BEFORE THE CITY OF PITTSBURGH

OTHER POST EMPLOYMENT BENEFITS TRUST FUND

SEMI-ANNUAL BOARD MEETING

- - -

Wednesday, November 12, 2025

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TRANSCRIPT OF PROCEEDINGS

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Transcript of a Meeting held before the Board, pursuant to the Agreement between the parties and the Rules of Civil Procedure of the Civil Service Commission, at 200 City-County Building, Pittsburgh, Pennsylvania 15219, taken on the day above set forth, commencing at 2:01 p.m.

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NETWORK DEPOSITION SERVICES
KOPPERS BUILDING
436 SEVENTH AVENUE, SUITE 710
PITTSBURGH, PENNSYLVANIA 15219
(P) 412-281-7908 (F) 412-291-1766

- - -

BOARD MEMBERS PRESENT:

Jennifer Gula - Chair
Rachael Heisler - Controller
Jesse Exilus

ALSO PRESENT:
Fredrick Frank, Esquire - Solicitor
James Wesner - Marquette
Robin Thompson
Alex Wagner
Avery Hart
Eric Schultz

- - -

REPORTED BY: PHILIP A. DAWSON,
PROFESSIONAL COURT REPORTER

- - -

I-N-D-E-X

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P-R-O-C-E-E-D-I-N-G-S

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CALL TO ORDER

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MS. GULA: That's better. So it is now 2:01, November 12, 2025, and we are going to call the meeting of the Other Post Employment Benefits Trust Fund.

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ROLL CALL

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MS. GULA: First, we're going to call the roll.

Jennifer Gula, here.

Council President Dan Lavelle?

Controller Rachel Heisler?

MS. HEISLER: Here.

MS. GULA: Paula Kellerman?

Jesse Exilus?

MR. EXILUS: Here.

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PUBLIC COMMENT

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MS. GULA: This is the time for public comment. Anybody wishing to make public comment,

please feel free to do so now.

Any takers?

Seeing none, now it's time for the approval of the minutes.

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APPROVAL OF MINUTES

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MS. GULA: Can I have a motion to approve the minutes from the April 9, 2025, meeting?

MR. FRANK: I will just call the Board members' attention to the point from the executive sessions that these should be retained by the Board members only.

We do need a motion to approve.

MS. HEISLER: I make a motion to approve the Board Minutes from the April meeting.

MR. EXILUS: Second.

MS. GULA: Motion made by Controller Heisler, second by Solicitor Exilus.

All in favor?

MS. HEISLER: Aye.

MR. EXILUS: Aye

MS. GULA: Okay. Minutes are approved.

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BILLS AND COMMUNICATIONS - REPORT FROM THE CHAIR

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MS. GULA: Now, onto bills and communications. First, the report from myself, the chair.

The total fund balance as of September 30, 2025, is $46.8 million. The fund balance of the Disabled Firefighters OPEB account as of October 31, 2025, is $166,959.

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SOLICITOR'S REPORT

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MS. GULA: Now, The Solicitor's report.

MR. FRANK: Thank you. Good afternoon.

Since the last Board meeting, we are required to have disclosure letters from our professional service providers. My firm provided it and we received it from Fifth/Third, who was our former investment advisor, and there were no issues on either of the ~~the letter or~~ responses.

We approved at the last Board meeting, PNC acting as custodian of the Fund's assets at an annual fee, three basis points of the value of our assets with a minimum fee of $12,000 per annum.

I had executed the custody agreement with PNC with the approved terms from the last Board

meeting, so that has been completed.

At the last Board meeting, the Board approved to approve the extension of the Gallagher contract as the Fund's actuary beginning June 1, 2025, with a fee increase of $10,000 to a total of $55,000, per year.

I sent a letter confirming these terms, and Gallagher acknowledged the terms as being acceptable.

We had one Right To Know request from, "FOIA Professional Services," about our selection of Marquette as our investment advisor and the process for selection.

I believe FOIA Professional Services does such requests for other organizations which are their clients who want the information.

I responded and supplied the information as I deem none of the requests are subject to any of the exemptions under the Right To Know law.

That concludes my report.

Any questions?

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MARQUETTE REPORT

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MS. GULA: Now, we'll have a report from our

financial advisors Marquette.

MR. WESNER: Great. Thank you, Madam Chair.

Good afternoon, everyone. The tentative plan for the investment discussion today is to walk through a general overview of the market environment.

