

**In The Matter Of:**

*PRIM*

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*Minutes of the Board Meeting  
February 26, 2020*

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E P P L E Y  
COURT REPORTING

*Min-U-Script® with Word Index*

1                   COMMONWEALTH OF MASSACHUSETTS  
2                   PENSION RESERVES INVESTMENT MANAGEMENT BOARD

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Minutes of the Board Meeting  
Thursday, February 26, 2020  
Commencing at 9:32 a.m.

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

Minutes of the Board Meeting - February 26, 2020

ATTENDEES:

1 BOARD MEMBERS:

2 Treasurer Deborah B. Goldberg, Chair

3 Robert L. Brousseau

4 Ruth Ellen Fitch

5 Paul E. Shanley, Esquire

6 Peter Monaco

7 Dennis J. Naughton

8 Carly Rose

9 Michael Trotsky, Executive Director,

10 Chief Investment Officer

11 OTHER ATTENDEES:

12 Michael Trotsky, Executive Director

13 Sue Perez, Deputy Treasurer

14 James Quirk, Retirement Boards

15 Patrick Brock, Hampshire County

16 Retirement Board

17 Jonathan Osimo, Asst. Executive Director, MTRS

18 Millie Viqueira

19 Michael Baryski

20 Cosmo Macero, O'Neill & Associates

21 Anthony Falzone, PRIM

22 Darlene Coppola, Stenographer

23 Matthew Liposky

24 Thomas Carotsianno

## Minutes of the Board Meeting - February 26, 2020

3

1   **Also Present:**  
2   **Jackie Wells**  
3   **Phillip Nelson**  
4   **Pilar Sorensen**  
5   **William Keefe**  
6   **Minching Kao**  
7   **David Griswold**  
8   **Ellen Hennessy**  
9   **Emily Green**  
10  **Grace Gao**  
11  **Liu Liu**  
12  **Sara Coelho**  
13  **Jay Leu**  
14  **Bill Li**  
15  **Eleni Klempner**  
16  **Maria Garrahan**  
17  **Eric Nierenberg**  
18  **Sarah Zatoonian**  
19  **Michael McGirr**  
20  **Allysa Fiore**  
21  **Michael Bailey**  
22  **David Gurtz**  
23  **Chuck LaPosta**  
24  **Andre Abouhala**

Minutes of the Board Meeting - February 26, 2020

1 Also Present:

2 John LaCara

3 Christina Marcarelli

4 Tim Schlitzer

5 Francesco Daniele

6 George Tsipokis

7 Deborah Coulter

8 Marliese Lawson

9 Daniel Eckman

10 Maria Clements

11 Emily Kowtonik

12 Liz Zelnick

13 Chris Supple

14 Steffanny Rosario

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1 (Proceedings commencing at 9:32 a.m.)

2 MS. PEREZ: Good morning. I'm  
3 Sue Perez, Deputy Treasurer. The Treasurer  
4 will be here shortly.

5 I'll just get it started. We have a  
6 very full agenda, so we'll jump right on it.

7 So let me just read the opening.

8 The Massachusetts Open Meeting Law  
9 permits meetings to be recorded and states  
10 that the Chair shall inform attendees at the  
11 beginning of the meeting of any such  
12 recording.

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

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

20 (Brief pause.)

21 MS. PEREZ: Okay. Seeing no  
22 one.

23 Also, for the benefit of our  
24 stenographer and for all those who are

1 listening, please identify yourself by name  
2 when you are speaking, and please speak  
3 clearly and audibly.

4           The PRIM Board has adopted the  
5 provision of the Massachusetts Open Meeting  
6 Law that permits remote participation in  
7 meetings by a member if physical attendance  
8 would be unreasonably difficult, as is the  
9 case with Dennis Naughton, who accordingly  
10 will participate in today's meeting remotely  
11 by telephone.

12           And all votes in today's meeting will  
13 be taken by roll call.

14           We ask those participating by phone  
15 please mute their line when not speaking in  
16 order to eliminate any background noise that  
17 could potentially disrupt the meeting.

18           With that, I will jump right into the  
19 agenda.

20           The first item is the approval of the  
21 PRIM Board minutes of the November 14, 2019,  
22 meeting.

23           Do we have a motion?

24                   MR. BROUSSEAU: So moved.

1 MS. FITCH: Second.

2 UNIDENTIFIED SPEAKER: As it's a  
3 consent, this is all five of those all at  
4 once.

5 MS. PEREZ: Let the PRIM Board  
6 approve the following consent agenda items as  
7 described in the expanded agenda: approval of  
8 the PRIM Board minutes of the November 14,  
9 2019, meeting; approval of the issuance of a  
10 request for proposals for asset allocation  
11 and/or benchmarking advisory services;  
12 approval of an issuance of a request for  
13 proposals for public markets advisory  
14 services; approval of the issuance of a  
15 request for proposals for general real estate  
16 consulting services, Timberland consulting  
17 services, and/or project consulting services;  
18 and approval of the issuance of a request for  
19 proposals for global custody services; and  
20 further to authorize the executive director to  
21 take all actions necessary to effectuate this  
22 vote.

23 MR. BROUSSEAU: So moved.

24 MS. FITCH: I second.



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1 MS. PEREZ: Roll call.

2 MS. MC GOLDRICK: I have to  
3 state, for the minutes, I wasn't here.

4 MR. TROTSKY: It's a roll call.  
5 Just call one by one.

6 MS. PEREZ: Peter?

7 MR. MONACO: Approve.

8 MS. PEREZ: Jim?

9 MR. HEARTY: Yes.

10 MS. PEREZ: Ruth?

11 MS. FITCH: Yes.

12 MS. PEREZ: Bob?

13 MR. BROUSSEAU: Yes.

14 MS. PEREZ: Paul?

15 MR. SHANLEY: Yes.

16 MS. PEREZ: Dennis?

17 MR. NAUGHTON: Yes.

18 MS. PEREZ: Theresa?

19 MS. MC GOLDRICK: Yes, except  
20 for the minutes.

21 MS. PEREZ: All right. Any  
22 opposed?

23 No. So the motion carries.

24 The next item is going to be you.

1                   MR. TROTSKY: Yes. Thank you  
2 very much and welcome back everybody.

3                   We have a number of guests today that  
4 I would like to acknowledge.

5                   Dennis, I'm glad you made the time to  
6 be with us today, and I hope to see you soon.

7                   Also --

8                   MR. NAUGHTON: Thank you.

9                   MR. TROTSKY: -- I think Paul  
10 Todisco may be on the phone. Paul Todisco is  
11 our Senior Client Services Officer. And as  
12 you know, he's out recovering from a  
13 successful surgery. We expect him back within  
14 a few weeks.

15                  Paul, if you can hear me, we wish you  
16 well, and we miss you.

17                  MR. TODISCO: Thank you,  
18 Michael. I can hear you. Thank you so much.

19                  MR. TROTSKY: And I do want to  
20 acknowledge that the Treasurer gave some  
21 testimony regarding PRIM at the Ways and Means  
22 hearing, was it --

23                  TREASURER GOLDBERG: Yes.

24                  MR. TROTSKY: -- this week and

1 it was very favorable. I think she did a  
2 great job, and it put us in a good light.

3 Other guests here today, John  
4 Osimo is here from MTRS. He's the Assistant  
5 Executive Director.

6 Thank you for coming.

7 Chuck Kostro, Executive Director for  
8 Essex Regional is here.

9 Nick Favorito.

10 I saw you, Nick. Yes.

11 Nick is the Executive Director for the  
12 Mass. State Employees Retirement System.

13 Thank you for coming.

14 Bill Keefe, Assistant Deputy Director  
15 of PERAC is here.

16 Thank you for coming.

17 Patrick Brock, of course, from  
18 Hampshire County and on the Admin and Audit  
19 Committee as well as the Comp. Committee.

20 And also Michele Whitham is here with  
21 us.

22 Thank you for coming, Michele.

23 She's on the Admin and Audit Committee  
24 and also is the chair of the Compensation

1 Committee.

2 So thank you for coming.

3 And one special guest that I want to  
4 recognize, Michael Baryski.

5 Michael, where are you?

6 Michael is here from a brand-new  
7 client that we all know, the MBTA.

8 So thank you very much for coming. A  
9 brand-new client, we're really happy to have  
10 you on Board. I hope you find today's meeting  
11 useful.

12 So with that, I'll move on to my  
13 comments. And I thought -- before we begin  
14 today's agenda, I thought it would be  
15 appropriate to comment quickly on the recent  
16 market weakness that's on the news and on  
17 everyone's mind.

18 Last week the S&P 500 was down 1.2  
19 percent, last week.

20 And on Monday the sell-off continued  
21 with a decline of more than 3.3 percent, it's  
22 biggest point decline in more than two years.

23 That was continued yesterday. The  
24 sell-off continued again with another 3

1 percent drop.

2 Bonds rallied and the ten-year  
3 treasury sank to 1.3 percent. That's an  
4 all-time low on the ten-year treasury.

5 Two weeks ago, for those of you who  
6 were here at the Investment Committee meeting,  
7 we acknowledged the positive sentiments in the  
8 market at that time, as indices were reaching  
9 new all-time highs.

10 And we highlighted two investment  
11 manager headlines which predicted and I'll  
12 quote, "a synchronized global expansion," and  
13 another quote, "the end of the boom-bust cycle  
14 as we know it."

15 We talked about that, as you remember,  
16 and we highlighted those headlines with some  
17 healthy skepticism only two weeks ago.

18 We discussed whether some modestly  
19 improving pockets of economic data -- good  
20 morning, Treasurer.

21

22 (Treasurer Goldberg arrives.)

23

24

TREASURER GOLDBERG: Good

1 morning.

2

3 MR. TROTSKY: We discussed  
4 whether some modestly improving pockets of  
5 economic data would be the lasting point  
6 leading to a strong and sustained worldwide  
7 economic recovery.

8 More specifically, we noted a few  
9 points that I will repeat right now.

10 Number one, we said that while some  
11 economic indicators appeared to be  
12 bottoming -- this is two weeks ago -- it was  
13 up from very low levels, and there was not a lot  
14 of room for economies to absorb a large shock.

15 Two weeks ago we specifically  
16 mentioned the possibility of the coronavirus  
17 being such a shock.

18 Number two, we said that there was  
19 still a lot of positive spin being applied to  
20 economic data releases.

21 I've given some examples of that.

22 For example, in Q4, GDP growth, by some  
23 estimates, was overstated by one-time  
24 adjustment. The Q4 GDP growth was quite

1 strong.

2           Number three, we also highlighted that  
3 the manufacturing data still remained very  
4 weak across the Board.

5           As we sit here today, I'm amazed at  
6 how quickly market sentiments can change and  
7 how quickly the confidence of market  
8 participants can change, and I've been doing  
9 this for nearly 30 years now.

10           Today the fear is about a global  
11 synchronized slow-down, where two weeks ago it  
12 was the exact opposite.

13           I need to hold up what I showed you  
14 last week. It was an economic report that  
15 said "synchronized global expansion," two  
16 weeks ago.

17           The coronavirus has been spreading.  
18 Now there are approximately 80,000 cases  
19 reported. Obviously, in addition to the great  
20 human tragedy it's causing, the virus will at  
21 least have a temporary negative impact on  
22 global growth. But right now there is no way  
23 to determine when it will be contained, how  
24 much slow-down it will cause, and if economies

1 will be able to withstand the shock.

2 Two weeks ago we highlighted weak  
3 manufacturing trends that were largely being  
4 ignored or spun in a positive light. That  
5 also changed last week when the IHS Markit  
6 measure of manufacturing service sector  
7 activity fell to the lowest level in six  
8 years, confirming what we already knew two  
9 weeks ago, that manufacturing slowness  
10 continues.

11 So sentiments were sky-high going into  
12 the Investment Committee meeting, and markets  
13 were hitting record highs. Now sentiment is  
14 obviously very low, as you see in the past  
15 couple of days and extreme volatility has  
16 returned.

17 Today we'll be discussing our annual  
18 asset allocation work. And as you know, the  
19 work resulted in a recommendation that was  
20 approved unanimously in the Investment  
21 Committee to make no changes to our asset  
22 allocation policy. I think that should be  
23 reassuring to everybody.

24 I remind you that our asset allocation



1 is a strategic allocation that is built for  
2 the long term, and we do not believe in  
3 tactical, short-term asset allocation. We  
4 have observed that nobody is consistently good  
5 at it.

6 Moreover, we're very pleased that our  
7 carefully engineered PRIT Fund portfolio has  
8 been performing very well in both up and down  
9 markets.

10 I'll review our strong performance in  
11 the calendar year 2019 in a moment.

12 As you know, the PRIT Fund was up  
13 16 1/2 percent, more than 16 1/2 percent, in  
14 what was a very strong year for the markets.  
15 But when we take a look at the last five  
16 years, the PRIT Fund performed very well in  
17 calendar year 2017, which was another strong  
18 year. Calendar 2017, a 60/40 mix, was up 15.4  
19 percent. And that PRIT Fund fared better and  
20 was up 17.7 percent that year.

21 Similarly, in 2016 markets were up  
22 6 percent, and the PRIT Fund fared better. It  
23 was up 8 percent that year.

24 Those were the performance numbers in

1 the strongest last three years. Those were  
2 the three strongest years in the last five.

3 But perhaps more important -- and I  
4 want to stress this -- is the PRIT Fund has  
5 also been outperforming in down markets.

6 In 2015, calendar 2015, for example,  
7 markets were down more than 1 percent, but  
8 again the PRIT Fund fared better and was  
9 actually up 1.1 percent that year.

10 In calendar 2018, as you know, a very  
11 weak market, where 60/40 mix was down 5.5  
12 percent, again the PRIT Fund fared better and  
13 was down only 1.8 percent.

14 Strong performance in both up markets  
15 and down markets is not an easy feat, and it's  
16 exactly what we strive for here at PRIM.

17 It's a strong indication that our  
18 portfolio is balanced; it's risk controlled;  
19 and it performs strongly in all conditions.  
20 That is the take-away that I'd like to leave  
21 you with in these comments.

22 I hope you can take comfort in this  
23 highly uncertain time and this volatile time  
24 that the PRIT Fund is carefully constructed,

1 and we expect that it will be able to continue  
2 to perform well in both up markets and down  
3 markets. That is what we're trying to do  
4 here.

5 No changes to the asset allocation mix  
6 that you'll see today. You don't need to  
7 approve it, really, because there are no  
8 changes. But that means that we are still very  
9 confident in our current portfolio and in the  
10 direction we're heading.

11 So we have a busy agenda today, twelve  
12 voting items, including the consent agenda  
13 that we just did. So I will try to keep my  
14 comments more brief than I did during the  
15 committee meetings. A more detailed overview  
16 is contained in the expanded agenda.

17 As we do each year, we present our  
18 annual plans and our annual asset allocation  
19 recommendations, but first an organizational  
20 update, unless there are any questions on the  
21 opening remarks about the market.

