

COMMONWEALTH OF MASSACHUSETTS  
PENSION RESERVES INVESTMENT MANAGEMENT  
BOARD

Minutes of the Board Meeting  
Thursday, November 14, 2019  
Commencing at 9:37 a.m.

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In the  
PRIM Board Offices  
at 84 State Street  
Boston, Massachusetts

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ATTENDEES:

BOARD MEMBERS:

- Treasurer Deborah B. Goldberg,
- Chair
- Sarah Kim, Deputy Treasurer
- Robert L. Brousseau
- Ruth Ellen Fitch
- Paul E. Shanley, Esquire
- Peter Monaco
- Dennis J. Naughton
- Carly Rose
- Michael Trotsky, Executive
- Director, Chief Investment Officer

OTHER ATTENDEES:

- James Quirk, Retirement Boards
- Patrick Brock, Hampshire County
- Retirement Board
- Cosmo Macero, O'Neill & Associates
- Anthony Falzone, PRIM
- Darlene Coppola, Stenographer
- Glenn P. Strehle, PRIM
- Alethia Harney, Treasury
- Matthew Coburn, BNY Mellon

1 OTHER ATTENDEES (continued):  
2 Chuck Kostro, Essex Regional  
3 Retirement System  
4 Catherine Porter, Hedgemark  
5 Bill Li, PRIM  
6 Michael McGirr, PRIM  
7 Chuck LaPosta, PRIM  
8 David Gurtz, PRIM  
9 Tim Schlitzer, PRIM  
10 Matt Liposky, PRIM  
11 Deborah Coulter, PRIM  
12 Marliese Lawson, PRIM  
13 Maria Clements, PRIM  
14 Emily Kowtoniuk, TRE  
15 Chris Supple, PRIM  
16 Liz Zelnick, TRE  
17 Jackie Wells - Aberdeen  
18 Bud Pellecchia, Callan  
19 Mike Manning, NEPC  
20 Edgar Hernandez, SEIU  
21 Maguette Diop, SEIU  
22 Greg Balencz, Lord Abbett  
23 Kevin Hepburn, Arislote  
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OTHER ATTENDEES (continued):

Bill Keith

Tom O'Donnell - PERAC

Emily Green - PRIM

1 (On the record at 9:37 a.m.)

2

3 MS. KIM: In the interest of  
4 time, since we have a very long agenda, I  
5 will start the meeting.

6 Good morning, everybody. My name  
7 is Sarah Kim. I'm Deputy Treasurer and  
8 general counsel to the State Treasurer.  
9 She's, unfortunately, slightly delayed, so  
10 I will just kick things off, starting with  
11 a few public records or public interest  
12 announcements.

13 First, as you all who come here  
14 regularly know, the Massachusetts Open  
15 Meeting Laws permits meetings to be  
16 recorded and states that the Chair shall  
17 inform attendees at the beginning of the  
18 meeting of any such recording.

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

23 If anyone else in attendance today  
24 is recording the meeting, I please ask

1 that you identify yourself.

2 (Brief pause.)

3 MS. KIM: Okay. Seeing no  
4 one.

5 So also for the benefit of our  
6 stenographer and for those who are  
7 listening on the telephone, please  
8 identify yourself by name when you are  
9 speaking and please speak clearly and  
10 audibly.

11 Going to the first item on the  
12 agenda, are the -- we are going to be  
13 voting on the minutes of the August 13,  
14 2019 PRIM Board meeting.

15 MR. BROUSSEAU: Motion to  
16 adopt.

17 MS. FITCH: Second.

18 MS. KIM: Are there any  
19 questions or comments, corrections to the  
20 meeting minutes?

21 Hearing none, there's been a  
22 motion which has been seconded.

23 All those in favor?  
24

1 (Unanimous vote of the Board.)

2

3 MS. KIM: Any opposed?

4 Hearing none, the motion  
5 carries.

6 So, the second item on the agenda,  
7 I'll turn things over to the Executive  
8 Director.

9 MR. TROTSKY: Thank you very  
10 much, Sarah. And welcome everybody.  
11 Please bear with me today. I woke up with  
12 a terrible sore throat and my voice is  
13 okay for the moment.

14 First, to welcome some of our  
15 dignitaries who are here.

16 Patrick Brock is here from  
17 Hampshire County. He's also on the Admin  
18 and Compensation Committee. Thank you for  
19 making the trip.

20 Beside him is Jim Quirk from  
21 various boards ranging from the Cape all  
22 the way up through Middlesex County, I  
23 believe. Thank you for making the trip.

24 Welcome, Dennis (Naughton).

1 DENNIS NAUGHTON: Thank  
2 you.

3 MR. TROTSKY: From PERAC, we  
4 have Tom O'Donnell. Thank you for coming  
5 today.

6 And also Bill Keith next to him.  
7 Hi, Bill. Thank you for coming.

8 And I know I saw Chuck Kostro is  
9 here. Right? Chuck is here from Essex  
10 Regional. Thank you for coming.

11 I think any minute now, Glenn  
12 Strehle will be here. He's on the  
13 Investment Committee.

14 So thank you all for attending.  
15 We have a busy agenda.

16 Peter, I know you have to leave  
17 early, so we're going to try to get  
18 through all of the voting items before you  
19 have to leave.

20 I'll review first quarter 2020  
21 results today in detail. Many of you have  
22 already heard it, so I'll go quickly.  
23 That's the quarter ended September 30th.

24 But first an organizational



1 update.

2 And today I'm pleased to welcome  
3 two new employees. The latest employee  
4 just began this week. Please join me in  
5 welcoming Emily Green.

6 What's this? Your third day or  
7 second day?

8 MS. GREEN: Third day.

9 MR. TROTSKY: Third day.

10 Emily joined Paul and Francesco on the  
11 client services team as a client services  
12 analyst. And most recently Emily was with  
13 Stevens, Incorporated, a financial  
14 services firm, and she was vice president  
15 of institutional equity sales there. She  
16 joined Stevens after graduating from  
17 Fairfield University with a degree in  
18 marketing and a minor in art history.

19 And on cue, there's Glenn. I  
20 already announced you, Glenn.

21 Glenn Strehle on our Investment  
22 Committee.

23 I just introduced our newest  
24 employee, Emily Green.

1           And next, please welcome Minching  
2 Kao to PRIM, right next to her. You've  
3 been here about a month now, I think?

4           MS. KOA: Yes.

5           MR. TROTSKY: Minching Kao  
6 joined the real estate and timberland team  
7 last month as an investment analyst. Most  
8 recently Minching Kao was with Beacon  
9 Capital Partners, right down the street  
10 here in Boston, as a senior acquisitions  
11 analyst. Prior to Beacon, Minching Kao  
12 held positions at the Boston Real Estate  
13 Advisory, GFI, and at National Valuation  
14 Consultants in Denver, Colorado.

15           Minching holds a bachelor's degree  
16 in finance and English from Tung Hai  
17 University and an MBA and master's of  
18 science in real estate and construction  
19 management from the University of Denver.

20           Welcome to both of you. We're  
21 excited to have you.

22           The last time I said this, we had  
23 eight openings. Today we now have seven  
24 because Emily is here. We have seven job

1 openings now at PRIM, and we literally  
2 receive hundreds of applications.

3 So I said at the last committee  
4 and board cycle that we're actually more  
5 selective than Harvard University in terms  
6 of the number of jobs we offer for the  
7 number of applicants.

8 So congratulations to both of you.  
9 Congratulations to all new employees.

10 There's no greater compliment that  
11 we can receive than when the best and  
12 brightest want to join our team at PRIM,  
13 and that's terrific.

14 Seven open slots at the moment.  
15 We've received 2,500 applications for  
16 those slots.

17 We have three investment analyst  
18 positions open, two investment officer  
19 openings, director of communications, and  
20 a help desk IT specialist. So that's what  
21 we're currently looking for.

22 In the area of recognition for our  
23 staff members, first Qingmei Li. Are you  
24 here today? Yes, thank you.

1           Qingmei is PRIM's finance  
2 reporting manager. She was awarded the  
3 treasurer's 2019 citation for outstanding  
4 performance.

5           Thank you to the treasurer's  
6 office for recognizing her.

7           As you know, in early June and for  
8 the 14th consecutive year, PRIM was  
9 awarded the GFOA Certificate of  
10 Achievement for Excellence in Financial  
11 Reporting. This award is for the  
12 completeness and timeliness of our CAFR,  
13 our Comprehensive Annual Financial Report.

14           Qingmei manages the production of  
15 the CAFR each year, and she also manages  
16 an increasing number of audits that have  
17 dramatically increased in complexity, as  
18 our investment program, likewise,  
19 increases in complexity.

20           She is the driving force behind  
21 PRIM's financial statements, consistently  
22 having clean audit reports, and you'll  
23 approve an audit report later today.

24           Let's please congratulate Qingmei

1 for an award that's very much deserved.

2 Michael McGirr. Michael, where  
3 are you? Oh, there you are under the  
4 clock. Michael has accepted an invitation  
5 from the Institutional Limited Partners  
6 Association, the ILPA, to join their newly  
7 created Content Committee.

8 This Committee is responsible for  
9 creating and curating content that will be  
10 beneficial for the ILPA membership.

11 ILPA includes the largest and most  
12 influential private equity investors in  
13 the world.

14 Congratulations, Michael. I know  
15 you're off to a great start there.

16 I recently attended an ILPA  
17 meeting at Harvard University, and it was  
18 fantastic; great content.

19 Last, most of you already know  
20 that I have been awarded the Lifetime  
21 Achievement Award from Institutional  
22 Investor. I'll receive this honor at the  
23 annual Allocators' Choice Awards on  
24 December 3 in New York City.

1           It's a great honor, but as I've  
2       said before, it feels a little bit odd to  
3       be receiving a lifetime achievement award  
4       at such a young age. I also feel like I'm  
5       really just getting started. It's the  
6       truth.

7           So I'll receive the award, but  
8       it's really due to the award-winning work  
9       that our staff does and also that you on  
10      this Board and our Committee members watch  
11      over.

12          So thank you for everybody's  
13      participation. I view the award as really  
14      everybody's.

15          I'll accept the award, but you  
16      should all feel that you've enabled it.

17          So thank you, again. It's a team  
18      award, and a round of applause to the  
19      staff who does all the work.

20          Briefly turning to markets and  
21      PRIT fund performance.

22          Worldwide economies continue to  
23      slow down. Some are already in recession.  
24      I think China just reported a slow-down in

1 growth this morning. I haven't looked at  
2 the details, but that's continuing.

3 And GDP growth in the US is  
4 expected also to continue its decline.

5 Third quarter, September quarter,  
6 quarterly US GDP growth was 1.9 percent.  
7 That was down from 2 percent in the second  
8 quarter and was slightly higher than  
9 estimates, mainly due to solid increases  
10 in federal government spending.

11 Business investment declined 3  
12 percent annualized, which followed a  
13 1 percent decline in the second quarter.

14 The 1.9 percent third quarter GDP  
15 growth is down from more than 3 percent  
16 earlier that year in the first quarter.

17 Consensus estimates for the fourth  
18 quarter and into 2020 continue to  
19 anticipate a continued slow-down. The  
20 current consensus is for quarterly GDP  
21 growth to bottom at approximately  
22 1 percent in 2020 before hopefully rising  
23 again in 2021.

24 Recent economic data has been

1 mixed. For example, the ISM manufacturing  
2 index of 48.3 in October remains below the  
3 50 threshold that separates expansion from  
4 contraction. So it does show a  
5 contraction in manufacturing.

6 The Chicago purchasing manager  
7 index dropped to 43.2, hitting a near  
8 four-year low.

9 However, recent job reports were  
10 more positive. The labor department  
11 reported that 128,000 jobs were added in  
12 October, and that was well above  
13 expectations for 75,000 jobs. The  
14 unemployment rate fell two-tenths of a  
15 percent to 3 1/2 percent in September.  
16 That's a 50 year low.

17 Yet even with positive surprise,  
18 job growth is weakening. It is below  
19 previous levels and below the average  
20 monthly rate of more than 160,000 per  
21 month that has been reported on average in  
22 2019.

23 Consumption growth slowed to 2.6  
24 percent from 4.6 percent in the second



1 quarter.

2 And with job growth slowing from  
3 previous levels, further moderation in  
4 consumption is expected.

5 Good morning, Treasurer.

6

7 (Treasurer Goldberg arrives at 9:49 a.m.)

8

9 MR. TROTSKY: US retail  
10 sales fell in September for the first time  
11 in seven months. And we now anxiously  
12 await the upcoming holiday selling season  
13 to provide a good reading on the health of  
14 the consumer. That will be our next big  
15 important dataset.

16 Central banks around the  
17 world, as you know, including the US  
18 Federal Reserve Bank, have shifted to an  
19 accommodative stance.

