



Minutes of the PRIM Compensation Committee
Meeting on April 30, 2018

Meeting attendees:

- Michele A. Whitham, Esq., Chair
- Treasurer Deborah Goldberg
- Robert L. Brousseau
- Patrick E. Brock

Committee members not present:

- Joseph Connolly

The meeting of the PRIM Compensation Committee was called to order at 11:49 a.m.

I. Approval of the Minutes

The Compensation Committee unanimously approved the minutes of the March 6, 2018, meeting.

II. Executive Director / Chief Investment Officer Comments

Michael G. Trotsky, CFA, Executive Director and Chief Investment Officer, provided the Committee with the following comments:

Mr. Trotsky said that retention and recruitment of key employees remains his primary concern and he continues to spend a very significant amount of time on retention and recruitment. The employment environment in the nation and in the region is strong and there are ample and numerous employment opportunities for PRIM's employees outside of PRIM. He continued, the success of PRIM's program and the talent within the organization are very well recognized.

Mr. Trotsky introduced Michael Bailey, Senior Investment Officer, Director of Private Equity, and mentioned that Private Equity has historically been PRIM's highest performing asset class, and when the most recent rankings are announced PRIM's Private Equity portfolio is expected to be one of the top performing, if not the top performing, in the country. He thought it would be insightful for the Committee to hear from Mr. Bailey, a real-life example on the impact retention can have on investing.

Mr. Bailey mentioned that private equity investing is a relationship driven business and that PRIM's Private Equity team has worked hard over multiple years to gain access to high performing firms which are generally oversubscribed.

Mr. Bailey continued, private equity firms have many choices when raising capital and very much view their relationships with PRIM's team as a stable one. Competition for allocation is fierce and for the Private Equity team to win this competitive game, a stable team is needed. Private equity firms would rather provide more allocation to stable investors that know the private equity asset class. Mr. Bailey provided an example by explaining that at the following day's Investment Committee meeting the team would be recommending a new investment to a leading manager, and top performer in the portfolio. The manager agreed to double PRIM's allocation from the prior investment and the drivers behind the increased allocation were the consistency and stability of PRIM's team and approach.

Mr. Trotsky thanked Mr. Bailey for his comments and introduced Adam Barnett from McLagan.

III. Presentation of Compensation Data and Analysis

Mr. Barnett began by reminding the Committee that the Committee unanimously approved at its previous meeting a motion requesting that his firm prepare and present data and analyses and recommendations associated with adopting a blended peer group of 75% public funds and 25% private sector firms for total compensation purposes, and in particular to focus this work on new incentive compensation potentials that would serve as companions to the updated 2017 salary ranges.

Mr. Barnett noted that for PRIM's most senior staff, incentives represent a significant portion of pay within competitor firms, and if PRIM's staff were to leave, from a pay perspective they would likely be recruited away based on far more significant incentive opportunities, not base salaries.

Treasurer Goldberg expressed concern that PRIM not only competes for talent with private sector firms, but due to the high concentration of colleges and universities in the Boston area, PRIM also competes for talent with many of these schools' endowments and foundations.

Mr. Barnett presented to the Committee his analysis on the blended peer group data.

The Compensation Committee unanimously approved a recommendation to the PRIM Board that the Board adopt updated incentive compensation potentials consistent with total comp levels of the peer group weighted 75% public funds and 25% private sector firms, as set forth at page 5 of Appendix D to the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

The meeting of the PRIM Compensation Committee adjourned at 12:37 p.m.

List of documents and exhibits used during the meeting:

Minutes of the PRIM Compensation Committee meeting of March 6, 2018

PRIM Board Approved Compensation Philosophy

PRIM Board Approved Incentive Compensation Plan

McLagan's Blended Peer Group Analysis – 2017