22 I think Patrick Brock asked me on the  
23 way in whether we are doing anything in  
24 reaction real time to the market activity, and

1 the answer is no, except for monthly  
2 rebalancing, where we do monthly rebalancing,  
3 and we decided yesterday that since we're  
4 overweight long duration treasuries and long  
5 duration treasuries are up so much, we'll be  
6 sourcing some needed cash from that asset  
7 class, but that's just standard.

8 So on the organizational update, I'm  
9 delighted to announce two new hires at PRIM,  
10 who are both here today. One started on  
11 Monday and one started yesterday.

12 The first new employee, if you will,  
13 will be very familiar to you all. I'm pleased  
14 to announce that Alyssa Fiore, Alyssa --  
15 there's Alyssa, has rejoined.

16 TREASURER GOLDBERG: I was going  
17 to say, Where did you come from?

18 MR. TROTSKY: She's rejoined the  
19 PRIM private equity team, reporting to Michael  
20 Bailey as an Investment Officer.

21 Alyssa originally joined the team in  
22 2016 as an investment analyst and was promoted  
23 in 2018 to investment officer. She was here  
24 at PRIM for approximately three years before

1 leaving to join JP Morgan.

2 Alyssa has a bachelor's degree in  
3 finance and global perspectives from Bentley  
4 University and is a CFA charter holder.

5 We're delighted that you have decided  
6 to come back to us, and we look forward to  
7 your excellent work. Many of us are very  
8 familiar with you.

9 I also think it is an excellent  
10 indication that Mike Bailey, sitting next to  
11 her, and actually the entire team at PRIM,  
12 handled her resignation at the time with  
13 respect and understanding. And I don't think  
14 there are any burned bridges.

15 We're glad to have you back.

16 And by the way, Alyssa is the second  
17 person to leave and then come back to PRIM.

18 You may remember that our CFO Deb  
19 Coulter behind me at one time left to join  
20 Baupost, the investment group here in Boston.  
21 But thankfully, we got her back too.

22 And I believe -- there's laughter in  
23 the room, but I believe that these are things  
24 to celebrate. I think we're doing something

1 right when that happens.

2 So welcome back.

3 Next I'm happy to announce that Eleni  
4 Klempner has joined PRIM as a real asset  
5 Investment Officer, and she'll be reporting to  
6 Eric Nierenberg. She most recently worked at  
7 the real estate capital markets group of Wells  
8 Fargo Bank as a commercial real estate  
9 underwriter. Prior to that, she was employed  
10 by Sable Financial Group, Tremont Realty  
11 Capital, and DG Capital.

12 And you'll like this, Treasurer, she  
13 also spent two years as an elementary school  
14 teacher in the Brookline public schools.

15 Eleni graduated magna cum laude and  
16 phi beta kappa with a BA in economics from  
17 Hamilton College, where she was also captain of  
18 the track and field team. And she also holds  
19 an MA in elementary education from Boston  
20 University.

21 Please join me in welcoming these  
22 excellent two new editions, one new and one  
23 familiar. Welcome.

24

1           In December we announced two  
2 promotions. And, of course, that's an  
3 extremely satisfying thing to reward and  
4 recognize talented staff members. It's really  
5 one of the best parts of my job here at PRIM,  
6 and I'm happy to share the following staff  
7 promotions.

8           First, Sara Coelho.

9           Sara, are you here? Great.

10          Sara was promoted to Senior Corporate  
11 Accountant. She joined PRIM as a corporate  
12 accountant in 2018 and quickly became a  
13 valuable member of that team, where she has  
14 taken a leading role in streamlining the  
15 quarterly close and annual budget processes.  
16 Sara has taken on additional responsibilities  
17 after the retirement of Finance Manager Kathy  
18 Hodges and will soon be responsible for PRIM's  
19 benefits administration. Her role will  
20 continue to expand. Sara reports to Dan  
21 Eckman, who is behind me, who is our Director  
22 of Finance and Administration.

23          Then Maria Garrahan. Maria, who  
24 you'll hear from later today, was promoted to

1 Senior Investment Officer and director of  
2 research. She joined PRIM as an Investment  
3 Officer in 2018 and has designed a thorough  
4 asset allocation framework, helped implement  
5 PRIM's proprietary suite of analytics across  
6 the entire organization, developed a data  
7 infrastructure playbook, collaborated on  
8 projects such as senior housing research with  
9 the real estate team and the public markets  
10 team. She collaborated on microcap equities  
11 research, and she created the ESG primer,  
12 which was presented to the Board at the Board  
13 retreat, and she continues to work on our ESG  
14 efforts.

15 Maria and her team are responsible for  
16 coordinating investment research across all  
17 asset classes to help drive innovation at  
18 PRIM. She'll be responsible for the build-out  
19 of the PRIM research team, and she will  
20 continue to report to Eric Nierenberg, our  
21 Chief Strategy Officer, seated next to her.

22 The research team really is the third pillar  
23 of the strategies group, along with Risk,  
24 headed by Jay Leu, and PCS, Portfolio



1 Completion Strategies, headed by Bill Li,  
2 seated next to Jay.

3 Please join me in congratulating Sara  
4 and Maria for their promotions.

5 Two quick congratulations, one due to  
6 Sara Zatoonian, Sara on the Private Equity  
7 team for passing the CFA Level 1 exam.

8 In our Real Estate Committee, Lydia  
9 Chesnick, who is not here, was recognized last  
10 year as one of Connect CRE Women in Real  
11 Estate honorees. She is on our Real Estate  
12 Committee, and that's a great honor.

13 As you may already know, I was honored  
14 on December 3rd with the Institutional  
15 Investor Magazine's Lifetime Achievement Award  
16 at a ceremony at New York City. That was a  
17 great honor for me. And really, the entire  
18 PRIM staff and committee and Board members  
19 deserve much of the recognition. Your work  
20 enabled that recognition.

21 It was recently pointed out to me -- I  
22 think by Bob -- that with nearly ten years as  
23 Executive Director, I am now the longest  
24 serving ED in PRIM's history.

1           It's been a very rewarding experience,  
2 but as I said before and I'll say again today,  
3 I feel like we're just getting started.

4           Also, on a more personal note, in  
5 December I was named Governing Trustee on the  
6 Dana-Farber Cancer Institute's Board, and I  
7 would like to thank Treasurer Goldberg for her  
8 support and her endorsement as I went through  
9 Dana-Farber's screening and selection process  
10 last fall.

11           I'm extremely excited to give back to  
12 an institution that is one of the world's  
13 finest cancer centers, if not the very finest.  
14 And as you know, the Dana-Farber is near and  
15 dear to me and my family, and I can't be more  
16 thrilled to join that Board.

17           Any questions on anything  
18 organizational?

19           The hiring continues. We'll have more  
20 announcements, I think, quite soon.

21           Turning to markets and PRIT Fund  
22 performance.

23           Calendar 2019, which we reported in  
24 this committee cycle, was a very strong and

1 surprising year.

2 If you remember, at this time last  
3 year, we discussed challenging and volatile  
4 2018.

5 A 60/40 mix of stocks and bonds was  
6 down 5.6 percent for the year in 2018. In the  
7 fourth quarter of 2018, December in  
8 particular, was particularly dismal.

9 The PRIT Fund was down for the year in  
10 2018 but much less, down 1.8 percent, 2.3 net  
11 of fees for calendar 2018. Again, compared  
12 with a 60/40 mix, which was down 5.6 percent.

13 Last year at this meeting, we  
14 highlighted data that showed slowing global  
15 growth and lots to fear.

16 We discussed vulnerability in the  
17 global economy, including tariffs and trade  
18 tensions with our trading partners, and we  
19 discussed political gridlock and in-fighting  
20 in our own government.

21 Indeed, worldwide economies did slow  
22 dramatically last year. Some even contracted.  
23 Trade tensions, lower material prices, weak  
24 consumer demand, tight dollar liquidity, and

1 political in-fighting continues unabated. And  
2 despite our recognition of the ominous  
3 forecast, just about everything we warned  
4 about at this time last year coming true,  
5 despite all that, calendar 2019 was the second  
6 strongest year in our ten-year history at  
7 PRIM.

8 The S&P up more than 31 percent last  
9 year. Developed international markets up 22  
10 percent. And emerging markets up 23 percent.

11 The PRIT Fund was up 16.6 percent in  
12 calendar year 2019. That's 16.1 percent net.  
13 Our second best performance in more than ten  
14 years.

15 What's even more surprising, last year  
16 bonds were also very strong. And it is unusual  
17 for both bond markets and equity markets to  
18 rise simultaneously. Usually, falling yields  
19 in the bond market indicate that investors are  
20 fearful about the future.

21 Diversified bonds last year were up  
22 9 percent, and long bonds were up 21 percent  
23 last year as yields fell.

24 Today the ten-year treasury is

1 yielding around 1.3 percent, more than a full  
2 percentage point lower than at this time last  
3 year, when it was around 2.6 percent. That's  
4 hardly a beacon of hope about future  
5 prospects.

6           So we're very grateful for such a  
7 strong and unexpected calendar 2019. The PRIT  
8 Fund performed so strongly even though we  
9 didn't really anticipate such strong markets  
10 going into the year.

11           The performance of 16.6 percent  
12 growth, 16.1 percent net, last year means that  
13 we added 11.1 billion to the pension fund,  
14 which now stands at 79 billion dollars.

15           And our performance over the last one,  
16 three, five, and ten years is comfortably  
17 above our required rate of return, the  
18 actuarial return of 7.25 percent. The  
19 ten-year return, for example, net of fees is  
20 8.6 percent.

21           And all of this, all of this strong  
22 performance over the last ten years was  
23 accomplished while we have been strategically  
24 and gradually lowering our global equities

1 exposure during this ten-year market rally.

2 It's really reassuring that our  
3 portfolio is performing so strongly  
4 considering that we've moved equities from  
5 more than 50 percent down to below 40 percent.

6 And perhaps even more important is  
7 that last year's very welcomed, if unexpected,  
8 strong performance and perhaps the most recent  
9 sell-off that we've seen in the last couple of  
10 weeks really underscores the importance and  
11 validity of PRIM's core investment beliefs,  
12 which I think I should repeat.

13 Number one, our core investment belief  
14 is that nobody can predict the future, so we  
15 don't try.

16 Nobody can predict the stock market,  
17 so we don't try.

18 And as a result, after those,  
19 remember, we don't make any tactical asset  
20 allocation decisions or any investment  
21 decisions based on market or economic  
22 predictions. We just haven't seen any  
23 evidence that investors are consistently good  
24 at it.

1           Instead we engineer a strategic,  
2 long-term asset allocation policy that we hope  
3 will stand the test of time over a long time  
4 horizon and over varied market conditions.

5           Number four, we believe that any  
6 investment must be evaluated on three equally  
7 important parameters: return, risk, and cost.

8           We're maniacally focused on that here  
9 at PRIM. Every investment we make, we are  
10 focused on those things, and we believe that  
11 it is incomplete to evaluate any investment  
12 idea on anything less than all three.

13           And number five, we value a basis  
14 point of cost reduction more than we value a  
15 basis point of return. And why is that? It's  
16 because you can count on the savings every  
17 year, year in, year out. They compound. But  
18 nobody ever really knows what the market will  
19 deliver.

20           We mentioned two weeks ago at the  
21 Investment Committee that we'll be watching  
22 closely for more confirming data to support  
23 the very strong markets of 2019 and, in fact,  
24 the early part of 2020.

1           Obviously, in the last two weeks we've  
2 not seen such confirming data and maybe to the  
3 contrary. Yet we continue to believe that the  
4 PRIT Fund is appropriately positioned for the  
5 uncertainties that lie ahead.

6           I'll turn quickly to the markets in  
7 PRIT Fund performance, but let me put things  
8 in perspective.

9           Number one, since the world financial  
10 crisis, the S&P 500 is up more than 450  
11 percent cumulatively in the last ten years.  
12 It's been a huge run. So the numbers I'm  
13 about to tell you and the shock that we're all  
14 feeling from the last two weeks, and the last  
15 two days in particular, are really just a  
16 blip.

17           For example, in February -- February's  
18 been tough, but the S&P is down only by 2.9  
19 percent. And for the year, the S&P is only  
20 down 2.9 percent.

21           And if you look at a 60/40 mix of  
22 stocks and bonds, you know bonds have been  
23 strong. For the year the 60/40 mix is down  
24 only 1 percent.



1           So in the grand scheme of things, it's  
2 just a blip.

3           Please turn to Appendix B, page 3,  
4 I'll start on, and I'll review the PRIT Fund  
5 performance quickly.

6           Page 3 is a graph of the one quarter  
7 ending December 31st. And you can see on the  
8 left emerging markets, developing  
9 international, and US equities were all  
10 strong. Long-duration treasuries were weaker  
11 as yields rose. But I will say that that's  
12 reversed, as long-duration treasuries are now  
13 up 16 percent for the year; whereas, just at  
14 the end of last year, they were trailing. So  
15 things are very volatile.

16           The PRIT Fund is up 4.6 percent.  
17 That's slightly underperformed, the 60/40 mix.  
18 And that's due to the fact that PE -- and it's  
19 a very rare occurrence that private equity  
20 slightly underperformed public equities, and  
21 that's why.

22           PRIM had -- if you look on the right,  
23 you can see that Timberland was down 2.2  
24 percent. I'll just say a word about that.

1           We did talk about that in more detail  
2           at the Real Estate Committee, but PRIM had an  
3           appraisal write-down on the Pacific Northwest  
4           Timberland parcels on lower price  
5           expectations. And those lower price  
6           expectations were primarily a result of  
7           tariffs and lowered Chinese orders, and that  
8           gets reflected out over a long period of time.

9           The next page, you can see the  
10          one-year end of December 31st. For the year,  
11          you can see that it was a great year for  
12          equities, US equities leading the way.  
13          Long-duration treasuries also very strong as  
14          yields fell. Very unusual. Everything was up  
15          across the Board.

16          The PRIT Fund was up 16.6 percent,  
17          trailing the 60/40 mix mainly because of PE,  
18          private equity, lagging public markets. A  
19          very unusual year.

20          Next page, you can see a longer time  
21          horizon. You can see one-, three-, five-, and  
22          ten-year history.

23          First, for the year, 16.6 percent  
24          gross gain equates to a 16.1 percent net gain,

1 essentially, in line with the benchmark.

2 Assets stood at 79.1 billion.

3 I mentioned that that's an investment  
4 gain of \$11.1 billion. I've also mentioned to  
5 various constituents, that 11.1 billion is  
6 nearly a quarter of the entire state budget.  
7 That's a big additive thing for this state.

8 Number three, net outflows to pay  
9 benefits were 1.3 billion for the year. We do  
10 pay pension benefits out of this pool of  
11 assets. \$1.3 billion is about the average  
12 amount we pay on a yearly basis.

13 You can see that three-, five-, and  
14 ten-year numbers very strong and above  
15 benchmark, and, most important, above the  
16 actuarial rate of return or required rate of  
17 return, even the ten-year number at 9 percent.

