COMMONWEALTH OF MASSACHUSETTS

PENSION RESERVES INVESTMENT MANAGEMENT BOARD

Minutes of the Board Meeting

Tuesday, August 13, 2019

Commencing at 9:34 a.m.

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In the

PRIM Board Offices

at 84 State Street

Boston, Massachusetts

ATTENDEES:

BOARD MEMBERS:

Treasurer Deborah B. Goldberg, Chair
Robert L. Brousseau
Ruth Ellen Fitch
Paul E. Shanley, Esq.
Peter Monaco
Dennis J. Naughton
Carly Rose

OTHER ATTENDEES:

Susan Perez, Deputy Treasurer
James Quirk, Retirement Boards
Patrick Brock, Hampshire County
Retirement Board
Cosmo Macero, O'Neill & Associates
Anthony Falzone, PRIM
Darlene Coppola, PRIM, stenographer
Glenn P. Strehle, PRIM
Darren Wolf, Aberdeen
Alethia Harney, Treasury
Matthew Coburn, BNY Mellon
Michelle Whithan, Admin and Audit
Committee

OTHER ATTENDEES (continued):

William Claiborn, BNY Mellon
Mike Koenig, Hamilton Lane
Phillip Nelson, NEPC
Sarah Kim, TRE
Chuck Kostro, Essex Regional
Retirement System
Liz Gomes, TRE
Roy Gino, PRIM
Tran Sun, PRIM
Yuqing Gao, PRIM
Nathalia Salinas Miranda, PRIM
Yijie Zeng, PRIM
David Griswold, PRIM
George Tsipakis, PRIM
Andre Abouhala, PRIM
Ellen Hennessy, PRIM
Catherine Porter, Hedgemark
Liu Liu, PRIM
Grace Gao, PRIM
Maria Garrahan, PRIM
Bill Li, PRIM
Eric Nierenberg, PRIM
Jay Leu, PRIM

OTHER ATTENDEES (continued):

Ning Wang, World Bank
Sarah Zatoonian, PRIM
Michael McGirr, PRIM
Andre Clapp, PRIM
Chuck LaPosta, PRIM
David Gurtz, PRIM
Michael Even, Investment Committee
Christina Marcarelli, PRIM
John LaCara, PRIM
Tim Schlitzer, PRIM
Francesco Daniele, PRIM
Paul Todisco, PRIM
Jennifer Kuhn, PRIM
Matt Liposky, PRIM
Deborah Coulter, PRIM
Marliese Lawson, PRIM
Sylvia Argiropoulos, PRIM
Maria Clements, PRIM
Emily Kowtoniuk, TRE
Chris Supple, PRIM
Steffanny Rosario, PRIM

(On the record at 9:34 a.m.)

MS. PEREZ: Good morning. Good morning, everyone. Let me get the meeting started.

Thank you.

I'm Sue Perez. I'm the Deputy Treasurer. Treasurer Goldberg will be here shortly, but we figured we'd get started.

We'll just start with the meeting script.

The Massachusetts Open Meeting Law permits meetings to be recorded and states that the chair shall inform attendees at the beginning of the meeting of any recordings.

So accordingly, I am informing you that Darlene Coppola, seated here to my left, is transcribing and also recording this meeting.

If anyone else in attendance today is recording the meeting, I would ask that you identify yourself.

Seeing none.

Also for the benefit of our stenographer and all those who are listening, please identify yourself by name and speak clearly and audibly so she can get it for the minutes.

With that, we'll open the meeting.

And we'll -- we have the first motion, which is to approve the minutes.

So the motion is that the PRIM board approve the minutes of its May 14, 2019 meeting and further to authorize the executive director to take all actions necessary to effectuate this vote.

MR. BROUSSEAU: So moved.

MR. SHANLEY: Second.

MS. PEREZ: All those in favor.

(Unanimous vote.)

MS. PEREZ: The next one is the executive director.

MR. TROTSKY: Thank you very much, Sue, and thank you all, for making the effort to be here today, everyone in the audience, board members, and our distinguished guests from the investment committee, Michael Even and Glenn Strehle, thank you very much for coming. We also have three representatives from our clients, Jim Quirk, Patrick Brock, who also serves on the admin and audit committee and compensation committee, and Chuck Kostro is here from Essex County. Thank you, gentlemen, for coming.

So today we review our fiscal 2019 results. But first, as usual, I'll give an organizational update.

And later is -- this is my favorite day of the year -- I'm being sarcastic -- because I get to have my performance evaluation in an open public meeting. I've never gotten used to that. And so this year, I tried something different. I have a root canal scheduled for after this, and that's no joke. So I'm getting two of the hardest things of the year out of the way today. So bear with me -- that's no joke either.

MS. FITCH: That will be fun.

MR. TROTSKY: That will be fun. So thank you for coming.

As I mentioned at the committee meetings and I'll mention again today, we welcomed three new full-time staff members and six new interns recently to PRIM, and I'd like to introduce them all.

First, I think you've all met her, Marliese Lawson, behind me, as my new executive assistant. You're doing a terrific job already after just a few weeks.

Marliese has worked at Health Net Federal Services, a global healthcare services company, as an executive assistant. Prior to that she was an executive assistant at the accounting firm Perry Smith, LLP. She's a graduate of Gordon College on the North Shore, with a degree in English literature, and from Salem State University with a master's in English degree. Those are two degrees that are coming in handy already. Your attention to detail is great.

Next Sarah Zatoonian. Sarah joins our private equity team as an investment analyst. She was most recently at the Holy Cross investment office where she was a member of a four-person team responsible for the management and oversight of the entire endowment and pension.

Sarah holds dual bachelor's degrees in economics and classics -- yes, classics is Latin, Greek, and the history therein -- both from Holy Cross. So that's a wonderful complement of education.

Jay Leu, next to Sarah, joined as our new director of risk management. He brings over 30 years of investment industry experience, joining us from most recently from Aesir Capital Management, a long/short credit hedge fund, where he was most recently their director of risk management.

Prior to this, Jay was the lead portfolio manager and business unit head of structured US equity at Lee Munder Capital Group. He held the chief investment officer position at Independence Investment Associates, which Lee Munder later acquired, and at Pacific Capital fixed income advisor.

Jay began his career at State Street Global Advisors as both a domestic and global fixed income portfolio manager, and he's also an adjunct professor currently at Brandeis University, where he joins Eric Nierenberg, sitting right next to him.

At the Brandeis University Business School, he teaches international portfolio management, fixed income investments, and investment management.

Jay holds a bachelor's degree in chemical engineering and a master's degree in finance, both from MIT. And you're off to a very busy, productive start, and we have a lot of things for you to do.

So it's great to have you all.

We also welcome six new interns to PRIM. I think most are here. One's term finished last week, so she's not here, but I'm going to mention her anyway.

The strategy team is currently working with four interns. All of them are graduate students at Brandeis University's international business school. We have a very good pipeline into Brandeis with Jay and Eric on the staff there.

First, Yuqing Gao. Yuqing is working with PCS this summer. Yuqing holds a bachelor of economics and finance and a bachelor in

French, both in the University of International Business and Economics in Beijing.

Roy Guo. Roy is working with the research team this summer. He holds a bachelor of science in finance from Wake Forest University.

Nathalia Miranda. Nathalia is working with the research team this summer. She holds a master's of finance management degree from the University EAFIT in Colombia, South America, and graduated with a bachelor's degree in petroleum engineering from the National University in Colombia.

Tia Sun is working with PCS this summer. She holds a bachelor in management and accounting from Tongi University of finance in economics in China.

And Katherine Guo, who just completed her internship, joined us from the Women in Finance Fellowship program at the treasurer's office.

Katherine was working with public markets, and is currently a rising sophomore at Wellesley College. She did a wonderful job, and it was great to have her.

I mentioned before and I'll mention again that we recently had 25 women from Wellesley College in here recently to learn about the pension fund management and the investment management industry in general, 25 women, Connie Everson, Jill Hatton on the real estate committee, Jennifer, Jennifer, next to Paul, and I hosted them and answered any questions they had. It was a great lively group. I was a little disappointed because more than half of them were interested in private equity and are going into that. But it's good news that they're interested in the investment management industry, and hopefully we can get more women involved there.

The CFA Society Boston launched the Women in Investment Management Internship program this summer, and PRIM was one of the four founding members invited to participate.

And joining us from that new internship program is Yijie Zeng. Yijie. She is working with the real estate in timberland team and is a rising senior at Bentley University.

So thank you all for joining PRIM for your internship. I hope you find it fulfilling, and I know you will, and I know you're doing a great job.

Next in the area of national recognition, and we have received a lot of national recognition, Paul Shanley just showed me this article where it says, "MassPRIM Peerless Among Pension Private Equity Performers."

And I'm pleased to report that for the second consecutive year now, PRIM private equity ranked number one in private equity returns among 163 US public pension funds, based on ten-year performance numbers.

PRIM is the only fund that has been in the top five of all private equity portfolios in every single year that the American Investment Council has performed this study, including number one rankings in 2019, this year, 2018, 2015 and 2013.

So it's a tremendous run.

Congratulations to the entire private equity team. Mike Bailey, who requested a day off for family vacation, and I granted it. Mike McGirr will be filling in ably for him. And Sarah Zatoonian, you join a great team.

Let's give them around of applause.

(Applause.)

MR. TROTSKY: This was just one of many pieces. This was one that came out most recently, but it definitely got good media coverage. I think we're expecting some more as well.

We can pass that around to you. Feel free to keep that.

MS. FITCH: Thank you.

MR. TROTSKY: I'm also very pleased to report that in early June and for the 14th consecutive year now, PRIM was awarded the GFOA, the Governance Finance Officer Association's, certificate of achievement for excellence in financial reporting. This is for our comprehensive annual financial report.

It really awards us for the

completeness and timeliness of our financial reporting.

Thank you to Quing Mei, Tony, Deb, Matt, and the entire finance team for that astounding accomplishment. It really is a testimony of the hard work, transparency, completeness of our very complex reporting. And it's no small task, so thank you.

And last, it was an honor for me to follow in Glenn Strehle's footsteps as I was recently appointed to chair the CFA Society in Boston. You, Glenn, were also the chair many years ago and you have offered to give me your advice through my tenure there. It's a one-year term.

As a reminder, the CFA Boston serves more than 6,000 members, which is really big, around the greater Boston area. The CFA Society Boston is the local chapter of the International CFA Institute, which now serves 175,000 members in more than 164 countries. 164 countries, that's a lot. I never knew there were so many.

But that's a great honor to me as

well.

Next, I want to update you on the Kainos private equity situation, which I first discussed with many of you at the board table in April, all of you.

We are now happy to report that we no longer have a financial relationship with Kainos Capital. After exhausting all available options, PRIM sold its Kainos Capital Fund 2 interest and all three of our Kainos co-investments to a secondary buyer on Friday, June 28, 2019.

Essentially, Kainos was unwilling to release PRIM from contractual monetary commitments while the firm's founding partners were suing each other in claims alleging fraud and other unacceptable behaviors.

The PRIM investment team essentially lost faith in the Kainos team, and we believe that the financial and reputational risks of continuing to do business with Kainos outweighed any future possible future benefits.

So thank you to the several board and

committee members who helped us strategize a plan to execute this excellent outcome for PRIM, and also to the private equity team and to Chris Supple for your excellent work in quickly recognizing and extracting PRIM from a risky and messy situation, and we're pleased that we're out of it.

Importantly, I believe we have taken an industry-leading position in the resolution of this situation. And more important, really, and you'll see it in my goals later, I hope to continue to lead peer private equity institutional investor limited partners, and in particular, like-minded peer public pension funds limited partners to wield increasing negotiating leverage and exercise greater power in regard to our private equity contracts.

It's going to be difficult to accomplish, but I think we can do it. It's a goal of ours in 2020 to move the needle in this regard a little bit, and it's on my personal goals and objectives that you will hopefully approve later for 2020, again, to move the needle in this regard.

Now, since we are recapping the fiscal year 2019, I've created a top 20 list for expediency today of accomplishments and highlights. It's a top 20 list, but I want to highlight that there are literally hundreds of accomplishments, and I don't mean to demean any of the others that I don't mention today. You'll see more detailed lists in other places. There are simply too many to highlight today.

But in addition to PRIM's private equity ranking number one that I already highlighted and the GFOA certificate for the 14th consecutive year, staff identified and recommended and this a board approved $5.7 billion in new investments during the fiscal year. 5.7 billion in new investments is a very productive year. It's a lot of money, a lot of capital put to work.

