Public Agenda Item #14

Consideration of Quarterly Report from Chief Investment Officer

August 20, 2025

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CIO Report

Performance Dashboard

- Meaningful amounts of value added vs. key benchmarks over long-term time horizons

Net Investment Returns as of June 30, 2024						
	Last 3 Years		Last 5 Years		Last 10 Years	
ERS Trust	**9.2%**		**11.1%**		**8.2%**	
Assumed Rate	7.0%	+2.2%	7.0%	+4.1%	7.4%	+0.9%
Policy Benchmark	8.9%	+0.7%	8.6%	+2.5%	7.3%	+0.9%
Passive Index	14.3%	-5.0%	11.0%	+0.1%	8.5%	-0.3%
Median Peer	9.1%	+0.1%	8.6%	+2.5%	6.7%	+1.5%

Figures may not sum due to rounding. Source: ERS/BNY, Investment Metrics via RVK

CIO Report

Peer Ranks

- Top 10% of peers over long-term time horizons, including top 5% over last 10 years

Investment Performance Peer Ranking *(1 = best, 100 = worst)*

	ERS Trust			Policy Benchmark			Passive Index		
As of date	3 Years	5 Years	10 Years	3 Years	5 Years	10 Years	3 Years	5 Years	10 Years
2023-3Q	1	2	6	28	24	35	68	28	37
2023-4Q	1	5	6	15	42	31	55	4	25
2024-1Q	3	6	10	6	53	39	18	7	22
2024-2Q	1	1	4	7	45	32	17	4	15
2024-3Q	5	3	7	16	38	34	5	1	9
2024-4Q	5	2	8	14	42	38	10	7	9
2025-1Q	4	12	4	29	71	35	1	1	8
2025-2Q	46	1	8	60	48	26	1	1	3

Source: Investment Metrics data for Public DB Plans >$1B

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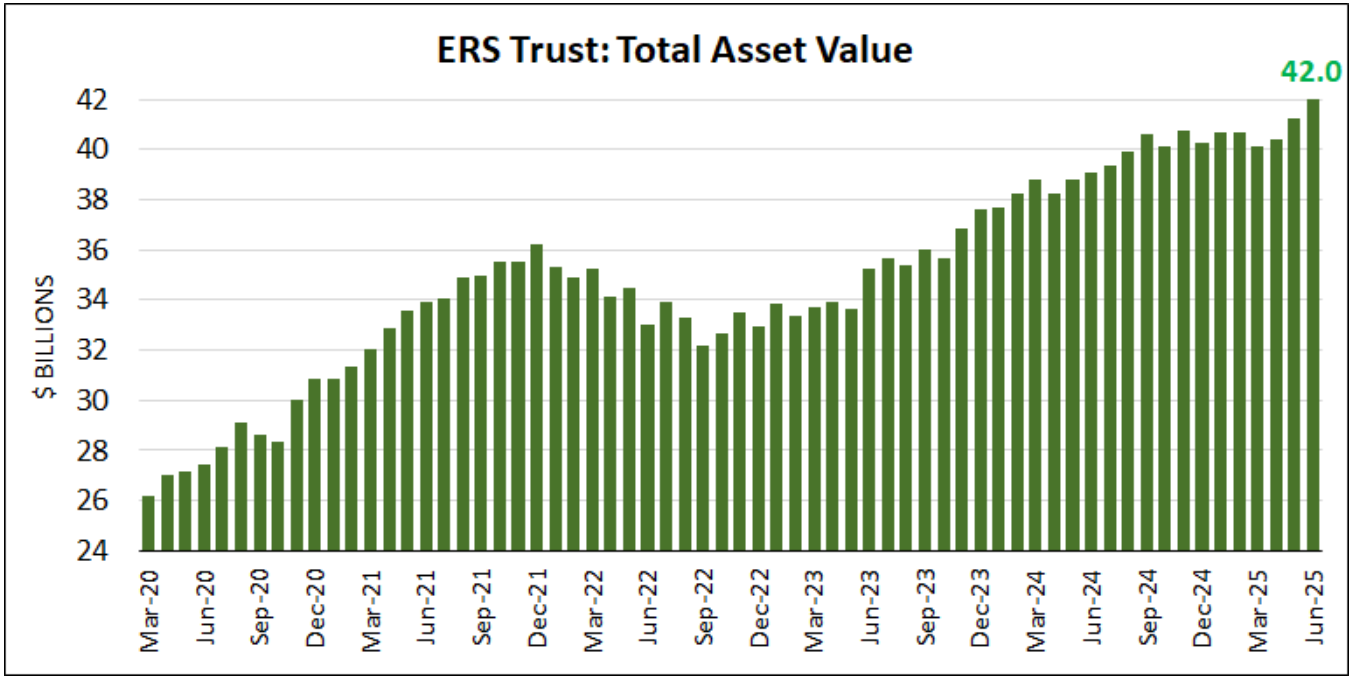
Total Trust Asset Value

