

**TEACHERS' RETIREMENT
SYSTEM OF THE CITY OF NEW YORK**

INVESTMENT POLICY STATEMENT

QUALIFIED PENSION PLAN

Adopted June 15, 2006

Amended through May 2019

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Preface

EXECUTIVE SUMMARY

The following Investment Policy Statement (IPS) addresses the key elements involved in the Teachers Retirement Board's (the "Board") oversight of the Qualified Pension Plan (the "Fund"). Most importantly, the Board's investment objective is to ensure that the investment portfolio, in combination with employee and employer contributions, allows the TRS to meet current and future benefit obligations and plan expenses. The IPS is the document within which policies and practices are defined that guide the Board and other key parties in the management of the Fund in a manner consistent with this objective, fiduciary duty and with the Board's principles and beliefs.

The IPS provides detail regarding policies and practices that help to ensure that key principles such as a focus on appropriate fees, a commitment to diversity, and attention to environmental, social and governance (ESG) factors in the investment portfolios are prioritized in the management of the Fund. Key aspects of the management of the Fund are discussed including the following.

- Roles and responsibilities of key parties and service providers: Oversight and management of the Fund is led by the Board, but involves a wide range of individuals, agencies and service providers acting at the Board's direction. The IPS describes how those who contribute to these efforts including Board members, consultants, investment managers, the Office of the Comptroller (OTC), the master custodian and others are identified or retained as well as their responsibilities and authorities.
- Eligible investments and approved asset classes: The Board seeks to invest the Fund to maintain an appropriate level of diversification. As a result, the Fund invests in a very broad range of global capital markets, both public and private. The IPS provides guidance regarding which asset classes are approved for investment along with relevant details regarding the structuring, benchmarking and restrictions associated with specific asset class holdings. Each asset class allocation has a primary role to play within the Fund and asset classes are organized into categories describing this role: Growth, Deflation Protection, Inflation Protection and Economically Targeted Investments (ETI).
- Portfolio asset allocation and implementation: The Fund's asset allocation policy which provides target asset class allocations, rebalancing ranges and implementation timelines is a key determinant of the Fund's expected and realized risk and return. The IPS describes how asset allocation policy is established, monitored and reviewed on an ongoing basis for the Fund. This policy is then implemented through the retention of external asset managers. The selection of and ongoing evaluation of asset managers involves due diligence, monitoring and reporting processes which vary by asset class and strategy and are outlined in the IPS.
- Ongoing monitoring and reporting. On an ongoing basis, individual mandates, asset class composites and the entire Fund are monitored by OTC and consultants to confirm that

expectations regarding performance and risk characteristics are being met. In addition, OTC and consultants monitor portfolio managers' investment manager organizations, personnel and investment processes to confirm that these firms continue to be appropriate managers for the Fund. The Board receives regular reporting on all these matters in order to carry out its oversight responsibilities.

- Corporate governance: The Board has important fiduciary responsibilities regarding the oversight of corporate governance practices of the companies in which the Fund invests. The IPS provides detail regarding how these responsibilities are carried out including the role of the Proxy Sub-Committee and the OTC's responsibilities in executing the Board's corporate governance policies through its voting of proxies, review of proxy voting guidelines and regular reporting to the Board on these matters. In addition, the Board may decide to take an active role in securities litigation to effect corporate governance reforms, when it deems it appropriate.

The IPS includes significant detail on the above topics as well as other relevant matters. In addition, the Appendices contain additional specific policies which have been approved by the Board and which govern certain areas of its oversight responsibilities such as the ETI Policy and the Securities Litigation Protocol.

Section I. PURPOSE OF THE INVESTMENT POLICY STATEMENT

The Teachers Retirement Board ("Board") of the Teachers' Retirement System of the City of New York ("TRS") adopts a written, comprehensive and integrated Investment Policy Statement ("IPS") in furtherance of the management and investment of the assets of the Qualified Pension Plan (the "Fund"). This Fund does not include the assets of the Variable Annuity Programs.

The IPS sets forth the investment objectives and philosophy of TRS investment program, as well as the assignment of investment policy roles.

STATEMENT OF INVESTMENT BELIEFS

TRS is an organization, founded in 1917, which administers and invests New York City teachers', pedagogical employees' and school related personnel's wages deferred for retirement. The public sector employees who participate in our system are devoted not only to the students of the City of New York, but to equality, economic and social justice, and workers' rights. The following investment beliefs provide the foundation for the exercise of the TRS Board's fiduciary responsibilities. Our ultimate goal is to provide secure and sustainable pensions to our members and beneficiaries.

We believe that a long-term investment horizon provides benefits and challenges:

- This allows the Funds to take on a prudent level of market and illiquidity risk to achieve return objectives.
- This also encourages consideration of factors such as environmental, social and governance (“ESG”) which can have a material impact on long term investment performance.
- We favor strategies, managers, companies, and countries with strong human capital practices characterized by standards of good conduct, including fair labor practices, health and safety, responsible contracting, and diversity.
- Climate change poses risks and opportunities to our investment portfolio. We seek to mitigate the risks, take advantage of opportunities, and reduce the contributions our investments make to climate change.
- A long-term investment horizon requires that the portfolio structure be mindful of long-term global economic trends.

