

1 **COMMONWEALTH OF MASSACHUSETTS**
2 **PENSION RESERVES INVESTMENT MANAGEMENT BOARD**

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Minutes of the Board Meeting
Wednesday, September 9, 2020
commencing at 9:32 a.m.

(CONDUCTED REMOTELY)

PRIM Board Offices
84 State Street
Boston, Massachusetts

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A T T E N D E E S

(Via Zoom)

Board Members

- Treasurer Deborah B. Goldberg, Chair
- Robert L. Brousseau
- Ruth Ellen Fitch
- James B.G. Hearty
- Theresa F. McGoldrick, Esq.
- Peter Monaco
- Dennis J. Naughton
- Carly Rose
- Paul E. Shanley, Esq.

Other Presenters:

- Michael Bailey
- Anthony Falzone
- Alyssa Fiore
- Maria Garrahan
- David Gurtz
- Jason Jay
- Emily Kowtoniuk
- John La Cara
- Bill Li
- Eric Nierenberg
- Roberto Rigobon
- Tim Schlitzer
- Chris Supple
- Paul Todisco
- Michael Trotsky
- Michelle Witkes
- Sarah Zatoonian

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P R O C E E D I N G S

A meeting of the Pension Reserves Investment Management Board (PRIM Board) was held remotely on September 9, 2020. The meeting was called to order and convened at 9:32 a.m. Treasurer and Receiver-General Deborah Goldberg chaired the meeting.
Co: audio -00:00:01:29

TREASURER GOLDBERG: To begin, this meeting is being held by Internet and telephone in accordance with the provisions of the Governor's March 12, 2020 order that allows remote participation by all members of a public body and suspends the requirement that a quorum and the chair be physically present, provided that the public has access to the meeting through technology that enables the public to clearly follow the proceedings while they are occurring.

Accordingly, all members of this board will participate today remotely via telephone and/or Internet-enabled audio and videoconferencing.

All votes in today's meeting will be taken by roll call. Public access to the deliberations of the meeting today will likewise

1 be provided via telephone with all documents
2 referenced at the meeting today to be viewed on
3 PRIM's website, which is www.mapension.com.

4 All persons speaking in today's meeting
5 are asked first to identify themselves.

6 Also the Open Meeting Law requires
7 anyone wishing to record a meeting to first notify
8 the chair so that the chair can inform the other
9 attendees. Thus far, no one has indicated to me,
10 unless somebody wants to indicate to me right now,
11 that they are recording today's meeting.

12 But if you do intend and you are not
13 informing me now, please then notify Beth Herlihy
14 by email at eherlihy@mapension.com.

15 With that, we will move on to the first
16 roll call vote, which will be approval of the PRIM
17 board meeting minutes. And I seek a motion that
18 the PRIM Board approve the minutes of its May 21,
19 2020 meeting and further authorize the executive
20 director to take all actions necessary to
21 effectuate this vote.

22 Is there a motion?

23 MR. SHANLEY: So moved.

24 MR. BROUSSEAU: Second.

1 TREASURER GOLDBERG: All those in favor?
2 Bob?
3 MS. FITCH: Aye.
4 MR. BROUSSEAU: Aye.
5 TREASURER GOLDBERG: No. Sorry, Bob.
6 Who spoke before Bob?
7 MS. FITCH: I did. Ruth Ellen.
8 TREASURER GOLDBERG: It has to be roll
9 call, Ruth Ellen.
10 MS. FITCH: All right.
11 TREASURER GOLDBERG: Bob?
12 MR. BROUSSEAU: Yes.
13 TREASURER GOLDBERG: Carly?
14 Carly was on.
15 MS. MCGOLDRICK: She's muted, I think.
16 TREASURER GOLDBERG: I'll come back to
17 you, Carly.
18 Dennis?
19 MR. NAUGHTON: Yes.
20 TREASURER GOLDBERG: Theresa?
21 MS. MCGOLDRICK: Yes.
22 TREASURER GOLDBERG: Jim?
23 MR. HEARTY: Yes.
24 TREASURER GOLDBERG: Paul?

1 MR. SHANLEY: Yes.

2 TREASURER GOLDBERG: Ruth Ellen?

3 MS. FITCH: Yes. Didn't change.

4 TREASURER GOLDBERG: And myself.

5 I did see Carly, but we can't have

6 her --

7 You know what, Carly? I see a message

8 from you on a yes, but unfortunately we have to

9 hear you from audio for it to be effective.

10 That's my understanding.

11 Correct, Chris?

12 MR. SUPPLE: Yes. That's correct.

13 TREASURER GOLDBERG: That's right. So

14 we'll have to just go with what we have until

15 Carly can get back on.

16 Sarah Kim also said she's having

17 difficulty. I just wanted to, Tony Falzone, give

18 you that heads-up.

19 I see Carly's name. She's back.

20 Well, we're going to keep on going, but

21 we are moving on to the next item on the agenda,

22 which is the executive director/chief investment

23 officer report, summary, and organizational

24 updates, and PRIT Fund performance.

1 MR. TROTSKY: Thank you, Treasurer.

2 Can everyone hear me okay?

3 MS. MCGOLDRICK: Yes.

4 MR. TROTSKY: Excellent. Welcome to the
5 September board meeting. Thanks for coming today,
6 and I hope you all had as nice a --

7 TREASURER GOLDBERG: Michael, I'm going
8 to stop you for a minute. I don't know if anyone
9 else received -- yes, we got an email at 9:18 a.m.
10 from Elizabeth Herlihy notifying us that two
11 people are recording the meeting.

12 One is Peter Benson, Real Estate Fund
13 Intelligence. The other is Colin Young with State
14 House News Service. And that also in attendance
15 is Gar Chung from Financial Investment News and
16 Connor Owen from Fundmap.

17 See, having four devices is very
18 helpful. And Carly's back.

19 MS. ROSE: Hi. Sorry about that.

20 TREASURER GOLDBERG: Okay. So aren't I
21 effective?

22 MR. TROTSKY: Excellent. Thank you,
23 Treasurer, and welcome to the meeting, everybody.
24 Hope you had as nice a summer as you could

1 possibly have with all that's going on.

2 Again, I ask that all participants
3 please put their settings on mute during the
4 presentations to minimize background noise. We
5 have a lot of participants on today. And we also
6 ask that everyone take extra care to ensure we
7 maintain the decorum and level of formality that's
8 appropriate for a meeting of the board. Thank you
9 so much for your cooperation.

10 We will be referring to slides today
11 that have been sent to you and also posted to our
12 website. And the Treasurer said what the website
13 is. I have a different way of saying it. It's
14 www.mapension.com. All one word. And you can
15 find the presentation there.

16 But before beginning today's formal
17 agenda, I really want to announce two very
18 significant and very exciting new developments.

19 First, and this is really hot off the
20 presses, yesterday, we announced an important new
21 partnership with the MIT Sloan School's
22 Sustainability Initiative. And there, you can see
23 the press release that went out late yesterday.
24 And I actually signed the agreement this

1 morning so it is hot off the presses.

2 Maria Garrahan, PRIM's director of
3 research, together with Eric Nierenberg, our
4 director of strategy, and of course Investment
5 Committee member Michael Even worked very hard to
6 establish PRIM as the very first founding member
7 of the Aggregate Confusion Project, a research
8 project led by Dr. Jason Jay and Dr. Roberto
9 Rigobon, two of the world's foremost academics on
10 the subject of sustainable investing. And you
11 will hear from both of them later today.

12 We're extremely excited to partner with
13 MIT. The project launches a new consortium of
14 researchers designed to solve ESG investing's most
15 challenging issues. And we believe that through
16 this research partnership, which will essentially
17 be an extension of PRIM's research staff, PRIM and
18 MIT together can lead the industry in developing
19 more robust and more impactful ESG measurement
20 techniques, which ultimately will lead to more
21 impactful investment strategies.

22 So we're very, very excited about that.
23 You'll hear more about that today.

24

1 Next and from this press release
2 displayed on your screen, you may have noticed
3 that PRIM has changed its logo. There it is.
4 This is an element of a launch very soon of a
5 completely new and more informative PRIM website.
6 Within days, I'm told.

7 This has been a major focus for Beth
8 Herlihy, our new communications director, in her
9 first months here at PRIM. And she is in the
10 final stages of testing so please be on the
11 lookout for the official launch, again in the
12 coming days. And again, this is what it will look
13 like. I think it looks good.

14 Congratulations, Beth. I know that
15 launching a new website in your first days as our
16 new communications director is very ambitious and
17 praiseworthy. So very good job. I think it looks
18 great. I'm excited about it.

19 So there's a lot to discuss today, and
20 for scheduling reasons, this meeting comes quite
21 late in the quarter. It's usually in August. So
22 I'll keep my performance remarks brief today, and
23 I've asked each asset class head to do the same
24 because by now, the June performance, which we

1 covered in some detail in July, is quite stale.
2 And as you know, there was a very large rebound in
3 the markets in July and August, so again, it makes
4 the June performance quite stale. We'll give you
5 some updates on that.

6 But first, an organizational update.
7 I'm pleased to announce that this summer we
8 welcomed three new interns. Claire Xie joined
9 PRIM on June 22 and worked with the real estate
10 and timber team, reporting to Christina
11 Marcarelli. She comes to us through the CFA
12 Society Boston internship program, and she's a
13 rising senior at Bentley.

14 Olivia Larder joined PRIM on July 6 and
15 is working on the public markets team, reporting
16 to Andre Abouhala. She comes from Girls Who
17 Invest scholarship program and is a rising junior
18 at Boston College.

19 Siyuan Yang joined PRIM on July 20 and
20 is working on the PCS team, reporting to Bill Li.
21 He comes to us through Brandeis University
22 International Business School. He's a candidate
23 there for a master of science in finance.

24 And we're very excited that the three of

1 you were able to join us. A lot of internship
2 programs were cancelled this summer, and we are
3 very happy and pleased that we continued ours.

4 Organizationaly, fiscal 2020 was a
5 really outstanding year, another outstanding year.
6 And consistent with board-approved hiring plans,
7 we've filled nine staff vacancies this year with
8 top talent. All were diverse. And only one
9 senior-level employee departed. And there were no
10 departures in fiscal year 2019.

11 We also welcomed a total of eight new
12 interns during fiscal year 2020. All of them were
13 diverse candidates or interns. And of course we
14 have exceptional investment, finance and operation
15 professionals here at PRIM. And all of our job
16 postings literally attract hundreds of talented,
17 well-qualified applicants. I've said it before,
18 and I'll say it again. There's no greater
19 compliment that we can receive than receiving this
20 amount of interest to work here at PRIM.

21 Our team continues to be recognized
22 nationally for the success and innovation of our
23 investment program and for the transparency and
24 completeness of our financial reporting. And this

1 staff -- we're comparatively small compared to
2 other pension plans -- researched and deployed
3 approximately \$5.4 billion -- \$5.4 billion -- in
4 new board-approved investments in fiscal year
5 2020. That's admirable productivity in what has
6 been a very, very challenging year.

7 Next an update on our reopening.
8 Following guidance from the Governor, the
9 Treasurer, and other officials, PRIM offices were
10 shut down for more than three months starting in
11 mid-March. And during that time, all staff
12 thankfully was able to work remotely without much
13 difficulty.

14 PRIM offices reopened on Monday,
15 June 29, and staff was encouraged to adopt a
16 return approach that worked for their personal
17 circumstances. And even though we are considered
18 an essential service, returning to the office is
19 entirely voluntary, thanks to the IT
20 infrastructure that we have in place. Still, I'm
21 very pleased that approximately 30 to 40 percent
22 of our employees, 15 to 20 of us, are back in the
23 office each day.

24 And of course the reopening was made

1 possible by the Governor's directives and guidance
2 in consultation with the Treasurer and her staff.
3 The operations team here at PRIM studied this
4 guidance and the protocols thoroughly and
5 determined that our office configuration and size
6 allow us to adhere completely and safely to the
7 health protocols.

8 We also have the added benefit of being
9 on the second and third floor here at 84 State
10 Street, a building which the pension fund owns.
11 Being on the second and third floor of course
12 greatly reduces the need to use elevators. We
13 have staircases that have access to our offices.

14 And of course while the health and
15 safety of our staff and families is our number 1
16 priority, we are also committed to safely and
17 gradually welcoming more employees to our offices
18 as the guidance and their personal circumstances
19 allow.

20 I believe opening is an important step
21 in optimizing our productivity, maintaining our
22 collaborative culture and encouraging innovation
23 and efficiency here at PRIM. And I couldn't be
24 prouder of how our teams at PRIM performed through

1 all the challenges of this difficult situation.

2 Of special note, in mid-March, a PRIM
3 employee was diagnosed with COVID-19, but I'm
4 pleased to report the employee has recovered fully
5 and is back at work. We're very thankful for this
6 wonderful outcome.

7 In the area of national recognition, I'm
8 happy to report that in July, the American
9 Investment Council announced that PRIM Private
10 Equity ranked number 2 in private equity returns
11 among 176 U.S. public pension funds based on
12 10-year performance. And PRIM is the only fund
13 that has been in the top five of all private
14 equity portfolios every year that the American
15 Investment Council has conducted the study,
16 including number 1 rankings last year in 2019,
17 number 1 rankings in 2018, number 1 in 2015 and
18 number 1 in 2013. We're extremely proud of this
19 accomplishment.

20 And incidentally, the 10-year
21 performance of our private equity portfolio was
22 16.4 percent net of all fees and was only 30 basis
23 points behind the number 1-ranked fund this past
24 year. Private equity is an important return

1 driver at PRIM and is PRIM's highest performing
2 asset class by more than 5 percent annualized.

3 Congratulations to Mike Bailey and your
4 outstanding team for this accomplishment, and you
5 deserve this recognition so much.

6 Moving on to markets and PRIT Fund
7 performance. Slide 3, please.

8 There it is. You've seen this chart
9 before. It shows the market correction in
10 March 2020 -- that's the black line -- when
11 equities fell 34 percent in 20 days. That was the
12 fastest on record, going back to the Great
13 Depression, but it was not the deepest.

14 The deepest correction you can see on
15 this chart was during the Great Depression --
16 that's the blue line -- when stocks fell
17 86 percent over 34 months. This chart doesn't
18 even extend 34 months so there's actually another
19 leg down off of this chart. 34 months, nearly
20 three years was how long the Great Depression
21 lasted.

22 And of course the March 2020 market
23 correction lasted only 20 days, not 20 months,
24 which is the average of the 14 major corrections

1 that we've had since the Great Depression. The
2 March correction was unusually sharp and steep.
3 And the rebound, the bounce off the bottom, was
4 also unusually fast and steep. You can see that.
5 It looks like a perfect V.

6 Since the lows on March 23, the S&P is
7 now up more than 50 percent. It had been up more
8 until the last three days, but now through
9 yesterday, the S&P is still up more than
10 50 percent since its lows on March 23. It hit
11 record levels last month.

12 We have seen a complete reversal in just
13 five months, a near 85 percent swing. Down
14 34 percent from mid-February to mid-March, and up
15 more than 50 percent since the lows.

16 An 85 percent swing in a very short time
17 period in extreme market volatility is difficult
18 to navigate. And I'll remind you that as a result
19 of our strategic long-term asset allocation
20 studies, we have gradually decreased the PRIT
21 Fund's exposure to equities from a midpoint of
22 50 percent five years ago to 39 percent today.
23 Lower exposure to equities contributed to our very
24 strong performance in the March quarter, but the

1 lower exposure to equities was a headwind in the
2 June quarter when equities soared.

3 Next slide, please.

4 Nevertheless, in the context of a very
5 difficult, volatile and uncertain investment
6 environment, we were very, very pleased to report
7 that we actually made money during fiscal 2020.
8 The PRIT Fund net asset value grew \$1.5 billion.
9 It was up 2.4 percent gross, 2.0 percent net of
10 all fees, to \$75 billion, while we also paid out
11 \$1.3 billion in benefits to retirees. Notably,
12 the PRIT Fund continues to have no liquidity
13 issues. We are fully able to meet all benefit
14 obligations, even in March during the depths of
15 the correction.

16 And ironically, while PRIM's private
17 equity portfolio is garnering national
18 recognition, as I mentioned before, and continues
19 to be our best performing asset class over the
20 long term and the second best asset class during
21 fiscal year 2020, it is also the primary reason
22 the PRIT Fund underperformed its benchmark by
23 approximately 150 basis points in the fiscal year
24 ended June. The relative underperformance was due

1 almost entirely to a private equity benchmarking
2 anomaly that had occurred in the June quarter.

3 And incidentally, it also occurred to
4 the PRIT Fund, in the world financial crisis in
5 '08 and '09. It is no way indicative of the
6 underlying strength of our private equity
7 portfolio, but these anomalies do happen from time
8 to time, and they are exaggerated during periods
9 of extreme volatility.