We were, kind of, talking before the meeting began, just about all the various factors that have been influencing the investment markets, and therefore influence the performance of your investment assets.

I'll also walk through a, kind of, update on the transition. Unfortunately, it wasn't a perfectly smooth transition from Fifth/Third, who was your previous financial advisor and custodian, over to Marquette, being the financial advisor and PNC being your custodial bank.

We'll walk through, again, some of that transition. It is complete now, so I'm happy to say that, but we'll walk through a little bit of that.

And then, in terms of the transition, in terms of asset allocation through over the last meeting, we approved an asset allocation to begin, obviously, that transition. There are still two

more pieces to that with some of the alternative investments.

And when we talk through the alternative investments, our plan is to utilize the same investment managers that are utilized for the pension plan, just for continuity, obviously underwritten by Marquette.

They've been reviewed by your solicitor. They'll be reviewed again, obviously, before we enter into any agreements. But in terms of just familiarity with the investment managers, since these will be, obviously, smaller allocations, only 5% to each of these strategies to about $2 million, we don't want to introduce a whole new manager for everyone to have to get familiar with.

Obviously, Marquette has a stable of managers that work constantly evaluating to make sure we're recommending the best managers for our client portfolios. So I'll walk through that at the end.

But just an overview at first. Behind Exhibit 1, just an update on Marquette and some educational information for anyone in the room who's interested.

So, we did have our client symposium in September. Happy to have some of you in

attendance in person. But there are videos of all the talks available on our website, as well.

Our research team puts on a quarterly Market Insight Webinar, which we've done on October 22nd, and that is available for viewing online, as well. And just a nice way to hear, from someone other than me, updates on the markets.

All of our respective asset class leads walk through their asset classes. So people who are just focused on a particular part of the market day in and day out. They can, obviously, speak to it even more in depth than I can. So just wanted to highlight that for you, there.

Behind Exhibit 2 is the market tracker. And I try to keep things simple. Our research team also puts out a hundred-page dec every month on all the various asset classes and updates. I'm going to stick to the one-page consolidated version, here, partly because you have more liquid investments which are all highlighted here. But also I want to give you October performance, and that's more quickly updated on these market trackers.

And what you'll see on the market tracker, here, is that the majority of your assets, which

are in US and the international stocks or US Bonds, mostly all positives for the month of October. And positive with very strong positive performance year to date.

So I'll start over, kind of, on the fixed-income side. Bonds to start this year: we were at pretty significant interest rates. We were at, kind of, a 4 1/2% interest rate to start the year. We have seen interest rates come down some.

The Federal Reserve cut interest rates at their September meeting, at their October meeting, and there is a potential that they will cut interest rates again by an additional 25 basis points at their December meeting.

It would be helpful and the Fed would like if they could review some information on inflation and unemployment. Unfortunately, the government shut down, those data points are not being released by the Bureau of Labor Statistics. So we didn't get unemployment numbers for October.

I was just reading the headlines before I walked in saying that even if the government reopens as planned in the coming days, that they probably will never issue an October Jobs Report, because the surveys that go out to employers

during the time period, they never went out. So it's not the idea of just even compiling the data. They never sent those surveys out, so they're never going to have the data.

So it is challenging for the Fed to try to navigate the balance between: is the economy weakening with unemployment going up, which would justify further rate cuts; or is inflation staying persistently high, which would tend you to want to keep interest rates higher to combat inflation?

They have a dual mandate, and right now there's two objectives are, kind of, going in opposite directions. So you have, kind of, different factions within the Federal Reserve right now who are, kind of, wanting to go different directions.

In the interest rate cuts in October, it was pretty close vote. So you don't have a lot of agreement within the Fed right now. A lot of the new appointees by President Trump are wanting to cut rates because that will, kind of, juice the economy.

But the thing that -- how we got into an inflation problem in the first place in 2021, and '22, is all the stimulus from Covid. We were in a

pretty strong economy and we had all the stimulus, and all that stimulus just leads to too much price growth and leads to inflation. So we want to try to stay away from that type of situation.

But you can see that year to date, interest rates have come down a little bit. And that's caused bond prices to go up.

So in addition to the 4 1/2% yield, 5% yield we were getting on bonds, we actually got another about 2% thus far in price appreciation. So year to date, core bonds are up 6.8%. That's a very solid return for core bonds. We are still at a 4% interest rate, so there's still attractiveness in the bond market.

