) than he would have received had he retired with PFRS.

But, simply put, one cannot have both. NYSTRS' Rules & Regulations §5008.2(c)(2) states, "A transferee to this System shall be deemed to have been a member of this System during the entire period of the transferee's membership in the system from which he or she transferred." In short, all NYSTRS rules and regulations that apply to its membership, including the eligibility of compensation for inclusion in pension calculation shall equally apply to all transferees. The Petitioner does not have

the right or discretion to pick and choose nor does NYSTRS wield the authority to permit him to do so.

LAWSUITS COMMENCED SINCE LAST REPORT

Teresa Lester, f/k/a Teresa Miller, f/k/a Teresa Erskine v. New York State Teachers' Retirement System

Action commenced: 12/4/2025

Summary of the case/background information:

Petitioner, a Tier 4 member, challenged the System's denial of her application for prior service. Petitioner contends the final determination was irrational because Petitioner's documentation supports a finding that said documentation verifies her prior employment at a New York state public employer thereby making her eligible to purchase prior service credit to enhance her retirement benefit.

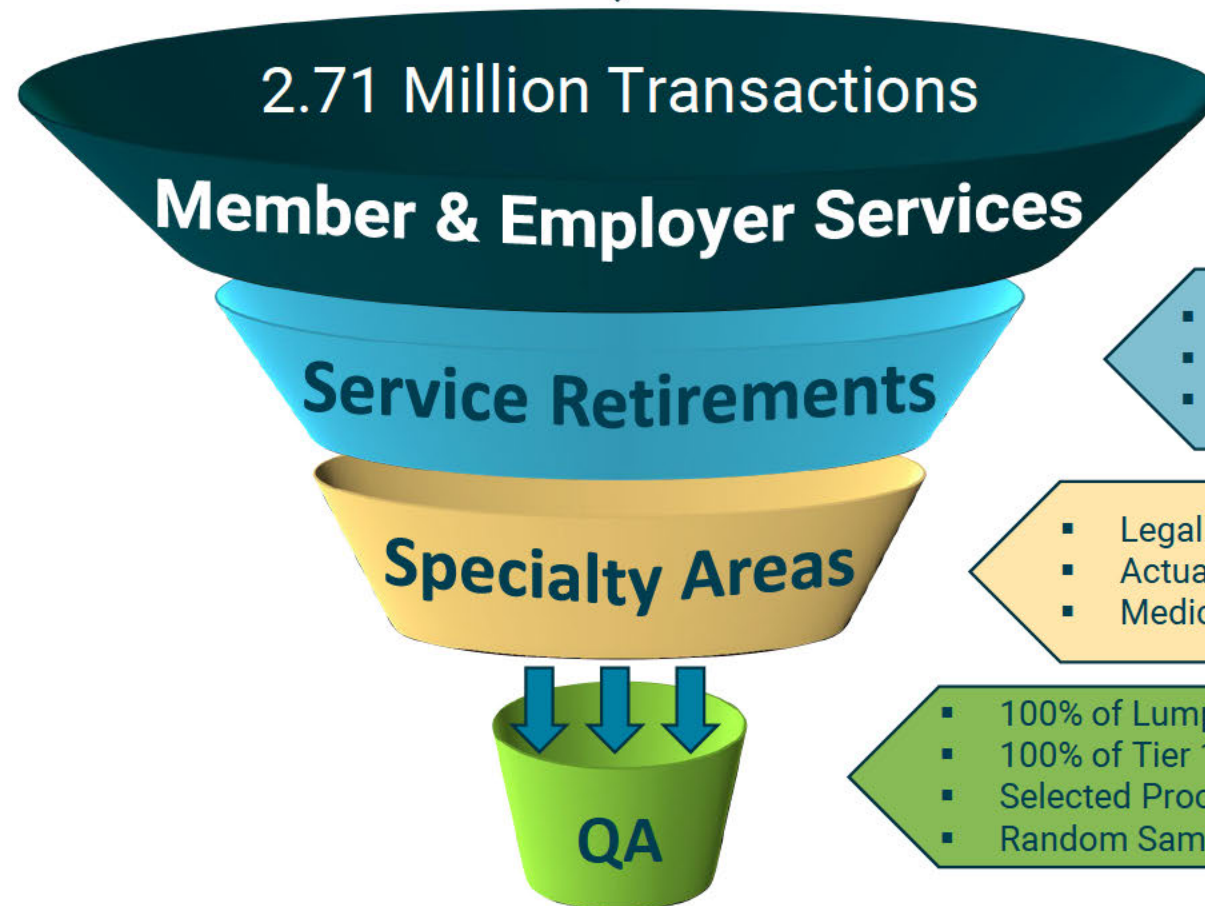
Petitioner claims to have worked at SUNY Binghamton as a lab technician assistant during the time period 1987-1990. SUNY Binghamton could not locate any employment records in their payroll records or W-2 tax documents. The Office of the State Comptroller was also unable to locate any records of her employment in the Bureau of State Payroll Services. Petitioner contacted the Social Security Administration (SSA) for records from the period 1986 - 1991 and they provided her with a statement that showed no earnings from the lab technician assistant position. Petitioner then obtained an itemized statement of earnings from SSA reflecting 3 payments from the state of New York however there were no taxes withheld from the payments and no record confirming these payments were for public employment with the state of New York. NYSTRS determined that the documentation submitted was insufficient proof of prior service because the documentation merely provided proof of a payment made by the state of New York but did not provide any nexus or proof that it was paid to her for public employment. The Attorney General's office is representing NYSTRS in this action.