20 The Fed lowered a quarter of a  
21 percent last month to a range of 1.5 to  
22 1.75. That was the third cut this year.

23 Rates were cut 25 basis points in  
24 July and again in September, and now a

1 change from the last time we spoke, the  
2 Fed is not expected to lower rates again  
3 this year.

4           Meanwhile, despite the continued  
5 slowdown in global growth, and a steady  
6 stream of mixed economic news, equity  
7 market returns strengthened in September  
8 and October and so far again into  
9 November.

10           There's still plenty to worry  
11 about. Slowing global growth, we saw that  
12 again today. Trade tensions, we also saw  
13 that again today, as the China trade  
14 contentions and disagreements continue.  
15 Geopolitical tensions. Political  
16 gridlock. Political infighting, not only  
17 here in the US, but globally. And  
18 military escalations in the Middle East;  
19 more of that today. That's just to name a  
20 few.

21           Yet, the S&P 500 index is making  
22 regular new all-time highs, while  
23 international equities are likewise  
24 rebounding strongly.

1           Bond yields are off their lows for  
2 the year. The ten-year hit 1.47 in  
3 September. Now it's around 1.8, I  
4 believe, well off the lows.

5           But these ultra-low levels,  
6 negative actually in some countries around  
7 the globe, continue to indicate a lack of  
8 confidence in global markets worldwide.

9           At the PRIM Investment Committee  
10 meetings in July and again last month at  
11 the end of October, we identified several  
12 reasons to remain cautious: Slowing  
13 global growth, trade tensions,  
14 geopolitical tensions, and the gridlock  
15 that I just mentioned, just to name a few.

16           We also recognized a divergence  
17 between economic sentiment and  
18 expectations versus the actual economic  
19 performance that's been reported.

20           Markets eventually react to  
21 mismatches of data and expectations. So  
22 we will be watching closely in the coming  
23 months for confirming data to support the  
24 recently rising equity markets.

1           Something to watch closely is the  
2 widely held belief that the consumer is  
3 strong. The consumer is the driving force  
4 of the US economy. And we're looking for  
5 confirmation, again, in the holiday season  
6 that the consumer is strong.

7           There are some worrisome signs out  
8 there already. Retail sales were down in  
9 September, and monthly employment growth,  
10 while still positive as I highlighted  
11 before, is still slowing.

12           So we think of the recent strength  
13 of the equity markets in terms of three  
14 distinct possibilities.

15           Scenario 1 is that the recent  
16 strength in equities is a countertrend  
17 move. When trades become as one-sided as  
18 they were in the late summer, markets can  
19 try out the opposite scenario.

20           In other words, perhaps the market  
21 weakness in the summer was too extreme and  
22 now the recent bounce is merely a  
23 reversal. We'll see.

24           Scenario 2. This is what we

1 really hope for. The recent strength in  
2 equities is an early indication of a  
3 stronger global economy. Changes in  
4 equity sector performance like we've seen  
5 in the past three months can be a first  
6 sign of regime change.

7 If something really different is  
8 developing in the global economy, there  
9 will need to be evidence of orders,  
10 manufacturing strength, and spending.

11 And so far, global conditions are  
12 still deteriorating, but I suppose this  
13 could change with more consistent  
14 confirming data that we'll be watching out  
15 for.

16 Scenario 3. Shares that powered  
17 the US market to rebound from sell-offs in  
18 2018 and 2019, and held it at its very  
19 high levels since, have more recently  
20 faltered.

21 We highlighted the historic but  
22 temporary reversal last quarter into value  
23 stocks. Value stocks have underperformed  
24 for a very long time. In the equity

1 markets, it's been fueled primarily by  
2 growth stocks.

3           A reversal into value stocks would  
4 be welcomed news. If the new leadership  
5 is not sustained, however, if the strength  
6 in the markets continues to be the result  
7 mainly of a narrow group of securities of  
8 high performers, then equity markets are  
9 still vulnerable. We need to see a  
10 broadening market to have more conviction.

11           So the bottom line, we'll be  
12 watching closely for confirming data to  
13 support the recently rising equity  
14 markets, but we continue to believe that  
15 the carefully constructed PRIM asset  
16 allocation will enable strong performance  
17 in any of those potential scenarios that I  
18 mentioned.

19           We like to have high-performing  
20 asset classes for any of those scenarios.

21           To recap the markets: Q1, the  
22 September fiscal Q1 quarter was strong.  
23 The S&P was up 1.7 percent, but  
24 international markets continued to be

1 weak; developed international markets down  
2 about a percent; emerging market down 4  
3 percent; diversified bonds up 2.3 percent;  
4 and long bonds were up, the leader, the  
5 most, they were up 12 percent. As  
6 interest rates fall, bond prices go up.

7 A 60/40 mix of stocks and bonds in  
8 the September quarter was up 0.9 percent.

9 The PRIT fund fared better. The  
10 PRIT fund was up 1.4 percent in the  
11 September quarter.

12 It's interesting to note how  
13 strong the year was, and I'll recap the  
14 calendar year performance through about  
15 yesterday.

16 The S&P is up an astounding 25  
17 percent so far this calendar year.

18 Developed international markets  
19 are also strong. They're up about 18  
20 percent.

21 Emerging markets are up 12  
22 percent.

23 Diversified bonds are up 8  
24 percent.

1           And STRIPS, long-duration  
2 treasuries, are up about 20 percent.

3           This is through yesterday. This  
4 is a very unusual year when both stocks  
5 and bonds are up so much, so strongly,  
6 especially in light of some of the risks  
7 that we've been highlighting.

8           And that's a sharp contrast to  
9 2018. I hope you still remember that 2018  
10 was a very challenging year, especially  
11 the December quarter.

12           For the calendar year '18, the S&P  
13 was down 4 1/2 percent, developed  
14 international and emerging markets were  
15 down almost 14 percent, and bonds were  
16 also down as yields were rising at this  
17 time last year.

18           Remember, at this time last year,  
19 the Fed was still raising rates. And what  
20 a difference a year makes.

21           Turning to PRIT fund performance.  
22 Last quarter we highlighted that the  
23 largest component of the relative  
24 underperformance for the trailing twelve



1 months was due to the actual versus target  
2 rate divergence effect.

3 Let me explain. This divergence  
4 is caused by being unable to precisely  
5 match the actual PRIT fund assets to the  
6 target allocation of illiquid alternative  
7 investment.

8 This was still the case in  
9 September. We were overweight, poorly  
10 performing global equities as a result of  
11 being underweight, our target private  
12 equity allocation, which performed  
13 strongly. This was the major source of  
14 the underperformance reported relative to  
15 our benchmark.

16 The PRIT fund benchmark is based  
17 on our target asset allocation and not on  
18 the actual allocation. And I'll remind  
19 you that it's not always advisable,  
20 practical, or even possible to identify  
21 and invest in PRIM's high-performing  
22 illiquid alternatives such as private  
23 equity quickly enough to match the target  
24 allocation, particularly in very volatile

1 market environments such as we've had in  
2 the past two years.

3 The current comparison to the  
4 target allocation penalized us during the  
5 last twelve months for not being able to  
6 invest quickly enough in our private  
7 equity portfolio in particular.

8 We'll be addressing this  
9 divergence effect with a possible solution  
10 for your consideration during the next  
11 board cycle.

12 But the real news here is good,  
13 actually. It's good news; namely, that  
14 our target allocations are performing  
15 well, it just takes time for us to get to  
16 those targets. We're not going to force  
17 Mike Bailey and his team to rush into  
18 private equity investments, and that's not  
19 even possible.

20 The other much smaller contributor  
21 to the underperformance for the one-year  
22 period was due to weakness in a few  
23 specific strategies that we have discussed  
24 now for several quarters, such as real

1 assets, agricultural in particular, the  
2 put spread collar strategy, real estate,  
3 and private debt.

4 Each asset class head will talk a  
5 little bit about their areas next in the  
6 agenda.

7 We understand the reasons for the  
8 underperformance, and we discussed them in  
9 great detail at the Committee meetings.  
10 We believe that this underperformance is  
11 very temporary in nature, and in all cases  
12 we have taken necessary steps to address  
13 these underperforming areas, and, in fact  
14 each of the underperforming areas had much  
15 stronger September quarters and the longer  
16 term, three-, five- and ten-year  
17 performance remains strong both on an  
18 absolute and relative basis.

19 I'll march through the performance  
20 detail in Appendix B quickly.

21 Please turn to page 1.

22 You can see page 1 shows the  
23 one-year one quarter ending September 30.  
24 It was a pretty strong quarter.

1           The PRIT fund was up 1.4 percent,  
2     outperforming its benchmark by 12 basis  
3     points gross and 2 basis points net.

4           That outperformed a 60/40 mix, as  
5     I've already highlighted, of stocks and  
6     bonds, which was up less than 1 percent.

7           It was an odd quarter. On the  
8     left, you can see the long-duration  
9     treasuries, private equity, real estate,  
10    private debt, bonds, all did well. And on  
11    the right, you can see that international  
12    markets were particularly weak.

13          As I mentioned, some of the good  
14    news is that the sub-asset classes that  
15    hurt us last quarter have improved  
16    significantly this quarter. That's the  
17    put spread collar, risk premium, real  
18    assets, for example.

19          Page 2, the one-year period ended  
20    September 30 was also very strange.  
21    Long-duration treasuries, by far the  
22    number one performing asset class, up 34  
23    percent for the one-year period ended  
24    September 30.

1           And I mentioned before, and I'll  
2 say it again, who would have ever  
3 predicted at this time last year that  
4 long-duration treasuries would be up so  
5 much?

6           Remember, the Fed was tightening.  
7 Interest rates were going up. And that's  
8 not typically a good environment for  
9 bonds, but it surprised everyone and was  
10 the number one performing asset class in  
11 our portfolio, followed by private equity.

12           But other strong performers, fixed  
13 income, diversified bonds, emerging  
14 markets, debttips, high yield, all strong.

15           And on the right, you can see that  
16 emerging markets and developed  
17 international equities were weak, as were  
18 US small caps, very weak for the twelve  
19 months.

20           And this speaks to the narrowness  
21 that I talked about. If you take a look  
22 at US small cap equities down 5.1 percent,  
23 and compare that to the large cap equities  
24 up 4 1/2 percent, there's nearly a 10

1 percent spread between US large cap and  
2 small cap. That speaks to the narrowness  
3 in the market. This market has been led  
4 by large cap growth stocks for the past  
5 year, leaving US small caps behind.

6 That's typically an end-of-cycle  
7 indicator when markets aren't widely going  
8 up.

9 Page 3. For the one-year period,  
10 the PRIT fund was up 4.7 percent gross,  
11 4.3 percent net. And it underperformed  
12 the benchmark. Still, this is an  
13 investment gain of \$3.2 billion dollars in  
14 the year.

15 65 basis points of the  
16 underperformance was due to that actual  
17 versus target rate divergence effect,  
18 something that we think is transitory in  
19 nature and unavoidable.

20 The rest was due to those few  
21 specific underperforming areas: real  
22 assets, private debt, real estate, and the  
23 put spread collar. We'll be describing  
24 that a little later.

1           You can see the longer-term  
2 results are very strong on three-, five-,  
3 and ten-year numbers, all above the  
4 actuarial rate of return and above  
5 benchmark.

6           Incidentally, we believe the  
7 one-year performance will improve  
8 dramatically in this December quarter.  
9 Remember, we're dropping off last year's  
10 December quarter. Last December quarter  
11 was really bad. The markets were down  
12 substantially and the PRIT fund was down  
13 substantially, both relative and absolute.  
14 We'll be dropping that, so the one-year  
15 number should improve dramatically.

16           Net outflows to pay benefits were  
17 about a billion dollars in the last  
18 twelve-month period.

19           I'll end on page 4, which is a  
20 snapshot of asset class performance. But  
21 to summarize, private equity and core  
22 fixed income led the way. Real estate was  
23 also pretty strong. Global equities were  
24 weak.

1           Remember, we were overweight in  
2 global equities, poorly performing global  
3 equities, and we were underweight,  
4 strongly performing private equity.

5           You'll hear more on asset class  
6 performance, but I'll stop there and take  
7 any questions you might have.

8                         MR. BROUSSEAU: Michael,  
9 just one question.

10           I know in your travels around the  
11 country, you do meet other EDs and Chief  
12 Investment Officers and you have  
13 discussions.

14           Are other large funds like ours  
15 having difficulties with the actual versus  
16 the target allocations in their funds?  
17 We're not unique?

18                         MR. TROTSKY: Well, we're  
19 not unique, but I would say most funds  
20 measure their performance on actual rather  
21 than target.

22           So when we come back in February,  
23 we might have that recommendation to you.

24           We're a little bit different than



1 our peers in that regard.

2 Jay Leu, our new director of risk,  
3 Jay is in the back of the room, will come  
4 back to us with a recommendation on that.  
5 But I think we're a little unique in that  
6 one.

