

Manager Recommendation Memorandum

September 22, 2023

Board of Trustees
Commonwealth of Pennsylvania, Public School Employees' Retirement System ("PSERS")
5 North Fifth Street Harrisburg, PA 17101

Re: NISA Investment Advisors, LLC - Outsourced Operational and Investment Services for PSERS

Dear Trustees:

Verus Advisory, Inc. ("Verus"), having been duly authorized by the Board of PSERS, has evaluated NISA Investment Advisors ("NISA"), in line with PSERS' Investment Policy Statement, Objectives, and Guidelines, and believes that NISA's outsourced operational and investment services are of institutional quality and that the firm is capable of providing the customized services required for the PSERS directed beta overlay program.

Verus believes that NISA is one of the top providers of overlay services in the industry. The firm has devoted significant resources to the development of technology and employs an experienced and long-tenured investment team. The firm has developed an approach that incorporates both proprietary and third-party systems that manage the investment process end-to-end. Importantly, these systems provide oversight, reporting, and transparency throughout implementation.

Portfolio risk is primarily controlled by the team of portfolio managers. Securities go through a rigorous valuation process that ensures pricing is within an appropriate range of tolerance with the counterparties. Additionally, NISA has a dedicated Risk Management team and Chief Risk Officer that operate independently from the investment process.

From a performance perspective, over the long-term, overlay strategies are expected to add incremental value while most importantly reducing tracking error, portfolio volatility, and limiting transaction costs while providing for greater levels of liquidity and flexibility in portfolios.

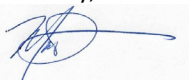
There are a limited number of investment managers that can provide the type of overlay service required by PSERS. Verus and staff interviewed NISA and the two other top overlay manager candidates and believe that NISA represents the best fit for PSERS needs for the following primary reasons:

- Cultural fit: NISA is based in St. Louis, MO and is 100% employee-owned, limiting the potential for conflicts of interest and closely aligning the firm's objectives with those of their clients. The other firms interviewed were owned by investment banks and/or external owners.
- Ability to customize the mandate: NISA works on overlay programs with several large public funds. As a result, NISA has a wealth of experience providing highly customized programs and "thrives on complexity".
- Resources: NISA distinguishes itself through its deep resources across trading, operations, technology, legal and portfolio management.
- Risk management: NISA has a segregated, dedicated team of risk professionals that provides oversight to the investment process and has implemented an effective framework that reviews total portfolio risk through multiple lenses on a daily basis.

For these reasons, we believe the NISA overlay service is of institutional quality and suitable to meet the objectives of PSERS.

Please feel free to contact me should you have any questions about this recommendation.

Sincerely,



Mark E. Brubaker, CFA
Managing Director