18 And I'll end on page 6 because you'll  
19 be hearing more from each asset class about  
20 their performance. But you can see global  
21 equities led the way, followed by private  
22 equity and core fixed income. Very unusual  
23 for core fixed income and equities to be up so  
24 strong in the same year. And, again,

1 everything positive.

2 It was a great year. I'm very  
3 thankful for it. And, again, each asset class  
4 will go into a little more detail.

5 Those are my comments. I'll take any  
6 questions.

7 We do have a busy agenda. But rest  
8 assured, we have a lot of confidence in this  
9 portfolio being positioned appropriately for  
10 what lies ahead.

11 MR. BROUSSEAU: Michael,  
12 Timberland and probably Tim can answer that.

13 Our holdings in Australia, are they --  
14 are they still subject to these tariffs? I  
15 don't know if they started harvesting this  
16 wood yet. Probably not. I don't know.

17 If it goes from Australia to China,  
18 which has been a large importer, especially of  
19 American -- of hard woods, do these tariffs  
20 kick in even though they're coming from a  
21 foreign country?

22 And, also, I guess we were pretty much  
23 spared the wildfires down there.

24 MR. SCHLITZER: So the first

1 question, I think, our view, maybe up until  
2 recently, is that Australia and New Zealand  
3 has probably benefited, frankly, from the  
4 tariffs on Pacific Northwest timber. That's  
5 just a different source of supply to that  
6 market.

7 But, obviously, there are other things  
8 going on, the coronavirus being the most  
9 recent, which has impacted the entire market.

10 Related to the wildfires, yes, I would  
11 say that we were spared more or less. There's  
12 still another month left in fire season -- the  
13 fire season over there. So we're certainly  
14 not out of the woods. But the existing fires  
15 that were publicized, I think we're sort of at  
16 the back end of those and thinking more about  
17 salvage and replanting at this point.

18 MR. BROUSSEAU: So the wood  
19 going, let's say, to China from Australia,  
20 would be subject to the tariffs?

21 MR. SCHLITZER: No. It would  
22 not, no.

23 MR. BROUSSEAU: So that's the  
24 good point about having these foreign

1 holdings, when you look at Pacific Northwest  
2 as being subjected to the tariffs.

3 MR. SCHLITZER: Right. It's a  
4 diversification benefit, I guess.

5 MR. TROTSKY: Apparently, we're  
6 having an audio problem.

7 Dave Griswold will be redialing. So  
8 let's just give him a second to do that.

9

10 (Brief pause.)

11

12 MR. TROTSKY: I'm sorry that we  
13 dropped you off. I hope you can hear us now.

14

15 (Brief pause.)

16

17 MR. TROTSKY: I guess we should  
18 still do roll call, just in case he joins us  
19 again.

20 MR. NAUGHTON: I can hear you  
21 now.

22 Thank you.

23 TREASURER GOLDBERG: So we  
24 are -- you're done?

1                   MR. TROTSKY: No, I need to say  
2 a couple of words on annual plans.

3                   As you know, one of the duties in the  
4 charter is that I approve divisional business  
5 plans, as appropriate.

6                   And as we do each year, each senior  
7 staff member and each asset class head  
8 prepares an annual plan for 2020.

9                   We are presenting a summary of those  
10 plans in Appendix D and also on page 10  
11 through 12 of your expanded agenda.

12                   I would invite you all to review  
13 Appendix B in the coming days and contact me  
14 with your feedback and comments so that the  
15 plans may be revised as appropriate. Once  
16 your comments have been collected and  
17 incorporated into the plans, they will be  
18 finalized.

19                   We have similarly requested feedback  
20 from all current committee members.

21                   Essentially, the plans are very  
22 consistent with last year's plans. I don't  
23 think you will find anything off the beaten  
24 path.

1                   TREASURER GOLDBERG: Any  
2 questions or comments on that?

3                   Okay. So beginning with Eric and his  
4 team. Maria Garrahan and Eric Nierenberg.

5                   MR. Nierenberg: Good morning,  
6 everyone.

7                   As can be seen from the size of the  
8 agenda, this has been a very busy period, so  
9 I'll keep my comments very brief.

10                  But I'm proud of the team we've built.  
11 You'll be hearing today first from Maria and  
12 then Jay and then Bill. It will be a little  
13 bit of musical chairs going on.

14                  We also had an update at the  
15 Investment Committee that Matt Liposky had  
16 prepared about Project Save. We're not going  
17 to go through that today. But if you have  
18 questions about that, we're happy to answer  
19 those as well.

20                  And we're, of course, pleased to have  
21 Eleni joining our team.

22                  We continue to expand and work on a  
23 lot of interesting projects.

24                  What you'll be hearing about today,



1 from strategy at least, covers asset  
2 allocation, which Maria will take you through;  
3 benchmarking recommendations, which is Jay  
4 Leu; and then an innovative co-investment  
5 program, along with proposals to invest in  
6 several new managers for hedge funds in real  
7 assets, which Bill Li will be talking about.

8           The team collaborates closely, and  
9 you'll see firsthand evidence in the  
10 presentations as we're referring to work that  
11 other pillars of strategy are working on.

12           With that, unless there's any  
13 questions on high-level strategy, Bill will  
14 take you through the performance of PCS in a  
15 little bit, but unless there's any questions  
16 or comments about the overall strategy group,  
17 I'll turn it over to Maria to take you through  
18 asset allocation.

19           MS. GARRAHAN: I'm here today to  
20 present the asset allocation primer.

21           We discussed this new methodology last  
22 year.

23           It redefines our objective function to  
24 tailor the approach to look at the probability

1 of achieving our dual objective.

2 What Michael alluded to earlier is  
3 this year's results in his presentation of  
4 allocation 2020 are that we will not be  
5 recommending any changes to the asset class  
6 ranges.

7 Just a reminder, our process is  
8 strategic in nature, which means we don't do  
9 tactical asset allocation here at PRIM.

10 The reason for this is our long-term  
11 mindset and our portfolio composition for  
12 years, given the mix of illiquid assets,  
13 doesn't necessarily make sense to do tactical  
14 asset allocation.

15 For years PRIM has been managing our  
16 asset allocation within the recommended  
17 ranges.

18 Please turn to Appendix E, page 2.

19 As you can see here, this is PRIM's  
20 current approved asset allocation ranges.

21 The middle column -- here is denoted  
22 as actual weight, which means the actual  
23 exposure as of the middle of January.

24 For example, equity is 10.9 percent,

1 which was an actual exposure that we had for  
2 private equity in the middle of January.

3 Our research findings continue to show  
4 that private equity and real estate are still  
5 attractive asset classes.

6 The great news about this is that  
7 there's plenty of head room within those asset  
8 classes.

9 As I mentioned earlier, 10.9 percent  
10 for the actual exposure in private equity, but  
11 the range is 10 percent to 16 percent.

12 Last year we did a deep dive with the  
13 Real Estate team where we looked into public  
14 versus private real estate and how that could  
15 be beneficial to the portfolio.

16 We did the same, similar collaborative  
17 exercise this year with the Director of  
18 Portfolio Completion Strategies, Bill Li, to  
19 further refine hedge funds. He is going to be  
20 discussing this in more detail during his  
21 presentation later today.

22 So on page 3, this is just a reminder  
23 of this dual objective that we created and  
24 discussed last year.

1           And so the key of what makes us so  
2 special at PRIM is that we have this two-sided  
3 approach.

4           We have this return objective that is  
5 the probability of achieving a 7.25 percent  
6 annualized return across the next ten years.  
7 And then the other side of this objective is  
8 this measure of downside protection, which  
9 we've defined as achieving no drawdown greater  
10 than 20 percent within the next three years.

11           Our whole asset allocation approach  
12 looks at the nutrients within our portfolio,  
13 as we discussed last year, and it models that  
14 behavior of the nutrients and ties that back  
15 to this probability of the dual objective  
16 here.

17           So with that, we can move to page 9,  
18 the asset allocation recommendation, which is  
19 the same recommendation as last year.

20           I believe we may be taking a vote just  
21 to reaffirm this.

22           And, yes, that's it.

23           So I'll open it up for any questions.  
24 It's very short and sweet this year.

1                   TREASURER GOLDBERG: So why  
2 don't I seek a motion and a second, and then  
3 we can open it up for any questions.

4                   MR. BROUSSEAU: So moved.

5                   MS. FITCH: Second.

6                   TREASURER GOLDBERG: I would  
7 seek a motion that the PRIM Board approve the  
8 Investment Committee's recommendation to adopt  
9 the 2020 asset allocation as described in  
10 Appendices E and F of the expanded agenda and  
11 further authorize the Executive Director to  
12 take all action necessary to effectuate this  
13 vote.

14                   This is -- is there a motion?

15                   MR. BROUSSEAU: So moved.

16                   MS. FITCH: Second.

17                   TREASURER GOLDBERG: This is a  
18 roll call vote.

19                   Bob?

20                   MR. BROUSSEAU: Yes.

21                   TREASURER GOLDBERG: Paul?

22                   MR. SHANLEY: Yes.

23                   TREASURER GOLDBERG: Teresa?

24                   Only Board members of the PRIM Board

1 can vote on this. I'm sorry, Michelle.

2 Teresa?

3 MS. MC GOLDRICK: Yes.

4 TREASURER GOLDBERG: Peter?

5 MR. MONACO: Approve.

6 TREASURER GOLDBERG: Jim?

7 MR. HEARTY: Yes.

8 TREASURER GOLDBERG: Ellen?

9 MS. FITCH: Yes.

10 TREASURER GOLDBERG: Me, yes.

11 Dennis?

12 MR. NAUGHTON: Yes.

13 TREASURER GOLDBERG: Thank you.

14 The motion carries.

15 Any -- oh, we didn't have discussion.

16 Any questions?

17 Sorry about that.

18 Are there any questions that we didn't

19 have?

20 I think it's pretty straightforward.

21 It was so straightforward that I forgot to ask

22 for questions. All right then.

23 Thank you, Maria. You were so

24 perfect, I felt like there was nothing to

1 question.

2 Jay, benchmarking.

3 MR. LEU: Benchmarking

4 discussion in Appendix G.

5 Many of you were at the  
6 Investment Committee meeting for the benchmark  
7 discussion where the committee voted to move  
8 the asset class weighting scheme of the total  
9 PRIT Fund benchmark from the current fixed  
10 asset weight scheme to a floating asset weight  
11 or an actual weight scheme.

12 I'm going to provide a summary of the  
13 key factors of that discussion, but I'm only  
14 going to go through three of the eleven  
15 slides.

16 So I guess, first go to Slide 3.

17 I'll frame it. Currently, we have a  
18 fixed weight asset class weighting scheme for  
19 the total PRIT Fund benchmark.

20 So, for example, if our target range  
21 for global equity is 34 to 44 percent, the  
22 current benchmark uses the fixed midpoint of  
23 39 percent as the asset weight and applies  
24 that asset weight to the equity asset class

1 index.

2 A floating weight index would use the  
3 actual portfolio weight each month. So if the  
4 portfolio weight in global equity was 41  
5 percent, that weight would be applied to the  
6 asset class index.

7 So a fixed weight benchmark uses the  
8 midpoint of the range.

9 The floating weight would use actual  
10 portfolio weights.

11 In comparing the fixed and floating  
12 weights, I looked at what was most appropriate  
13 for PRIM's specific circumstances, and I  
14 focused on three main lenses: the illiquid  
15 asset class challenges, the asset allocation  
16 approach at PRIM, and trading turnover and  
17 transaction costs.

18 So on Slide 3, first thinking about  
19 illiquid asset classes such as private equity  
20 and real estate, some of the challenges. So  
21 managing to a fixed weight may incentivize  
22 suboptimal manager selection.

23 So what does that mean? If private  
24 equity is at 12 percent versus a 13 percent



1 midpoint of the range, Michael Bailey and his  
2 team might be incentivized to pick an average  
3 or even below-average manager to top off to  
4 that 13 percent weight. So it incentivizes  
5 suboptimal manager selection, managing to a  
6 fixed weight.

7           Furthermore, and more importantly,  
8 managing to a fixed weight in illiquid asset  
9 classes is infeasible, not just suboptimal.  
10 You cannot put money in and take money out at  
11 a moment's notice. You can't invest in a  
12 private equity deal or buy a building at a  
13 moment's notice. There is no passive  
14 alternative. There is no private equity  
15 derivative.

16           So managing to a fixed weight with  
17 illiquid asset classes is suboptimal and  
18 infeasible.

19           The second lens: The asset allocation  
20 approach at PRIM. PRIM's asset allocation  
21 approach, as Michael and Maria have said, is  
22 strategic, not tactical, not looking to  
23 predict short-term moves.

24           The corollary of this is Michael

1 Trotsky charges the PRIM staff to focus on  
2 manager selection, that is, picking the best  
3 managers. Not trying to pick short-term asset  
4 class moves.

5           Second, and more important for the  
6 benchmark discussion, the Board and we use  
7 target ranges. We don't use a target point.  
8 We're focused on a range to give flexibility  
9 and address the issues of illiquid asset  
10 classes.

11           And furthermore, any actual weighting  
12 within the range is acceptable. If the range  
13 is 34 to 44 and we're at 42 percent, we're not  
14 overweight equity. We are not 3 percent  
15 overweight. We are at the upper end of the  
16 range. That is acceptable.

17           Any weight within the range has  
18 similar risk and return characteristics for  
19 our long-term objective.

20           So the fixed weight benchmark, given  
21 our asset allocation approach that we use,  
22 causes a misalignment between a range on the  
23 one hand and a benchmark with a fixed midpoint  
24 on the other hand.

1           And then the third lens is trading  
2 turnover, managing to a mid-point. Even if we  
3 didn't have illiquid asset classes, if it was  
4 just public equity and fixed income, that will  
5 generate higher trading and turnover to react  
6 to market moves, and that will lead to greater  
7 transaction costs.

8           I estimated that there would be in a  
9 study separately 6 1/2 percent more turnover,  
10 adding 2 basis points cost per year at the  
11 PRIT Fund level going back and forth managing  
12 those market moves.

13           So that's the illiquid class  
14 challenges, asset allocation approach, and  
15 then the trading turnover.

16           The next thing I wanted to talk about  
17 is just, skipping to Slide 9 in the book, is  
18 to talk about noise. And I'll just talk about  
19 this briefly.

20           So currently, we have a fixed weight  
21 benchmark.

22           The portfolio weights will deviate  
23 from the midpoint, as we discussed, either by  
24 the challenges of illiquid asset classes or by

1 relative market moves.

2 When the portfolios deviate from that  
3 midpoint, that creates noise. And Michael  
4 Trotsky has referred to that noise as the  
5 actual versus benchmark deviation effect.

6 So on Slide 9 here, you can see the  
7 performance of the PRIT Fund relative to the  
8 benchmark split into two pieces: the actual  
9 versus benchmark deviation effect, or call it  
10 noise, and then manager selection effect,  
11 picking good managers.