And for a portfolio like yours, we don't need to take on excess risk. We don't need to take on too much equity risk in the portfolio because equities, as I'll comment on in a moment, are priced pretty high, and we're getting good returns from bonds right now.

So bonds, they're not a guarantee, but they're certainly a lot less volatile than equities.

On the equity side, shifting over to the left-hand column, US Equities October up 2.3% to

the S&P 500. The NASDAQ, so growth-oriented stocks, up 4.7%.

The AI boom continues. There's been several people out there warning of a potential bubble in AI. It's hard to tell. Obviously, it's easier to spot a bubble after the bubble bursts.

But right now, with AI, you're seeing tremendous spending by the largest tech companies. And that's fueling all of these other AI-related companies to perform better. So you have the Magnificent Seven, which are the largest companies in the history of the world. So Nvidia $4.5 trillion market cap. If you're investing in it, great. But to put it into context, the size of that company, $4.5 trillion to the market capitalization of Nvidia as a single company is larger than the total market capitalization of all the companies on the Nikkei, so the Japanese Stock Exchange, or the UK Stock Exchange, or the DAX, the German Stock Exchange.

These major international markets, one company in the US is larger than all them. That same company, Nvidia or Microsoft or Apple, their market capitalization is larger than the 2,000 companies that make up the U.S. Small Cap Index

combined. So the influence that those companies have, they're increasing their capital expenditures, the amount they're spending to provide these AI services so your Microsoft Copilot will work or your Google Gemini.

That spending goes to all these other companies that are related to it, and they're doing very well. But you're going to have winners and losers and you're going to have some companies that grow over the next five years. You're going to have some companies that probably won't be in existence in five years. And that's the concern out there is: Does the AI technology prove to be as important in increasing productivity across the world as the Internet was, so that you see that development and you actually can justify all these very large valuations. And companies continue to spend on that.

So the markets hit their low right about the time we had our last meeting, the second week in April, April 9th, I think, was the market low.

And I think it, basically, was the day that we met last, the tariffs had been announced. There was a lot of confusion over how they would be applied, what countries would be impacted most

by them.

MS. HEISLER: Freedom Week.

MR. WESNER: Yeah. And Liberation Day.

MS. GULA: Liberation Day, yeah.

MR. WESNER: It was a crazy time. And the bond market actually responded the worst to that. So we actually saw interest rates go up. And that's what, ultimately, forced the Administration to say, whoa, whoa, we got to slow this down. And the equity markets responded, the bond markets responded in a positive way. But we had a week where the markets tanked and the equity markets were down year to date.

And the NASDAQ was, basically, in correction territory, which -- sorry, bear market territory, which is down 20% from its highs.

Now, since then, it's up 50%. So it's been a very volatile time for the markets. Technology stocks are still priced very expensively. I always make the comment that just because something's expensive doesn't mean the price is going to go down tomorrow.

These stocks have been expensive for a while. These companies actually earn a lot of money. Not only are they the largest companies in the history

of the world, they're the most profitable companies in the history of the world. And the decision that investors have to make is: how much are we willing to pay for a dollar of current earnings and a dollar a future earnings. And that's what the markets do.

But the markets right now are awarding investors. But we know that markets could go down, as well. The different parts of the market. This doesn't apply to you quite as much because we are mostly indexed for this portfolio. But the blue squares in the middle of the page, year to date, you can see that small cap value stocks or value stocks, even in general, the left hand box is, kind of, up 8% to 12%. But the growth boxes are up, kind of, 12 to 22%. So growth is still been the place to be.

By having your portfolio indexed, you are, I would say, kind of, almost at the, kind of, crosshairs, the upper right crosshairs. So you're a little growth oriented because the largest names in The S&P 500 are more growth oriented. You're mostly large cap because the indices that we're invested in are market-cap weighted.

Internationally, the second table down on the

left-hand side -- international markets have lagged US Markets for the last decade. Year to date, they're up about, I would say, 9%, 10% more than the US markets. It's really all currencies. The dollar has depreciated. The value of international stocks have gone up by more. And so international stocks, the second row there in that international table, up 28.6% year to date. So they've been really accretive to performance.

And then as we look at everything else that's out there -- so, hedge strategies, private markets, real estate -- anything that's been hedged in an up year like this, you're going to be up, but not up as much.

Again, hedge strategies, diversifying strategies are meant to protect us in times of volatility. So that hedge fund table, which is the center cable on the right-hand column, many of the funds there are, kind of, up 4 to 9%.