10 Let me explain. There's actually a
11 mismatch in time periods built into our
12 performance reports, and we'll be addressing that
13 in the coming year. The private equity one-year
14 performance, which again was up 4.4 percent, is
15 compared to a long-term seven-year average of a
16 public markets benchmark. So private equity, one
17 year is compared to a seven-year average of a
18 public markets benchmark, actually the Russell
19 3000 plus 3 percent.

20 And this happened, of course the seven-
21 year period, in a period when public markets have
22 been very, very strong. If we were to compare
23 similar time periods, comparing the seven-year
24 average return of the PRIT PE portfolio, that was

1 up 18.8 percent, to the seven-year average return
2 of the benchmark, again up 14.3 percent, the PRIT
3 Fund outperformed by more than 4 percent.

4 And again, comparing short-term
5 performance one year to a longer term benchmark, a
6 seven-year average, can result in dramatic
7 differences, especially during volatile markets,
8 and that's exactly what occurred during the June
9 reporting period.

10 We expect this phenomenon to reverse
11 over time, just as it did during the global
12 financial crisis, again when the PRIT Fund last
13 exhibited the same benchmarking anomaly.

14 And in fact, this is new news today,
15 based on early reports, I am very, very happy to
16 report to you today that we are very optimistic
17 that in September, the coming quarter that we're
18 in now, we already know that private equity
19 performance will rebound faster than we expected.
20 We now expect September quarter gains will more
21 than offset the June quarter decline, and we are
22 now more confident that the benchmarking anomaly
23 which impacted relative performance last quarter
24 will reverse materially this quarter. And you'll

1 get September quarter performance later in the
2 fall.

3 Slide 5 here, you can see what performed
4 well for the fiscal year. PRIM's core fixed
5 income portfolio returned nearly 14 percent --
6 that's on the left -- providing the downside
7 protection when we needed it.

8 An important component of the core fixed
9 income portfolio is the U.S. Treasury STRIPS,
10 long-duration Treasuries. It returned more than
11 35 percent. It was up 35 percent in fiscal year
12 2020, making it the top performer for the fiscal
13 year. We've talked in the past about how our
14 STRIPS portfolio acts as an insurance policy
15 against falling equity markets, and it did a great
16 job of that last year.

17 PRIM's second best performing asset
18 class, you can see from the chart, was private
19 equity, which returned 4.4 percent for the year.
20 And as I mentioned, we expect significant
21 improvement in the private equity number in the
22 September quarter.

23 Global equities, value-added fixed
24 income and PCS were weaker for the fiscal year

1 ended June. And you will hear from each asset
2 class later about how these portfolios performed,
3 but first, a final word about markets and current
4 PRIT Fund positioning.

5 We continue to believe that the pandemic
6 has caused severe economic damage, and we believe
7 that the challenges this economy faces in
8 restarting are enormous, enormous challenges, and
9 it will likely take a long time. In the meantime,
10 we do expect more volatility, just like we've seen
11 in the past few days. And we strongly believe
12 that our fund is appropriately positioned.

13 While the U.S. is a month into the
14 economy's reopening and there is some more
15 positive economic news and data flows lately,
16 there is still very little clarity on the pace and
17 the durability of this recovery. We continue to
18 believe that the carefully constructed and broadly
19 diversified PRIT Fund with some of those
20 instruments I've described, insurance policies, we
21 believe it will continue to perform well over the
22 long term, as it has consistently performed
23 strongly in both up and, perhaps more importantly,
24 down markets.

1 I can stop there and take any questions
2 on the organization or on PRIT Fund performance
3 before moving on to the next section.

4 And, Bob, I know you lead the next
5 section, and I do have some brief comments before
6 you lead that.

7 TREASURER GOLDBERG: Are there any
8 questions from the members of the board on this
9 performance or anything that Michael has said?

10 MR. TROTSKY: And again, you'll get more
11 detail from each asset class head.

12 TREASURER GOLDBERG: Exactly. Well,
13 then, Michael, I would encourage you to go on to
14 the next section.

15 MR. TROTSKY: Okay. The next section is
16 my favorite part of the year. It's my evaluation,
17 which I get to do in an open public meeting. I
18 love that.

19 TREASURER GOLDBERG: Yes. And I'm
20 honestly missing sitting right next to you because
21 this is typically -- oh, good. I can see through
22 the camera you are turning red. That's good.

23 MR. TROTSKY: Yes. And I have the
24 ability to turn off my camera, which I may do.

1 TREASURER GOLDBERG: However, I truly
2 enjoy that level of discomfort that I get to
3 observe typically right next to you.

4 MR. TROTSKY: I know. I know.

5 So anyway, before moving into the next
6 section, consistent with last year, I quickly
7 created a list of PRIM's top 20 highlights from
8 the fiscal year that I thought I'd review very
9 quickly with you. More details and more
10 highlights can be found in the expanded agenda
11 where I elaborate on some of the points I'll be
12 making.

13 But number 1, in a very difficult and
14 volatile investment environment, I think it is
15 very important to point out that we made money in
16 the fiscal year, and we outperformed many of our
17 peers with a return of 2.4 percent. And
18 importantly, the fund asset value grew by
19 1.5 billion dollars.

20 Number 2, we met all our obligations
21 throughout the year, and we paid out \$1.3 billion
22 in benefits to retirees.

23 The investment team, as I mentioned,
24 with operations staff support, researched and

1 deployed approximately \$5.4 billion in board-
2 approved investments. That's great productivity.

3 Four, we created a diversity, equity and
4 inclusion framework to execute PRIM's diversity
5 and inclusion initiatives. You're going to be
6 hearing from Michelle later today about that.

7 And we made significant and very
8 measurable progress in the fiscal year. For
9 example, number 5, all nine new full-time
10 employees and all eight interns in the fiscal year
11 were diverse in regards to gender, race or both.

12 Additionally, PRIM invested
13 approximately \$1.3 billion with 10 minority- and/
14 or women-owned investment managers. It's about a
15 50/50 mix -- half were minority; half were women-
16 owned -- new investment managers during fiscal
17 year 2020. The PRIT Fund currently invests nearly
18 \$4 billion with women- or minority-owned
19 investment managers. We've been doing this for a
20 long time.

21 Seven, we made significant progress on
22 improving staff's diversity. Admittedly, there is
23 room to improve, but we are making good progress.
24 Today, 61 percent of PRIM's workforce is diverse

1 in regard to gender, race or both. 52 percent of
2 PRIM's workforce is female. 33 percent of PRIM's
3 senior management is diverse in regard to gender,
4 race or both. And 28 percent of PRIM's senior
5 management is female. Those are all significant
6 improvements from last year.

7 Next, number 8, in public markets, we
8 deployed \$1.5 billion in U.S. short-term fixed
9 income. That's a new asset class, and it came at
10 a good time.

11 We allocated \$450 million to other
12 credit opportunities, including a new investment
13 that utilizes the newly created TALF program.
14 Hopefully that will capitalize on any market
15 dislocation.

16 In private equity, we've made
17 commitments to 14 funds totaling \$1.6 billion.
18 Two of those funds were new managers to PRIM.
19 Also in private equity, 10 new co-investments
20 totaling \$210 million. That's a 25 percent
21 increase from last year.

22 Portfolio completion strategies added
23 four new managers to the PCS platform and one new
24 manager to the other credit opportunities bucket.

1 In research, I know you all loved it and
2 so did I. You're going to be hearing more from
3 Maria on that, but she completed the ESG Board
4 Educational Primer. And of course she began to
5 develop a groundbreaking academic partnership with
6 the MIT Sustainability Initiative, which we've
7 just announced today.

8 In real estate and timberland, closed
9 seven core real estate acquisitions for
10 \$435 million. Closed five core real estate
11 dispositions, sales, for \$300 million. Refinanced
12 \$200 million of real estate portfolio debt, taking
13 advantage of the low interest rates. Closed two
14 non-core commitments; one in high tech and life
15 science office strategy. That was \$200 million.
16 And another in industrial development project in
17 Atlanta. That's \$21 million.

18 In finance and operation, Tony, your
19 staff is outstanding. PRIM again was awarded the
20 GFOA Certificate of Achievement for Excellence in
21 Financial Reporting. That's a nationwide
22 certificate, and that's our 15th consecutive year
23 winning that award. Congratulations to you and
24 your team.

1 We successfully, thanks to your team,
2 successfully transitioned to a completely remote
3 workforce in response to COVID-19. We were
4 well-prepared for that dislocation, thanks to the
5 work you did in preparing for disaster recoveries.
6 And successfully, you created and implemented a
7 reentry plan, which I described before.

8 Getting to the end, number 17, completed
9 multiple audits conducted by KPMG, and there were
10 no adverse findings of any of the audits.

11 18, in client services, Paul Todisco and
12 your team, another outstanding year. No clients
13 were lost in fiscal 2020, and we're very happy to
14 report that the MBTA Retirement Fund voted to
15 invest \$45 million with PRIM in hedge funds and
16 private equity. That's great news.

17 Number 19, of course we received a ton
18 of recent recognition for PRIM and its staff
19 members. You can see that outlined in your
20 expanded agenda.

21 And last but not least, in Project
22 SAVE -- remember "SAVE" stands for Strategic
23 Initiative for Value Enhancement -- we completed
24 nine new private equity co-investments totaling

1 \$174 million. And the Project SAVE Phase I
2 initiative now realizes approximately \$187 million
3 in annualized value-enhancing activities.

4 Remember, the original goal of that program was
5 \$100 million, and we've almost doubled it.

6 So I'll stop there. I think it was a
7 very good year, considering all that was going on.
8 We're looking forward to another great year, and
9 hopefully I'll be able to report to you as much
10 productivity next year as I did this year.

11 TREASURER GOLDBERG: Thank you, Michael.

12 So let's see. Should I just turn it
13 over to Bob at this time?

14 MR. BROUSSEAU: Yes. I guess so.

15 TREASURER GOLDBERG: Okay. There you
16 go, Bob. I was just looking for you.

17 This is the introduction to Michael's
18 absolute favorite time of the year. Well, there's
19 one other.

20 But go ahead, Bob.

21 MR. BROUSSEAU: Thank you very much,
22 Madam Treasurer and fellow board trustees.

23 As you know, this is our annual
24 evaluation of the performance of the executive

1 director. Usually of course it is done in August
2 before Michael goes away on vacation. Now we gave
3 him all of his vacation time to worry about today
4 since we're doing it in September.

5 However, I would like to start, first of
6 all, by congratulating Michael. I think you all
7 realize and know that August the 18th marks the
8 10th anniversary of Michael being appointed
9 executive director of PRIM. He has been with us
10 for 10 years, and of course we know they have been
11 10 very good and exceptional years in growth for
12 PRIM, in no small measure due to Michael's ability
13 as the executive director.

14 We all know of course that the last few
15 years, Michael's evaluations have been on top.
16 And I'm going to tell you right now it is no
17 different this year from the evaluations that I
18 received and I'm going to report on this morning.

19 As you know, all of you received the
20 discussion guide. It was only meant as a guide.
21 You did not have to follow it. You could do your
22 own thing and do your evaluation.

23 The discussion guide also allows you to
24 call Michael and have a conversation with him,

1 which we strongly urge you to do, if you have not
2 done so, regarding any issues in his evaluation
3 that you might have concerns with.

4 As we know, of course, the review of
5 PRIM's results and accomplishments is what we hope
6 to see in this evaluation. Part 2 of this is to
7 be a voting item because the evaluation is there
8 for our information, but part 2 will be approving
9 his goals for fiscal year 2021.

10 First of all, the evaluation. I
11 received a total of 12 evaluations this year,
12 seven from trustees and five from committee
13 members. And at this point, I want to thank the
14 board and the committee members who responded to
15 Michael's evaluation. It is very heartwarming to
16 see the comments that were made, but also it helps
17 me especially because all I do is coordinate the
18 results. I don't make them up. You people gave
19 me the information, but I have to coordinate it
20 and present it to you. So thank you very much to
21 the board and to the trustees because what you did
22 was very helpful to me personally.

23 First of all, I am going to give you the
24 total result, and this is not going to come as any

1 surprise to you. The word that I found on every
2 single evaluation this year was the word
3 "outstanding." And it appeared on all the
4 evaluations in terms of Michael's performance, on
5 every evaluation document that I received by email
6 or by phone conversations with trustees and
7 committee members.

8 First of all, I'd like to just tell you,
9 as I went through these, I just want to -- over
10 the years, I've spoken about Michael's qualities,
11 especially as the performance, but I went through
12 this year and tried to find key terms and words
13 that people used in evaluating the role of the
14 executive director and the attributes that they
15 gave to him.

16 And I just want to read you this list
17 because I thought it was very impressive. Here
18 they are. Innovation, motivation, communication,
19 leadership, creativity, supportive, transparent,
20 resourceful, professional, respectful, strategic
21 thinker, integrity, ethical, performance,
22 excellence, role model, dedication, patience, team
23 builder, collaboration. These are quite a lengthy
24 list, and probably I could have added more to it,

1 but I think it gives you a flavor of what the
2 evaluations were like.

3 And at this point, what I'd like to do
4 is of course make a comment that the evaluation
5 was outstanding, but I think you have to put some
6 meat on these terms by at least quoting from some
7 of the committee and board and trustees who
8 replied to the evaluation. And I'm going to read
9 just a few, if you will just bear with me, that I
10 have in front of me.

11 Here is one that I received. It says,
12 "It is imperative to note that all of the great
13 work that Michael provided this year was even more
14 profound when you consider the personal family
15 health issues he faced and the professional
16 challenges created by the pandemic. Michael has
17 continued to put together a team that I would put
18 up against any of their peers in the public
19 sector. I again think this is the best team we
20 have had at PRIM. As I said last year, this says
21 a lot, as we have had some very talented people
22 pass through the doors of PRIM."

23 And again, the word was "outstanding" on
24 this evaluation.

1 Continue and it said, "If I had to
2 highlight one word that exemplifies Michael and
3 the team is definitely 'innovation' as seen by the
4 actions of many of our peers looking to emulate
5 what we do here at PRIM.

6 "Again, we have seen during the year all
7 the great accolades for everyone, from Michael to
8 many members of our staff. All of these are again
9 a reflection of the team and their leader. I
10 would also add again that the example of Project
11 SAVE II, the internal management saving, that has
12 created many savings for PRIM."

13 Here's another evaluation stating, "I
14 would comment that Mr. Trotsky's 2020 fiscal year
15 performance was outstanding in all areas noted on
16 the discussion guide. Michael's transparent
17 approach to sharing information and seeking input
18 and ideas and commentary provides members of
19 committees and trustees a view of the risks and
20 portfolio knowledge that helps our work here at
21 PRIM.

22 "Michael's excellent communication
23 skills, combined with his integrity and team
24 management expertise, continue to be further

1 evident in all interactions. Michael definitely
2 walks the talk, and the Commonwealth is very
3 fortunate to have him leading PRIM.

4 "Mr. Trotsky continues to promote new
5 ideas and innovation. And his willingness to
6 discuss and debate new investment ideas and
7 opportunities is advantageous to the fund.

8 "Michael is a resource for feedback and
9 ideas to optimize the opportunities of the
10 organization. His leadership and support of all
11 and especially" -- I'm not going to mention which
12 committee -- "is evident and an example of his
13 goal to grow the team professionally and
14 intellectually in their roles.

15 "Mr. Trotsky consistently displays a
16 high degree of professionalism and respect for all
17 persons present in meetings and interactions."
18 And again, this person again mentioned the
19 communication skill, which is -- "and he is always
20 open to hearing all viewpoints and integrating
21 them."

22 "In summary," this one said,
23 "Mr. Trotsky's overall performance is outstanding.
24 And the team and the PRIM team, committees, the

1 board, the beneficiaries and especially the
2 taxpayers of the Commonwealth are very fortunate
3 to have such a dedicated, intelligent and
4 thoughtful leader."

5 Going to another evaluation now, three
6 positive comments and statements stood out
7 specifically. "First of all, the incredible
8 stability of the staff, strategy and performance
9 in the face of extreme volatility. Continued
10 stellar reputation and image as a leader in the
11 industry for both PRIM as a whole and from Michael
12 independently. Significant progress on some very
13 interesting and complex directions, especially
14 with ESG and the effort with MIT."

15 Now, we all had a few suggestions for
16 improvements. One came here. One improvement
17 said that "Certainly Michael is still grappling, I
18 think, with the issue of the direction the
19 organization should go on internal asset
20 management." And this evaluation said that "This
21 is a very complex issue, and various aspects
22 support a cautious and thoughtful approach to the
23 whole area of internal asset management."

24 Summary, "Michael is doing a terrific

1 world-class job for us, in my opinion."