12 So looking at the first column, you  
13 can see the noise. Some years, it's helped.  
14 Some years, it's hurt. It cost 51 basis  
15 points in fiscal year 2019.

16 And over the entire seven-year period,  
17 there's been a slight net benefit of 4 basis  
18 points annualized.

19 The volatility of that or standard  
20 deviation of that noise is 31 basis points.

21 So you have something that is noisy,  
22 netting to close to zero, slight positive over  
23 that entire seven-year period.

24 And then in the second column, as an

1     aside, you see the manager selection over the  
2     seven-year period of 78 basis points. And  
3     this is really a proof statement of what  
4     Michael Trotsky espouses. You don't seek to  
5     predict markets. Focus on picking good  
6     managers, and that's what PRIM's done, adding  
7     78 basis points for manager selection.

8             So now if we move to Slide 11, with  
9     the recommendation. The recommendation is to  
10    change the benchmark weight from the midpoint  
11    of the range that we currently have to the  
12    actual asset class weight, portfolio weight in  
13    the total PRIT Fund benchmark.

14            And you can see the implications and  
15    benefits. It addresses the challenges of  
16    illiquid investing: reducing turnover and  
17    transaction costs, consistent with PRIM's  
18    asset allocation approach; and focus on  
19    ranges, not fixed points. It focuses PRIM's  
20    staff on manager selection.

21            And the performance won't be hurt or  
22    helped by the drift within the ranges. It  
23    will take the noise out.

24            And PRIM will continue to manage

1 within those bands. It won't change our  
2 management within the bands.

3 So with that...

4 TREASURER GOLDBERG: This time  
5 I'm going to be much better behaved.

6 I'm going to seek a motion. I'm going  
7 to seek a second. Then I am going to open it  
8 up for questions.

9 So I would seek a motion that the PRIM  
10 Board approve the Investment Committee  
11 recommendation to approve the PRIT Fund  
12 benchmark recommendation as described in  
13 Appendices G and H on the expanded agenda, and  
14 further to authorize the Executive Director to  
15 take all actions necessary to effectuate the  
16 vote.

17 Is there a motion?

18 MR. SHANLEY: So moved.

19 MR. BROUSSEAU: Second.

20 TREASURER GOLDBERG: Now  
21 questions or comments on this?

22 MR. BROUSSEAU: Just a comment  
23 to Michael.

24 Is this -- we're doing this to correct

1 the problem that we had last year. Remember  
2 when the asset and benchmarks were out of  
3 sync? You reported on it in your annual  
4 self-evaluation.

5 MR. TROTSKY: It would help --  
6 it would help take the noise out, yes.

7 Sometimes it helps. Sometimes it  
8 hurts.

9 Over the long term, it's helped very  
10 modestly. Last year it did hurt. It's just  
11 noise.

12 MR. LEU: It removes the noise.  
13 The net has been very small.

14 TREASURER GOLDBERG: Any other  
15 questions?

16 Okay. We have a motion. We have a  
17 second.

18 MR. BROUSSEAU: Yes.

19 TREASURER GOLDBERG: Paul?

20 MR. SHANLEY: Yes.

21 TREASURER GOLDBERG: Teresa?

22 MS. MC GOLDRICK: Yes.

23 TREASURER GOLDBERG: Peter?

24 MR. MONACO: Yes.

1                   TREASURER GOLDBERG:   Jim?

2                   MR. HEARTY:    Yes.

3                   TREASURER GOLDBERG:   Ellen?

4                   MS. FITCH:     Yes.

5                   TREASURER GOLDBERG:   Dennis?

6                   MR. NAUGHTON:   Yes.

7                   TREASURER GOLDBERG:   And myself,  
8    yes.

9                   Thank you.   That's unanimous, so it  
10    passes.

11                  Bill Li.

12                  MR. LI:    Good morning,  
13    everybody.   My name is Bill Li.   For the  
14    stenographer, my last name is L-i.

15                  So a very quick update on performance  
16    first.

17                  For the entire PCS portfolio, it was a  
18    steady quarter in Q4.   The performance was 1.4  
19    percent.   That was outperformance of 9 basis  
20    points.

21                  For the direct hedge funds, which is  
22    roughly 80 percent of PCS portfolio, the  
23    return number was 1.6 percent.   That was  
24    outperformance of 44 basis points.



1           And I would like to highlight that, on  
2 a risk-adjusted basis, the direct hedge fund  
3 portfolio continues to outperform both US  
4 equities and bonds with a negligible market  
5 exposure. And we're pretty content with such  
6 a performance profile, especially on the  
7 risk-adjusted basis.

8           Moving on to hedge fund composition.  
9 As Maria Garrahan mentioned, that up until  
10 now, the team's work has been focused on  
11 sourcing stable-value type of hedge funds.  
12 They are low-beta and low-risk profile in  
13 nature, acting as a risk buffer for the entire  
14 PRIT portfolio.

15           However, there's another camp of hedge  
16 funds. Those are moderate in beta, high  
17 alpha, and a slightly more elevated volatility  
18 profile.

19           The team has intentionally limited  
20 exposure to that subuniverse so far.

21           And in this year's asset allocation  
22 exercise, Maria's team tested both  
23 subuniverses of hedge funds, just as they have  
24 tested the subcategories of real estate last

1 year.

2           The conclusion is that, in spite of  
3 directional hedge funds elevated volatility,  
4 the high alpha potentially is additive to the  
5 overall PRIT Fund.

6           So with that in mind, going forward  
7 starting this year, we will also pay attention  
8 to the directional type of funds. It's worth  
9 noting that this doesn't mean that we're going  
10 to have more allocation to the hedge fund  
11 bucket, just that we are trying to be more  
12 mindful, and we think it's better going  
13 forward to communicate how stable value hedge  
14 funds perform versus other directional,  
15 beta-sensitive subuniverse.

16           Moving on if we don't have questions  
17 on hedge fund here.

18           MR. TROTSKY: Just a comment, I  
19 think Paul Todisco, Francisco, and I have been  
20 talking about availability of the those hedge  
21 funds to clients. And I know, for example,  
22 the MBTA is buying hedge funds from us.

23           Those will be, as far as we can tell,  
24 a part of the available investments for you.

1 They'll be rolled into your hedge fund  
2 investments, which I think will be a very  
3 positive thing.

4 MR. LI: Thank you for  
5 mentioning that, Michael.

6 Moving on to update on the enhanced  
7 equity program.

8 Q4 was another exuberant period for  
9 S&P 500. For the quarter, the put spread  
10 collar strategy's 6 percent return was a good  
11 number by itself. However, it underperformed  
12 the benchmark by 120 bips.

13 We would like to point out that the  
14 relative number didn't pick out the program's  
15 risk benefit. For instance, an uncertain  
16 environment like January or year-to-date, the  
17 enhanced equity program had seen significant  
18 outperformance versus the S&P, as well as the  
19 benchmark. That's the risk benefit we have  
20 underwritten to, and we are pretty satisfied  
21 with.

22 With that, we're happy to take any  
23 questions.

24 TREASURER GOLDBERG: Any

1 questions on the performance?

2 Do you want to move on to the program?

3 MR. LI: Yes, please.

4 MR. TROTSKY: Well, I just want  
5 to -- I think I've seen the recent performance  
6 of the put spread collar through this  
7 volatility, and it's performed quite well.

8 MR. LI: Yes. We can give you  
9 the flavor of the performance. It's not  
10 finalized. It's an estimate.

11 So in January that number was  
12 finalized. The program delivered 90-plus  
13 basis points positive return versus S&P's  
14 return was slightly negative.

15 And year-to-date as of end of day  
16 Monday -- remember, Monday was negative 3. So  
17 as of Monday, year-to-date outperformance was  
18 145 basis points.

19 MR. TROTSKY: A percent and a  
20 half. So it's designed for these kind of  
21 times.

22 MR. LI: Yes. It's just an  
23 estimate.

24 And we'll take the numbers back to

1 you.

2 MR. TROTSKY: Right.

3 TREASURER GOLDBERG: Okay. The  
4 co-investment program recommendation. Why  
5 don't you present, then we'll do a motion, and  
6 then any questions after that.

7 MR. LI: Thank you.

8 For the co-invest recommendation, I'm  
9 joined by my colleague Chuck LaPosta who is  
10 the Senior Investment Officer of fixed income  
11 in our Public Market team.

12 Co-investment conceptually offers  
13 significantly lower fees and potentially  
14 higher returns.

15 Back in 2014 PRIM's private equity  
16 team structured co-invest guidelines for you  
17 to vote on. And following the vote, the team  
18 has begun to implement a smooth process, and  
19 so far we have realized a pretty good return  
20 on that part of the portfolio.

21 So today's recommendation is really a  
22 natural extension of the PE co-invest program.

23 I'd like to point out that the manager  
24 relationships are already in place.

1           As you know, since years ago, PRIM  
2 portfolio completion strategies, as well as  
3 OCO, other credit opportunities have  
4 structured more than 16 major partnerships  
5 with hedge funds and public shops.

6           We have quantified the ideas managers  
7 have brought to us and upsized in the PRIM  
8 account. And we found that the performance of  
9 the proposed upsized ideas has been noticeably  
10 higher.

11           Going forward, we're hoping that with  
12 the lower cost structure, we can further  
13 augment the benefit of upsizing best ideas for  
14 PRIM's accounts.

15           If you could turn to the page --  
16 Appendix I, page 5 of Appendix I.

17           This table lists out the major  
18 separate account partnerships we have already  
19 in place. But the co-invest framework will  
20 not apply to all of them, instead managers of  
21 deep fundamental flavor -- that will be  
22 relevant in today's program -- versus for the  
23 managers in the bottom of the table, which are  
24 mostly macro or systematic traders. They will

1 be excluded from this program.

2 Chuck will take you through the  
3 guidelines and metrics in detail.

4 But firstly, we'd like to highlight in  
5 the next slide, Slide 6, that the aligned  
6 interests will underpin this exercise.

7 If you map out the motives between  
8 managers and the investors like us, both  
9 parties would want better performance and a  
10 deepened relationship. And those two are the  
11 areas we think our interests are best aligned.

12 And I turn it to Chuck to walk you  
13 through the metrics.

14 MR. LA POSTA: I'll go through  
15 the process a little bit, which is spelled out  
16 on pages 8 and 9, but at a high level.

17 Identify the managers with whom  
18 we like to do business. We have eleven  
19 partners in place that we're currently  
20 recommending.

21 We will analyze and thoroughly vet the  
22 investment, whether it's a fit with our  
23 portfolio and a fit within the manager's  
24 strengths.

1           We will allow up to a 30 percent  
2 additional allocation of capital, based on  
3 currently deployed capital, to be invested  
4 within the co-investment process.

5           As I said, PRIM's staff will conduct  
6 due diligence on the proposed investment.  
7 We'll include operational risk, legal,  
8 compliance, and support from our consultants.

9           We will explore the manager motivation  
10 and the fit within their strength to make sure  
11 it's a good fit within the portfolio. And, of  
12 course, the tenet of this co-investment is  
13 that fees should be less than the primary  
14 account investments.

15           And, also, as with everything we're  
16 doing, all of our investments will be housed  
17 within a separately managed account structure  
18 that will give PRIM protection and control  
19 similar to our primary investments.

20           Once the motive structure and deal  
21 terms have been vetted, PRIM staff and  
22 consultants will provide investment memos to  
23 the CIO for approval. That approval will be  
24 communicated to the Board and Investment



1 Committees as implemented.

2           Again, this is similar to the  
3 structure for our PE portfolio that's been in  
4 place for over five years, and an extension of  
5 that will allow the portfolio completion  
6 strategies and other credit opportunities  
7 access to other best ideas of our managers.

8           With that, I'm happy to take any  
9 questions.

10           And actually on page 10 it lists the  
11 managers with whom we're recommending putting  
12 in place on our co-investment program today.

13           And then as we hire new managers, we  
14 will seek to them to the list as we vet them.

15                           TREASURER GOLDBERG: So I will  
16 seek a motion that the PRIM Board approve the  
17 Investment Committee's recommendation to  
18 approve PRIM's co-investment program for  
19 portfolio completion strategies and other  
20 credit opportunities, as described in a  
21 Appendix I of the expanded agenda, and  
22 further, to authorize the executive director  
23 to take all actions necessary to effectuate  
24 this vote.

1                   Is there a motion?

2                   MR. BROUSSEAU:   So moved.

3                   TREASURER GOLDBERG:   Second.

4                   MS. FITCH:   Second.

5                   TREASURER GOLDBERG:   Questions  
6 and comments for anyone sitting at that end of  
7 the table? You can even ask Eric.

8                   No questions.

9                   MR. BROUSSEAU:   Very, very  
10 thorough.

11                   TREASURER GOLDBERG:   Yes. So,  
12 Dennis, do you have any questions?

13                   MR. NAUGHTON:   I don't think I  
14 do.

15                   But I was wondering whether this  
16 investment, as I see, I think it contains  
17 collateralized loan obligations. If that's  
18 correct, I have the same question I had at the  
19 last meeting regarding whether that includes  
20 student loans.

21                   MR. LA POSTA:   Collateralized  
22 loan obligations do not typically include  
23 student loan securitizations, but we could  
24 have investments in securitizations that are

1 supported by student loans in some of our  
2 accounts. Whether or not there are  
3 co-investment opportunities is to be  
4 determined, and none of anything we're  
5 currently considering includes student loan  
6 obligations

7 MR. NAUGHTON: Thank you.

8 MS. MC GOLDRICK: Every time  
9 there's an opportunity, even though these  
10 managers are on the list, we're still voting  
11 on every investment as a Board?

12 MR. LA POSTA: You are approving  
13 the managers to be on the co-investment bench  
14 under the parameters of 30 percent additional  
15 capital and co-investments, and then the CIO  
16 will approve the recommendation -- I mean  
17 approve the actual investments.

18 So you approve the availability  
19 of 30 percent investment and co-investments,  
20 consistent with managers that we already have  
21 investments.

22 MR. TROTSKY: Very similar to  
23 how we do it in private equity. It's the same  
24 model.

1                   TREASURER GOLDBERG: Any other  
2 questions?

3                   We have a motion. We have a second.  
4 Roll call.

5                   Bob?

6                   MR. BROUSSEAU: Yes.

7                   TREASURER GOLDBERG: Paul?

8                   MR. SHANLEY: Yes.

9                   TREASURER GOLDBERG: Teresa?

10                  MS. MC GOLDRICK: Yes.

11                  TREASURER GOLDBERG: Peter?

12                  MR. MONACO: Approve.

13                  TREASURER GOLDBERG: Jim?

14                  MR. HEARTY: Yes.

15                  TREASURER GOLDBERG: Ellen?

16                  MS. FITCH: Yes.

17                  TREASURER GOLDBERG: Dennis?

18                  MR. NAUGHTON: Yes.

19                  TREASURER GOLDBERG: And myself,  
20 yes.

21                  Thank you very much. The motion  
22 carries.

23                  We have a specific investment,  
24 Serenitas Credit Gamma Strategy. I would seek

1 a motion that the PRIM Board approve the  
2 investment to approve an allocation of up to  
3 150 million to Serenitas Credit Gamma  
4 Strategy's separately managed account, as  
5 described in the expanded agenda and further,  
6 to authorize the executive director to take  
7 all actions necessary to effectuate this vote.

