

**Torres Rojas, Genara**

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**From:** gchung@fin-news.com  
**Sent:** Wednesday, February 11, 2015 11:35 AM  
**To:** Duffy, Daniel  
**Cc:** Torres Rojas, Genara; Van Duyne, Sheree; Ng, Danny  
**Subject:** Freedom of Information Online Request Form

Information:

First Name: Gar  
Last Name: Chung  
Company: Financial Investment News  
Mailing Address 1: 267 fifth avenue  
Mailing Address 2: suite 1010  
City: New York  
State: NY  
Zip Code: 10016  
Email Address: [gchung@fin-news.com](mailto:gchung@fin-news.com)  
Phone: 6468101073  
Required copies of the records: Yes

List of specific record(s):

A copy of the latest quarterly investment report of the Port Authoritys Pension Funds and OPEB Trusts.

**THE PORT AUTHORITY OF NY & NJ**

FOI Administrator

April 2, 2015

Mr. Gar Chung  
Financial Investment News  
267 Fifth Avenue, Suite 1010  
New York, NY 10016

Re: Freedom of Information Reference No. 15779

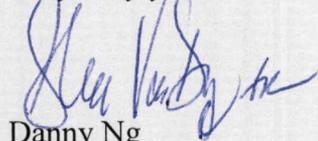
Dear Mr. Chung:

This is in response to your February 11, 2015 request, which has been processed under the Port Authority's Freedom of Information Code (the "Code", copy enclosed) for a "copy of the latest quarterly investment report of the Port Authority's Pension Funds and OPEB Trusts."

Material responsive to your request and available under the Code can be found on the Port Authority's website at <http://www.panynj.gov/corporate-information/foi/15779-O.pdf>. Paper copies of the available records are available upon request.

Please refer to the above FOI reference number in any future correspondence relating to your request.

Very truly yours,



Danny Ng  
FOI Administrator

Enclosure

4 World Trade Center, 18th Floor  
150 Greenwich Street  
New York, NY 10006  
T: 212 435 3642 F: 212 435 7555



# **THE PORT AUTHORITY OF NY & NJ**

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Retiree Health Benefits Trust Investment Performance Review  
Quarter Ended September 30, 2014

## **Investment Advisors**

John Spagnola, Managing Director  
Tesh Gebremedhin, Senior Analyst  
Shane Crown, Analyst

## **PFM Asset Management LLC**

Two Logan Square, Suite 1600  
18th & Arch Streets  
Philadelphia, PA 19103  
(215) 567-6100  
(215) 567-4180 fax

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## **Financial Markets**



# Quarterly Commentary

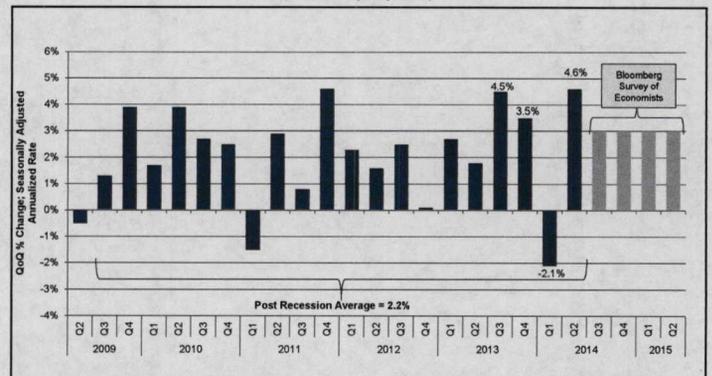
Third Quarter 2014

## Multi-Asset Class Management

### The Economy

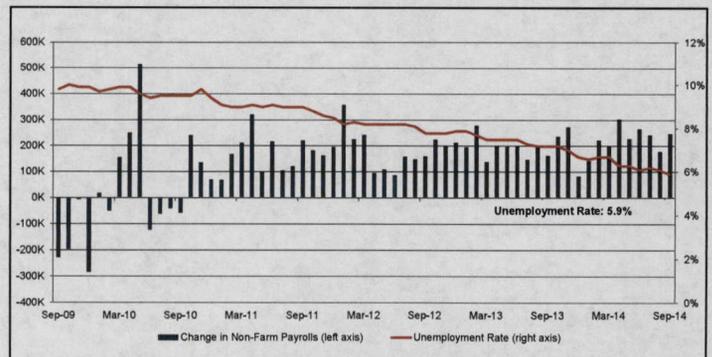
- While the U.S. economy continued its recovery during the quarter, global unrest and uncertainty about future central bank policy—including actions of the Federal Reserve (Fed)—resulted in increased volatility in the bond and equity markets.
- Second-quarter gross domestic product (GDP) rose at a revised annual rate of 4.6%, driven by increased consumption, inventories, exports, residential and nonresidential investment, and local government spending.
- The Federal Open Market Committee (FOMC) reaffirmed that its quantitative easing bond purchase program will end in October. At the same time, the FOMC released updated assessments of where individual participants judged the appropriate level for the federal funds rate at the end of the next few calendar years. Those assessments showed a surprisingly fast upward trajectory for short-term rates that are inconsistent with both Fed Chair Janet Yellen's public comments and persistently low current market rates.
- Inflation (as measured by the Consumer Price Index) unexpectedly decreased month over month in August. This marked the first decline in almost a year and a half. Inflation continues to run below the Fed's 2% target rate.
- U.S. housing market data was a "glass half empty, glass half full" scenario, as housing-related indicators experienced a series of ups and downs throughout the quarter. Most recently, new-home sales reached the highest level since 2008, while existing-home sales had a small, unexpected decline.
- Geopolitical uncertainty continued to move the markets. Military conflicts in Ukraine and the Middle East, political protests in Hong Kong, and weaker economic data in China and the euro zone have factored significantly in investor sentiment.

U.S. Real GDP Growth  
(Seasonally Adjusted)



Source: Bureau of Economic Analysis. Dark blue bars indicate actual numbers; gray bars indicate forecasted estimates.

Change in Nonfarm Payrolls



Source: Bureau of Labor Statistics



# Quarterly Commentary

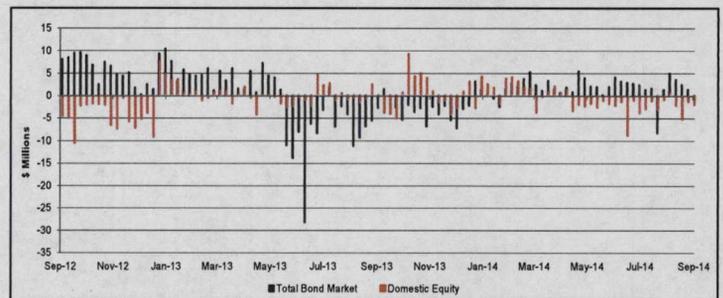
Third Quarter 2014

## Multi-Asset Class Management

### What We're Watching

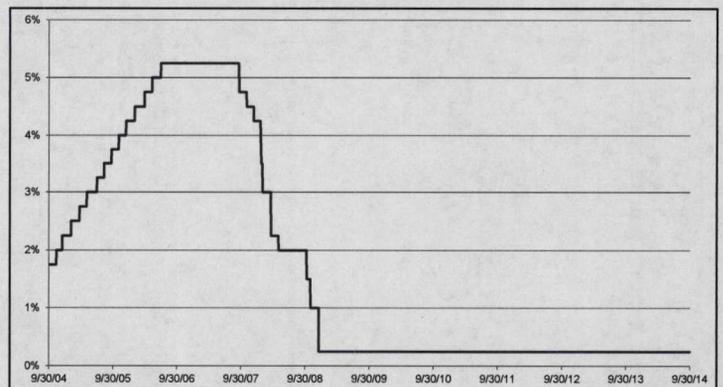
- After a solid second quarter, the U.S. equity market took a break in the third quarter as investors became concerned about global political turmoil and a slowdown in euro-zone economic growth. Non-U.S. developed markets weakened in the quarter, while emerging-markets equities continued to strengthen but gave back some gains in the month of September.
- Economic data from China has continued to be soft, including industrial production, fixed investments, and retail sales. The Chinese government has initiated a number of small-scale stimulus programs, including relaxed lending rules for second-home buyers in an effort to stimulate the housing market.
- After rising in 2013, interest rates have continued to confound investors in the third quarter. Despite the general consensus that the Fed will raise rates at some point next year, the yield on 10-year Treasuries is now below 2.5%, down from 3% at the beginning of the year.
- Should the Fed act sooner in ending its quantitative easing (QE) program, as some members of the FOMC would like, it could derail the equity market rally and cause extreme turmoil in the bond market as it did in 1994.
- At PFM Asset Management LLC (PFMAM), we have been optimistic about the performance of U.S. equity markets and the economy. We believe that the third and fourth quarters will continue to show an economy that is recovering from the financial crisis.
- After a weak August employment number, the September new jobs report was better than expected and the unemployment rate dropped below 6%. We expect the jobs market to continue to make progress for the rest of 2014, barring external shocks or monetary and fiscal policy errors.
- Recent economic data and leading economic indicators continue to suggest that the U.S. economy should continue to grow. At this time, there are few if any signs of a pending recession. This has been and remains our baseline scenario for the U.S. Outside of the U.S., economic data out of the euro zone and Japan have been mixed, and we continue to monitor this closely.
- In response to the slowdown in the euro-zone economy and continuing decelerating inflation, the European Central Bank (ECB) is close to launching its own version of QE later in 2014 or early 2015.

Weekly Mutual Fund Flows



Source: Bloomberg

Fed Funds Target Rate



Source: Bloomberg



# Quarterly Commentary

Third Quarter 2014

Multi-Asset  
Class Management

## Market Index Performance As of September 30, 2014

	1 Quarter	Year To Date	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
<b>DOMESTIC EQUITY</b>								
Russell 3000 Index	0.01	6.95	17.76	19.66	23.08	15.78	6.24	8.44
Russell 1000 Value Index	-0.19	8.07	18.89	20.58	23.93	15.26	4.81	7.84
S&P 500	1.13	8.34	19.73	19.54	22.99	15.70	6.02	8.11
Russell 1000 Growth Index	1.49	7.89	19.15	19.21	22.45	16.50	7.57	8.94
Russell Midcap Value Index	-2.65	8.20	17.46	22.50	24.72	17.24	7.28	10.17
Russell Midcap Growth Index	-0.73	5.73	14.43	20.81	22.74	17.12	7.45	10.24
Russell 2500 Index	-5.35	0.28	8.97	18.93	22.80	15.99	7.17	9.45
Russell 2000 Value Index	-8.58	-4.74	4.13	15.01	20.61	13.03	5.08	7.25
Russell 2000 Index	-7.36	-4.41	3.93	16.26	21.26	14.29	6.04	8.19
Russell 2000 Growth Index	-6.13	-4.05	3.79	17.52	21.91	15.51	6.92	9.03
<b>INTERNATIONAL EQUITY</b>								
MSCI EAFE (net)	-5.88	-1.38	4.25	13.60	13.65	6.56	-0.20	6.32
MSCI AC World Index (net)	-2.31	3.73	11.32	14.48	16.61	10.07	2.40	7.28
MSCI AC World ex USA (Net)	-5.27	0.00	4.77	10.47	11.79	6.03	-0.16	7.06
MSCI EM (net)	-3.50	2.43	4.30	2.63	7.19	4.42	-0.18	10.68
<b>ALTERNATIVES</b>								
FTSE NAREIT Equity REIT Index	-3.15	13.96	13.14	9.45	16.68	15.88	4.15	8.40
FTSE EPRA/NAREIT Developed Index	-4.43	7.23	6.71	8.81	15.63	11.26	0.83	7.83
Bloomberg Commodity Index Total Return	-11.83	-5.59	-6.58	-10.55	-5.34	-1.37	-5.24	-1.04
<b>FIXED INCOME</b>								
Barclays Aggregate	0.17	4.10	3.96	1.10	2.43	4.12	4.95	4.62
Barclays U.S. Government/Credit	0.17	4.12	4.08	1.02	2.54	4.27	5.00	4.59
Barclays Intermediate U.S. Gov/Credit	-0.03	2.22	2.20	0.84	2.01	3.42	4.29	4.05
Barclays U.S. Treasury: 1-3 Year	0.03	0.44	0.50	0.44	0.48	1.04	2.13	2.53
Barclays US Corp: High Yield	-1.87	3.49	7.20	7.17	11.09	10.57	8.71	8.33
Credit Suisse Leveraged Loan index	-0.33	2.43	4.30	5.07	6.92	6.66	4.63	4.90
Barclays Global Aggregate Ex USD	-5.38	-0.09	-0.81	-2.11	0.14	1.68	3.60	4.17
JPM EMBI Global Diversified	-0.59	8.02	9.68	2.58	7.95	8.03	7.88	8.33
<b>CASH EQUIVALENT</b>								
90 Day U.S. Treasury Bill	0.01	0.04	0.04	0.06	0.06	0.08	0.52	1.54

Source: Investment Metrics. Returns are expressed as percentages. Please refer to the last page of this document for important disclosures relating to this material.