- Assets almost $42B vs. $32B in September 2022 and $26B at March 2020 lows



Source: ERS/BNY as of 06/30/2025

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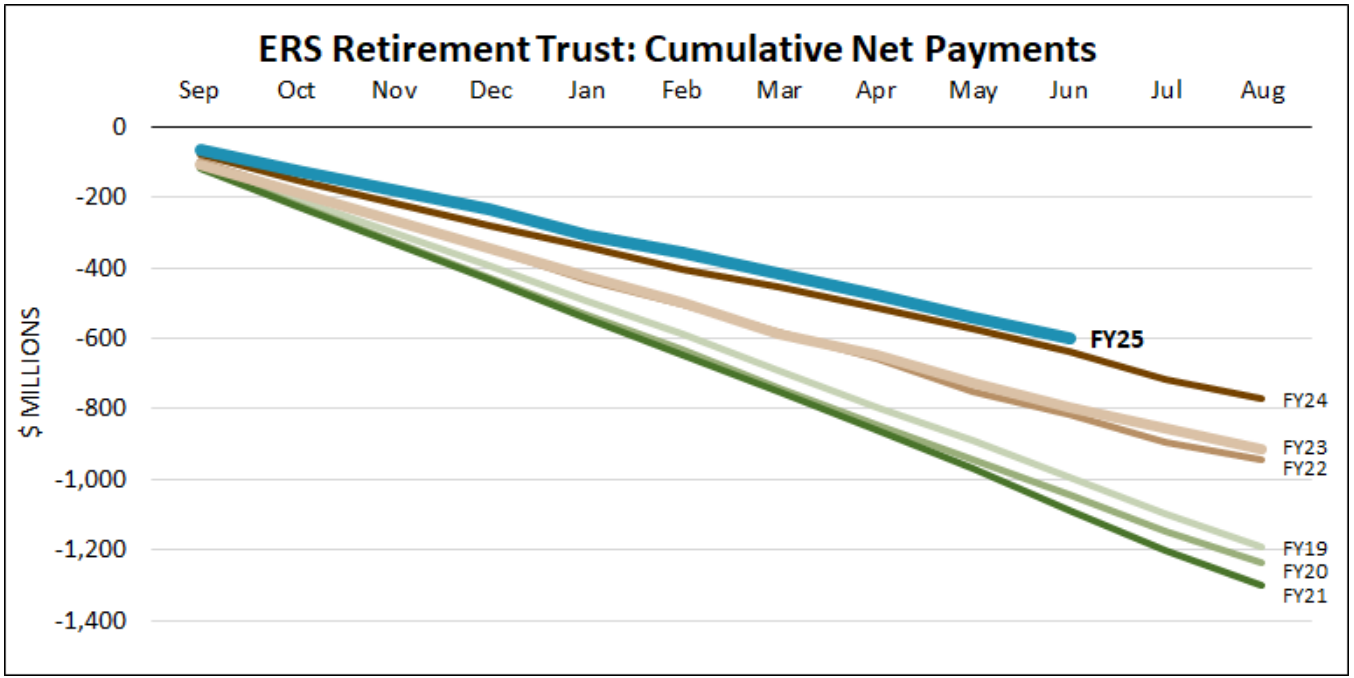
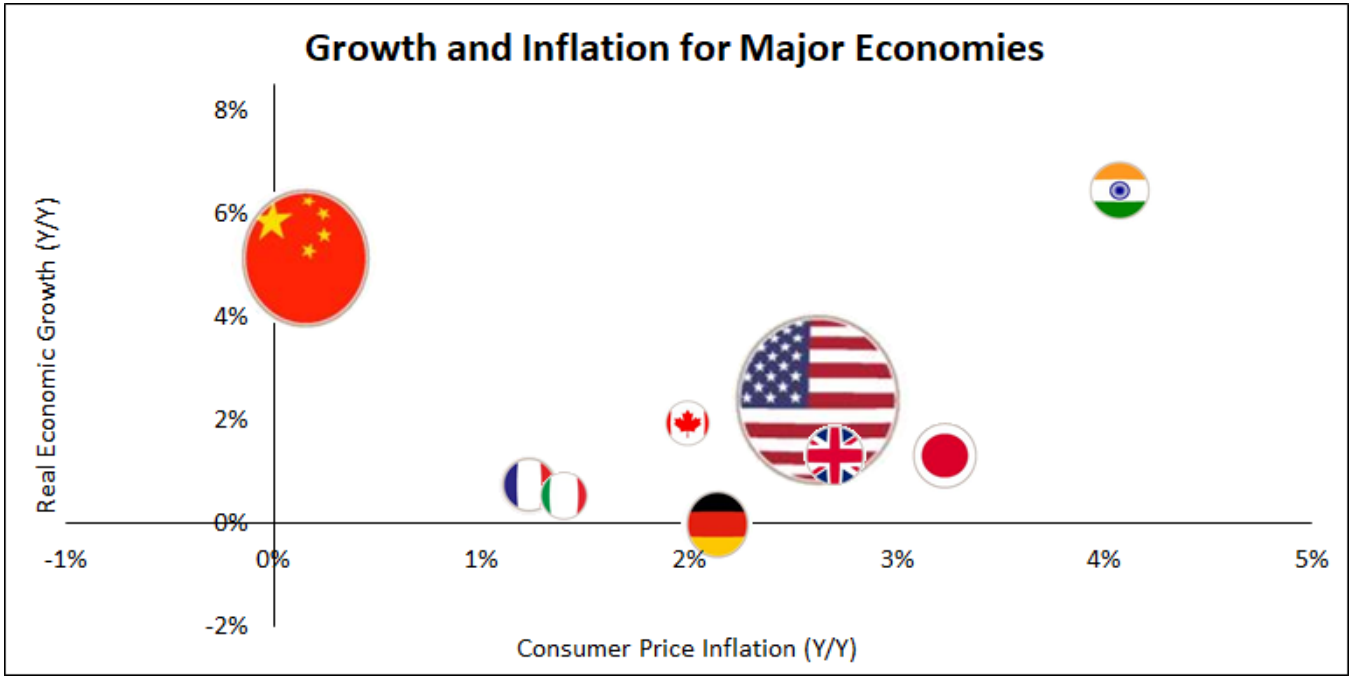
Liquidity Profile

- Net outflows continue to moderate due to legacy payments and higher contributions



