

## DRS ADVISORY COMMITTEE

QUARTER ENDING SEPTEMBER 30, 2023

**Phil Paroian**  
Senior Investment Officer, Public Equity

**Ben Lachmann**  
Investment Officer, Public Equity



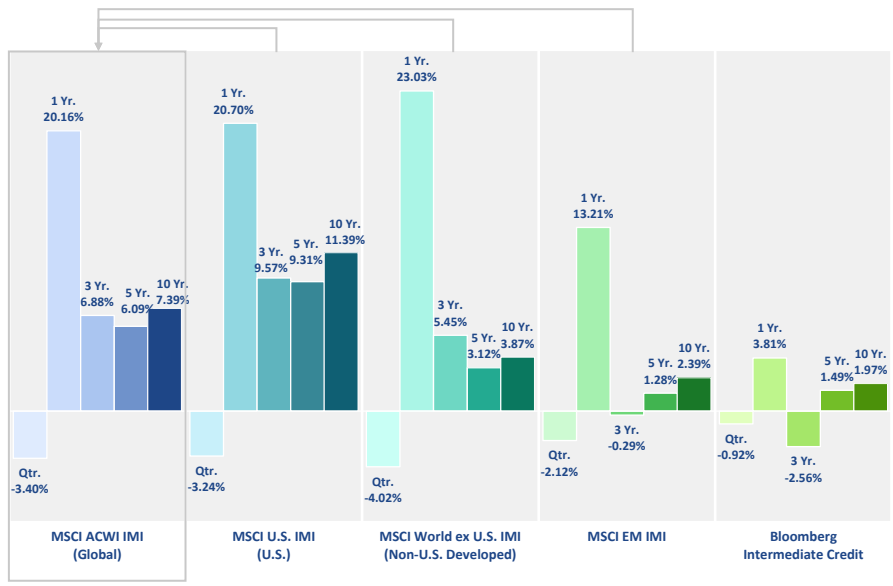
### OVERVIEW



- Market Environment
- Plan Market Values
- Plan Performance Discussion



**MARKET ENVIRONMENT**  
**SEPTEMBER 30, 2023**



## SHIFTS, SHOCKS, AND FRAGILITIES

### Shifts

Interest rates/inflation are rising after a decades-long down trend

- The Federal Reserve has hiked rates faster than at any point in the last 35 years and the effects have yet to be fully felt

Globalization may have peaked

- The trend towards ever greater levels of integration with the rest of the world appears to be slowing and, in some areas, reversing (e.g., building in intentional redundancies, nearshoring of supply chains, etc.)

Poor demographics and aging societies paint a gloomy picture for future growth

- The global population has quadrupled over the past century, but that growth has stalled and, in some countries, is beginning to decline

Technological innovation is accelerating

- The advent of artificial intelligence and other technologies could create new productive capacity

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## SHIFTS, SHOCKS, AND FRAGILITIES

### Shocks

Wars and international conflicts

- Beyond the tragic human element, armed conflict can have a devastating toll on the economy with impacts on the workforce, the debt levels/fiscal health, the demand for natural resources, the inflation level, and overall productivity

Pandemics

- COVID-19 showed how pandemic-related shutdowns can cause severe economic distortions and a sharp contraction in output

Unknown unknowns

- Exogenous shocks can be unpredictable, both in source and impact

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## SHIFTS, SHOCKS, AND FRAGILITIES

### Fragilities

Highly connected systems are vulnerable to “breaking”

- The more complex and “tightly coupled” a system is, the more prone it is to failure

Governments have increased sovereign debt to a concerning degree, which will need to be refinanced at higher interest rates in the coming years

- Interest expense will consume an ever-larger portion of the federal budget unless addressed effectively

The climate crisis carries non-linear risks if left unaddressed

- The economic impacts from global warming and resource scarcity are unpredictable but could be severe