# Quarterly Commentary

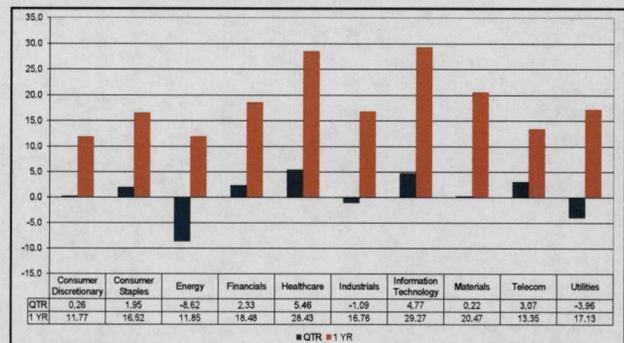
Third Quarter 2014

Multi-Asset  
Class Management

## U.S. Equity

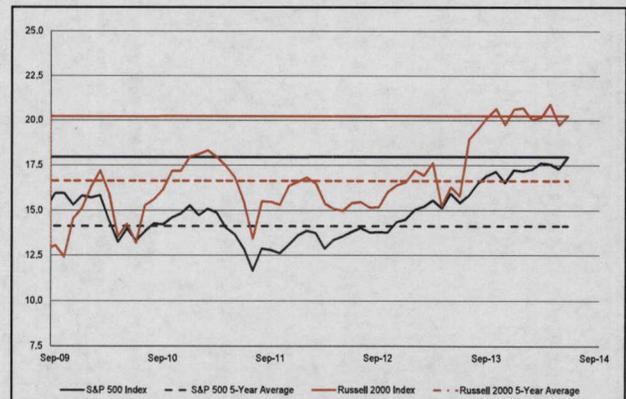
- U.S. equity markets experienced mild volatility during the quarter but managed to finish in positive territory for the quarter, with the S&P 500 Index up 1.1% for the quarter and 8.3% for the year.
- Small-cap equities, as measured by the Russell 2000 Index, continued to struggle year to date, losing 7.4% for the quarter and 4.4% for the year, while their large-cap counterparts returned a positive 0.6% for the quarter and are up nearly 8% for the year (as measured by the Russell 1000 Index).
- Growth-oriented stocks outpaced value-oriented stocks across all market cap spectrums, especially small-cap value stocks which fell 8.6%, posting the biggest loss for the quarter.
- Healthcare and Information Technology continued to exhibit strong performance for the year and trailing 12 months. Healthcare was up 5.5% for the quarter and 28.4% over the trailing 12-month period, while Information Technology was up 4.8% for the quarter and 29.3% over the trailing 12-month period.
- Despite the mild correction in small-cap equities, valuations continued to test long-term historical averages. The increased volatility and subsequent pull-back in small-cap equities may be due to a revaluation of stocks that were previously priced for high growth expectations.

S&P 500 Index Performance by Sector  
Quarter and 12 Months Ended September 30, 2014



Source: Standard & Poor's

P/E Ratios of Major Stock Indices\*



Source: Bloomberg

\*P/E ratios are calculated based on 1-year forward estimates and adjusted to include only positive earnings results for consistency.



# Quarterly Commentary

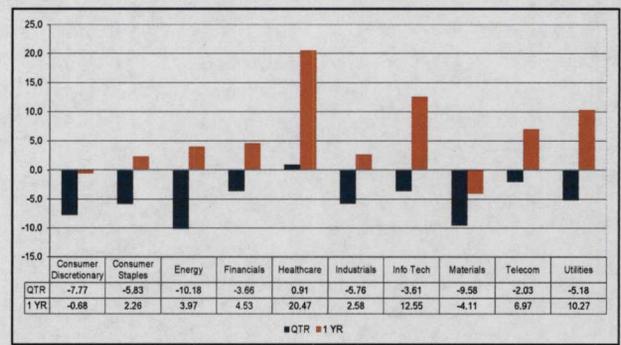
Third Quarter 2014

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## Non-U.S. Equity

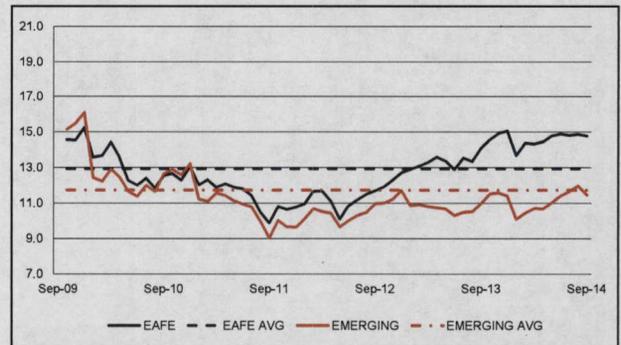
- Developed markets outside of North America produced a -5.9% return as measured by the MSCI EAFE Index (net).
- Portugal (-25%) and Austria (-21.6%) had the largest declines this quarter.
- Israel was the only developed country outside of the U.S. to post a gain (+0.2%).
- Japan fell 2.3% while the U.K. fell even farther, returning -6.1%.
- Emerging-markets equity, as measured by the MSCI Emerging Markets (EM) Index, fell 3.5% for the quarter. Of the larger weighted countries in the index, China rose 1.4%, while Brazil had a sharp selloff in September, leading to a -8.6% return for the quarter. Russia continued to decline due to economic sanctions, falling 15.4%. By contrast, the smaller Middle Eastern markets of Egypt, United Arab Emirates, and Qatar were up 28.1%, 22.9%, and 17.7%, respectively.
- The Healthcare sector posted a positive return and was up over 20% for the trailing year as measured by the MSCI All Country World Index (ACWI) ex-US, which includes stocks in developed and emerging markets. Energy stocks had a sharp reversal of the previous quarter's double-digit gain. Materials also were weak on U.S. dollar strength.

MSCI ACWI ex-US Sectors  
Quarter and 12 Months Ended September 30, 2014



Source: Bloomberg

P/E Ratios of MSCI Equity Indices\*



Source: Bloomberg

\*P/E ratios are calculated based on 1-year-forward estimates and adjusted to include only positive earnings results for consistency.



# Quarterly Commentary

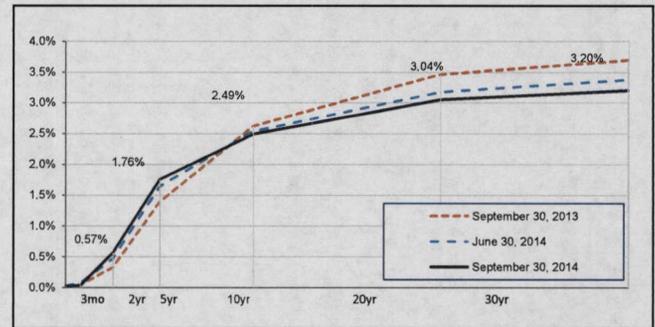
Third Quarter 2014

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Class Management

## Fixed Income

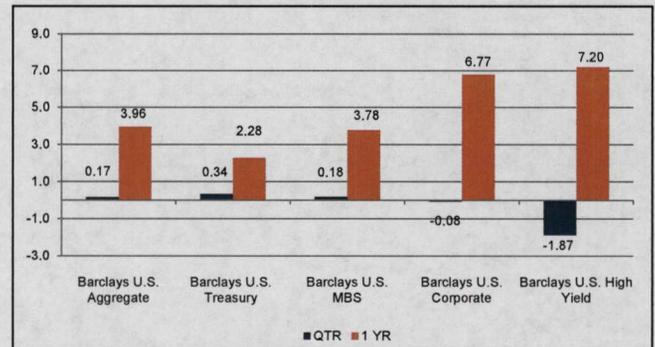
- A twist in the yield curve caused long-term rates to fall while the short end rose. The 10-year U.S. Treasury remained where it was at the prior quarter end.
- The Fed continued to taper its asset purchase program, with September purchases down to \$10 billion of Treasuries and \$5 billion of Agency mortgages.
- During the quarter, the Barclays Capital U.S. Aggregate Bond Index posted a 0.2% return, led by gains in Treasuries.
- Long-term Treasuries, as measured by the Barclays Capital Long U.S. Treasury Index, gained 2.7% and are up a surprising 15.2% year to date.
- Investment-grade corporates sold off 0.1% while high-yield bonds suffered a selloff in September, leading to a decline of 1.9% for the quarter.
- The Barclays Multiverse Index, which includes the Global Aggregate Index and Global High Yield Index, fell 3.2%.
- The ECB introduced a negative deposit rate of -0.1% on excess reserves to encourage lending.

U.S. Treasury Yield Curve



Source: Bloomberg

Returns for Fixed-Income Segments  
Quarter and 12 Months Ended September 30, 2014



Source: Bloomberg



# Quarterly Commentary

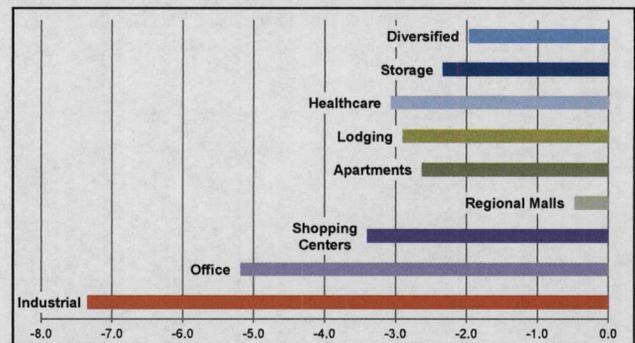
Third Quarter 2014

## Multi-Asset Class Management

### Alternative Asset Classes

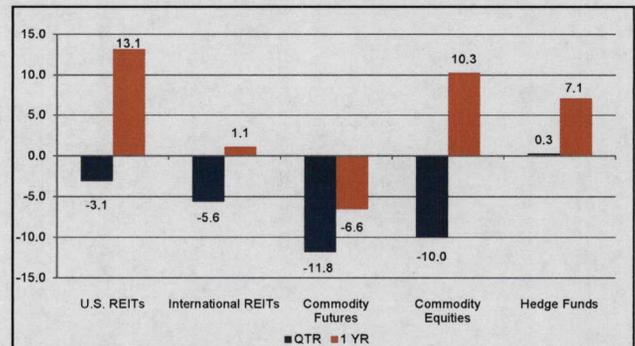
- U.S. real estate investment trusts (REITs)** fell 3.1% in the third quarter as measured by the FTSE NAREIT Equity REIT Index, as high valuations and the prospect of rising rates spurred a moderate selloff. A slight 0.03% return in July was followed by a larger gain of 2.9% in August and a sizeable 5.9% loss in September. Industrial and Office properties (which had shown strong performance in the first two quarters of 2014) led the selloff, while Regional Malls was the best relative performer. All sectors were in negative territory for the quarter.
- Private real estate**, as measured by the NCREIF Index of 7,300 properties nationwide, increased 2.9% during the second quarter of 2014 (third-quarter data not yet available). A 1.6% value appreciation supplemented a 1.3% income gain.
- Commodities** fell approximately 11.8% as measured by the Bloomberg Commodity Index of 19 raw materials futures. Over the trailing 12-month period, the Bloomberg Commodity Index was down 6.6%. Commodity-related equities, as measured by the S&P North American Natural Resources Sector Index, fell 10% during the quarter, attributable primarily to falling energy and crop prices.
- Hedge funds** were essentially flat for the third quarter, as the HFRI Fund Weighted Composite Index returned just 0.3%, slightly outpacing core fixed income but trailing large-cap equities. Hedge funds markedly outperformed small-cap equities, however, as high valuations triggered a selloff in the sector.
- Private equity** fundraising was down relative to the second quarter of 2014. According to Preqin, private equity funds raised \$73 billion in aggregate in the second quarter, with 127 funds reaching a final close. Venture and Buyout were the two most active sectors, with 58 and 37 funds closing within each sector, respectively, while Real Estate followed with 28 fund closings. North America-focused private equity funds led the way, closing 91 funds representing capital commitments of \$33 billion. Europe followed, with 46 funds closing on \$25 billion of capital. Uncommitted capital, known as "dry powder," remains at an all-time high of \$1.2 trillion.

FTSE NAREIT Sectors  
Quarter Ended September 30, 2014



Source: Bloomberg

Returns for Alternative Assets  
Quarter and 12 Months Ended September 30, 2014



Sources: Bloomberg and Hedge Fund Research, Inc.



# Quarterly Commentary

Third Quarter 2014

Multi-Asset  
Class Management

## PFMAM Investment Strategy Overview For Fourth Quarter 2014

Asset Class	PFMAM Investment Preference	Comments
U.S. Equities	Large Caps	We remain overweight on U.S. equities, driven by continuing improvement in the U.S. economy and reasonable valuation. After strong performance, the valuation for small-cap stocks looks less attractive.
	Small Caps	
Non-U.S. Equities	Developed Markets	We are also positive on non-U.S. developed markets due to reasonable/below-average valuation.
	Emerging Markets	We exited emerging-market equities in early 2013 due to deteriorating fundamentals. We are carefully monitoring emerging markets at this time.
Fixed Income	Long Duration, Interest-Rate-Sensitive Sectors	We are concerned about long-duration, interest-rate-sensitive fixed income.
	Credit-Sensitive Sectors	We are positive on credit-sensitive segments due to the improving economy and low default rates.
Core Real Estate		Returns from real estate are expected to be more muted going forward as prices have fully recovered and face headwinds from rising interest rates.
Alternatives	Hedge Funds	Due to rising assets under management and the proliferation of hedge funds and private equity funds, the relative performance from alternatives is unlikely to significantly outperform publicly traded markets.
	Private Equity	

Please refer to the last page of this document for important disclosures.