Our Processing Formula

FY 2024-25

Appendix D

2.67 Million Employer Reporting Records	9,050 Transfer-In Records	12,446 Prior/Military Records	10,913 Prior Year Adjustments	2,704 Reinstatement Records
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Internal Audit Engagements

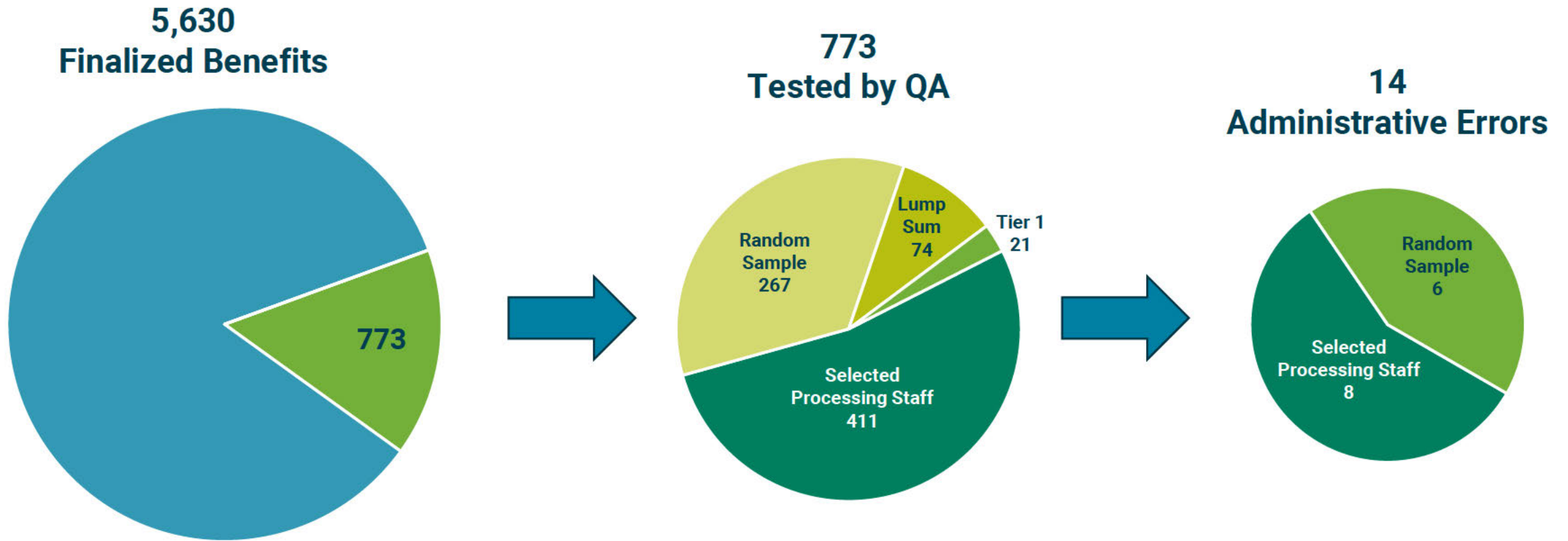
- Participating Employer
- Service Retirement
- Refund of Contributions

- 5,630 Finalized Benefits
- 6,988 New Retirement Applications
- 100+ Different Procedures to Follow