2 Another. A few key points on this
3 evaluation were "Michael's personal integrity, his
4 ethics and decorum. This is an incredibly
5 important category in that Michael's behavior sets
6 the tone for the whole organization. People at
7 all ranks and at whatever level of experience and
8 age temper their behavior based on what they see
9 emanating from the CEO's office. Michael's
10 performance in this category is exceptional.
11 We've got a winner in this regard."

12 Also another point in the same
13 evaluation mentions Michael's judgment in terms of
14 his actions, the decisions he makes and his
15 communication skills. It says, "At the end of the
16 day, the numbers tell the story. Well, at least
17 the investment side of the story. I guess the big
18 judgments have been made here, but judgment plays
19 a much broader role at PRIM and is in action
20 constantly. Michael is a good and accessible
21 leader. This was highlighted over this past year
22 with Michael receiving the lifetime achievement
23 award from Institutional Investor."

24 Another area this evaluation mentioned

1 was Michael's ability to attract, to develop and
2 to manage personnel. It said, "There is no more
3 important signal of success than being able to
4 attract, motivate, nurture and retain the very
5 best people in your business. The best leaders
6 are known by the people who surround them, and
7 we've seen here people that Michael has hired here
8 at PRIM have done just that. This terrific
9 personnel management skill makes him special."

10 Another one here highlights some areas
11 where PRIM excelled this year. "The growth of the
12 PRIT Fund to \$75 billion in a uniquely volatile
13 market. The continued expansion of diversity and
14 inclusion of PRIM staff. Successful ongoing
15 retention of PRIM staff. National recognition of
16 PRIM. Continued expansion of Phase II of Project
17 SAVE. Continued close attention to client
18 services."

19 The person said, "If past performance is
20 a predictor of future success, I believe that we
21 are most fortunate to have Michael at the helm at
22 PRIM."

23 Another one here stated, "I was very
24 pleased that Michael and his staff dealt

1 decisively with the challenges of the put spread
2 collar." And mentioned here also, "Much of the
3 portfolio completion strategy program is
4 challenged by the new uncertainties and markets
5 caused by the pandemic and the resulting economic
6 decline." And I think that was mentioned also in
7 Michael's comments today.

8 Another evaluation stated, "I continue
9 to be amazed and pleased by the excellence of the
10 leadership and stellar example set by PRIM's ED.
11 PRIM's acknowledged national success is due in
12 major part to the strategic and thoughtful
13 leadership of our executive director. He is a
14 role model for our staff, particularly our senior
15 investment staff. He has my support and
16 admiration 100 percent."

17 In another evaluation, "To use a sports
18 metaphor, Michael remains PRIM's most valuable
19 player. I again give him the highest marks across
20 the board with respect to all the subjective
21 aspects of performance which guide evaluation."

22 And I consider this was probably a very
23 important comment. "I would like to see the ED's
24 annual goals and objectives adopt and include a

1 medium, long-term component focused on strategic
2 planning and sustaining PRIM's high level of
3 performance in perpetuity."

4 This was a recommendation for Michael to
5 consider in terms of more probably his goals and
6 more strategic planning, looking towards the
7 future. Also I think Michael mentioned about the
8 PCS program, which has had its challenges over the
9 past year.

10 Another evaluation states, "I would say
11 that I am so grateful that we have had Michael
12 Trotsky at the helm of PRIM during the storm of
13 the year. His experience, his innovation, his
14 patience, his dedication and his work ethic have
15 advanced PRIM to the front of the pack amongst
16 peer funds and has allowed us to weather this most
17 recent storm and come out on top.

18 "Despite all the craziness of this year,
19 Michael and his team met our financial goals, came
20 out ahead, paid all benefits, recruited new
21 talented and diverse staff, retained staff, and
22 chaired and served as chair of the CFA Society,
23 while also dealing with a personal family health
24 crisis, all truly amazing achievements."

1 And another comment spoke about
2 "Michael's leadership and his ability to take
3 strong action when it comes to either terminating
4 managers when it has to be done without using
5 a -- no knee-jerk reactions in the actions that he
6 takes. They are thoughtful and well-thought-out.

7 "And he can be very unconventional, and
8 yet he achieves results. And he's a team player.
9 He seeks the approval -- he uses the team
10 approach, collaboration, diversity and using
11 initiative to solve problems." And they also
12 mentioned the Project SAVE II program.

13 Finally, I guess I've read from some of
14 the comments. I know probably this went on, but I
15 pray some of you recognize some of the things
16 you've said about Michael.

17 The suggestions of course were put in
18 the evaluations. And Michael already mentioned
19 the one on benchmarking, which was mentioned, but
20 I know that he's very interested in seeing that
21 these anomalies that he mentioned can be dealt
22 with.

23 Finally, I guess, Madam Treasurer, this
24 completes the information that I received and the

1 coordination. And usually at this point, I think
2 we've asked if there are any board members or if
3 there are any committee members who are on Zoom
4 today with us who'd like to make any comments.
5 They can seek your recognition and make any
6 comments they would like to.

7 And again, I thank all of the board and
8 committee members for their input. It made my
9 work a lot easier. Thank you.

10 TREASURER GOLDBERG: Thank you, Bob.

11 Are there any other members of the board
12 or committee who would like to make any comments?

13 MR. NAUGHTON: I would like to, Madam
14 Treasurer.

15 TREASURER GOLDBERG: Thank you, Dennis.

16 MR. NAUGHTON: So I just want to say
17 thank you directly to Michael here this morning.
18 All of those things and more are true, and we are
19 so fortunate to have him for all of the reasons
20 that were cited and probably more none of us
21 thought to cite.

22 So Michael, as I have said before, I'd
23 like to have you around for some time. Thank you.

24 TREASURER GOLDBERG: Any other board

1 members before I say something?

2 You ready, Michael?

3 So I would say that this is my fifth
4 evaluation that I've been present for. And I
5 would say that except for some of the details,
6 that they've all essentially been the same. It is
7 why we have continued to support Michael's
8 advancement when we do the Compensation Committee
9 meetings because of the performance, Bob, that you
10 have just described.

11 No leader is perfect. People make
12 mistakes. It's the ability to bounce back from
13 mistakes. The ability to evolve and grow is what
14 you really look for. You don't want anyone to be
15 stagnant. So if there sounds like a certain
16 repetition over the years, it's because the growth
17 has continued, not just in the fund, but also in
18 the achievements.

19 And I'm probably going to say what I
20 typically say. I look at how someone is able to
21 develop and maintain an environment, a workforce,
22 an office, that functions at the highest levels
23 and is able to retain good people. And I think
24 that is a critical, critical piece.

1 Michael on his own could be achieving
2 certain goals. However, being able to -- I look
3 around the room in front of me on this screen, and
4 I see an awful lot of the same faces, in a good
5 way.

6 And so I'm not going to go on for an
7 hour. I just want to say that there's more to
8 work toward, and Michael and others are aware of
9 some of the things that they need to take on,
10 whether it's on the technical side in terms of
11 benchmarking or whether it's on the other side of
12 people development and continued growth.

13 And I think that the MIT project is an
14 example of forward thinking and the desire to get
15 strategies and thought processes right. And not
16 only will it help PRIM, but what comes from all
17 that will also help pension funds all across the
18 country. So it's high impact.

19 And I think that's one of the things I
20 know I've tried to achieve by being president of
21 all the treasurers of the country. And certainly
22 I can tell you under COVID that has been a very
23 different experience than what I had anticipated
24 as being president, but probably far more of a

1 personal growth opportunity.

2 And I think that for Michael, having to
3 operate in this volatile environment and in these
4 crazy markets, which are defined by Ben Bernanke
5 as the market is not the economy and how do you
6 reconcile those?

7 I think that we have continued to see
8 achievement. And that's very important because at
9 the end of the day -- and I think, Dennis, that's
10 why you always do like to comment on this
11 particular issue -- it's about our retirees, and
12 it's about the taxpayers and the citizens of
13 Massachusetts. And I think we reach those goals
14 on all the fronts.

15 So with that, I'm ready to move on.
16 This is a voting item, but if there's anyone else
17 who wants to make a comment, I'm happy to
18 recognize you.

19 MR. BROUSSEAU: I don't think Michael's
20 evaluation is a voting item, but his goals and
21 objectives are.

22 TREASURER GOLDBERG: Oh, excuse me.
23 That's correct.

24 MR. TROTSKY: Well, I would just like to

1 thank you for those staggeringly great words and a
2 great evaluation. It was one of the most
3 difficult years of my life with my wife being
4 sick. And I thank you, everyone on the board and
5 the committees and the staff, for really helping
6 us weather the storm, not only of that but of the
7 extreme volatile markets. And I feel really good
8 about it.

9 I don't think I am the MVP, Bob. I'll
10 take exception to that. It's the staff that's the
11 MVP. I sometimes feel like I'm the conductor
12 conducting an orchestra that is fully in tune.
13 And when that happens, it's an incredible feeling.
14 So thank you very much.

15 And, Dennis, I look forward to many more
16 years.

17 TREASURER GOLDBERG: Okay. Now should
18 we vote on the goals and objectives?

19 MR. BROUSSEAU: Yes. You will make the
20 motion.

21 TREASURER GOLDBERG: I will read the
22 motion, but anybody else want to say anything?

23 And Eric, I just saw you hop on. You've
24 got to put my picture behind you or some such

1 nonsense.

2 For those who weren't on the call, when
3 we first started these Zoom calls, Eric first
4 appeared and had a very large picture of me
5 looking over his shoulder, which I found extremely
6 amusing.

7 With that, I am going to seek a motion
8 that the PRIM board approve the Administration and
9 Audit Committee's recommendation to approve the
10 executive director's fiscal year 2021 goals and
11 objectives as contained in Appendix D of the
12 expanded agenda and further to authorize the
13 executive director to take all actions necessary
14 to effectuate this vote.

15 Is there a motion?

16 MR. BROUSSEAU: So moved.

17 TREASURER GOLDBERG: Is there a second?

18 MS. MCGOLDRICK: Second.

19 TREASURER GOLDBERG: Okay. Remember,
20 this is roll call.

21 And Peter Monaco joined us a little
22 while ago, but he was not around for the first
23 minutes vote. So I'm going to start with Peter.

24 Unmute, please, Peter.

1 I can come back to you.

2 People who are going to vote, please
3 unmute yourselves.

4 All right. I'll start with Carly.

5 MS. ROSE: Yes.

6 TREASURER GOLDBERG: Jim?

7 MR. HEARTY: Yes.

8 TREASURER GOLDBERG: Peter, you're still
9 muted, by the way.

10 Yes. Can't hear you.

11 All right. Bob?

12 MR. BROUSSEAU: Yes.

13 TREASURER GOLDBERG: Peter?

14 MR. MONACO: Yes.

15 TREASURER GOLDBERG: Thank you.

16 Paul?

17 MR. SHANLEY: Yes.

18 TREASURER GOLDBERG: Dennis?

19 MR. NAUGHTON: Yes.

20 TREASURER GOLDBERG: Theresa?

21 MS. MCGOLDRICK: Yes.

22 TREASURER GOLDBERG: Ruth Ellen?

23 Ruth Ellen, you're muted. I'll come
24 back to you.

1 Jim Hearty, are you muted?

2 MR. HEARTY: No, I am not muted, and I
3 vote yes.

4 TREASURER GOLDBERG: Thank you.

5 MR. HEARTY: So that's a no yes.

6 TREASURER GOLDBERG: Yes, exactly. All
7 right.

8 I'm still waiting for Ruth Ellen.

9 Yes, you are good.

10 MS. FITCH: Yes.

11 TREASURER GOLDBERG: And myself.

12 And the motion carries. Thank you.

13 Now, let's see what's next. Back to
14 the -- I may have many, many -- four devices
15 going, but I still have to make sure we stay in
16 order.

17 Okay. Investment report, and we're
18 kicking off with the strategy group and research
19 update.

20 Oh, there goes Eric. Would you want
21 that over your shoulder?

22 Go ahead.

23 MR. NIERENBERG: Yes. Happy to have it,
24 Treasurer. Thanks, everyone. Great to be here.

1 I'm pleased today to have my colleagues
2 in the strategy group presenting some very
3 exciting opportunities and initiatives that we've
4 been working on. In a moment, I'll turn it over
5 to Maria Garrahan, our director of research, who
6 will be sharing some of the ESG work that we've
7 been doing in conjunction with MIT. And then Bill
8 Li will take you through the performance summary
9 for portfolio completion strategies.

10 Our team continues to work well. We are
11 up to eight full-time members of the strategy
12 group, in addition to having several interns
13 working with us, and we've been able to stay very
14 busy and look forward to having many new reports
15 of things we've been working on in the coming
16 months.

17 With that, unless there are any
18 particular questions, I'll turn it over to Maria
19 to talk about ESG.

20 MS. GARRAHAN: And I don't know how to
21 unmute myself. Great.

22 Good morning, everyone. Today I'm
23 extremely excited to share some very important and
24 groundbreaking news, something that I've been

1 working on since the educational board retreat in
2 December, where I launched the ESG primer, a
3 three-pillar approach, and where you were able to
4 meet Professor Roberto Rigobon.

5 Today MIT and PRIM are announcing that
6 PRIM is the first founding member of the Aggregate
7 Confusion Project, a new research consortium
8 launched by MIT Sloan School of Management
9 Sustainability Initiative.

10 This collaborative opportunity with MIT
11 scholars uniquely bridges academia with
12 practitioner insight to drive improvement and best
13 practices within environmental, social,
14 governance, (ESG) investing, starting first with
15 developing better datasets.

16 The most crucial path forward within the
17 ESG space is to address the lack of quality in ESG
18 data. This will require the pursuit of consistent
19 and reliable ESG data, currently the Achilles heel
20 of ESG investing.

21 However, we believe it is achievable
22 with the correct talent and resources dedicated to
23 solving these issues. And that is why it is so
24 imperative to create this unparalleled research

1 initiative with MIT.

2 The PRIM research team recognized a
3 novel opportunity to work with MIT scholars, which
4 really can be thought of as an extension of staff
5 to address these data concerns.

6 I would like to give a special call-out
7 to the Investment Committee member Michael Even
8 for making these initial introductions. Thank
9 you.

10 The MIT Sloan Sustainability Initiative,
11 with PRIM's help, will create a consortium of
12 institutional investors who recognize the need to
13 solve these data problems in order to develop more
14 robust and impactful ESG investing strategies.
15 The consortium will be an extension of MIT's
16 initial project, Aggregate Confusion, and MIT
17 hopes to recruit four to eight like-minded members
18 comprised of asset owners and asset managers to
19 solve ESG investing's most challenging issues.

20 Why is this important to PRIM? Well,
21 the research will enable us to confidently
22 identify ESG-related investment strategies, using
23 our proprietary suite of analytics to further
24 enhance the PRIT Fund's risk-adjusted return.

1 PRIM will lead the industry as we drive for reform
2 and best practices within the ESG space.

3 Furthermore, I would like to introduce
4 Jason Jay, senior lecturer and director of MIT
5 Sloan Sustainability Initiative, and Roberto
6 Rigobon, professor of applied economics at the MIT
7 Sloan School of Management.

8 Thank you.

9 MR. JAY: Thank you so much, Maria, for
10 the introduction. And thanks to the PRIM
11 management and board for joining us in this
12 capacity as founding member, and another word of
13 thanks to Mike Even for helping make these
14 connections.

15 We are thrilled to have PRIM as the
16 anchor tenant in this consortium for two main
17 reasons. The first and foremost is the
18 intellectual partnership that we've already really
19 begun to enjoy.

20 Maria's team and our team will be
21 holding a very difficult tension. On the one
22 hand, there is urgency to get ESG right, given the
23 magnitude of social and environmental disruption
24 facing the global economy and capital markets and

1 the regulatory conversations that are starting to
2 happen here in the U.S. and overseas.

3 On the other hand, there is tremendous
4 need for patience. We need careful, thoughtful
5 work to make sure that we're not just doing
6 something in ESG. We must kind of separate the
7 signal from the considerable noise out there.
8 We've got to carefully consider our values and our
9 goals. And we have got to discern what drives
10 real return to our investors, our beneficiaries
11 and society.

12 Maria's research team and PRIM more
13 broadly have a long-term view of return, and
14 patience and appreciation of the process of
15 rigorous research, which will serve all of us
16 very, very well.

17 The second reason PRIM is the perfect
18 anchor tenant is the market's recognition of your
19 seriousness and thoughtfulness. PRIM is such a
20 widely respected institutional asset owner, and
21 we're both hopeful and confident that your
22 leadership here as a founding member will draw
23 others to the table.

24 By building a consortium of thoughtful

1 asset owners, managers and researchers, we can do
2 more than any of us could do alone, and we're just
3 incredibly grateful to be working with you. So
4 thank you.

5 Roberto, my colleague here, as the
6 founder and lead researcher on the Aggregate
7 Confusion Project, will say a few words.