Source: ERS data, includes amortization of $510 million annual legacy payment

- Growth and inflation holding up well across most major countries



Source: Bloomberg data, ERS analysis

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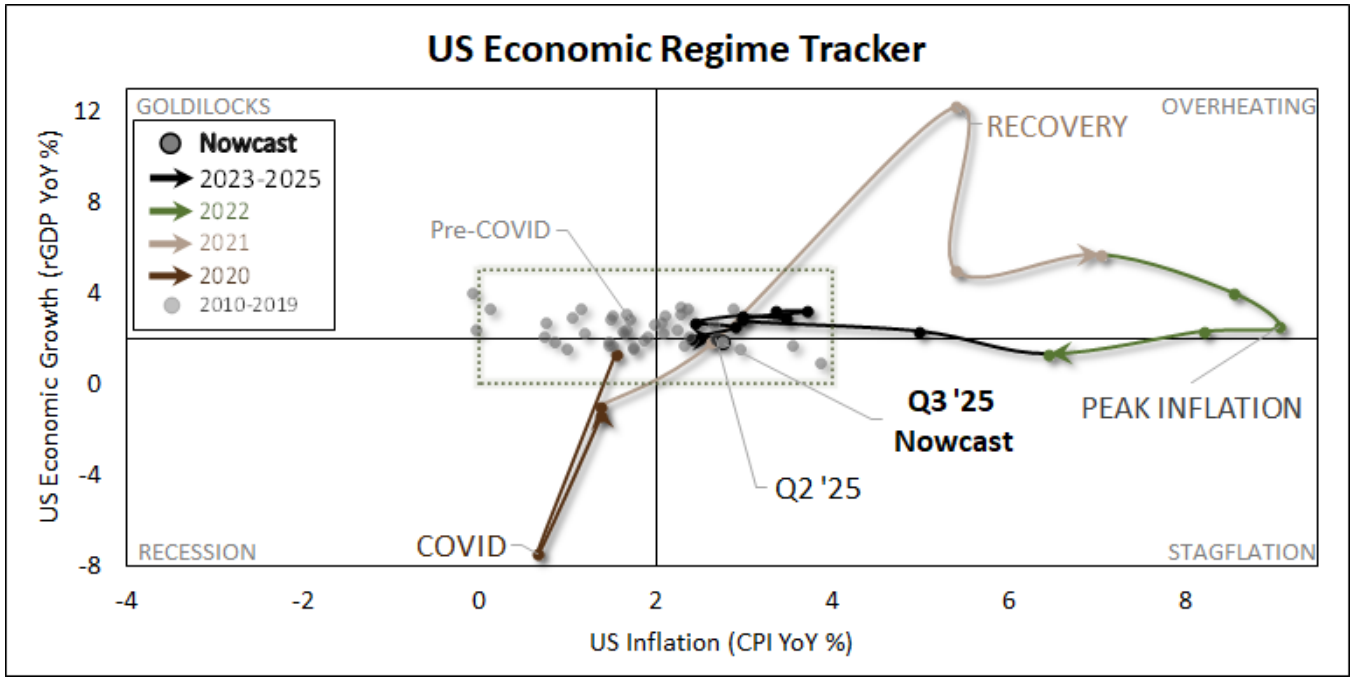
Market Environment