7 MS. GOLDBERG: Any other  
8 questions?

9 Thank you.

10 Okay. David.

11 MR. GURTZ: Good morning.  
12 David Gurtz.

13 I'll be referring to page 7 and  
14 walking you through PRIT fund performance  
15 of the public markets portfolio first, and  
16 then Chuck will go through the two voting  
17 items that we have this morning within  
18 public markets.

19 So, again, on page 7 of Appendix  
20 B, first are global equity portfolios.

21 For the one-year period net of fee  
22 basis, core fixed income, knocked off the  
23 always-high returning private equity  
24 portfolio, PRIM's high-performing asset

1 class.

2           However, when core fixed income is  
3 the best performing or top performing  
4 asset class, that usually means global  
5 equities don't perform as well. That's  
6 certainly been the case this year.  
7 However, it's positive performance  
8 overall.

9           After a lot of volatility  
10 throughout this one-year period, which  
11 included the correction of Q4 last year,  
12 the strong rebounding markets in Q1 and Q2  
13 of this year, global equities were,  
14 essentially, flat this year, returning up  
15 about a half percent net of fees.

16           But the good news, as  
17 Michael mentioned, what a difference a  
18 year makes.

19                   MS. GOLDBERG: Are you going  
20 to sing?

21                   MR. GURTZ: Not yet.

22           So the markets have  
23 continued to trend up this year. As  
24 Michael mentioned earlier, the S&P 500 is

1 up a staggering 25 percent. So the  
2 calendar year-to-date numbers are simply  
3 fantastic.

4 So focusing first on absolute  
5 returns, the S&P 500, once again,  
6 outperformed the other equity asset  
7 classes for this trailing one year. The  
8 outperformance was particularly strong, as  
9 Michael mentioned, against US small and  
10 mid cap, with a difference of almost  
11 11 percent.

12 However, this outperformance of  
13 the S&P 500 is not a new topic. We've  
14 been talking about this for a long time  
15 and, in fact, the S&P 500 has been  
16 outperforming all these asset classes over  
17 the last decade, since the global  
18 financial crisis.

19 So for the trailing ten years, the  
20 S&P 500 outperformed the Russell 2000 by  
21 approximately 2 percent annually. It  
22 outperformed developed international  
23 equities by approximately 8 percent  
24 annually. And staggeringly, it

1 outperformed emerging markets by nearly 10  
2 percent annually over this past decade.

3 So, clearly, the place to be over  
4 this last decade has been S&P 500.

5 For the trailing year, relative  
6 returns have been positive. Relative  
7 performance has been particularly strong  
8 in emerging market equities and in US  
9 small cap equities.

10 And in emerging markets, we're 100  
11 percent active. We're 100 percent because  
12 we think it's an inefficient asset class,  
13 where active management can earn excess  
14 returns beyond the benchmark.

15 And our emerging market portfolio  
16 performed well this past year,  
17 outperforming by 1.9 percent gross the  
18 fees, 1.4 percent net of fees.

19 Growth outperformed EM in this  
20 particular market by about 3 percent. And  
21 many of our managers did fantastic,  
22 specifically our growth managers really  
23 outperformed this market for this past  
24 one-year time period.

1           In US small cap, we are roughly 55  
2 percent indexed to the Russell 2500. So  
3 the outperformance of our active managers  
4 was proportionally greater than the 1.2 or  
5 just about 1 percent net of fees that you  
6 see on the page 7 there.

7           All three of our US small cap  
8 managers outperformed this one-year  
9 period.

10           International equities, we were  
11 flat against the benchmark. Here, we are  
12 40 percent indexed, and our best  
13 performing manager this past year is our  
14 defensive high-dividend yield style  
15 manager. And as bonds yields fell,  
16 dividend stocks became more attractive and  
17 this manager performed well during this  
18 time period.

19           So moving on to page 8, I think I  
20 mentioned last quarter that fixed income  
21 markets are in a bit of a Goldilocks  
22 environment with falling yields and credit  
23 spreads not widening too dramatically. So  
24 that's just a perfect environment for

1 bonds to do well. And that's what you're  
2 going to see on this page.

3 For this one-year period, the PRIT  
4 fund's best-performing asset class was our  
5 long-duration US treasuries.

6 Portfolio had returned again, just  
7 an impressive staggering 34 percent.

8 Earlier this year, we increased  
9 our allocation to STRIPS by 1 percent from  
10 a midpoint of 2 percent to 3 percent of  
11 the PRIT fund.

12 STRIPS returned 34 percent, thanks  
13 to the 30-year yields falling a little bit  
14 over 100 basis points. Correlation to US  
15 equities, S&P 500 in particular, remains  
16 negative. And realized volatility has  
17 been actually lower than the historical  
18 vol. The historical vol has been around  
19 20 percent for this asset class. It's  
20 been averaging around 16 or so.

21 Since inception of us investing in  
22 STRIPS, which was back in April of 2014,  
23 STRIPS have returned about 11 percent  
24 since we've invested with them or invested

1 in these securities. It's clearly playing  
2 its role within the greater portfolio that  
3 we have.

4 Core fixed income or the AG  
5 returned 10 percent, again, thanks to the  
6 Fed cutting rates twice in the last  
7 quarter. The Agg was supported by falling  
8 rates of about 120 basis points, and  
9 without a significant head wind of  
10 widening credit spreads.

11 All the other fixed income asset  
12 classes benefited from falling rates as  
13 well.

14 Dollar denominated emerging market  
15 debt was supported by both falling rates  
16 and falling credit spreads. Yields fell  
17 about 140 basis points and credit spreads  
18 widened by just 24 basis points over this  
19 one-year period, resulting in a little  
20 over 9 percent returns.

21 High yield returned 6.4 percent  
22 net. Yields fell nearly 100 basis points.  
23 However, credit spreads widened a little  
24 bit, nearly as much as 75 basis points, to

1 just over 400.

2 The historical average over the  
3 last decade of credit spreads has been  
4 about 500. So we're still under the  
5 historical norm for that.

6 Finally, bank loans, the very far  
7 right returning asset class there,  
8 returned just 2.4 percent. Unlike high  
9 yield and all these other securities, they  
10 do not benefit from following yields,  
11 because they're floating rate instruments.

12 However, similar to high yield,  
13 credit spreads have widened over this  
14 period, with triple C widening even more  
15 than double B and single B rated loans.

16 So with that, I'll stop for some  
17 questions, and then we can go into our  
18 voting items.

19 MS. GOLDBERG: Anyone?

20 Okay. So the first voting item  
21 will be the short-term.

22 So first I would seek approval of  
23 BlackRock, Inc. to manage \$1.5 billion in  
24 passive short-term fixed income.



1           Would someone make a motion that  
2 the PRIM Board approve the Investment  
3 Committee's recommendation to approve the  
4 selection of BlackRock.

5           MR. SHANLEY:    So moved.

6           MR. BROUSSEAU:   Second.

7           MS. GOLDBERG:   We're going  
8 real quick here.

9           Is there a second?  Is that --

10          MR. BROUSSEAU:   Second.

11          MS. GOLDBERG:   I didn't hear  
12 that.

13          MR. BROUSSEAU:   Paul moved.  
14 I seconded.

15          MS. GOLDBERG:   Go ahead.

16          MR. LA POSTA:    Thank you.

17          My name is Chuck LaPosta for the  
18 stenographer's benefit.

19          So just as a reminder, in the  
20 February 2019 asset allocation  
21 recommendation that the Board made, we  
22 created a new target allocation to  
23 short-term fixed income with a midpoint of  
24 2 percent.

1           On August 2nd, we issued an RFP  
2     for passive short-term fixed income  
3     investment management services.

4           We received five proposals by the  
5     August 30 deadline. Each of the five  
6     respondents met the minimum criteria  
7     outlined in the RFP.

8           PRIM and Callan separately  
9     reviewed the responses and analyzed the  
10    data to arrive at three finalists. There  
11    were three finalists interviewed on  
12    October 3rd.

13           Based on the Evaluation  
14    Committee's due diligence, analysis, and  
15    best and final fee bids, BlackRock is  
16    being recommended to manage \$1.5 billion  
17    or 2 percent of PRIT fund assets in  
18    passive short-term fixed income, which  
19    will be managed to track the return of the  
20    Bloomberg Barclays U.S. Treasury: 1-3 Year  
21    index.

22           The reasons for recommending  
23    BlackRock include 30-plus year commitment  
24    to indexing with 31 professionals in 1.2

1 trillion in assets under management in  
2 these types of strategies; a proven track  
3 record in this specific strategy, in  
4 addition to other passive strategies  
5 managed for PRIM; expertise of the  
6 portfolio managers and traders;  
7 state-of-the-art technology, which is  
8 shared throughout their organization; and  
9 a competitive fee proposal which affords  
10 PRIM economies of scale from its other  
11 passive fixed income mandates.

12 With that, any questions?

13 MS. GOLDBERG: So we have a  
14 motion. We have a second.

15 Are there questions?

16 Hearing none, all those in favor?

17 (Unanimous vote of the Board.)

18 MS. GOLDBERG: Any opposed?

19 Hearing none, the motion carries.

20 We have a second voting item.

21 Rather than be cut off, I'll just do the  
22 quick and down and dirty.

23 I would seek an approval of an  
24 initial allocation of up to 200 million

1 for the LibreMax structured credit,  
2 separately managed account.

3 Is there a motion?

4 MR. BROUSSEAU: So moved.

5 MS. GOLDBERG: Is there a  
6 second?

7 MS. FITCH: Second.

8 MR. LA POSTA: Thank you.

9 So LibreMax is a New York-based  
10 SEC-registered investment advisor that was  
11 founded in April 2010 by Greg Lippmann and  
12 Fred Brettschneider.

13 Today the LibreMax has over 7.5  
14 billion in assets under management. The  
15 firm's platform spans a securitized  
16 product landscape.

17 Three key shareholders of the firm  
18 include the two co-founders and Dyal  
19 Capital Partners, an external strategic  
20 partner which represents about 20 percent  
21 of the equity in the firm.

22 This external partner was brought  
23 in to fund an acquisition of a new  
24 manager.

1           The remaining equity is held by  
2 other employees of the firm.

3           The LibreMax-structured credit SMA  
4 seeks to earn attractive risk-adjusted  
5 returns. The account may invest across a  
6 diversified range of sectors and  
7 collateral types, including consumer,  
8 residential, commercial, regulatory  
9 capital, and collateralized loan  
10 obligations.

11           LibreMax structured credit SMA is  
12 targeting a 10 to 13 percent gross IRR  
13 with high single-digit net IRR and 1.25 to  
14 1.75 multiple of invested capital over a  
15 three-year investment period.

16           The goal is to create a largely  
17 long-only diversified mix of 10 to 40  
18 investments, with modest amounts of  
19 structural leverage, limited interest rate  
20 exposure, and minimal hedging.

21           LiberMax employs both bottom-up  
22 and top-down analysis through its due  
23 diligence process.

24           On the bottom-up side, LibreMax

1 constructs loan level models and  
2 internally generated analytics to perform  
3 microeconomic analysis to project the  
4 performance of each individual  
5 transaction.

6 They also review legal and loan  
7 level documentation, as well as servicer  
8 reports, to assess performance.

9 Finally, they stress test the  
10 transactions to identify margins of  
11 safety.

12 Once constructed, the model  
13 portfolio results for each bond are rolled  
14 up to get a full understanding of the  
15 portfolio risk to various exogenous  
16 factors.

17 In accordance with these views,  
18 they may adjust exposures, duration,  
19 leverage profiles of the portfolio.

20 The CIO and two co-PMs are  
21 ultimately responsible for the risk  
22 management of the portfolio.

23 This group is further supported by  
24 the firm's dedicated chief risk officer,

1 who is responsible for providing feedback  
2 to the group on a variety of portfolio  
3 risks and optimizations.

4 In line with Project SAVE, PRIM  
5 has negotiated fees for the separately  
6 managed account which compare favorably to  
7 their LibreMax's value fund, which is  
8 their co-mingled funds.

9 With that, I will open it up to  
10 questions.

11 MS. GOLDBERG: Questions?

12 MR. NAUGHTON: I just have  
13 one.

14 The student loan thing jumped out  
15 at me. Those are securitized?

16 MR. LA POSTA: They are  
17 securitized.

18 MR. NAUGHTON: So what  
19 affect does an investment have on the poor  
20 students when they're securitized like  
21 that?

22 Can you talk a little bit more  
23 about that in terms of how that effects  
24 students.

1                   MR. LA POSTA: So the  
2 securitization pools all the loans that  
3 the students have to pay back, and then  
4 those payments are transferred to various  
5 parts of the bondholders. In fact, there  
6 isn't any necessary direct impact on the  
7 students. It's just kind of a  
8 pass-through mechanism.