8 MR. RIGOBON: Yes. First, thank you so
9 much, Maria, Michael and Mike Even for the
10 leadership that you have shown during this
11 process. I don't know if I get to vote, but I
12 also agree with the evaluation from Michael that
13 he got. So I'm really glad to be creating this
14 partnership.

15 So let me compliment what Jason said. I
16 think actually it is very easy to feel overwhelmed
17 by the challenges that the world is facing. I
18 mean when you think about it, the impact that
19 we're having on the environment is creating a
20 tremendous threat to all of us. Social and
21 political issues like income inequality, poverty
22 and other forms of inequality are deteriorating
23 our institutions.

24

1 We're squeezing our social fabric in
2 every conceivable dimension, all the way from
3 human and civil rights violations that we
4 constantly witness, to modern slavery, domestic
5 violence and mental health issues that are
6 persistently neglected in our societies. And, you
7 know, we see repeatedly disenfranchising of some
8 of our citizens by our political systems.

9 So you might think that I'm describing
10 the U.S., but actually these are problems that hit
11 all countries in the world right now. Therefore,
12 to be honest, it's not surprising to feel
13 overwhelmed by these issues.

14 Now, being overwhelmed is one thing.
15 Feeling hopeless is another. And even though all
16 of us have been affected in some form or shape by
17 some of these issues, I think that many feel that
18 they can do little to solve them.

19 I disagree. I disagree severely with
20 that approach. I believe that human kind has
21 shown tremendous amount of creativity throughout
22 our history. I believe that if committed,
23 knowledgable and passionate individuals get
24 together, we can actually take the first steps to

1 find the solutions of the worst problems, as we
2 have done in the past.

3 So when we think about the tools that we
4 use to solve these issues, we usually use two.
5 It's management and technology actually. Almost
6 all the problems that we have had use these two
7 tools. I call them my joysticks, the joysticks
8 that we have to solve the problems.

9 And for example, I hope everybody's safe
10 during this COVID pandemic, but when you think
11 about how we're tackling the issue of COVID, it's
12 really using these two tools. The vaccine is a
13 technological aspect that will help us solve
14 COVID, and the lockdowns and the management of the
15 lockdowns is the management tool. And we use both
16 of them to solve the problems. And I think that
17 every problem, every situation we have, we think
18 to use these tools.

19 For technology and management to be
20 successful, we need to measure. I think that the
21 measurement is needed to assess the situation and
22 to actually discern between possible strategies,
23 the ones that work and the ones that do not work.

24 Our research at MIT is trying to improve

1 measurement of the ethical behavior of firms.
2 It's very particular on that aspect. We want to
3 understand how firms impact all the stakeholders,
4 how they impact the workers, the communities,
5 their industries, their competitors, their
6 suppliers, the ecosystem where they operate and
7 the stockholders. So we need to improve the
8 measurement in all of this to understand what is
9 the impact that firms have in all of this.

10 This is important in listening to
11 dimensions. One is if we measure their impact
12 better, firms will be able to actually control
13 their impacts. So how can I take corrective
14 actions if I have no clue what my impact is?
15 That's a way to think about it.

16 So even firms that want to do good, I
17 think it's crucial for them to understand their
18 measurement, to understand what their impact is
19 and how they can improve.

20 But it's also very important from the
21 investment strategy. After all, in the long term,
22 financial performance is closely intertwined with
23 the solution of many of the problems I
24 highlighted.

1 Or in other words, unethical behavior
2 from the firms. If firms treat their workers
3 badly, they treat their competitors badly, they
4 treat their customers badly, they treat their
5 suppliers badly, at the end, these firms will have
6 poor performance.

7 So unethical behavior in some sense will
8 lead to poor performance, and measuring that
9 better is, I think, a strategy or one of the good
10 outcomes that we will have.

11 I am extremely, extremely excited to
12 start this joining with PRIM as a partnership
13 because of everything that PRIM brings to the
14 research side, which is what Jason said.

15 In particular, first, as an MIT faculty,
16 I am obsessed with my research, and I'm obsessed
17 with measurement problems. Everything that I find
18 that is measured badly, I tend to be completely
19 obsessed with it.

20 But to be honest, I also recognize that
21 not all of them are equally important. So PRIM's
22 leadership in this regard is invaluable. It will
23 provide the guidance that our research needs.

24 Second, many of the aspects and projects

1 that I have tried to start, I have yet to be able
2 to -- I have not been able to complete. They have
3 been stopped, and part of this, one is access, and
4 the other one is subject matter expertise. PRIM
5 actually brings both to the table, and therefore,
6 I believe that many research questions that I have
7 neglected for a while, we will be able to pursue.

8 And finally, I find that PRIM's
9 commitment is unparalleled. Its commitment to
10 this is inspiring. I think that many
11 organizations claim to be thinking of doing what
12 PRIM has been doing for a while. And that is very
13 unique, and it's a tremendous asset for us.

14 We need the guidance, the leadership and
15 the commitment if we hope to be impactful with our
16 research. So I feel incredibly lucky to count
17 PRIM as part of the team, especially as the first
18 founding member, as I think what Jason said is
19 very true. I think that other organizations will
20 like to follow PRIM in this regard, and we would
21 like to create a team that is of equal depth in
22 thinking that PRIM has.

23 I think that we need to -- if I have to
24 think about -- my kids are a little bit older, but

1 when I think about the forecast that we will
2 produce today to the world that my grandkids are
3 going to face, I am worried. I think that we need
4 to create a healthier world, healthier society,
5 healthier individuals, healthier organizations.

6 And I would like to be able to build the
7 first steps to construct that much better future.
8 And I do not pretend to have the answers to all of
9 these problems, not even close to that. But even
10 one thing I'm pretty much sure I know is that this
11 partnership will allow us to increase the chance
12 to find solutions for that. So I look forward to
13 many years of close collaboration.

14 Again, let me reiterate, Maria and
15 Michael, thank you so much for the leadership you
16 have shown during all this process. It is
17 invaluable. As Jason said, we are already
18 enjoying and benefiting from this collaboration.
19 And I really look forward to what we will be able
20 to create together.

21 So thank you so much.

22 MR. JAY: Hear, hear.

23 TREASURER GOLDBERG: Thank you very
24 much.

1 First of all, I want to really commend
2 Maria again. And we are very --

3 Yes. Jason is applauding, but he kindly
4 has himself on mute, so I will interpret for him.

5 We are incredibly excited about this
6 research project. Again, obviously in my role as
7 president of all the treasurers of the country,
8 we've talked about this topic a great deal for the
9 entire time since I can think of.

10 And I think being able to work with you
11 and create this level of collaboration will, as I
12 mentioned, not just be enlightening for us
13 personally, but will be impactful for the country
14 and the world in its strategies and approaches
15 because one of the things that Michael Trotsky
16 said from the very beginning is when you try to
17 even define these issues, you find definitions all
18 over the place. Right, Michael?

19 And so I'm extremely excited about this,
20 and we very much look forward to the work and the
21 outcomes. And I want to thank you.

22 And I also want to give a great shoutout
23 to Michael Even. He is a very forward-thinking
24 guy, and we are lucky that he has put so much time

1 and passion toward Mass. PRIM. He's another one.
2 We should do a goals and objectives and evaluation
3 of Mike Even because he deserves that.

4 But I don't know if other members of the
5 board have any questions or comments before we
6 move on.

7 I see, Bob, your hand is up. But you
8 need to unmute yourself if you'd like to speak.

9 I know you can do it, Bob.

10 Well, does anyone else want to comment
11 while Bob is finding the unmute?

12 MS. FITCH: I just want to say how
13 excited as a board member I am with this
14 partnership and really am looking forward to the
15 work and the description of the work and the
16 impact of the work and how we begin to use it on a
17 national scale.

18 So I'm ready. Thank you very, very
19 much.

20 MR. BROUSSEAU: I think I'm unmuted now.

21 TREASURER GOLDBERG: You are.

22 MR. BROUSSEAU: Just a question to you,
23 Madam Treasurer, and also to Michael. Will Maria
24 and the team be giving us probably quarterly

1 reports at trustee meetings and board meetings on
2 the progress of this program?

3 TREASURER GOLDBERG: Michael, do you
4 want to respond?

5 MR. TROTSKY: Yes. It will be a
6 permanent part of the research agenda, and we'll
7 give you updates regularly and hopefully
8 presentations and educational seminars like
9 Roberto was so kind to participate in in the past.

10 TREASURER GOLDBERG: Does that answer
11 your question, Bob, or do you have a follow-up
12 question?

13 MR. BROUSSEAU: No. That's it.

14 TREASURER GOLDBERG: Comments from any
15 other members of the board?

16 Dennis?

17 MR. NAUGHTON: Yes. I would have
18 started sooner, but I was in the process of
19 printing out the press release from MIT, and I
20 didn't want that noise in the background.

21 I just want to say how excited I am as a
22 member of the board to be associated with this,
23 and I so look forward to hearing the reports and
24 watching this evolve, such a cutting edge thing.

1 Thank you. Thank you to Maria.

2 TREASURER GOLDBERG: Absolutely.

3 MS. GARRAHAN: Thank you, everyone, for
4 your kind words.

5 And I do envision this will be -- I mean
6 this is a main initiative along with asset
7 allocation on the research team so when I am
8 giving my quarterly research update, I will be
9 providing an update on this matter as well.

10 Thank you.

11 TREASURER GOLDBERG: Any other questions
12 or comments?

13 Okay then. Well, I want to thank the
14 folks from MIT for hopping on with us. I want to
15 thank you for the work that you have done in the
16 past, and I certainly want to give you a big
17 thank-you for the work that you will be doing in
18 the future.

19 And I look forward, Maria, to hearing
20 your reports when we meet. And also just when
21 Michael and I talk, he always gives me updates.

22 So thank you, all. Exciting. Very
23 exciting.

24 I'm not on mute. So I'm doing the

1 applause. This is multiple applause. I see them
2 all over the screen. Thank you.

3 MR. JAY: Great. Good to be part of the
4 team.

5 TREASURER GOLDBERG: So with that, this
6 is not a voting item. This is just giving you
7 guys an update. So we will move on to portfolio
8 completion strategies performance summary.

9 That would be you, Eric.

10 MR. LI: Thank you, Treasurer.

11 I'm going to walk you through the --

12 TREASURER GOLDBERG: Oh, Bill, you're
13 doing this.

14 MR. LI: -- PCS summary.

15 TREASURER GOLDBERG: Oh, all right.

16 Okay.

17 MR. LI: And feel free if you
18 want to comment or if you have questions.

19 For the past fiscal year ending in June,
20 Portfolio Completion Strategies detracted by
21 4.9 percent. Within the PCS portfolio, Real
22 Assets was down by 2.3 percent.

23 Hedge Funds still accounted for the
24 majority or roughly 88 percent of total PCS. And

1 Hedge Funds detracted by 5.4 percent versus the
2 benchmark was down by 3.5 percent.

3 Over the past three years, PRIT Hedge
4 Fund returned 1.11 percent on an annualized basis
5 versus the benchmark returned 1.04 percent.

6 As you know, PRIM's Hedge Fund is
7 completion in nature, and thus, we have structured
8 limited equity beta and some yielding exposures.
9 Unfortunately, the yielding components took a
10 heavy mark-to-market hit in March, and their
11 subsequent rebound lagged public equities thus
12 far.

13 Hedge Fund's negative performance was
14 concentrated in credit-related mandates. And the
15 biggest detractor was an emerging market debt
16 manager, which alone contributed over one third of
17 the negative return.

18 This manager was one of the best
19 performers, however, before fiscal year 2019,
20 annualizing 17 percent. But for the past year,
21 the fund's sizable loss was largely due to its
22 Latin America bias. Even though the manager took
23 immediate action to reduce unwanted exposures in
24 the sectors worst hit in this pandemic, there
still is some wood to chop down the road, and

1 we're going to closely monitor it.

2 The second detracting area is asset-
3 backed credits, including residential mortgages.
4 They accounted for another one third negative
5 return. However, we are less concerned here
6 because this part portfolio is yielding reasonably
7 well, even after factoring in the worst
8 delinquency scenario.

9 It's worth noting that PRIM's valuation
10 of asset-backed securities can be lagged, meaning
11 some of the healings will be reflected in the
12 following quarters.

13 Looking ahead, the plan is to continue
14 remedying and upgrading the Hedge Fund portfolio
15 by recycling capitals into newer, flexible
16 partnerships; meanwhile identifying existing funds
17 with issues.

18 If you look at the more resilient Hedge
19 Fund mandates throughout this crisis, those are
20 macro relative value traders and event-driven
21 funds. They tend to have a clear edge with a high
22 barrier to entry, and thus, they are less likely
23 to become commoditized and less vulnerable to
24 liquidity events.

1 And I pause it here in case you have any
2 questions regarding Hedge Funds.

3 TREASURER GOLDBERG: Any questions for
4 Bill?

5 Hearing none, Bill, please continue.

6 MR. LI: Thank you.

7 Now let's switch gears to put spread
8 collar enhanced equity, which was flat for the
9 past fiscal year. Although the strategy didn't
10 lose money, it lagged the benchmark noticeably.
11 We have seen the market volatility abruptly
12 gapping up in March environment, where the
13 strategies struggled in relative terms.

14 As communicated to you in mid-June, PRIM
15 staff recommended downsizing this strategy to
16 1 percent, which is the lower end of the board-
17 approved range of zero to 6 percent, so that the
18 sizing will be consistent with other active equity
19 strategies. As of August, the downsizing was
20 finished and its assets converted to S&P index
21 exposure.

22 And that's the update and performance
23 summary I want to bring to your attention today.

24 And with that, the floor is open

1 again to questions and comments.

2 TREASURER GOLDBERG: Comments, questions
3 from anyone?

4 Bob, you're unmuted. Did you have
5 something you wanted to say?

6 MR. BROUSSEAU: No.

7 TREASURER GOLDBERG: Okay. Anyone else?

8 Bill, I think you were very, very clear.
9 So I think we are good.

10 MR. LI: Thank you.

11 TREASURER GOLDBERG: Thank you very
12 much, Bill.

13 We will turn to public markets
14 performance.

15 MR. GURTZ: Good morning, everybody.
16 I'm Dave Gurtz, director of the public markets
17 team.

18 So I'm going to be very brief about our
19 public markets update. It's been an extremely
20 volatile year, as we already talked about, but
21 we're relatively pleased with the performance of
22 the public markets portfolio in both absolute and
23 relative terms.

24 In absolute returns, the core fixed

1 income portfolio performed extremely well. It
2 returned 13.9 percent. It was PRIM's best
3 performing asset class for the fiscal year. And
4 as Michael noted earlier, this is led by the long
5 duration U.S. Treasury STRIPS, which returned over
6 35 percent over the year.

7 And this great performance was all
8 thanks to the feds cutting rates in Q1 and
9 remaining low in Q2, while credit spreads did gap
10 out in Q1, but have really fallen substantially
11 throughout Q2 and in July and August.

12 Within our core fixed income portfolio,
13 we added four new strategies over the last
14 six months. \$600 million was allocated to three
15 woman-owned firms managing strategies benchmarked
16 to the Barclays Aggregate.

17 And at the May board meeting, as Michael
18 mentioned, you also approved a \$250 million
19 commitment to a TALF strategy. The TALF or Term
20 Asset-Backed Securities Loan Facility program is a
21 Federal Reserve program, which provides non-
22 recourse loans to investors investing in AAA-rated
23 asset-backed securities.

24 And when the TALF program was first

1 announced at the peak of the market disruption
2 back in late March, credit spreads had widened
3 significantly, making this a very attractive
4 risk-adjusted investment opportunity.

5 Fortunately, the credit markets have
6 recovered significantly, which means unfortunately
7 for the TALF program very few loans have been
8 deployed. At this point, PRIM has not invested in
9 any TALF program investment at this point, as the
10 markets have rebounded so significantly.

11 The TALF program was originally
12 scheduled to expire later this month, but in late
13 July, the Federal Reserve extended the program
14 through December 31 of this year. So should
15 credit markets widen again this fall, we are
16 absolutely ready to deploy capital to take
17 advantage of this program.

18 Turning to the equity markets, after an
19 extremely volatile year, global equity portfolio
20 finished the fiscal year essentially flat, up
21 about 54 basis points gross of fees. On a
22 relative basis, the portfolio performed very well,
23 with PRIM's active managers having an outstanding
24 fiscal year.

1 PRIM's U.S. small cap portfolio
2 outperformed by 2.3 percent. Developed
3 international equity managers outperformed by
4 1.8 percent, and our emerging markets equity
5 portfolio outperformed by 1.2 percent.

6 Collectively, the public markets equity
7 portfolio outperformed by 1.26 percent gross or
8 1.02 percent net of fees, which is pretty amazing
9 considering that over half of the portfolio is
10 passively managed.