8 Is there a motion?

9 MR. SHANLEY: So moved.

10 MR. BROUSSEAU: Second.

11 TREASURER GOLDBERG: Go ahead,  
12 Bill.

13 MR. LI: Thank you.

14 So today we're recommending a  
15 150 million initial investment into a separate  
16 account with Serenitas.

17 Serenitas Capital was launched in 2012  
18 by five portfolio managers who used to  
19 together work at the structured credit trading  
20 desk at Merrill Lynch.

21 The team is based in New York. In  
22 2015, Lee Munder Capital Group, which is based  
23 in Boston, acquired the Serenitas team, and  
24 now all five portfolio managers are employees

1 of Lee Munder.

2 Serenitas's expertise has been with  
3 residential and corporate type of structured  
4 credits.

5 The manager has a strong quantitative  
6 background with a sharp focus on valuation.  
7 They have built world-class tools to regularly  
8 analyze tens of thousands of corporate bonds  
9 to quickly detect mispriced opportunities in  
10 the market.

11 We like the manager, in part, because  
12 they have very strong discipline, which  
13 resulted in all positive years, even during  
14 the great financial crisis when they were  
15 trading Merrill Lynch's internal money.

16 Serenitas also excels at finding  
17 convex hedges, meaning that when credit spread  
18 blows out, the short position will kick in  
19 more positive P&L losses from long positions.

20 And such strong discipline and stable  
21 performance profile is also demonstrated in  
22 their long track record, since over a decade  
23 ago, and their track record with Serenitas  
24 since five, six years ago.

1                   With that, I'm happy to take any  
2 questions that anyone would have.

3                   MR. BROUSSEAU: The total AUM is  
4 340 million, and we're going to be up to  
5 \$150 million.

6                   Is there a reasonable anticipation  
7 that we're going to go over 150 million? Or  
8 are there other co-investments involved here,  
9 Bill?

10                  MR. LI: To answer the first  
11 question, 150 million factors in a couple of  
12 considerations.

13                  For one, the strategy is very scalable  
14 and the manager, when they were at Merrill  
15 Lynch used to trade was way bigger ticket size  
16 than this.

17                  And for two, even though for this fund  
18 product alone, the current AUM is around  
19 300 million. They are part of Lee Munder  
20 Group, which is a 7 billion asset manager in  
21 Boston.

22                  So in terms of operation, back office,  
23 compliance, and all the other things, they are  
24 of instructional quality. We have paid

1 special attention to that.

2 Balancing all of the considerations,  
3 we feel 150 is a good place to start with.

4 And to the second question, co-invest,  
5 in this case Serenitas, they are quant in  
6 nature; did they grow up as a quant. They  
7 have two Ph.D. degrees from Stanford, and we  
8 particularly like their model.

9 However, in their investment approach,  
10 the quant models merely kick out signals to  
11 guide their investment decision-making. So  
12 there's also quality and discretionary  
13 judgment in that process.

14 So Serenitas will be part of the  
15 managers eligible for co-investment program.  
16 That is how we're envisioning this  
17 relationship. But that's a subject to further  
18 conversation.

19 They are willing to be part of a -- of  
20 the program.

21 MR. BROUSSEAU: For one,  
22 whenever I see -- having been here too long, I  
23 guess -- and I see the word "mortgages" and  
24 anything dealing with them, especially the



1 method we had in 2008, 2009. I read through  
2 this thing three times, including the backup  
3 materials, before I could get comfortable with  
4 the entire investment, after I read them, and  
5 I digested them, and I became a little  
6 friendly to it.

7 But I think you answered some of the  
8 questions that I had and the concerns that I  
9 had.

10 MR. LI: Thank you.

11 MR. NIERENBERG: It's a unique  
12 strategy within this mortgage space. I would  
13 say that the approach is very highly technical  
14 and very differentiated, which is, I think,  
15 one of the reasons that Bill was drawn to it  
16 in particular.

17 You're not alone. It takes a lot to  
18 read through the strategy and understand how  
19 to structure these trends.

20 MR. BROUSSEAU: It's like  
21 marketing large chunks of mortgages and  
22 selling them off, which created the mess that  
23 we faced.

24 TREASURER GOLDBERG: Any other

1 questions or comments?

2 MR. NAUGHTON: I have the same  
3 question on the collateralized loan obligation  
4 on this one. Student loans.

5 MR. LI: Dennis, it's Bill Li  
6 answering here.

7 Student loans or student loans-related  
8 structure credit, they are excluded from this  
9 mandate because both the manager and we are  
10 pretty clear that it's not their strength,  
11 student loans or student loans-related  
12 credits.

13 MR. NAUGHTON: Thank you.

14 MR. LI: Thank you.

15 TREASURER GOLDBERG: Any other  
16 questions?

17 We have a motion.

18 We have a second.

19 Roll call.

20 Bob?

21 MR. BROUSSEAU: Yes.

22 TREASURER GOLDBERG: Paul?

23 MR. SHANLEY: Yes.

24 TREASURER GOLDBERG: Teresa?

1 MS. MC GOLDRICK: Yes.

2 TREASURER GOLDBERG: Peter, are  
3 you on this?

4 MR. MONACO: Approve.

5 TREASURER GOLDBERG: Jim?

6 MR. HEARTY: Yes.

7 TREASURER GOLDBERG: Ellen?

8 MS. FITCH: Yes.

9 TREASURER GOLDBERG: Me, yes.  
10 Dennis?

11 MR. NAUGHTON: Yes.

12 TREASURER GOLDBERG: Thank you.

13 The motion carries.

14 I seek a motion that the PRIM  
15 Board approve the Investment Committee's  
16 recommendation to approve an initial  
17 application up to 150 million to Fir Tree SPAC  
18 Opportunity separately managed account, as  
19 described in the expanded agenda and further,  
20 to authorize the Executive Director to take  
21 all actions necessary to effectuate this vote.

22 Is there a motion?

23 MR. BROUSSEAU: So moved.

24 MS. FITCH: Second.

1                   TREASURER GOLDBERG: Be my  
2 guest.

3                   MR. LI: Thank you.

4                   So this recommendation here to  
5 Fir Tree, the ticket size we are recommending  
6 is 150 million again. And I will go into  
7 details later, why that ticket size.

8                   To take a step back, Fir Tree Partners  
9 was founded in 1994. And they like to follow  
10 a value-oriented approach, making investments  
11 in both public and private arenas.

12                  I will mention that at the Investment  
13 Committee meeting, we have discussed  
14 extensively the business challenges Fir Tree  
15 Partners have been facing in the recent five  
16 years. More specifically, firm-wide asset has  
17 dropped significantly from the 2014 peak of  
18 over 10 billion to today's 3 billion. And  
19 also one-third staff has left the firm.

20                  Despite the manager's decrease in AUM  
21 and head count, we're still recommending this  
22 mandate with Fir Tree, with in mind that the  
23 recommended mandate is unrelated to the  
24 underperforming flagship fund with the

1 manager; and for two, the employee downsizing  
2 has mainly been to junior roles; and for  
3 three, PRIM's investment will be in a separate  
4 account, fully controlled by PRIM.

5 While a separate account will isolate  
6 us from the business risk this manager faces,  
7 we believe trading SPACs shares has a lot of  
8 alpha and performance potential.

9 So what is SPAC?

10 SPAC stands for Special Purpose  
11 Acquisition Company. So think of it as a  
12 blank check trust that plans to acquire a  
13 private business or an asset within two years.

14 The manager, Fir Tree here, will  
15 selectively participate in IPOs of such blank  
16 check trust. So they will effectively buy  
17 trust shares into PRIM's account, to start  
18 with.

19 And a SPAC trust, after IPO, will  
20 temporarily park the cash in US treasuries  
21 until, in a couple of months or even in one  
22 year, the trust finds a business to merge  
23 with. After the merger, such a SPAC trust  
24 will transform into a publicly traded company.

1           With that concept in mind, we know  
2           that the risk here is very minimized because  
3           in the end, in the worst-case scenario, if the  
4           SPAC trust fails to find a target company to  
5           merge with as we, as the investor, can always  
6           get the capital bank, and that will be T bills  
7           type of returns versus to the upside, if that  
8           business merger happens and is successful,  
9           then for PRIM's account, we will see equity  
10          type of returns.

11           Fir Tree's SPAC investment has a  
12          strong track record since 2005, annualizing  
13          over 7 percent on an unlevered basis, and the  
14          volatility has been less than 5 percent. So  
15          that's a very stable performance profile.

16           And we're hoping that with a slight  
17          leverage, the manager will target to deliver  
18          low double-digit net returns to PRIM's  
19          account.

20           I will also mention that we have  
21          identified within the manager's organization,  
22          a team that is primarily responsible for this  
23          track record, and we have negotiated a strong  
24          key person clause. So that will give us

1 further protection.

2 And for the 150 ticket size, we would  
3 like to participate more because Fir Tree is  
4 one of the managers that is offering such a  
5 standalone mandate to us.

6 However, we still want to bear in mind  
7 that there's a business challenge this manager  
8 is facing, and we would want to see more  
9 positive development on that end.

10 With that, I can take any questions on  
11 this investment recommendation.

12 TREASURER GOLDBERG: Questions?

13 Dennis?

14 MR. NAUGHTON: Sorry to  
15 disappoint you, Madam Treasurer, not this  
16 time.

17 TREASURER GOLDBERG: We have a  
18 motion.

19 We have a second.

20 Roll call.

21 MR. BROUSSEAU: Yes.

22 TREASURER GOLDBERG: Paul?

23 MR. SHANLEY: Yes.

24 TREASURER GOLDBERG: Teresa?

1 MS. MC GOLDRICK: Yes.

2 TREASURER GOLDBERG: Peter?

3 MR. MONACO: Yes.

4 TREASURER GOLDBERG: Jim?

5 MR. HEARTY: Yes.

6 TREASURER GOLDBERG: Ellen?

7 MS. FITCH: Yes.

8 TREASURER GOLDBERG: Dennis?

9 MR. NAUGHTON: Yes.

10 TREASURER GOLDBERG: And myself,  
11 yes.

12 Thank you. The motion carries.

13 That was Fir Tree SPAC.

14 I would seek a motion that the PRIM  
15 Board approve the Investment Committee's  
16 recommendation to approve an additional  
17 investment of up to 50 million to CKC Credit  
18 Opportunity in the emerging manager direct  
19 hedge fund managed account as described in the  
20 expanded agenda, and further, to authorize the  
21 Executive Director to take all actions  
22 necessary to effectuate this vote.

23 Is there a motion?

24 MR. BROUSSEAU: So moved.



1                   TREASURER GOLDBERG: A second?

2                   MS. FITCH: Second.

3                   TREASURER GOLDBERG: Thank  
4 you.

5                   MR. LI: Thank you.

6                   This is an upsizing recommendation to  
7 an existing mandate. As a reminder, PRIM  
8 started the emerging manager direct hedge fund  
9 program back in 2018. And the program is to  
10 identify fledgling talents in the categories  
11 of macro and relative value trading.

12                   Upon inception in September 2018, this  
13 program hired three managers, CKC, Global  
14 Sigma, and Alcova.

15                   Subsequently in 2019, another two  
16 managers were onBoarded.

17                   So fast-forward. After the one-year  
18 anniversary, we carefully reviewed the first  
19 three mandates. And we have paid special  
20 attention to, for one, performance  
21 consistency, and for two, operational  
22 development.

23                   We would like to see the manager,  
24 especially such a smaller manager, upgrade

1 their system, potentially increase their head  
2 count, and reinvest proceeds back to their  
3 business so that they can have sustainable  
4 growth of the business, which is key to such  
5 an emerging manager program.

6 So far CKC has scored high in all the  
7 aforementioned aspects, and we're recommending  
8 to upsize this mandate by another 50 million.

9 To refresh your memory, CKC is a  
10 credit trader based in New York City. We like  
11 CKC because they have over 20 years'  
12 experience trading new issuance bonds as well  
13 as their focus on capital preservation.

14 Performance-wise, since the manager's  
15 inception in 2013, CKC credit opportunities  
16 has delivered a high single-digit annualized  
17 return without any negative month at all.

18 Such an excellent track record  
19 provides very strong testimony to the  
20 manager's trading skill as well as mindfulness  
21 for preservation.

22 With that, if there are any questions,  
23 we're happy to address.

24 TREASURER GOLDBERG: Questions

1 on this investment?

2 None whatsoever?

3 Dennis?

4 MR. NAUGHTON: No. Thank you.

5 TREASURER GOLDBERG: We have a  
6 motion.

7 We have a second.

8 Roll call.

9 Bob?

10 MR. BROUSSEAU: Yes.

11 TREASURER GOLDBERG: Paul?

12 MR. SHANLEY: Yes.

13 TREASURER GOLDBERG: Teresa?

14 MS. MC GOLDRICK: Yes.

15 TREASURER GOLDBERG: Peter?

16 MR. MONACO: Yes.

17 TREASURER GOLDBERG: Jim?

18 MR. HEARTY: Yes.

19 TREASURER GOLDBERG: Ellen?

20 MS. FITCH: Yes.

21 TREASURER GOLDBERG: Dennis?

22 MR. NAUGHTON: Yes.

23 TREASURER GOLDBERG: And myself,  
24 yes.

1 Thank you. The motion carries.

2 I would seek a motion that the  
3 PRIM Board approve the Investment Committee's  
4 recommendation for Prudential Agriculture  
5 Investment, approve manager for PRIM's real  
6 assets portfolio as described in the expanded  
7 agenda, further to authorize the executive to  
8 take all actions necessary to effectuate this  
9 vote.

10 Is there a motion?

11 MR. BROUSSEAU: So moved.

12 MS. FITCH: Second.

13 MR. NIERENBERG: Thank you,  
14 everyone.

15 So we did go into a great amount of  
16 detail on this at the Investment Committee.  
17 But we are asking for your approval to hire  
18 Prudential as an agricultural manager for the  
19 real assets portfolio.

20 This would not be a new allocation of  
21 capital. This is to manage the existing  
22 portfolio that PRIM currently has.

23 Prudential Agricultural Investments is  
24 based in San Francisco. It has offices

1 throughout the United States. It has a very  
2 broad team. They have a number of high --  
3 similar peers to us that are invested in  
4 agricultural investment such as the State of  
5 Florida.

6 We do believe that this team at  
7 Prudential is -- has both the knowledge and  
8 breadth to be able to manage the high-quality  
9 portfolio that we have.