The strategy that you're in year to date is up about 9% to 10%. So one of the better performers there, and we'll see that in a moment.

Commodities, the bottom right-hand corner. You don't have any direct commodities exposure. But commodity pricing plays into, basically, every

part of the market.

This year, energy prices as measured by mostly oil, but other energy forms, as well, slightly down. So energy, you can see, there, crude is down 3.7% year to date. But precious metals mostly led by gold, up 50%. So an aggregate commodities are up seven and a half percent. But it's really mattered where you are in there.

So that's why we don't often invest in commodities. They're meant to be an inflation hedge, but we think there's other areas that are better.

I'm going to highlight real estate in a little bit when we talk about potential investment there. But for right now, I think the main thing with real estate is that real estate has improved. The other parts of real estate outside of office have performed much better. So I'll highlight that a little bit more.

But any questions?

Again, I want to get too deep in the weeds on stuff, but there's obviously a lot to talk about, and I'm happy to expand on anything that the Board would like.

Okay. Well, not seeing any questions, we'll jump behind Exhibit 3 and take a look at the portfolio. So Page 2, which would be the bottom page with the charts, there.

So where we stand for the month of October, we were up another 1.2%. For the last quarter, we're up 5.2% net of fees.

You see that year to date, kind of, the 11.4 versus the 14.3. So you're up 11.4% net of fees, which is obviously a very strong performance.

Had we been fully in these index strategies the whole time, you would have realized stronger performance. So that underperformance versus the benchmark is the active strategies that were in the Fifth/Third portfolio. And the time that we were in more cash with the transition to the portfolio. So a couple of different factors, there.

If you look out over the long term, you're very close to the benchmarks. And from a relative performance perspective, the relative performance is actually quite strong. So I would put less focus on that underperformance versus the fund benchmark. That fund benchmark was going to be very, very challenging to beat. But again, we

want to hold make sure we're holding things to a high standard.

So just for those of you who either sit on the pension fund board for the city or observe that, you're, kind of, used to this presentation of returns.

So we'd like to show returns always net of fees, because that's what you're funding your benefit payments with is net of fees returns, but then also versus an appropriate benchmark, as well.

We're very close to our asset allocation, and I think the chart or the table in the bottom right hand side is very important.

If you look at the start of the year, the total assets are about $42.5 million. We've had almost $5 million in investment earnings this year. And so we ended the month of October with about $47.4 million.

We do know there's going to be some money we're going to redeem out of here to make payments back to the city, which will be about $5 million. So that payment will, basically, be funded by the investment earnings of this year. So you're still going to end the year, essentially, with,

potentially, if things hold, $42 million plus in the portfolio. So that's worked out relatively well.

MR. EXILUS: I have a question. So the gain losses, is unrealized gain?

MR. WESNER: It's a combination. Good question. It's a combination of the realized interest and dividends you've received and the unrealized market appreciation. So it is a combination.

MR. EXILUS: Okay.

MR. WESNER: And then you can see the, kind of, breakouts in, kind of, a little bit more granular fashion on Pages 4 and 5. I pointed -- you're very close to your policy target.

So options you'll need for rebalancing. First -- and we'll see the asset allocation that you proved at the last meeting in a little bit -- but we will fund -- the potential new investments in real estate and private debt will come from your fixed income composite.

And I think just seeing it graphically on Page 5, just the growth of the portfolio -- so again, we did take the information -- historical information, from your previous advisor

Fifth/Third. So going back to the middle of 2022, going back to those three years, you've gone from $32 million in assets to $47 million in assets. So, obviously, the markets have contributed some very nice growth, there.

Pages 6 and 7, you'll notice that this is, obviously, a much more simple portfolio than what you had before. Asset allocation drives portfolio performance. We talked about this at the last meeting. You don't need 40 underlying mutual funds with very high fees to try to beat the broad benchmarks.

I'll show you a fee page in a moment which highlights how little your paying now to administer this portfolio. You, basically, cut the cost of administering this portfolio, probably -- you're paying about a third of what you were paying before. So it's just cutting the fees tremendously.

And it's much -- hopefully you'll find it easier to monitor because it's all going to be condensed, basically, the wider strategies condensed on two pages, here.