9                   So as students pay back  
10 their student loans, the principle gets  
11 directed to certain parts of the --

12                  MR. NAUGHTON: So the  
13 original agreement that they signed stays  
14 in force and effect?

15                  MR. LA POSTA: Yes. There's  
16 no effect. It just transfers so that the  
17 party that originally made that loan,  
18 rather than that party being responsible  
19 for the collection and ultimate  
20 performance of those debts, they package  
21 it into a new security and transfer that  
22 to some other investor.

23                  MR. NAUGHTON: I recognize  
24 it's a small part of the whole thing.



1 MR. LA POSTA: Right. In  
2 fact, that's less likely to be in the  
3 forward-looking part of the portfolio than  
4 in the past, just given the current  
5 opportunity in that segment of the market,  
6 but it is a potential.

7 MR. NAUGHTON: It occurred  
8 to me, also, because there's a lot of talk  
9 on the campaign trail about forgiving  
10 student loans. And my question in my own  
11 head was, so what effect would that have  
12 on us?

13 But we don't really know how the  
14 forgiveness will be done.

15 MR. LA POSTA: Right.

16 MS. GOLDBERG: Do we even  
17 know it will happen?

18 MR. NAUGHTON: But we don't  
19 know that it won't happen, that's why I'm  
20 raising the issue.

21 MS. GOLDBERG: I'm just  
22 mentioning that.

23 MR. NAUGHTON: Thank you.

24 MS. GOLDBERG: Okay. So we

1 have a motion. We have a second.

2 All those in favor?

3 (Unanimous vote of the Board.)

4 MS. GOLDBERG: Any opposed?

5 Hearing none, the motion carries.

6 MR. LA POSTA: Thank you.

7 MR. GURTZ: Thank you.

8 MS. GOLDBERG: Bill Li is  
9 next.

10 MR. TROTSKY: Eric  
11 Nierenberg is not here today. He had a  
12 prior family obligation. He asked me if  
13 he could miss this, and I said it was  
14 okay. It was okay.

15 Most of the agenda was handled by  
16 Bill Li anyway. Bill Li is -- it's Bill  
17 Li, L-i, and he's senior investment  
18 officer and director of portfolio  
19 completion strategies.

20 MR. LI: Thank you, Michael.

21 Good morning, everyone.

22 So for PCS, in Q-3, the portfolio  
23 as a whole had a pretty steady quarter,  
24 returning 44 basis points, and that was an

1 outperformance of 39 basis points versus  
2 the custom benchmark.

3           And so in the PCS portfolio,  
4 direct hedge funds, that accounted for  
5 three-fourths of the total PCS. And for  
6 that part of the portfolio, it had a flat  
7 month, returning three basis points, and  
8 that was ahead of the benchmark by 16  
9 basis points.

10           If we look into the weeds of  
11 direct hedge funds, systematic CTAs, and  
12 credit relative value funds were the major  
13 outperformers, versus long-short equity  
14 and even driven credits were some of the  
15 laggards.

16           Switching gears to equity hedge,  
17 in spite of the somewhat more challenging  
18 first half of the year for the strategy  
19 because of the market strong rally in the  
20 first half of the year, in Q3, this  
21 strategy had an okay quarter, returning  
22 2.98 percent.

23           In terms of relative performance,  
24 that was ahead of the benchmark by 150

1 basis points. So on a relative basis, it  
2 was pretty good.

3 And Q3 actually represented a  
4 favorable environment for this strategy.  
5 As the market had reasonably okay  
6 volatility, put spread collar was able to  
7 fully participate as S&P 500 slowly edged  
8 up. Meanwhile, the design collected some  
9 premium, which further contributed to the  
10 incremental return, and that explained the  
11 outperformance of the 150 basis points.

12 With that, I open the floor for  
13 any questions you may have.

14 MS. GOLDBERG: Any  
15 questions?

16 MR. TROTSKY: We have a  
17 voting item.

18 MS. GOLDBERG: Yes. So we  
19 have a voting item next, and it is for  
20 Advent Vega strategy SMA, and so I would  
21 seek approval of an initial allocation of  
22 up to 150 million to the Advent Vega  
23 strategy separately managed account.

24 Is there a motion?

1 MR. BROUSSEAU: So moved.

2 MR. NAUGHTON: Second.

3 MS. GOLDBERG: Bill.

4 MR. LI: Thank you.

5 Advent Capital is one of the  
6 world's larger managers of convertible  
7 bonds with 9 billion asset under  
8 management.

9 The firm was founded in 1995 by an  
10 African-American gentleman whose name is  
11 Tracy Maitland.

12 Generally speaking, the firm has  
13 two business lines, long-only and  
14 alternatives. The majority of the AUM are  
15 in the long-only products.

16 Advent Capital is 100 percent  
17 employee owned and is over 51 percent  
18 minority owned.

19 So the interested strategy, which  
20 is called Advent Vega is a convertible  
21 arbitrage strategy.

22 What is convertible bonds?

23 A convertible bond is a bond  
24 security that yields interest payments.

1 Meanwhile, it can be converted into a  
2 predetermined number of common stocks once  
3 the stock hits a predetermined price. So  
4 that's two components. And a convertible  
5 bond can be priced as one straight bond  
6 plus a call option.

7           This manager, Advent, attempts to  
8 identify reasonable credit fundamentals.  
9 In the meanwhile, it tries to capture  
10 mispricing of the option components in  
11 those convertible securities.

12           The strategy is managed by two  
13 portfolio managers: Marc Friezo and Odell  
14 Lambroza. Their working partnership  
15 actually dated back to 1990S when they  
16 both worked at the Merrill Lynch  
17 convertibles desk.

18           We like this strategy because, for  
19 one, the Great Financial Crisis really  
20 flushed away a lot of low-quality managers  
21 in this space.

22           And two, Advent has one of the  
23 biggest fundamental credit research teams  
24 in the convertible securities space, and

1 that is very important.

2 And three, the manager  
3 demonstrated a high single-digit return  
4 with a very contained draw-down since this  
5 strategy inception in 2011.

6 In terms of sizing, we are  
7 recommending 150 million initial  
8 deployment to this strategy. And this  
9 recommendation takes into consideration  
10 factors including total strategy AUM --  
11 now it's around 250 million; and secondly,  
12 the estimated capacity is around 1 billion  
13 to 1.3 billion; and thirdly, it's gaining  
14 a lot of traction in the endowment and  
15 pension world.

16 In line with Project SAFE, PRIM  
17 has negotiated very favorable terms, and  
18 this investment will be in a separate  
19 account format.

20 And with that, I'm happy to answer  
21 any questions you may have.

22 MS. GOLDBERG: Are there any  
23 questions at all for Bill?

24 MR. SHANLEY: Bill, to get

1 all of that attention, will we get the 150  
2 million?

3 MR. LI: Yes, we will, and  
4 we also have reserved extra capacity.

5 MS. GOLDBERG: Any other  
6 questions?

7 We have a motion. We have a  
8 second.

9 All those in favor.

10  
11 (Unanimous vote of the Board.)

12  
13 MS. GOLDBERG: Any opposed?  
14 Hearing none, the motion  
15 carries.

16 Let's see.

17 MR. LI: Thank you.

18 MS. GOLDBERG: Michael,  
19 moving right along. We get to the fun  
20 stuff.

21 Michael Bailey.

22 MR. BAILEY: Thank you,  
23 Madam Treasurer. Good morning. My name  
24 is Michael Bailey, B-a-i-l-e-y. Good



1 morning.

2 I want to spend a couple of  
3 minutes on performance and a little bit on  
4 the pacing of the private equity  
5 investments so far this year before we  
6 turn it over to my colleagues, Michael  
7 McGirr and Sarah Zatoonian, because we  
8 have four voting items to talk about.

9 So just very briefly on  
10 performance, because Michael and Dave  
11 already touched on this, private equity  
12 for the one-year period ended September  
13 had a positive performance of about 14 1/2  
14 percent. You'll recall that that number  
15 is a little lower than we've seen from the  
16 portfolio in prior periods. So the  
17 portfolio found a slightly slower gear,  
18 but we're still very pleased with its  
19 14 1/2 percent performance.

20 I think to put that in context and  
21 hitting on some of the themes that Dave  
22 and Michael alluded to, as you all know,  
23 we often think about these private  
24 businesses as businesses that are quite a

1 bit smaller in size than the kinds of  
2 companies we invest in through the public  
3 equities portfolio, and we expect them to  
4 generate higher returns, partly because of  
5 the exposure to those smaller businesses.  
6 And, in fact, this year, one of the  
7 remarkable things about this year has been  
8 that small cap stocks have done  
9 particularly poorly compared to larger  
10 businesses, as Dave mentioned. And so an  
11 index of small cap US equities actually  
12 fell in value by about 6 percent over the  
13 one-year period we compare this positive  
14 14 percent performance to, so an  
15 outperformance of almost 20 percent.

16 Even if you think about it in the  
17 context of large cap equities, despite the  
18 recent rally in large caps, over the  
19 one-year period, as Dave talked about,  
20 large caps only performed about 4 percent  
21 positive. So it's still a really strong  
22 10 percent outperformance against what we  
23 think of as the investment that competes  
24 for capital with private equity in

1 pension.

2           So we're pleased with that  
3 performance.

4           And then on pacing, as you all  
5 know, you have approved to date about  
6 \$1.2 billion in new commitments to private  
7 equity. We're about to talk about two new  
8 investments that would bring that total up  
9 to about \$1.4 billion.

10           When we met in January or  
11 February, we talked about pacing towards  
12 the \$1.7 billion target to address what  
13 Michael talked about, trying to move this  
14 up to a higher allocation.

15           Today it sits at about 11.3  
16 percent of the total pension, and we're  
17 trying to drive that number higher, as  
18 Michael mentioned.

19           So with your help, we'll commit to  
20 another couple hundred million dollars  
21 today.

22           And then I would just comment that  
23 the co-investment program that you all  
24 approved in 2015 and we launched in 2016,

1 now in its third or fourth year, has  
2 really been able to accelerate the  
3 deployment of capital.

4 As you recall, when we make those  
5 investments, and there are a couple of  
6 them reported in the materials here, that  
7 capital goes to work immediately.

8 We're on pace to be about 50  
9 percent faster in terms of our deployment  
10 of those co-investment dollars this year  
11 versus last year. So a pretty remarkable  
12 step-up, 50 percent higher amount of  
13 capital. So that will start to have an  
14 impact on that pacing.

15 And I think, as importantly, it's  
16 meeting a number of our other objectives  
17 that we talked about. So we're pleased  
18 with that, and we can talk more about  
19 that if you're interested.

20 So those are my remarks on  
21 performance and pacing. I'm happy to take  
22 any questions on that or anything else  
23 before we shift to the voting items.

24 MS. GOLDBERG: Any

1 questions?

2           Okay. Go ahead.

3           MR. BAILEY: So Michael is  
4 going to kick us off for the first voting  
5 item.

6           MS. GOLDBERG: So I will  
7 seek approval of an issuance of an RFP for  
8 private equity consulting services.

9           Is there a motion?

10          MR. BROUSSEAU: So moved.

11          MS. FITCH: Second.

12          MR. BAILEY: Actually, I  
13 will take that one.

14          So this is a voting item we're  
15 asking for approval to, in the new year,  
16 issue an RFP for private equity consulting  
17 services as the contract with our  
18 incumbent provider Hamilton Lane expires  
19 at the end of September 2020. We just  
20 want to get ahead of that and begin the  
21 process of issuing the RFP.

22          MS. GOLDBERG: That's a good  
23 idea.

24          MR. BROUSSEAU: Are we on

1 five years?

2 MR. BAILEY: This will be  
3 the fifth year.

4 MS. GOLDBERG: Do you  
5 anticipate seeing several people come in?

6 MR. BAILEY: I think so.  
7 Yes, I would think so.

8 MS. GOLDBERG: That will  
9 help keep the price down.

10 MR. BAILEY: Yes.

11 MS. FITCH: It is a  
12 three-year with two years renewing re-up?

13 MR. BAILEY: That's the  
14 format we've used before.

15 MS. FITCH: It's always the  
16 same?

17 MR. BAILEY: We'll have to  
18 think about that. It won't be more than  
19 five years, I don't think. Based on our  
20 experience, we've asked for five-year  
21 contracts in the past.

22 MR. BROUSSEAU: That impacts  
23 the fee structure quite a bit, doesn't it?

24 MR. BAILEY: It could. I

1 would think so. We haven't tested this in  
2 five years. So we'll see where the market  
3 is for this. But I'm expecting good  
4 competition and good response.

5 MS. GOLDBERG: Any other  
6 questions?

7 Hearing none, we have a motion.  
8 We have a second.

9 All those in favor?

10

11 (Unanimous vote of the Board.)