10 So I am happy to go into more detail  
11 about the organization or anything else, but  
12 I'll...

13 TREASURER GOLDBERG: Anybody  
14 need -- go ahead, Bob.

15 MR. BROUSSEAU: The  
16 recommendation of up to \$500 million, is that  
17 quite large?

18 MR. NIERENBERG: It's not new  
19 capital. It's just based on the size of the  
20 existing PRIM farmland portfolio, which is  
21 about \$470 million.

22 So this is not -- what you are  
23 approving is not any additional capital to be  
24 approved. There's no additional farmland

1 that's being purchased at this time.

2 TREASURER GOLDBERG: Anything  
3 further?

4 Is there something you need to tell  
5 us?

6 MR. BROUSSEAU: No.

7 MR. MONACO: I guess just one  
8 question.

9 Understanding that they have the  
10 requisite expertise in the specific areas,  
11 were they familiar with the specific assets in  
12 our portfolio that they would be assuming  
13 responsibility for?

14 MR. NIERENBERG: Many of them,  
15 yes. For instance, they have a lot of  
16 experience with wine grapes, which is about 50  
17 percent of the portfolio. They're comfortable  
18 there.

19 In some cases, for instance, with the  
20 apples, they even use the same farmers that we  
21 currently have so they're very familiar with  
22 apples as well.

23 We have a large pistachio and almond  
24 property under development in central

1 California. Prudential currently has the  
2 property literally next door. They're  
3 familiar with the soils there, the water  
4 rights, and all of that.

5 The one commodity that we have some  
6 exposure to, which Prudential is familiar with  
7 but hasn't had any direct growing interaction,  
8 is blueberries, but, yes.

9 Blueberries is a more unusual crop  
10 within the agricultural space. We feel that  
11 it's not -- it's not going to be incredibly  
12 difficult for Prudential to have the right --  
13 they have the right people that they can pick  
14 that up.

15 MR. BROUSSEAU: Does climate  
16 change really come into view with these  
17 investments?

18 MR. NIERENBERG: It's hard to  
19 say. Certainly, for instance, if you look at  
20 weather in Michigan over the last few years,  
21 it's been kind of hit or miss there.

22 I don't know that you can really  
23 attribute that specifically to climate change.  
24 There's always some degree of just very

1 natural variation you can have in weather.

2 But I think going forward, I think the  
3 agricultural industry more generally, so not  
4 speaking specifically about the PRIM portfolio  
5 but more generally, it is something that's  
6 going to be -- people are starting to think a  
7 lot more about.

8 We're not at the level yet where you  
9 have people buying land in northern Manitoba,  
10 expecting that to become pecan-growing  
11 territory. But who knows what will happen 40  
12 years from now, maybe less than that. Yes, I  
13 don't know.

14 TREASURER GOLDBERG: Any other  
15 questions?

16 We have a motion.

17 We have a second.

18 Bob?

19 MR. BROUSSEAU: Yes.

20 TREASURER GOLDBERG: Paul?

21 MR. SHANLEY: Yes.

22 TREASURER GOLDBERG: Teresa?

23 MS. MC GOLDRICK: Yes.

24 TREASURER GOLDBERG: Peter?



1 MR. MONACO: Yes.

2 TREASURER GOLDBERG: Jim?

3 MR. HEARTY: Yes.

4 TREASURER GOLDBERG: Ellen?

5 MS. FITCH: Yes.

6 TREASURER GOLDBERG: Dennis?

7 MR. NAUGHTON: Yes.

8 TREASURER GOLDBERG: Me, yes.

9 Thank you.

10 The motion carries.

11 TREASURER GOLDBERG: It's time  
12 for private equity -- for public markets?

13 David Gurtz.

14 MR. GURTZ: I'll be referring  
15 back to Appendix B very briefly to talk about  
16 the exceptional public market performance in  
17 2019 and then very briefly after that talk to  
18 you about one of our managers that is going  
19 out of business later this year. So we want  
20 to update you on the status of that issue.

21 So starting on page 7 in Appendix B.  
22 Again, as Michael said, 2019 was an  
23 extraordinarily unusual year in which both  
24 risky and safe assets alike returned strong

1 positive performance.

2 You have to actually go back over 20  
3 years to 1997 to find a better year in which  
4 US stocks and bonds performed this well  
5 together.

6 On page 7, thanks to the fantastic  
7 equity returns and the Fed cutting rates three  
8 times in 2019, PRIM'S best performing asset  
9 classes for 2019 were global equities and on a  
10 net-of-fee basis, core fixed income was  
11 actually the second best performing asset  
12 class.

13 So really just an unusual year.

14 In absolute returns, global equities  
15 returned 27 percent, which equates to  
16 \$7 billion of gains for the PRIT Fund.

17 And the 11.3 percent return in core  
18 fixed income equities equates -- core fixed  
19 income securities equates to \$1 billion in  
20 value added to the PRIT Fund.

21 Again, very strong numbers.

22 Focusing on page 10 very briefly, is  
23 our global equities portfolio.

24 Across the Board, we had great returns

1 in relative terms as well as in absolute  
2 returns.

3 In total, global equities outperformed  
4 the benchmark by about 150 basis points net of  
5 fees, which equates to about \$400 million in  
6 value added to the PRIT Fund.

7 This is an especially impressive year,  
8 given that about half of the portfolio is  
9 passively managed. So our active manager did  
10 a really fantastic job in 2019.

11 US, international, and emerging  
12 markets, each of those subasset classes all  
13 outperformed their benchmarks.

14 Emerging markets really led the way,  
15 though, in terms of outperforming the  
16 benchmarks. They returned over 4 percent on a  
17 net-of-fee basis.

18 In that scenario, we are 100 actively  
19 managed. So, again, we're try to put the  
20 active management in the areas where we think  
21 active management is going to outperform the  
22 most. That certainly was the case in emerging  
23 markets.

24 As I said before, flipping ahead a few

1 pages to our fixed income portfolio, page 13,  
2 2019 was a Goldilocks year for fixed income  
3 investments, with the Fed cutting rates three  
4 times and credit spreads narrowing a little  
5 bit. That resulted in a fantastic return.

6 So long duration US treasuries leading  
7 the way with nearly a 21 percent return. So  
8 just really incredible performance in 2019.

9 I'll stop there and pause there  
10 briefly, if you have any questions; otherwise,  
11 I will just proceed right along to our next  
12 topic, which is an update on one of our core  
13 fixed income managers.

14 It's Progress Investment Management.  
15 They recently announced a decision to wind  
16 down and dissolve their business no later than  
17 May 31 of 2020 due to a decrease in AUM and  
18 trouble with a disruption in their succession  
19 planning.

20 Progress manages approximately  
21 \$300 million for us since 2016 and has  
22 performed very well. Actually, they've  
23 outperformed their benchmark by about 30 basis  
24 points net of fees since inception.

1           Progress is an unusual manager for us.  
2           They are a manager of managers, and they seek  
3           out small emerging managers to manage our  
4           portfolio. Progress is contracted with five  
5           underlying managers to manage our core fixed  
6           income portfolio.

7           So right now PRIM staff, together with  
8           our consultants Callan and Alborne, have begun  
9           investment and operational and due diligence  
10          on these underlying managers to determine  
11          which, if any, of these managers we want to  
12          graduate and directly manage assets for us.

13          It may be appropriate for PRIM to get  
14          out of the Progress Management relationship  
15          before their May 31 target close-down date.

16          As a result, as soon as we complete  
17          our due diligence on these five managers and  
18          decide if any of these managers should  
19          graduate and manage assets directly for us, we  
20          may move forward more quickly and, therefore,  
21          come back at this meeting the next cycle,  
22          which is in May, the middle of May, and seek  
23          retroactive approval on some of these  
24          managers.

1           So that's all I wanted to update you  
2 guys on on that firm.

3           If you have any questions, I'm happy  
4 to answer them.

5           TREASURER GOLDBERG: Questions?

6           MR. GURTZ: Great. Thank you  
7 very much.

8           TREASURER GOLDBERG: Thank you,  
9 David.

10           Now private equity.

11           Michael Bailey.

12           MR. BAILEY: Thank you, Madam  
13 Treasurer.

14           Good morning, everyone.

15           Before we get to the voting items, I  
16 thought I would touch on performance for  
17 private equity. It's come up a couple of  
18 times already this morning.

19           So that PE portfolio eased off again  
20 its performance from last quarter to about  
21 12 1/2 percent, so a decline from the last  
22 time we talked about the portfolio's  
23 performance.

24           I'll talk in a minute about some of

1 the reasons sort of under the hood that were  
2 going on to explain the performance.

3 But I'll put it in context before I do  
4 that. A couple of things.

5 One, it still has very good long-term  
6 performance, and even at 12 1/2 percent, it's  
7 not bad performance. But it is pegging along  
8 below its long-term averages in the mid-teens.

9 But, two, and I think more  
10 importantly, picking up on one of Jay's  
11 expressions a few minutes ago, I think we're  
12 seeing a little bit of noisiness in this  
13 one-quarter and one-year performance for a  
14 couple of reasons.

15 One, we're still picking up in this  
16 quarter's performance -- sorry, this one-year  
17 performance number, the Q4 of '18. I know it  
18 seems like a long time ago, but as you recall,  
19 Q4 of '18 was a draw-down or negative quarter  
20 for equities, including private equity. It  
21 seems like forever ago.

22 Then secondly, there's that lag  
23 effect. And secondly, we're not picking up,  
24 when we talk about public equity, the Q4 of

1 '19 because, as you recall, we're not  
2 including Q4 '19 results in private equity  
3 because of the lag appraisal-type evaluation  
4 that we did.

5 So we're getting a bad quarter and not  
6 picking up what I think would be a better  
7 quarter as we get the Q4 '19 results into the  
8 performance.

9 Then secondly, just to remind you, the  
10 allocation to PE, as Jay also alluded to,  
11 floated down a little bit to 11 percent at the  
12 end of the year, mostly because the public  
13 equities portfolio rallied and created a  
14 bigger denominator.

15 So we're under that target, as Eric  
16 and Jay talked about, at 11 percent with a  
17 target allocation of 13 percent.

18 And then just briefly, sort of under  
19 the hood, I think the two strategies that  
20 worked well in the last short period of time  
21 were the two strategies we're trying to push  
22 more capital towards: smaller buy-outs and  
23 growth equity.

24 We talked about both of those types of



1 investment with you all before. In fact, some  
2 of the recommendations we're going to be  
3 talking about in a few minutes are in those  
4 strategies.

5 And I would call out technology and  
6 healthcare in particular as continuing to  
7 perform really well in the portfolios, firms  
8 who are specialized in those segments. We saw  
9 good performance, including some IPO activity,  
10 with companies in the last half of 2019 that  
11 added a lot to performance, IPOs of software  
12 companies, in particular.

13 Then on the underperforming side, the  
14 two strategies that we've been, I would say,  
15 less constructive on, venture capital and  
16 larger buy-outs, dragged down the performance,  
17 again in a short period of time.

18 Some of that was related to a public  
19 markets issue in the sense that this does seem  
20 like a long time ago, but Q3 of '19 small-cap  
21 stocks were not doing that well compared to  
22 larger-cap stocks.

23 And we have publicly traded shares  
24 inside this portfolio that I call kind of in

1 the parking lot. They're kind of waiting to  
2 get out of the parking lot. But we do hold  
3 residual public equity in the private equities  
4 portfolio that are on their way out, but those  
5 dragged down our performance in the Q3 of '19,  
6 which is not a great quarter for small-cap US  
7 equities.

8 So those are some highlights on  
9 performance.

10 I think I'd just mention two other  
11 quick things.

12 We did finish last year with adding  
13 about \$1.6 billion in new commitments to  
14 private equity, so pretty close to the target  
15 we -- or I would say, yeah, the target we set  
16 in early 2019.

17 In 2020 you'll see in the details of  
18 materials we've again shifted up the pace of  
19 allocation a bit to try to get to that 13  
20 percent.

21 As Jay said, we are really reluctant  
22 to do things that are going to sacrifice the  
23 quality of the portfolio, but we need to be  
24 mindful of to get to that 13 percent target,

1 keeping a steady commitment space and making  
2 commitments that are consistent with that.  
3 And this year, that's about \$2 billion. We'll  
4 see how that plays out, but the pipeline looks  
5 robust.

6 And then before I shift to the voting  
7 items, I guess I want to just say how thrilled  
8 I am that Alyssa rejoined the team. I'm  
9 really excited about the team we've built, and  
10 I think we're all -- I speak for the whole  
11 team when I say that we're really excited to  
12 have her back.

13 So I'll stop there, unless there are  
14 questions on anything related to performance  
15 or other private equity items before we turn  
16 to the voting items.

17 TREASURER GOLDBERG: Any  
18 questions?

19 MR. BAILEY: So we have --  
20 sorry.

21 TREASURER GOLDBERG: Our first  
22 voting item.

23 It looks like it's a whole bunch of  
24 them.

1           So I'm seeking a motion that the PRIM  
2 Board approve the Investment Committee's  
3 recommendation to approve the following  
4 commitments to funds managed by existing  
5 private equity managers as described in the  
6 expanded agenda:

7           Commitment to Thomas Bravo Fund for  
8 \$300 million, Fund 14;

9           A commitment of 150 million, Thomas  
10 Bravo Discover Fund 3;

11           60 million to Thomas Bravo Explorer  
12 Fund;

13           20 million to Index Ventures 10;

14           50 million to Index Ventures Growth 5;

15           150 million to Inside Partners 11;

16           And further, to authorize the  
17 Executive Director to take all action  
18 necessary to effectuate this vote.

19           Is there a motion?

20           MR. BROUSSEAU: So moved.

21           MS. FITCH: Second.

22           TREASURER GOLDBERG: Go ahead.

23           MR. BAILEY: I'm going to say a  
24 couple of things because we're going to treat

1 -- they are incumbent firms. We've worked  
2 with each of them for more than nine years.  
3 And they are firms that the Board has seen  
4 before and approved.

5           So I thought I would just say that the  
6 Investment Committee reviewed these  
7 investments a few weeks ago and approved them  
8 unanimously.

9           These investments that are eligible  
10 for co-investment have been -- these managers  
11 have been productive participants in PRIM's  
12 successful co-investment program.

13           And, third, I think each of them are  
14 on strategy with respect to some of those  
15 big-picture goals we've set for the program,  
16 including adding more capital, smaller  
17 buy-outs, and adding more capital to growth  
18 equity.

19           So I'm happy to take questions.

20           And Michael McGirr and Sara Zatoonian,  
21 who did much of the work on these, are  
22 available to answer any specific questions  
23 about any of the three managers for whom we're  
24 recommending six separate fund commitments.