We believe that strategic asset allocation is the primary determinant of long-term total portfolio risk and return:

- Although strategy and manager selection are important contributors to total portfolio results, particularly in private market strategies, the Funds’ exposure to market risks, including equity risk, interest rate duration, currency, etc. will dominate the total portfolio’s long-term results.
- Given the difficulty of predicting investment results in any given market or time-period, fund diversification across time periods, geography and markets is a fundamental aspect of the long-term asset allocation policy.
- Strategic asset allocation should be periodically reconsidered in the context of changing market conditions, changes in the forecast liabilities and other significant inputs.
- In the event of extreme market risks or opportunities, shorter-term or more tactical modifications of the long-term asset mix should be considered.
- A wide variety of risks should be considered in the asset allocation and investment selection processes including but not limited to market risk, operational risk, illiquidity risk, and reputational risk.

We believe that capital used to pay expenses and fees is an asset of the Funds and should be deployed in an effective, transparent, and judicious manner:

- We favor the use of indexing to implement public market investment strategies, except in those cases in which a compelling case can be made that active management can reap incremental benefits for the Funds.
- We believe that active management fees should be structured to take advantage of the System’s scale and to align interests between the System and the manager.
- Manager, asset class and total fund fees should be consistent with objectives, realized results, and reasonable expectations and be periodically reviewed.

We believe that the success of the System’s investment programs requires the effective collaboration of a variety of competencies including:

- Well defined and implemented investment policy and beliefs which are aligned with investment practices
- Thoughtful Board oversight and ongoing trustee education
- The retention of highly competent, effective staff and best-in-class managers, partners, and advisors who are responsive and transparent
- Operational excellence and continuous improvement

IPS PRINCIPLES

A. Fees

TRS feel strongly that all external managers should have compensation plans and disclosure policies that are aligned with the interests of TRS pension beneficiaries. To that end, the TRS trustees ask that BAM, as their investment advisor, endeavor to limit external management contracts to those vendors who agree to performance compensation plans that keep fees below average for comparable funds until measurable value added has been delivered to fund beneficiaries. Furthermore, managers should be completely transparent with regard to all charges being assessed for their services. Exceptions to these board expectations must be explicitly highlighted in any manager recommendation to Trustees.

1. Alignment of interests

There shall be an alignment of interests between General Partners and investors (General Partner investment relative to contemplated commitment, waterfall, treatment of transaction fees, clawbacks and lookbacks, operating budget, transparency, etc.).

2. Reject above-market fees

Terms and conditions must be appropriate relative to similar investment opportunities, including fee and governance provisions. TRS will reject investment with above-market fees relative to similar investments, taking into consideration all factors relevant to a prudent investment analysis.

3. Institutional Limited Partners Association (ILPA)

The Board requires Institutional Limited Partners Association (ILPA) Fee Reporting and Capital Call & Distribution templates from all private market managers. The Board views the ILPA Reporting Template as the standard for collecting fee and expense data for private market funds.

B. Diversity

The Board is dedicated to expanding exposure to top performing fund managers that demonstrate exceptional potential and are committed to diversity in their investment decision-making process, ownership structure and compensation and profit sharing policies.

1. Diverse Practitioners

The Board believes that diverse professionals and decision-makers contribute to organizational quality and economic performance. The Board specifically believes, as has been demonstrated empirically, that:

- Diversity is positively correlated with stronger financial performance and lower volatility and risk.
- Diversity improves decision-making and prevents groupthink.
- Diverse decision-makers can add long-term value and increase returns.
- Diversity creates competitive advantage based on diverse perspectives and background.
- Commitment to diversity can decrease litigation and regulatory risk.

It is the policy of the Board to recognize and seek the value and competitive advantage added to organizations by diversity in decision-making and the workforce and integrate consideration of diversity factors in the selection, evaluation and monitoring of investment managers and services providers, consistent with fiduciary duty. The Board also seeks to promote consideration of diversity in investment decision-making to improve performance broadly in the industry.

2. MWBE and Emerging Managers

The Board seeks to access unique and diverse investment opportunities, including small Minority and Women-owned Business Enterprise (MWBE) fund managers, and to foster the growth and development of successful managers with whom it invests across all asset classes. By investing with managers who actively cultivate diversity in their organizations, offer diversification of talent and strategies and provide appropriate and competitive risk-adjusted rates of return, we seek to deliver superior long-term, risk-adjusted investment returns to the Fund.

The Emerging Manager Program seeks managers that meet the following minimum criteria:

- Experienced investors that are capable of generating competitive risk-adjusted returns and manage funds which may have shorter track records than more established managers.
- Institutional quality operations with established front/back office, systems and risk management; which may be in-house or outsourced to 3rd party services providers.
- Broad institutional capital base with significant GP commitment, where appropriate.

C. Responsible Contractor Policy (RCP)

The Responsible Contractor Policy (RCP) is designed to ensure that contractors, investors, managers, consultants, or other participants selected by TRS take prudent and careful action in accordance with the RCP. TRS, through the RCP, supports and encourages fair wages and fair benefits for workers employed by its managers, contractors and subcontractors, subject to fiduciary principles concerning duties of loyalty and prudence, both of which further require competitive returns on TRS real estate and infrastructure investments. Use of the RCP also provides assurance that there is sufficient flexibility to address investment risks and returns while using responsible contractors. Based on provisions set forth in the RCP, firms will report periodically on their compliance with the RCP (Appendix 1).

D. ESG

The Board believes that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios over time and that applying the Principles for Responsible Investment may better align TRS' investments with the broader interests of society. (See Appendix 2.)

Section II. INVESTMENT POLICY ROLES

A. Teachers' Retirement Board

TRS is administered by the Board, which is comprised of seven members each of whom may vote, pursuant to the New York City Administrative Code, as described below.

1. Two Board members are appointed by the Mayor. One of these members must also be a member of the Panel on Education Policy.
2. The Comptroller.
3. Three Teacher-Members are elected to the Board by the members of TRS.
4. The Chair of the Panel on Education Policy.