12

13 MS. GOLDBERG: Any opposed?

14 Hearing none, the motion carries.

15 MR. BAILEY: Thank you.

16 MS. GOLDBERG: Next is a  
17 voting item also.

18 I would seek a motion for approval  
19 of a commitment up to 75 million to  
20 Georgian Partners Growth Fund V, LP.

21 Is there a motion?

22 MR. NAUGHTON: So moved.

23 MR. BROUSSEAU: Second.

24 MS. GOLDBERG: Michael. You

1 need to say your name loudly.

2 MR. MC GIRR: Michael

3 McGirr, M-c-G-i-r-r.

4 We have a new manager today;  
5 Georgian Partners. We're recommending \$75  
6 million to Georgian Partners Growth Fund  
7 V.

8 Georgian is a Toronto,  
9 Canada-based growth equity firm, and  
10 Georgian V will target growth equity  
11 investments in high-growth software  
12 companies, demonstrating efficient and  
13 predictable recurring revenue models.

14 The Georgian team will continue to  
15 be led by its founders Justin LaFayette,  
16 Simon Chong, and John Berton.

17 We're excited about this  
18 investment because it provides us access  
19 to lower middle market and growth-oriented  
20 companies, which is consistent with one of  
21 our goals.

22 We think Georgian has very strong  
23 sourcing capabilities, which we think is  
24 critical in this part of the market. The



1 portfolios that they've built, exhibits  
2 very strong growth characteristics.

3           Importantly, we think this is a  
4 very highly talented team with proven  
5 investment skill.

6           As you know, one of our goals,  
7 along with Michael Trotsky's goals, is to  
8 improve the rights of limited partners in  
9 these private equity funds, and we're  
10 happy to report that we've negotiated  
11 fairly good governance terms in this  
12 partnership, including what I would say is  
13 a strong key person and very favorable  
14 removal with and without cause.

15           So I think it's a small step, but  
16 it's a step in the right direction in  
17 terms of moving the needle on governance  
18 items.

19                       MS. GOLDBERG: Are there  
20 questions?

21           Hearing none, we have a motion.  
22 We have a second.

23           All those in favor.

24

1 (Unanimous vote of the Board.)

2

3 MS. GOLDBERG: Any opposed?

4 Hearing none, the motion carries.

5 I'm seeking a motion of approval

6 of a new co-investment manager.

7 Is there a motion?

8 MR. BROUSSEAU: So moved.

9 MS. GOLDBERG: Second.

10 MS. FITCH: Second.

11 MS. GOLDBERG: Okay.

12 MR. MC GIRR: The second

13 vote is to add Georgian Partners to the

14 co-investment bench, which would allow us

15 to evaluate co-investment opportunities

16 with this firm.

17 MS. GOLDBERG: So that's

18 pretty straightforward.

19 Are there any questions?

20 MR. BROUSSEAU: Do you

21 anticipate any projects coming forward?

22 MR. MC GIRR: I think it

23 could be a real possibility with this

24 firm. They've had co-investment

1 opportunities in the past. But we  
2 definitely need to talk to them more about  
3 it.

4 MR. BROUSSEAU: The firm is  
5 only about ten years old, so I wondered to  
6 what extent this is being available to  
7 us.

8 MR. SHANLEY: You mentioned  
9 they have a strong co-investment history.

10 MR. MC GIRR: That's  
11 right.

12 MS. GOLDBERG: So we have a  
13 motion. We have a second.

14 All those in favor.

15  
16 (Unanimous vote of the Board.)

17  
18 MS. GOLDBERG: Any opposed?

19 Hearing none, the motion carries.

20 I am seeking approval of a  
21 commitment of up to 100 million to TA  
22 Select Opportunities Fund.

23 Is there a motion?

24 MR. BROUSSEAU: So moved.

1 MS. GOLDBERG: Second.

2 MR. NAUGHTON: Second.

3 MR. MC GIRR: So this next  
4 recommendation is with an existing manager  
5 that everybody's familiar with, TA  
6 Associates.

7 MS. GOLDBERG: They've been  
8 around forever.

9 MR. MC GIRR: Recommending a  
10 \$100 million commitment to TA Select  
11 Opportunities Fund.

12 PRIM started investing with TA in  
13 1997. We've made six prior investments,  
14 including TA-13 earlier this year, which  
15 is their flagship fund.

16 This fund that we're talking about  
17 today is a new fund, what they're calling  
18 a best ideas fund which will invest in  
19 minority equity positions in TA's existing  
20 portfolio companies in new transactions  
21 with other private equity firms.

22 Select Ops will invest in  
23 high-performing positions in TA's existing  
24 portfolio companies that have met or

1 exceeded TA's target returns.

2           Select Ops will be in a unique  
3 position to identify and assess the  
4 likelihood of future sustained growth of  
5 those businesses. TA believes they'll  
6 have asymmetric knowledge in assessing the  
7 likelihood of that sustained growth.

8           We're excited about this  
9 opportunity, in part because of the object  
10 attractive terms and very large GP  
11 commitment to fund.

12           I'm happy to take any questions  
13 that the Board might have.

14                       MS. GOLDBERG: Any  
15 questions?

16           Hearing none, we have a motion.  
17 We have a second.

18           All those in favor.

19  
20                       (Unanimous vote of the Board.)

21  
22                       MS. GOLDBERG: Any opposed?

23           Hearing none, the motion  
24 carries.

1 MR. BAILEY: Thank you.

2 MR. TROTSKY: Good job.

3 MR. BAILEY: Thank you.

4 MS. GOLDBERG: Then next  
5 person is Tim Schlitzer.

6 MR. SCHLITZER: Timothy  
7 Schlitzer.

8 Good morning. So for your  
9 reference, performance is in Appendix F,  
10 and there's another update which I will  
11 touch on in Appendix G.

12 I also want to welcome Minching  
13 Kao, who is already off to a great start  
14 and we're just really excited to have her  
15 join the team.

16 A couple of quick updates.

17 So it didn't make the Board  
18 agenda, really just because of time  
19 constraints, but I did want to just  
20 acknowledge Christina Marcarelli and Maria  
21 Garrahan who presented at the Committee  
22 meeting a joint research project on senior  
23 housing, which went over very well, very  
24 well received.

1           It was a great primer on the  
2 sector. But also, they really presented a  
3 number of great insights that I think run  
4 a bit counter to the prevailing thinking  
5 on senior housing, which is just this idea  
6 of the great demographic trends.

7           And so it was a great example of  
8 how our research team and our real estate  
9 team can work together from both top-down  
10 and bottoms-up perspective.

11           There's more work to be done.  
12 But, again, I think it went over very well  
13 with the Committee. So I wanted to  
14 mention it.

15           Moving on to an update on  
16 portfolio debt. Again, that's in  
17 portfolio G. I'm not going through it,  
18 but I did want to mention that we're in  
19 the process of refinancing \$175 million  
20 worth of portfolio level debt that  
21 actually comes due in February.

22           John LaCara is the lead on this.  
23 And I also just want to acknowledge him.  
24 John is always monitoring our debt

1 structure and looking to lower the  
2 interest rate and improve the terms in any  
3 way possible.

4 And, technically, when rates  
5 dropped at the end of the summer by about  
6 50 basis points on the ten-year, John saw  
7 that that was probably a pretty good time  
8 to maybe hit the refinancing a little bit  
9 early. So we put that into motion.

10 We were down in New York this week  
11 presenting to a group of lenders, and I  
12 expect that it will price in about a week  
13 or so, and we will be back to you. We did  
14 discuss this with the Committee and had  
15 unanimous approval to proceed with it.

16 So a couple of comments on  
17 performance, and that data is in Appendix  
18 F. And I'll get right to performance.

19 So the real estate portfolio did  
20 underperform the benchmark by 101 basis  
21 points for the one-year period.

22 We constantly discuss the impact  
23 of the benchmark lag. That dropped to  
24 about 75 basis points of underperformance



1 when I unlag the benchmark.

2 After that, the primary detractor  
3 was mark-to-market on our portfolio debt,  
4 due to the drop in rates over the past  
5 year. We've also discussed this.

6 Lastly, we did have some  
7 underperformance at the asset level from a  
8 few assets, most of which were take-over  
9 assets coming out of the portfolio and the  
10 manager that we terminated early in the  
11 year. Some of those are actually in the  
12 process of being sold, and we will  
13 continue to monitor those.

14 Just a point on timberland. The  
15 portfolio underperformed the benchmark by  
16 148 basis points for the one-year period.  
17 That actually drops to 63 basis points  
18 when we unlag the benchmark. So that lag,  
19 in this case, really did have a pretty  
20 significant impact.

21 The majority of the  
22 underperformance which we've discussed  
23 came from losses in Florida at one of our  
24 properties during Hurricane Michael. We

1 are expecting some insurance proceeds  
2 before the end of the year. The  
3 Department of Agriculture also has  
4 recently approved an \$800 million grant to  
5 agricultural and timberland owners. We  
6 expect to receive some of that as well.  
7 That will be longer term, though.

8           And lastly, I'm going to note that  
9 both asset classes are outperforming  
10 year-to-date. So I don't know how the  
11 fourth quarter is going to go, but I do  
12 think that we've taken our medicine, so to  
13 speak, on a few of these investments, and  
14 I think we could have a decent result for  
15 the full year.

16           So I'm happy to answer any  
17 questions, or I can move on.

18                   MR. BROUSSEAU: I have a  
19 question.

20           Have the wildfires in Australia  
21 impacted our timber holdings there? Are  
22 we in the middle of that?

23                   MR. SCHLITZER: No. That's  
24 a good question. We have not been

1 impacted. Fire risk is a little higher  
2 down there, which we've always known and  
3 we will continue to monitor it. And they  
4 do some unique things in terms of how they  
5 manage the properties down there to try to  
6 mitigate that risk.

7 MR. BROUSSEAU: They  
8 probably rake the leaves.

9 MS. GOLDBERG: Any other  
10 questions? Comments?

11 Why don't we move on.

12 So that means we're moving on to a  
13 voting item.

14 I seek a motion for approval of  
15 the commitment of up to \$200 million to  
16 DivcoWest Fund VI, LP.

17 Is there a motion?

18 MR. SHANLEY: Moved.

19 MR. BROUSSEAU: Second.

20 MS. GOLDBERG: Go ahead.

21 MR. SCHLITZER: So the real  
22 estate team's recommending a commitment of  
23 \$200 million to DivcoWest VI. I'll just  
24 mention that DivcoWest actually came in

1 and gave a presentation at the Committee  
2 meeting, which was very well received.

3 This fund is the fourth fund  
4 that PRIM has invested in with Divco  
5 through our noncore real estate  
6 allocation.

7 I'll just point out that noncore  
8 is a small part of what we do in real  
9 estate. It's only about 4 percent of the  
10 total allocation currently.

11 So we have previously committed  
12 \$250 million to Divco. We've also  
13 invested on a direct basis with them in  
14 three other investments. Performance has  
15 been very strong across the board.

16 This Fund VI is targeting  
17 approximately \$2 billion in commitments.

18 The fund strategy will focus on  
19 value-added real estate investments,  
20 primarily in office buildings located in  
21 growth markets driven in large part by  
22 technology tenants such as Cambridge and  
23 the Silicon Valley region.

24 On a quick reminder, value-added

1 is really buying, and especially in this  
2 case, high-quality buildings in  
3 high-quality markets, but often with a  
4 little bit of vacancy or some capital  
5 projects that they execute with the goal  
6 of increasing rents.

7 DivcoWest is based in San  
8 Francisco. They do a have a large  
9 presence in Boston. They have  
10 approximately 140 employees.

11 So this our recommendation. It's  
12 based on strong performance, an  
13 identifiable competitive advantage, and an  
14 interest in continuing to fund attractive  
15 noncore opportunities as capital is  
16 returned from this segment.

17 I'm happy to answer any questions  
18 on that.

19 MR. MONACO: It's not  
20 specific to Divco per se, but can you  
21 remind me the precise definition of  
22 "noncore"?

23 Is it geographic or is it a  
24 reference to value-added versus -- is it

1 both?

2 MR. SCHLITZER: It's really  
3 anything that is not within our definition  
4 of "core," which is primary markets,  
5 generally stabilized assets, specifically  
6 above 80 percent occupied.

7 So I don't mean to be vague, but  
8 it really is opportunistic in a way. I  
9 can tell you that what's in there now is  
10 primarily some multi-family development,  
11 industrial development, and then these  
12 DivcoWest assets.

13 As assets have been developed,  
14 we've actually been moving them over to  
15 the core portfolio which has brought the  
16 NAV down, and this is a redeployment of  
17 capital.

18 It is sort of an everything  
19 bucket, which is why we keep it small.

20 MR. MONACO: And how do you  
21 think about the allocation to noncore and  
22 whether and why and when it might be  
23 somewhat bigger in the mix, given how much  
24 returns have compressed in things that

1 people might consider core, particularly  
2 in those markets that everyone loves, big  
3 MSAs on the coast.