We funded 16 private equity funds totaling $1.8 billion. We added six new managers to the PCS portfolio for 1.4 billion. We developed and launched an innovative new emerging managers direct hedge fund program, very creative work, Bill and Eric, for a total of 200 million in capital.

We selected three new real estate managers, Christina was highly involved with Tim and John, $1 billion in new capital committed there.

We invested an additional hundred million dollars in investment and industrial development, warehousing space in the real estate area.

And we acquired 191,000 acres -- 191,000 acres -- of PRIMe timberland all the way down in New Zealand for $210 million.

On Project SAVE, Phase II initiative, something that Michael Even is involved with and helping us immensely on, that's the direct management initiative, and these are investments outside of traditional fee structures.

We've completed two new direct real estate purchases, totaling 475 million in equity plus debt. And those buildings are very close to here. They're 53 State Street, out the window, and above Francesco in a beautiful picture that shows the top of it, one of Boston's premiere office buildings, 53 State Street, also is still known as Exchange Place; is it? Exchange Place. And then 125 High Street, a couple of blocks away. We took that into our ownership there. We took that into our direct holdings.

We also completed ten new private equity co-investments, totaling $168 million.

Again, all of these efforts saved substantial fee dollars.

And on that note, Project SAVE Phase I, the original initiative which originally targeted $100 million in annualized fee savings, is now up -- fee and value added activities, now has realized approximately 193 million in annualized value, which is substantial.

Welcome, Treasurer.

(Treasurer Goldberg arrives - 9:53 a.m.)

MR. TROTSKY: Which is substantial considering that our entire cost structure is 400 million or so a year.

PRIM was nominated for the Plan of the Year Award for an unprecedented fourth year in a row by Institutional Investment Magazine. No other plan has been nominated more than once, as far as I can tell, and we are nominated for an unprecedented fourth year in a row by Institutional Investor Magazine.

We have been recognized for adopting the CFA Institute's global investment performance standards. Those are the GIPS standards of integrity and transparency. And PRIM is now one of only a handful of large public pension plans to comply with GIPS and it's the worldwide performance reporting standard.

We generally require our investment managers to comply with GIPS and now we can say that we're compliant as well. Again, one of only a handful around the country.

Bill Li, in the back of the room, was inducted into the EQ Derivatives Investment Hall of Fame, which recognizes individuals that have led the line in volatility and alternative risk premia thought leadership this year. Congratulations.

Next to him, I have to say it, I don't really want to, but for the second year in a row -- and you deserve it, Eric -- Eric Nierenberg has been listed on Institutional Investor's Most Wanted Allocators List. This is the global top 50 list of allocators they deem as most coveted for potential future chief investment officer roles. Congratulations to you.

We recruited and onboarded six new full-time employees, promoted six new -- promoted six staff members internally. No senior level employees departed in fiscal year 2019.

And we implemented a very robust diversity inclusion initiative, which I would like to just walk through quickly, because we're very proud of it. Admittedly, there's still lots to do, but we're still super-focused on it. So please allow me to expand briefly.

First, five of the six new full-time employees in fiscal 2019 are diverse in regards to gender, race, or both. That's up from four out of the six last year.

Welcome Michelle Whitham. Thank you for joining. Michelle is on our admin and audit committee and also on our compensation committee.

Several high-level officers -- offers -- job offers to diverse candidates were declined in the fiscal year. We got them, basically, to the one yard line, but in the end we lost them to the private sector, usually for much higher pay. In most cases, these diverse employees have several competing offers.

As I previously described, it is very competitive right now for diverse employees in our industry, as each company in the investment and management industry is really focused on that.

The entire fiscal year 2019 intern staff -- that's eight interns -- are diverse in regard to gender, race, or both.

And, again, retention presents a great challenge in regard to diverse employees.

Diverse employees are disproportionately recruited away by the private sector. And during the past three fiscal years, 100 percent of our voluntarily departures from PRIM were diverse employees, each of whom went to the private sector.

Next, for all posted positions, PRIM ensures that a full slate of highly qualified diverse candidates are in the application pool before we even engage in the evaluation process.

During fiscal 2019 we created a hiring playbook to formalize our hiring process and this is a tool that ensures that PRIM has diversity efforts incorporated into each and every step of our recruitment process.

Included in this, job descriptions are reviewed for biased language before posting the jobs. Human resources works with the hiring manager to create a recruitment strategy for each and every specific position tailored to that position. We have increased our outreach to many diverse recruiting resources, now contacting more than four times as many affinity groups as we did last year.

We have developed core competencies and critical skills charts for each of our open positions to ensure fair and consistent candidate evaluation. That's also to eliminate bias.

We've developed interview tools that will ensure candidates are being assessed using the same -- the very same list of questions at all stages of our interview process.

Additionally, we've conducted firm-wide diversity and inclusion training, with a focus on unconscious bias behavior. Everyone in the organization took this training.

We created a working group to develop and implement diversity improvement initiatives. So we're working very hard at that.

Internally and externally through my work with the CFA Institute, I was invited to be a founding member of the CFA Institute's global diversity and inclusion advisory committee, where my -- I am currently assisting the CFA Institute with the development of what we're calling a global diversity and inclusion code of conduct. More on that later. I'm very excited about this.

I attended and spoke at seven different CFA conferences around the country in the fiscal year on diversity and inclusion initiatives. Seven of them.

Under the leadership of Treasurer Goldberg, the PRIM board has adopted progressive proxy voting guidelines on areas such as board diversity requirements, overboarding directors, gender pay gaps, labor and human rights, and executive compensation, just to name a few.

These proxy voting guidelines will vote against all board nominees if less than 30 percent of the board -- less than 30 percent of the board -- is diverse in terms of race and gender. And this resulted in PRIM voting against nearly 68 percent of board nominees in 2018 because of insufficient diversity on its boards. I think we're making a difference.

The PRIT fund now invests more than $2.5 billion in women or minority-owned investment managers. It's a little known fact, but it's true, $2.5 billion.

And for all procurements, PRIM has developed a formal process to review the directory of certified businesses maintained by Massachusetts Diversity Office, the MDO, for suitability. The directory includes all registered minority women, LGBTQ, veteran and disability-owned companies.

So thank you for listening to that. We're very busy in this regard.

Overall it was a remarkably productive year. I thank the entire staff and the board for your support and hard work and dedication on all these efforts.

I'll stop there. That's the organizational update. I'll take any questions on that before turning to markets and PRIT performance, which we talked about at great length at the investment committee.

MR. BROUSSEAU: Michael, getting

back to the diversity issue.

I know you told us that we get hundreds of applicants for every position that we try to hire here, and I know that we have made great strides, but I know we have -- we still have a far way to go, I think, to -- I mean, to be fully diverse in all areas.

Do you see our compensation as being an issue with a lot of the candidates that might take a job here -- diverse candidates?

Is our compensation package adequate? Or do you feel that -- I know the -- I'm on the compensation committee. Michelle is -- she's the chair.

Is this something we have to look at? I know the treasurer is on it. There are five of us on it.

Did I miss one? Pat. Patrick is on it.

What about this compensation issue?

Also the other one, two and a half billion dollars is a good chunk of money, out of 75 billion, but I think we have a long way to go.

How difficult is it going to be to move in that direction?

MR. TROTSKY: We do -- in the offers that were extended to the employees -- to the candidates, we really did get to the last yard, and in each case, I believe very strongly that the candidate really wanted to come here. They liked the work. They liked the people. They felt comfortable. Because we now have these candidates meet the other diverse employees here and we spend a lot of time making sure they feel comfortable and welcome.

And correct me if I'm wrong, anyone, but I don't think that, culturally, was the issue. We're working very, very hard on that.

In the end, we do, you know, when they decline us, we call them and we ask them as many questions as they'll allow. And in all the cases, I would say it was private sector pay that led to the final decision.

And one female candidate, for example, she signed all the acceptance letters and we were planning for her arrival, but her current employer just countered big-time, and it was impossible to compete.

Having said that, I'm very thankful that the compensation structure has come a long way. I don't think compensation is always the factor. But for diverse candidates, it is very, very competitive right now and many of them are receiving multiple offers.

I've traveled around the country. I've traveled and met with C-suite executives in the Boston area. And there's good news here in that for the first time in my career, this problem is being addressed at the C-suite level, meaning that companies are serious about increasing diversity of all types in their companies, and that's the good news. It's a great time for the industry.

However, it makes recruiting those candidates a little difficult.

Just as a reminder, as a -- it's important to know that the CFA is one of the leading credentials. Only 17 percent of CFAs are women right now -- 17 or 19, is that right, Dave? It's pretty small.

MR. GURTZ: Right.

MR. TROTSKY: That's why it's a huge -- it's a huge focus for the CFA Institute.

The current chair of the board, Diane Nordin, who worked on some projects here many years ago, is a Wellington executive, retired. I'm very close to Diane. I served on the board at the CFA Institute with her. She's the current chair. And the CFA just hired a female CEO, Marg Franklin, who will take over in a month or so.

So my work with them continues, and I think it's -- it's encouraging that this work is -- has reached the C-suite level, but I'm not sure --

MR. BROUSSEAU: Let me just ask a follow-up question.

You have contact with CFA with all the other large public pension funds in this country. Are they having the same problem in terms of the diversity issue, not only in hiring staff but also in placing money and investments with minority and diverse firms?

MR. TROTSKY: Yes.

MR. BROUSSEAU: So we're not unique.

MR. TROTSKY: We're not unique.

MR. BROUSSEAU: Are they doing the same kinds of outreach that we've been doing and again falling short because of the private sector and money?

MR. TROTSKY: Yes. I would say it's very, very competitive in the pension world and in the investment management industry in general.

MS. GOLDBERG: So I want to comment on this, please.

Number one, it's a catch-22. If you're a diverse candidate and you look at the upper levels of management and you see only white males, although you may be heavily recruited and feel as though there's an opportunity for breakthrough, you still feel -- then money becomes more important.

Look around this room. We have a lot

of public servants here, who want to be at this fund for all sorts of reasons, that overcome the compensation comparison issues.

So we're sort of stuck in a catch-22 right now, because if you study decision-making done by women, and diverse women, and other people of color, they want a cohort, and the cohort being at their level of management, not the admins or others.

And so we -- what happens is, with a lot of these organizations who are very well-meaning and intentional, it's still hard to break through.

I think that we need to start thinking outside the box on this one and try some new strategies.

When I was out at the National Institute of Public Finance in July, one of the things that really was a problem for me -- and I will be able to influence that within the coming year -- is that there were three tracks. There's treasury management. There's a cash track and banking. And then there is investment and pensions.

The other two had plenty of women.

The investment and pensions one, the presentations were made by mainly men, although there were plenty of women in the sessions as attendees.

I intend to lay down a friendly persuasion approach with all of the participants from the corporate side that if they want to participate in this Institute of Public Finance, they need to send their women and people of color to do the presentations.

The problem is the same thing is being repeated over and over. And there may only be 17 percent of the women or people of color who are CFAs, but it's because the industry overall looks unfriendly.

And so I'm going to be putting a lot -- I will be in a position of being president of the National Association of State Treasurers and the planning person for the Institute.

And so, consequently, I plan to be using that leverage to create greater impact, because if we don't start breaking down these barriers with some new ideas -- and I just pulled this out of The Globe this morning about Berkshire Bank and what they're trying to do -- then we're -- it's never going to happen. Because if you don't -- you've got to get the right signals out there.

The second thing about our two and a half billion dollar investment, we need to think through how -- I have amazing people who don't have a track record together who approach me and are women and people of color who have been highly successful in firms that were mainly men and they were the one woman, but they did not want to be the one woman anymore. So they go and they find other like women and create a firm. They don't have a track record for us.

So in the same way -- so it's a risk -- it's a higher risk factor for us.

In the same way that we're studying ESG and creating ways of testing it, I think that we need to be also looking at how -- if Mass PRIM is not going to look at women who are creating funds here in Boston and in

Massachusetts because they don't have a track record, how do we, perhaps, find a way to work with them?

Because again, Massachusetts, in terms of these women being successful, is way below places like California. And so I am also -- I also want to use my contacts and my leverage with others throughout the country on what are they doing in order to -- whether it's using Texas teachers and Ash Williams in Florida -- what are they doing in this space. So -- because those are the folks I did the ESG panel with and they're also confronting it.

And because also -- Texas Teachers, how many of those teachers are women? They want to see women succeed.

So we're in a really odd place in the world. We have a government that's going away from a lot of initiatives -- a federal government going away from some of the initiatives that we have seen, now hearing that we don't have pay and equity. Surprise to me. And that's going to be another fake news is pay and equity is fake news. I'm now getting those posts on my Facebook page when I post things.