So just looking at the returns, you can see that your fixed-income composite, we have two

strategies, here: the Vanguard Ultra Short Bond Fund, which is an indexed short-term bond fund yielding about 4%, very -- a five-basis point cost; Baird is an active manager. They're managing a Core-plus portfolio.

So what Core-plus means is they're managing core assets and fixed income, which is US Treasury bonds, US mortgage-backed security bonds, high-quality investment-grade corporate bonds. But also, the plus piece is a small portion right now, about 10% and below investment grade bonds, which have a higher yield.

So it's meant to give you a little bit more yield, but with those comes more risk. So they're mindful about how much they have in the portfolio. There are limitations on how much they can put into the portfolio.

And in times like now, where those bonds are a little bit more expensive, they don't put as much in there. And when there's more opportunities, they might add a little bit more to the high-yield bonds.

But Baird is a very high quality manager that we've utilized for a long time at Marquette. And you did have exposure. Your largest fixed-income

exposure before with Fifth/Third was to a similar Baird fund. So we did have long-time exposure to this manager, which is a good thing on the US Equity side.

We are exclusively indexed. So you can see here that over the last three months you've had very different performance, even just from parts of the US Stock Market.

So the S&P 500 are the best performing part of the market year to date. Over the last three months, a small-cap index fund has been the best performer. You can see mid cash has been a little bit weaker. But you do have a lot more exposure to the large cap space. So again, trying to be very strategic, efficiently allocating, here.

Active managers have really struggled to heat the benchmark. So our mindset is, why pay active managers to try to meet the benchmark; just utilize index funds.

The same thing on international, you do see two Fidelity strategies here. The first one is developed markets. So when you think of developed markets, think of the countries I mentioned earlier; the UK, mainland Europe, Japan, Australia.

Emerging markets, which is the second strategy, there, are those developing countries China, Brazil, South Africa, Korea. Those countries are in the emerging market index.

A look at the long-term performance has been relatively similar, but they do perform pretty different in short-term periods. So that's why we do break those out.

And then on the hedge fund side, you can see Parametric. Parametric is a, I would call it a hedge fund alternative. You can't invest in an index fund in the hedge fund space. And even if you could, we wouldn't want to.

Parametric is a quantitative strategy that we found that, at about a quarter of the cost of traditional hedge funds, gives you more consistent alpha.

Which means alpha is the, kind of, outperformance versus the market, and they generate more consistent alpha than traditional hedge funds. So again, we don't want to pay to have money locked up with the traditional hedge fund and not have transparency. We want to have transparency, liquidity, and better performance. And we feel that we get that from a strategy like

Parametric.

The only other page I'm hitting in this report is Page 10. I mentioned before the key for a lot of active mutual funds in the past, you were paying upwards of 1% or 100 basis points. And then you had a Fifth/Third fee on top of that.

Here, all of your underlying strategies, you're paying a fee of 15 basis points on average. And then we have highlighted our fee and PNC's fee. So for a total fee of about 27 basis points.

A traditional strategy with your asset allocation would probably be 60 or 70 basis points. So you're operating this portfolio at a very low cost in a very efficient manner. So just wanted to highlight that.

And then the historical benchmarks are on Page 11, just so, you know, kind of, what goes in. You see a policy benchmark referenced, this is what goes into that policy benchmark.

And this will be reported again. On a quarterly basis, we'll provide this to you. I know we only meet on a semiannual basis, but we will generate this report on a quarterly basis for you.

I know one other data point that is not in

here, we will have a market value page for the fireman -- or firefighters -- Disabled Firefighters' Fund, as well. Now, one other data point that is not in here, we will have a market value page for the fireman or firefighters -- Disabled Firefighters' Fund, as well. The assets in that fund as of the end of October were $166,959.

So just to make sure that's at least on the record of what the balance was, we will have a more formal page on that in the future, though.

MS. HEISLER: Forgive me for not remembering. Can you explain what that is; what would that pay for?

MR. FRANK: That's a special fund we were required to set up for disabled firefighters to pay their OPEB benefits. It's segregated from the other one.

MS. HEISLER: But it's invested through this -- okay.

MR. WESNER: It's in a separate account, so we report it separately going forward. We are in two separate accounts at PNC, and they were historically in two separate accounts at Fifth/Third, as well.

MS. HEISLER: Thank you.

MR. WESNER: And then behind Exhibit 4, half of the information behind Exhibit 4 is just, kind of, refresher information from what we discussed at the last meeting.