# Quarterly Commentary

Third Quarter 2014

Multi-Asset  
Class Management

## Disclosures

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*It is not possible to invest directly in an index. The index returns shown throughout this material do not represent the results of actual trading of investor assets. Third-party providers maintain the indices shown and calculate the index levels and performance shown or discussed. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.*

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## **Plan Performance Summary**



**Asset Allocation & Performance**  
**Port Authority of New York & New Jersey Retiree Health Benefits Trust**  
**As of September 30, 2014**

	Allocation			Performance(%)								
	Market Value (\$)	%	1 Month	1 Quarter	Year To Date	1 Year	2 Years	3 Years	4 Years	5 Years	Since Inception	Inception Date
<b>TOTAL FUND</b>	<b>815,179,914</b>	<b>100.00</b>	<b>-2.19</b>	<b>-1.30</b>	<b>4.64</b>	<b>9.72</b>	<b>10.31</b>	<b>12.48</b>	<b>9.31</b>	<b>9.13</b>	<b>6.25</b>	<b>07/01/2008</b>
<i>Blended Benchmark</i>			-2.35	-1.24	4.80	9.19	9.56	11.98	8.92	9.13	6.26	07/01/2008
<i>60 S&amp;P500 / 40 BC Agg</i>			-1.11	0.75	6.70	13.28	11.92	14.51	11.53	11.19	8.04	07/01/2008
<b>Domestic Equity</b>												
Vanguard Total Stock Market Index	329,803,023	40.46	-2.10	0.01	7.04	17.84	19.74	23.16	17.12	15.91	9.89	07/01/2008
<i>CRSP U.S. Total Market TR Index - effective 1/15/13</i>			-2.11	-0.02	6.98	17.77	19.67	23.00	16.93	15.86	9.83	07/01/2008
<i>Dow Jones U.S. Total Stock Market Index</i>			-2.13	-0.06	6.88	17.69	19.55	23.01	17.00	15.84	9.73	07/01/2008
<b>International Equity</b>												
Vanguard Total International Stock Index	59,321,301	7.28	-5.01	-5.56	-0.06	4.77	10.74	12.28	5.59	5.88	1.63	07/01/2008
<i>FTSE Global ex USA All Cap Index (Net) - effective 6/3/13</i>			-4.87	-5.33	0.39	5.18	10.87	12.15	5.94	6.52	2.27	07/01/2008
<i>MSCI AC World ex USA (Net)</i>			-4.84	-5.27	0.00	4.77	10.47	11.79	5.65	6.03	1.66	07/01/2008
Vanguard Developed Markets Index	106,914,034	13.12	-4.19	-6.09	-1.63	3.87	13.66	13.97	7.39	6.55	8.60	08/01/2013
<i>FTSE Developed x North America Index (Net) - effective 4/17/13</i>			-4.00	-5.82	-1.40	4.04	13.03	13.50	7.21	6.59	8.93	08/01/2013
<i>MSCI EAFE (net)</i>			-3.84	-5.88	-1.38	4.25	13.60	13.65	7.40	6.56	8.92	08/01/2013
<b>Real Estate</b>												
Vanguard REIT Index	27,598,092	3.39	-5.98	-3.12	13.99	13.21	9.42	16.57	12.57	15.94	8.07	07/01/2008
<i>MSCI US REIT Index - effective 5/1/2009</i>			-5.97	-3.11	14.03	13.26	9.44	16.63	12.58	15.96	7.67	07/01/2008
<i>FTSE NAREIT Equity REIT Index</i>			-5.95	-3.15	13.96	13.14	9.45	16.68	12.54	15.88	7.58	07/01/2008
<b>Fixed Income</b>												
Total Domestic Fixed Income	290,898,025	35.69	-0.63	0.28	4.74	4.19	1.16	2.43	3.13	4.07	4.78	07/01/2008
TCW Asset Management Company	145,461,138	17.84	-0.46	0.41	4.47	N/A	N/A	N/A	N/A	N/A	3.67	12/01/2013
Wells Capital Management Inc.	145,436,887	17.84	-0.79	0.14	5.00	N/A	N/A	N/A	N/A	N/A	4.52	12/01/2013
<i>Barclays Aggregate</i>			-0.68	0.17	4.10	3.96	1.10	2.43	3.13	4.12	3.51	12/01/2013
Vanguard Total Bond Market Index (sold - 11/21/13)	-	0.00	-0.71	0.18	4.11	3.91	1.01	2.34	3.07	4.06	4.85	07/01/2008
<i>Barclays U.S. Aggregate Float Adjusted - effective 1/1/2010</i>			-0.72	0.16	4.03	3.96	1.10	2.47	3.15	4.17	4.71	07/01/2009
<i>Barclays Aggregate</i>			-0.68	0.17	4.10	3.96	1.10	2.43	3.13	4.12	4.87	07/01/2008
Wells Fargo Treasury Plus Money Market	645,439	0.08	0.00	0.00	0.01	0.01	0.01	0.01	0.01	0.01	0.07	07/01/2008

Returns are net of mutual fund fees.  
Returns are expressed as percentages.  
Blended Benchmark: See historical hybrid composition page for details



**Comparative Performance**  
**Port Authority of New York & New Jersey Retiree Health Benefits Trust**  
**As of September 30, 2014**

	Year To Date	2013	2012	2011	2010	2009
<b>TOTAL FUND</b>	<b>4.64</b>	<b>14.55</b>	<b>11.94</b>	<b>1.22</b>	<b>10.91</b>	<b>18.92</b>
<i>Blended Benchmark</i>	<i>4.80</i>	<i>12.81</i>	<i>11.85</i>	<i>1.24</i>	<i>12.21</i>	<i>20.64</i>
<i>60 S&amp;P500 / 40 BC Agg</i>	<i>6.70</i>	<i>17.56</i>	<i>11.31</i>	<i>4.69</i>	<i>12.13</i>	<i>18.40</i>
<b>Domestic Equity</b>						
Vanguard Total Stock Market Index	7.04	33.63	16.53	1.11	17.25	28.92
<i>CRSP U.S. Total Market TR Index - effective 1/15/13</i>	<i>6.98</i>	<i>33.64</i>	<i>16.22</i>	<i>0.70</i>	<i>17.87</i>	<i>28.87</i>
<i>Dow Jones U.S. Total Stock Market Index</i>	<i>6.88</i>	<i>33.47</i>	<i>16.38</i>	<i>1.08</i>	<i>17.49</i>	<i>28.59</i>
<b>International Equity</b>						
Vanguard Total International Stock Index	-0.06	15.04	18.14	-14.56	11.12	36.73
<i>FTSE Global ex USA All Cap Index (Net) - effective 6/3/13</i>	<i>0.39</i>	<i>15.59</i>	<i>17.60</i>	<i>-14.25</i>	<i>12.98</i>	<i>44.63</i>
<i>MSCI AC World ex USA (Net)</i>	<i>0.00</i>	<i>15.29</i>	<i>16.83</i>	<i>-13.71</i>	<i>11.15</i>	<i>41.45</i>
Vanguard Developed Markets Index	-1.63	22.06	18.56	-12.51	8.36	28.27
<i>FTSE Developed x North America Index (Net) - effective 4/17/13</i>	<i>-1.40</i>	<i>21.47</i>	<i>17.98</i>	<i>-12.45</i>	<i>8.68</i>	<i>33.41</i>
<i>MSCI EAFE (net)</i>	<i>-1.38</i>	<i>22.78</i>	<i>17.32</i>	<i>-12.14</i>	<i>7.75</i>	<i>31.78</i>
<b>Real Estate</b>						
Vanguard REIT Index	13.99	2.48	17.65	8.70	28.56	29.76
<i>MSCI US REIT Index - effective 5/1/2009</i>	<i>14.03</i>	<i>2.47</i>	<i>17.78</i>	<i>8.68</i>	<i>28.47</i>	<i>28.61</i>
<i>FTSE NAREIT Equity REIT Index</i>	<i>13.96</i>	<i>2.47</i>	<i>18.06</i>	<i>8.29</i>	<i>27.94</i>	<i>28.01</i>
<b>Fixed Income</b>						
Total Domestic Fixed Income	4.74	-2.43	4.15	7.69	6.41	5.89
TCW Asset Management Company	4.47	N/A	N/A	N/A	N/A	N/A
Wells Capital Management Inc.	5.00	N/A	N/A	N/A	N/A	N/A
Vanguard Total Bond Market Index (sold - 11/21/13)	4.11	-2.13	4.18	7.72	6.58	6.09
<i>Barclays U.S. Aggregate Float Adjusted - effective 1/1/2010</i>	<i>4.03</i>	<i>-1.97</i>	<i>4.32</i>	<i>7.92</i>	<i>6.58</i>	<i>N/A</i>
<i>Barclays Aggregate</i>	<i>4.10</i>	<i>-2.02</i>	<i>4.21</i>	<i>7.84</i>	<i>6.54</i>	<i>5.93</i>
Wells Fargo Treasury Plus Money Market	0.01	0.01	0.01	0.01	0.01	0.01

Returns are net of mutual fund fees.  
Returns are expressed as percentages.  
Blended Benchmark: See historical hybrid composition page for details



**Summary Financial Reconciliation**  
**Port Authority of New York & New Jersey Retiree Health Benefits Trust**  
**As of September 30, 2014**

**QTR**

	Market Value As of 07/01/2014	Net Transfers	Contributions	Distributions	Return On Investment	Market Value As of 09/30/2014
TOTAL FUND	801,247,312	-	25,000,000	(367,960)	(10,699,438)	815,179,914

**YTD**

	Market Value As of 01/01/2014	Net Transfers	Contributions	Distributions	Return On Investment	Market Value As of 09/30/2014
TOTAL FUND	707,681,708	-	75,000,000	(578,853)	33,077,059	815,179,914

**1 Year**

	Market Value As of 10/01/2013	Net Transfers	Contributions	Distributions	Return On Investment	Market Value As of 09/30/2014
TOTAL FUND	650,987,902	-	100,000,000	(665,443)	64,857,454	815,179,914



**Financial Reconciliation**  
**Port Authority of New York & New Jersey Retiree Health Benefits Trust**  
**1 Quarter Ending September 30, 2014**

	Market Value As of 07/01/2014	Net Transfers	Contributions	Distributions	Return On Investment	Market Value As of 09/30/2014
TOTAL FUND	801,247,312	-	25,000,000	(367,960)	(10,699,438)	815,179,914
Vanguard Total Stock Market Index	319,873,752	10,000,000	-	-	(70,729)	329,803,023
Vanguard Total International Stock Index	42,315,233	20,000,000	-	-	(2,993,932)	59,321,301
Vanguard Developed Markets Index	134,492,410	(20,000,000)	-	-	(7,578,375)	106,914,034
Vanguard REIT Index	23,800,562	4,600,000	-	-	(802,470)	27,598,092
TCW Asset Management Company	139,899,674	5,000,000	-	(6,727)	568,191	145,461,138
Wells Capital Management Inc.	140,265,368	5,000,000	-	(6,344)	177,863	145,436,887
Vanguard Total Bond Market Index	-	-	-	-	-	-
Vanguard Short Term Bond Index	-	-	-	-	-	-
Wells Fargo Treasury Plus Money Market	600,313	(24,600,000)	25,000,000	(354,889)	15	645,439
Wells Fargo Prime Investment Money Market	-	-	-	-	-	-
Vanguard Short Term Bond Index (Prior Allocation)	-	-	-	-	-	-
Vanguard Interm-Term Invest. Grade	-	-	-	-	-	-



**Financial Reconciliation**  
**Port Authority of New York & New Jersey Retiree Health Benefits Trust**  
**1 Year Ending September 30, 2014**

	Market Value As of 10/01/2013	Net Transfers	Contributions	Distributions	Return On Investment	Market Value As of 09/30/2014
TOTAL FUND	650,987,902	-	100,000,000	(665,443)	64,857,454	815,179,914
Vanguard Total Stock Market Index	249,485,997	34,260,000	-	-	46,057,026	329,803,023
Vanguard Total International Stock Index	74,604,002	(17,750,000)	-	-	2,467,299	59,321,301
Vanguard Developed Markets Index	74,813,690	28,500,000	-	-	3,600,344	106,914,034
Vanguard REIT Index	36,364,036	(11,000,000)	-	-	2,234,056	27,598,092
TCW Asset Management Company	-	140,880,000	-	(15,891)	4,597,029	145,461,138
Wells Capital Management Inc.	-	139,970,000	-	(15,761)	5,482,648	145,436,887
Vanguard Total Bond Market Index	215,522,897	(215,941,853)	-	-	418,956	-
Vanguard Short Term Bond Index	-	-	-	-	-	-
Wells Fargo Treasury Plus Money Market	197,281	(98,918,147)	100,000,000	(633,790)	95	645,439
Wells Fargo Prime Investment Money Market	-	-	-	-	-	-
Vanguard Short Term Bond Index (Prior Allocation)	-	-	-	-	-	-
Vanguard Inter-Term Invest. Grade	-	-	-	-	-	-