And at the same time, we have more and more companies, banks, investment banks who are understanding that for them to be financially successful, they need to be working with more a diverse population.

So there's a lot of incongruities, and we're going to continue to work with you all. I'm trying to think outside the box.

The one suggestion -- I remember I said this to you five and a half years ago -- I really wonder out loud if there's a role in me trying to also be speaking with some of the people who are looking to come here, so that they can hear straight out that this is the real deal.

When you talk about women and women communicating, sometimes it's better to hear it from a woman. And they're not sitting in these meetings where they can see Ruth Ellen and Carly and me and Michelle and Sue and my team sitting here. They're not sitting in meetings. They're sitting in meetings that are here without any of us. And so I think visually, it helps to see those kind of things. Maybe invite recruits to a board meeting.

So that's -- it's just ideas that I have.

MR. TROTSKY: There is one here today.

MS. GOLDBERG: Oh. Okay. So should we have lunch after?

UNIDENTIFIED SPEAKER: I'd love to.

MS. GOLDBERG: So what I'm saying is that there's really -- that's the point. There's real intention. This is not blah, blah, blah, blah, blah.

But we have a catch-22 we have to overcome. So this is not without Michael's trying. That's the important point of all this that I'm trying to make.

MR. TROTSKY: We're trying hard. We realize we have a long way to go.

MS. GOLDBERG: Right.

MR. MONACO: Can I make a

comment?

MS. GOLDBERG: Absolutely.

MR. MONACO: So PRIM's diversity initiatives are, obviously, laudable. We should seek the greatest amount of diversity we can achieve up, down, all around.

Every organization should reflect fully the constituencies that it serves.

Correct me if I'm wrong, though, Michael, it's very important to underscore that the award of that two and a half billion mandate was not a function of the profile of the controlling stakeholders of those management firms. It was a function of those firms having been identified as the best to serve PRIM's mandate --

MS. GOLDBERG: Right.

MR. MONACO: -- at the time we were seeking it.

And as we enhance and further our efforts, as we're doing with ESG, it's just very important to underscore that our fiduciary responsibility to our stakeholders should trump everything.

MS. GOLDBERG: You're restating what I was actually was trying to articulate.

I think that the problem is that we haven't done the kind of study we're doing around ESG on diversity investments, and there are more people out there. We just -- we also have a limitation when it comes to our investment strategy.

One of the things that -- when we were trying to reduce investment and equities, some of the people who were coming our way were equities, and so we were not placing more money into our equity pool. And so we have been doing that balance.

But as time passes, we're getting -- there are more and more successful people. And that's one of the reasons I am intending to have a lot of the corporate affiliates begin to understand that they have a role, besides just having successful women in their organization, of getting the women out there and helping get it out to the world that this is a good space to be working in, because a lot of women are still avoiding that and finding -- and if you start looking statistically, a lot of them are more entrepreneurs.

Even if you look at cohorts coming out of Harvard Business School. They'll start off in investment banks, they'll start off in firms, and then split out because they feel as though they're never going to get above a certain point.

And so what I'm trying to do is convince them, stay the track, then we will have firms that we can look at that have women partners, because -- so there's all sorts of touch points.

And I don't think, Peter, you and I are saying anything any differently. I just am trying to work all the angles to keep people engaged and send the right signals to people.

And so that's part of the strategy, and that's why I'm saying, in my role in this coming year, I will have a lot of leverage to do that and keep it moving.

The corporate affiliates very much

want to participate in the National Institute because, candidly, their potential clients are the ones attending.

And so they don't want to be -- they're very cooperative, let's put it that way. They just need someone to make this point nicely. And you know I always do everything with a smile.

MR. TROTSKY: Peter, just one interesting little fact: Of the managers that we've hired, there are more than a couple that will not allow us to identify them as minority or women-owned. We know they are and we've identified them, but they won't allow us to publicize it that way. They want to be known for being hired on their own merits rather than anything else, I surmise. That's what I surmise.

MS. GOLDBERG: Okay. Are you going to be doing the whole...

MR. TROTSKY: I could go quickly through markets, whatever is the board's pleasure.

MS. GOLDBERG: So let's see.

Has everyone -- Dennis, you were on the phone, Dennis, for a few of the meetings, weren't you?

MR. NAUGHTON: Just one.

MS. GOLDBERG: Admin and audit.

MR. NAUGHTON: No, I was here for admin and audit.

MS. GOLDBERG: Sorry.

MR. NAUGHTON: I was here for administration and audit.

MS. GOLDBERG: Right, but you weren't on the phone for the investment meeting.

MR. NAUGHTON: No.

MR. TROTSKY: It's sometimes nice -- I'll just give you a pro. Sometimes it's nice to have it transcribed and entered into the --

MS. GOLDBERG: That's right. I forgot about this.

MR. TROTSKY: Other committee meetings don't do that. It's just a pro of it.

I'll try to go quickly.

MS. GOLDBERG: I got it. Sorry.

MR. TROTSKY: I'll go quickly.

Fiscal 2019, the PRIT fund assets grew to nearly 75 billion, despite a challenging market marked by extreme volatility, heightened geopolitical tensions, and deteriorating global economic conditions.

The year included sharp sell-offs in equity markets followed by historic snap-backs.

For example, the month of December 2018 was the worst month since 1931, with the S&P falling more than 6 percent.

The December quarter, the fourth calendar quarter of the calendar year, 2018, was the weakest in many years, with the S&P falling nearly 14 percent, and the NASDAQ falling 17 percent. Global markets were even weaker, but that weakness, as you know, did not last long.

In March 2019, the first calendar quarter of the year, markets posted the strongest snap-back in more than 20 years, with the S&P 500 gaining more than 13 percent.

For the first half of calendar year through June, the S&P was up more than 17 percent; 17 percent, first half return for the S&P 500. That was the best first half calendar year performance since 1997.

In the month of June alone, the S&P was up nearly 7 percent. That was the best June on record since 1955.

Global markets were weaker then in the US. And remember, the PRIT fund is exposed not only to the higher performing US markets but to most other markets around the world.

The environment -- this environment of extreme swings, it's difficult for all managers, money managers, and for a fund the size of PRIT, it makes tracking our target asset allocation very difficult.

The PRIT funds trailing three-, five-, and ten-year returns remain strong in both the relative and absolute basis, as was the fiscal 2019 return. But the fiscal 2019 return was slightly weaker than the 10 percent return we achieved in 2018 and the fiscal 2019 return lagged the benchmark slightly.

More than half of the fiscal year slight underperformance was due to the extreme volatility of the markets and the fact that our actual asset allocation diverged from our target allocation on which the benchmark is derived.

The target allocation, as you are well aware, is comprised of an increasing allocation of high-performing illiquid alternatives, such as private equity, private real estate. It takes some time to identify worthy managers, funds and investment in those areas. And on average, for the fiscal year, we were underweight -- relative to our target and relative to our benchmark, we were underweight in those high-performing asset classes, and, actually, as a result overweight, more modestly performing global equities.

I suppose the good news is we're still continuing to move assets into those high-performing areas, private equity and private real estate. It just takes some time.

So, again, the majority of the

underperformance was due to what we call actual- versus target-weight divergence effect, being unable to precisely match the actual PRIT fund assets to the target allocation of illiquid alternative investments.

Again, the PRIT fund benchmark is based on our target asset allocation, not on the actual allocation.

The other smaller contributor to underperformance to the one-year benchmark was due to weakness in a few specific strategies that we will review later today, such as insurance and agriculture. Those are classified in the real assets bucket. Real estate and private debt, and we'll talk to you a bit more about those particular areas.

We understand the reasons for this underperformance, and we have taken -- already taken necessary steps to address these underperforming areas. We believe many of them are unique and temporary events, and you will hear more about those specific areas again today.

So since the end of last year in the December 2018 sell-off, not much has really changed on the economic front, except for the fact that worldwide central banks, including the US Federal Reserve Bank, have shifted to an accommodative stance, meaning they're lowering interest rates. Our US Fed lowered interest rates earlier this month.

Essentially, worldwide economies continue to slow, and geopolitical tensions continue to grow. We read about that every day in the newspaper.

Yet, during the first half of this calendar year, US and international markets were very strong -- historically strong in the case of the US markets, as I have just described.

Two weeks ago at the investment committee meeting, we spoke about several reasons to remain cautious. And in summary, we spoke at length about a disconnect or a mismatch.

Investment committee member and resident economist Connie Everson even said, and she wrote in one of her most recent economic bulletins that -- and I want to quote this: "There is a remarkable divergence between economic sentiment and expectations versus actual economic performance."

We discussed economic indicators, such as the slowing GDP growth in the US, the contraction in Germany, the slow-downs in the rest of the world, most recently in the UK, and a spin -- she called it a spin -- on even our own domestic economic data. Retail sales, the labor market, manufacturing and housing, for example, are not as strong as some reports might have you believe.

And at the investment committee we asked the rhetorical question: Where did that global economy go?

It was only a year ago or so when we were talking about a worldwide synchronized expansion. The US had an aspirational 4 percent US GDP growth target. And not very long ago, our own Fed was tightening.

Today the ten-year bond is strikingly at 1.65 percent versus approximately 3 percent a year ago. This is not a sign that bond investors or investors in general are bullish about future growth. The synchronized global expansion that we were talking about a year or so ago did not materialize, and today the picture is quite different.

Global dollar liquidity is very tight. The stock markets returns have been very narrow, with a relatively small group of shares in one country, ours, receiving the bulk of the inflows, and corporate earnings for Q2 are down about 1 percent year-over-year with approximately 90 percent of companies in the S&P 500 reporting. This is the first time in three years when we've had two straight quarters of earnings decline, year-over-year earnings declines.

With the stock market up so much in the first half, this means that equity valuations are higher. In fact, the twelve-month forward price-to-earnings ratio is nearly 17. That's above the five- and ten-year average.

These, of course, are all late cycle

phenomenon. And to me, as I mentioned at the investment committee, the market strength this year seems like it's a strong case of the "Don't fight the Fed" mentality where investors are confident that central banks will be able to stave off the continued slow-down. But will they? Only time will really tell.

August has been much more challenging, as you know. And as we discussed at the investment committee meeting, lowering interest rates may not even be that effective in the end.

After all, rates have been low for a very long time; negative, in fact, in some countries. But housing in the worldwide economy is not that hot and it doesn't seem to be improving.

All of that still means that we are very comfortable with our current asset allocation and believe it will serve us well over the coming fiscal year.

Remember that over the past several years, we've been de-risking the portfolio.

We may have been a little early in that regard, de-risking the portfolio, but there's still plenty to be concerned about.

Connie even mentioned at the investment committee that she believes there is a greater than 50 percent chance of a recession in the next twelve months. I believe Goldman Sachs also has increased their odds of a recession.

And I'll leave it there.

I know Michael Even made the trip here today to specifically address some of these points, and I'll offer the floor to you for a couple of minutes if you want.

MR. EVEN: Thanks, Mike. Should I sit up or --

MS. GOLDBERG: Yes, please.

So, Mike sent me a very well-reasoned comment that I read into the minutes at the investment committee meeting. And I suggested that he come today, because I think it's important for him to articulate how he's -- what his observations are, which I also concur with.

So, Mike, I wanted to give you that opportunity.

MR. EVEN: Thank you very much. So I'm Mike Even. I'm a member of the investment committee.

And for the last couple of years, I guess it's been now, I've been spending a lot of time here. Mike was kind enough to give me an office here. I spend about a day a week here on the average. So --

MS. GOLDBERG: Why don't you mention what your background was prior to that.

MR. EVEN: I was CEO of a firm in Boston called Numeric Investors, which I sold to Man Group about five years ago. And before that, I was involved with CitiGroup. I ran their asset management group at CitiGroup.

MR. TROTSKY: He's very modest. What were the assets at CitiGroup?

MR. EVEN: About 600 billion in assets. A very -- a diverse platform.

MS. GOLDBERG: Michael has also been very involved in Project SAVE, too.

MR. EVEN: Yes, yes, which I love.

So because I missed the investment committee meeting, I made basically three comments in my note.

It was prompted by the fact that, even though I've been involved for a long time, this is really, I think, the first time I can recall that we're below our benchmark.

So we've had an amazing run. Probably a lot of it skill. Probably a lot of it was luck. You always expect to be a little under water.

So I basically made three comments.

The first was that I saw no reason to panic. I think that this was partially the way Mike just explained it.

It's partially the fact that, I don't know about the board, but the investment committee has been very supportive of trying to de-risk a little bit, given the great performance we've had and how good the markets were doing.

So given how bullish the markets have

remained, despite our efforts to stifle, slightly at least, de-risk, this is to be expected. So that was my most important point, probably. This is part of it.