4 MR. SCHLITZER: So again,  
5 noncore is capped at 15 percent. We have  
6 been over at 10 percent at times.

7 So earlier in the cycle we have  
8 committed more capital to this bucket.  
9 We're down to 4 percent now.

10 I do feel like we're being very  
11 prudent about taking on new risk in that  
12 bucket. I think the reason that we're  
13 interested in making this commitment is  
14 that it is a four-year investment period.

15 So we actually think that there  
16 could be an opportunity for more  
17 attractive prices over the next few years.

18 That being said, if Divco does end  
19 up investing in what we agree is a  
20 high-price environment, we think that  
21 they're pretty good risk managers and at  
22 the very least will buy more core-type  
23 assets, which I think over a ten-year  
24 period will probably do okay.

1           We looked at their performance  
2 pretty closely from the GFC vintage, and  
3 they did pretty well during that period.

4           MR. MONACO: And one more,  
5 if I may.

6           In the core portfolio, the  
7 exposure to co-working, to me, like, the  
8 WeWork fiasco and everything that was  
9 learned about WeWork through the IPO  
10 process, it educated us all more about the  
11 co-working trend.

12           And WeWork, for example, is a very  
13 major tenant of some very blue chip  
14 landlords.

15           So there's a scenario where WeWork  
16 goes bankrupt, is there anything to be  
17 concerned about there?

18           MR. SCHLITZER: Well, so I  
19 think you're touching on two things.

20           So within our portfolio, I don't  
21 think there's a lot to worry about. We  
22 only have WeWork in one building.

23           We actually do have a small amount  
24 of WeWork exposure within one of the Divco



1 funds at a very, very attractive  
2 valuation.

3 Do we think that there could be  
4 some market risk? We do.

5 I think people sometimes think  
6 that WeWork is a bigger percentage of the  
7 office market than they really are.  
8 They're probably 3 or 4 percent.

9 But if they begin pulling back,  
10 which they are on new absorption, yes, I  
11 mean, it will impact rents.

12 MR. MONACO: So you  
13 actually -- I didn't ask the question  
14 well. That's exactly what I'm talking  
15 about, that sort of marginal demand and  
16 what that means for absorption and pricing  
17 trends, even at the margin.

18 MR. SCHLITZER: Yes, it will  
19 definitely soften rents.

20 I will say, and we actually had a  
21 meeting with one of our partners yesterday  
22 where they were talking about their own  
23 co-working brand that they use in some of  
24 their buildings.

1           There is demand for co-working. A  
2 lot of the existing tenants in these  
3 buildings like to use it for flex space.  
4 They like to use it for conferencing.  
5 It's a nice amenity center.

6           They are attracted to buildings  
7 that have co-working in them. So we don't  
8 think it's going away.

9           And as you know, it's been around  
10 conceptually for a long time with Regus  
11 and others.

12           It just wasn't changing the world,  
13 and it wasn't quite as hip as it is now.

14           But we don't think that it's a  
15 source of significant market risk, but  
16 it's definitely something in the market.

17                   MR. MONACO: Thank you.

18                   MS. GOLDBERG: Any other  
19 questions?

20                   MS. FITCH: I guess I'm  
21 assuming that the portfolio is national,  
22 which may include particular target  
23 markets within or not in the portfolio.

24                   MR. SCHLITZER: I'm just

1 making sure. Are we talking about  
2 DivcoWest, or the portfolio overall?

3 MS. FITCH: Well, yes.  
4 Maybe both.

5 So I guess what I'm trying to  
6 grapple with, in a sense, is area markets  
7 as opposed to a national market, so some  
8 are very strong and positive; some less  
9 so.

10 And how that interacts with how  
11 those two, I guess, interact with our  
12 investments.

13 MR. SCHLITZER: Yes. I  
14 agree with you.

15 Boston is an example of a very  
16 strong office, and I would say other  
17 property types as well, market.

18 DC, which PRIM does have a fair  
19 amount of exposure to, everybody does, is  
20 an example of a market that is less strong  
21 right now due to law firms pulling back,  
22 the government pulling back, less  
23 technology. All of that's changing a bit.

24 So that's why diversification is

1 important.

2 It also can be a source of  
3 opportunities.

4 I believe that DivcoWest, for  
5 example, actually thinks that Washington  
6 is sort of interesting right now because  
7 it is such a primary market and important  
8 market that is in the trough from a  
9 pricing perspective.

10 So at that point, you have to  
11 select good assets, obviously. But I will  
12 point to diversification as being  
13 critical.

14 MS. FITCH: Thank you.

15 MS. GOLDBERG: Okay. So we  
16 do have a motion, and we have a second on  
17 the Divco vote.

18 So all those in favor?

19

20 (Unanimous vote of the Board.)

21

22 MS. GOLDBERG: Any opposed?

23 Hearing none, the motion

24 carries.

1           That's it.

2           MR. SCHLITZER: Thank you.

3           MR. LIPOSKY: Matt Liposky,  
4 Chief Investment Operating Officer at  
5 PRIM.

6           We have the evaluation  
7 Committee's recommendation.

8           MS. GOLDBERG: Yes. I seek  
9 a motion for operational due diligence  
10 services RFP recommendation.

11          Is there a motion?

12          MR. MONACO: So moved.

13          MR. BROUSSEAU: Second.

14          MS. GOLDBERG: So moved, and  
15 we have a second.

16          MR. LIPOSKY: The evaluation  
17 Committee's recommendation is at  
18 Appendix X.

19          We came to the Board this past May  
20 to seek approval for an issuance of an RFP  
21 for operational due diligence services.

22          And to speed this up, I'll be  
23 referring to "operational due diligence"  
24 as ODD.

1           We issued the RFP on June 10th and  
2 received a total of seven responses by the  
3 July 19th deadline.

4           The Evaluation Committee met with  
5 five finalists at PRIM's offices for  
6 interviews on August 15th.

7           Going into the RFP, the Evaluation  
8 Committee had three main objectives we  
9 wanted to achieve.

10           First, we wanted to find a  
11 provider to help review and evaluate from  
12 an operational perspective all new  
13 investments that PRIM makes.

14           Secondly, we wanted to find a  
15 provider to help administer ongoing ODD  
16 monitoring on PRIM's current mandates,  
17 which is large in size as well as being  
18 fairly complex.

19           Ongoing monitoring, also known as  
20 desk-based reviews, consisting of daily  
21 news and media monitoring, annually form  
22 ADV collection with review and analysis,  
23 and annual ODD questionnaire collection  
24 with review and analysis.

1           Lastly, in the past ODD was  
2 handled by PRIM staff as well as  
3 investment advisors. As this was done in  
4 a more siloed approach by each asset  
5 class, there was a very little consistency  
6 on ODD across the organization.

7           There was clear need for a  
8 provider to help provide consistency on  
9 how ODD is treated and maintained across  
10 the entire PRIM portfolio.

11           The Investment Committee approved  
12 the Evaluation Committee's recommendation  
13 of Albourne Partners, who we feel has  
14 demonstrated that they have the resources  
15 and staff to handle PRIM's large and  
16 complex portfolio for ongoing ODD  
17 monitoring, as well as the expertise to  
18 handle all new investment reviews going  
19 forward.

20           With a staff of 90-plus ODD  
21 professionals, Albourne has by far the  
22 largest staff of dedicated ODD specialists  
23 in the industry.

24           Albourne has top-of-the-line

1 technology to analyze and monitor initial  
2 ODD reviews, annual ODD questionnaires,  
3 annual form ADVs, as well as daily news  
4 and media monitoring, as well as various  
5 other reviews.

6 Now, lastly, Albourne's fee bid, a  
7 fixed fee of 415,000 per year, was one of  
8 the lowest among all respondents. So we  
9 feel we're getting the best provider with  
10 one of the lowest fee bids.

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

13 Are there any questions?

14 I think my own position is that I  
15 think it was great that we got seven  
16 responses. So it gave you a chance to  
17 really see the lay of the land, and then  
18 pressure the one that you wanted to give  
19 you the whole menu of services that you  
20 heard about, and that's the ideal  
21 situation.

22 It's a bad situation when we only  
23 have one person bidding, and then what do  
24 we do?



1           So as far as I'm concerned, great.  
2           And we have a motion. We have a  
3 second.

4           All those in favor?

5  
6           (Unanimous vote of the Board.)

7  
8                   MS. GOLDBERG: Any opposed?  
9           Hearing none, the motion carries.

10                   MR. LIPOSKY: Thank you.

11                   MS. GOLDBERG: There we go.  
12           And who is up next? Tony Falzone  
13 and Deborah Coulter.

14                   MR. FALZONE: Good morning,  
15 everyone.

16           As you know, I'm here with Deb  
17 Coulter, PRIM's CFO.

18                   MS. GOLDBERG: This is a  
19 motion.

20           I seek a motion. It's kind of a  
21 weird wording, fiscal year 2019 audit  
22 results, that we approve it. Okay?

23           Is there a motion?

24                   MR. BROUSSEAU: So moved.

1 MS. GOLDBERG: Second.

2 MR. SHANLEY: Second.

3 MR. FALZONE: I'm going to  
4 hand this over to Deb.

5 MS. COULTER: Good morning,  
6 everyone.

7 I'm on page 21 of the expanded  
8 agenda.

9 KPMG joined us at the last Audit  
10 Committee meeting and their presentation  
11 is at Appendix I.

12 During the meeting, they reviewed  
13 their audit process, the results of the  
14 fiscal year 2019 PRIM and PRIT audits, and  
15 the two agreed-upon procedures that they  
16 perform each year.

17 They do one on our procurement  
18 process and one on our benchmark  
19 calculations.

20 Following best practices, KPMG  
21 also met with the Committee separately to  
22 give them a chance to talk without PRIM  
23 staff present and have an independent  
24 meeting.

1 I'm happy to report that the  
2 audits once again resulted in clean  
3 opinions with no findings.

4 These engagements may seem  
5 routine, we're doing audits all the time;  
6 but as the portfolio continues to grow in  
7 complexity year after year, it's really a  
8 testament to the team that we're  
9 consistently receiving clean opinions.

10 So we want to thank the finance  
11 and ops teams, and specially Qingmei Li,  
12 who as you heard earlier, coordinates all  
13 of the audits and prepares the financial  
14 statements and really did an excellent job  
15 for us.

16 So just to summarize, the  
17 portfolio complexity directly affects the  
18 amount of time and expertise needed to  
19 prepare and audit the financial  
20 statements. And even with this, the  
21 audits went very smoothly, again, resulted  
22 in clean, unmodified opinions, and we had  
23 no findings with the AUP.

24 I'm happy to answer any questions.

1 It's pretty straightforward.

2 MS. GOLDBERG: We have a  
3 motion. We have questions.

4 MR. BROUSSEAU: I think this  
5 is about ten years, more than that, we  
6 have had totally clean audits with no --

7 MR. FALZONE: It's more than  
8 that.

9 MR. BROUSSEAU: It's more  
10 than that, because they've been with us  
11 about 15 now, yes, KPMG.

12 Thank you.

13 MS. GOLDBERG: So we have a  
14 motion. We have a second.

15 All those in favor?

16

17 (Unanimous vote of the Board.)

18

19 MS. GOLDBERG: Any opposed?

20 Hearing none, the motion carries.

21 Next, this is also a voting item.

22 Motion for the draft fiscal year 2019

23 CAFR.

24 Is there a motion?

1 MR. BROUSSEAU: So moved.

2 MS. GOLDBERG: Second.

3 MR. NAUGHTON: Second.

4 MR. FALZONE: So this is

5 PRIM's 15th annual CAFR. A CAFR is  
6 designed to provide reporting that goes  
7 above and beyond a standard set of  
8 financial statements.

9 The report is meant to provide  
10 accurate and meaningful information  
11 concerning PRIT fund's financial condition  
12 and performance.

13 The CAFR has four sections: The  
14 introductory section, the financial  
15 section, the investment section, and  
16 ultimately a statistical section.

17 This is our, like I said, 15th  
18 submission. We're optimistic that we'll  
19 get good results.

20 I'll open it up to any questions.

21 MS. GOLDBERG: Questions?

22 Hearing none, we have a motion.

23 We have a second.

24 All those in favor?

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(Unanimous vote of the Board.)

MS. GOLDBERG: Any opposed?

Hearing none, the motion carries.

I seek a motion for audit and tax services request for proposal recommendations.

Is there a motion?

MR. BROUSSEAU: So moved.

MS. GOLDBERG: Second.

MS. FITCH: Second.

MS. COULTER: For your reference, the Evaluation Committee report is at Appendix A.

So back in May, the Board approved the issuance of an RFP for audit tax services. The RFP was submitted in July, and firms were asked to submit proposals for PRIM and PRIT audit services, agricultural, real estate, timberland audit services, and tax services.

We received three responses by the August 26 deadline, KPMG, Deloitte and

1 RSM.

2 The Evaluation Committee consisted  
3 of Board member and admin audit chair, Bob  
4 Brousseau, and several members of the  
5 finance, ops, and investment teams.