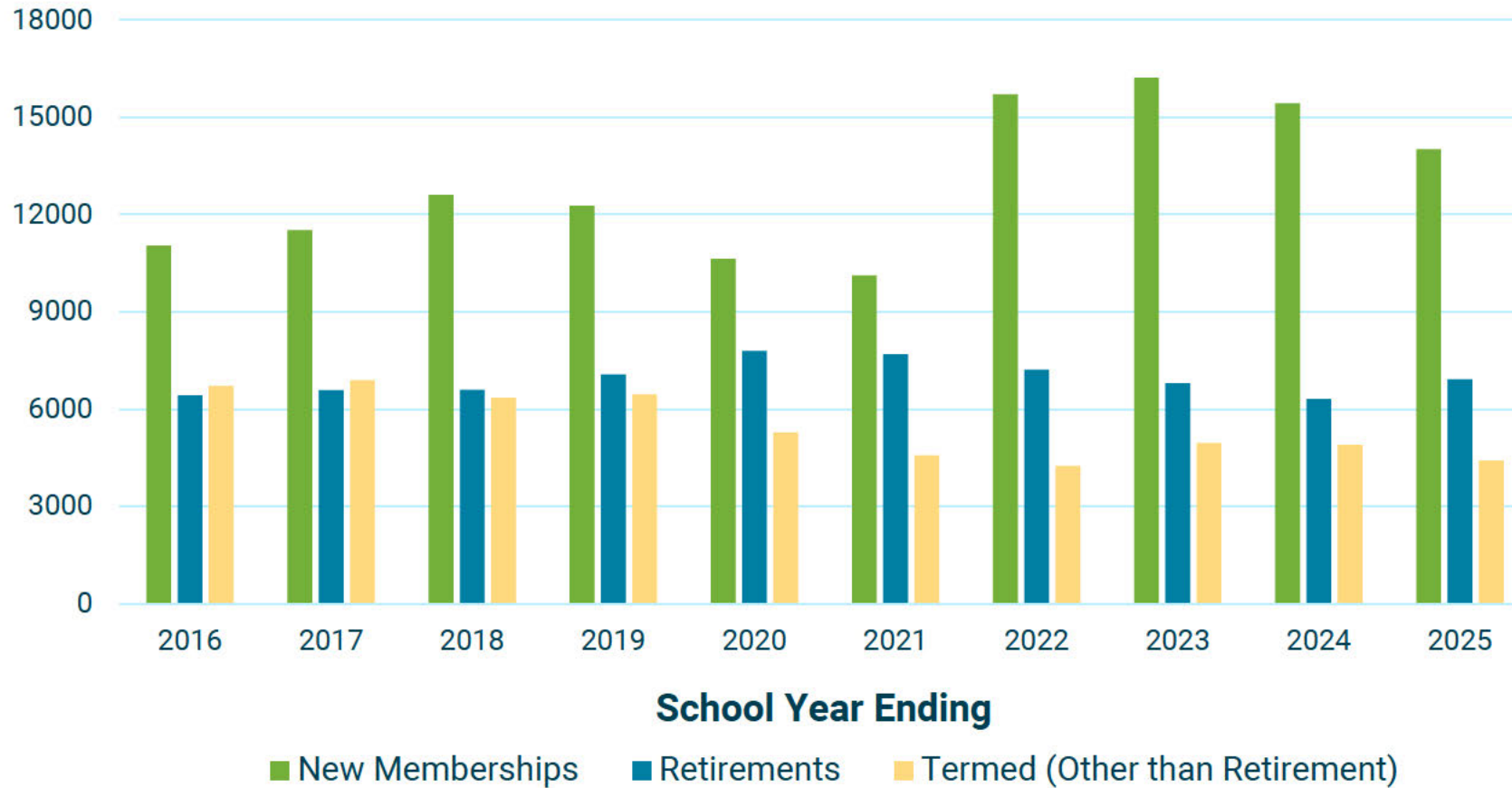
- Legal - Domestic Relations Orders
- Actuary - Alternative Options
- Medical Board - Disability

- 100% of Lump Sum Files
- 100% of Tier 1 Files
- Selected Processing Staff Files
- Random Sample

QA Review Process



Historical Memberships and Retirements by School Year





Appendix E

Team Engagement & Development Division Update

January 29, 2025

Danny Malavé, Managing Director – Team Engagement & Development and Diversity, Equity & Inclusion Officer

Matthew Pinchinat, Deputy Managing Director– Team Engagement & Development and Diversity, Equity & Inclusion Officer

Team Engagement & Development Quarter in Review

Team Engagement & Development Strategy

- Mapping Training & Event Calendar
- Shared Technology & Resources
- Defining Strategic Priorities & Measurement
- Sourcing Community Feedback

Compliance Update

- **MWBE Certification & Reporting**
 - Strict Alignment with New York State Statutory Guidelines (Survey Instrument)
 - Vendor & Timeline Adjustment
- **EEO-4 Bi-Annual Reporting**
 - Active Monitoring for Updated Submission Guidance

Staffing Update

- **Internal Team Development Priorities**
 - Facilitation & Instructional Design Skill-building
 - Enhanced Organizational Awareness
- **Recruitment Coordination**
 - Parallel Recruitment – TED Internship

Team Engagement & Development Strategy Update

Team Engagement & Development (TED) Mission

To champion a welcoming and supportive workplace that takes pride in NYSTRS mission, and elevates System values through intentional engagement, knowledge sharing, and collective accountability.

2026 Team Engagement & Development (TED) Priorities

Championing a workforce that is...