The second part of my note was that a lot of -- at least some of the underperformance was due to the fact that we're trying to be very innovative and very experimental with some of the things around the margin of what we're doing. And some of those things did not work out well in the recent history, and I wanted to make sure that, at least in my opinion, that's okay.

That's what happens with when you try to be innovative. Some things work. Some things don't. As long as you learn from them and as long as you haven't been committing too much to them, which we haven't, it's been good. And that's exactly what's happening. I tried to be very, very direct about encouraging further innovation and not letting this discourage us in any way.

My final point is partially a reaction to -- Mike has touched upon this -- partially a reaction to being here as often as I have been, which is we're running an incredibly successful portfolio, which has done a lot of interesting things with really, really very efficient staff, to put it in a positive sense.

To put it a bit more negatively, I would love to see us staff up more, to do more of what we're doing with more staff and to give us a chance to give the current staff a chance to do some things other than the day-to-day management of what they're doing, to be more innovative.

So my third point in my note was to be very encouraging about that, both to the investment committee and to the extent I can with the board, and to also recognize that it takes a long time, particularly because we are trying to meet these diversity goals which I think are very worthwhile.

The hiring process is difficult and it takes a long time, and we have to be very careful.

So I was -- it was a very positive

note. I feel very good about my relationship with PRIM because I'm very proud of what PRIM is accomplishing.

And again, my incentive for writing the note, besides the fact that I missed the meeting, was that I wanted to be clear that even though we had a slightly off performance, I didn't -- I personally was not in the least bit worried about it and I even saw it as very much a continuation of what we were trying to do to move on.

That's it.

MR. TROTSKY: Thank you.

MR. EVEN: Thank you very much for your time.

MS. GOLDBERG: Thank you, Michael.

MR. TROTSKY: Thanks, Mike.

Just a couple more minutes on this and then we can move on.

But just to recap, noteworthy, fiscal 2019 was a very weak first half in the markets, followed by that very strong, historic second half.

To bring you more up to date, July was kind of flat in the markets. US markets were up very slightly. Equity markets were up very slightly. And bonds were about flat.

August so far, and we're only 13 days into August, hasn't been so good. The S&P is down more than 3 percent. Developed international markets are down 3 percent. Emerging markets are down 6 percent. And very surprisingly, as I mentioned before, bonds are strong. Bonds being strong is a defensive late-cycle phenomenon.

Long bonds are, for the month of August alone, STRIPS are up 11 1/2 percent. And for the year, the calendar year to date, 2019, long bonds are up 28 percent.

So it's the -- it's staggering. That's because the ten-year treasury has essentially gone from 3 to 4.65.

So it's an unusual year. We're happy we're conservatively positioned.

Please turn to page 3 in your performance handout and I'll go through this quickly.

The performance handout has some of the charts and graphs.

You see for the one-year number, the PRIT fund returned 6.1 percent growth, so that's 5.7 net. Underperforming its benchmark, as I mentioned. It's an investment gain of $4.4 billion. Remember, 6 percent is still positive, and it's a pretty good positive given the environment. It's an investment gain, again, of $4.4 billion, but 646 million below the one-year benchmark.

Longer term, the results are very strong. You can see the three-year number up 9.8 percent; five years, 7 percent; ten years, up 10 percent, and all time periods above the benchmark.

Net outflows to pay benefits in the fiscal year were approximately a billion dollars. We do pay benefits out of this pool of assets.

Page 4, you can see what did well on the left, and you'll hear more about this shortly.

Private Entity led the way, our

award-winning PE program led the way for the one-year period, up 18 1/2 percent.

Fixed income with rates declining was also a strong contributor. No one would have predicted that last year.

And on the right, you can see what was a little bit weaker.

I'll end there and take any comments on or questions on performance, but you will be getting more detail from each asset class head momentarily.

That concludes my --

MS. GOLDBERG: Any additional questions for Michael?

Okay, then.

MS. GOLDBERG: Which do you want to do first?

MR. BROUSSEAU: It doesn't make any difference to me. It doesn't make a difference, I don't think.

MS. GOLDBERG: Well, then, sticking with what's the order of the agenda, Bob, why don't you take it away on the performance evaluation.

MR. BROUSSEAU: Okay. Thank you very much, Madam Treasurer.

Michael, if I were you, I would take the evaluation over the root canal today. Okay. I think it's going to be less painful, that's for sure.

MS. GOLDBERG: You have a root canal today?

MR. TROTSKY: Yes. You missed that.

MR. BROUSSEAU: You didn't know that earlier, so I said the evaluation is better than a root canal.

MS. GOLDBERG: I don't know. I think it's going to be pretty even.

MR. TROTSKY: My sister is a very good dentist.

MS. GOLDBERG: But she told me this is her opportunity to get even with you. We've chatted this morning.

MR. BROUSSEAU: Well, as you know, we've all done -- been here before and done this.

This is our annual process. As you

know, by state law that this board must evaluate the executive director for his past year's performance in an open session. And of course, all the board members and even committee members have been invited to participate.

First of all, I would like to start by thanking the board and the committee members for participating. I think we had -- I received eleven responses, either verbally or especially e-mails which are very, very helpful from, I think, six members of the board I had communications with. And of course, they are free this morning to speak after I finish the coordination -- I'm going to take what was sent to me and give you the facts as I've seen them as they've been related to me, and then you're free to make your own comments.

I also would like to thank the board. This is a shortened process. You had about ten days, you received Michael's evaluation, because of the way, you know, the year has ended, fiscal year, and we are into August and you received this at the investment committee meeting or your appropriate committee meetings and I asked that you get it back to me by the 9th. Just about all of you did get it to me on the 9th. I think I had one on the 10th. And I was able to put this together.

One member commented for the first time that probably he or she was loathe to respond because they were just a committee member.

Let me tell you, don't ever feel you're just a committee member. I found that the committee members who work for this organization, this board, bring a level of expertise in helping this board do its mandate for the beneficiaries in the state. And as a board member, I thank them for their participation, and their views are very, very valuable.

You were provided with a discussion guide. You did not have to participate. There were 20 points on it, as a point of reference, as you evaluated the executive director, and you were encouraged to please make it a point with Mike or when you see him, go into the office, sit down, have a personal conversation on issues that you feel should be addressed or anything you want to say. And he welcomes that, so that's also part of the evaluation.

First of all, if I were to do his evaluation today I would say, you know, maybe I should ask -- should have asked Tony to get the minutes of the 2018, the 2017, the 2016 minutes of Michael's evaluation and say, Okay, here it is, let's approve them, because basically it is the same this year as in previous years. Okay?

We all know that there's always room for improvement and that an organization like ours -- and Michael knows that an organization like this can become complacent so you must work to have continual improvement all the time. And I know Michael has done that, and that came out in the evaluation as people also look at what he has accomplished.

I think a good example of that is we've heard references at committee meetings and also today that, of course, we've had a slight problem with the assets and the benchmarking, that -- they will be working on it and it is going to be corrected, that a slight drop in our in the returns, but that will be corrected because of a lot of our illiquid assets, and benchmarks, catching up with them.

First of all, what is Michael's score? Throughout this, in just about all the evaluations, the one word that did stand out to me was the word "outstanding." It's the same as last year, "outstanding."

And I would say, if I was to give him a score on his performance this past year, it is outstanding.

First of all, here are some of the attributes that some of you wrote in your comments. These are in terms I agree with.

First of all, Michael is innovative. He's creative. He's inclusive. He's communicative. He's receptive to new ideas. He's transparent. And he has been working to expand PRIM and make it a diverse organization, which as we know is very, very important.

Having said that, I just wanted to read some comments -- I want to read some comments that some of you did give me in the evaluations I received.

Here is one that says: "Michael is doing an outstanding job as executive director. Under Michael's leadership, PRIM has been recognized by our peers and institutional groups as one of the best public funds in the country.

"Michael's put together a team that, again, I consider one of the best in the country. The interactions between the teams is a credit to Mike's management style of inclusion.

"The central theme of innovation is so evident in the fund's continued success."

Another comment: "PRIM has benefited from the low staff turn-over this year and has made important additions to the staff. Investment results within each category have almost universally been good. I have been very pleased with Michael Trotsky. He has been fully transparent about the performance deficiencies that were identified in the results.

"One of the major achievements in recent years has been the rebuilding of the private equity staff and the organization's continued ability to successfully replace those from the team that leave. In my view, we are still well understaffed in numbers of people in private equity, although I've been very pleased with those who have been there and the quality of the new hires."

Another comment: "I have reviewed Michael's self-assessment and performance evaluation guide. I believe that Michael has performed at the outstanding level" -- there's the word "outstanding" again -- "in significantly all of the 20 categories listed."

"He continues to raise the monetary value of the fund and, more importantly, has improved the skill levels and bench strength of the whole organization."

"The high morale and sense of purpose

of every one of the staff, from professionals to administrative and support people, is very evident to me in my visits to the office and regular conversations with individuals there."

Other comments: "Michael has continued to be successful in attracting and retaining staff. He has continued to make PRIM an attractive place to work in the very challenging Boston investment community."

"As I stated in my evaluation comments in 2018, the PRIM professional development program and the continually updated compensation system have been very important in this. Michael's personal leadership style has been a vital factor as well."

This person said: "Also, as an individual board member, I always find Michael accessible. He always has the time to listen to any concern or thoughts and to follow through on them."

Another comment: "Mr. Trotsky's fiscal year performance was outstanding" -- there's the word again -- "in all areas on the guideline."

"Although a majority of my interaction with ED is centered in another area, Michael is open and forthcoming with market views and strategy relevant to the overall portfolio, which is very beneficial to our committee thinking, insights, and ultimately influencing our actions."

"Overall, he is excellent at communication and his high level of integrity and leadership is evident in all our interactions. The accomplishments of the staff are a reflection of his outstanding leadership and vision."

"Again, I feel the Commonwealth is very fortunate to have such a skilled, thoughtful, and talented leader of PRIM."

Another one here said: "Michael is a superb and thoughtful leader. He has demonstrated the true grit of responsibility and of leading PRIM. His connection to all staff, and particularly the senior leadership, is what keeps PRIM on track as the stellar, high-profile public investing organization. He is a leader on many levels in the industry, the state, local boards, and most importantly with staff."

"His encouragement and ability to direct in a positive, supportive way with no arrogance gives him an understanding of the complex issues that all bring to PRIM and its investment strategies."

Another that said: "I am writing to reiterate, as I have stated in the years -- in past years for the evaluation of Michael Trotsky, Executive Director of PRIM, that we are very lucky to have him in charge of our funds. I have full confidence and trust in his deep knowledge, expertise, innovation, and leadership. The beneficiaries of the fund are in good hands having Michael at the helm. He has done a great job since he started at PRIM."

Another comment: "During such volatile times, risk management is key. Michael's attention to risk management issues with the replacement of staff in risk management has been critical and important to the security of the fund."

"The many awards PRIM and PRIM staff received this year speaks volumes about Michael's performance and his staff in maintaining the high honors for the PRIM fund among its peers."

Another comment, and I'm just about finished -- I did want to read a lot of these to you but some of them were very lengthy.

"I write to give an assessment for Michael Trotsky's performance. His reluctance to give in to complacency, with the great historic returns achieved, and his key vision, has pushed himself and his subordinates to greater heights, all traits that separate him to a great degree from his peers in the public pension field."

"He has done creative work in keeping the much-coveted talent there and not in the offices of private asset management."

And finally, this is the last one I'm going to read, for my final comments, came from a person who works for the -- in a committee structure, and it's very short and to the point, but I think this summarizes the feelings of all of us regarding Michael.

This person said: "Michael Trotsky's performance has created for me a new higher expectation of what outstanding performance really means."

And I'd like to summarize now simply, those are the comments that I received that I thought were relevant to this evaluation.

The awards bestowed upon the PRIM staff and the organization we know. PRIM is recognized, as far as I'm concerned, as a powerhouse in the public pension industry.

And, finally, Michael, you've been with us since 2010. This is nine years. And he is the longest serving executive director that PRIM has had in its 35-year history.

MR. TROTSKY: I didn't know that.

MR. BROUSSEAU: And I worked with all of them in that time, but you are the longest serving. You've been here nine years.

I'll tell you, I hope you don't have any ideas of leaving us, because you are definitely a keeper.

MS. GOLDBERG: He said something about a succession plan recently.

MR. BROUSSEAU: We don't -- no, no, no. Don't plant ideas.

MS. GOLDBERG: Didn't you say that to me?

MR. TROTSKY: It's, you know, as Mike Even pointed out, we are very lean, and Michael actually thinks it's a strategic vulnerability how lean we are.