I'm not going to go through that. It's just really the ideas and concepts behind how we build a portfolio, kind of, emphasizing a few of the comments I made earlier about you don't need 40 active managers and active mutual funds in a portfolio asset allocation.

So you're amount of stocks, not bonds, amount of alternatives you have are really going to be the driver for your return in volatility. So that's, kind of, what's highlighted mostly on Page 3, there.

Page 4 are the portfolios that we discussed. The current policy, there, is the current policy when this was run back in April. So view the current policy column as pre-working with Marquette, and then now we've moved out towards portfolio, kind of, D and C.

Ultimately, we were moving towards Portfolio D. And we will have the private core real estate and private credit. And we utilize the managers

again that have been approved and utilized in the Comprehensive Pension Trust. Which are Partners Group and Reef.

Those two funds are -- not only have been vetted by Marquette and we've utilized for clients for the last decade-plus, but two of the most cost-effective products in their respective categories or expected asset classes.

So again, continuing the theme of making sure we're running these portfolios as efficiently as possible. Those alternative asset classes do come with higher fees, so I want to make sure I'm transparent on that. But your overall implementation of the Portfolio D will still be significantly less than it was before.

So just want to highlight that in case you see at the next meeting those new managers in there, see the higher fees, want to make sure that is clear.

Pages 6 and 7, just want to provide the Board with an update on the transition. So transitioning from one advisor to another or one custodian to another is typically not a challenging process.

Typically, the client provides direction to

say, we're working with a new provider, please move the assets.

When we went through that process with Fifth/Third, we were met with -- trying to find the right way to state this -- a lack of transparency in terms of the process, which was requiring 30 days-plus advanced notice for liquidating assets, moving assets.

We found some workarounds, but ultimately, took four to five months to move things when it should have taken at most four to five weeks.

But, ultimately, all the assets are at PNC. PNC, I know, it's a local name for you guys, they are one of the best custodians that we work across the Board with our assets at Marquette.

So when we do a custodian search, typically PNC is in the top two or three, and especially recently. Because it's, kind of, a commodity service. They have very easy-to-utilize systems and they have just very responsive individuals. So it's worked very well.

So I want to reassure you that your assets are custodied, not only here locally, but with an excellent group going forward.

And then again, as we got into September, we

had done an initial movement of assets back in July. We moved about $30 million. We finally got the additional $15 million all moved by the end of September. And so going forward, everything is over.

I think we had one recent movement over about $5. It was just some residual dividends that had come back after we've moved the money. But everything is there.

You can see the September snapshot. It's a little redundant to what we already discussed on Page 8. That is reflective of all the assets that are at PNC.

And then the next several pages are just comments on the private credit. I don't think in real estate -- we don't need to go into them really. We talked about them at the last meeting.

But I think the two takeaways are: we utilize alternative asset classes to diversify portfolios, so to give us other sources of income and other sources of risk.

You might say, well, why do we want other sources of risk; we want to limit the number of risks that we have. And while we do, by having different types of risk, that's how you diversify

a portfolio.

And there's always, during challenging times -- a lot of times you have correlations of different asset classes go towards one, but the goal is to have -- when you have periods of volatility in one asset class, hopefully other asset classes are performing a little bit better.

And so your biggest risk in the portfolio is always going to be equity market risk. Because equities are the biggest part of your portfolio, and they're also the most volatile asset class. They also give you very nice returns.

We use these other asset classes to, again, try to complement those return streams and give you different types of risk.

So private credit, just in the, kind of, a summary paragraph, it's making loans to private companies. This used to be done by banks. Banks have really, since the great financial crisis in '08, '09, they lend a lot less to, kind of, small middle-market companies. And so private credit, private funds of institutional investors like yourselves are the one to allocate capital. And then professional advisors are determining how to invest that money.

It has an attractive return profile. And in the private market, you actually get a premium over the public market, so you have a little bit less liquidity. So that's a risk that you take on. But you get about 1.5% higher yield on those investments right now.

So when we're only talking about 5% of your portfolio, you can take on a little bit of illiquidity in small amounts like that if you're getting rewarded for it. So it's a strategic trade off.

And just there's a few other data points there. And then real estate starting on Page 13. I think people like to talk about real estate a little bit more because we all, kind of, understand real estate. We're sitting in a building right now, surrounded by office buildings that institutional.

MS. HEISLER: We want to move into one and have this repaired; how do we do that?