Board members or the appointing official may designate alternate representatives as authorized by law.

The Board shall elect from its membership a chair.

Each act of the Board requires the concurrence of the Comptroller or of one member appointed by the Mayor, as well as a member elected by the TRS membership and at least two other members of the Board.

The Board, as a fiduciary, is responsible for the oversight of the Fund. Responsibilities of the Board include the following:

- Establish and adopt, from time to time, written investment policies, including delegations of authority, desired risk levels, investment time horizons, and proxy voting policies. The written investment policies will guide the management of the Fund consistent with the

Fund's investment goals and objectives.

- Adopt an appropriate asset allocation strategy that diversifies assets in a manner consistent with the Board's risk/return objectives. The investment of the Fund's assets is governed by federal, state and local law. The Board may invest in securities and other eligible investments consistent with New York State Banking Law, New York State Retirement Social Security Law (RSSL), and other applicable laws and rules, subject to applicable restrictions.
- Approve an Annual Implementation Plan, developed by the OTC, to implement the Board's asset allocation strategy and investment goals.
- Consider and approve appropriate investment strategies including securities lending.
- Approve the retention of the Fund's actuary.
- Approve the manager structure for implementation of investment strategies, including such factors as manager style and active vs. passive (indexed) management approaches. Select consultants and managers to implement the investment strategies.
- Approve the commencement of securities litigation, its strategy, and settlement.
- Monitor the performance of Fund assets as well as the investment activities of all managers and investment consultants as they affect Fund assets.
- Approve reasonable and necessary investment expenses to acquire, manage and protect Fund assets.

B. Comptroller

Under the New York City Administrative Code, the Office of the Comptroller ("OTC") serves as custodian for TRS' Fund assets. As custodian, the OTC performs activities including:

- Selection of one or more custody banks, including a Master Custodian for the safekeeping of TRS' Fund assets, and monitoring of the performance of the custodians.
- Oversight of the Master Custodian's management of books and records which includes booking and valuing public and private market assets.

- Oversight of the monthly accounting statements rendered by the Master Custodian and their reconciliations with investment managers regarding trades and positions of publicly-traded securities; and oversight of the periodic information provided by managers and consultants regarding private asset classes.
- Review, audit and process payments to investment managers, investment counsel, consultants and other vendors.

By delegation of the Board of Trustees, which is reviewed quarterly, the OTC is authorized to invest the assets of the Fund and act as Investment Advisor. The Bureau of Asset Management (BAM) is the unit within the OTC that carries out this function.

In its role as Investment Advisor, the OTC provides investment advice, implements Board decisions, and reports on investment performance. In carrying out these functions, the OTC:

- Advises the Board on all investment issues, including:
 - Investment policy and strategy
 - Asset allocation
 - Manager structure
 - Manager selection
 - Financial and economic developments that may affect the Fund.
- Staff will manage allocations, including sector and geographic exposures as per the latest Annual Implementation Plan approved by the TRS Board.
- Evaluates and recommends to the Board potential investment partners, consultants and managers for TRS' Fund assets pursuant to established procedures and Board policies. This responsibility includes reviewing and reporting on the diversity practices of recommended investment partners, consultants and managers, and other issues that may potentially cause reputational risk.
- Rebalances the portfolio within ranges established by the Board.
- Monitors the performance of managers, including compliance with TRS policies and, in addition, develops a Manager Watch List consisting of managers who have been selected for either performance or organizational reasons to be monitored on an even closer basis.

- Implements portfolio transitions to effectuate Board decisions.
- Negotiates, enters into, renews, administers and terminates agreements with managers, consultants and investment partners on behalf of the Board.
- Directs managers to sell assets to meet TRS' liquidity needs, and transfers cash to TRS' accounts.
- Provides the Board's Proxy Committee analyses of proxy issues and vote recommendations, votes proxies of equity securities, and recommends and implements such annual ownership initiatives.
- Reports regularly to the Board on potential issues requiring Board attention, including matters that may pose potential reputational risk to the Fund.
- Provides regular reports to the Board on the performance of Fund assets.

In executing each of these responsibilities, the OTC works closely with consultants selected by the Board.

C. Executive Director

The TRS Executive Director is responsible for the internal administration of the Retirement System. The Board appoints the Executive Director. He or she oversees the internal processes necessary for the accurate and timely payment of all benefits and the proper accounting of all financial transactions. He or she is further responsible for the establishment, monitoring and safeguarding of TRS' internal records and satisfying TRS' external reporting requirements.

The Executive Director organizes Board meetings and reports to the Board on operational issues, benefit payments, and service levels. He or she ensures that TRS maintains efficient operating procedures consistent with the statutory structure of the Fund in compliance with federal, state and local legislation.

D. Actuary

The Actuary offers information and advice to the Board as assistance in the Board's determination of an asset allocation. In particular, the Actuary provides guidance with respect to future cash flows, liabilities, risks and the impact of the asset allocation on the funding of TRS.

The Actuary advises the Board regarding funding issues, including the level of the Actuarial Interest Rate (“AIR”) assumption that the Actuary would support for a given asset allocation. The Actuary periodically recommends to the Board an AIR assumption. The AIR assumption is ultimately codified in the New York City Administrative Code.

Section III. ROLES AND RESPONSIBILITIES OF SERVICE PROVIDERS

The Board retains service providers to assist in the management of the Fund. Such providers include, but are not limited to, investment managers, general and specialist consultants, and attorneys. The providers perform in a fiduciary capacity and must exercise the requisite duties of care and loyalty to TRS. The OTC retains the Master Custodian for the Fund.