6 The responses were thoroughly  
7 reviewed, and all three firms were invited  
8 to our office on October 3rd.

9 After careful analysis and  
10 interviews, the Evaluation Committee and  
11 the admin and Audit Committee are  
12 recommending the selection of the  
13 incumbent, KPMG, for all audit services,  
14 and Deloitte for tax services for  
15 five-year contracts with two optional  
16 one-year extensions.

17 We're recommending KPMG for  
18 several reasons. They are the leading  
19 government auditing firm, both nationally  
20 and locally. Their proposed team has  
21 extensive experience serving the public  
22 sector in financial services.

23 And also, by retaining KPMG, we  
24 have the benefit of a staff that already

1 understands the complexity of our  
2 portfolio, which will eliminate the  
3 transition risk and the learning curve  
4 that another firm would bring. But we  
5 will also have a fresh set of eyes, as our  
6 current partner is rolling off due to the  
7 rotation policy and new partners moving  
8 on.

9           Their fees, we felt, were very  
10 fair. They offered to keep their fees  
11 flat at the current 2019 rates for the  
12 first two years and then included a slight  
13 increase of 3 percent annually after that.

14           For tax services we're  
15 recommending DeLoitte for several reasons.  
16 They are a Big Four accounting firm.

17           Tony Mandarin, the engagement  
18 partner, has 25 years experience with tax  
19 exempt entities and investment managers.  
20 And he and his team have already added  
21 significant value to PRIM through their  
22 consulting services over the years.  
23 They've worked closely with PRIM staff,  
24 outside managers, and legal counsel on



1 structured transactions.

2           And their fees, we felt, were very  
3 fair as well. They're offering flat fees  
4 for five years with a slight increase of 5  
5 percent in option year 6, and flat again  
6 for option year 7.

7           I'll be happy to answer any  
8 questions.

9                       MS. FITCH: Is five years a  
10 standard amount of time? Did it used to  
11 be three?

12                      MR. FALZONE: It used to be  
13 three. I think with these more routine  
14 RFPs, there's obviously value in having  
15 RFPs. We want to go out to market, and we  
16 want to see what's going on. It's also  
17 something that takes up a lot of time.

18                      So by switching it from three to  
19 five years, it allows us a little bit more  
20 runway in terms of planning and things  
21 like that.

22                      In this area, too, whether it be  
23 audit and then coming to you later next  
24 year, custody, there aren't a lot of

1 providers in this space. We know the  
2 providers very well. So it's more of a  
3 check the market, see where we are, is  
4 there a compelling reason to do anything,  
5 and then go from there.

6 MS. FITCH: Tie them up for  
7 five to seven.

8 MR. FALZONE: And we get to  
9 lock in the fees, which is what the  
10 additional years helps us do.

11 MS. FITCH: All right.  
12 Great.

13 MS. GOLDBERG: We have a  
14 motion. We have a second.  
15 All those in favor?

16  
17 (Unanimous vote of the Board.)

18  
19 MS. GOLDBERG: Any opposed?  
20 Hearing none, the motion carries.  
21 The proposed 2020 PRIM Board and  
22 Committee meeting schedule.

23 Is there a motion?

24 MR. SHANLEY: So moved.

1 MR. BROUSSEAU: Second.

2 MR. FALZONE: So Appendix L  
3 contains the proposed meeting dates for  
4 calendar year 2020.

5 Thanks to everyone that provided  
6 feedback, thank you to the treasurer's  
7 office and her staff who worked with me.  
8 I might have driven them a little crazy.

9 There were -- there are many  
10 changes to the calendar that was proposed  
11 earlier, so we didn't bother including a  
12 red-line version.

13 We tried it at the Committee  
14 level. It was a little busy, so we  
15 omitted it.

16 And I'm happy to take any  
17 questions.

18 MS. GOLDBERG: I do have a  
19 comment.

20 There is something, and I  
21 discussed this.

22 Well, number one, if anyone has  
23 not done their Board evaluation and spoken  
24 with Tom Iannucci, it must be done very

1 quickly.

2 So anyone who has missed that  
3 really needs to connect with him.

4 MR. SHANLEY: I've done  
5 mine.

6 MS. GOLDBERG: Has everyone  
7 done that who's sitting here at the table?

8 Have you been -- have you done  
9 your on-line?

10 MS. ROSE: Yes.

11 MS. GOLDBERG: Has he  
12 contacted you?

13 MS. ROSE: They have, yes.

14 MS. GOLDBERG: Please do it  
15 as soon as possible.

16 Everyone else?

17 Do we know if Teresa and Jim have  
18 done it?

19 MR. FALZONE: My  
20 understanding is that I think there was  
21 only one or two.

22 MR. BROUSSEAU: Did you send  
23 out reminders?

24 MS. GOLDBERG: Has anyone --

1 I told Tom he could give me the actual  
2 names, and I would call people. But it's  
3 really a mandatory part of Board  
4 participation.

5 MR. FALZONE: I'll follow up  
6 after.

7 MS. GOLDBERG: Thank you.

8 Number two, one of the things I  
9 told him is I felt that the retreat is a  
10 must in terms of attendance.

11 Last year we didn't have full  
12 attendance, and I felt that it took away  
13 from the quality of the retreat.

14 We have put that in instead of  
15 having an additional regular meeting, and  
16 it's an important event for Board  
17 meetings.

18 And so that is why we spent so  
19 much time moving the meeting date around  
20 and trying to accommodate everyone, and we  
21 will continue to do that.

22 So I just want to raise that.  
23 It's not part of the vote, but it's the  
24 appropriate time to mention it, because we

1 have a retreat coming up and typically,  
2 they're in September, and so we moved it  
3 all the way to December.

4 MR. BROUSSEAU: We didn't  
5 set one yet for this year.

6 MS. GOLDBERG: Yes, we did.

7 MR. BROUSSEAU: I mean for  
8 2020.

9 MR. FALZONE: No, I didn't  
10 yet.

11 MS. GOLDBERG: Right. But  
12 we are going to be, and I want everyone to  
13 participate in that conversation because  
14 it is, I hate to use the word "mandatory,"  
15 but it's mandatory.

16 MR. FALZONE: And if I may,  
17 I have some additional news as well.

18 Each member of the Board is going  
19 to be receiving or being contacted by  
20 PRIM's IT director David Griswold to talk  
21 about a pilot program for electronic  
22 books.

23 MS. GOLDBERG: Yes. I've  
24 only had that on the list for three years.

1           Guys, I assure you, it is a lot  
2 better than carrying this ten-pound weight  
3 with you.

4           We have it at the retirement  
5 board, and we have it at Mass. School  
6 Building Authority, which used to have  
7 reams of paper like this.

8           Once you get it done once, once  
9 you get the whole uploading thing under  
10 control and the work rooms and the Board  
11 meetings, it's so much easier to carry a  
12 little iPad.

13           So please approach this with an  
14 open mind because it's going to save --  
15 well, it might be not good for timberland,  
16 but it will be good for everybody else.

17           MR. FALZONE: Yes. So stay  
18 tuned, you will be hearing from David  
19 Griswold.

20           That's all we have.

21           MS. GOLDBERG: Thank you.

22           MR. FALZONE: Thank you very  
23 much.

24           MS. GOLDBERG: So we have a

1 motion. We have a second.

2 We have to vote.

3 All those in favor?

4

5 (Unanimous vote of the Board.)

6

7 MS. GOLDBERG: Any opposed?

8 Hearing none, the motion carries.

9 MR. BROUSSEAU: Good

10 morning.

11 I'm going to draw your attention  
12 to pages 26 and 27 of the expanded agenda.

13 This is an annual procedure that  
14 we go through. Those of us who have been  
15 here, we know it is the approval of the  
16 compensation for the Executive Director,  
17 and as you know, that's the purview of the  
18 Compensation Committee which met on  
19 October 31.

20 And on pages 26 and 27, I'm loathe  
21 to read a two-page summary to you.

22 MS. GOLDBERG: I'm loathe to  
23 hear you read it.

24 MR. BROUSSEAU: I know, and



1 also with your comments.

2 So I would just draw your  
3 attention to it.

4 As you know, just a few general  
5 things, the Committee met with two  
6 recommendations.

7 And Michael's salary that we  
8 approved is based on two items.

9 The first one, 80 percent of his  
10 incentive compensation is on the PRIT fund  
11 investment performance component, 80  
12 percent, which is determined based on the  
13 PRIT fund's trailing three-year policy  
14 return performance versus the benchmark.

15 The second part of it is worth 20  
16 percent, and it is his performance based  
17 upon our evaluation of him, which we did  
18 in August, and that's for the incentive  
19 compensation portion of the compensation.

20 The Committee met. And the rules  
21 say that I'm to give the Committee an  
22 overview of Michael's performance for the  
23 fiscal 2019 year, which I did, on October  
24 31st.

1           And just as our performance  
2 evaluation here on August 13th, the  
3 keyword that did stand out was the word  
4 "outstanding" in his performance, and it  
5 was the same as last year and the year  
6 before.

7           Based on that, the Committee voted  
8 for two items to come before the Board for  
9 your approval.

10           A little background. Michael has  
11 been with us since 2010, which is getting  
12 close to nine and a quarter years. He is  
13 the longest serving Executive Director,  
14 but also, he has served in two capacities  
15 since 2012: Executive Director as well as  
16 Chief Investment Officer.

17           And we went through a thing with  
18 compensation which the Board adopted in  
19 2012, and in 2017 we did adopt also a  
20 range of salaries for the Executive  
21 Director based upon the study that  
22 McLagan, our consultant, did for us.

23           And based upon that, it was our  
24 goal to put Michael near the top,

1 actually, of the range of the range which  
2 runs from \$360- to \$540,000, the range for  
3 his salary.

4           And that is the basis of the  
5 recommendation that will come to you this  
6 morning, and that is outlined on page 27  
7 of the expanded agenda. And there are  
8 about seven or eight bullet points that  
9 you can see exactly what they are.

10           So what I'm going to do this  
11 morning, the first motion that I'm going  
12 to offer is on the 20 percent component  
13 part of Michael's evaluation, which is the  
14 multiplier. And if you look at the very  
15 bottom of page 26, the multiplier can be  
16 either of three: 1.00 shows exceeds high  
17 expectations; .60 would be meets  
18 expectations; or 0 would be does not meet  
19 expectations.

20           The unanimous recommendation of  
21 the Compensation Committee was to grant  
22 Michael's performance multiplier to be  
23 1.00, which is the top performance ratio  
24 that he could get.

1           And that is the motion that I'm  
2 offering, the 1.00.

3           MS. GOLDBERG: So I will  
4 seek the motion.

5           And you're moving it?

6           MR. BROUSSEAU: Yes.

7           MS. GOLDBERG: Is there a  
8 second?

9           MR. SHANLEY: Second.

10          MS. FITCH: Second.

11          MS. GOLDBERG: Conversation  
12 on the part of the Board?

13          Shane?

14          MR. SHANLEY: No.

15          MS. GOLDBERG: This is in  
16 keeping with what we determined in 2017  
17 and Michael continues to excel in this  
18 role.

19          And so, therefore, we have a  
20 motion. We have a second.

21          All those in favor?

22

23          (Unanimous vote of the Board.)

24

1 MS. GOLDBERG: Any opposed?

2 Hearing none, the motion carries.

3 MR. BROUSSEAU: I would like  
4 to say also that I thought that probably  
5 the chair of the Compensation Committee  
6 would be here today, but I don't see her  
7 present, that's Michele Whitham, and there  
8 are five of us on the Compensation  
9 Committee.

10 So the next part.

11 MS. GOLDBERG: You might  
12 just mention who the members are.

13 MR. BROUSSEAU: Michele  
14 Whitham is the chair of the Compensation  
15 Committee. The chair serves as a member  
16 of the Compensation Committee. I do.  
17 Patrick Brock does. And also Joseph  
18 Connolly.

19 These are the five members of the  
20 Compensation Committee who are sending  
21 these recommendations to the Board.

22 MS. GOLDBERG: We do have a  
23 robust conversation going over all of  
24 these items, including feedback and the

1 like. So it isn't just boom, boom, we do  
2 it.

3 MR. BROUSSEAU: Do you want  
4 to offer a motion.

5 MS. GOLDBERG: I would seek  
6 approval of the Executive Director's  
7 compensation based upon the recommendation  
8 of the Compensation Committee that we move  
9 the Executive Director's compensation to  
10 the 89th percentile of the Board-approved  
11 salary range, effective December 1, 2019.