11 Fiscal '21 has started off extremely
12 strong with global equity markets continuing to
13 rally in July and August. Even with the recent
14 pull back the last few days in the market, since
15 the end of June, the S&P is up approximately
16 8 percent, developed international markets are up
17 roughly 6 percent, and emerging markets are up
18 nearly 10 percent right now.

19 So again, very brief, but I wanted to
20 just pause there and see if there's any questions.

21 TREASURER GOLDBERG: Any questions from
22 folks?

23 Go ahead, David.

24 MR. GURTZ: Nope. I'm all set then, I

1 think.

2 TREASURER GOLDBERG: Oh, you're all set.
3 Okay. You kind of put it with a dangling part.

4 MR. GURTZ: Yes. The dangle is
5 hopefully the performance continues to perform
6 well.

7 TREASURER GOLDBERG: Okay. Tommy
8 thought that was funny.

9 All right then. We will now turn to
10 private equity. Mike Bailey and team. And we'll
11 do a performance summary, commitment summary, and
12 then we actually have two voting items, correct,
13 Mike?

14 MR. BAILEY: Yes. Thank you, Madam
15 Treasurer. We have two voting items.

16 TREASURER GOLDBERG: Mike, just cue me
17 because you know at about this point in the
18 meeting, sometimes I do the motion out of order.

19 MR. BAILEY: Will do.

20 TREASURER GOLDBERG: Just kick me under
21 the table.

22 MR. BAILEY: Thank you, Madam Treasurer.
23 And good morning, board and committee members.

24 Before we introduce the two voting

1 items, I wanted to give a brief update on
2 performance, pick up on some of the pieces that
3 Michael Trotsky talked about and mention what we
4 see in the private equity market and what we see
5 in the pipeline coming down the pike for the rest
6 of the year.

7 On performance, as Michael mentioned, we
8 were extremely pleased to again earn the national
9 recognition from the American Investment Council
10 that Michael mentioned. That's I think great
11 recognition of the investment approach to
12 portfolio construction and the manager selection
13 that we've made in the portfolio among a broad
14 peer group of over 176 U.S. public pension plans.

15 So I wanted to recognize that and
16 recognize the very strong team of Michael McGirr,
17 Alyssa Fiore, Sarah Zatoonian and Maria Clements
18 and Matt Liposky's finance and operations team
19 because all of those folks contributed a great
20 deal to the performance and to the winning of that
21 award. So thank you to the team.

22 As Michael mentioned, this performance
23 award reflects long-term, 10-year performance,
24 which we think is very meaningful when we measure

1 the performance in a private equity or a private
2 investments portfolio like the one we own at PRIM.
3 And I think it stands us in good stead among our
4 peers.

5 As Michael mentioned, the portfolio
6 underperformed for the one-year period ended
7 June 30, underperformed its benchmark, but we
8 understand the reasons for that, and those are
9 short term in nature. And we're comfortable that
10 the private equity portfolio will continue to be a
11 strong long-term performer and add value to the
12 pension going forward as its highest performing
13 asset class.

14 And we'd also note that those numbers we
15 reported for the June quarter really reflect
16 short-term temporary valuation adjustments that if
17 we kind of think back to March 31 when those
18 values were recorded, market conditions were very
19 difficult and the economy was in very difficult
20 conditions with all of the shutdown orders having
21 just taken place.

22 In contrast, as Michael mentioned, what
23 we're seeing now are bright signs of recovery in
24 the portfolio. We expect to be able to report to

1 you in a few weeks, once the September numbers are
2 finished, a very strong valuation rebound off of
3 those Q2 marks. So our September numbers, we
4 should report a higher performance.

5 And that will be because of two things.
6 One, the public equities that we own in what we
7 call the private equity parking lot. You heard us
8 talk about public stocks rebounded sharply in that
9 June quarter that we'll report to you in
10 September.

11 And secondly, the private companies that
12 we own in the portfolio have much higher
13 valuations now than they did at March 31. That
14 reflects two things. One, obviously the stay-at-
15 home orders and the COVID-19 disruptions are
16 beginning to end in some states, and that's
17 allowing businesses to reopen.

18 And second, as Dave Gurtz just pointed
19 out, the public equity markets and the valuation
20 multiples for assets have gone much higher since
21 March 31. So that's allowing the private equity
22 managers to remark those holdings to much higher
23 values. In fact, as Michael mentioned, we think
24 we'll be able to retrace and actually go past

1 those negative reports from March and end up with
2 a higher valuation by a measure ahead of where we
3 were in March, once we get those September values.
4 So we expect to erase a good portion of that gap
5 that we talked about in March when we report in
6 September.

7 Just turning for a minute to the private
8 equity market and what we see in the pipeline, you
9 know, private markets are taking time to adjust as
10 we've talked about. It's a slower adjustment to
11 new conditions than public equities, I think. And
12 after a pause in April and May, the markets began
13 to reopen in June, and deal activities started up
14 again.

15 Some of the managers were reporting very
16 strong and full pipelines of new potential assets
17 to acquire, especially in sectors -- if you think
18 about the sectors that are less affected by COVID
19 like healthcare, software, by the disruptions
20 related to COVID, those sectors in particular are
21 opening up again as businesses are coming to
22 market because the business owners can forecast
23 into the future and give strong guidance to a
24 potential new owner about how those businesses

1 will continue to perform, even into 2021.

2 So we are seeing that, and we are seeing
3 the pricing related to those businesses quite
4 high. In fact, valuations in some ways are
5 rivaling pre-COVID valuations, which is something
6 to watch.

7 And having said that, our pipeline at
8 PRIM, I think the team would agree, has been very
9 full. We'll have committed, with the
10 recommendation today, over a billion and a half of
11 new money to 11 new funds this year, year to date.
12 And we're working on lots of new ideas for later
13 this year and early 2021 to report to you in
14 future meetings.

15 And then the last thing I'd say is on
16 the recruiting, we've been working hard -- as
17 Michael mentioned, we're one of the folks that has
18 an open position to continue to build out the
19 team. We hope to give you all some great news
20 later in the quarter at the next board/committee
21 cycle on our ability to continue to fill out
22 what's an outstanding team at PRIM.

23 And those are my remarks, Madam
24 Treasurer. Happy to take any questions or

1 fall and winter, but we're going to continue to
2 monitor that, but I would say overall, the tone is
3 pretty good on that study, Peter.

4 MR. MONACO: Thanks.

5 MR. BAILEY: Sure.

6 TREASURER GOLDBERG: Additional
7 questions from members of the board?

8 MR. SHANLEY: Yes. I just have one for
9 Michael. On that recent memo we got on the co-
10 investing, I didn't know if you were able to share
11 that or if that comes at a later date. It was
12 really a wonderful, wonderful message.

13 MR. BAILEY: Yes. Thank you very much,
14 Paul. And we really appreciate that.

15 Because of the nature of that, we're not
16 able to talk a lot about it today, but we really
17 wanted to share that news. And we'll continue to
18 keep the board updated on significant events
19 there. Thank you, Paul.

20 TREASURER GOLDBERG: Thank you, Michael.

21 Any other questions from members of the
22 board?

23 Okay. Hearing none, we are moving to
24 voting items. And who will be doing the

1 recommendation?

2 MR. BAILEY: Sarah will do the first
3 one, Madam Treasurer.

4 TREASURER GOLDBERG: I have to find the
5 vote language. Give me a minute. Give me a
6 minute. Hang on. I have to figure out which
7 device it's on.

8 Here we go. Sorry about that, guys.

9 All right. I'm going to start with
10 asking for a motion and getting a second, and then
11 we'll take it from there.

12 So I seek a motion that the PRIM board
13 approve the Investment Committee's recommendation
14 to approve the commitment of up to \$200 million to
15 Technology Crossover Ventures IX, L.P., as
16 described in the expanded agenda, and further to
17 authorize the executive director to take all
18 actions necessary to effectuate this vote.

19 Is there a motion?

20 MR. NAUGHTON: So moved.

21 TREASURER GOLDBERG: Is there a second?

22 MR. SHANLEY: Second.

23 TREASURER GOLDBERG: Okay. Roll call
24 vote.

1 Bob?

2 MR. BROUSSEAU: Yes.

3 TREASURER GOLDBERG: Carly?

4 MS. ROSE: Yes.

5 TREASURER GOLDBERG: Dennis?

6 MR. NAUGHTON: Yes.

7 TREASURER GOLDBERG: Theresa?

8 MS. MCGOLDRICK: Yes.

9 TREASURER GOLDBERG: Jim? Hearty?

10 Okay. We might have lost him.

11 Paul?

12 MR. SHANLEY: Yes.

13 TREASURER GOLDBERG: Ruth Ellen?

14 MS. FITCH: Yes.

15 TREASURER GOLDBERG: Peter?

16 MR. MONACO: Yes.

17 TREASURER GOLDBERG: Myself, yes. The

18 motion carries.

19 Let me just check one time. I see Jim's

20 name, but he may have needed to hop off for a

21 minute.

22 So the motion carries.

23 Go ahead.

24 MS. ZATOONIAN: Good morning, everyone.

1 My name is Sarah Zatoonian, and I'm an investment
2 analyst on the private equity team.

3 Technology Crossover Ventures, or TCV,
4 is a technology-focused growth equity firm that
5 PRIM has been invested with since 2006. TCV is a
6 high conviction manager for PRIM, and PRIM is
7 invested in five of TCV's prior funds and has
8 co-invested alongside the manager once.

9 TCV primarily invests in high growth
10 companies in software and tech-enabled services.
11 The firm's crossover approach allows them to
12 invest in leading technology companies regardless
13 of whether they are private or publicly traded,
14 employing a consistent underwriting framework
15 across both private and public investments.

16 TCV is currently raising \$3.25 billion
17 for their 11th fund. We are recommending a
18 commitment of \$200 million to Fund XI.

19 At this point, I am happy to take any
20 questions or comments on TCV.

21 TREASURER GOLDBERG: Questions or
22 comments?

23 Okay then. We have a motion. We have a
24 second.

1 All those in favor? Bob?

2 MR. TROTSKY: I think we already voted
3 on it, didn't we?

4 MR. BROUSSEAU: You put the cart before
5 the horse.

6 TREASURER GOLDBERG: You're right.

7 MR. BROUSSEAU: We voted first.

8 TREASURER GOLDBERG: I told you,
9 Michael, by the time I get to private equity --
10 talking to Michael Bailey. And did you kick me
11 under the table?

12 MR. BAILEY: No. You know I just can't
13 bring myself to do that, Madam Treasurer.

14 MR. BROUSSEAU: Does Michael have any
15 effect on you?

16 TREASURER GOLDBERG: Look at this. Jim
17 Hearty is back. So let's do the vote again.

18 Jim, can you unmute yourself?

19 MR. HEARTY: Yes.

20 TREASURER GOLDBERG: Okay. You heard
21 the presentation on the private equity
22 recommendation, correct?

23 MR. HEARTY: Correct.

24 TREASURER GOLDBERG: We're going to do

1 the vote. We had the motion. We had the second.
2 I'm not supposed to do the vote till after. And
3 Mike Bailey refused to kick me under the table
4 that we did the vote. And that was really because
5 I wanted you to be part of it.

6 So with that, all those in favor. Jim
7 Hearty?

8 MR. HEARTY: Yes.

9 TREASURER GOLDBERG: Bob?

10 MR. BROUSSEAU: Yes.

11 TREASURER GOLDBERG: Carly?

12 MS. ROSE: Yes.

13 TREASURER GOLDBERG: Dennis?

14 MR. NAUGHTON: Yes.

15 TREASURER GOLDBERG: Theresa?

16 MS. MCGOLDRICK: Yes.

17 TREASURER GOLDBERG: Paul?

18 MR. SHANLEY: Yes.

19 TREASURER GOLDBERG: Ruth Ellen?

20 MS. FITCH: Yes.

21 TREASURER GOLDBERG: And Peter?

22 MR. MONACO: Yes.

23 TREASURER GOLDBERG: And myself.

24 The motion carries.

1 Okay. All right then. Let's see if I
2 can do it right this time.

3 This is approval of private equity
4 advisory services recommendation. I'll seek a
5 motion and a second. We won't vote till we hear
6 about it.

7 I seek a motion that the PRIM board
8 approve the Investment Committee's recommendation
9 to approve the selection of Hamilton Lane to
10 provide private equity advisory services as
11 described in Appendix E of the expanded agenda and
12 further to authorize the executive director to
13 take all actions necessary to effectuate this
14 vote.

15 Is there a motion?

16 MR. BROUSSEAU: Move the motion.

17 TREASURER GOLDBERG: Is there a second?

18 MS. FITCH: Second.

19 TREASURER GOLDBERG: Okay. Let's hear
20 about this.

21 MR. BAILEY: Alyssa Fiore will talk to
22 this one.

23 TREASURER GOLDBERG: Alyssa.

24 MS. FIORE: Thank you, Madam Treasurer,

1 and good morning, everyone. It's great to see you
2 all.

3 So I'll be presenting the recommendation
4 for the private equity advisory services. You all
5 approved the issuance of an RFP for the consultant
6 for private equity in November of last year, as
7 the current contract with Hamilton Lane is set to
8 expire at the end of this month.

9 The RFP was issued on April 6, 2020, and
10 by the deadline on May 15, PRIM received a total
11 of five responses. The responses were thoroughly
12 reviewed by the evaluation committee, and three
13 firms were selected and invited to interview with
14 PRIM.

15 The investment committee approved the
16 evaluation committee's recommendation of the
17 selection of the incumbent, Hamilton Lane.
18 Hamilton Lane has been offering advisory services
19 to pension clients since 1991 and is a global
20 leader in private markets, with 16 global offices
21 and over 400 employees.

22 Hamilton Lane has been PRIM's private
23 equity consultant since 2007. And over the past
24 13 years, the firm has been instrumental in

1 helping PRIM with investment due diligence,
2 strategic portfolio planning, investment sourcing,
3 portfolio monitoring and reporting, performance
4 analysis, as well as legal work.

5 Hamilton Lane is a private market
6 specialist and is one of the most active advisors
7 in the space. Hamilton Lane has best-in-class
8 reporting and monitoring systems, as well as
9 technology infrastructure.

10 In addition to bringing top talent and
11 services to PRIM's relationship, Hamilton Lane
12 offered PRIM the lowest fees among all
13 respondents, which is in line with the current
14 contract pricing.

15 And with that, I'm happy to take any
16 questions or comments.

17 TREASURER GOLDBERG: Questions,
18 comments? Anyone?

19 Hearing none, we have a motion, and we
20 have a second, but we have not voted yet.

21 So with that, Bob?

22 MR. BROUSSEAU: Yes.

23 TREASURER GOLDBERG: Carly?

24 MS. ROSE: Yes.

1 TREASURER GOLDBERG: Dennis?

2 MR. NAUGHTON: Yes.

3 TREASURER GOLDBERG: Theresa?

4 MS. MCGOLDRICK: Yes.

5 TREASURER GOLDBERG: Jim?

6 MR. HEARTY: Yes.

7 TREASURER GOLDBERG: Paul?

8 MR. SHANLEY: Yes.

9 TREASURER GOLDBERG: Ruth Ellen?

10 MS. FITCH: Yes.

11 TREASURER GOLDBERG: Peter?

12 MR. MONACO: Yes.

13 TREASURER GOLDBERG: Myself, yes.

14 The motion carries.

15 Thank you, Alyssa.

16 Okay. Next item on the agenda, we're

17 moving on to real estate and timberland. And that

18 would be Tim.

19 MR. SCHLITZER: Good morning, everyone.

20 Nice to be with you. So I will be brief, and then

21 I'm going to hand it over to John for a voting

22 item.

23 So real estate is presented on page 13

24 of the agenda, and then there's information in

1 Appendices C and F. I'll just make a few comments
2 to update you. I'm not going to speak directly to
3 any of the materials.

4 So just quickly on asset allocation, in
5 both real estate and in timber, we are just under
6 the midpoints of our asset class ranges. We're at
7 6.9 billion in real estate. That's 9.2 percent of
8 the fund, and at 2.8 billion or 3.7 percent of the
9 fund in timberland.

10 So a few comments on performance. For
11 the fiscal year, real estate returned 1.1 percent.
12 That's 35 basis points below the asset class
13 benchmark, and I'm going to speak to that in a
14 second.

15 Private real estate returned 4.7 percent
16 for the year. That's 61 basis points below the
17 reported NCREIF one-year return, which is as of
18 March 31. So we have sort of the opposite
19 dynamic, as I think you know, as private equity.

20 Our values are current as of June 30 or
21 at least as current as appraisals can be. It's
22 our benchmark that is lagged in the reporting. So
23 when we insert that June result in place of the
24 March result, the private portfolio actually

1 outperforms by 198 basis points, which would bring
2 PRIM's overall real estate return well above
3 benchmark. So pleased to see that.