A. General Consultant

The Board employs a general consultant, which performs as a fiduciary to the Board. The responsibilities of the consultant include:

- Advising the Board on the investment of TRS’ assets.
- Advising the Board regarding strategies for the allocation of assets across capital markets that will generate a long-term return consistent with the Board’s investment objectives and risk tolerance.
- Developing cost-effective structures for the implementation of the Board’s asset allocation that will maximize excess returns by managers while minimizing the volatility of the returns.
- Assisting the OTC in identifying potential managers, in conducting research in screening managers and in negotiating manager investment guidelines.
- Monitoring the managers employed by TRS and providing reports and analyses to the Board and the OTC relating to material events such as, but not limited to, relative performance, material changes to senior personnel, investment process and organization.
- Preparing presentations or position papers on topical issues and specific projects.
- Attending meetings as required.

B. Public Market Investment Managers

Fund assets are generally managed externally by managers retained by the Office of the Comptroller, acting on behalf of and with authorization from the Board.

Responsibilities include:

- Arranging, ordering and monitoring the purchase and sale of securities for the Fund's portfolio. The manager at all times must exercise the highest standard of care to which a professional, ERISA fiduciary or Investment Advisor is subject.
- Adhering to portfolio investment guidelines, including maintaining risk management and oversight policies designed to ensure compliance.
- Advising the OTC on possible amendments to portfolio guidelines that are in the best interest of the Fund, as appropriate, given the dynamic nature of the capital markets.
- Advising the OTC on capital actions relating to securities in or proposed for the portfolio.
- Submitting monthly and quarterly reports summarizing portfolio activity.
- Reporting significant changes in ownership or control of the firm or changes in organizational structure or professional staffing.
- Attending account review meetings with OTC and/or TRS as necessary, but on at least an annual basis.
- Providing accurate and timely reporting of positions and trades to the OTC.

C. Private Market Investment Managers

Fund assets are generally managed externally by managers retained by the Office of the Comptroller, acting on behalf of and with authorization from the Board.

Responsibilities include:

- Sourcing, investing, monitoring and exiting investments.
- Adhering to investment partnership agreement requirements and guidelines, including requirements on fiduciary standard of care and TRS-specific negotiated terms and provisions.
- Submitting quarterly and annual reports summarizing partnership activity and performance information.
- Providing accurate and timely quarterly and annual financial statements to the OTC.

D. Master Custodian

- By statute, the Comptroller is the custodian of TRS' assets, as well as the assets of other New York City Retirement Systems. Assets include such property as cash (in any currency), securities, any other assets, and earnings and profits thereon.
- The Comptroller retains by Agreement a Master Custodian to safeguard the property of the funds that the Custodian or its agents, representatives or sub-custodians may receive from time to time for deposit, and for other purposes.
- The Master Custodian and its agents and sub-custodians are fiduciaries to the Comptroller, TRS, and other Systems and Funds.
- The Master Custodian holds the assets in the Fund Accounts, settles purchases and sales of the securities, collects income, makes payment from the accounts at the Comptroller's direction, and maintains books and records to clearly identify cash, securities and other property.
- The Master Custodian is responsible for the safekeeping of all assets, transaction processing, reporting, performance measurement and compliance using industry-accepted standards, except for accounts where some of these responsibilities are performed by another custodian for a specific account.
- The Master Custodian is responsible for the preparation, audit and distribution of investment account reports, plan accounting and specialized reporting for the various TRS portfolios.
- The Master Custodian assists the Comptroller in verifying compliance with legal restrictions, investment guidelines and other policies set by TRS. It provides class action services including, notification of, filing, follow-up and collection of settlement proceeds on TRS' behalf and posts settlements to various accounts. The Master Custodian also provides the Comptroller the underlying data to support TRS' proxy voting.

E. Alternative Asset Class Consultants

TRS retains one or more specialist private market consultants to assist in the implementation of its strategic allocation to private equity, private real estate and infrastructure, and any other alternative asset class to which the Board may allocate assets. The consultant(s) are fiduciaries and advise the OTC and the Board on all aspects of its private market investment program. The responsibilities of the private market consultant(s) include:

- Providing strategic advice:
 - Periodic assessments of industry best practices with regard to policies and procedures.

- Analysis of TRS' existing private market portfolios.
 - Recommendations with respect to proposed sub-asset allocations (e.g., allocations to corporate finance/buyout funds, venture capital, etc.).
 - Annual and longer-term investment pacing analyses, translating the TRS allocations to asset class, sub-asset allocations and existing portfolio into proposed investment plans.
 - Periodic reports on the state of the specific private market marketplace.
 - Such other strategic advice and services as TRS or the OTC may reasonably require.
- New investment identification and evaluation, including:
 - Periodic reports on current and anticipated investment opportunities.
 - Specific summary and detailed due diligence reports on prospective individual private market, limited partnerships and other alternative investment opportunities and evaluating the investment merits of such opportunities in the context of the TRS portfolio, policies and plans.
 - Detailed non-legal assistance in the negotiation and documentation of authorized commitments.
- Portfolio monitoring
 - Periodic and real-time reports on developments at and performance of individual partnerships and other investments in the TRS' portfolio.
 - Where necessary, advising on and assisting in actions to protect the interests of TRS as an investor and to ensure compliance by general partners with the terms of their partnership agreements.
 - Reviewing capital calls and distributions to insure they are in keeping with the terms of the partnership agreement.
 - Reviewing and recommending courses of action on partnership amendments.
 - Meeting regularly with the OTC's staff and making regular presentations to the Board concerning each of these areas of work, as well as individual investment opportunities, and such other topics as the Board or the OTC may request.