- U.S. economic conditions have (mostly) remained in the sweet spot



Source: ERS/Bloomberg

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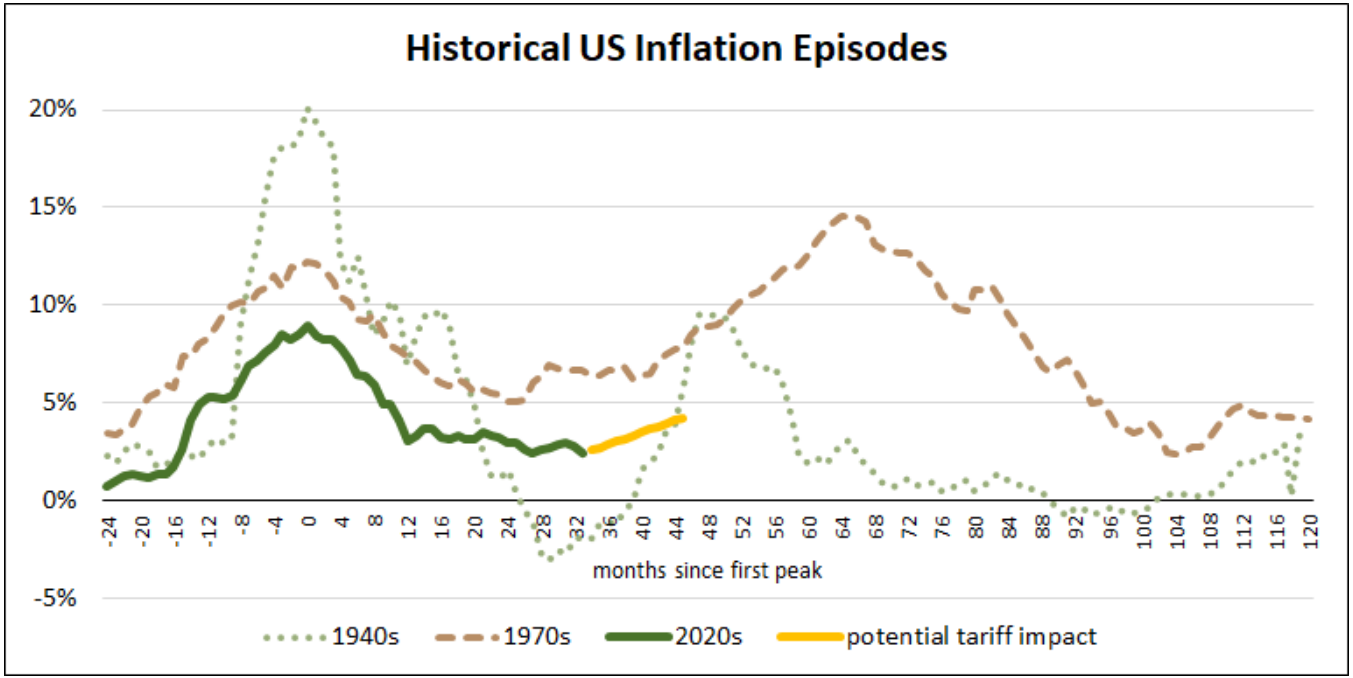
Market Environment