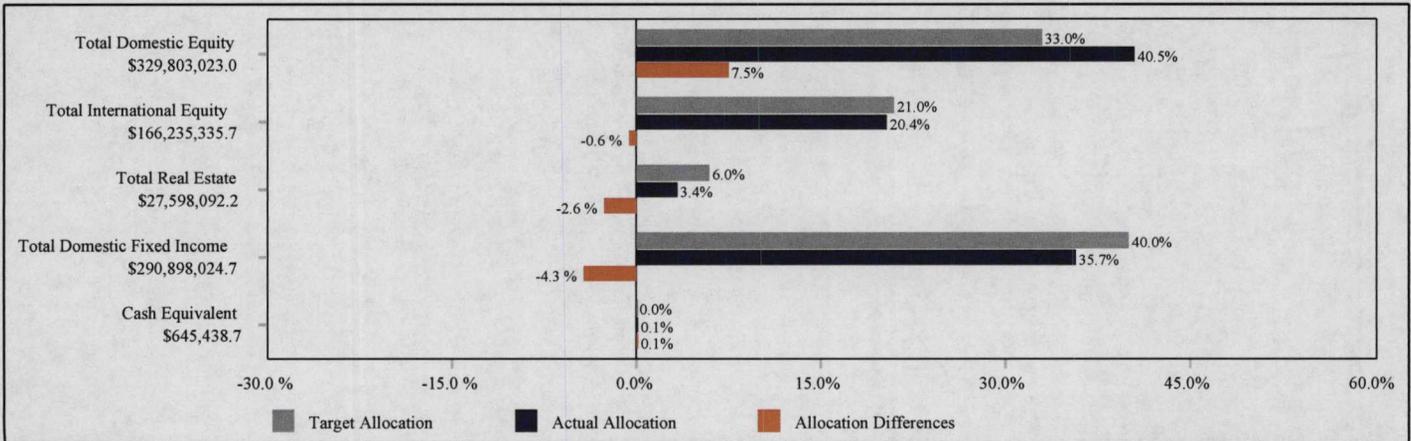
**Financial Reconciliation**  
**Port Authority of New York & New Jersey Retiree Health Benefits Trust**  
**June 1, 2008 To September 30, 2014**

	Market Value As of 06/01/2008	Net Transfers	Contributions	Distributions	Return On Investment	Market Value As of 09/30/2014
TOTAL FUND	-	-	623,895,455	(1,850,903)	193,135,363	815,179,914
Vanguard Total Stock Market Index	-	205,525,450	-	-	124,277,573	329,803,023
Vanguard Total International Stock Index	-	38,785,450	-	-	20,535,851	59,321,301
Vanguard Developed Markets Index	-	99,250,000	-	-	7,664,034	106,914,034
Vanguard REIT Index	-	19,753,300	-	-	7,844,792	27,598,092
TCW Asset Management Company	-	140,880,000	-	(15,891)	4,597,029	145,461,138
Wells Capital Management Inc.	-	139,970,000	-	(15,761)	5,482,648	145,436,887
Vanguard Total Bond Market Index	-	(20,737,654)	-	-	20,737,654	-
Vanguard Short Term Bond Index	-	(229,055)	-	-	229,055	-
Wells Fargo Treasury Plus Money Market	-	(581,525,753)	583,895,455	(1,749,727)	25,464	645,439
Wells Fargo Prime Investment Money Market	-	(39,930,639)	40,000,000	(69,523)	162	-
Vanguard Short Term Bond Index (Prior Allocation)	-	(1,361,315)	-	-	1,361,315	-
Vanguard Inter-Term Invest. Grade	-	(379,784)	-	-	379,784	-



**Asset Allocation Summary**  
**Port Authority of NY/NJ - Investment Assets**  
**As of September 30, 2014**

	Asset Allocation (%)	Target Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)	Differences (%)
TOTAL FUND	100.0	100.0	N/A	N/A	0.0
Total Domestic Equity	40.5	33.0	23.0	43.0	7.5
Total International Equity	20.4	21.0	11.0	31.0	-0.6
Total Real Estate	3.4	6.0	0.0	12.0	-2.6
Total Domestic Fixed Income	35.7	40.0	25.0	65.0	-4.3
Cash Equivalent	0.1	0.0	0.0	20.0	0.1



**Historical Hybrid Composition**  
**Blended Benchmark**  
**Port Authority of New York & New Jersey Retiree Health Benefits Trust**  
**As of September 30, 2014**

Allocation Mandate	Weight (%)
<b>Jul-2008</b>	
Dow Jones U.S. Total Stock Market Index	39.0
MSCI EAFE (net)	17.0
FTSE NAREIT Equity REIT Index	6.0
Barclays Aggregate	38.0
<b>Oct-2008</b>	
Dow Jones U.S. Total Stock Market Index	39.0
MSCI EAFE (net)	17.0
FTSE NAREIT Equity REIT Index	6.0
Barclays Aggregate	19.0
BarclaysGC 1-5 Yr Bond Index	19.0
<b>Jan-2009</b>	
Dow Jones U.S. Total Stock Market Index	33.0
MSCI EAFE (net)	21.0
FTSE NAREIT Equity REIT Index	6.0
Barclays Aggregate	40.0
<b>Jan-2011</b>	
Dow Jones U.S. Total Stock Market Index	33.0
MSCI AC World ex USA (Net)	21.0
FTSE NAREIT Equity REIT Index	6.0
Barclays Aggregate	40.0



**Flash Report - Preliminary Asset Allocation And Performance**  
**Port Authority of New York & New Jersey Retiree Health Benefits Trust**  
**As of October 31, 2014**

	Allocation			Performance(%)								Since Inception	Inception Date
	Market Value (\$)	%	1 Month	1 Quarter	Year To Date	1 Year	2 Years	3 Years	4 Years	5 Years			
<b>TOTAL FUND</b>	<b>828,876,481</b>	<b>100.00</b>	<b>1.72</b>	<b>1.74</b>	<b>6.44</b>	<b>8.46</b>	<b>11.55</b>	<b>10.73</b>	<b>9.16</b>	<b>9.78</b>	<b>6.45</b>	<b>07/01/2008</b>	
<i>Blended Benchmark</i>			<i>1.69</i>	<i>1.40</i>	<i>6.58</i>	<i>8.05</i>	<i>10.74</i>	<i>10.13</i>	<i>8.71</i>	<i>9.76</i>	<i>6.45</i>	<i>07/01/2008</i>	
<i>60 S&amp;P500 / 40 BC Agg</i>			<i>1.86</i>	<i>3.59</i>	<i>8.68</i>	<i>11.93</i>	<i>13.54</i>	<i>12.79</i>	<i>11.37</i>	<i>11.81</i>	<i>8.24</i>	<i>07/01/2008</i>	
<b>Domestic Equity</b>													
Vanguard Total Stock Market Index	338,802,345	40.87	2.73	4.77	9.96	16.13	22.42	19.83	16.78	17.14	10.22	07/01/2008	
<i>CRSP U.S. Total Market TR Index - effective 1/15/13</i>			<i>2.75</i>	<i>4.78</i>	<i>9.91</i>	<i>16.08</i>	<i>22.40</i>	<i>19.72</i>	<i>16.59</i>	<i>17.09</i>	<i>10.16</i>	<i>07/01/2008</i>	
<i>Dow Jones U.S. Total Stock Market Index</i>			<i>2.75</i>	<i>4.77</i>	<i>9.83</i>	<i>16.00</i>	<i>22.26</i>	<i>19.70</i>	<i>16.67</i>	<i>17.09</i>	<i>10.07</i>	<i>07/01/2008</i>	
<b>International Equity</b>													
Vanguard Total International Stock Index	59,158,688	7.14	-0.31	-4.31	-0.36	1.00	10.26	8.59	4.59	6.28	1.56	07/01/2008	
<i>FTSE Global ex USA All Cap Index (Net) - effective 6/3/13</i>			<i>-1.11</i>	<i>-5.36</i>	<i>-0.72</i>	<i>0.37</i>	<i>10.04</i>	<i>8.08</i>	<i>4.76</i>	<i>6.55</i>	<i>2.06</i>	<i>07/01/2008</i>	
<i>MSCI AC World ex USA (Net)</i>			<i>-0.99</i>	<i>-5.26</i>	<i>-0.99</i>	<i>0.06</i>	<i>9.71</i>	<i>7.76</i>	<i>4.51</i>	<i>6.09</i>	<i>1.48</i>	<i>07/01/2008</i>	
Vanguard Developed Markets Index	106,432,680	12.84	-0.47	-4.36	-2.09	0.15	12.75	10.45	6.25	6.96	7.60	08/01/2013	
<i>FTSE Developed x North America Index (Net) - effective 4/17/13</i>			<i>-1.52</i>	<i>-5.62</i>	<i>-2.90</i>	<i>-0.84</i>	<i>11.75</i>	<i>9.33</i>	<i>5.89</i>	<i>6.59</i>	<i>6.99</i>	<i>08/01/2013</i>	
<i>MSCI EAFE (net)</i>			<i>-1.45</i>	<i>-5.38</i>	<i>-2.81</i>	<i>-0.60</i>	<i>12.30</i>	<i>9.68</i>	<i>6.06</i>	<i>6.52</i>	<i>7.04</i>	<i>08/01/2013</i>	
<b>Real Estate</b>													
Vanguard REIT Index	30,347,395	3.66	9.96	6.47	25.34	19.15	15.23	15.06	13.92	19.29	9.59	07/01/2008	
<i>MSCI US REIT Index - effective 5/1/2009</i>			<i>9.97</i>	<i>6.47</i>	<i>25.40</i>	<i>19.19</i>	<i>15.24</i>	<i>15.10</i>	<i>13.95</i>	<i>19.31</i>	<i>9.20</i>	<i>07/01/2008</i>	
<i>FTSE NAREIT Equity REIT Index</i>			<i>9.94</i>	<i>6.45</i>	<i>25.29</i>	<i>19.06</i>	<i>15.24</i>	<i>15.14</i>	<i>13.92</i>	<i>19.19</i>	<i>9.10</i>	<i>07/01/2008</i>	
<b>Fixed Income</b>													
Total Domestic Fixed Income	293,790,798	35.44	1.00	1.51	5.78	4.41	1.60	2.71	3.29	4.18	4.88	07/01/2008	
TCW Asset Management Company	146,634,744	17.69	0.81	1.32	5.32	N/A	N/A	N/A	N/A	N/A	4.52	12/01/2013	
Wells Capital Management Inc.	147,156,054	17.75	1.19	1.70	6.25	N/A	N/A	N/A	N/A	N/A	5.76	12/01/2013	
<i>Barclays Aggregate</i>			<i>0.98</i>	<i>1.40</i>	<i>5.12</i>	<i>4.14</i>	<i>1.49</i>	<i>2.73</i>	<i>3.29</i>	<i>4.22</i>	<i>4.53</i>	<i>12/01/2013</i>	
Vanguard Total Bond Market Index (sold - 11/21/13)	-	0.00	0.95	1.38	5.10	4.08	1.42	2.60	3.21	4.17	4.95	07/01/2008	
<i>Barclays Aggregate</i>			<i>0.98</i>	<i>1.40</i>	<i>5.12</i>	<i>4.14</i>	<i>1.49</i>	<i>2.73</i>	<i>3.29</i>	<i>4.22</i>	<i>4.97</i>	<i>07/01/2008</i>	
Wells Fargo Treasury Plus Money Market	344,575	0.04	0.00	0.00	0.01	0.01	0.01	0.01	0.01	0.01	0.07	07/01/2008	

Returns are net of mutual fund fees.  
Returns are expressed as percentages.  
Blended Benchmark: 33% Dow Jones Total Stock Mkt, 21% MSCI AC World Ex US (net), 6% NAREIT Equity REIT, 40% Barclays Capital Aggregate



**Asset Allocation and Fees**  
**Port Authority of New York and New Jersey Retiree Health Benefits Trust**  
**As of October 31, 2014**

	Market Value (\$)	% of Portfolio	Fee
<b>TOTAL FUND</b>	<b>828,876,481</b>	<b>100.00%</b>	<b>0.13%</b>
<b>Domestic Equity</b>			
Vanguard Total Stock Market Index	338,802,345	40.87%	0.02%
<b>International Equity</b>			
Vanguard Total International Stock Index	59,158,688	7.14%	0.10%
Vanguard Developed Market Index	106,432,680	12.84%	0.07%
<b>Real Estate</b>			
Vanguard REIT Index	30,347,395	3.66%	0.08%
<b>Fixed Income</b>			
TCW Asset Management Company	146,634,744	17.69%	0.25%
Wells Capital Management Inc.	147,156,054	17.75%	0.30%
Vanguard Total Bond Market Index (sold - 11/21/13)	-	0.00%	0.05%
Wells Fargo Treasury Plus Money Market	344,575	0.04%	0.20%