1           But if there are -- I'll just stop  
2 there.

3           I'm happy to take any questions, and  
4 the team's available to take questions.

5           TREASURER GOLDBERG: We have a  
6 motion.

7           We have a second.

8           Bob?

9           MR. BAILEY: I'll just say  
10 they're on page 38 of the material.

11           TREASURER GOLDBERG: Thank you.  
12 We'll start again.

13           Bob?

14           MR. BROUSSEAU: Yes.

15           TREASURER GOLDBERG: Paul?

16           MR. SHANLEY: Yes.

17           TREASURER GOLDBERG: Teresa?

18           MS. MC GOLDRICK: Yes.

19           TREASURER GOLDBERG: Peter?

20           MR. MONACO: Yes.

21           TREASURER GOLDBERG: Jim?

22           MR. HEARTY: Yes.

23           TREASURER GOLDBERG: Ellen?

24           MS. FITCH: Yes.

1                   TREASURER GOLDBERG:   Dennis?

2                   MR. NAUGHTON:    Yes.

3                   TREASURER GOLDBERG:   And myself,  
4   yes.

5                   Thank you.

6                   MR. BAILEY:      Thank you.

7                   MR. TROTSKY:     Thank you,  
8   Michael.

9                   TREASURER GOLDBERG:   Tim  
10   Schlitzer, Director of Real Estate.

11                   MR. SCHLITZER:   Tim Schlitzer,  
12   Director of Real Estate.

13                   MR. LA CARA:     And John LaCara,  
14   Senior Investment Officer, Real Estate.

15                   MR. SCHLITZER:   Good morning.  
16   I'll be brief.

17                   We have a few items to cover today, a  
18   couple of voting items.

19                   Just to orient you, the real estate  
20   agenda items are briefly referred to on  
21   page 42, Appendices J through N of the  
22   discussion as well.

23                   I also just quickly want to thank the  
24   Real Estate team very much for their efforts

1 this year. I want to acknowledge Minching,  
2 who is off to a great start. I really can't  
3 say enough about the hard work and focus on  
4 the portfolio that this team puts into it day  
5 in, day out.

6 Also, I'll just mention that at the  
7 Real Estate Committee Meeting, Christina  
8 provided a deep-dive on the private real  
9 estate portfolio, basically the operating  
10 results from last year and then going forward  
11 into 2020.

12 It is a great presentation, which  
13 she's done for a couple of years now, and it  
14 was very well received, as usual, by the  
15 committee.

16 I just wanted to mention that.

17 So let me just speak to performance,  
18 which is in Appendices C and J.

19 Real estate ended the year at 9.5  
20 percent of the fund. Timber was at 3.35  
21 percent. The real estate company completed  
22 net acquisitions of \$365 million. That's on  
23 the private side, and that's based on  
24 approximately \$1.1 billion of activity in 17



1 transactions. There were no Timberland  
2 transactions for the year.

3 As presented to the Board by John and  
4 Maria Garrahan last year -- I know Maria  
5 referenced this -- we've begun to fund  
6 acquisitions directly with sales from the REIT  
7 portfolio and sold \$300 million this year in  
8 REITs.

9 As you probably know, REITs had a  
10 strong year at 23.5 percent, more in line with  
11 the public equity markets, which provided a  
12 great environment for these sales.

13 On the performance side, total real  
14 estate returned 11.2 percent for the year.  
15 That's 170 basis points above the asset class  
16 benchmark.

17 All three of our strategies  
18 outperformed their respective benchmarks.

19 I'll note that PRIM's portfolio debt  
20 was written down by about \$60 million, and  
21 we've discussed this previously.

22 However, as things sort of finished up  
23 at the end of the year, that paper loss -- and  
24 it is a paper loss, I'll emphasize -- was

1 offset really by asset appreciation, which  
2 resulted in very little dilution, about 8  
3 basis points to the separate account returns.

4 Just shifting to Timberland. Timber  
5 returned 80 percent for the year versus the  
6 asset class benchmark at 2.1 percent.

7 It is worth pointing out that the  
8 unlagged benchmark returned 1.3 percent. So  
9 that's a meaningful downshift. But it still  
10 results in underperformance of about 50 basis  
11 points.

12 I'll note that PRIM's Southern and  
13 Australian investments did outperform the  
14 index for the year.

15 And then Michael touched on the  
16 Pacific Northwest portfolio, so I won't go  
17 through that again. But I'm happy to answer  
18 any questions on either of those asset  
19 classes.

20 And that's my comments on those items.

21 TREASURER GOLDBERG: Any  
22 questions on performance?

23 Okay. We have a voting item. And  
24 that would be the investment policy.

1           So I'll seek a motion that the PRIM  
2 Board adopt the enhancements to the real  
3 estate and Timberland investment policy as  
4 described in the Appendices K and M --

5           MR. NAUGHTON:   So moved.

6           TREASURER GOLDBERG:  -- K and M  
7 of the expanded agenda, and further, to  
8 authorize the Executive Director to take all  
9 action necessary to effectuate this vote.

10           We have a motion.

11           Is there a second?

12           MR. BROUSSEAU:  Second.

13           TREASURER GOLDBERG:  Go for  
14 it.

15           MR. LA CARA:  We recently  
16 completed a successful refinancing of a  
17 private note placement that was originally  
18 done in 2013.

19           I want to thank some people in the  
20 back row, starting with Deb, Matt, and George,  
21 especially George, he did a lot of hard work  
22 on the transaction.  There's a lot of stuff  
23 going on behind the scenes with collection of  
24 data, reviewing documents.  He did a great

1 job, made it very smooth and seamless for us.

2 So I appreciate their efforts.

3 That transaction prompted us to take  
4 another look at the policies, the leverage  
5 policies, and we took a little bit of a  
6 broader look at the overall real estate  
7 policies. And we decided to clean up some  
8 language, which you can find in Appendix K an  
9 L, which is the red-line version.

10 Other than small semantic changes  
11 regarding target ranges and further defining  
12 that, I think the bigger changes are that we  
13 further clarified the metrics that we use in  
14 our policies, and we meshed those with our  
15 reporting requirements on the loans.

16 So, for instance, we changed the term  
17 "free cash flow" to "EBITDA." We know the  
18 EBITDA. It's audited quarterly. It's in our  
19 financial statements. So it's an easier  
20 metric to use.

21 We also further defined how we  
22 measured the borrowing rate relative to our  
23 portfolio performance using an operating  
24 yield, which is more of a cash-on-cash number

1 versus a number that might be influenced by  
2 appraisal-based assumptions. So we think  
3 that's a little bit cleaner.

4 And under the section for investment  
5 vehicles, we struck some language, which if  
6 interpreted incorrectly, in my view, would  
7 preclude us from doing JVs within a separate  
8 account mandate.

9 We don't think that was the intent of  
10 the language, so we just struck it.

11 Any direct JVs that we do, like a 53  
12 State Street, would still require an approval  
13 process.

14 So that's pretty much the changes that  
15 were made. I'm happy to answer any questions.

16 TREASURER GOLDBERG: Any  
17 questions at all?

18 Hearing none, we have a motion.

19 We have a second.

20 Bob?

21 MR. BROUSSEAU: Yes.

22 TREASURER GOLDBERG: Paul?

23 MR. SHANLEY: Yes.

24 TREASURER GOLDBERG: Teresa?

1 MS. MC GOLDRICK: Yes.

2 TREASURER GOLDBERG: Peter?

3 MR. MONACO: Yes.

4 TREASURER GOLDBERG: Jim?

5 MR. HEARTY: Yes.

6 TREASURER GOLDBERG: Ellen?

7 MS. FITCH: Yes.

8 TREASURER GOLDBERG: Dennis?

9 MR. NAUGHTON: Yes.

10 TREASURER GOLDBERG: And myself,  
11 yes.

12 Thank you.

13 Next, this is also a voting item.

14 MR. SCHLITZER: This is also a  
15 voting item.

16 As you may recall, we have committed  
17 to come to you annually with an internal  
18 management strategy for approval.

19 I am not planning to go through the  
20 presentation, which is in Appendix N, but I  
21 will make a few comments that I'm happy to  
22 discuss.

23 So over the last three years, PRIM has  
24 acquired or taken over three assets valued

1 currently at \$687 million. That's \$337  
2 million in equity invested.

3 So we have built at this point over  
4 the last three years a small portfolio.

5 The overall since inception returns,  
6 8.1 percent. That's 95 basis points above  
7 benchmark. Returns for 2019 were 10.9  
8 percent.

9 I will point out that the leverage is  
10 higher in this portfolio, but at 51 percent  
11 it's still pretty moderate.

12 On an operating basis, the properties  
13 are performing well.

14 As you know, two of them are in  
15 Boston. Boston is extremely strong right now.

16 The acquisition approach, as presented  
17 previously, is not going to change this year.  
18 We are going to continue to focus primarily on  
19 direct ground lease opportunities, which we  
20 can lever to increase PRIM's return on equity,  
21 and those are very operationally easy,  
22 frankly.

23 So if you can get the underwriting and  
24 the acquisition right, they work well for us.

1           We're also going to continue to look  
2 for direct joint ventures with vertically  
3 integrated but institutionally minded  
4 operating partners across traditional property  
5 types. We are not going to focus on  
6 development.

7           I would say that 53 State continues to  
8 be the model, more or less, kind of on that  
9 side of the strategy.

10           I'll note that our approach requires a  
11 certain amount of proactive sourcing, and we  
12 are continuing to leverage our relationships,  
13 form new relationships, and review investment  
14 opportunities on a direct basis as they arise.

15           I don't think I need to say this, but  
16 this is being done in an environment which is  
17 extremely competitive for acquisitions and  
18 equity partnerships.

19           So we're going to commit to you to  
20 continue to be patient. We're going to work a  
21 good process. And as you know, both the  
22 Committee and the Board -- and John just  
23 mentioned this -- have the opportunity to  
24 review investment opportunities as they arise.



1                   So I'm going to leave it at that.

2                   TREASURER GOLDBERG: Questions?  
3                   Comments?

4                   We have a motion that the PRIM Board  
5                   approve the 2020 real estate internal  
6                   management plan as described in Appendix N of  
7                   the expanded agenda, and further, authorize  
8                   the Executive Director to take all actions  
9                   necessary to effectuate this vote.

10                  Is there a motion?

11                  MR. NAUGHTON: Yes, there is.

12                  TREASURER GOLDBERG: Thank you.

13                  MR. NAUGHTON: So move.

14                  MR. BROUSSEAU: Second.

15                  TREASURER GOLDBERG: Additional  
16                  questions?

17                  Hearing none, Bob?

18                  MR. BROUSSEAU: Yes.

19                  TREASURER GOLDBERG: Paul?

20                  MR. SHANLEY: Yes.

21                  TREASURER GOLDBERG: Teresa?

22                  MS. MC GOLDRICK: Yes.

23                  TREASURER GOLDBERG: Peter?

24                  MR. MONACO: Yes.

1                   TREASURER GOLDBERG:   Jim?

2                   MR. HEARTY:    Yes.

3                   TREASURER GOLDBERG:   Ellen?

4                   MS. FITCH:     Yes.

5                   TREASURER GOLDBERG:   Dennis, you  
6 made the motion on this.  I'm hoping you're a  
7 yes.

8                   MR. NAUGHTON:   I haven't changed  
9 my mind.  I am a yes.

10                  TREASURER GOLDBERG:   And me.

11                  Thank you.

12                  All right.  Here we go.

13                  Anthony Falzone.

14                  MR. FALZONE:    Good morning,  
15 everyone.

16                  TREASURER GOLDBERG:   Do you want  
17 me to make a motion?

18                  MR. FALZONE:    Yes, I think that  
19 makes sense.

20                  TREASURER GOLDBERG:   Seek a  
21 motion that the PRIM Board adopt the 2020  
22 custom policy enhancement to PRIM's custom  
23 proxy voting guidelines, as described in  
24 Appendix P of the expanded agenda, and

1 further, to authorize the Executive Director  
2 to take all action necessary to effectuate  
3 this vote.

4 Is there a motion?

5 MR. BROUSSEAU: So moved.

6 MS. FITCH: Second.

7 MR. FALZONE: Thank you.

8 So this item is the update to PRIM's  
9 custom proxy voting policy.

10 These updates are very  
11 straightforward. So I was going to quickly go  
12 through them and then open it up for  
13 questions, if that works for everyone.

14 I'm going to work from Appendix P,  
15 starting at the bottom of page 3.

16 So this is a small change to an  
17 existing policy, the first one at the bottom  
18 of page 3.

19 So currently it is a policy that  
20 states that we would vote against or withhold  
21 from all Board members if less than 30 percent  
22 of the Board is diverse in terms of gender and  
23 race.

24 We are updating the policy to increase

1 that diversity threshold from 30 to 35  
2 percent. So, therefore, the policy would read  
3 "vote against, withhold for all Board members  
4 if less than 35 percent of the Board is  
5 diverse in terms of gender and race."

6 So that is our first change.

7 The next few changes at Appendix P are  
8 ISS's benchmark policy changes, so they don't  
9 require changes to PRIM's custom proxy voting  
10 policy.

11 But if you please turn to page 11,  
12 there are some changes that I want to  
13 highlight under the "Equal Employment  
14 Opportunity" section that are changes to  
15 PRIM's custom policy. That starts on page 11.

16 So the additional policy starts at the  
17 bottom of page 12, so I'm going to start  
18 there.

19 There are four different items that I  
20 want to go over.

21 So this would create a new section to  
22 prohibit discrimination on the basis of  
23 disability.

24 So the four items I'll go through are

1 vote for, shareholder proposals to include  
2 language in EEO statements specifically  
3 barring discrimination on the basis of  
4 disability.

5           Vote for shareholder proposals  
6 requiring the company to demonstrate that  
7 their reasonable accommodations policy is in  
8 accordance with the Americans With  
9 Disabilities Act and state disability law and  
10 is available to all employees and can be  
11 accessed in more than one way.

12           Vote for shareholder proposals seeking  
13 reports on the company's efforts to include  
14 disability-owned business enterprises, service  
15 disabled veteran disability-owned business  
16 enterprises, and veteran disability-owned  
17 business enterprises in their supplier  
18 diversity program.

19           The fourth item would be vote for  
20 proposals requesting an internal and external  
21 audit of website compliance under the World  
22 Wide Web Consortium's Web Content  
23 Accessibility Guidelines.

24           So those are the four changes that

1 would be under the discrimination on the basis  
2 of disability.

3           There is a final section under the  
4 "Safety and Security in the Workplace"  
5 section, which would be to vote for  
6 shareholder proposals banning guns on company  
7 property, except for security-related uses,  
8 including parking lots on property.

9           And those are the changes to our  
10 custom proxy voting policy.

11           And I'm happy to answer any questions.  
12 It's all pretty basic.

13           TREASURER GOLDBERG: Any  
14 questions? All right.

15           We have a motion.

16           We have a second.

17           Bob?

18           MR. BROUSSEAU: Yes.

19           TREASURER GOLDBERG: Paul?

20           MR. SHANLEY: Yes.

21           TREASURER GOLDBERG: Teresa?

22           MS. MC GOLDRICK: Yes.

23           TREASURER GOLDBERG: Peter?

24           MR. MONACO: Yes.

1                   TREASURER GOLDBERG:   Jim?

2                   MR. HEARTY:    Yes.

3                   TREASURER GOLDBERG:   Ellen?

4                   MS. FITCH:     Yes.

5                   TREASURER GOLDBERG:   Dennis?

6                   MR. NAUGHTON:   Yes.

7                   TREASURER GOLDBERG:   And myself,  
8    yes.

9                   Thank you.    Very good.

10                  Next.

11                  MR. FALZONE:    So the next item  
12    isn't a voting item but the results of the  
13    PRIM Board self-evaluation.