MS. GOLDBERG: Yes.

MR. TROTSKY: And the idea of succession planning applies to each and every position --

MS. GOLDBERG: Okay.

MR. TROTSKY: -- at PRIM, and I've encouraged staff to identify and hire people who can take over in any group.

MS. GOLDBERG: Are you planning my succession?

MR. TROTSKY: No.

MR. BROUSSEAU: Madam Treasurer, that completes my report. But now I would like, through you, if any members of the board would like to speak or add to the comments I have made.

As I said, it's obvious to me -- the key term here was "outstanding" in the performance of the past year.

And if any of the committee members would like to say anything, it is welcome. I think it should be read into the record if they feel they want to make comments.

MS. GOLDBERG: Folks? Dennis?

MR. NAUGHTON: I have a comment. It's kind of lengthy, so bear with me.

Please keep doing what you're doing. Please don't leave.

MS. GOLDBERG: Could you repeat that, because it was so long, the stenographer did not get it.

MR. BROUSSEAU: Did you get it down?

MS. GOLDBERG: Any others?

MS. ROSE: Ditto.

MS. FITCH: I'll second, third, and fourth that motion.

MS. GOLDBERG: All right. Well,

then I don't have to say anything.

I think it's been very clear, as Bob said, if you go back to comments made in prior years, you could probably pull mine right out and without reading it, I bet I would say exactly the same thing.

Michael and I have worked very, very well together. We have very open communication. If -- if whatever you hear me say in a meeting, whether it's about -- particularly about diversity and inclusion and the kind of efforts we have to make, we talk about these things together all the time.

It is my understanding that I think I'm the first treasurer that you have meetings with privately all the time.

MR. TROTSKY: Uh-huh.

MS. GOLDBERG: So this is a very positive working relationship. And so I'm not throwing him a curve when I speak publicly on how -- my opinions about things we need to do or things that we can work on moving forward. I think that, for me -- and it's why

I've been a strong proponent on increasing compensation is -- did Michael Even leave?

Yes.

So he's always been e-mailing me about that and then complimenting me on having followed through, as have others.

We have to acknowledge and understand the environment we operate in.

We have to acknowledge that we are talking about basically a $75 billion fund that has to continue growing. That is a big fund.

For contrast, Rhode Island is somewhere around 9 or 10 billion. Now I know it's a small state. But these -- there are lots of little funds.

We need top-notch people. And to have top-notch people, you have to compensate well, and that starts at the top and should go all the way down to whomever is working here.

And I am the one who is willing to stick their neck out, if I need to, on behalf of the people who work here. I think that we have an extraordinarily talented staff, and our goal is merely to enhance it and give more support in the areas that we need to.

MR. BROUSSEAU: It's very evident in all the comments as well.

MS. GOLDBERG: Right.

MR. BROUSSEAU: The staff is excellent.

MS. GOLDBERG: So I can only become redundant if I keep on speaking.

And so, Michael, I hope we continue to have the positive working relationship we do. And congratulations on -- although -- on another good year, in a very volatile external environment.

MR. TROTSKY: Thank you.

MS. GOLDBERG: I have no idea what next year is going to bring, but I don'tthink it's going to be any better.

So, one of the things is that we have to stay the course and continue with our very strong risk analysis and our ability to respond and evaluate and investigate whatever variations in the market occur and add to our great people to give them the support that they need.

So with that --

MR. TROTSKY: Well, thank you so much for your very kind and thoughtful comments. And I have all the confidence in the world that we will work cooperatively for a very long time together with you and your staff, your excellent staff.

Thank you, Bob, for your summary and to the rest of the board and committee members for your support and confidence.

Of course, I get all the accolades but I do very little of the actual work. The only reason that you can say nice things about me is because we have an incredible staff here that I and others have characterized as among the best in the industry, whatever the industry is.

And I would put this staff up against any public pension plan and any private investment management shop. I've worked in the private sector. This staff is head and shoulders above just about any place I've ever worked.

So I get nice comments, but you guys all deserve the recognition as much or more than me. So thank you.

(Applause.)

MR. TROTSKY: I would just like to say in closing that it was a very challenging year, both in the markets and personally, when I had to deal with some health issues at home with my wife, and thank you for all your support in that as well.

MS. GOLDBERG: Yes. We talked about that, too, how you persevered and all these folks rallied around you.

Since you did decide to bring it up, we're terribly excited with the results of her treatments and we are hanging in there with continuing thoughts and prayers.

MR. TROTSKY: Thank you.

MR. BROUSSEAU: I didn't mention it, it's a personal side, so I didn't mention.

MS. GOLDBERG: I know. It's not easy to have volatile markets and a wonderful wife at home not feeling well.

MR. TROTSKY: No. She's feeling

better, but it's been a long process and I appreciate your support, everyone.

Thank you.

MS. GOLDBERG: So we have a voting item, and I'm going to seek a motion and then we can talk about that, the goals and objectives for the upcoming year.

So I would seek a motion that the PRIM board approve the admin and audit committee's recommendation to approve the executive director's fiscal year 2020 goals and objectives as contained in Appendix D of the expanded agenda and, further, to authorize the executive director to take all actions necessary to effectuate this vote.

Is there a motion?

MR. BROUSSEAU: So moved.

MS. FITCH: Second.

MS. GOLDBERG: Discussion?

Go ahead.

MR. TROTSKY: I have just a little summary.

The goals and objectives were really approved at the admin and audit committee.

They're largely consistent with many of the goals you've seen in the past years. And copies are available outside, I believe, and you can pick them up.

There are a few new things that I need to highlight that are unique to this year.

The first is that we plan to hold 2020 board elections.

Paul and Bob, hopefully, will run again for your seats. And it is incumbent upon us to run those elections from PRIM.

We're planning to convene a 2020 PRIM investor conference again this year. I think we're in the final stages of picking a date and a location for that. We'll be in touch with that.

Every few years, we do a benchmark review with the arrival of Jay Leu in risk and his expertise in that area and some of the issues we identified over the last fiscal year. I think it's an excellent time to do that.

Michael Even, as you just heard, is very supportive, as is the entire investment committee.

It's a good idea to do a benchmark review every few years, and we'll be doing that again this year.

Important to me is something I've already mentioned, it's to lead the peer private equity institutional limited partners.

In particular, if we can identify a few like-minded public pension funds to really increase some negotiating leverage when we sign limited partner agreements. I think if we can move the needle in some regard to give the limited partners more rights and more contractual power, I would love to accomplish that. It's a big goal.

Then last, I will mention that it is a goal of mine to continue to increase PRIM's staff size. I think we are too lean for the things we do here. And succession planning in any organization is very, very important.

And in light of the increasing sophistication of our investment strategies, we need the talent in-house. But I want to also be mindful not to hire people too quickly and not to hire people that we can't assimilate into the organization to have productive as soon as possible.

So there's a fine balance between finding the right people, finding enough people, and hiring people too quickly to be able to give them a fair chance to succeed.

So that's a fine line that we struggle with here, but I'm confident we can increase the depth of talent.

Then the annual plans are also part of my goals and objectives.

We review those every -- at the beginning of every calendar year, and they're there for your review. I've received feedback on very many of them. But they, of course, are part of my fiscal year 2020 goals.

I'll take any questions and, of course, if you want to provide any feedback on any number of these initiatives, I'm available and would love your feedback.

MS. GOLDBERG: Questions or comments from the board?

Bob, are you -- you took a deep

breath. Are you --

MR. BROUSSEAU: I'm fine. The admin and audit committee was unanimous in the goals and objectives.

MS. GOLDBERG: We have a motion. We have a second.

All those in favor?

Any opposed?

(Unanimous vote.)

MS. GOLDBERG: Hearing none, the motion carries.

Thank you.

All right. So now the investment report, public markets.

Hello, David.

MR. GURTZ: Good morning.

So before we get into performance, I'll be talking to Appendix B. But before we get into performance, I'll just briefly highlight our staffing issue in the public market team, as it's been a hot topic this morning.

We're continuing to interview folks for multiple positions on the team, specifically a new position on the team is a senior investment officer position.

We've held and continue to hold many interviews, but I'm hoping that we're going to find somebody in the next coming month or two. So, hopefully by the next meeting, we'll have introductions of talent.

So on to performance.

Again, referring to Appendix B, I'm going to start on page 6.

As Michael noted earlier, the markets were extremely volatile this year. However, if you look at page 6, the one-year returns of every asset class ended up positive for the year, gross of fees, something we haven't seen in five board meetings. So the market moved a lot, but all positive by the end of the year.

Looking at page 7, fiscal 2019 continued to trend in US equities, outperforming, specifically large cap, outperforming all other equity markets by a wide margin.

In terms of relative performance, US small and emerging markets are very strong, while developing international equities underperformed slightly.

In the US small cap space, we are roughly 55 percent index to the Russell 2,500. So the outperformance of our active managers was proportionately greater than the 2.1 percent number that's shown on the green chart.

All three of our US smalls mid-managers outperformed, but two in particular, Summit Creek and Riverbridge, were very strong this year.

Summit Creek outperformed by 9 percent net of fees, and Riverbridge outperformed by 10.3 percent net of fees. So very strong performances this year.

In emerging markets, we're 100 percent active and we outperformed by 1.5 percent gross of fees, or .9 percent net of fees for the year.

Baillie Gifford was our best performing manager this one-year period, outperforming by 7 percent net of fees. Baillie Gifford was particularly strong in the financial sector, accounting for more than half of the performance.

Looking at our core emerging market managers as a group, they did all perform well because they were underweight China by 6 percent. China represents about a third of the benchmark in that sub-asset class. China underperformed the EM benchmark by nearly 8 percent this past one year.

They also did well in Russia and Brazil. Both of those countries had outstanding returns this one-year time period.

Russia was up 27 percent and Brazil was up 39 percent for the year, respectively.

In international equities we underperformed slightly by .2 percent -- or .4 percent net of fees. Here we are 40 percent indexed.

Our best performing manager for the one year was a firm named Mondrian. Mondrian outperformed by 2.7 percent net of fees, focusing on defensive, high-dividend paying companies like utilities, which was their best performing sector.

Another manager, Marathon, has had a tremendous long-term track record with PRIM; over 20 years now. And they have performed annualized over 3 percent net of fees for us over that long-time period.

However, over this one-year time period, they were the worst performing manager in the international markets. They underperformed by 2.4 percent net of fees, due in part to an overweight to the United Kingdom.

Andre Clapp and I will be traveling to London in the next couple of weeks. And we're going to be focusing and visiting a number of managers, but focusing on those managers and understanding how they're positioning the portfolio, given the issue that's taking place now. It will be interesting to see what their thoughts are, given the changes over the last couple of months.

Turning to page 8, fixed income. While equities was unusual, fixed income was equally unusual and in an even more volatile year.

I say it was unusual. A year in fixed income markets where yields fell but credit spreads barely moved, thereby creating a bit of a Goldilocks environment for fixed income securities, and that resulted in core fixed income being the second best asset class behind private equity and value added fixed income being the third best performing asset class. Again, just a bit of an unusual year all around.

As you can see on page 8, the best performing fixed income portfolio for the one-year was the STRIPS portfolio. The thirty-year yields fell nearly 50 basis point during the year, resulting in that 14 percent return.

Tighter spreads and falling yields contributed to stronger returns in emerging market bonds for the one-year period.

Emerging markets, dollar-denominated managers performed well, thanks in part to overweight in Latin America.

Local currency managers continue to underperform the benchmark, but we continue to reduce our exposure to this asset class, and it's currently less than a half a percent of the PRIT fund.

The five- and ten-year yields fell 97 and 85 basis, respectively, during the year, while credit spreads barely moved for investment grade fixed income securities and widened only 43 basis points for high yield.

This resulted in, again, an unusual year where the AGG outperformed high yield, both returning about 8 percent, and active managers adding a little bit of value.

So I'll pause there and see if there's any questions.

MS. GOLDBERG: Peter?

MR. MONACO: The STRIPS portfolio, Dave, I think the last time rates were at this level at the long end, we actually reduced there.

Are we going to do that again? Or does the insurance quality of this investment argue for holding onto it?

MR. GURTZ: At this point, there's no plans to reduce it significantly beyond its 3 percent weight beyond rebalancing out of it, because it has performed significantly better than the equity markets, and it's best performing asset class we have in the portfolio.

So we'll be rebalancing as part of the normal rebalancing process, but no active tactical decisions to reduce it any more.

We'll be looking at it as part of our annual asset allocation five months from now.

MR. NAUGHTON: So has China --

MS. GOLDBERG: We can't quite hear you down here.

MR. NAUGHTON: My question was what, if any, reverberations has the Chinese action with its currency had on investment?