PORT AUTHORITY NY/NJ

Strategy: 6040

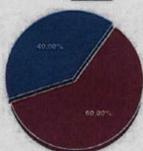
Account: MAC-PORT

Portfolio #: 54577135

Securities Held As Of: 11/18/2014

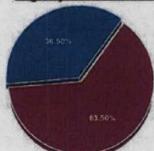
		Security Prices as of: 11/18/2014			Report Generated at 10:09:00AM on 11/19/2014				
	Cusip	Ticker	Shares	Price	Market Value	Allocation	Target	% Diff	\$ Diff
<b>Domestic Equity</b>									
VANGUARD INS TOT STOCK IN-INS+	922040407	VITPX	7,376,493.47	\$ 46.68	\$344,334,715.13	41.37%	33.00%	8.37%	\$69,645,893.90
<b>Domestic Equity Total</b>					<b>\$344,334,715.13</b>	<b>41.37%</b>	<b>33.00%</b>	<b>8.37%</b>	<b>\$69,645,893.90</b>
<b>International Equity</b>									
VANGUARD TOTAL INTL STOCK INDEX - INSTL+	921909776	VTPSX	542,044.06	\$ 108.51	\$58,817,200.41	7.07%	10.50%	-3.43%	\$28,583,788.17
VANGUARD DEV MKT INX-INST PL	92206J206	VDIPX	5,348,375.90	\$ 19.84	\$106,111,777.88	12.75%	10.50%	2.25%	\$18,710,789.30
<b>International Equity Total</b>					<b>\$164,928,978.28</b>	<b>19.81%</b>	<b>21.00%</b>	<b>-1.19%</b>	<b>\$9,872,998.87</b>
<b>Fixed Income</b>									
WELLS CAP SEPACCT	WELLSCAP4	SA40	139,948,262.02	\$ 104.51	\$146,254,985.52	17.57%	20.00%	-2.43%	\$20,223,087.95
TCW SEPACCT	TCW000008	SA41	140,856,761.66	\$ 103.75	\$146,144,696.34	17.56%	20.00%	-2.44%	\$20,333,377.14
<b>Fixed Income Total</b>					<b>\$292,399,681.86</b>	<b>35.13%</b>	<b>40.00%</b>	<b>-4.87%</b>	<b>\$40,556,465.09</b>
<b>Cash Equivalent</b>									
WELLS FARGO ADVANTAGE TREAS PLUS MM INST	VP7000061	WFMM	344,574.58	\$ 1.00	\$344,574.58	0.04%	0.00%	0.04%	\$344,574.58
<b>Cash Equivalent Total</b>					<b>\$344,574.58</b>	<b>0.04%</b>	<b>0.00%</b>	<b>0.04%</b>	<b>\$344,574.58</b>
<b>Others</b>									
VANGUARD REIT INDEX FUND - INS	921908869	VGSNX	1,751,147.98	\$ 17.35	\$30,382,417.52	3.65%	6.00%	-2.35%	\$19,561,004.52
<b>Other-Growth Total</b>					<b>\$30,382,417.52</b>	<b>3.65%</b>	<b>6.00%</b>	<b>-2.35%</b>	<b>\$19,561,004.52</b>
<b>Portfolio Total</b>					<b>\$832,390,367.38</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.00%</b>	

Target Equity to Fixed Ratio



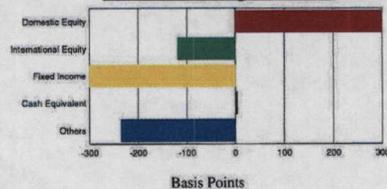
■ Fixed ■ Equity

Actual Portfolio Equity to Fixed Ratio



■ Fixed ■ Equity

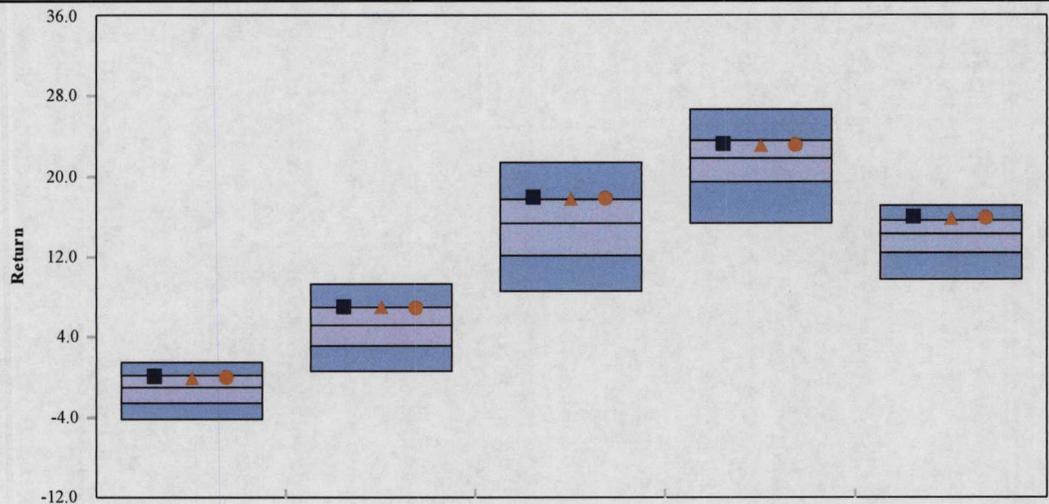
% Over / Under Target Allocation



**Peer Group Analysis**



**Peer Group Analysis - Trailing**  
**IM U.S. All Cap Core Equity (SA+CF+MF)**  
**Port Authority of New York & New Jersey Retiree Health Benefits Trust**  
**As of September 30, 2014**

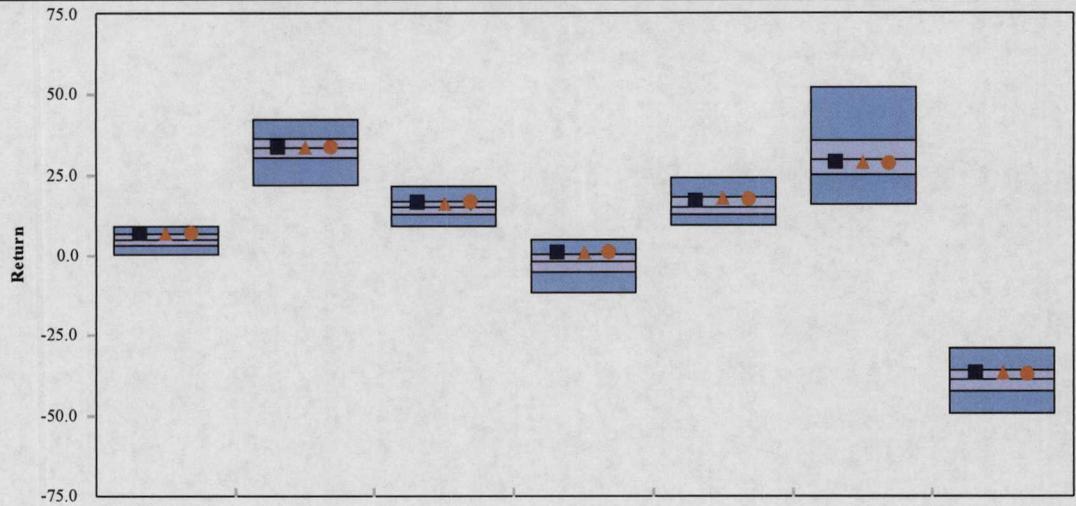


	<b>1 Quarter</b>	<b>Year To Date</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>
■ Vanguard Total Stock Market Index	0.01 (28)	7.04 (23)	17.84 (24)	23.16 (31)	15.91 (19)
▲ CRSP U.S. Total Market TR Index	-0.02 (30)	6.98 (24)	17.77 (24)	23.00 (35)	15.86 (20)
● Dow Jones U.S. Total Stock Market Index	-0.06 (32)	6.88 (26)	17.69 (25)	23.01 (35)	15.84 (21)
5th Percentile	1.52	9.34	21.38	26.70	17.23
1st Quartile	0.16	6.93	17.68	23.58	15.66
Median	-0.96	5.18	15.36	21.82	14.37
3rd Quartile	-2.52	3.16	12.16	19.47	12.44
95th Percentile	-4.22	0.66	8.60	15.36	9.79
Population	921	894	875	793	682

Parentheses contain percentile rankings.  
Returns are expressed as percentages.  
Calculation based on quarterly periodicity.  
Vanguard and MF Peer Group Returns are net of fees and SA+CF Peer Group Returns are gross of fees



**Peer Group Analysis - Calendar**  
**IM U.S. All Cap Core Equity (SA+CF+MF)**  
**Port Authority of New York & New Jersey Retiree Health Benefits Trust**  
**As of September 30, 2014**

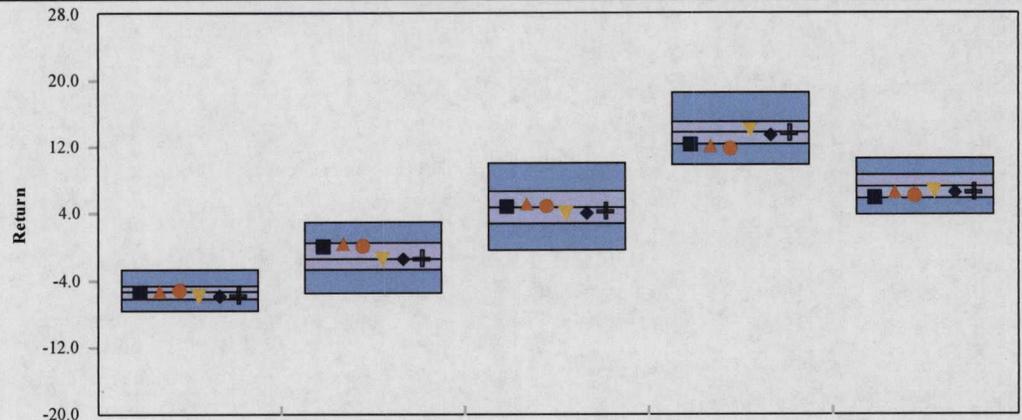


	Year To Date	2013	2012	2011	2010	2009	2008
■ Vanguard Total Stock Market Index	7.04 (23)	33.63 (47)	16.53 (31)	1.11 (18)	17.25 (32)	28.92 (57)	-36.89 (31)
▲ CRSP U.S. Total Market TR Index	6.98 (24)	33.64 (47)	16.22 (37)	0.70 (23)	17.87 (28)	28.87 (57)	-36.99 (32)
● Dow Jones U.S. Total Stock Market Index	6.88 (26)	33.47 (49)	16.38 (34)	1.08 (19)	17.49 (30)	28.59 (59)	-37.23 (35)
5th Percentile	9.34	42.13	21.61	5.09	24.34	52.47	-28.85
1st Quartile	6.93	36.54	17.13	0.41	18.49	35.79	-35.99
Median	5.18	33.36	15.26	-1.81	15.03	29.93	-38.88
3rd Quartile	3.16	30.15	12.79	-4.95	13.09	25.15	-42.14
95th Percentile	0.66	21.94	9.30	-11.36	9.83	16.18	-49.03
Population	894	865	869	868	878	868	904

Parentheses contain percentile rankings.  
Returns are expressed as percentages.  
Calculation based on quarterly periodicity.  
Vanguard and MF Peer Group Returns are net of fees and SA+CF Peer Group Returns are gross of fees.