4 That outperformance was driven primarily
5 by PRIM's sector exposures which are overweight to
6 industrial and apartment assets. Also a
7 meaningful underweight to retail at about
8 9 percent, which was positive for the year in
9 terms of its impact.

10 REITs returned negative 13 percent for
11 the fiscal year. Our managers were 265 basis
12 points above benchmark so good relative return.
13 The global REIT market has returned 4.8 percent in
14 the third quarter so we're seeing some recovery,
15 but as you might expect, retail, hotels, office
16 and some others continue to weigh on the market.

17 In terms of timberland, timberland
18 returned negative 1.6 percent for the fiscal year,
19 295 basis points below the March 31 one-year
20 NCREIF benchmark. So similar dynamic as I just
21 described in real estate, although less of a
22 positive impact, but the underperformance was
23 reduced by 96 basis points to 200 basis points

24

1 when compared to that unlagged index return.

2 So the underperformance -- and again,
3 we've discussed this -- is primarily attributable
4 to the appraisal volatility we saw at the end of
5 last year. We did change appraisers, and we had
6 some meaningful changes to those appraisers'
7 assumptions in terms of the way that they were
8 modeling timber prices on a long-term basis as
9 well as short-term and harvest assumptions as well
10 going forward.

11 And I'll point out that even with that
12 underperformance this year, the three-year return
13 is about 35 basis points above the index. So
14 decent longer term performance there.

15 Let me just make a few comments on
16 capital allocation, and then I'll wrap up. So we
17 have not closed any acquisitions or dispositions
18 in either real estate or timber during the
19 calendar year. We certainly did during the fiscal
20 year. I know I reported those results to you back
21 at the beginning of the year. But speaking on a
22 calendar year basis, we have not committed any
23 capital recently.

24 Market transaction volume is down about

1 80 percent year-over-year. That's in real estate.
2 On the timberland side, we've only heard of one
3 institutional quality asset trading this year. So
4 very low transaction volume in timberland.

5 That said, and I want to compliment the
6 team, we have reviewed a very wide range of
7 opportunities across a number of sectors and
8 structures, but have really tried to continue to
9 be patient and very disciplined with capital
10 deployment.

11 I'll note one of the challenges that we
12 have faced and face right now really is that there
13 is, believe it or not, actually a lot of capital
14 looking at real estate, not just looking for
15 distressed pricing but also looking at real estate
16 very much as a fixed income alternative. Relative
17 spreads in real estate compared to more
18 traditional bond returns is actually quite a bit
19 wider than the historical averages. So from that
20 perspective, commercial real estate actually looks
21 attractive.

22 And so with that dynamic, you know,
23 you've got a lot of capital that's being funneled
24 toward just a few property types, as you might

1 answer any questions, if there are any.

2 TREASURER GOLDBERG: Any questions at
3 all from the members of the board?

4 Hearing none, Tim, do you want to turn
5 it over to John?

6 MR. SCHLITZER: Yes, please. John, take
7 it away.

8 Thank you, Treasurer.

9 MR. LA CARA: Thank you, Tim.

10 Treasurer, I believe this is a voting
11 item. I'm not sure if you want to tee it up for
12 everybody.

13 TREASURER GOLDBERG: See, Mike Bailey,
14 he kicked me under the table, but I actually
15 didn't need the kick. I knew what was coming.

16 This is a voting item. It is a new
17 investment recommendation for Blackstone, and I
18 would seek a motion that the PRIM Board approve
19 the Real Estate and Timberland Committee's
20 recommendation to approve an investment of up to
21 \$200 million in the co-investment opportunity with
22 Blackstone Property Associates, L.P., subject to
23 successful due diligence as described in the
24 expanded agenda, and further to authorize the

1 executive director to take all actions necessary
2 to effectuate this vote.

3 Is there a motion?

4 MR. BROUSSEAU: So moved.

5 TREASURER GOLDBERG: Is there a second?

6 MR. NAUGHTON: Second.

7 TREASURER GOLDBERG: Okay. Why don't
8 you go ahead and describe it, John.

9 MR. LA CARA: Thank you, Treasurer.

10 Good morning, everybody. Today we're
11 seeking approval to make a commitment of up to
12 200 million in a co-investment vehicle being
13 offered by Blackstone Real Estate. This
14 commitment is subject to additional due diligence
15 performed by staff, which is ongoing.

16 Blackstone is one of the largest private
17 real estate investment managers in the world with
18 a track record that dates back to 1991.

19 Blackstone currently manages over 167 billion in
20 invested capital made up of opportunistic, debt
21 and core plus investment vehicles.

22 From its headquarters in New York,
23 Blackstone Real Estate is led by Kathleen McCarthy
24 and Ken Caplan. Together, they oversee nearly

1 600 professionals worldwide, including
2 300 professionals in the U.S.

3 Because of its depth of resources and
4 scale, Blackstone is able to successfully source
5 and underwrite transactions and execute asset
6 management plans for existing assets and perform
7 day-to-day property management functions.

8 As for the co-investment, this is an
9 opportunity to invest in a best-in-class operator
10 in the life science real estate sector that
11 manages a portfolio of well-leased properties and
12 assets that are located in strong life science
13 markets, also referred to as clusters.

14 Life science clusters have certain
15 characteristics that are hard to replicate,
16 including their proximity to highly ranked
17 universities and large research and teaching
18 hospitals. They also tend to provide access to
19 highly skilled workforce.

20 For these reasons, life science clusters
21 are attractive to leading life science companies
22 seeking to attract and retain talent. We believe
23 these locations, coupled with the high quality
24 asset and tenant base, will also help defend

1 against future vacancy and credit risk.

2 In summary, we like this transaction
3 because it will allow us to invest in a
4 geographically diverse portfolio of well-leased
5 assets that are located in strong markets in
6 partnership with a best-in-class operator and
7 general partner.

8 We also believe the life science sector
9 is poised to benefit from demographic trends that
10 will increase research activity and the need for
11 lab space and healthcare facilities.

12 That concludes my remarks, and I'd be
13 happy to take any questions.

14 TREASURER GOLDBERG: Questions from
15 members of the board?

16 MR. BROUSSEAU: Madam Treasurer, just
17 one question for John. Do you know how many
18 co-investors there will be?

19 MR. LA CARA: We do not. We do not,
20 Bob. We'll learn that in the next week or so.

21 MR. BROUSSEAU: Okay.

22 TREASURER GOLDBERG: I mean I happen to
23 just agree entirely with the writeup. And I think
24 it's clearly obvious on its face, even more so

1 now.

2 So otherwise, if there are any other
3 questions or comments?

4 Hearing none, we have a motion. We have
5 a second. And so I will proceed to take the vote.

6 Bob?

7 MR. BROUSSEAU: Yes.

8 TREASURER GOLDBERG: Carly?

9 MS. ROSE: Yes.

10 TREASURER GOLDBERG: Dennis?

11 MR. NAUGHTON: Yes.

12 TREASURER GOLDBERG: Theresa?

13 MS. MCGOLDRICK: Yes.

14 TREASURER GOLDBERG: Jim?

15 MR. HEARTY: Yes.

16 TREASURER GOLDBERG: Paul?

17 MR. SHANLEY: Yes.

18 TREASURER GOLDBERG: Ruth Ellen?

19 MS. FITCH: Yes.

20 TREASURER GOLDBERG: Peter?

21 MR. MONACO: Yes.

22 TREASURER GOLDBERG: Myself, yes.

23 The motion carries.

24 Thank you very much.

1 MR. LA CARA: Thank you.

2 TREASURER GOLDBERG: That's the end of
3 our voting items, and we will now have the finance
4 and administration report. It seems as though the
5 amazing Anthony Falzone --

6 MR. FALZONE: Thank you, Treasurer.
7 Good morning, everyone.

8 I'm Anthony Falzone, PRIM's chief
9 operating officer. We don't have any voting items
10 so I'll try to be quick so that I can give
11 Michelle her time to go through the diversity
12 presentation.

13 But before I address the agenda items, I
14 just wanted to provide a reminder to the board
15 that the board self-evaluation process is upon us.
16 It's normally initiated during the fourth quarter
17 of the calendar year. Yes, it's an annual
18 exercise.

19 TREASURER GOLDBERG: It's an exercise in
20 me reminding people they need to get it done.

21 MR. FALZONE: That's right. You trying
22 to herd cats.

23 TREASURER GOLDBERG: With threat of the
24 guillotine if it is --

1 MR. FALZONE: So PRIM board members will
2 be receiving the board performance questionnaire.
3 It's basically a survey. It will be administered
4 by Cortex, and then Cortex will invite you to
5 expand on surveys, if you want, via telephone.

6 And then the results will be included in
7 the meeting in the first quarter of next year,
8 which is the February meetings, where the chair of
9 the administration and audit committee will do a
10 presentation both to the administration and audit
11 committee and to the board.

12 So that's just a reminder, housekeeping
13 thing.

14 I am going to share my screen now for
15 the next item, which is the calendar. This is the
16 draft calendar. I've already heard from a few of
17 you with some conflicts that I hope have been
18 addressed in this version of it.

19 If you have any other issues, let me
20 know. It's gone out to all committee and board
21 members so this is the draft calendar.

22 Not a voting item. It's just a preview
23 for what is to be in the package at the December
24 board meeting.

1 And then with that, I can move on to the
2 diversity presentation where PRIM's HR director,
3 Michelle Witkes, is going to do that presentation.

4 Michelle, are you ready to go?

5 MS. WITKES: Ready to go.

6 MR. FALZONE: Excellent. So I'm going
7 to steer, so you just let me know what you need me
8 to do.

9 MS. WITKES: Okay. Will do.

10 Good morning, everyone. As Tony said,
11 I'm Michelle Witkes, the director of human
12 resources for PRIM.

13 I'm pleased to be able to share with you
14 PRIM's diversity, equity and inclusion activities
15 and results to date and to talk about our
16 continued focus on this important topic.

17 Coming from the private sector, I was
18 impressed with PRIM's focus and progress. Based
19 on my HR experience in financial services,
20 healthcare and management consulting, diversity,
21 equity and inclusion are consistently prioritized
22 in overall company and individual goal setting,
23 but the results do not always match up to the
24 priority.

1 We hear quite a bit today about
2 diversity, equity and inclusion, and intuitively
3 it makes sense. We should all be treated equally.
4 But it is important to understand it makes good
5 business sense.

6 Okay, Tony, page 2.

7 Studies show that companies with more
8 diverse executive teams have above average
9 profitability, and those companies with a diverse
10 and inclusive workforce show improved decision-
11 making. As it relates to our business, investment
12 management, the same holds true that companies
13 guided by diverse board and executives achieve
14 better returns. There is tremendous value in
15 having a diverse, inclusive firm, especially one
16 that is reflective of PRIM's constituents.

17 Page 3.

18 So industry statistics. Unfortunately
19 our industry, the investment industry, has some
20 work to do. As you can see by some of these
21 statistics, there is some catching up to do.

22 Okay, Tony. Next slide, please.

23 So how does PRIM measure up? Over the
24 last three or so years, PRIM has really focused on

1 increasing diversity among staff because, as we
2 mentioned earlier, it leads to more success and
3 better returns. The challenge we have run into is
4 competing with other firms in our industry,
5 whether that be the private sector or colleges and
6 endowments, for these diverse candidates,
7 especially at the management or executive level.

8 We have made some progress, but we are
9 at the beginning of what is a long journey, and we
10 again have more work to do.

11 So the next two slides, slides 6 and 7,
12 are just visuals to show our diversity and female
13 results over the past three fiscal years.

14 Tony, you can go to slide 8.

15 So we source some of our interns through
16 the Women in Finance Fellowship, in which the
17 Treasurer plays a large role; Girls Who Invest,
18 who accept approximately 180 exceptional, diverse
19 scholars from 60 schools into their summer
20 intensive program; and through the CFA
21 Institute.

22 PRIM has continued to hire more diverse
23 candidates, as well as promote from within to
24 senior management positions. Because we have lost

1 senior-level diverse candidates who have declined
2 our offers to join the private sector, Michael has
3 created an environment where top-performing,
4 diverse candidates have a career path to senior
5 positions.

6 I think you can go to the next slide,
7 Tony.

8 Hiring and promoting women continues to
9 be priority, and the results show improvement in
10 this category.

11 Several years ago, we worked with a
12 consultant Interactive Business Inclusion
13 Solutions, IBIS, to help us find ways to advance
14 diversity, equity and inclusion. This experience
15 really helped PRIM find ways to weave diversity,
16 equity and inclusion into PRIM's DNA.

17 Creating a strategic plan and framework
18 was a critical part of the process. We focused
19 quite a bit on talent acquisition and retention.
20 If you think of all the components of the hiring
21 process where there's an opportunity to filter out
22 bias, things like ensuring you have a full slate
23 of diverse candidates, gender neutral language in
24 job descriptions, structured and consistent

1 interview questions, and having candidates
2 interview with other diverse employees, to name a
3 few, we developed a pay equity study to ensure
4 diverse employees are being paid equitably.
5 PRIM's hiring over the past three years reflects
6 some progress, but again, the work is just
7 beginning.

8 On the recruitment effort, we post all
9 job openings to several diverse job boards,
10 including Boston Women In Finance, the NBMBAA,
11 which is the National Black MBA Association;
12 ALPFA, which is the Association of Latino
13 Professionals for America, to name a few.

14 Okay, Tony. Slide 10.

15 Diversity and inclusion are not just
16 about recruitment and retention. It's much bigger
17 than that, and PRIM's leaders have worked hard to
18 address these issues throughout the organization.

19 Treasurer Goldberg has been a driving
20 force behind PRIM's progressive proxy voting
21 guidelines on board diversity, gender pay gaps,
22 human and labor rights, antidiscrimination
23 policies and more. The Treasurer was ahead of the
24 curve on implementing many of the policies you see

1 being put into place across many different
2 industries today.

3 As you know, Mike Trotsky, PRIM's
4 executive director and chief investment officer,
5 is a founding member of the CFA Institute's Global
6 Diversity and Inclusion Advisory Committee,
7 working on a global diversity code of conduct for
8 the investment management industry.

9 PRIM has worked hard to ensure the
10 vendors and investment managers we work with are
11 also diverse and promote workplace diversity and
12 equality. We review the Massachusetts Supplier
13 Diversity Office for diverse firms we can do
14 business with.

15 The investment staff looks for
16 opportunities to invest with diverse-owned
17 investment management firms. I wanted to review
18 with you some of the areas we're investing with
19 these diverse-owned investment managers, although
20 I believe this information has been shared to you
21 folks in the past. So I will repeat it. It's
22 worth repeating.

23

24 As of this past fiscal year, 2020,

1 5 percent of the PRIT Fund was invested with
2 minority- or women-owned firms. That is about
3 \$3.8 billion across 31 firms, and the board
4 recently approved an additional \$600 million
5 allocation.

6 Slide 11, please.

7 So this next slide shows more granular
8 data by asset class along some of the strategic
9 partnerships we have with consultants that are
10 also diverse-owned firms. The biggest challenge
11 here is that the universe of diverse-owned firms
12 is very small. 1.3 percent of the U.S.-based
13 assets are managed by diverse firms.

14 Slide 12.

15 So as far as staff development and
16 engagement, the Treasury shares with PRIM staff
17 all weekly and monthly diversity and inclusion
18 activities and invites all of us to participate.
19 And we've conducted firm-wide diversity training
20 and will continue to provide training to our
21 staff. And then the last slide, I think, 13, in
22 summary.

23 So as I said at the beginning of the
24 presentation, having a fresh set of eyes, I was

1 and continue to be impressed with PRIM's results
2 to date, but we keep saying over and over again,
3 we still have work to do. It's an ongoing effort,
4 and it's important that we recognize we still have
5 work to do.

6 The competition for diverse talent,
7 especially in leadership roles, is fierce,
8 especially in Boston. Much like PRIM's investment
9 program, we will continue to innovate and look for
10 ways to improve existing diversity and inclusion
11 strategies and programs. This includes adding
12 additional data points to our databases that will
13 help report PRIM's diversity and inclusion data in
14 a more granular way.

15 Again, I'll say it again, we still have
16 much work to do, but I am excited to be involved
17 in influencing lasting positive change in this
18 effort.

19 So I'll pause there and take any
20 questions.

21 MR. FALZONE: Michelle, I'll just add
22 before questions, it's really helpful that Swee
23 and the Treasurer's HR team shares some of the
24 programs throughout Treasury so we can take part

1 as an organization, like Caribbean American
2 heritage, that event. I was able to attend that
3 event. I thought it was great.

4 It allows you to learn more about
5 different cultures. And it's really helpful for
6 us where we're an HR department of one, and
7 there's a lot going on. So it's great that we're
8 able to leverage that from Swee. So I just want
9 to thank Swee out there in the public domain.