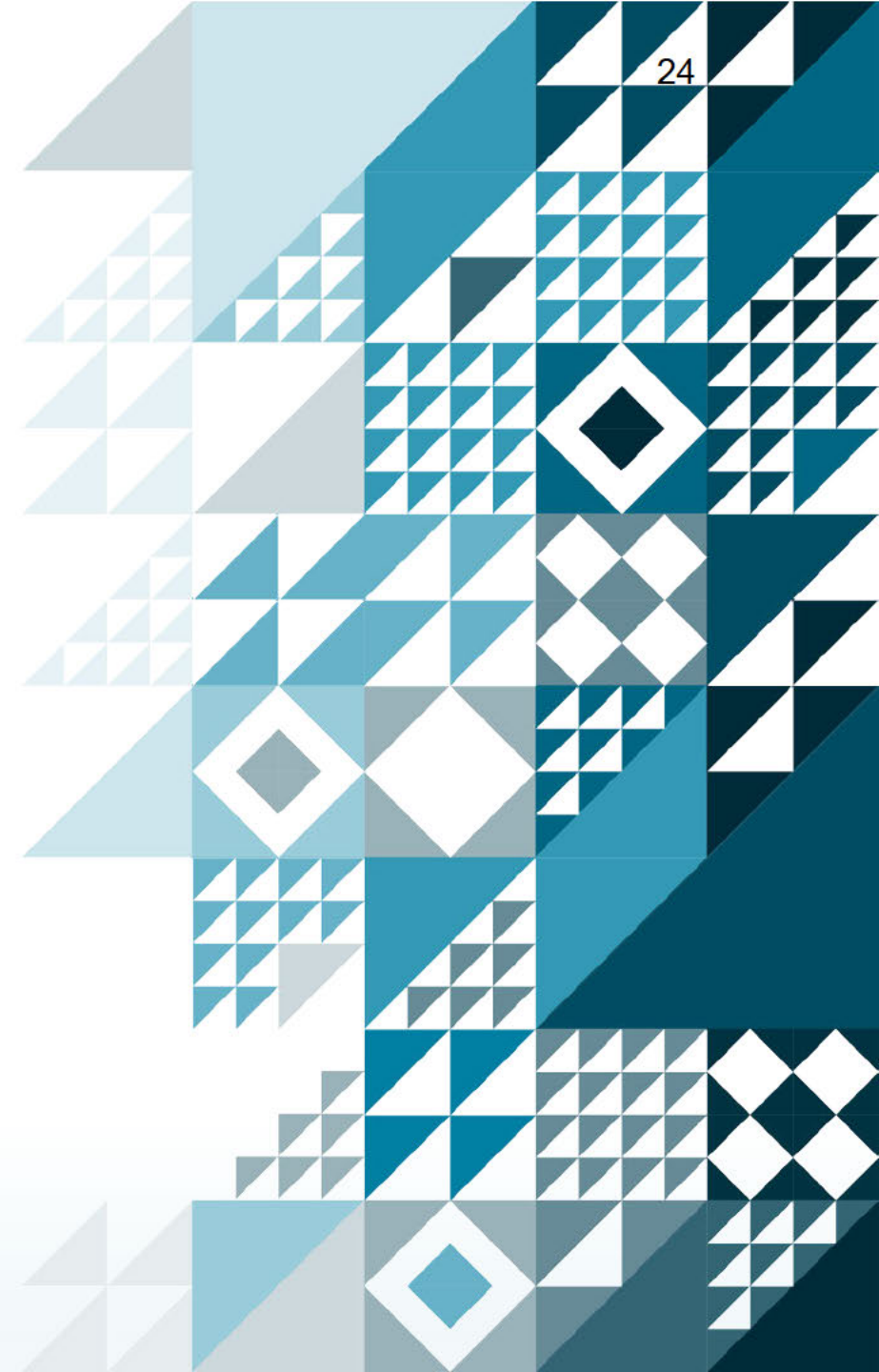
- **Informed** – Clear of Expectations & Opportunities
- **Knowledgeable** – Accessible Training & Resources
- **Engaged** – Communal Commitment to Mission & Culture

Championing a workplace that is...

- **Welcoming** – Foundation & Scaffolding for New Hires
- **Supportive** – Services to Enhance Individual & Collective Success
- **Proud** – Shared Accountability for the System Standing

Division Strategy Next Steps

- Training Infrastructure & Workflows
- Value Connections & Alignment
- Stakeholder Feedback & Reciprocity





New York State
Teachers'
Retirement
System

MWBE 2026

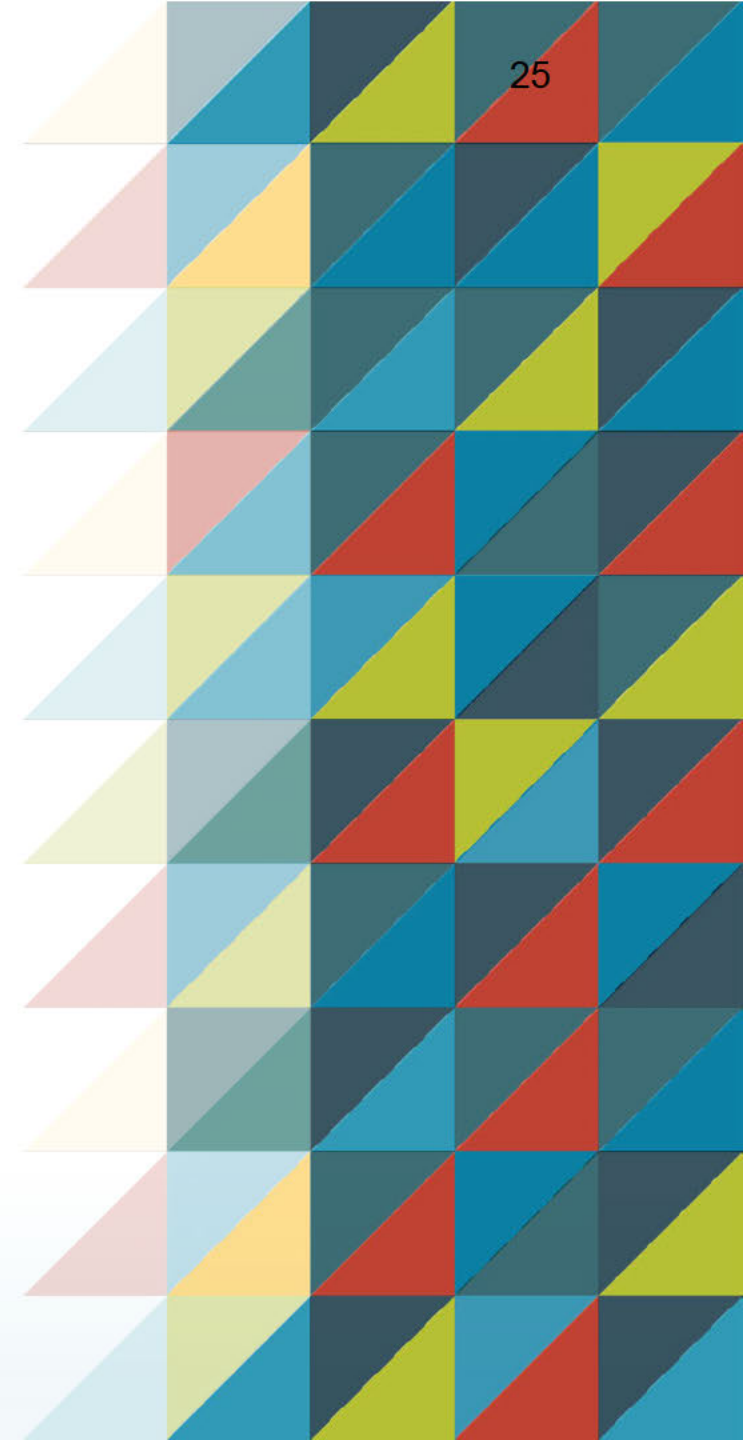
Investments & Professional Services Conference