MR. GURTZ: Yes, EM currency has played a significant role in terms of the impact to the portfolio. And, again, you can kind of see it on the front page of page 7 there that EM securities haven't done well and international securities haven't done well as compared to domestic equities.

It's not the only contributing factor,

obviously.

In particular, China. China performed, like I mentioned earlier, about 8 percent worse than the EM index itself.

So I haven't looked at what July's China's exposure has been in terms of the equity factor, because I think a lot of those issues have happened more in the last couple of months.

MR. NAUGHTON: Thank you, David.

MS. GOLDBERG: Any other questions?

MR. GURTZ: Thank you.

MS. GOLDBERG: Okay. Thank you, David.

Eric. Eric Nierenberg and Bill Li.

MR. NIERENBERG: Good morning, everyone. I'm Eric Nierenberg, Chief Strategy Officer, accompanied by my colleague, Bill Li.

So I first just want to reiterate some of Michael's comments.

Welcome to our team. First of all, Jay Leu, our new director of risk, and also our interns, Roy, Tia, Blake, and Nathalia.

A belated happy birthday to Nathalia. Her birthday was Sunday.

MS. GOLDBERG: Happy birthday.

MR. NIERENBERG: It's been a busy time in the strategy group, which comprises portfolio completion strategies, research and risk. And the team has grown, as you've seen.

From a strategy standpoint, some of the objectives that we've pursued over the last few months are to enhance the asset allocation process, which we talked about back in February and we'll have some more enhancements to talk about next year.

Also we have been working on formulating consistent methodologies for selecting and evaluating managers across asset classes. We call this, as Michael refers to it affectionately, the PRIM playbook, and that's going quite well.

We're also forging ahead with a number of research projects, including on ESG, which you'll hear about in just a couple of minutes.

And as Michael mentioned at the

outset, Jay is going to be leading our full-scale analysis of our current risk framework and also conducting the benchmark review. Stay tuned for that.

MR. BROUSSEAU: How long will that process take?

MR. NIERENBERG: Which process?

MR. BROUSSEAU: The review.

MR. NIERENBERG: The plan would be to have something to present to you at the next board meeting.

Turning to PCS performance. As Michael mentioned, PCS performance for the fiscal year was subpar, although it was kind of a tale of two stories here.

The hedge fund portfolio performed very well, and Bill will take you through that.

But overall, PCS returned 1.6 percent for the fiscal year, which was 130 basis points below the custom index return.

Over the trailing three-, five-, and ten-year periods PCS continues to outpace the benchmark by a good margin.

The two laggers were investment in the real assets portfolio, both agriculture and insurance.

And I talked some about this at the investment committee meeting, but I'll go review some of the points again.

On the agriculture side, there were a number of reasons for the underperformance, but the most important two were what we call the development J curve, using a private equity analogy, when you're developing properties, you're putting money into the ground, literally in this case, but you're not getting any cash flow yet because it takes -- depending on the kind of crops you're growing, it takes three years for wine grapes to develop. It could take actually longer than that for pistachios and almonds.

So some of that is to be expected, especially when you're comparing it to a benchmark that has income-producing properties that are mostly mature.

That part I think we're comfortable with.

The part that was more concerning was the weaker-than-expected pricing in certain varieties of wine grapes and in blueberries, particularly on the wine grape side.

That's something that we're monitoring. There does seem to be in parts of California a glut of certain types of wine grapes. That will likely persist for at least a little while.

We're going to have to measure expectations for that part of the portfolio.

We have placed a moratorium on new capital development on the agriculture side. We're reviewing every property to see where it stands; what measures, if any, should be taken. We'll keep you updated, if any remediation measures are needed.

On the insurance side, that took some pretty heavy hits for the year. Not so surprising given that we were in the higher risk space of the retrocession contracts.

In 2018, while the first part of the year started out pretty quiet, the last part of the year was very active between Hurricane

Michael in the Southeast and the two wildfires in California, the Camp Fire and the Woolsey Fire.

Unfortunately, the wildfires in particular, are not really natural disasters. They were man-made disasters. The way the contracts had been written, we're still on the hook for those.

Interestingly, most of the insurance industry is now moving away from writing wildfire coverage because it's just something that they can't model.

Now, while we would expect to have some degree of losses, given the magnitude of the events, the full scale of the losses was definitely greater than we would have anticipated and mostly due to one of the two managers in the portfolio having very poor underwriting.

That manager is actually being shut down. Their business is being closed, because it's so poorly run.

As we review the program, we'll come back to you in November with the final proposal on this, but I think we're looking to probably exit the space at the end of this year.

Remember, it's one-year contracts, so we have the ability to do that.

It's not so much that the losses happened this past year -- part of the investment thesis is that some years will be bad -- it's more what we call the loss creep, which is that over the last couple of years when events have happened, the initial damage estimates have turned out to be too low and the losses coming in and keep coming in.

Just in June, there were significant additional losses from PRIMary insurance firms, like State Farm and Allstate, attributed to Hurricane Michael, which remember, had struck back in October of last year.

This has taken the industry by surprise and it kind of tells us that the risk modeling agencies that service this insurance reinsurance space don't have a great handle on how much damage can actually be caused by events.

If that's the case, then it goes from being an investment with risk to an investment with uncertainty.

Risk is something that we can model and we can take what we think is the appropriate amount of risk for what we think would be the right return.

Uncertainty is a totally different story.

Given that we have the ability to exit this, I think we're leaning towards sitting out of the market until we can see if the industry can catch back up and model things better.

MR. BROUSSEAU: What protection do we really have? Looking at global climate change. I mean, this is an extremely high-risk area. It's going to get worse. It's not going to get any better.

And is this an area where there's money to be made? Or is it like putting money in a big bucket?

MR. NIERENBERG: I think that's

an excellent question.

I've been doing a lot of soul searching on that topic myself, and we have seen things like -- it didn't turn out to be a big event, but when Hurricane Barry hit the Gulf earlier this year, there were charts that showed that the Gulf of Mexico was warmer this time in May than it ever had been in recorded history, that could have made that storm a lot worse than it was.

So while we have traditionally thought, and I think is still the case, that the hurricane cycles are due to these kind of variations in temperature, there is a lot of uncertainty about the pace of global warming and what that effect is on natural diasters.

And to your point, I'm not sure that being effectively on the short side of that trend is necessarily where you want to be.

So that's affected our thinking as well, in terms of whether this is an appropriate exposure.

As we talk about the investment committee meeting, it's still uncorrelated,

but that these weather events are going to be
massive in size and more frequent. That's not
a great trend.
Anyway, that's where we are on
insurance and agriculture.
I'll turn it over -- unless there are
questions on that, I'll turn it over to Bill
for the much more positive story on the hedge
fund side.
MR. BROUSSEAU: That's why he
got the award, right?
MR. NIERENBERG: Right.
MR. LI: Thank you. Bill Li,
senior investment team officer and director of
PCS.
As Eric mentioned, the hedge fund
program has really had another steady year,
and the program accounted for over 80 percent
of total PCS portfolio.
Over the past one year, the hedge fund
program has been the second largest
contributor to the PRIT fund on a relative
return basis. And looking at the return
number, that was 3.3 percent for the trailing

one year, outperforming the benchmark by over 160 basis points.

For the trailing three-year period, the portfolio annualized 6.6 percent, and that's outperformance of more than 210 basis points every year. That performance was delivered with merely a .15 equity market beta and a zero bond beta, and that provides strong testimony to the alpha profile of the investment program.

If you delve into the return drivers of the performance, a lot of them are event driven or relative value strategies, and those type of investments are more idiosyncratic and uncorrelated to the market in general, and they don't count on the direction of the markets to generate returns.

It's worth noting that the last fiscal year has also been a busy year for the team as well.

As you know, we are constantly refining and upgrading the portfolio through recycling from some of the more expensive names into more innovative and more economical new ideas into the portfolio. And such improvement actually has no end. We're sober about the fact that there's no shortcut other than us being proactive, diligent, in the meanwhile staying disciplined in this upgrading and refining process.

Maybe switching gears to the equity hedge program. We upsized the program per the allocation discussion towards the -- earlier this year. We upsized the program to 6 percent of total PRIT.

And if you may remember, this program targets to reshape the distribution of S&P 500, and by doing so, we are targeting a solid profile of risk-adjusted returns.

So what does a narrower and a better return distribution mean?

It reduces some of the downside or left tail risk.

In the meanwhile, some of the upside, extreme upside or the right tail performance is also curtailed.

However, if you participate sufficiently, the moderate part of the distribution, which is bell shaped, over the long term, the power of compounded returns eventually works in our favor.

Looking to the history since the 1990s, the strategy showed a strong tendency to outperform in both down markets and normal markets, yet there could be temporary underperformance during market upswings.

We realized that experience in 2017 and 2018 confirmed the aforementioned behavior. And earlier this year, the market relentlessly snapped back.

If you may put that extremity into a historical context, that actually was an event of less than 2 percent chance.

Correspondingly, the strategy lagged, significantly lagged, and the underperformance during the first four months of this year more than offset the relative gains we had in other periods.

So if you look at the number as a result for first half of the year 2019, although the strategy returned 11.3 percent, which is actually a very -- a fairly strong number, but the relative performance and underperformance was the 370 bps trailing one year, was a very poor program return, 6.5 percent, lagging the benchmark by 260 bps.

Another way to look at this program is to look at its operation. It's unclear -- it's not right to look at its performance without taking a look at the risk that you're assuming.

Since inception, this program's return -- risk adjusted return actually matched that of the S&P 500. So that, again, led us to believe that this underperformance was more likely temporary, and this strategy has been functioning well so far.

As Michael and Eric mentioned that with Jay's help, our new risk director's help, going forward we are going to think hard of alternative ways of benchmarking.

And with that, we are happy to take any questions you may have on hedge funds, PCS, or the equity hedge program.

MS. GOLDBERG: Any questions?

Okay.

MR. LI: Investment recommendation, which is also a voting item.

RV Capital is a single based global macro manager, trading currencies, interest rates, and credit instruments.

Even though categorized as a global macro manager, the manager actually covers only the Asia Pacific region.

Within Asia Pacific there are 13 tradable markets that are highly fragmented in terms of culture, language, political system, economic development stage, as well as central bank policy.

RV Capital has a top-down approach trading across these 13 markets. The manager has a potential 15 macro themes and they are more value in nature.

Pricing dislocations happen now and then due to economical reasons or global -- just the global noise.

Uncertainty, such as Brexit or international treaty dispute, tend to cause overreactions in the market.

RV Capital intends to capture such

overreactions and patiently wait for asset pricing to revert to the fair valuation.

Performance-wise, RV Capital has a significantly better track record than their global macro peers. And that was partly because they have a very clear advantage. That is the high barrier to information, local knowledge, and the ability to analyze them.

The other part of the reason was attributed to RV Capital's strict risk practice.

Those together resulted in this return stream and track records, and we expect the manager to deliver a high single-digit gross return with a volatility around 5 percent.

PRIM's investment of $150 million USD would account for 20 percent of the firm's total AUM.

And that sizing proposal to you tries to balance considerations including our staff's conviction in the alpha profile of the manager, correlation of this manager's return characteristic versus the PRIT total funds, and also the business terms consideration as well as capacity constraints of such a strategy and trading in that part of the world.

PRIT has negotiated very favorable terms and a strategy will be implemented in a dedicated managed account, and that we view as a big plus.

And with that, we open the floor for any questions.

MS. GOLDBERG: Well, should I seek a motion now?

MR. TROTSKY: Sure.

MS. GOLDBERG: Typically we do a motion and a second prior to the description.

You were already into your first sentence, so we didn't want to interrupt.

So I would seek a motion that the PRIM board approve the investment committee's recommendation to approve an initial allocation of $150 million to RV Capital Asia Opportunity Strategy managed account, as described in the expanded agenda, and to further authorize the executive director to take all action necessary to effectuate this vote.

Is there a motion?

MR. SHANLEY: Moved.

MR. BROUSSEAU: Second.

MS. GOLDBERG: Now, questions and discussion among the board members?

MR. SHANLEY: Bill just addressed it. That was the one issue that came up with Connie Everson, about $150 million into a $600 million fund, and they've -- that issue did come up with the investment committee.

MS. GOLDBERG: Any other questions on the part of the board?

Okay. Hearing none, we have a motion. We have a second.

All those in favor?

Any opposed.

Hearing none, the motion carries.

(Unanimous vote.)

MS. GOLDBERG: Thank you, Bill.

MS. GARRAHAN: We will be talking about ESG.

So let me start off with ESG.