14                  So Cortex administered the Board  
15    self-evaluation, and Bob is going to present a  
16    brief summary of the results of the Board  
17    self-evaluation.

18                  I would also like to note that PRIM  
19    staff will provide the Administration Audit  
20    Committee and ultimately the Board with  
21    recommendations based on this report at the  
22    next set of meetings.  So that will -- we are  
23    always looking for areas we can improve or  
24    clarify information.  So we'll be presenting

1 that at the next set of meetings.

2 MR. BROUSSEAU: You have it in  
3 the document that was handed out this morning.  
4 I know you received an e-mail two days ago, I  
5 think, from Tom Iannucci at Cortex about our  
6 self-evaluation that took place last fall.

7 You'll be happy to know that all nine  
8 members of the Board participated and did a  
9 self-evaluation, and seven Board members  
10 followed up with phone calls and conversations  
11 with Tom. And the report is divided basically  
12 into three items.

13 The first couple of pages are nothing  
14 more than an executive summary of the  
15 evaluation.

16 And after that, you get a section on  
17 comments.

18 And the last one, Appendices A and B.  
19 Appendix A shows the education program, which  
20 items received the highest scores. And the  
21 last one, Appendix B, is a summary list of  
22 recommendations.

23 I look at the first part on page 1 of  
24 the report, the summary of the results, I



1 think it's a very positive evaluation. There  
2 were no really strong or negative statements  
3 that were made in terms of how the Board  
4 operates or proceeds and carries on business.

5 The evaluation identified a very small  
6 number of isolated concerns, and I would say  
7 any of these concerns were usually just one  
8 member of the Board who mentioned it in their  
9 evaluation. So Tom did include these so you  
10 can see.

11 The first one, I think, is that one  
12 trustee felt that perhaps we should return to  
13 the five meetings per year. We used to have  
14 five meetings per year. It was, I think, two  
15 years ago, I think, that we went to the  
16 quarterly meetings, which I think for many  
17 Board members has been successful. There was  
18 one feeling that perhaps it would give us more  
19 time to discuss probably things like strategy  
20 and things that the Board should be dealing  
21 with.

22 Another trustee suggested that  
23 "Current practices do not allow trustees  
24 enough time to socialize."

1           So the idea was perhaps part of the  
2 education program a few years ago, I recall  
3 how well received they were or attended, the  
4 brown bag lunches that Michael organized or  
5 probably even a workshop at this meeting at  
6 the end, but it's very difficult when you've  
7 been here for 2 1/2 to 3 hours to expect  
8 people to stay on in the afternoon for a  
9 workshop. That has been the issue, I think,  
10 the problem of coordinating things like this,  
11 to actually give Board members an opportunity  
12 to meet, to socialize, and also to learn more  
13 about PRIM.

14           Another trustee suggested that "The  
15 Board does not get a lot of exposure to the  
16 good work PRIM is doing with its  
17 stakeholders," and it's also in the  
18 recommendations on the last page, perhaps, if  
19 somehow a report once or twice a year,  
20 probably from Client Services, in terms of the  
21 client advisory that Michael established  
22 dealing with stakeholders and some of their  
23 concerns and also their feelings as to how  
24 perhaps PRIM operates and perhaps treats them

1 also, which I know it's very well, but the  
2 Board is not many times aware of this. And  
3 that was that comment.

4 On page 2, the retreat, it was felt by  
5 a member of the Board that the retreat should  
6 be handled as a regular Board meeting, and the  
7 trustees should make it their agenda to see  
8 that it may be, quote, only a retreat. It's  
9 not where we conduct business, but this person  
10 felt that the retreat should be treated by  
11 some as a regular Board meeting.

12 Five, succession policies. We know we  
13 have succession policies for the ED, but they  
14 felt that for other key positions, there  
15 should be more succession policies in terms of  
16 having staff involved or on Board who could be  
17 in the succession process, if and when -- I  
18 know it's not going to happen, Michael -- that  
19 we lose key staff people or key people here  
20 but in terms of succession.

21 One trustee said that "PRIM is slowly  
22 evolving and becomes very increasingly  
23 sophisticated, and the Board needs to work to  
24 ensure the operational and governance

1 functions of PRIM are keeping pace with the  
2 growing demands being placed on them."

3 And finally another trustee spoke  
4 about "All Boards and committees need to be  
5 challenged regularly," and this person  
6 probably felt that the Board and the  
7 committees are not being sufficiently  
8 challenged.

9 And then after that, you have a few  
10 others. I don't want to read all of them to  
11 you, but on page 3.

12 But with respect to No. 4, with the  
13 Board education, the Board unanimously  
14 indicated and voted an optimal amount of time  
15 to the following. This, I think, is  
16 important. "The Board felt that there was an  
17 optimal amount of time given to asset  
18 allocation, manager selection, public and  
19 private markets, and the audit function of  
20 PRIM."

21 I'm going to jump around, because  
22 these, I'm sure, you had them, and you were  
23 able to read them.

24 On Appendix A, page 4, it's nothing

1 more but comments that people made in the  
2 conversations with Tom. And, again, if you  
3 look, they were positive. I didn't see any --  
4 as I read through them, any strong negative  
5 feelings.

6           On page 5, you can see in Appendix A  
7 that, again, once again, the areas that  
8 reached the highest scores, like with No. 5,  
9 as you can see, is governance, fiduciary duty;  
10 asset allocation and asset mix; also portfolio  
11 risk management, value at risk; and we also  
12 had fund liabilities. We also saw in here  
13 investment and performance measurement as  
14 things that the Board was interested in in  
15 terms of the evaluation.

16           And the last page, Appendix B, is  
17 simply, as Tony said, that the staff will work  
18 on, perhaps, going through some of these  
19 recommendations for education when we prepare  
20 for the next retreat of the Board sometime  
21 probably later this year.

22           But if you see the Board education  
23 attendance, as I said earlier, at the retreat,  
24 more planning for succession, Board operations

1 and decision-making, and finally, reporting  
2 practices, consider directing staff to provide  
3 a short report to the Board periodically about  
4 the activities that we are carrying on as an  
5 organization with our stakeholders.

6 And with that, I don't know if there  
7 are any other comments or any questions.

8 Again, I'm going to thank the Board  
9 again -- and I know the Treasurer will -- for  
10 participating in this process. But it's very  
11 important that we look at ourselves at least  
12 once a year.

13 TREASURER GOLDBERG: I was kind  
14 of shocked to hear you say only seven of the  
15 nine --

16 MR. BROUSSEAU: No. I said  
17 earlier all nine did the evaluation. Seven  
18 out of the nine chose to have a telephone  
19 conversation with Tom at Cortex.

20 So he did speak with seven.

21 You don't have to chastise anybody,  
22 Madam Treasurer.

23 TREASURER GOLDBERG: I would  
24 never do that.

1                   MR. FALZONE: I would just ask  
2 if there was something specific within the  
3 Board's self-evaluation that you want to have  
4 a discussion with me about or something you  
5 want me to focus on, please let me know, and  
6 we'll prepare a formal response that I'll go  
7 over at the next set of meetings. But I'm  
8 happy to receive any input from the Board.

9                   MR. BROUSSEAU: That will be in  
10 May?

11                   MR. FALZONE: Yes.

12                   TREASURER GOLDBERG: Thank you,  
13 everyone, on that.

14                   MR. BROUSSEAU: Yes, thank you.

15                   TREASURER GOLDBERG: Any other  
16 questions or comments on this?

17                   Again, thank you, everyone, on that.

18                   MS. FITCH: This is done on an  
19 annual basis or every three years?

20                   MR. BROUSSEAU: No, it's done on  
21 an annual basis. So we'll be doing it later  
22 this year for November, this fall.

23                   MS. FITCH: Thank you.

24                   MR. BROUSSEAU: I think we were

1 a little out of sync last fall.

2 MR. FALZONE: Based on the --  
3 all the contact you had with Cortex on the  
4 governance manual work, I didn't think it made  
5 sense to take up more of your time.

6 MR. BROUSSEAU: We did not have  
7 the opportunity to have our retreat, which  
8 was -- it was pushed forward from the  
9 September date to December.

10 So in terms of Board education, that  
11 colored some of the comments that were made by  
12 one trustee out of the nine.

13 MS. FITCH: Thank you.

14 MR. FALZONE: Thank you.

15 TREASURER GOLDBERG: That would  
16 be all on that.

17 We are at legal legislative update.

18 Deputy Chris Supple.

19 MR. SUPPLE: So there has been  
20 some recent activity at the State House  
21 regarding some legislative proposals that  
22 would have relevance for PRIM if they were  
23 enacted and became law, including some  
24 legislation filed by the treasury, and Emily



1 from the treasury's legislative office is here  
2 and has graciously agreed to give us a summary  
3 of some of that.

4 MS. KOWTOWIUK: Hi, I'm Emily  
5 Kowtoniuk, and I work for the Treasurer.

6 So the bills that we've tracked  
7 on behalf of PRIM, PRIM-related, fall into  
8 three primary buckets.

9 So we've been looking at divestment  
10 legislation, diversity equity and inclusion  
11 legislation, and then legislation that  
12 pertains to the PRIM Board's membership.

13 So we just hit kind of a key milestone  
14 in the two-year legislative process, which is  
15 joint committee day, and that's the day where  
16 all joint committees have to report all of the  
17 bills before them. So we have a pretty clear  
18 sense as to which direction the legislature is  
19 moving in on these initiatives.

20 In terms of divestment, the bulk of  
21 the divestment bills were before the joint  
22 committee on public service, and house chair  
23 has a bright-line rule against any divestment  
24 initiatives moving forward. So all of the

1 divestment bills that were placed before the  
2 Public Service Committee, they all went to  
3 study, including a bill that the Treasurer had  
4 filed to divestment, firearms commission.

5           There was one bill, however, that was  
6 before the Joint Committee on Public Safety,  
7 and that bill did advance. It was just  
8 referred to the House Committee on Ways and  
9 Means, and that would require a divestment  
10 from countries in which genocide is taking  
11 place.

12           So that's the only divestment  
13 initiative that we see moving forward.

14           Turning to diversity equity and  
15 inclusion. The Treasurer has filed a bill,  
16 alongside one of our house champions, to make  
17 sure that the ETI initiative that PRIM invests  
18 in or directs investment is intentional in  
19 terms of investing in women-owned and  
20 minority-owned businesses and entities.

21           So we're going to be working with PRIM  
22 staff to make sure that that language is as  
23 effective as possible as that bill moves  
24 forward.

1           It did receive a strong favorable  
2 report by the committee, and we're waiting  
3 right now to see which secondary committee  
4 it's referred to.

5           Then in the last bucket, the  
6 membership bucket, we've seen iterations of  
7 tweaks to the PRIM Board membership for  
8 several sessions now.

9           These bills have traditionally always  
10 been sent to study because they would have  
11 added members to the PRIM Board.

12           And based on some feedback that one of  
13 the key Senate filers of this legislation  
14 received about dilution of the Board's  
15 membership, there was a new approach that was  
16 filed this session by Senator Keenan, and this  
17 bill would, instead of adding a member to the  
18 Board, would change the composition. It would  
19 require the governor to appoint their public  
20 safety appointee from a panel of three  
21 individuals selected by member participants.

22           So that bill did actually advance,  
23 which was a change to what we've seen in past  
24 sessions. And, again, we're waiting for that

1 bill to be referred to its second committee  
2 right now.

3 MR. BROUSSEAU: Emily, the  
4 divestment issue, I can recall only two years  
5 ago we had people out on the corner here  
6 holding signs and lobbying this Board, and  
7 they appeared here and spoke before us.

8 I can't believe that the legislators  
9 are now getting the same kind of pressure put  
10 on them by a lot of individuals. I know I've  
11 got an e-mail from one of our members who was  
12 very strong about the divestment of fossil  
13 fuels. I replied to the e-mail, told them  
14 what our policy is.

15 TREASURER GOLDBERG: I can tell  
16 you why because the members have called me to  
17 have me explain to them why. In their case  
18 it's typically they're interested in  
19 progressive Democratic treasurers, what the  
20 position is of treasurers overall and  
21 Democratic treasurers.

22 It is not -- divestment is not  
23 supported by Democratic treasurers.  
24 Shareholder engagement and activism is.

1           I have given the data. I have told  
2 them the position of several Democratic  
3 treasurers -- Vermont; Rhode Island; DiNapoli,  
4 who is the controller in New York; Stringer,  
5 who is New York City -- and none of them  
6 support divestment in fossil fuels, and, in  
7 fact, the fossil fuel companies have the most  
8 amount of resources to invest in alternatives  
9 and are doing so.

10           So that's the answer. They like the  
11 answer. They're using the answer. And I  
12 think it's finally having an impact.

13           I have just caught a call two weeks  
14 ago on this from a Lowell Democratic state  
15 representative, Lowell and Chelmsford, to be  
16 specific.

17           MR. BROUSSEAU: Good.

18           TREASURER GOLDBERG: I give them  
19 what they need, and then they're happy.

20           Let's see. Are we done?

21           MR. SUPPLE: Yes.

22           TREASURER GOLDBERG: Next is  
23 other matters.

24           MR. FALZONE: THE budget is

1 there, and a client service update is there  
2 for your reading pleasure.

3 TREASURER GOLDBERG: I think  
4 that might be it.

5 MR. TROTSKY: That is it.

6 TREASURER GOLDBERG: The pile  
7 was misleading.

8 Thank you very much. I would seek a  
9 motion to adjourn.

10 MR. BROUSSEAU: So moved.

11 TREASURER GOLDBERG: Second?

12 MR. SHANLEY: Second.

13 TREASURER GOLDBERG: It's a roll  
14 call.

15 Bob?

16 MR. BROUSSEAU: Yes.

17 TREASURER GOLDBERG: Paul?

18 MR. SHANLEY: Yes.

19 TREASURER GOLDBERG: Teresa?

20 MS. MC GOLDRICK: Yes.

21 TREASURER GOLDBERG: Peter?

22 MR. MONACO: Yes.

23 TREASURER GOLDBERG: Jim?

24 MR. HEARTY: Yes.

Minutes of the Board Meeting - February 26, 2020

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TREASURER GOLDBERG: Ellen?

MS. FITCH: Yes.

TREASURER GOLDBERG: Dennis?

MR. NAUGHTON: Yes.

TREASURER GOLDBERG: And myself,  
yes.

Thank you.

(Meeting adjourned at 11:51 a.m.)

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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 February 26, 2020.



Darlene M. Coppola  
Registered Merit Reporter  
Certified Realtime Reporter

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