Event Overview

- **Date:** February 12, 2026
- **Location:** Hilton Garden Inn, Troy NY
- **Theme:** A Seat at the Table
- **Partnerships:** Emerging Manager Week Partnership

Agenda Enhancements

- **Notable Addition:** Keynote Panel
- **Changes in 2026:** Key Partner Breakout Offerings
- **Continued Offerings:** Student Preconference; New Attendee Preconference



Team Engagement & Development

Upcoming Quarter

System Events

- 16th Annual MWBE Investments & Professional Services Conference – February 12th
- 20th Annual NYSTRS Black History Month Celebration – February 4th
- Inaugural Career & Community Fair – March 18th
- NYSTRS Excellence & Service Awards – April 1st

Ongoing Projects & Initiatives

- Learning & Engagement Analytics
- MWBE Survey & Report Workflow
- Employee Recognition Program Redesign
- Project WIN/Workday Training Implementation
- Accessibility Training & Resource Development

Looking Ahead

- Team Engagement & Development Annual Report (FY2025-26)
- Leadership Development Program Update
- Diversity, Equity, & Inclusion Consortium Expansion

Appendix F

The Estimated Employer Contribution Rate (ECR)

Melody Prangle, FSA, EA, FCA, MAAA
Chief Actuary

Tom King, FSA, EA, CERA, CFA
Director of Actuarial Risk

Heather Marks, FSA, EA, MAAA
Director of Actuarial Valuation

January 29, 2026

June 30, 2025 ECR Timeline



Next ECR: June 30, 2025 Actuarial Valuation

The *Estimated* next Employer Contribution Rate (ECR):