Section IV. ELIGIBLE INVESTMENTS AND POLICY RESTRICTIONS

The investment of the Fund's assets is governed by federal, state and New York City law. The Board may invest in securities and other eligible investments primarily described in Section 235 of the New York State Banking Law and Article 4-A of the New York State Retirement Social Security Law (RSSL), Sections 176 - 179a, subject to applicable restrictions. Within the parameters of the law, the Board establishes asset allocations subject to the following overall policies:

- Up to 70% of Fund assets may be invested in public equities, including common stock, preferred stock, and investment company shares. Within the overall 70% limit:
 - Up to 70% of Fund assets may be invested in equity securities of U.S.- based publicly traded companies that are traded on a U.S. exchange.
 - Up to 10% of Fund assets may be invested in equity securities of non-U.S.-based publicly traded companies that are traded on a U.S. or foreign exchange and meet certain other requirements.
 - Up to 10% of Fund assets may be invested in equity and debt real estate. These investments are included in the overall 70% limit on public equities, even if the underlying securities are not publicly traded.
- Fund assets generally may be invested in mortgages, bonds, notes and other fixed income securities of U.S. and certain other issuers.
- In addition, under RSSL Section 177's Basket Clause, the Fund may invest up to 25% of its assets in investments that do not qualify or are not otherwise expressly authorized under RSSL Section 177 or other provisions of law, subject to certain limitations.
- The Board has a Divestment and Exclusion Policy (Appendix 3). Use of this policy may result in the exclusion of specific securities or sectors from the universe of eligible investments. The Board may also establish restrictions on permissible markets, sectors or companies (see Appendix 4).

Section V. INVESTMENT OBJECTIVE

The overall investment objective of TRS is to achieve a competitive market rate of return compatible with its risk tolerance and with prudent investment practices, and which, together with employee and employer contributions, will allow it to meet current and future benefit obligations and plan expenses. TRS maintains a long-term perspective in formulating and

implementing its Investment Policy, and in evaluating its investment performance because of the long-term nature of its liabilities.

In implementing its investment objective, the Board considers capital market assumptions on projected returns and risk of a variety of asset classes, as well as the current AIR assumption.

Based on the actuarial assumptions and methods recommended by the Actuary and adopted by the Board, the return on assets net of expenses, together with employee and annual employer contributions, is expected to fully allow the Fund to meet current and future benefit obligations. Investment performance that exceeds or underperforms the AIR assumption may materially affect future funding rates. The Board seeks to have long-term investment performance that will equal or exceed its AIR assumption.

Section VI. ASSET ALLOCATION AND REBALANCING

The Board expects asset allocation to be the primary determinant of the Fund's ability to achieve its investment objective. The Board will review asset allocation at least every three years. A strategic allocation should be chosen that is expected to best achieve objectives over the next five to ten years. Target asset allocation should be chosen that balances the twin objectives of providing adequate return and minimizing asset drawdowns, consistent with the assumed investment return adopted by the Board.

Diversification of asset classes, geographic exposure and other relevant factors should be pursued as a means of controlling drawdown risk.

The Board may also conduct an asset/liability study when, in its discretion, it believes such a study could assist in the asset allocation process.

When the Board desires to conduct an asset allocation review the OTC works with TRS' general consultant to present the Board with alternative structures reflecting different risk and return scenarios and asset class diversification strategies. Risk analysis should include an evaluation by the NYC actuary of the effect of tail scenarios on future annual required contributions (ARC) for each asset allocation considered. In recommending capital market assumptions and considering asset classes, the OTC and the consultant coordinate their efforts with those of the general consultants to the other New York City Retirement Systems.

Assets are rebalanced to ensure that the Fund's actual investment mix remains consistent with its asset allocation policy. Volatility in the capital markets and/or over- or under-performance of a particular asset class drives the need to rebalance. The Board reviews its asset mix on a quarterly basis. This range is designed to constrain the extent to which changes in capital markets result in long-term divergences between asset allocation policy and actual investment mix. Variations from target allocations should be minimized through regular re-balancing. Purposeful tactical shifts within rebalancing ranges should be rare and fully disclosed to the

Board on a timely basis. Any tactical shifts outside of the approved rebalancing ranges should be submitted to the Board for approval in advance of implementation.

The OTC implements the Board's rebalancing policy. The OTC monitors the actual investment mix and compares it with the asset allocation policy on a monthly basis. In cases in which benefits and expenses are not sufficient to fully rebalance the portfolio, the OTC will develop and implement a plan to rebalance, taking into account a range of factors such as liquidity constraints and relative transactions costs.

Coincident with the asset allocation study, the Board reviews with its consultant and OTC the rebalancing ranges for each asset class and asset class component and makes any revisions to those ranges that seem appropriate given changes in capital market conditions.

The most recently approved Long Term Strategic Allocation targets as well as rebalancing ranges and "parking places" (asset classes used to hold capital until target allocations can be fully implemented) are included in the Appendix 5 to this IPS.

Section VII. GUIDELINES

The OTC adopts detailed investment guidelines for separate account managers to ensure implementation of Board mandates. Managers are responsible for certifying their compliance with guidelines on a quarterly basis. The OTC also monitors guideline compliance through the Master Custodian's system and its internal risk and compliance systems.

For the Currency Hedging Policy, please see Appendix 6.

SECTION VIII: OPT-OUT RIGHTS

All policy restrictions are designed to ensure that portfolio holdings are consistent with the Board's values as expressed in ESG guidelines, responsible contracting policies and other Board policies, unless otherwise approved by the Board.