**Peer Group Analysis - Trailing**  
**IM International Large Cap Equity (SA+CF+MF)**  
**Port Authority of New York & New Jersey Retiree Health Benefits Trust**  
**As of September 30, 2014**

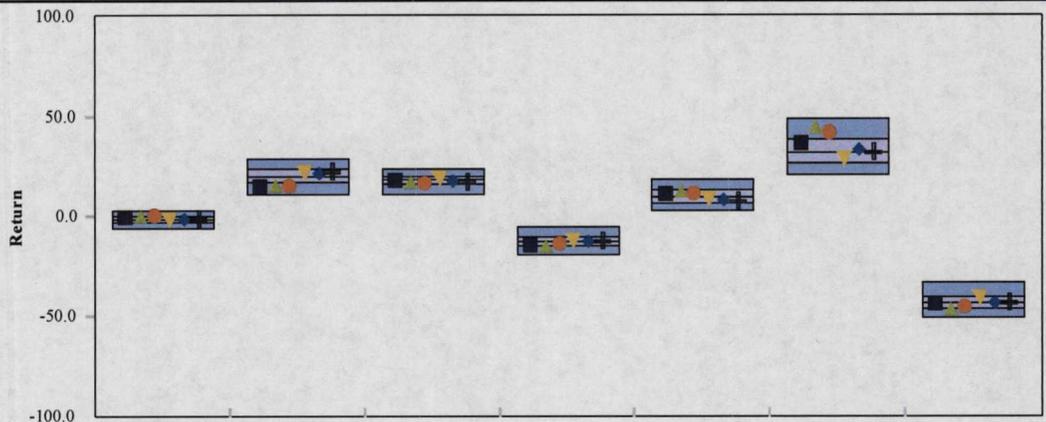


	1 Quarter	Year To Date	1 Year	3 Years	5 Years
■ Vanguard Total International Stock Index	-5.56 (56)	-0.06 (33)	4.77 (50)	12.28 (79)	5.88 (75)
▲ FTSE Global ex USA All Cap Index (Net)	-5.33 (49)	0.39 (27)	5.18 (45)	12.15 (82)	6.52 (63)
● MSCI AC World ex USA (Net)	-5.27 (48)	0.00 (32)	4.77 (50)	11.79 (86)	6.03 (72)
▼ Vanguard Developed Markets Index	-6.09 (73)	-1.63 (58)	3.87 (62)	13.97 (46)	6.55 (62)
◆ FTSE Developed x North America Index (Net)	-5.82 (65)	-1.40 (52)	4.04 (59)	13.50 (57)	6.59 (62)
+ MSCI EAFE (net)	-5.88 (66)	-1.38 (51)	4.25 (57)	13.65 (53)	6.56 (62)
5th Percentile	-2.60	3.05	10.09	18.63	10.68
1st Quartile	-4.55	0.50	6.69	15.13	8.67
Median	-5.36	-1.33	4.73	13.77	7.26
3rd Quartile	-6.13	-2.71	2.80	12.50	5.87
95th Percentile	-7.65	-5.43	-0.30	9.92	3.92
Population	742	725	708	648	591

Parentheses contain percentile rankings.  
Returns are expressed as percentages.  
Calculation based on quarterly periodicity.  
Vanguard Returns are net of fees and Peer Group Returns are gross of fees.



**Peer Group Analysis - Calendar**  
**IM International Large Cap Equity (SA+CF+MF)**  
**Port Authority of New York & New Jersey Retiree Health Benefits Trust**  
**As of September 30, 2014**

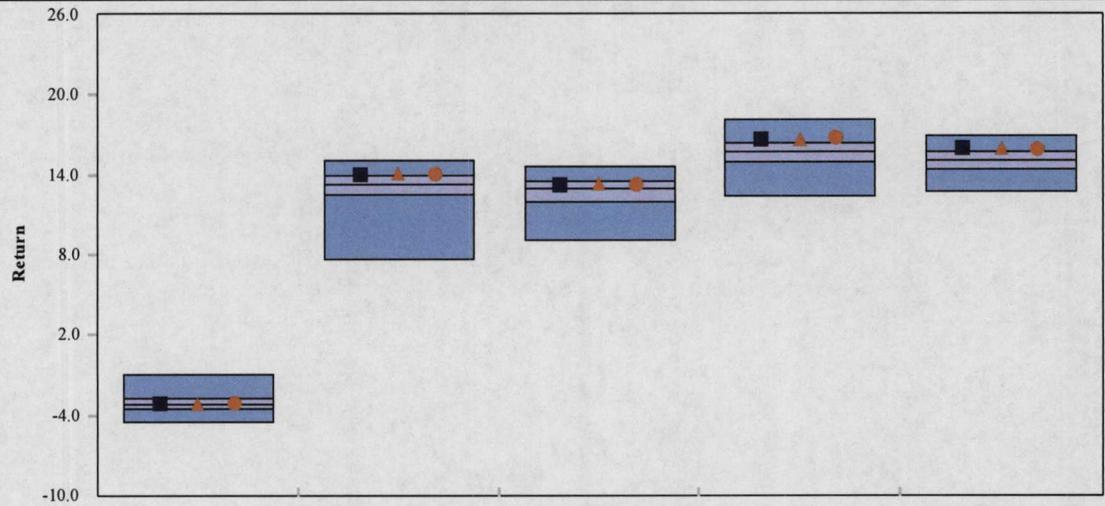


	Year To Date	2013	2012	2011	2010	2009	2008
■ Vanguard Total International Stock Index	-0.06 (33)	15.04 (87)	18.14 (55)	-14.56 (76)	11.12 (42)	36.73 (32)	-44.10 (58)
▲ FTSE Global ex USA All Cap Index (Net)	0.39 (27)	15.59 (85)	17.60 (62)	-14.25 (73)	12.98 (30)	44.63 (11)	-46.15 (74)
● MSCI AC World ex USA (Net)	0.00 (32)	15.29 (86)	16.83 (71)	-13.71 (66)	11.15 (41)	41.45 (17)	-45.53 (70)
▼ Vanguard Developed Markets Index	-1.63 (58)	22.06 (36)	18.56 (50)	-12.51 (51)	8.36 (63)	28.27 (68)	-41.27 (32)
◆ FTSE Developed x North America Index (Net)	-1.40 (52)	21.47 (44)	17.98 (57)	-12.45 (50)	8.68 (60)	33.41 (46)	-43.44 (52)
+ MSCI EAFE (net)	-1.38 (51)	22.78 (31)	17.32 (65)	-12.14 (47)	7.75 (68)	31.78 (52)	-43.38 (52)
5th Percentile	3.05	29.22	24.23	-4.68	18.89	49.31	-33.19
1st Quartile	0.50	23.69	20.58	-9.83	13.51	38.45	-40.55
Median	-1.33	20.63	18.51	-12.50	10.04	32.06	-43.20
3rd Quartile	-2.71	17.65	16.34	-14.55	6.83	26.99	-46.41
95th Percentile	-5.43	11.81	11.47	-18.71	3.04	21.11	-50.28
Population	725	734	761	818	869	882	875

Parentheses contain percentile rankings.  
Returns are expressed as percentages.  
Calculation based on quarterly periodicity.  
Vanguard Returns are net of fees and Peer Group Returns are gross of fees.



**Peer Group Analysis - Trailing**  
**IM Real Estate Sector (MF)**  
**Port Authority of New York & New Jersey Retiree Health Benefits Trust**  
**As of September 30, 2014**

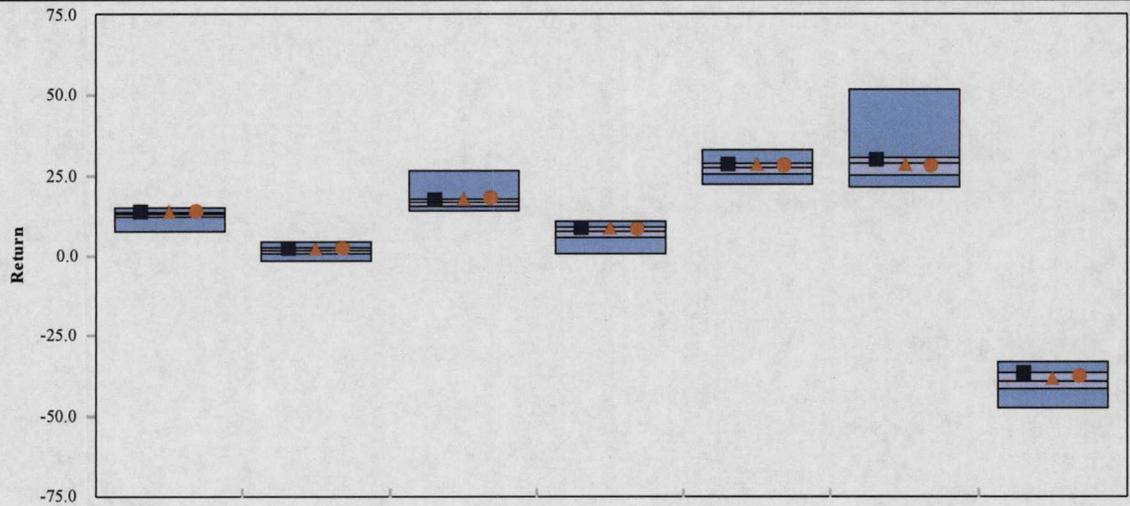


	<b>1 Quarter</b>	<b>Year To Date</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>
■ Vanguard REIT Index	-3.12 (52)	13.99 (26)	13.21 (39)	16.57 (19)	15.94 (12)
▲ MSCI US REIT Index	-3.11 (50)	14.03 (23)	13.26 (36)	16.63 (18)	15.96 (12)
● FTSE NAREIT Equity REIT Index	-3.15 (55)	13.96 (28)	13.14 (43)	16.68 (17)	15.88 (17)
5th Percentile	-0.94	15.11	14.59	18.14	16.91
1st Quartile	-2.70	14.00	13.53	16.34	15.70
Median	-3.11	13.33	12.95	15.77	15.08
3rd Quartile	-3.43	12.49	11.92	14.90	14.41
95th Percentile	-4.46	7.71	9.05	12.45	12.72
Population	263	257	250	217	174

Parentheses contain percentile rankings.  
Returns are expressed as percentages.  
Calculation based on monthly periodicity.  
Vanguard Returns are net of fees and Peer Group Returns are gross of fees.



**Peer Group Analysis - Calendar**  
**IM Real Estate Sector (MF)**  
**Port Authority of New York & New Jersey Retiree Health Benefits Trust**  
**As of September 30, 2014**

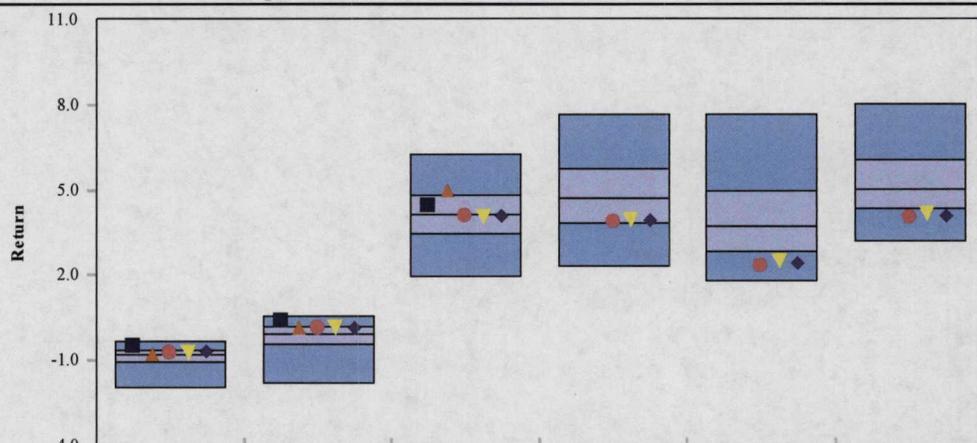


	Year To Date	2013	2012	2011	2010	2009	2008
■ Vanguard REIT Index	13.99 (26)	2.48 (27)	17.65 (31)	8.70 (38)	28.56 (30)	29.76 (41)	-36.95 (29)
▲ MSCI US REIT Index	14.03 (23)	2.47 (28)	17.78 (28)	8.68 (38)	28.47 (32)	28.61 (55)	-37.98 (39)
● FTSE NAREIT Equity REIT Index	13.96 (28)	2.47 (28)	18.06 (25)	8.29 (46)	27.94 (41)	28.01 (60)	-37.74 (38)
5th Percentile	15.11	4.72	26.83	11.24	33.04	51.93	-33.04
1st Quartile	14.00	2.66	18.04	9.27	28.96	30.99	-36.46
Median	13.33	1.63	16.83	7.89	27.45	29.03	-38.99
3rd Quartile	12.49	0.70	15.82	5.79	25.73	25.39	-41.31
95th Percentile	7.71	-1.44	14.44	0.81	22.56	21.83	-47.47
Population	257	242	238	211	214	210	215

Parentheses contain percentile rankings.  
Returns are expressed as percentages.  
Calculation based on monthly periodicity.  
Vanguard Returns are net of fees and Peer Group Returns are gross of fees.



**Peer Group Analysis - Trailing**  
**IM U.S. Broad Market Fixed Income (SA+CF+MF)**  
**Port Authority of New York & New Jersey Retiree Health Benefits Trust**  
**As of September 30, 2014**



	1 Month Ending Sep-2014	1 Quarter	Year To Date	1 Year	3 Years	5 Years
■ TCW Asset Management Company	-0.46 (10)	0.41 (8)	4.47 (37)	N/A	N/A	N/A
▲ Wells Capital Management Inc.	-0.79 (52)	0.14 (31)	5.00 (20)	N/A	N/A	N/A
● Vanguard Total Bond Market Index (sold - 11/21/13)	-0.71 (39)	0.18 (26)	4.11 (54)	3.91 (74)	2.34 (88)	4.06 (83)
▼ Barclays U.S. Aggregate Float Adjusted	-0.72 (42)	0.16 (29)	4.03 (58)	3.96 (73)	2.47 (85)	4.17 (81)
◆ Barclays Aggregate	-0.68 (33)	0.17 (28)	4.10 (55)	3.96 (73)	2.43 (86)	4.12 (82)
5th Percentile	-0.29	0.57	6.26	7.65	7.68	8.05
1st Quartile	-0.63	0.18	4.81	5.75	4.99	6.08
Median	-0.78	-0.07	4.17	4.72	3.72	5.06
3rd Quartile	-1.05	-0.42	3.47	3.86	2.86	4.37
95th Percentile	-1.92	-1.75	1.97	2.35	1.81	3.22
Population	1,389	1,372	1,334	1,313	1,152	1,013

Parenteses contain percentile rankings.  
Returns are expressed as percentages.  
Calculation based on monthly periodicity.  
Vanguard Returns are net of fees. Active managers and Peer Group Returns are gross of fees.