8.24% of pay

A decrease of approximately 14% over the current ECR of 9.59%

ECR Components

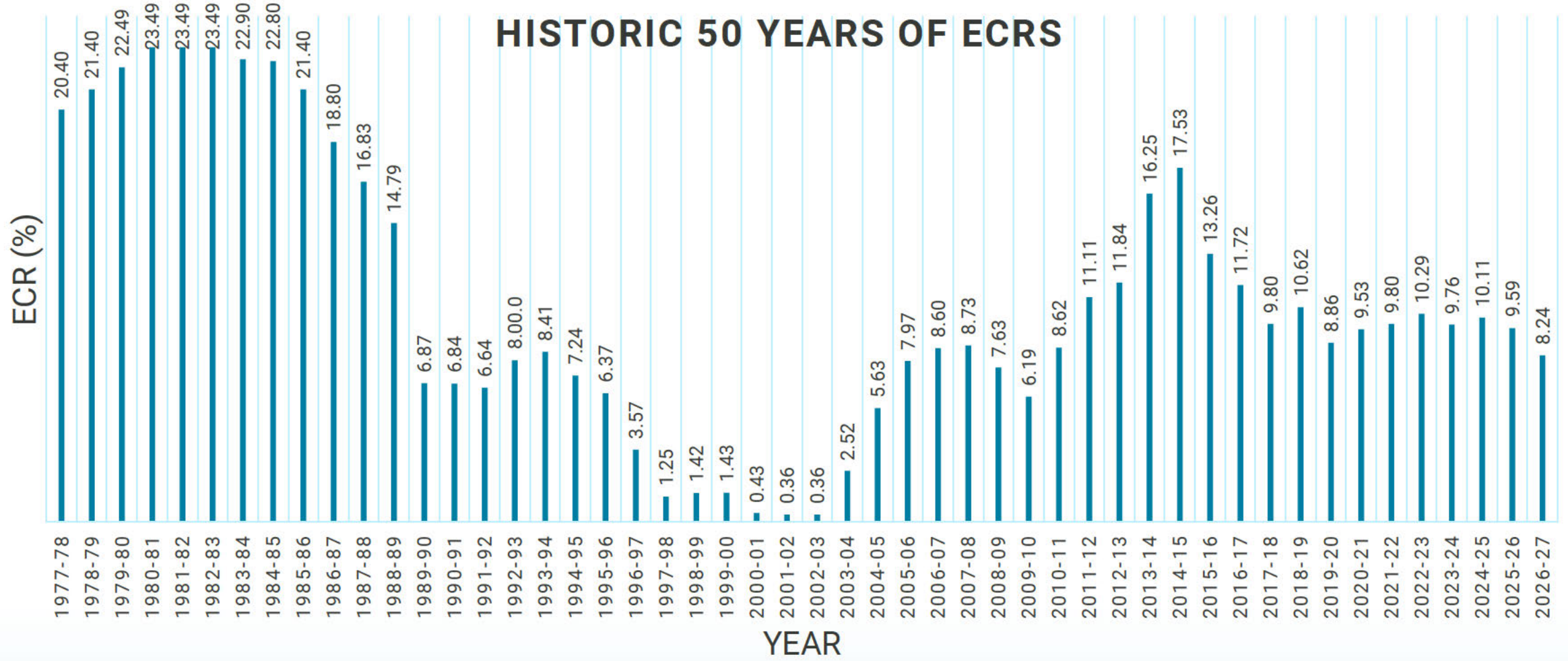
Normal Rate	7.76%
Expense Rate (finalized in March 2026 Budget meeting)	0.35%
Group Life Rate	0.13%
Excess Benefit Plan Rate	0.00%
Estimated June 30, 2025 ECR	8.24%

Employer Contribution in Dollars

Collection Date	Employer Contribution	ECR
Fall 2022	\$1.7 billion	9.80%
Fall 2023	\$1.9 billion	10.29%
Fall 2024	\$1.9 billion	9.76%
Fall 2025	\$2.0 billion	10.11%
Fall 2026	\$1.9 billion (estimated)	9.59%
Fall 2027	\$1.7 billion (estimated)	8.24%

The 8.24% ECR is multiplied by the 2026-2027 fiscal year salaries and collected in Fall 2027 (September, October and November 2027)

Historic ECRs



The 50-year average ECR is 10.91%.

Funded Ratio History

The Funded Ratio is the ratio of plan assets to the plan's accrued liability. The funded ratio is calculated based on the Market Value of Assets (MVA) and the Actuarial Value of Assets (AVA).

FYE	Funded Ratio Based on MVA	Funded Ratio Based on AVA
6/30/2021	113.0%	99.3%
6/30/2022	97.4%	99.3%
6/30/2023	98.2%	98.6%
6/30/2024	101.5%	99.1%
6/30/2025	103.3%	100.2%

Historic Rates of Return – Last Five Years

Fiscal Year	Rate of Return (net of fees)
2020 – 2021	29.0%
2021 – 2022	-7.1%
2022 – 2023	9.0%
2023 – 2024	11.4%
2024 – 2025	10.6%
5-year average:	10.0%

The 5-year geometric average is calculated as $[(1.29) \times (0.929) \times (1.09) \times (1.114) \times (1.106)]^{(1/5)} - 1 = 10.0\%$.

Benchmark Rates of Return

- NYSTRS long-term target investment return is 6.95%.
- On a monthly basis, NYSTRS monitors benchmark returns compared to the target return.

Index	Benchmark	Return through 12/31/2025
Domestic Equity	S&P 1500	10.80%
International Equity	ACWI ex-US	12.29%
Fixed Income	Bloomberg Aggregate Float	3.08%

ECR Actuarial Gain/Loss '24-'25

Experience Source	Change in the ECR
Salary increases higher than expected	0.27%
Mortality, Retirement and Withdrawal different than expected	0.08%
COLA Payments: Actual COLA of 1.2% is very close to assumption of 1.3%.	0.00%
Miscellaneous: Net increase due to miscellaneous sources (e.g. data updates, tier reinstatements, return to active service, net transfers in/out, finalized contribution)	0.11%
Assumption Change	0.97%
Net Investment Gain higher than the expected 6.95%	-2.69%
New Entrants Tier 6 rate lower than current normal rate	<u>-0.09%</u>
Total Change	-1.35%
Employer Contribution Rate at Prior Year-End	9.59%
Employer Contribution Rate at Current Year-End	8.24%