That is an acronym that I'm sure some of you have heard, maybe too often, and some of you maybe not at all.

I figured I would define it first before I start using it all over the presentation.

ESG stands for Environmental Social Governance, data.

Let's flip to Appendix E where I just have some slides on a very large topic.

I believe it's page 2 of Appendix E.

Although investment philosophies related to ESG have been around for decades, this space has been rapidly evolving over the last few years, from terminology, acronyms, availability of products, and even data collection.

In order to understand this vast space, the research team has decided to pursue a three-pillar approach which surveys the entire financial industry to understand what the views and actions of asset owners, asset managers, and data providers are regarding ESG to date.

Let's so flip to the next slide.

This really just talks about the research framework in general and how it relates to ESG.

And so across all of our research at PRIM, we try to focus on this three-stage process. The first one is Review. Second is Replicate. And third is Revise.

And with ESG, this is even more important because this topic is so -- the definitions of this topic, the way people are implementing this topic change drastically across the entire financial industry that it's really important to understand what people are doing right now, what are the lessons learned from our peers and our other practitioners, and how can we approach this phase and learn from their actions.

The start of this project is Phase I, which is a review of the financial industry across these three pillars.

In addition to that, we also have started collaboration efforts with PRIM staff to understand ongoing ESG initiatives and policies, both internally and also investment related.

As this is not only just an external financial industry research experiment, it's also to understand what we are doing here at PRIM and then how can we make that better.

Finally, I just want to highlight that PRIM staff will be discussing ESG research in much more detail at the annual upcoming board retreat.

So I don't know if it's time for questions. I tried to be short and sweet on this.

MS. GOLDBERG: So I know I'm going to be repetitive from the investment committee meeting. However, we have a larger group here today.

So I participated in an outstanding panel at the Institute that I mentioned earlier today on ESG.

We had a broad range of people there. I'm trying to get the video of that event, but I have found that they didn't start taping it -- interestingly enough, they missed the entire definition or lack thereof or multi-definitions of ESG, and they didn't start taping until I began speaking.

I wonder what that was.

Now, the good news is I was the first speaker after the terrific woman who did the broad range of definitions, because there are a broad range of definitions.

So we are going to get that tape available for people, which I think would be interesting.

We talked -- this is an area that is focused on in a different way by every state, depending upon what their -- whether their legislatures have ever spoken to the topic and/or created any kind of guardrails that would prevent or would assist in helping these kind of investments to occur.

But the one general comment is that ESG investments can be done and still you are fulfilling your fiduciary duty when you do the kind of analysis that PRIM is intending to do in terms of testing for risk.

And, in fact, there are ESG portfolios

that are outperforming some other portfolios. So, consequently, it behooves us to not be looking at this.

And, again, this is not what I would refer to as a granola idea of a crunchy thing to be doing that's socially exciting but not fulfilling our fiduciary duty of ensuring that we continue to grow the funds and meet the needs of our beneficiaries.

And so I really compliment Maria on the work that she's doing.

This may be short and sweet. However, I happen to know that there is a 64-page one that --

MR. TROTSKY: The PRIMer is in draft form.

MS. GARRAHAN: That's the first round.

MS. GOLDBERG: So I think it's -- we are actually not behind on doing this analysis, because I think that the great part about our strategy is that we have waited until there's been more testing of the space because you can't just jump into something like this, given our fiduciary duties.

And so I think this is great. I can't wait to read the PRIMer. I think that we will come up with some very good investments that we can look at.

And I will get you a copy of the video, which will begin with someone that you recognize.

MR. TROTSKY: So this is another area where I have a lot of confidence that this team will be innovative and, perhaps, approach this in a manner that is highly differentiated and hopefully what we term is a double bottom line additive to our fiduciary responsibility and also an additive to our aspirations to show progress on ESG investment.

Right?

MS. GARRAHAN: Yes. Definitely. Definitely.

I mean, I think that it is a really interesting space. And as the treasurer was saying, there are some people that have been working in this space actively doing research for a few years now. And the good thing about this strategy that we have is that we're not -- we're using that research that they've been doing, right?

Maybe our resources have not been dedicated to that during that time frame, but we get to use what they've learned and incorporate that in our process.

And I think, honestly, starting with this really holistic view of the financial industry is very, very key to our process because maybe there are attributes from each side, buy side, sell side, and data providers that we can use and implement in our process that we have to date.

And I do want to stress that everything that we are looking into and in terms of strategies, in terms of the way that people are implementing ESG, everything is part of a methodical process, which is really important in this space, because at the end of the day -- I was up here in Q1 of 2019 talking about our number one goal here at PRIM, which is this dual objective, and that still remains the case.

So it's really important to look at this space, understand what's going on, try to make our own suggestions and recommendations for what is good for PRIM specifically and test those recommendations to make sure that it still goes alongside as a complementary item to our dual objective that we have.

MR. TROTSKY: Perfect.

MS. GOLDBERG: Okay. Thank you.

MR. TROTSKY: Mike McGirr will be filling in for Mike Bailey.

MR. MC GIRR: Good morning.

MS. GOLDBERG: We do have a lot of Michaels, including my husband.

MR. TROTSKY: Hurricane Michael.

MS. GOLDBERG: My husband is Hurricane Michael?

MS. FITCH: That was just an afterthought.

MR. MC GIRR: Good morning. As Michael Trotsky has already mentioned, we were thrilled in late July to receive our number one ranking from the American Investment

Council for the second straight year.

And one note I would like to mention is this is a pretty deep sample of 165 public pensions that have been investing in private equity for over ten years. So a very large sample size.

The recognition is fantastic. We view it as a reflection of the team, the process, and the commitment we have to the asset class.

And I'd like to mention our investment consultant Hamilton Lane's contributions. As a reminder, Hamilton Lane has been our investment consultant for over ten years now. So that number is definitely theirs as well.

I think the results reflect the fact that we have a high-quality portfolio, and I think that gives us an advantage in terms of evaluating new investments. And I'll talk a little bit about that when I discuss the pipeline.

So that's in the past, that's the ten-year number from last June.

So what have you done for me lately? What does the portfolio look like?

So starting with performance, for the quarter, we had a decent quarter at 6.4 percent. That's a big step up from the prior quarter, which as a reminder, we're always a quarter lag. So our Q1 was really a reflection of the very difficult Q4 that everybody has already discussed where we were down almost 2 percent.

So adding that 6.4 percent for the quarter takes us to an annual number of 18.5 percent, which contributed about 32 percent of the PRIT funds' total return. So about 30 percent of the profits driven from private equity.

That 18.5 percent one-year number is also 120 basis points of relative outperformance versus its benchmark.

And with the value up in the quarter, the private equity program hits a new high water mark at $8.5 billion, or 11.3 percent, of the PRIT fund. Again, up from Q1.

The drivers of the quarter were really growth equity.

The rest of the portfolio, buy-outs,

small and large, as well as venture capital, also had good quarters. So broad-based performance across the portfolio.

And importantly, as Mike Bailey likes to call it, the cash machine is still running.

So we are generating about $1.8 billion of distributions in the form of cash which needs to be reinvested, or about an equivalent of about 20 percent of the value of the private equity portfolio coming back in cash to be redeployed.

A quick comment on private debt, which was an underperformer for the year.

Private debt, which is a small portion of the PRIT fund, 1.7 percent of the PRIT fund, returned just over 4 percent for the year.

And that's underperforming relative to benchmark, which is, as a reminder, the Altman index, which is a three-year blend of '17, '18 and '19. So comparing a one-year number versus a stronger three-year number, PRIMarily explains the lack of performance.

In terms of new investments, we don't

have anything to talk about today, which is rare for us.

So I thought I would take just a moment and talk about the pipeline and where we are for the year.

To date, we've committed $1.1 billion of new investments, including co-investments as well as fund commitments. And we expect to get to that 1.7 billion target that we outlined for you at the start of the calendar year.

Looking at our pipeline, we think it's reasonable to get to that goal.

And thinking about our pipeline, we have no new investments today. But behind the scenes, we counted up all the investment opportunities that we looked at, that we evaluated in one way, shape, or form for the entire fiscal year 2019.

And we looked at 186 opportunities that we declined, compared to the investment opportunities that we bring to you every quarter.

So that funnel, that pipeline gives us

great context for selection.

And back to the high-quality portfolio that we have built here. Any new investment opportunity we get to compare and see, is this going to be additive to the portfolio or not?

So I think that gives us a huge advantage going forward.

Moving on to staffing. We're thrilled, as we all know, to have Sarah joining our team and we're hoping to add another team member shortly.

With that, I'm going to stop my prepared remarks and I'm happy to take any comments or questions regarding the pipeline portfolio, the team, or the market.

MS. GOLDBERG: Thank you, Mike.

MR. TROTSKY: I think it's interesting that you funded 16 new private equity funds this year for 1.8 billion, but you passed on more than ten times that many.

What may be lost is you do the same amount of work on all of them. So you're looking at nearly 200 deals a year, at the very least, and it's a whole lot of detail.

So what we approved, though it seems a lot, it's just a fraction of the work that you do, and saying no is a difficult thing and also takes a lot of time and effort to get there though.

MS. GOLDBERG: So questions from the board?

MR. BROUSSEAU: I was reading someplace that pensions and investments, they were talking about that probably private equity is not going to be so rosy in the future because there is so much -- everybody's wanting to get into the asset class, and a lot of money is going to be dumped there, and it's going to impact the quality, I guess, the assets and return, they may not be there.

Do you have any -- get any feedback on that, Michael?

MR. MC GIRR: I have a couple of comments.

That dynamic has certainly been present my entire investing career. I don't think it's necessarily new. It's an asset class that allocators such as ourselves are looking at and saying, This is a strategic area for us that we want to grow.

Therefore, I think it makes it more competitive. I think it makes selection more difficult. It's more complex. The environment is more complex.

And if you think about our portfolio, some of these positions that we have are very coveted positions with outstanding investment managers.

A new entrant to the market is unlikely to be able to gain access to those very highly sought after fund positions.

So that's where having a longstanding approach, having the experience that PRIM has, I think it's an advantage relative to a new entrant to the market.

MR. BROUSSEAU: I can see what we've been doing and, based on co-investment, is that we have approved three of them. I mean, excellent. We've done -- that's why I couldn't follow the reasoning in the article about this and I don't know where it was coming from.

MS. GOLDBERG: Okay.
Any other questions?
Thank you, Mike.
MR. TROTSKY: Thank you, Michael.
MS. GOLDBERG: Tim. Tim Schlitzer.
MR. SCHLITZER: Good morning.
I'm going to start off by welcoming Christina back from her leave. She is a huge contributor on our team. As Michael mentioned earlier, she really did lead on the $1 billion capital commitment to a number of managers that wrapped up earlier this year.
I also want to thank John who was part of that process and a lot of other important things that we do around here, and then in particular, for some additional contribution during that time over the last few months.
Lastly, I just want to acknowledge and thank Yijie, who, as Michael mentioned earlier, worked very hard as an intern on our team, did a great job, and we very much appreciated that.

I do not have any voting items for today and none were presented at the committee level either.

There is some portfolio-level information in Appendix F which I will treat as reference material, as I typically do.

But I'm going to make a few comments on the environment and then a few comments on performance, and we'll move on.

And feel free to guide me as I go.

So the US private markets in real estate continue to be very dynamic. Transaction volume is pacing about $450 billion this year.

For context, that's about 10 percent below last year, 2018, but still approaching 2007 levels.

So very, again, dynamic and very high liquidity in this environment.

And then, just to add to that, dry powder, so this is money that's been raised by the manager universe, sitting at about 330 billion, that's 30 percent higher than where it was at the end of 2017. So there continues to be a lot of interest in this asset class.

And I would imagine that the lower interest rate environment that we seem to be, at least for right now, I won't forecast here, but will certainly add to that dynamic.

Pricing has generally been pretty stable. We've seen a little bit of softening here and there, which seems to be as a result of certain investors, similar to PRIM, pulling out of the large open-ended core funds.

And more anecdotally, what we've heard is that really that is a desire to risk-up, frankly. They're not taking it out of the real estate asset class. They are putting it into riskier value-added strategies.

I did want to confirm that that is not PRIM's strategy right now.

You'll note in the materials that we are less than 5 percent in non-core strategies currently and that has been decreasing.

We have allocated a little bit of additional capital to warehouse development. But that's 100 million, which is small dollars in the broader context.

We are close to PRIM's 10 percent asset class midpoint. The focus right now really is on allocating and investing that $1 billion that I just mentioned to new managers and then also working with our existing managers to allocate to what we deem to be fairly priced core investments that we can hold for the long term.