10 MS. WITKES: Yes. Agreed. Thank you
11 for that.

12 TREASURER GOLDBERG: I don't believe
13 Swee is on this call, but --

14 Oh, you just stopped showing your desktop.

15 MR. FALZONE: Yes.

16 TREASURER GOLDBERG: I'd like to make a
17 couple of comments.

18 Number 1, Michelle, when we did the
19 Admin and Audit Committee, I asked you had you
20 been in touch Swee --

21 MS. WITKES: Yes.

22 TREASURER GOLDBERG: -- and looked at
23 what she does for our quarterly reports and how
24 she tracks things and what our definitions are,

1 which I told you we did breakdowns much more
2 granularly than --

3 MS. WITKES: Yes.

4 TREASURER GOLDBERG: -- diversity and
5 women or something like that.

6 MS. WITKES: Yes.

7 TREASURER GOLDBERG: We take it down to
8 race, color and the like, which helps us a great
9 deal.

10 MS. WITKES: Yes.

11 TREASURER GOLDBERG: And I think that
12 ongoing conversations with her, our monthly
13 diversity events is just one thing that we do, but
14 we have created an environment where we attract
15 diverse applicants beyond posting to affinity
16 groups and the like because the word begins to
17 grow and emerge that this is the real deal because
18 a lot of diverse applicants do not want to be a
19 token in an organization, and they want to know
20 that in fact the organization is committed to
21 supporting them and helping them grow. And like
22 every individual coming in at a lower level, they
23 want to know that the world is their oyster, that
24 they could someday see themselves at the head of

1 the organization and that there are no roadblocks.

2 That's internally, in terms of hiring,
3 but also I think that one of the things I
4 mentioned at the Admin and Administration meeting
5 and I believe the Investment Committee meeting or
6 one or the other or something was about the need
7 to make a conscious effort to looking at who our
8 consultants are and our investment managers and
9 our investment opportunities are in terms of
10 diversity and inclusion.

11 Now, that's not necessarily in HR.
12 However, you can be very supportive in terms of
13 people grasping and understanding that.

14 And so obviously it's become more
15 relevant or more timely, let's put it that way,
16 that there is a great deal -- all organizations
17 are looking at ways in which they can expand
18 opportunity, whether it's through investments or
19 hiring or utilizing suppliers.

20 And we as a team at Treasury have worked
21 with a lot of others legislatively in this space
22 and have looked to again -- it's the third time
23 I'm mentioning it, but as being president of the
24 National Association of State Treasurers, we've

1 talked a lot about that. And different states
2 have taken different approaches that we are
3 looking at.

4 So I really appreciate PRIM's efforts in
5 everything that they're doing. And as you
6 mentioned at the beginning of your presentation,
7 the financial services industry has basically been
8 abysmal in this area. So the fact that PRIM is
9 way ahead of the curve is something to be very
10 proud of.

11 I do want to remind people that there is
12 a legislative effort to require the board to set
13 diversity goals and examine the current investment
14 strategy, and that would require additional
15 reporting to the legislature.

16 And I think what people need to
17 understand is that regardless of some of the
18 negative parts of the issue that has arisen since
19 the murder of George Floyd, in a productive way,
20 it's brought a lot of good people of conscience to
21 the front to be rethinking a lot of these goals in
22 how do we equalize opportunity in this country?

23 And as I said, it's best for PRIM to be
24 part of the solution rather than having anything

1 be done to PRIM by others.

2 So with that, those are my comments, and
3 anyone else who wants to comment, please join in.

4 MR. NAUGHTON: Treasurer?

5 TREASURER GOLDBERG: Yes.

6 MR. NAUGHTON: I'd like to comment. And
7 first of all, my first comment is thank you,
8 Michelle, for a very thorough report. It was much
9 appreciated.

10 I guess I'm sort of wrestling with a
11 question, and I'm not looking for an answer today,
12 but the general question I'm wrestling with is how
13 do we know when we have arrived? I'm just
14 throwing that out there.

15 But specifically, I didn't see any real
16 reference to LGBTQ as a part of diversity, and
17 that was concerning to me. And I wonder if you
18 could comment on that, Michelle?

19 MS. WITKES: Yes. I mean I think part
20 of the challenge that PRIM has had is that we
21 didn't have a sophis -- well, not even a
22 sophisticated mechanism, but as far as being able
23 to report what our diversity numbers look like.

24 So, for example, through the hiring

1 process, oftentimes, when people are applying for
2 a position, you can self- identify all those EEOC
3 categories.

4 So I think in the past we've been a
5 little challenged in our recruitment efforts, but
6 we are now doing that.

7 The other thing is that being able to
8 report on it so we are implementing an HRIS system
9 where we'll actually be able to house all of that
10 data. So in the past, we haven't been able to
11 really get our arms around what our diversity
12 numbers look like and how they're categorized out,
13 but that's one of the steps we're taking is to be
14 able to actually have self-identification of those
15 groups and then also be able to house them in our
16 HRIS system so that we can report on them and have
17 a better understanding of what our demographic
18 looks like.

19 MR. NAUGHTON: Following up on that, on
20 the procurement side, might be a little easier on
21 the procurement side. I understand what you're
22 saying in terms of hiring and so forth.

23 But on the procurement side, many times
24 there's already self-identification. Are we

1 working on that score as well?

2 MS. WITKES: I'm going to let Tony speak
3 to that maybe.

4 MR. FALZONE: Yes. So, Dennis, I think
5 we acknowledge the need for more granularity when
6 we ask the firms we do business with how they are
7 diverse, not just are you diverse? Are you
8 minority- or-woman owned? Are you --

9 But we do have in our procurement
10 process all that language, very specific to the
11 language we've put into some of our proxy voting
12 guidelines that ask those questions.

13 But I don't think we have enough
14 granular data. So we just went through an
15 exercise that I've been working on -- this is more
16 for investment data, but we're trying to do it for
17 staff data as well. We're looking to collect more
18 granular data from each of our providers, whether
19 it be an investment manager or a vendor, on what
20 category they are so that we can report to folks
21 like the board in a meaningful way. And I think
22 that's what we're working toward right now.

23 We implemented Dynamo, which is a CRM

24

1 system, a couple years ago where we've added
2 fields in there that speak to that. And now we're
3 collecting the data so that we can then report on
4 it. So we realize we need to become more granular
5 with what we're showing people.

6 I hope that helps.

7 MR. NAUGHTON: Okay. We'll look forward
8 to that down the road. Thank you very much, both
9 of you.

10 MS. FITCH: Can I make a comment?

11 MR. FALZONE: Sure.

12 MS. FITCH: I think at the end of our
13 meetings, as one of the last agenda items, this
14 kind of puts this issue -- this issue doesn't
15 benefit from being placed at the end of the
16 agenda. I mean I think we're all kind of "are we
17 through yet?"

18 I think earlier in the meeting is a
19 better placement of this agenda, at least on a
20 rotating basis, because we're fresher, can listen
21 to it and can get the information that is being
22 summarized in a better way.

23 So that's kind of my comment because at
24 the end, you know, at almost noontime, it's hard

1 to focus.

2 MR. FALZONE: That's good feedback.

3 Thank you.

4 And that's why I tried to make my
5 comments brief so that I can give Michelle enough
6 time.

7 MS. FITCH: Right.

8 MR. FALZONE: But you're right. The
9 geography of where it is on the agenda, it
10 certainly isn't a reflection of how important it
11 is to us. And you're right; you want to be more
12 fresh.

13 MS. FITCH: Absolutely. I'm trying to
14 listen and to read the slides. And at this point
15 in time, even with my glasses on, it's impossible.

16 MR. FALZONE: Well, I've always thought
17 of my area as the most important in the
18 organization so we should definitely be up front.

19 MR. BROUSSEAU: And you also, Tony.

20 MS. FITCH: Okay.

21 TREASURER GOLDBERG: Michelle, I don't
22 know if you've actually gotten the full rundown,
23 and what some of the people on the call may not
24 recognize -- I mentioned the diversity events that

1 we have monthly.

2 I did notice, Tony, that you attended
3 the one that we did on the Caribbean event last
4 week. They have been nothing short of amazing.
5 We celebrate differences, Dennis, like the LGBTQ+
6 community, and they go on for about an hour, hour
7 and a half at lunchtime. We were unfortunate
8 enough pre-COVID to be actually able to serve
9 lunch that was associated with the particular
10 culture we were celebrating.

11 However, what it has done -- because you
12 have to remember, under the Treasurer's Office, we
13 have approximately 800 employees. And it has
14 enlightened the people who have never been exposed
15 to certain things and literally have not been
16 exposed.

17 And there's a lot of candid conversation
18 that takes place. And so it happens in a positive
19 way. It's not a shtick. It's a positive way.
20 And really enhances the environment of an
21 organization.

22 Just recently, there were two videos
23 made by people who -- that are available. I don't
24 know who can scramble quickly in order to share

1 the links. One was on what civility in the
2 workplace means to me. And it interviewed
3 different people across Treasury.

4 Michelle, I don't know if you've seen it
5 yet.

6 MS. WITKES: No, I haven't.

7 TREASURER GOLDBERG: There's a lot of
8 talk about "respecting who I am." And when you
9 have an environment that respects who people are
10 with each other, those are selling points for
11 bringing someone into an organization.

12 So when you're looking for a competitive
13 edge in a competitive environment, those are the
14 kind of things that are going to draw in those
15 people who we maybe can't compete on the money
16 front, but if they see that the environment is the
17 real deal, we may get some --

18 And that's why I encourage you over and
19 over to be in touch with Swee and go through all
20 the things that she's been doing in the last five
21 years where we've arrived at this.

22 So we've got the video, anyone who's
23 interested in seeing the civility video.

24 But the other one that we did recently,

1 which I really got a kick out of, was a takeoff --
2 or we did it first -- of the masks. Different
3 people wearing the mask for the next person.

4 And I'm in the middle of it. "Chandra
5 wears the mask for Treasurer Goldberg. Treasurer
6 Goldberg wears the mask" -- I think it was for Jim
7 MacDonald. And it was a wonderful video.

8 But that's examples. Not a lot of
9 effort. Low cost involved. And yet is really
10 supportive of a work environment.

11 MS. WITKES: Those sound great.
12 Terrific.

13 TREASURER GOLDBERG: But stay in touch
14 with our team because we have achieved these goals
15 of hiring topnotch individuals. And we've got
16 people that could make a lot more money elsewhere.
17 And the Treasurer's Office isn't always -- the
18 things that we do are not -- like we're not as
19 sexy as maybe what the AG's office is able to do
20 and get themselves on the front page. Right,
21 Carly?

22 However, we had an employee who was
23 transferring money during the middle of the night
24 to China so that Massachusetts could get the PPE

1 ahead of other people. That's pretty important.

2 So I'm just using an example, and we've
3 got lots more to share. And I applaud PRIM on all
4 the efforts that they have done and what they will
5 continue to do.

6 And Michelle, we want to work with you
7 and everyone because this is a group effort.
8 Michelle is not in this alone.

9 MS. WITKES: Thank you.

10 TREASURER GOLDBERG: And we are happy to
11 be supportive and helpful.

12 MS. WITKES: Thank you. I appreciate
13 that. That's terrific. Thank you.

14 MR. FALZONE: Thank you.

15 MR. BROUSSEAU: Madam Treasurer, could I
16 have just a comment, please?

17 TREASURER GOLDBERG: Absolutely, Bob.

18 MR. BROUSSEAU: Okay. First of all,
19 Michelle's excellent report, especially to raise
20 the sensitivity I think of the board, and I think
21 we have to be constantly reminded of the
22 importance of these issues, and the report did a
23 good job with it.

24 With respect to Ruth Ellen's comment,

1 Ruth Ellen, for several years, I've said that I
2 wish with four quarterly meetings, and I've made
3 recommendation -- not a formal recommendation, but
4 I suggested that probably one or two of those
5 board meetings in the year, depending upon what's
6 in the agenda, the A&F report could come just
7 before the investment. We could have the A&F
8 report, then the investment.

9 Where we have four quarterly meetings,
10 if there are issues like this, a report like this,
11 it could have been taken up before the very end of
12 a meeting when we're standing between meeting and
13 lunch.

14 But I have a question with regard to
15 slide 9, and probably Michael might be able to
16 answer this because he goes back a couple years.

17 On slide 9, they mention the McLagan
18 report that shows that they found no gender bias
19 was observed in female salaries nor to salary
20 ranges midpoint than the male population.

21 We'll hear from McLagan next year, and
22 I'm looking forward to that.

23 But the last point says during the last
24 three fiscal years, 100 percent of all voluntary

1 departures from PRIM were diverse employees, each
2 of whom went to the private sector.

3 Probably Michael told us that, but with
4 your exit interviews of these employees, Michael,
5 was salary the most important ingredient that
6 caused these employees to go to the private
7 sector? Or were there other factors, like, people
8 left PRIM to go to the private sector?

9 MR. TROTSKY: Salary is definitely the
10 primary reason time after time. But in this past
11 year, we had an instance where we lost someone
12 because they were offered a job very close to
13 their home, and it was a convenience factor more
14 than anything.

15 MR. BROUSSEAU: Thank you.

16 MS. MCGOLDRICK: Can I just say
17 something?

18 TREASURER GOLDBERG: Yes, Theresa.
19 Please do.

20 MS. MCGOLDRICK: I just wanted to say
21 that I think this is very important work that
22 should be highlighted. And I echo Bob and Ruth
23 Ellen and Dennis's comments about making it a
24 priority and also scrutinizing it.

1 not?

2 I don't hear acknowledgments.

3 MR. NAUGHTON: Yes.

4 MS. FITCH: I think so. I've got to go
5 back, look.

6 TREASURER GOLDBERG: Yesterday there was
7 a news article that explained that there has not
8 been proper tracking of information on diverse
9 hires and diverse suppliers at the statewide
10 level.

11 MS. FITCH: I've seen the headline.
12 Yes.

13 TREASURER GOLDBERG: I think she is
14 gone. So I think something just got knocked
15 out. If she's able to rejoin us, we'll
16 acknowledge her.

17 Are there any other comments or
18 questions?

19 Hearing none, if Theresa makes it back
20 in, we'll have her speak, but otherwise, I am
21 going to move on to the legal and legislative
22 update.

23 MR. SUPPLE: Thank you. Good morning,
24 Madam Chair and members of the board.

1 And Ruth Ellen and Bob, to your point,
2 here comes your lawyer at the end of the meeting,
3 but I'm happy to report I think I could probably
4 get this done within an hour or two.

5 TREASURER GOLDBERG: Actually, Chris is
6 going to suggest that he get to go first.

7 MR. SUPPLE: The good news is there's
8 three points. On legal, I have nothing of
9 significance to report to you today so that's a
10 good thing.

11 And then on the state legislative front,
12 we've been in close contact with the Treasury's
13 legislative people, who have been great to work
14 with. And Emily is going to report on a couple of
15 matters there.

16 And then on the federal regulatory
17 front, there is one brief matter that I will
18 report on. On Monday, August 31, the federal
19 Department of Labor proposed a rule that would
20 restrict the ability of fiduciary shareholders to
21 vote on proxy matters and would require that there
22 be an articulation of the reason and the economic
23 impact of the issue if proxy voting is going to be
24 done by fiduciary shareholders.

1 We know from our excellent presentations
2 we've had from John Nixon on DOL-related matters
3 that PRIM is not covered by ERISA, but
4 nonetheless, institutional investors and
5 fiduciaries always pay attention to what the DOL
6 does and what the rulings are with respect to
7 ERISA-covered plans because the ERISA language is
8 very similar to the state statute that governs
9 PRIM, and courts often look to ERISA for guidance
10 in interpreting even state statutes that aren't
11 strictly speaking ERISA.

12 So the timing is a little noteworthy in
13 that there's a 30-day comment period. So that
14 brings you to September, end of September, which
15 is just five weeks short of an election. So it's
16 kind of doubtful whether anything will happen in
17 the short term there, but nonetheless, that is
18 something that has attracted the attention of
19 fiduciaries and institutional investors. Its
20 impact is mostly on Taft-Hartley plans, if it were
21 to become actually a regulation.

22 And I'm happy to answer any questions on
23 that, if anybody has any.

24 If not, I would turn it over to Emily

1 for the state update.

2 TREASURER GOLDBERG: Before you do,
3 because I actually brought this to Michael's
4 attention because treasurers are talking about
5 this a lot. We are concerned.

6 Number 1, what we have heard as a group
7 is that there is some political motivation on
8 this, and I know politics is not part of what we
9 like to have influence our work. And that is
10 Chris alluded to its timing.

11 But what we're also concerned about is
12 that this is being viewed by some fiduciaries
13 as -- I always say the elephant's nose, but it's
14 the camel's nose under the tent. And that there
15 are fiduciaries that it will concern that are not
16 ERISA plans and are not Taft-Hartley, and it will
17 have a chilling effect on a lot of shareholder
18 activity, including there are a lot of investment
19 firms who become active shareholders who find this
20 as an increasingly important role, their
21 participation and impact on the way companies
22 govern themselves. And this is seen as a chilling
23 effect on it.