Fiscal Note Preparation

Fall 2025: Updates for new legislative session and begin work on early requests

January 2026: Legislative session begins

April 1, 2026: New York State Budget due

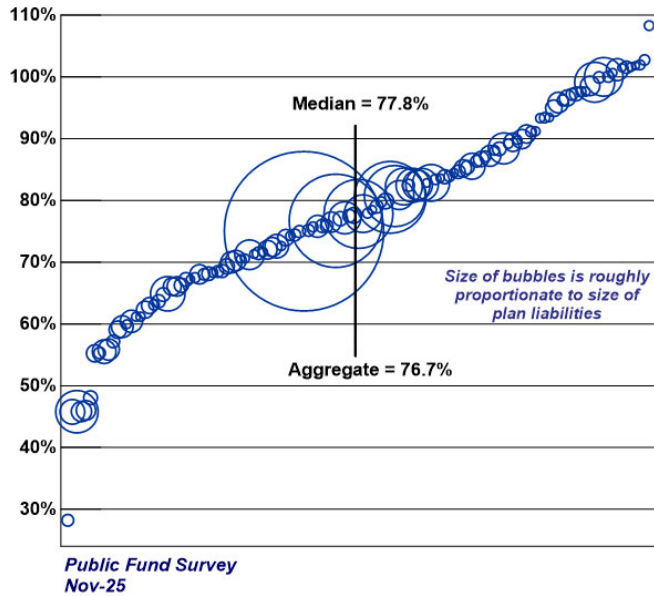
June 2026: Legislative session ends

Legislative Year	Count of Fiscal Notes
2026 to date	19
2025	25
2024	44
2023	36

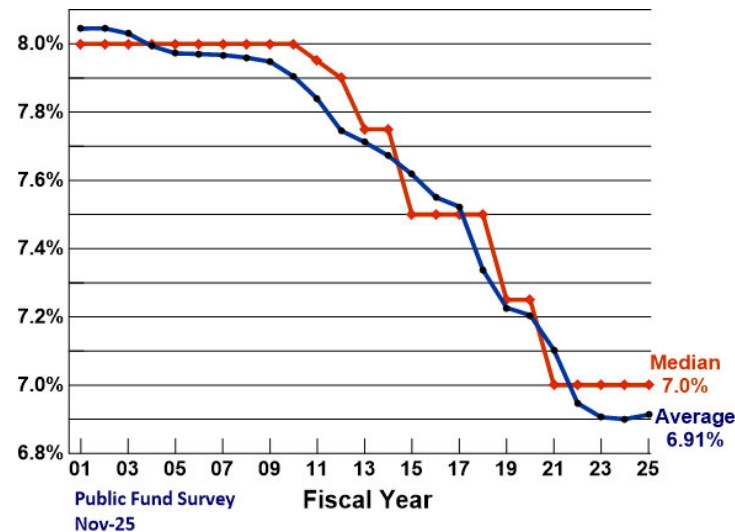
NASRA Public Fund Survey

Public Fund Survey of 129 plans; representing nearly 90% of the entire state and local government defined benefit plans.