12 Is there a motion?

13 MR. BROUSSEAU: So moved.

14 MR. NAUGHTON: Second.

15 MS. GOLDBERG: Bob, why  
16 don't you add some commentary, if you  
17 would.

18 MR. BROUSSEAU: I think I  
19 gave most of it. From page 27, I  
20 presented the first part of the two  
21 motions.

22 But we said the range is from \$360  
23 to \$540. We knew last year at \$470 we  
24 were about \$70,000 below what the range

1 would be. And it has been voted by this  
2 Board that we try to get Michael near the  
3 top of the range of \$360 to \$540.

4 Having said that, the Board last  
5 year voted for an increase of \$25,000, to  
6 his salary to \$495, and there's a similar  
7 recommendation this year to go to \$520.  
8 And that will bring us, as the Treasurer  
9 said in the motion, at 89 percent of the  
10 range.

11 MS. GOLDBERG: So what I  
12 want to reemphasize is that we have done  
13 wage studies and the like.

14 We recognize that Michael is doing  
15 two jobs as opposed to one job that we had  
16 prior here at PRIM.

17 I think the point of longevity is  
18 enormous, but it's not just his longevity.  
19 It is him being able to keep and support  
20 an extraordinary group of people here at  
21 PRIM. And that is no mean feat and cannot  
22 be undervalued in any way, shape, or form,  
23 given the environment under which we  
24 operate in Massachusetts with the number

1 of endowment funds, colleges and  
2 universities, and then the competitive  
3 private sector.

4           So the proof is in the pudding.  
5 We made a determination in 2017 after we  
6 had our study done that we were not going  
7 to just jump from one point all the way  
8 up, that we are the public sector, that we  
9 have to be mindful of that, but at the  
10 same time we have to make sure that we're  
11 compensating people properly in order to  
12 have the kind of continuity that we  
13 require in a very volatile world which  
14 causes a volatile investment environment.

15           And one of the things, and I think  
16 we've done a really good job at it, is  
17 there is no denying that the market has  
18 swung in so many ways in the last couple  
19 of years and we have been managing risk,  
20 which sometimes depresses the upside,  
21 however prepared, and we need to be  
22 prepared for the unknown.

23           So with that, I know that I fully  
24 endorse this recommendation, and I hope



1 that everyone else will join me in voting  
2 its approval.

3 MR. BROUSSEAU: I think also  
4 it's common, I mean, the fact that we've  
5 seen the assets of this organization grow  
6 from \$43 billion dollars to \$75 billion in  
7 the nine-plus years.

8 MS. GOLDBERG: Let's not  
9 give it a curse and keep on going.

10 MR. BROUSSEAU: I'm not  
11 putting a curse on it.

12 But also I think very few,  
13 probably, EDs also serve in a dual  
14 capacity of ED and CIO.

15 MS. GOLDBERG: He had black  
16 hair when he started.

17 Any other comments from members of  
18 the Board?

19 MS. FITCH: Well deserved.

20 MR. SHANLEY: Well deserved.

21 MS. GOLDBERG: So we have a  
22 motion. We have a second.

23 We've heard from the two here,  
24 well deserved.

1 Peter? Anyone?

2 Okay, then.

3 MR. MONACO: Nothing to add.

4 MS. GOLDBERG: Nothing to  
5 add?

6 MR. MONACO: No. Michael is  
7 PRIM's single greatest asset.

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

10 All those in favor?

11

12 (Unanimous vote of the Board.)

13

14 MS. GOLDBERG: Any opposed?

15 Hearing none, the motion carries.

16 MR. SHANLEY: Nice.

17 MR. TROTSKY: Thank you so  
18 much for your support.

19 MS. GOLDBERG: Anything for  
20 us, Chris?

21 MR. SUPPLE: Just one brief  
22 legislative item.

23 A few months ago there was  
24 another legislative filing relating to the

1 composition of the PRIM Board. It was a  
2 Senate bill that was filed. It was  
3 another in a series that we've discussed  
4 over the past several years.

5 The one thing they all have in  
6 common is it would add a MACRS  
7 representative to the PRIM Board, and  
8 there have been various iterations of  
9 other members added as well.

10 Most of them have sought to  
11 increase the membership from nine to  
12 eleven. And then recently, the most  
13 recent filing wouldn't increase the  
14 membership but rather would keep the  
15 membership at nine but would change one of  
16 the positions that's currently appointed  
17 by the Governor to a MACRS appointment.

18 It's a little bit more  
19 complicated, the language, but that's, in  
20 sum and substance, what would be the  
21 effect of it.

22 So there's a hearing on it  
23 scheduled for Monday. And given that  
24 we've discussed the various proposals that

1 preceded it, I figured I would give you an  
2 update on this latest one.

3 MS. GOLDBERG: That is Chris  
4 Supple. He's the general counsel and  
5 Deputy ED for PRIM.

6 MR. NAUGHTON: Will PRIM be  
7 represented at the hearing?

8 MR. SUPPLE: That's kind of  
9 up to you all.

10 At the staff level, I don't think  
11 it's appropriate to be involved in  
12 discussions of the Board composition.

13 MS. GOLDBERG: We would have  
14 to make a determination of who could  
15 generally represent the position of PRIM.

16 MR. NAUGHTON: So we're not  
17 going to be represented is my take-away.

18 MS. GOLDBERG: I don't think  
19 it's -- I think this is the annual event.

20 MR. TROTSKY: Paul goes as  
21 an observer usually.

22 MS. GOLDBERG: He's there to  
23 answer any question if it were to be  
24 directed.

1 MR. NAUGHTON: Okay.

2 MR. TROTSKY: We just don't  
3 actively show any opinion.

4 MS. GOLDBERG: I have a  
5 question about this.

6 MACRS is, obviously, doing this  
7 because they feel they have, what, 105  
8 systems invested with PRIM?

9 PAUL TODISCO: It's  
10 about 95.

11 MS. GOLDBERG: Totaling what  
12 amount of money invested?

13 PAUL TODISCO: There's about  
14 \$16 billion invested.

15 MS. GOLDBERG: They have a  
16 valid reason for interest.

17 MR. NAUGHTON: Have they  
18 ever articulated a sense that they've been  
19 somehow dealt short straws by the current  
20 Board? In other words, as the genesis of  
21 their idea going back?

22 MS. GOLDBERG: This goes  
23 back so far, I don't even know. I don't  
24 have a history on that.

1 MR. BROUSSEAU: Many of us  
2 who sit on this Board, our organizations  
3 are also members of MACRS.

4 I think of -- Dennis, am I right?  
5 The teachers retirement board is a member  
6 of MACRS.

7 MR. NAUGHTON: I mean, I  
8 assume we are.

9 MR. BROUSSEAU: In other  
10 words, there are four of us sitting here  
11 whose organizations belong to MACRS, of  
12 the state system, the teachers and the  
13 state.

14 MS. GOLDBERG: Three? Four?

15 MS. ROSE: Yes.

16 MR. BROUSSEAU: And  
17 Ms. Fitch?

18 MS. FITCH: Have any of you  
19 asked them why they want this?

20 Wouldn't it be a great idea to  
21 just have a communication and figure it  
22 out so they're not filing a bill every  
23 year?

24 MR. BROUSSEAU: I think this

1 was the genesis of about three years ago  
2 when we urged Michael to establish an  
3 advisory council made up of the local  
4 systems, which he has done, to bring them  
5 in to PRIM a couple of times a year, spend  
6 as much as time as they need answering  
7 questions and making presentations. I  
8 know Michael has been doing it.

9 MS. GOLDBERG: Okay. So the  
10 reason why I'm raising this is this is one  
11 of the things I talk about in the Board  
12 evaluation, that it would be good for the  
13 Board to have a report on Paul's  
14 activities.

15 I never knew how much money they  
16 had in here. I didn't know the full  
17 number of systems that are engaged.

18 So I started to wonder, based upon  
19 this filing coming through again, whether  
20 everyone else on the Board is aware of the  
21 level of their engagement or if this is  
22 just a random issue for them and whether  
23 or not we should invite them in at one  
24 point just to talk with us as to what

1 their issue is.

2 And so I just thought I would  
3 raise that.

4 It came out of my self-evaluation.  
5 I won't be quoted because everything's  
6 anonymous, but I'm happy to share with you  
7 that I'm the one who brought it up because  
8 at some point, that bill could go through.

9 And I think that if we're  
10 proactive about it, maybe it doesn't even  
11 have to be filed again in another year.

12 This is just me forward-thinking.

13 MR. NAUGHTON: So really it  
14 does get back to what is the genesis of  
15 this initiative that they have been doing  
16 for so many years and so many different  
17 iterations.

18 MS. GOLDBERG: Right. So I  
19 just thought it was something we should  
20 address.

21 MR. BROUSSEAU: As chair,  
22 I'm sure you could invite them or have a  
23 meeting.

24 MS. GOLDBERG: I think that



1 we can have an internal conversation and  
2 suggest at some point that we try to have  
3 at least a conversation with them.

4 Paul, have you ever asked them why  
5 they've filed that bill every year?

6 PAUL TODISCO: They feel  
7 that they have enough assets in the fund  
8 that they want a seat at the table.  
9 That's what I've been told.

10 MS. GOLDBERG: But they have  
11 representation at the table. They don't  
12 acknowledge that?

13 PAUL TODISCO: No.

14 MS. GOLDBERG: Maybe some of  
15 their members should talk to them about  
16 how well you are serving them.

17 MR. BROUSSEAU: Dennis and  
18 I, we represent how many? A quarter of a  
19 million teachers active and retired or  
20 150,000. You have the figures from the  
21 state.

22 MR. NAUGHTON: It's a lot.

23 MR. BROUSSEAU: It's a lot.

24 MR. NAUGHTON: It's

1 substantially more than anybody else  
2 does.

3 MS. GOLDBERG: And you  
4 overlap each other, and you're doing a  
5 great job.

6 So I'm just saying maybe we can  
7 figure out a way to settle this.

8 You don't look optimistic, Dennis.  
9 We can talk about it off-line.

10 MR. NAUGHTON: Exactly.

11 MS. GOLDBERG: Because I  
12 think that we've done an extraordinary job  
13 for a Board meeting in terms of timing.

14 Does anyone have any last  
15 remarks?

16 MR. BROUSSEAU: A motion to  
17 adjourn is in order.

18 MS. GOLDBERG: Motion to  
19 adjourn.

20 Yes, Peter?

21 MR. MONACO: If there was  
22 some belief or there developed some belief  
23 that this time could be different and that  
24 that legislation had a chance of passing,

1       thereby prospectively disrupting a Board  
2       unit that we all feel works well together,  
3       and more importantly, serves PRIM and its  
4       constituents well, could we find a  
5       compromise with them, Chris, by offering  
6       them an observer seat?

7                       MS. GOLDBERG: I don't think  
8       that would be -- knowing those folks as I  
9       do, I think an observer seat would be  
10      almost -- they would find that -- I'm not  
11      sure that would work.

12                      MR. BROUSSEAU: The  
13      composition of the Board is written by  
14      statute into the legislation.

15                      MS. GOLDBERG: So that's why  
16      they filed the bill.

17                      Who filed the bill again? Chris,  
18      please remind me.

19                      MR. SUPPLE: Senator Keenan.

20                      MS. GOLDBERG: And on the  
21      House side?

22                      MR. SUPPLE: As far as we  
23      know, there's not a companion House  
24      proposal. It's just a Senate proposal.

1 MR. BROUSSEAU: Who would do  
2 the -- would it be an appointment?

3 MR. SUPPLE: The language is  
4 a little funny. It says "nominated by  
5 MACRS." It seems pretty clear the effect  
6 of it would be to move it from the  
7 Governor to MACRS, the executive board of  
8 MACRS.

9 MR. BROUSSEAU: The  
10 executive board of MACRS would nominate a  
11 person to sit. So they would be the  
12 appointing authority, in a sense?

13 MR. SUPPLE: Yes.

14 MR. BROUSSEAU: I mean, the  
15 four of us are elected by our constituents  
16 and the others are chosen by either  
17 appointment of the Treasurer or  
18 appointment of the Governor. So we're  
19 adding another authority?

20 MS. GOLDBERG: Authority.

21 MR. SUPPLE: It would, yes.

22 MR. NAUGHTON: My impression  
23 is there aren't any co-sponsors on the  
24 Senate bill; is that right?

1 MR. SUPPLE: That's right.

2 MS. GOLDBERG: All right.

3 Well, we'll monitor it carefully.

4 I think we have a motion and a

5 second.

6 We were almost adjourned.

7 MR. BROUSSEAU: I made a

8 motion.

9 MR. NAUGHTON: Second.

10 MS. GOLDBERG: We can talk

11 about this more.

12 We have a motion and a second.

13 All those in favor?

14

15 (Unanimous vote of the Board.)

16

17 MS. GOLDBERG: Any opposed?

18 Hearing none, the motion carries.

19 Thank you, everyone.

20

21 (Meeting adjourned at 11:32 a.m.)

22

23

24

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 November 14, 2019.

Darlene M. Coppola  
Registered Merit Reporter  
Certified Realtime Reporter

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