Lastly, on real estate, REITs are up 15 percent globally year to date, almost 22 percent in the US year to date. We are gradually implementing the approved plan to use REITs effectively as liquidity for some of the private investments that we're making.

So we're decreasing public real estate exposure, increasing private real estate exposure, but doing it in a very measured way. We are not tactical in selling REITs. But given the performance year-to-date, it's certainly hard to argue that this is a bad time to be doing that. So that's the way we look at it.

I'll just make a couple of points on timber and then get to performance.

So in contrast to real estate, capital markets in timberland have been fairly quiet this year. We don't read into this. It's a much smaller market than real estate, and we're used to it, but I figured that I would point it out. Even less is trading now than usual.

That could be, I think, related to a lot of the unknown that is in the market right now, with the key variable really being the impact of tariffs on timber pricing.

Particularly, in the Pacific Northwest, prices have decreased 20 to 25 percent in that region, as the US has effectively become the high-cost producer and exporter to China. So that is having an impact.

PRIM's investments in Australia and New Zealand could benefit from this. I think the potential offset to that is whether China and Australia continue to slow overall. It's too early to tell how this is going to play out, but we will continue to monitor it.

I'll probably leave it at that for

timber, but I'm happy to answer any questions that there may be.

So just speaking to real estate performance first. Real estate, which, again, is 9.4 percent of PRIT, returned 6.1 percent on a gross basis for the fiscal year versus 7.3 percent for the asset class benchmark.

That is underperformance, as has been noted, of 126 basis points.

We thought that we would point out four major contributors to that underperformance.

A couple of them I really do believe are kind of purely technical issues that I'll explain, and then there are a couple of other valuation issues that I'll go through as well.

So, first of all, you know that we do have a benchmark lag. So when we roll our one-year benchmark forward to make it more apples to apples, the benchmark did come down 32 basis points. That's our private benchmark, but that's really the majority of the entire asset class benchmark.

So when we lower that, that probably

roughly lowers the asset class benchmark by 25, 26 basis points, which does lower that underperformance. So it's purely a timing matter.

Related to our portfolio-level debt, we did lose approximately 60 basis points in performance on the private return for the year due to mark-to-market on our debt.

And let me just explain that for a second.

So accounting rules, the GAAP rules do require that we value the debt that we owe, effectively. And the best way to look at it, I think, is really to take the lender's perspective in this case.

When interest rates go down, as they've done significantly over the past year, that loan, from the lender's perspective, becomes more valuable to them. So they write up the asset on their books.

At the same time, as the borrower, we are considering that liability to have also increased on our end, which does have a negative impact on performance.

This is happening to everybody right now. We did hear from our real estate committee that that was the case.

I think intuitively, it does make sense, but it clearly did have an impact on our numbers.

The two areas that are less technical, I would say, is you know that we did just terminate one of our managers, JP Morgan, in the last year and a number of those assets were transferred to another one of our managers.

And in reviewing those assets, the new manager did elect, and we think rightfully so, to write some of them down.

We think we clearly have addressed the problem with the manager itself. We are dealing with valuation on these assets, which I think generally had been written down to supply in the markets that they are in. They cannot increase rents. They have to give free rent. That impacts the cash flows, so we write down the properties.

And lastly, PRIM's largest asset,

which is an office building in Washington, DC, was written down approximately $18 million. DC has been a very tough market. They have seen supply, legal and government, clearly downsizing right now. We are spending more capital to be competitive and fighting the tide, frankly, in terms of trying to attract tenants. So that has impacted valuation.

I will note that all three of us are going down to Washington tomorrow to spend the day touring and looking at the asset.

So let me jump to timberland. Timberland for the year returned 1.8 percent on a gross basis. That's versus the 2.4 percent benchmark.

The opposite dynamic here with the lag. The lag here actually increased the underperformance. So I do want to point that out. So underperformance went from about 55 basis points to roughly 110 basis points.

There is one PRIMary reason for the underperformance here, and it has been discussed in other areas of the meeting. We did have a property that was directly impacted by Hurricane Michael, and that was in one of our manager's, our southern manager, FIA's account. That particular property had performance of negative 41 percent for the year. That's approximately a $69 million write-down.

It is what it is to a certain extent, but I do want to let you know. We try to learn from everything that happens. And I think this has probably caused us to take a little bit of a different view on how we look at properties that are that close to the coast, especially when they are as large and kind of contiguous as this one was.

So, again, always lessons to be learned. But luckily, it is part of the diversified portfolio.

We are awaiting insurance and some federal disaster relief funds that could have a more positive impact, but we are pretty upfront about the fact that this is going to be a bit of a slog to get out of long term.

So I'm sorry to end on, I guess, a somewhat sour note here, but we do think that these problems have or are being addressed, and we'll work hard to have better performance next year.

MS. GOLDBERG: I think you're gREIT, Tim. So I'm not ending on a sour note.

MR. SCHLITZER: I appreciate that.

MR. TROTSKY: In the largest area of underperformance is this technical account in mark-to-market on the debt. The debt program has been very additive over the years. It's been gREIT. It's just like a mortgage on your house where you can borrow cheaply and lever up the portfolio.

Importantly in my mind, it doesn't change the valuations of the property or their cash flows. It doesn't change our cash flow. It's just a pure accounting thing that could easily reverse, too, at some point.

MR. SCHLITZER: I'll just quickly add to that. Our interest rate is 3.1 percent. These loans represent about 25 percent of the total portfolio value. So this is very, very conservative leverage, and it is a mark-to-market issue.

MR. BROUSSEAU: I appreciate that. I've always believed as low leverage as you can get.

MR. SCHLITZER: Agreed.

MR. BROUSSEAU: Sometimes it works to your advantage.

I remember years back, we were looking at some very high leverage and thank God we got out of it before everything went south. Right, Bob?

MR. SHANLEY: Yes.

MR. BROUSSEAU: Yes.

MR. SCHLITZER: GREIT.

MR. TROTSKY: Just a question. When does some of our debt mature and is there a chance to -- with interest rates so low, is there a chance to roll into something better?

MR. SCHLITZER: It's a gREIT point. It's a staggered maturity schedule. But we do have also, roughly, a couple hundred million dollars that's rolling next year. And we actually had a meeting yesterday with a group that we work with in sort of a debt-raising capacity to talk a little bit about that very subject. So we will be back to this group, I think even in November, probably to talk more about the debt strategy going forward.

MR. TROTSKY: Excellent.

Thank you.

MS. GOLDBERG: So we have no voting items. This was just an update.

Any other questions on this?

Okay. Hearing none.

Thank you very much.

MR. SCHLITZER: Thank you.

MS. GOLDBERG: Okay. Tony, this is still to be amended?

MR. FALZONE: Yes.

MS. GOLDBERG: This is Tony Falzone. F-a-l-z-o-n-e.

MR. FALZONE: Good afternoon, everyone.

MS. GOLDBERG: Yes, it's 12:01.

MR. FALZONE: I have three items, none of which are voting items.

I'll go through them fairly quickly

in the interest of time.

And I'll start at the bottom of page 13 of the agenda. The schedule is a work in progress. I'm going to solicit help from the strategy team and see if we can get this taken care of.

MR. BROUSSEAU: I can throw away all the previous ones?

MR. FALZONE: Hopefully. We'll keep working to make sure we have a schedule that provides us with the maximum amount of participation. So we'll keep doing that. And that's my first item.

MR. BROUSSEAU: We will be talking about the admin before we meet in November?

MR. FALZONE: That's right.

MR. BROUSSEAU: We'll finalize it in November?

MR. FALZONE: That's right. Ultimately, our goal is to have a schedule in the admin and audit package.

MS. GOLDBERG: Our goal is to have a schedule.

MR. FALZONE: Yes. I don't want to get too ahead of myself, but, yes, hopefully we'll have something for you to approve in November.

MR. BROUSSEAU: We're moving closer and closer to what we did with December meetings to the board; we tried to keep it at least a week before Thanksgiving.

MR. FALZONE: I do want to mention one item that impacts this year's schedule, which is the board retREIT which was scheduled for September 24. Some of you may know, some of you may not know. We need to reschedule that date. So we'll be working to do that.

You'll probably see an e-mail go out. We need to make sure as many of the board members can be there as possible to make it productive.

MS. GOLDBERG: We were missing several board members last year, which I thought was a real shame.

Given that we're discussing ESG, among other things, we really need full board participation. I would like to get 100 percent commitment.

MR. FALZONE: So we'll vet the date with all nine board members before we commit to --

MR. BROUSSEAU: October? November?

MR. FALZONE: Yes. I'm hoping.

MS. GOLDBERG: It will be in Florida in January, transportation provided by Peter.

MR. FALZONE: Yes, yes.

MS. GOLDBERG: We're going to Cuba. Right, Peter?

MR. FALZONE: So moving on to the next item, which is on the top of page 14, board governance manual review update.

So if you bear with me, this is a little bit lengthy, but I want to make sure everyone understands the process.

So at the admin and audit committee meeting, earlier this year in February, there was a consensus that an informal ad hoc working group will be cREITed to review the remaining topics that were not addressed when we did the cosmetic revisions back in August of the prior year.

So the working group consisted of the following administration and audit committee members: Bob Brousseau as the chair, Treasurer Goldberg, Pat Brock, Eileen Glovsky, James Hearty, and Dennis Naughton.

So the working group met on May 2, 2019. And after thorough discussion, the working group voted to recommend no further changes to the governance manual at this time.

So it's a process that we go through every three years. So three years from now, we'll start the process again.

But I do want to personally thank everyone that participated, all the Board members, committee members, that helped bring this across the finish line.

If there's no questions, I can move on to the next item.

Good. Thank you.

The next item is the board's self-evaluation process.

So this is per the board's self-evaluation policy, which is within the board governance manual.

The board's self-evaluation process is to be initiated during the fourth quarter of the calendar year.

So Cortex will distribute the board performance questionnaire. They'll collect survey responses, invite board members to expand on their survey responses if they choose to, and ultimately tabulate results and provide those results to the administration and audit committee chair.

The chair will then present the results to the admin and audit committee to discuss following the administration and audit -- following that, the administration audit chair will then report the discussion to the Board.

This will take place at the first administration and audit committee and Board meetings of the 2020 calendar year when we have those meetings scheduled.

And that's my prepared comments.

Thank you.

MS. GOLDBERG: Thank you.

MR. FALZONE: You're welcome.

MS. GOLDBERG: Any questions or comments on behalf of the board members?

All right. There's no voting items here?

MR. FALZONE: Thank you.

MS. GOLDBERG: So moving right along, I'm looking at you.

MR. SUPPLE: I'm happy to report that there are no legal or legislative matters that need to be reported on.

MR. BROUSSEAU: Just one point I would like to make. I should have done it at the very beginning.

I think many of us realize that our colleague Jim Hearty is not here.

And I think we all got the e-mails and know that Jim has had a relatively serious accident, which has, of course, I think hospitalized him, and it was serious.

I would like to put on the record, at least, that the board sends their best wishes to Jim for a very speedy recovery. We look forward to seeing him back here at the board.

MR. TROTSKY: So the latest update, and thank you for reminding me, Bob.

MS. GOLDBERG: You were nervous about your evaluation.

MR. TROTSKY: I was, and my root canal.

But he did take a fall, I think --

MS. GOLDBERG: It's been a couple of weeks.

MR. TROTSKY: -- the end of July.

MR. BROUSSEAU: The day before the investment committee meeting.

MS. GOLDBERG: He's had a lot of complications.

MR. TROTSKY: He went home, seemed to be okay. We talked to him a few times. Then he developed some complications where they realized he had a punctured lung and other things, and he got an infection and ended up back in the hospital.

MS. GOLDBERG: Really bad.

MR. TROTSKY: But the reports are that he's recovering fine and will be going home tomorrow, Wednesday.

MR. BROUSSEAU: He's at the at Brigham?

MR. TROTSKY: He's at the Brigham, yes.

MR. BROUSSEAU: He's had a long journey, that's for sure.

MS. GOLDBERG: Yes.

So there are no legal matters.

MR. BROUSSEAU: Motion to adjourn.

MS. GOLDBERG: Motion to adjourn.

MS. FITCH: Seconded.

MS. GOLDBERG: All those in favor?

Any opposed.

(Unanimous vote.)

MS. GOLDBERG: Thank you.

(Concluded at 12:09 p.m.)

C E R T I F I C A T E

I, Darlene M. Coppola, Registered Merit Reporter, Certified Realtime Reporter, do hereby certify that the foregoing transcript is a true and accurate transcription of my stenographic notes taken on August 13, 2019.

Darlene M. Coppola
Registered Merit Reporter
Certified Realtime Reporter

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