- Risk of resurgent U.S. inflation lingers given historical patterns



Source: FRED database, ERS analysis

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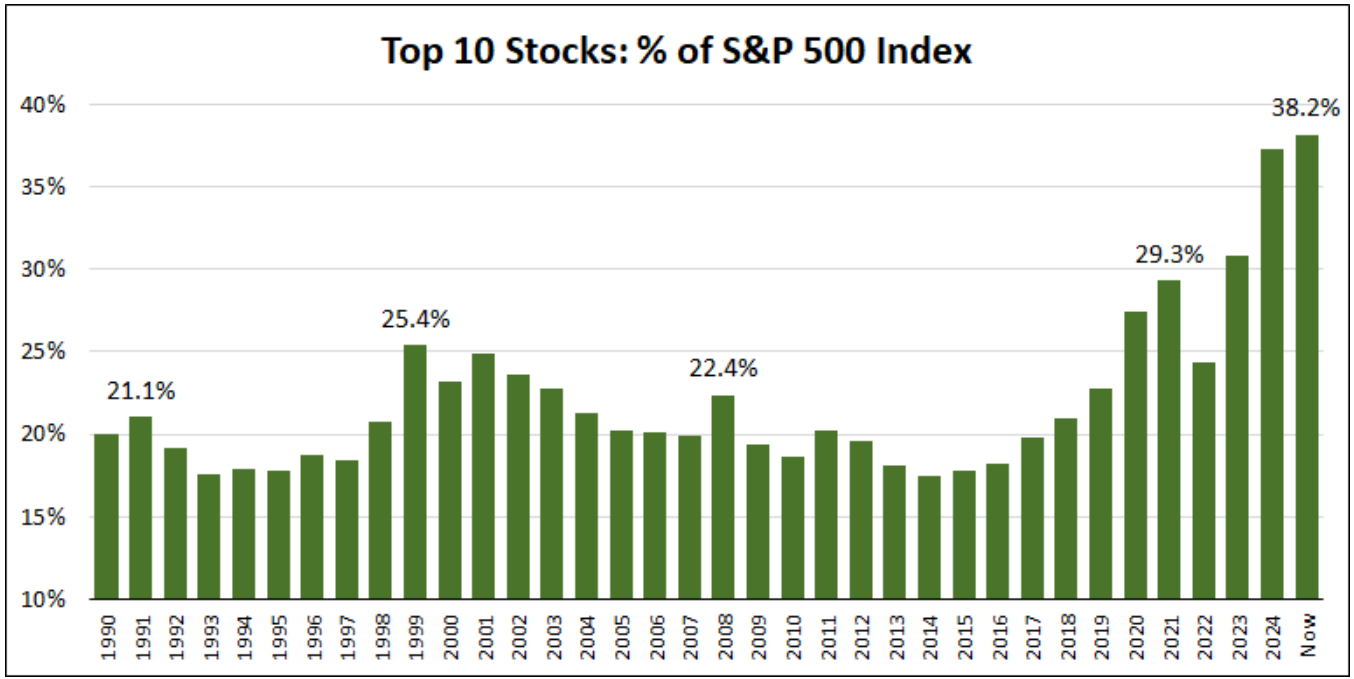
Market Environment