- **Opt-out Rights**

The Board seeks private markets managers who adhere to investment practices that support sustainable, long term returns for the Fund. Accordingly, fund documents for such investments shall provide the ability for TRS to "opt-out" of certain transactions. Such provisions shall apply to investments that violate specific restrictions adopted by the Board through its Divestment and Exclusion Policy (Appendix 3), and to investments that have the potential of eliminating public sector jobs. Further, the Fund will seek investments in which the proposer demonstrates a commitment to standards of good conduct, including compliance with all federal, state and local laws, including, but not limited to, labor, anti-discrimination, environmental, and health and safety laws, and will reject investments that would pose a reputational risk to the Investor or bring public or regulatory scrutiny.

Section IX. LIQUIDITY

The Fund's asset allocation policy does not include an allocation to cash which is defined as all securities with maturity of 90 days or less at issuance. Managers are generally expected to be fully invested but may maintain limited cash balances to manage duration of bond portfolios, or as a result of implementing purchases or sales of assets. Cash balances for liquidity are expected to remain below 5%, except in unusual circumstances.

Section X. INVESTMENT CLASSES

A. Public Market Investments:

- The portfolio's return objective is to meet or exceed its benchmarks after all fees and costs.
- Return goals are met without taking undue risk and while fulfilling all fiduciary duties.
- Where active management is used, TRS seeks to build portfolios of managers that provide relatively uncorrelated excess returns. This may improve rebalancing opportunities and protect against different managers relying on similar factors or drivers of return. Active manager fee levels will be set with the expectation that TRS will retain the majority of the excess returns.
- Manager allocations will be adjusted periodically to preserve target exposure to sub strategies within the asset class.
- When possible and prudent, the BAM staff will attempt to achieve manager rebalancing in a counter-cyclical manner, adding to positions that have recently underperformed and trimming from those with recent strong results.
- Managers are monitored continuously by BAM staff and significant concerns are expressed to the Board as they arise.

B. Private Market Investments in Partnership Fund Structures:

- Staff, with assistance of the consultant, is delegated authority to determine whether investments proposed by managers violate TRS restrictions.

- Staff, as appropriate, will recommend to the Board the purchase or sale of LP interests in the secondary market, to optimize the Program’s performance.
- Managers must comply with RCP as set forth in Appendix 1.
- Private market investments are required to add a premium over public market equivalents.

See Appendix 7 for details on each approved asset class.

C. Economically Targeted Investments (ETI)

The TRS Trustees have approved an economically targeted investment program for investments across asset classes that are located in New York City and qualifying adjacent municipalities. Parameters and guidelines for this program are included in the Economically Targeted Investment Policy (set forth in Appendix 8).

ETIs are investments in a variety of asset classes which generate rates of return commensurate with the overall risk, liquidity, security and structure of comparable non-targeted investments while providing collateral economic benefits (benefits that enhance the quality of life and promote economic development and activity) to low, moderate, or middle income residents. The Board, in its ETI Policy, has established requirements regarding the qualifications of prospective managers of ETIs and evaluation criteria, by which prospective investments will be considered.

Section XI. INVESTMENT MANAGER SELECTION

A. Public and Private Market Manager Diligence Process and Evaluation Criteria

BAM and the consultants follow formal due diligence protocols for reviewing both private and public market managers. After this review, managers and specific allocations are recommended by BAM to the TRS Board for approval.

Public Market manager searches are executed pursuant to rules laid out by the City’s Procurement Policy Board (PPB). PPB rules establish roles for the TRS Board, consultants and BAM for the review and consideration of potential managers. Final manager selection is made by the TRS Board.

Ongoing due diligence includes monthly and quarterly performance reviews, quarterly organizational reviews through a questionnaire, periodic on-site manager meetings and ad hoc follow up as warranted.

As part of its ongoing due diligence of managers, BAM has established a watch list that is provided to the Board on a regular basis.

In Private Markets, the CIO must approve in-depth due diligence conducted by the asset class teams. Required due diligence includes on-site meetings, separate calls by BAM's Compliance and Risk Units, and evaluation by the BAM Investment Committee (IC). The IC meets regularly to review potential manager recommendations. The IC evaluation will cover a range of factors, generally including:

- Performance, including prior fund absolute and relative performance, performance consistency, loss control, extent of realizations, and performance drivers, such as operating initiatives and capital structure activities
- Strategy, including competitive advantages, degree of differentiation, strategic focus, target returns, sourcing and investment process, and ability to consistently generate strong investment outcomes
- Organization, including team depth, capabilities, experience, stability and resources, economic alignment and alignment with the Board's investment beliefs, risk management and compliance procedures
- Strategic fit with portfolio, including consistency with objectives of annual implementation plan and other portfolio management, exposure and pacing considerations
- Proposed terms, including fees and governance terms

B. Brokerage

The Board delegates discretion over placement and execution of securities transactions to its managers. It is the intention of the Board that all securities transactions be effected to the best advantage of the Fund regarding price and execution. The Board recognizes that "soft dollar" commissions are allowed under Section 28(e) of the Securities and Exchange Act of 1934 (commonly referred to as the "safe harbor" provisions). BAM is aware of and monitors "soft dollars" and the ongoing monitoring includes the discussion of managers' approach to soft dollars.

The Board supports diversity among brokers providing securities transaction services to its managers. Managers are encouraged, to the greatest extent possible, consistent with best execution, to use minority- and women-owned brokerage firms. Managers will report the use of minority- and women-owned brokerage firms to the OTC.

Section XII. PERFORMANCE, MONITORING AND EVALUATION

A. Benchmarks

The Board monitors Fund performance against a variety of applicable benchmarks.