Offshoring of production has left economies vulnerable to supply interruptions

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## PLAN MARKET VALUES



**TEACHERS' RETIREMENT SYSTEM PLAN 3**  
**SEPTEMBER 30, 2023**

	% of Assets	Option	Market Value	Quarterly Change
	65.71%	WSIB TAP	\$8,450,803,890	(\$43,690,159)
	0.75%	Socially Responsible Balanced	96,468,665	(6,210,726)
17.81%	0.24%	Retirement Maturity Strategy	30,404,902	(2,899)
	0.37%	Retirement Strategy 2010	47,731,526	(4,137,601)
	0.71%	Retirement Strategy 2015	91,736,351	(3,694,299)
	1.55%	Retirement Strategy 2020	199,498,779	(18,299,369)
	3.15%	Retirement Strategy 2025	404,886,813	(30,088,518)
	3.39%	Retirement Strategy 2030	436,014,529	(10,291,321)
	2.91%	Retirement Strategy 2035	373,958,583	(3,279,934)
	1.95%	Retirement Strategy 2040	251,095,220	(854,298)
	1.30%	Retirement Strategy 2045	167,096,745	1,930,304
	1.00%	Retirement Strategy 2050	128,448,577	1,539,435
	0.84%	Retirement Strategy 2055	107,932,075	508,285
	0.33%	Retirement Strategy 2060	42,864,569	898,779
	0.07%	Retirement Strategy 2065	8,428,362	1,199,803
	8.13%	U.S. Large Stock	1,045,649,130	(56,276,772)
1.33%	U.S. Small Value Stock	171,367,739	(10,695,624)	
1.27%	Global Equity	162,984,306	(9,609,206)	
0.40%	Emerging Markets Equity	51,759,855	(2,332,920)	
1.98%	WSIB Bond Market	254,874,809	(14,985,155)	
2.61%	STIF	336,150,161	(6,549,454)	
	<b>Total</b>	<b>\$12,860,155,586</b>	<b>(\$214,921,648)</b>	

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**SCHOOL EMPLOYEES' RETIREMENT SYSTEM PLAN 3**  
**SEPTEMBER 30, 2023**

	% of Assets	Option	Market Value	Quarterly Change
	75.21%	WSIB TAP	\$2,134,797,120	(\$15,525,838)
	0.46%	Socially Responsible Balanced	13,192,504	(790,444)
15.67%	0.20%	Retirement Maturity Strategy	5,715,708	(509,824)
	0.45%	Retirement Strategy 2010	12,772,969	(221,321)
	0.81%	Retirement Strategy 2015	23,083,235	(710,961)
	1.65%	Retirement Strategy 2020	46,973,326	(2,584,720)
	2.96%	Retirement Strategy 2025	84,063,129	(3,458,683)
	2.01%	Retirement Strategy 2030	57,109,473	(286,628)
	2.04%	Retirement Strategy 2035	58,025,747	(198,291)
	1.51%	Retirement Strategy 2040	42,914,653	356,538
	1.30%	Retirement Strategy 2045	36,959,988	434,943
	1.08%	Retirement Strategy 2050	30,642,446	231,324
	1.01%	Retirement Strategy 2055	28,766,503	44,376
	0.54%	Retirement Strategy 2060	15,231,250	(102,761)
	0.09%	Retirement Strategy 2065	2,587,527	188,207
	3.63%	U.S. Large Stock	103,103,218	(3,369,687)
0.65%	U.S. Small Value Stock	18,558,858	(1,940,751)	
0.53%	Global Equity	14,922,102	(552,288)	
0.17%	Emerging Markets Equity	4,713,225	(606,759)	
0.86%	WSIB Bond Market	24,412,239	(1,277,249)	
2.82%	STIF	79,941,630	(1,315,671)	
	<b>Total</b>	<b>\$2,838,486,850</b>	<b>(\$32,196,488)</b>	

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**PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 3**  
**SEPTEMBER 30, 2023**