- Index concentration continues to rise to levels unseen in decades



Source: Bloomberg, ERS analysis of data as of 08/07/2025

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Market Environment

- History suggests that index concentration impacts future market returns

Ten Largest S&P 500 Stocks at Year End 1999

Company Name	Index Weight on 12/31/99	Annualized Returns Next 5 Years
MICROSOFT	4.9%	-12.4%
GENERAL ELECTRIC	4.1%	-4.7%
CISCO SYSTEMS	2.9%	-18.5%
WALMART	2.5%	-4.6%
EXXON MOBIL	2.3%	7.5%
INTEL	2.2%	-10.4%
NOKIA OF AMERICA	1.9%	-42.0%
INTL BUSINESS MACHINES	1.6%	-1.2%
CITIGROUP	1.5%	6.6%
TIME WARNER	1.4%	-23.8%
TOTAL	**25.4%**	**-10.1%**

Market Performance

Index Name	Annualized Returns 2000-2004
S&P 500 EQUAL WEIGHT	8.1%
US TREASURIES	7.5%
MSCI EMERGING MARKETS	4.3%
DOW INDUSTRIALS	0.7%
MSCI ACWI EX-US	-0.3%
S&P 500	-2.3%
NASDAQ 100	-15.1%

Source: Bloomberg, ERS analysis

CIO Report

Key Current Initiatives

- Summer internship program complete
- Coordination of Asset-Liability Study by RVK
  - Draft report provided in May, feedback requested
  - Final version presented today with recommendations
- Implementation of IAC Governance Specialist recommendations
  - Draft IAC member recruitment SOPs ready for service
  - All recommendations considered and addressed

CIO Report

Governance Specialist Review

Key recommendations from the 2024 Governance Specialist review

- Further Enhance Expertise
  - Formalize the search method ☑
  - Consider term limits ✓ ✘
  - Expertise for every major asset class ✓
  - Majority with broad strategic asset allocation expertise ◀🕒
  - New member orientation with Board Chair ☑
- Pay for Expertise
  - Consider retainer-based model ✓ ✘
- Further Enhance Communication
  - Provide IAC meeting minutes ✓
  - IAC Chair report to the Joint Meeting ✓
  - Participation report for ACICs, Texa$aver ✓
- Consider the IAC as a resource for Board training ✓
- Provide administrative assistance to IAC Chair ✓
- Pay a premium for extra work as IAC Chair ☑

CIO Report

Annual IAC Review Process

- The IAC is now organized into yearly classes for contract renewals

2026	2027	2028
Milton Hixson	Bob Alley	Ryan Bailey
Gene Needles	Ken Mindell	Laurie Dotter
		Ruby Dang

- Each year in September: Board survey regarding IAC with updated skills matrix
  - Search process kicks off if deemed appropriate by the IAC Working Group

Nov-Dec	Jan-Feb	Mar-Apr	May	June	July
Applications	Staff Analysis	Recommendation to IACWG	Board Approval	Contracting	Terms begin

Discussion