**Peer Group Analysis - Calendar**  
**IM U.S. Broad Market Fixed Income (SA+CF+MF)**  
**Port Authority of New York & New Jersey Retiree Health Benefits Trust**  
**As of September 30, 2014**



	Year To Date	2013	2012	2011	2010	2009	2008
■ TCW Asset Management Company	4.47 (37)	N/A	N/A	N/A	N/A	N/A	N/A
▲ Wells Capital Management Inc.	5.00 (20)	N/A	N/A	N/A	N/A	N/A	N/A
● Vanguard Total Bond Market Index	4.11 (54)	-2.13 (76)	4.18 (90)	7.72 (25)	6.58 (80)	6.09 (91)	5.19 (15)
▼ Barclays U.S. Aggregate Float Adjusted	4.03 (58)	-1.97 (70)	4.32 (89)	7.92 (19)	6.58 (80)	N/A	N/A
◆ Barclays Aggregate	4.10 (55)	-2.02 (72)	4.21 (90)	7.84 (22)	6.54 (81)	5.93 (92)	5.24 (15)
5th Percentile	6.26	3.84	13.06	9.05	12.97	32.21	7.26
1st Quartile	4.81	-0.18	9.17	7.69	9.32	18.41	3.59
Median	4.17	-1.32	7.01	6.68	7.76	12.95	-2.72
3rd Quartile	3.47	-2.12	5.45	5.30	6.79	8.81	-9.48
95th Percentile	1.97	-3.36	3.72	1.77	5.16	4.95	-20.82
Population	1,334	1,307	1,284	1,282	1,267	1,232	1,261

Parentheses contain percentile rankings.  
Returns are expressed as percentages.  
Calculation based on quarterly periodicity.  
Vanguard Returns are net of fees and Peer Group Returns are gross of fees.



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## **Investment Manager Review**



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- **Vanguard Total Stock Market Index**

- **Management:** Gerard C. O'Reilly has managed the Fund since its inception. Tim Buckley is Chief Investment Officer of Vanguard. He is responsible for the oversight of Vanguard's Quantitative Equity and Fixed Income Groups, which include equity index funds.
- **Objective:** The Fund seeks to track the performance of a benchmark index that measures the investment return of the overall stock market.
- **Strategy:** The Fund employs a "passive management" – or indexing – investment approach designed to track the performance of the CRSP US Total Market Index, which represents approximately 100% of investable U.S. stock market and includes large-, mid-, small-, and micro-cap stocks regularly traded on the New York Stock Exchanges and the Nasdaq over-the-counter market. The Fund invests by sampling the index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full index in terms of key characteristics. These key characteristics include industry weightings and market capitalization, as well as certain financial measures, such as price/earnings ratio and dividend yield.

- **Vanguard Total International Stock Index**

- **Management:** The Fund is managed by Vanguard's Quantitative Equity Group as a fund of funds. Tim Buckley is Chief Investment Officer of Vanguard. He is responsible for the oversight of Vanguard's Quantitative Equity and Fixed Income Groups, which include equity index funds.
- **Objective:** The Fund seeks to track the performance of a benchmark index that measures the investment return of stocks issued by companies located in developed and emerging markets, excluding the United States.
- **Strategy:** The Fund employs a "passive management" – or indexing – investment approach designed to track the performance of the FTSE Global All Cap ex US Index, a free-float-adjusted market-capitalization weighted index designed to measure equity market performance of companies located in developed and emerging markets, excluding the United States. The index includes 5,300 stocks of companies located in 46 countries. The Fund invests substantially all of its assets in the common stocks included in its target index.

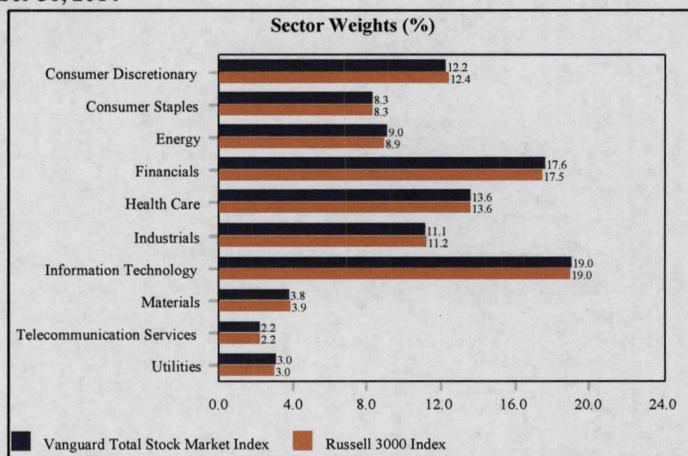
- **Vanguard Developed Market Index**

- **Management:** Donald M. Butler, CFA, Principal, has managed the Fund since 2010. Tim Buckley is Chief Investment Officer of Vanguard. He is responsible for the oversight of Vanguard's Quantitative Equity and Fixed Income Groups, which include equity index funds.
- **Objective:** The Fund seeks to track the performance of a benchmark index that measures the investment return of stocks issued by companies in the major markets of Europe and the Pacific region.
- **Strategy:** The Fund employs a "passive management" – or indexing – investment approach designed to track the performance of the FTSE Developed ex North America Index, which includes 1,383 common stocks of companies located in developed countries of Europe, Australia, Asia, and the Far East. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the index.



**Portfolio Characteristics**  
**Vanguard Total Stock Market Index vs. Russell 3000 Index**  
**As of September 30, 2014**

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	105,931	106,043
Median Mkt. Cap (\$M)	845	1,438
Price/Earnings ratio	18.92	18.94
Price/Book ratio	2.84	2.84
5 Yr. EPS Growth Rate (%)	14.71	14.58
Current Yield (%)	1.89	1.90
Beta (5 Years, Monthly)	1.00	1.00
Number of Stocks	3,754	2,983



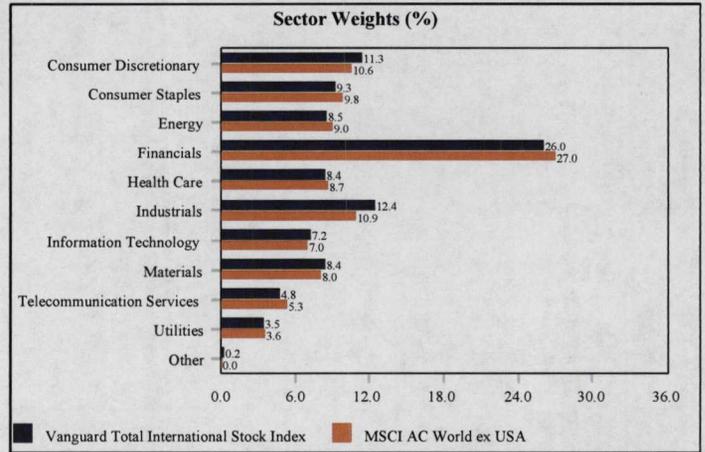
Top Ten Equity Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Apple Inc	2.79	2.79	0.00	8.95
Exxon Mobil Corp	1.86	1.86	0.00	-5.93
Microsoft Corp	1.59	1.76	-0.17	11.86
Johnson & Johnson	1.39	1.39	0.00	2.57
Wells Fargo & Co	1.26	1.14	0.12	-0.62
General Electric Co	1.19	1.18	0.01	-1.69
Berkshire Hathaway Inc	1.12	1.16	-0.04	9.15
JPMorgan Chase & Co	1.05	1.05	0.00	5.27
Procter & Gamble Co (The)	1.05	1.04	0.01	7.40
Chevron Corp	1.05	1.04	0.01	-7.83
% of Portfolio	14.35	14.41		

Ten Best Performers				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Puma Biotechnology Inc	0.03	0.03	0.00	261.47
GoPro Inc	0.01	0.00	0.01	131.07
Ambit Biosciences Corp	0.00	0.00	0.00	122.87
XRS Corp	0.00	0.00	0.00	115.95
AVANIR Pharmaceuticals Inc	0.01	0.01	0.00	111.35
EveryWare Global Inc	0.00	0.00	0.00	102.31
Cosi Inc	0.00	0.00	0.00	97.37
Novatel Wireless Inc	0.00	0.00	0.00	92.15
OvaScience Inc	0.00	0.00	0.00	81.03
Peregrine Semiconductor Corp	0.00	0.00	0.00	80.32
% of Portfolio	0.05	0.04		

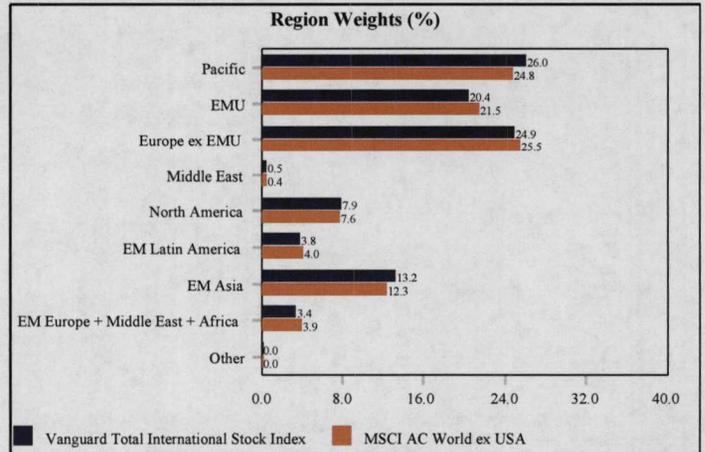


**Portfolio Characteristics**  
**Vanguard Total International Stock Index vs. MSCI AC World ex USA**  
**As of September 30, 2014**

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	49,582	57,117
Median Mkt. Cap (\$M)	1,539	7,225
Price/Earnings ratio	14.91	14.71
Price/Book ratio	2.11	2.12
5 Yr. EPS Growth Rate (%)	13.89	13.79
Current Yield (%)	3.04	3.13
Beta (5 Years, Monthly)	1.03	1.00
Number of Stocks	5,750	1,829

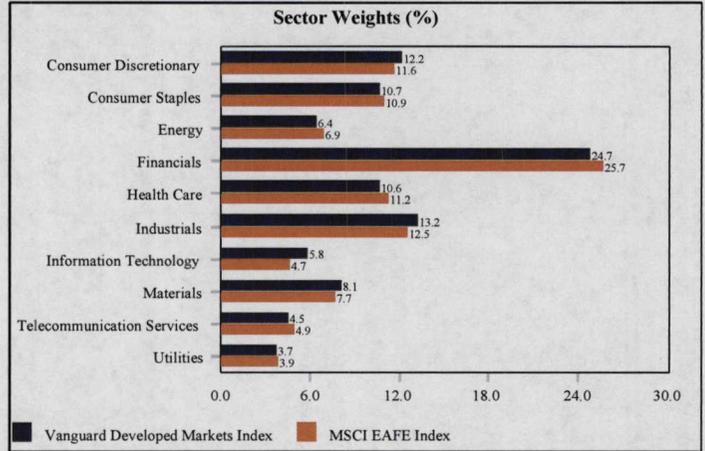


Top Ten Equity Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Nestle SA, Cham Und Vevey	1.12	1.30	-0.18	-5.09
Novartis AG	1.05	1.19	-0.14	4.20
Roche Holding AG	1.00	1.14	-0.14	-0.66
HSBC Holdings PLC	0.93	1.06	-0.13	1.07
Toyota Motor Corp	0.75	0.89	-0.14	-0.91
BP PLC	0.65	0.74	-0.09	-15.48
Royal Dutch Shell PLC	0.64	0.83	-0.19	-6.44
Total	0.63	0.76	-0.13	-8.93
Sanofi	0.62	0.74	-0.12	6.52
Bayer AG	0.55	0.64	-0.09	-0.80
% of Portfolio	7.94	9.29		

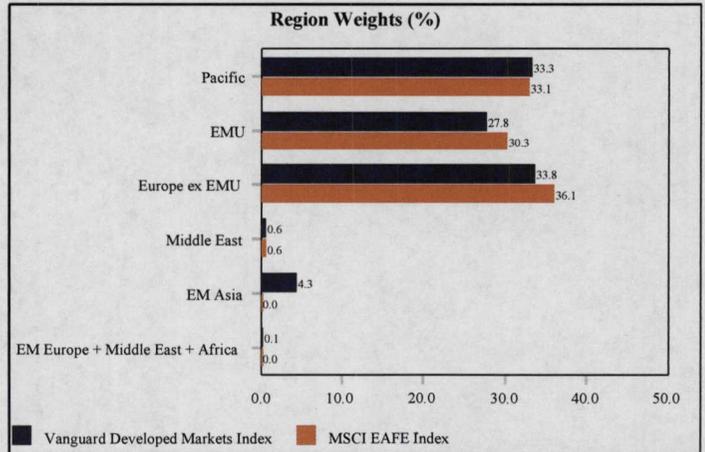


**Portfolio Characteristics**  
**Vanguard Developed Markets Index vs. MSCI EAFE Index**  
**As of September 30, 2014**

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	61,020	64,782
Median Mkt. Cap (\$M)	5,967	8,932
Price/Earnings ratio	15.32	15.52
Price/Book ratio	2.07	2.11
5 Yr. EPS Growth Rate (%)	13.50	13.49
Current Yield (%)	3.12	3.28
Beta (5 Years, Monthly)	1.02	1.00
Number of Stocks	1,396	901