1. Policy Benchmark

To monitor the Fund, the Board adopts a Policy Benchmark, which reflects the performance of the markets to which the Board has allocated assets. As new asset allocation studies are conducted, and funds are re-allocated to new or existing asset classes, the Policy Benchmark will be adjusted to reflect such allocations. The Policy Benchmark serves as a minimum performance objective for the Fund, and allows the Trustees to evaluate the implementation of its asset allocation strategy. The Policy Benchmark will be included in all quarterly evaluation reports of TRS. The most current version of the Policy Benchmark is listed in Appendix 5

2. Asset Class Benchmarks

An Asset Class Benchmark will be selected for each individual asset class. Asset Class Benchmarks may reflect a single publicly available index or, if appropriate, may be customized (for example, by combining two or more indexes) to more closely reflect the investment objective for that asset class within the Pension Fund. The Board will review performance of each asset class relative to its selected benchmark on a quarterly basis.

3. Investment Manager Benchmarks

Each manager is evaluated relative to an Investment Manager Benchmark composed of a market index. Each Investment Manager Benchmark will be clearly specified, measurable, and, for liquid securities, investable. Benchmarks may be customized for a particular style or styles. The appropriate Investment Manager Benchmark and expected active management premium shall be determined in advance of funding by mutual agreement between the manager, the OTC and the consultant.

4. Peer Group Analysis

The Board reviews the performance of the Fund relative to a peer group of other major public pension funds on a quarterly basis. However, due to differences in asset allocation, time horizon, and risk tolerance between public pension funds, comparisons of Fund performance to the AIR assumption and Policy Benchmark are the primary evaluation methods used by the Board.

Managers will also be evaluated periodically against the performance of peer managers who are managing similar mandates.

B. Investment Information

The Board monitors the performance of the Fund and of individual managers through ongoing monthly reports and quarterly reviews of performance, market developments, and manager reviews. BAM and the Board may monitor individual managers through the watch list. The OTC and the consultant also report to the Board periodically on issues identified by the OTC, the consultant, or the Board as requiring additional review.

On a quarterly basis, the Board reviews a performance report that includes a commentary prepared by the consultant summarizing portfolio developments and performance. The quarterly performance report also provides detailed quantitative information regarding the risk and performance of Fund assets. Performance is evaluated relative to appropriate market benchmarks, peer comparison universes, and a variety of relevant time periods.

Managers provide daily and monthly reports regarding portfolio holdings and transactions to the OTC. Managers also complete a detailed quarterly questionnaire regarding portfolio holdings and organizational developments. Responses to the questionnaire are reviewed by the consultant and the OTC. Material developments affecting the Fund are reported to the Board.

Section XIII. RISK MANAGEMENT

Risk management is an integral component of achieving TRS's investment objectives.

The practice of risk management involves identifying, quantifying and monitoring the sources of risk and return in the pension investment portfolio, as well as analyzing the risk associated with separate asset classes and prospective investments. An objective of risk management is to achieve an optimal tradeoff between investment risk and return.

From an organizational perspective, risk management is practiced in BAM by both the investment strategy staff and a dedicated risk management unit independent of the investment strategy teams. The responsibilities of the risk management unit are to:

- oversee the periodic production of risk reports
- create a framework to measure and understand the sources of investment performance
- evaluate benchmark appropriateness
- participate in the due diligence process

Section XIV. PORTFOLIO TRANSITIONS

Transition management is an integral part of portfolio management. When the Board terminates a manager and re-allocates assets to another manager, or funds a new mandate, the portfolio must be transitioned. The OTC typically selects and works with transition

managers to implement each transition unless there is a compelling reason not to use a transition manager.

Transitions are to be completed in a cost-efficient manner given the characteristics of the portfolios and market conditions. Cost-efficiency for equity portfolio transitions is measured by an analysis of total implementation shortfall. The OTC provides a post-trade analysis of the transition to the Board on a quarterly basis.

Section XV. SECURITIES LENDING

The Board has authorized the Comptroller to enter into agreements establishing participation in securities lending programs. Securities lending enables the Fund to use its asset base to augment investment income. It involves the temporary exchange of securities owned by the Fund for other securities or cash of a greater value, with an obligation of the borrower to pay a fee to the Fund, and to return a like quantity of the borrowed securities at a future date. The fee paid by the borrower is agreed in advance, while the Fund has contractual rights similar to those it would have as the beneficial owner of the securities except that the Fund does not retain voting rights on loaned equity securities.

The objective of securities lending is to earn income through a conservatively operated and well controlled program. There is no absolute return expectation; rather, income is expected to be commensurate with the market demand for the securities made available by the Fund and the return earned on the investment of cash collateral. Cash collateral received will be invested in a high-quality investment program that emphasizes the return of principal, maintains required daily liquidity, and ensures diversification across approved investment types. Those objectives are pursued within the parameters governing the program as outlined in the securities lending agreements with agent banks. Each agent bank is required to act as a fiduciary with respect to TRS and the Fund, and to have systemic and procedural controls in place to ensure adherence to guidelines for operating the securities lending program on behalf of the Fund. The results of the securities lending program are reported to the Board on a quarterly basis.

Section XVI. SECURITIES LITIGATION PROTOCOL

TRS' objectives in choosing to take an active role in securities litigation include the following:

- Preservation of Fund assets and collection of all amounts due to TRS;
- Maximizing the net recovery to the class; and
- Effecting corporate governance reforms, when appropriate.

TRS will use the process outlined in the Securities Litigation Protocol, (set forth in Appendix 9), in evaluating and acting on any situation in which securities litigation may be appropriate.