MR. WESNER: Well, I have several clients -- it's one of several public fund clients in Chicago -- who are moving into new properties who are taking on smaller footprints but moving into nicer buildings and paying less in rent.

So it really is a tenants' market right now, and that's over the last three years or so.

For high-quality buildings, everyone looks at it and says, hey, we're only in the office three days a week so we don't need as much space, but we want to move from this, kind of, Class B building into a Class A building.

And I'm sure you're seeing that here locally, the buildings that were renovated five years ago, they have more amenities, they're more attractive to tenants.

MS. HEISLER: The smaller buildings are more attractive. Seem to --

MR. WESNER: But it really is that driver. And the other thing, though, is office properties used to be about 30 to 35% of the benchmark of what we call core institutional real estate.

And core institutional real estate, there's going to be a few buildings here in Pittsburgh that are core institutional real estate that would be in these types of investment funds, but more of the properties are in larger cities.

But now, office, which used to be 35% of the market, is now 15% of the market in industrial properties.

So think of warehouses and, kind of, typical industrial spaces are now 30-plus percent of the market. Multifamily housing is about 25%, retail is about 20 -- or about 10%, and then there's a growing piece of other, which is senior housing, student housing, life-science facilities.

So it's become a much broader asset class. And after a tough couple of years where we saw returns be negative, we've now seen returns be positive for four quarters in a row. We're seeing steady income off of these properties. We've seen growing income off of many of these properties.

So it actually, now, appears to be an attractive time to get in as a new investor. Again, the city pension plan that's been in there for over a decade and had a lot of good years, a few not so good years, recently. But now we're back on an upward trajectory, so we'll be an attractive time to move into that for the OPEB plan. So just want to highlight that there's a lot of different things we look at.

Page 15, we are talking about the most conservative part of real estate. The core column page -- sorry, I said 13 and meant 15. So the core column, there, there are more aggressive

strategies that are appropriate for larger investors that have more in real estate.

For this plan, a core allocation is appropriate, and that's what the fund that we'll utilize is. So just wanted to highlight that.

You'll hear a lot of different headlines about loans to buildings or people. Companies are turning the keys over to the banks because they're getting foreclosed upon. This type of real estate -- another key differentiating factor -- the leverage on these things, so the loans that the buyers take out, are typically about 25%.

So if we're going out to buy a new home, a typical family will go put 20% down and take out an 80% mortgage. These institutional buyers are putting 75% down and taking out a 25% loan. So much less leverage, which makes it, obviously, much less risky for investors.

As you go further right on that page into that value add or opportunistics, there, they take on a lot more leverage. There's a much higher return potential, but there's also a lot more risk. So just want to highlight the differences there.

And just other information that won't go

through it, but there's just more stats. I'm, kind of, supporting why real estate is looking more attractive. Happy to go into it if you have questions but want to be mindful of your time.

With that, I think that's all I had planned for today. So --

MS. GULA: Anybody have any questions?

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PRESENTATION OF RESOLUTIONS

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MS. GULA: Now onto the presentation of resolutions.

So we have one resolution for vote today. It's Resolution No. 2 of 2025, the resolution authorizing the payment for professional services rendered by Frank, Gale, Bails, & Procrass, P.C. for the period of April 1, 2025, through October 31, 2025.

Can I have an motion to approve?

MS. HEISLER: Motion to approve Resolution No. 2 of 2025.

MS. GULA: And a second?

MR. EXILUS: Second.

MS. GULA: All in favor?

MS. HEISLER: Aye.

MR. EXILUS: Aye.

MS. GULA: The resolution passes.

Anything else, anyone?

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ADJOURNMENT

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MS. GULA: So now, I guess we adjourn the meeting. Can I have a motion to adjourn the meeting at 2:42 p.m.?

MR. EXILUS: Move to adjourn the meeting.

MS. HEISLER: Second.

MS. GULA: All in favor?

MS. HEISLER: Aye.

MR. EXILUS: Aye.

MS. GULA: Meeting adjourned.

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(WHEREUPON, the meeting was adjourned at 2:43 p.m.)

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C-E-R-T-I-F-I-C-A-T-E

I, Philip A. Dawson, the undersigned, do hereby certify that the foregoing thirty-nine (39) pages are a true and correct transcript of the OPEB Board Meeting held at 200 City-County Building, Pittsburgh, Pennsylvania 15219, on Wednesday November 12, 2025.



Philip A. Dawson, Notary Public

My commission expires June 28, 2027