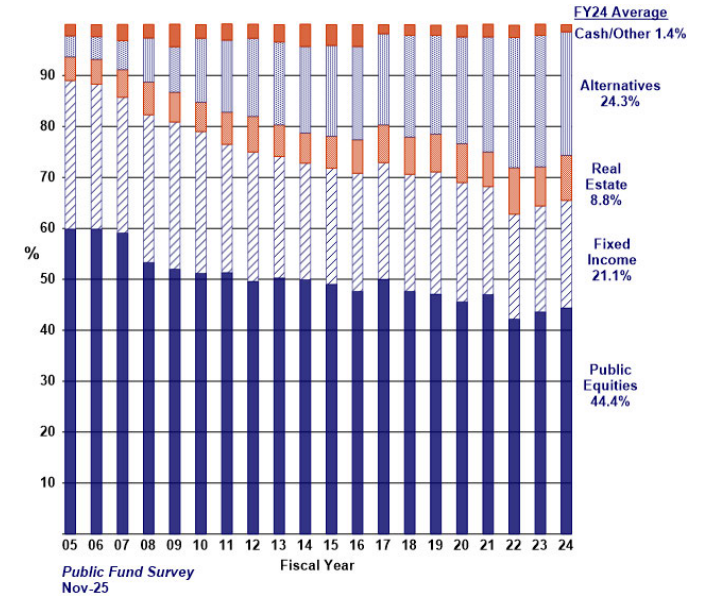
FY24 Funding Levels



Investment Return Assumption



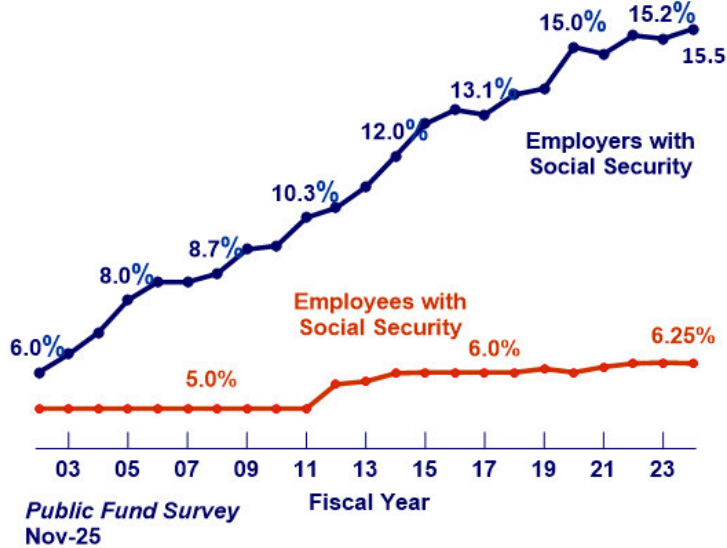
Average Asset Allocation



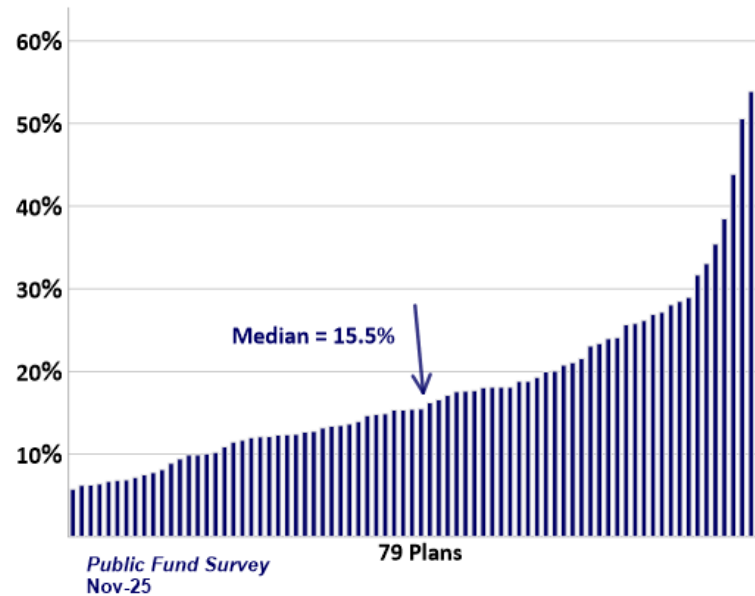
NASRA Public Fund Survey (continued)

Contribution rates among employers have increased considerably since the inception of the survey in 2003. Rates at the beginning of the survey period were at an all-time low following strong investment earnings in the late 1990s.

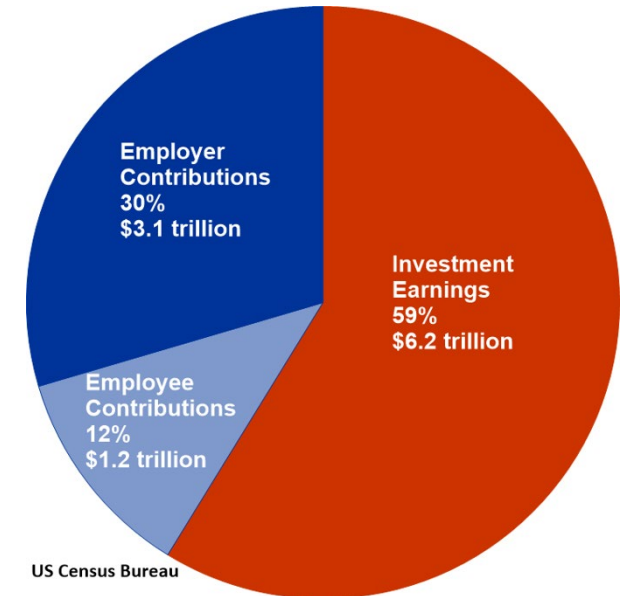
Average Employer Contribution (Members Participate in Social Security)



Range of Employer Contributions (Members Participate in Social Security)



Cumulative Sources of Revenue



Questions

Actuarial Certification

The actuarial calculations contained in this report rely on member data provided by the participating employers to the Retirement System's administrative staff. The administrative and actuarial staff review this data for reasonability and completeness as well as reconcile it against prior data. In addition, the valuation relies on financial data provided by the Retirement System's Finance Department. Data is reviewed by the Retirement System's independent auditors as part of the annual audit. We believe the data to be reasonable and appropriate for purposes of this valuation.

The benefits recognized in these projections are prescribed by New York State statute (Article 11 of the Education Law and Articles 11, 14, 15, 18, 19, and 20 of the Retirement and Social Security Law) and are summarized in Appendix 19 of the June 30, 2024 Actuarial Valuation Report. All benefits are included in the actuarial valuation.

Future actuarial measurements such as the funded ratio and employer contribution rate may differ significantly from the current measurements presented in this report due to such factors as: future experience that differs significantly from that predicted by the actuarial assumptions; changes in the actuarial assumptions or methods; and changes in plan provisions or applicable law.

The actuarial methods, calculations, and actuarial assumptions are in accordance with standards of practice prescribed by the Actuarial Standards Board and generally accepted actuarial principles and procedures. The actuarial assumptions, as adopted by the Retirement Board and used in determining the liabilities and costs, are internally consistent and reasonably related to actual and anticipated future experience of the Retirement System. The undersigned are members of the American Academy of Actuaries and the Society of Actuaries and meet the qualification standards of the American Academy of Actuaries to render the actuarial opinion contained in this report. We are currently compliant with the Continuing Professional Development Requirement of the Society of Actuaries.

Melody Prangley, FSA, EA, MAAA, FCA

Chief Actuary

Thomas M. King, FSA, EA, CERA, CFA

Director - Actuarial Risk

Heather Marks, FSA, EA, MAAA

Director - Actuarial Valuation