Top Ten Equity Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Nestle SA, Cham Und Vevey	1.67	1.84	-0.17	-5.09
Novartis AG	1.56	1.68	-0.12	4.20
Roche Holding AG	1.48	1.62	-0.14	-0.66
HSBC Holdings PLC	1.38	1.50	-0.12	1.07
Toyota Motor Corp	1.11	1.26	-0.15	-0.91
Royal Dutch Shell PLC	1.07	1.17	-0.10	-6.44
BP PLC	0.96	1.05	-0.09	-15.48
Total	0.94	1.08	-0.14	-8.93
Sanofi	0.92	1.04	-0.12	6.52
Bayer AG	0.82	0.90	-0.08	-0.80
% of Portfolio	11.91	13.14		

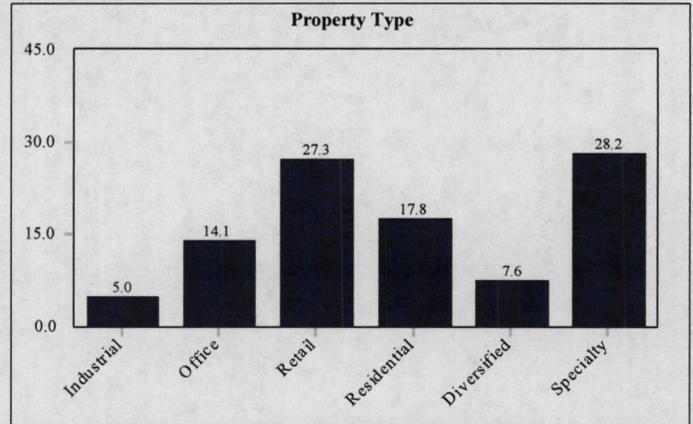


- **Vanguard REIT Index**

- **Management:** Gerald C. O'Reilly, Principal of Vanguard, has managed the Fund since its inception in 1996.
- **Objective:** The Fund seeks to provide a high level of income and moderate long-term capital appreciation by tracking the performance of a benchmark index that measures the performance of publicly traded equity REITs.
- **Strategy:** The Fund normally invests 98% of its assets in stocks issued by equity real estate investment trusts (known as REITs) in an attempt to track investment performance of the Morgan Stanley Capital International (MSCI) REIT Index. The Fund invests in stocks that make up the index; the remaining assets are allocated to cash investments.

**Portfolio Characteristics**  
**Vanguard REIT**  
As of September 30, 2014

Portfolio Characteristics	
	Portfolio
Wtd. Avg. Mkt. Cap (\$M)	14,504
Median Mkt. Cap (\$M)	2,542
Price/Earnings ratio	42.98
Price/Book ratio	2.18
5 Yr. EPS Growth Rate (%)	11.32
Current Yield (%)	4.03
Number of Stocks	139



Top Ten Equity Holdings	
	Portfolio Weight (%)
Simon Property Group Inc.	8.69
Public Storage	4.14
Equity Residential	3.59
Health Care REIT Inc.	3.44
ProLogis Inc	3.20
AvalonBay Communities Inc.	3.11
Ventas Inc.	3.10
HCP Inc	3.09
Boston Properties Inc	3.01
Vornado Realty Trust	2.87
<b>% of Portfolio</b>	<b>38.24</b>

Ten Best Performers	
	Quarterly Return (%)
AmREIT Inc	26.60
Glimcher Realty Trust	25.94
GEO Group Inc (The)	8.60
Digital Realty Trust Inc	8.31
Pennsylvania Real Estate Investment Trust	7.01
QTS Realty Trust Inc	7.00
Chatham Lodging Trust	6.51
Corrections Corp of America	6.15
Summit Hotel Properties Inc	2.81
Sun Communities Inc.	2.60



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- **Wells Capital Management - Custom Core Plus**

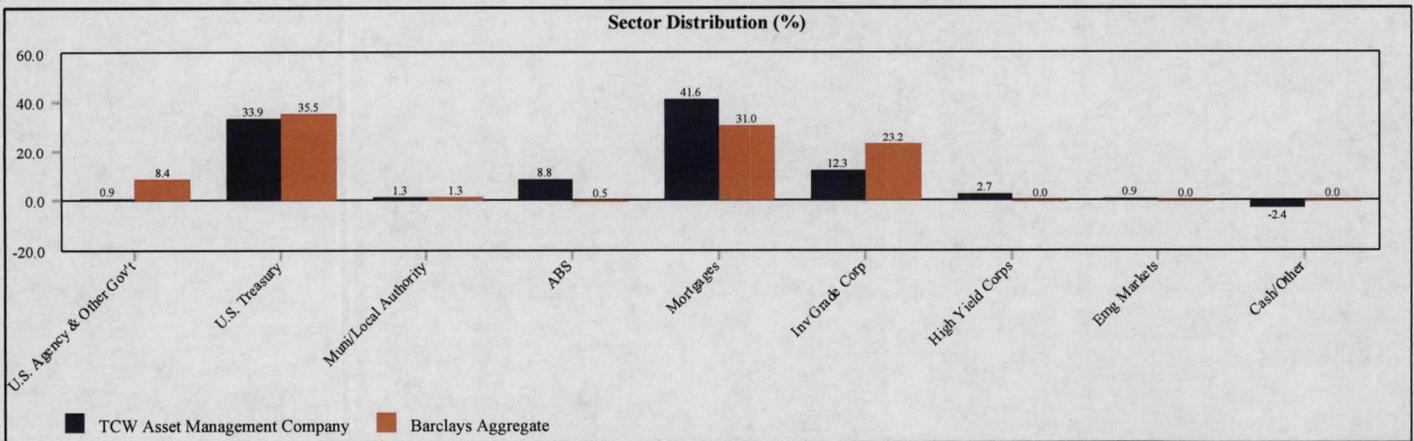
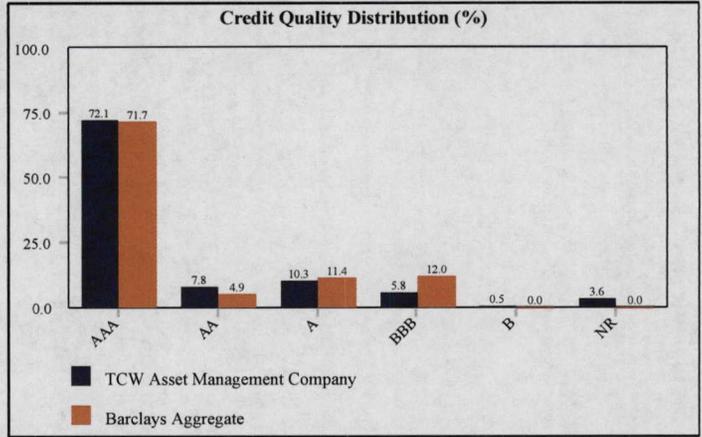
- **Management:** Michael Bray, Head of Taxable Fixed Income, Janet Rilling, and Thomas Price lead the core and core-plus strategies
- **Objective:** The strategy seeks to achieve total return greater than the Barclays Aggregate Index using a core-plus approach
- **Strategy:** The strategy seeks to outperform the Barclays Capital U.S. Universal Bond Index by investing in a diversified portfolio of fixed-income securities while maintaining a duration target of approximately four to five years. Wells typically holds most of its exposure in corporate debt, securitized debt (residential and commercial mortgage-backed securities, as well as asset-backed issues), and debt issued by the U.S. Treasury and government agencies. Additionally, they will seek additional value from lower-quality credit tiers.

- **TCW Asset Management - Core Plus**

- **Management:** Tad Rivelle, Steve Kane and Laird Landmann form the management team of MetWest. All three have managed the strategy since its inception and have been employed at MetWest since its founding in 1996. MetWest was acquired by TCW in early 2010.
- **Objective:** The strategy seeks to achieve total return greater than the Barclays Aggregate Index using a core-plus approach
- **Strategy:** The strategy seeks to outperform the Barclays Capital Aggregate Index while maintaining overall risk similar to the index. The account will maintain an average duration between 2 and 8 years, and is normally expected to be within one year of the duration of the index. Investments can include government and corporate debt securities, mortgage- and asset-backed securities, money market instruments, and derivatives. The strategy can invest up to 20% in issues rated below investment grade. When guidelines permit, they will also take non-\$USD exposures.

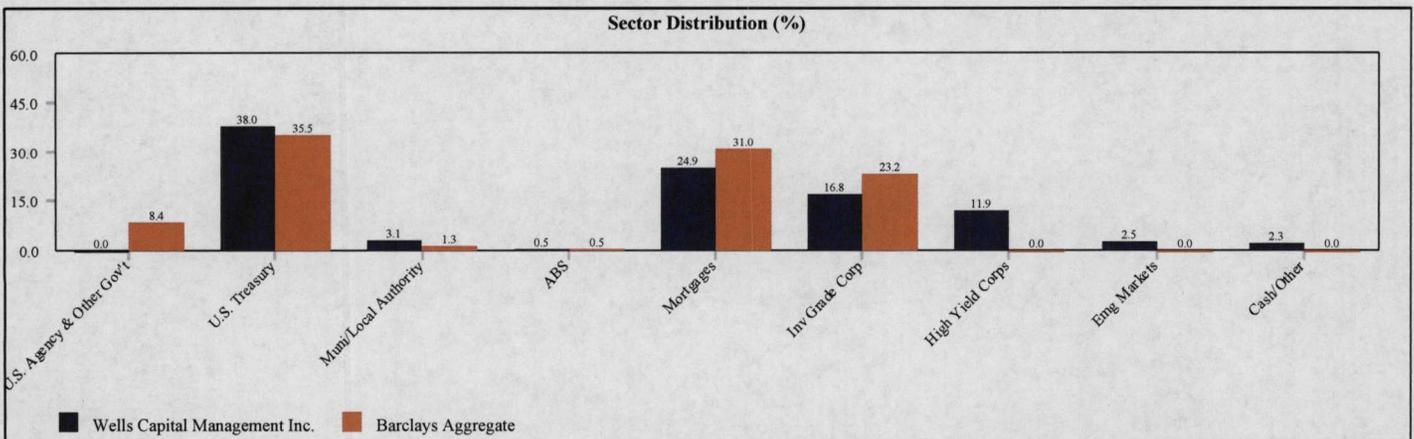
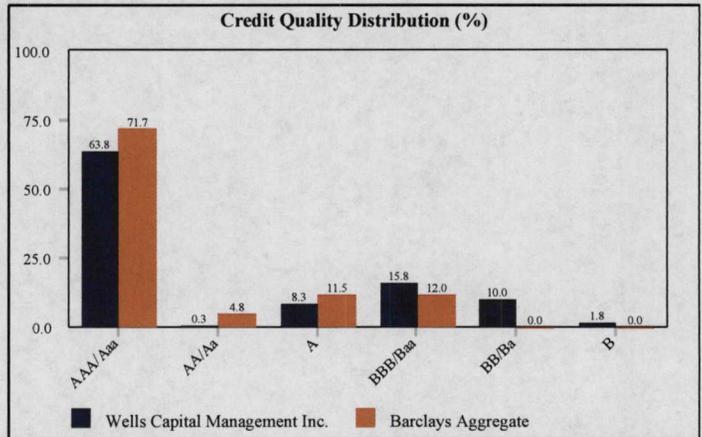
**Portfolio Characteristics**  
**TCW Asset Management Company vs. Barclays Aggregate**  
**Port Authority of New York & New Jersey Retiree Health Benefits Trust**  
**As of September 30, 2014**

Portfolio Characteristics		
	Portfolio	Benchmark
Effective Duration	4.65	5.62
Avg. Maturity	7.77	7.73
Avg. Quality	AA	AA
Yield To Maturity (%)	2.61	2.36
Coupon Rate (%)	2.56	3.29



**Portfolio Characteristics**  
**Wells Capital Management Inc. vs. Barclays Aggregate**  
**Port Authority of New York & New Jersey Retiree Health Benefits Trust**  
**As of September 30, 2014**

Portfolio Characteristics		
	Portfolio	Benchmark
Effective Duration	5.71	5.62
Avg. Maturity	7.85	7.73
Avg. Quality	AA	AA
Yield To Maturity (%)	2.77	2.36
Coupon Rate (%)	3.72	3.29



PERFORMANCE EVALUATION AND REPORTING SERVICES  
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PFM Advisors has exercised reasonable professional care in the preparation of this performance report. However, information in this report on market indices and security characteristics, as well as information incorporated in the Market Commentary section, is received from sources external to PFM Advisors.

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