	% of Assets	Option	Market Value	Quarterly Change
	61.75%	WSIB TAP	\$2,929,158,686	(\$13,980,548)
	0.95%	Socially Responsible Balanced	44,870,950	(1,726,593)
22.17%	0.24%	Retirement Maturity Strategy	11,282,896	(318,548)
	0.46%	Retirement Strategy 2010	21,808,297	(789,759)
	0.70%	Retirement Strategy 2015	33,170,730	(1,613,489)
	1.58%	Retirement Strategy 2020	75,129,466	(3,525,767)
	3.33%	Retirement Strategy 2025	158,075,431	(6,114,043)
	3.16%	Retirement Strategy 2030	149,971,664	(1,133,910)
	3.08%	Retirement Strategy 2035	146,251,759	63,750
	2.38%	Retirement Strategy 2040	113,090,985	(405,480)
	2.32%	Retirement Strategy 2045	110,187,907	(18,576)
	2.15%	Retirement Strategy 2050	101,850,167	(38,180)
	1.80%	Retirement Strategy 2055	85,340,939	395,422
	0.81%	Retirement Strategy 2060	38,596,492	785,149
	0.15%	Retirement Strategy 2065	6,916,838	1,074,321
	6.91%	U.S. Large Stock	327,735,175	(7,643,727)
	1.64%	U.S. Small Value Stock	77,966,509	(2,571,711)
1.25%	Global Equity	59,336,447	(1,757,883)	
0.42%	Emerging Markets Equity	20,070,967	(353,778)	
1.29%	WSIB Bond Market	61,428,851	(701,211)	
3.62%	STIF	171,487,525	(302,238)	
		<b>Total</b>	<b>\$4,743,728,681</b>	<b>(\$40,676,799)</b>

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**DEFERRED COMPENSATION FUND**  
**SEPTEMBER 30, 2023**

	% of Assets	Option	Market Value	Quarterly Change
	3.16%	Socially Responsible Balanced	\$192,532,477	(\$6,849,570)
54.72%	1.11%	Retirement Maturity Strategy	67,318,005	(951,193)
	1.44%	Retirement Strategy 2010	87,943,093	(3,250,128)
	3.69%	Retirement Strategy 2015	224,451,225	(8,869,862)
	6.99%	Retirement Strategy 2020	425,327,008	(16,188,031)
	10.46%	Retirement Strategy 2025	636,980,928	(18,468,031)
	9.42%	Retirement Strategy 2030	573,511,135	(3,461,621)
	7.36%	Retirement Strategy 2035	448,337,095	510,382
	4.97%	Retirement Strategy 2040	302,349,919	2,031,169
	3.75%	Retirement Strategy 2045	228,523,022	4,295,843
	2.43%	Retirement Strategy 2050	147,813,136	4,594,118
	1.69%	Retirement Strategy 2055	102,862,230	4,458,539
	1.06%	Retirement Strategy 2060	64,800,049	3,634,515
	0.35%	Retirement Strategy 2065	21,099,691	1,769,180
	13.94%	U.S. Large Stock	848,583,145	(12,511,297)
	4.17%	U.S. Small Value Stock	254,045,168	(9,145,749)
3.58%	Global Equity	218,103,345	(6,089,751)	
1.17%	Emerging Markets Equity	70,958,123	(2,012,543)	
3.87%	WSIB Bond Market	235,654,431	(5,529,984)	
15.39%	WSIB Savings Pool	936,987,407	(20,571,600)	
		<b>Total</b>	<b>\$6,088,180,630</b>	<b>(\$92,605,613)</b>

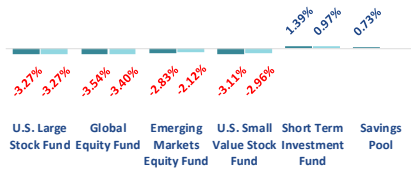
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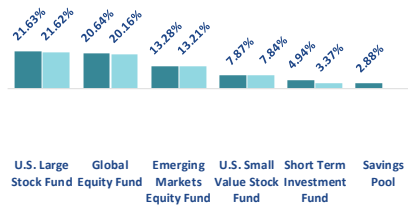
PLAN MARKET DISCUSSION