Section XVII. INVESTMENT EXPENSES

It is the policy of the Board that expenses such as consultants' and investment advisors' fees, attorneys' fees and costs, funding for Personal and Other Than Personal Services resources for the OTC and other costs that may necessarily be incurred in acquiring, managing and protecting the Fund's investments may be paid from any income, interest or dividends derived from the Fund's deposits or investments. The Board adopts a budget for the incurrence of consultants' and investment advisors' fees, attorneys' fees and other costs. OTC reviews the expenses and costs and arranges for their payment by the custodian bank. Pursuant to a budget, the Board also funds the expenditures of additional resources of Personal Services and Other Than Personal Services for the OTC, which will report at least annually to the Board regarding the additional resources.

Section XVIII. CORPORATE GOVERNANCE

A. Proxy Voting

TRS established a Proxy Sub-Committee, to promulgate proxy voting policies and procedures, and oversee TRS' sponsorship of shareowner proposals to improve corporate governance and sustainability of companies in which TRS invests. See Appendix 10 for Corporate Governance and Proxy Voting Guidelines.

The Proxy Sub-committee seeks to ensure that companies follow sustainable business practices, which advance their long-term economic value, which do not negatively affect TRS's investments and which are consistent with TRS's duties as a signatory to the Principles of Responsible Investment.

The Proxy Sub-Committee consists of three parties: Teacher Representative, Comptroller Representative and Mayoral Representative, who shall appoint a Chair among them. All actions of the Proxy Sub-Committee must be subsequently ratified by the full TRS Board. The Proxy Sub-Committee recommends for TRS Board approval shareholder resolutions to be filed at various companies.

- The Chair, or the OTC with notification to the Chair, shall call all Proxy Sub-Committee meetings. If time does not allow a meeting to be called, the Chair or the OTC shall set up a conference call among the Sub-Committee members and the OTC's staff. If a conference call is not feasible, the Chair or the OTC shall conduct a telephone or an e-mail poll of the Sub-Committee members. If a Trustee is not available his/her vote shall be recorded as an abstention.

- **Role of the Office of the Comptroller:** The OTC executes TRS' corporate governance policies, including proxy voting, portfolio monitoring, and shareowner engagements and initiatives.
 - **Shareholder Proposal Program:** At least annually, the OTC makes recommendations to the Proxy Sub-Committee for shareholder proposals and the targeted companies. The Proxy Sub-Committee, on behalf of the TRS Board, then approves which recommendations will comprise TRS's shareholder proposal program.
 - **Annual Review of Proxy Voting Guidelines:** At least each spring, the OTC reviews new proxy voting issues with the Proxy Sub-Committee. The OTC makes recommendations for any changes to the Proxy Voting Guidelines. The Proxy Sub-Committee, on behalf of the TRS Board, then approves any such changes that it deems appropriate.
 - **Procedures for Proxy Voting not Covered by the Proxy Voting Guidelines:** In the case of any proxy proposal not covered by the Proxy Voting Guidelines, the OTC shall vote the proposal consistent with the spirit of the current Proxy Voting Guidelines and its fiduciary duties. In any such cases, the OTC shall report to the Proxy Sub-Committee on such votes at its next meeting with the Proxy Sub-Committee and shall recommend any corresponding changes to the Proxy Voting Guidelines as a result thereof.
 - **Annual Reports:** The OTC shall submit annual summary reports to the Proxy Sub-Committee on the results of the TRS' shareholder proposal program.

Section XIX. ETHICS AND COMPLIANCE POLICY

In furtherance of the management and investment of the assets of the Fund, The Board has established a comprehensive written Ethics and Compliance Policy for investment consultants and for investment managers that do business with the Fund.

A copy of the Policy can be found in Appendix 11.

Section XX. THE PRINCIPLES FOR RESPONSIBLE INVESTMENT

The Trustees, acknowledging a duty to act in the best long-term interest of TRS' beneficiaries, adopted the UNEP Principles for Responsible Investment. It is believed that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios over time and that applying these Principles may better align TRS' investments with the broader interests of society.

As stated in those principles, it is the intent of the Trustees, where consistent with their fiduciary duties, to:

- Incorporate ESG issues into investment analysis and decision-making processes;
- Be active owners and incorporate ESG issues into ownership policies and practices;
- Seek appropriate disclosure on ESG issues by the entities in which TRS invests;
- Promote acceptance and implementation of the Principles within the investment industry;
- Work with other adopters of the Principles to enhance the effectiveness of their implementation; and
- Share information on our activities and progress towards implementation of the Principles.

See Appendix 2 for a full copy of the Principles.

Section XXI. REVIEW AND MODIFICATION OF THE IPS

The TRS Board reserves the right to amend the IPS at any time it deems such amendment to be necessary or to comply with changes in Federal, State or City Laws or regulations as these changes may affect the investment of Fund assets. In any event, a review of this IPS shall be undertaken no less frequently than every three years.

APPENDICES

Appendix 1:	Responsible Contractor Policy (RCP)
Appendix 2:	Principles for Responsible Investment https://www.unpri.org/about/the-six-principles
Appendix 3:	Divestment Policy
Appendix 4:	Restrictions on Permissible Investments
Appendix 5:	Asset Allocation
Appendix 6:	Currency Hedging Policy
Appendix 7:	Approved Asset Classes
Appendix 8:	Economically Targeted Investment Policy
Appendix 9:	Securities Litigation Protocol
Appendix 10:	Proxy Voting Guidelines
Appendix 11:	Ethics and Compliance Policy
Appendix 12:	IPS Modification Table