EQUITY AND CASH FUNDS – QUARTER, 1, 3, AND 5 YEAR RETURNS  
SEPTEMBER 30, 2023

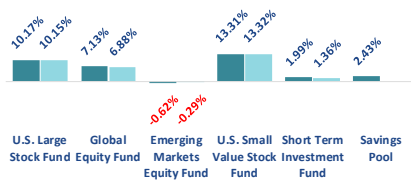
Quarter



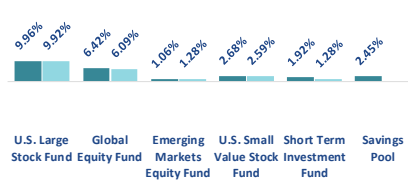
1 Year



3 Year



5 Year



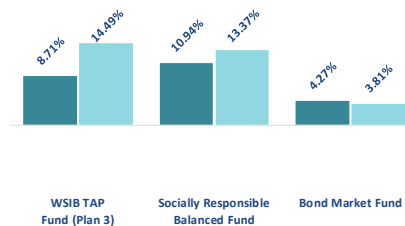
Fund Benchmark

**BALANCED AND BOND FUNDS – QUARTER, 1, 3, AND 5 YEAR RETURNS**  
**SEPTEMBER 30, 2023**

**Quarter**



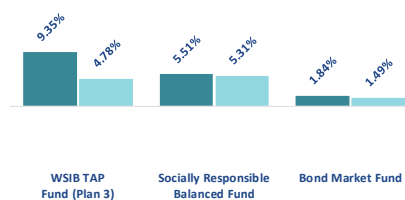
**1 Year**



**3 Year**



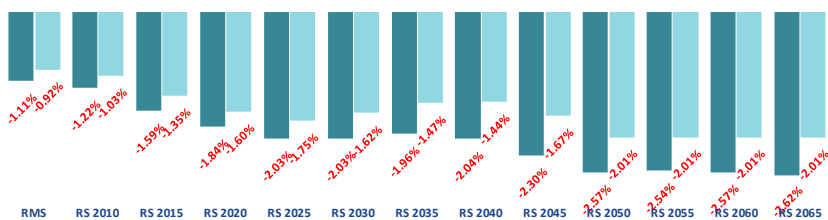
**5 Year**



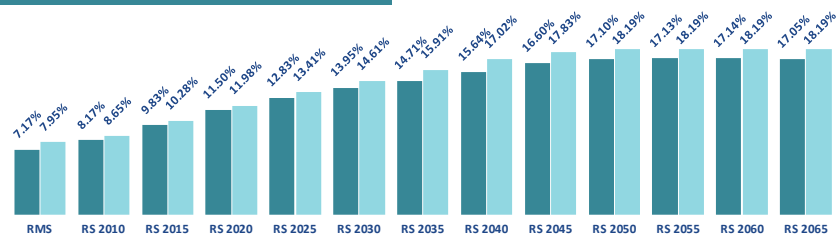
Fund Benchmark

**RETIREMENT STRATEGY FUNDS – QUARTER AND 1 YEAR RETURNS**  
**SEPTEMBER 30, 2023**

**Quarter**



**1 Year**

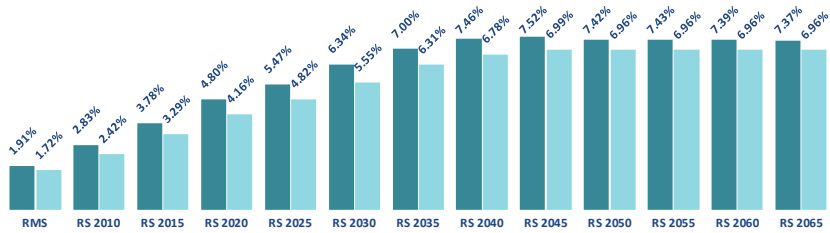


Fund Benchmark

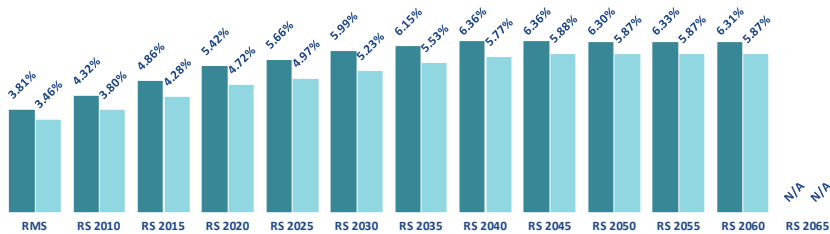


**RETIREMENT STRATEGY FUNDS – 3 AND 5 YEAR RETURNS**  
**SEPTEMBER 30, 2023**

**3 Year**



**5 Year**



**Fund** **Benchmark**