24 So it is extremely necessary, even

1 though it may not directly apply to us at this
2 time, to be paying attention to what's going on.
3 It is definitely an effort to cut back on the
4 advances that have been made both on the
5 investment side and on activist shareholder sides
6 in general.

7 So that's why I wanted everyone to have
8 a heads-up about this.

9 Dennis?

10 MR. NAUGHTON: Thank you, Madam
11 Treasurer.

12 Thank you for bringing that up, Chris.
13 I know I had been contacted by Erika Glaster, of
14 course, as I have my seat by virtue of my seat on
15 the retirement board, the teachers retirement
16 board. And there was a concern there as well for
17 some of the same reasons we're talking about here.
18 And what I said to Erika was it may or may not be
19 moot, as we all know, after the election.

20 But in any case, expressing my own
21 feeling now, and especially based on what the
22 Treasurer just said, that the "chilling effect,"
23 quote/unquote, why would we not or do we intend to
24 weigh in during the comment period as PRIM?

1 MR. SUPPLE: Dennis, I guess I would be
2 inclined to take guidance and direction from the
3 board and committee members on that point.

4 I guess a couple quick things would be,
5 to the Treasurer's point, it's correct, and I
6 think there are folks who are following this,
7 think this is --

8 Well, first of all, there's no question
9 that the intent of it is to restrict the ability
10 of fiduciaries to be active on proxy voting
11 issues. And the commentary when the news reports
12 report on this, there is commentary from the
13 Department of Labor officials. Eugene Scalia is
14 the director. And it's pretty clear that the
15 intent of it is to try to restrict fiduciaries to
16 economic impact and steer them away from social
17 policy issues.

18 People think, though, and John Nixon and
19 I have talked about this, that with respect to
20 corporate governance, that would always be an
21 economic impact issue. So there shouldn't be any
22 trouble there. In other words, a shareholder
23 should always be able to vote on matters relating
24 to corporate governance.

1 And then the third I guess is --

2 TREASURER GOLDBERG: Chris, there is an
3 issue, what is the definition of the economic
4 impact? For example, we know from a tremendous
5 amount of data, that companies that are more
6 diverse, are more innovative, are more effective
7 and better in tune with their customer base from
8 the data, but that may not be seen as an XYZ type
9 of --

10 One of the things I read and I sent you
11 guys -- I'm sure you have the two articles -- is
12 what is that definition of economic impact? And
13 how is it proven?

14 MR. NAUGHTON: If I may just follow up,
15 yes. I mean to me, that would be something that
16 we would express as our point of view.

17 In lieu of making a motion, and I will
18 make one, if need be, that we do weigh in on this
19 as PRIM during this period, but I would like to
20 just ask -- without objection, I'd like to ask
21 that we do respond during the comment period.

22 So I'm not hearing any objection. Can
23 we respond? Otherwise, I'll make a motion.

24 MR. SUPPLE: If the question is to me,

1 I'd be happy to assist in preparing a response,
2 certainly.

3 MR. NAUGHTON: Okay. Well, I'm not
4 hearing an objection, so I'm taking that that the
5 board is comfortable with us making a response as
6 PRIM because of the potential chilling effect and
7 without saying any more.

8 TREASURER GOLDBERG: Does that require a
9 vote?

10 MR. SUPPLE: I think it would be -- I
11 guess I could circulate something. And if there
12 was no objection to it, as Dennis said, I don't
13 think it would require a vote.

14 MR. NAUGHTON: Well, no. But if there
15 is objection, I'd rather do it right now as a
16 motion because the objectors could vote against
17 it, and then we'd have it resolved now.

18 So I would make a motion that PRIM
19 respond to this current situation that has
20 developed with its own testimony against this
21 limitation of the right of entities to speak
22 through the procedures that we have established,
23 and indeed, it's a procedure that we spent a lot
24 of time on, our proxy procedure, and we've taken

1 very seriously, and we'll continue to do that. So
2 I think that's all the more imperative that we
3 should weigh in here, lest anybody throw any cold
4 water on this mechanism that we have at our
5 disposal.

6 So my motion is that we respond within
7 the comment period, expressing our views in the
8 negative against this suggestion.

9 MS. MCGOLDRICK: Second.

10 MR. BROUSSEAU: Second.

11 MS. MCGOLDRICK: It requires a roll call
12 so I'm going down the list.

13 Okay. Bob?

14 MR. BROUSSEAU: Yes.

15 TREASURER GOLDBERG: Carly?

16 MS. ROSE: Yes.

17 TREASURER GOLDBERG: Dennis?

18 MR. NAUGHTON: Yes.

19 TREASURER GOLDBERG: Theresa?

20 MS. MCGOLDRICK: Yes.

21 TREASURER GOLDBERG: Jim?

22 MR. HEARTY: Yes.

23 TREASURER GOLDBERG: Paul?

24 MR. SHANLEY: Yes.

1 TREASURER GOLDBERG: Ruth Ellen?

2 MS. FITCH: Yes.

3 TREASURER GOLDBERG: Peter?

4 MS. FITCH: He's on mute.

5 MR. BROUSSEAU: He's on mute. Yes.

6 TREASURER GOLDBERG: He's looking at us.

7 MR. MONACO: I apologize. I had to step
8 away for a moment. What exactly are we voting on?

9 TREASURER GOLDBERG: Commenting during
10 the comment period on an opinion that was just put
11 through which has a chilling effect on shareholder
12 activities and shareholder actions.

13 MR. MONACO: This is federal Department
14 of Labor-related?

15 TREASURER GOLDBERG: Yes.

16 MR. MONACO: Is that separate from the
17 ESG-related ruling recently? Or part and parcel
18 of?

19 MR. SUPPLE: It's similar, Peter.
20 You're correct that they touch on the same issues.
21 It's a little different in that this one would
22 relate exclusively to proxy voting, whereas the
23 other one that we've talked about previously
24 relates to investment decisions generally.

1 MR. MONACO: Got it. Okay.

2 Okay. Yes.

3 TREASURER GOLDBERG: And myself, yes.

4 The motion carries.

5 Okay, Chris. I know Nick Favorito from
6 the retirement board has looked at this; as has
7 a lot of my legislative people, so if you want
8 any of them to work with you on it, we'd be
9 happy to. MR. SUPPLE: Thank you.

10 MS. FITCH: And I think it should be
11 noted that it's a unanimous vote.

12 TREASURER GOLDBERG: Thank you, Ruth
13 Ellen.

14 Okay. Now I think at this point, we're
15 turning this over to Emily Kowtoniuk.

16 MS. KOWTONIUK: Hi, everyone. Good
17 afternoon now. I'm Emily Kowtoniuk. I am the
18 policy and legislative director for Treasurer
19 Goldberg. And I have a very quick, I promise,
20 update on state legislation.

21 So we are in the second year of the two-
22 year legislative session. Typically formal
23 sessions will end for the year or for the session
24 on July 31 of the second year.

1 This year, however, with the impact of
2 the pandemic, we have several policy priorities
3 that are still pending before the legislature, and
4 the legislature has chosen to extend the
5 legislative session through the end of this year.

6 So among the items that we're watching
7 for PRIM, perhaps the one that is most likely to
8 impact PRIM's work is legislation that the
9 Treasurer mentioned earlier on in our conversation
10 relative to investment equity. And that piece is
11 currently pending in a conference committee before
12 the legislature.

13 It's part of the economic development
14 bill, and we are expecting that the conference
15 committee report will be issued most likely in the
16 next couple of weeks. So that's something that we
17 will be watching very closely.

18 We're also still waiting on a state
19 budget and still waiting for a couple of other
20 conference committees to wrap up their work not
21 relative to PRIM. So we are watching all of the
22 sort of smaller pieces relative to PRIM that are
23 stand-alone bills.

24 However, we feel that there's a very

1 small likelihood that these will advance, given
2 the extraordinary times.

3 TREASURER GOLDBERG: Any questions for
4 Emily?

5 MR. MONACO: It's Peter, Madam
6 Treasurer. Not so much a question, but maybe a
7 comment.

8 I don't have it at my fingertips, but I
9 do recall reading the draft amendments put forth
10 both on the house and the senate side. And they
11 appeared essentially identical to me.

12 I was bothered by some of the language.
13 If I understood it correctly, if the legislation
14 were enacted, not only would it require PRIM to
15 endeavor to meet certain quantitative targets when
16 it comes to hiring minority and other managers,
17 but it seemed to intend to require that if it were
18 necessary for PRIM to do so, to meet those
19 targets, it would need to relax policy, process
20 requirements, et cetera.

21 And that was troubling to me because
22 while the goal is laudable, it does seem to create
23 a little bit of conflict or tension with our
24 fiduciary responsibility.

1 But the biggest problem I have with it
2 or think I have with it is that we all sat here
3 all day talking about how good PRIM is at
4 everything it does, that probably not least a
5 function of consistent, repeatable, always applied
6 practices and quality controls.

7 Why would we want to have process change
8 imposed on us?

9 TREASURER GOLDBERG: Emily, do you want
10 to respond or --

11 Did you read the actual legislation,
12 Peter?

13 MR. MONACO: You know, again, it was two
14 months ago, I believe, or toward the back end of
15 July.

16 TREASURER GOLDBERG: It's a goal. It is
17 not imposed. And we believe that it is better for
18 us to participate in the direction this is going
19 instead of having something just imposed on us
20 without us helping to guide.

21 There are other states who've already
22 enacted this. They haven't necessarily achieved
23 the goals, but at least it makes it an extremely
24 conscious effort. And we are looking for firms

1 that perform at the same or even better levels
2 than what we have today.

3 MS. KOWTONIUK: And in terms of the
4 investment strategy piece, the language does
5 require PRIM to review and examine investment
6 strategy and to determine whether the current
7 investment strategy might restrict minority
8 involvement in the fund, either as an investment
9 manager or as a consultant, but it doesn't
10 necessarily require PRIM to change its investment
11 strategy, just to examine and determine.

12 MR. MONACO: Thanks for the
13 clarifications.

14 MR. BROUSSEAU: Madam Treasurer, like
15 Peter, I read this a couple months ago, so I was
16 trying to refresh my memory.

17 Are there not reporting mechanisms in
18 this requirement that would require PRIM to report
19 to -- if I recall in the back of my mind to -- is
20 it house ways and means and senate ways and means
21 on a -- is it a yearly -- I thought there was a
22 reporting mechanism in this.

23 Maybe I'm wrong. Somebody please try to
24 educate me on it.

1 MS. KOWTONIUK: Yes. So there is a
2 reporting requirement where PRIM would report to
3 the legislature and, as you said, to the chairs of
4 house and senate ways and means about their
5 progress in this initiative.

6 And that report does require PRIM to
7 specify whether they considered any minority
8 investment managers and what the specific reason
9 for declining such an opportunity might have been.

10 MR. SUPPLE: I've got it right in front
11 of me, and it is exactly as Emily has described on
12 both of those points.

13 MR. BROUSSEAU: I guess probably -- I
14 mean I hear the answer, and I understand it, but
15 are we going to tell them on a case-by-case basis
16 of investments we make and what was done to
17 implement the requirements of the legislation?

18 MS. KOWTONIUK: Yes, as part of an
19 annual report. So it doesn't require ongoing
20 reporting, but a summary of PRIM's annual action.

21 MR. BROUSSEAU: And it would in no way
22 tie the hands of PRIM in terms of the trustees
23 making investment decisions that are in the best
24 interest of the beneficiaries? Because that's

1 been the way we have operated. We asked Michael
2 to move in this direction; we are as an
3 organization.

4 But it's the requirement for reporting
5 that had me a little confused. It's beginning to
6 get clarified now.

7 TREASURER GOLDBERG: What I can tell you
8 is I have been asked at least at a minimum of
9 three different times since June to share with
10 people this very data. And so Michael and team
11 have had to prepare for me those kind of reports.

12 And what I want to repeat is, for
13 example, and this is not in terms of their
14 performance, the issues for the pension fund in
15 Illinois have nothing to do with the actual
16 pension fund's performance but has much more to do
17 with the legislature there having not transferred
18 their share for quite a significant amount of
19 time.

20 Illinois has not reached the, quote/
21 unquote, "goal," but has had no trouble reporting
22 and no trouble also with respect to finding some
23 appropriate investments at all different levels of
24 investing, from small to large.

1 So when I talked about this at admin and
2 audit, Bob, you recall that I very much suggested
3 that this is an issue that is not going to go away
4 and that it is really important that PRIM be a
5 part of the solution as opposed to having
6 something that we aren't a part of happen to us as
7 we move into the future.

8 MS. FITCH: What stage are we at now?

9 TREASURER GOLDBERG: Emily explained
10 this right now is probably not going anywhere.

11 Correct, Emily?

12 MS. KOWTONIUK: So it's part of a
13 conference committee that is currently being
14 discussed between select members of the house and
15 senate. If it does come out as part of the
16 conference committee report, which we do expect
17 will come out in the next couple of weeks, it will
18 then go to the governor for his signature.

19 TREASURER GOLDBERG: Oh, I thought,
20 Emily, that you told me that it was part of -- I
21 thought it was part of the economic development
22 bill.

23 MS. KOWTONIUK: Yes. So it was inserted
24 into the economic development bill by the house.

1 The senate did not include it. They did not
2 include any items that were included by the house
3 to position themselves well for negotiations in
4 conference, which are currently taking place now.

5 MS. FITCH: So I mean it sounds like it
6 will become a part of the bill, even though --

7 TREASURER GOLDBERG: No, not
8 necessarily.

9 MS. FITCH: Okay.

10 TREASURER GOLDBERG: Because you have to
11 understand something. As you just heard Emily
12 mention, the senate did not include --

13 MS. FITCH: Right.

14 TREASURER GOLDBERG: -- anything the
15 house bill did. So it depends on horse trading.

16 MS. FITCH: And that goes on in the
17 conference committee.

18 TREASURER GOLDBERG: No. It's really
19 horse trading. We'll give you this, if you give
20 us that.

21 I'm going to be blunt. I don't think
22 this is at the top of any -- this isn't -- I don't
23 know how to say this. I'm not sure it's a high
24 priority right now, but I can't guess. I can't

1 guess.

2 Emily, would you comment?

3 MS. KOWTONIUK: Right. It's not one of
4 the primary points of disagreement between the
5 house and senate. Absolutely.

6 So there was a sports betting initiative
7 that was also included as part of this bill that
8 is occupying a lot of the conferees' time.

9 I think that we would say that if it
10 does become part of the conference committee
11 report, that we would anticipate that the governor
12 would sign it. He can return things with
13 amendments, and he can strike things. But I think
14 that if it is part of the conference committee
15 report, our advice would be to be prepared to see
16 it become law.

17 TREASURER GOLDBERG: Comments,
18 questions?

19 Hearing none, what's next? My computer
20 just -- my agenda closed.

21 Anthony, amazing.

22 MR. FALZONE: It's all other matters
23 that are in front of --

24 TREASURER GOLDBERG: Travel and all that

1 kind of stuff.

2 MR. FALZONE: Correct. There is a
3 client service item on there. I don't know if --

4 TREASURER GOLDBERG: Paul.

5 MR. FALZONE: -- but I think Paul may
6 have a quick update.

7 MR. TODISCO: Treasurer, if that's okay,
8 I will be very brief.

9 TREASURER GOLDBERG: My pleasure.

10 MR. TODISCO: Thank you so much.

11 I just want to thank all the members of
12 retirement boards and staff that have joined
13 today's meeting remotely. Also members of the
14 investment community who also serve many of our
15 member systems, and I appreciate the continued
16 participation in this format.

17 It's really been very helpful as we go
18 on the road -- remotely go on the road, I should
19 say -- to meet with our member systems and to
20 provide information in addition to what they've
21 already learned from our board and committee
22 meetings.

23 Michael mentioned in his review of
24 FY 2020 accomplishments that the MBTA Retirement
Fund invested in our hedge funds and in private

1 equity. And I'm happy to report another
2 development that he'll be able to add to his list
3 of FY 2021 accomplishments next year. Over the
4 past few months, we've been working with the MBTA
5 Retirement Fund staff and their consultant, Segal
6 Marco, meeting with them remotely and having
7 discussions about a possible investment in our
8 emerging markets equity program.

9 In June, members of the PRIM investment
10 and client services team, Dave Gurtz, Andre Clapp,
11 Andre Abouhala, Emily Green, Francesco Daniele and
12 I, met with Segal Marco and representatives of the
13 MBTA Retirement Fund staff for an initial
14 interview.

15 We were subsequently invited to make a
16 presentation to the full MBTA retirement board on
17 July 17, after which, the board voted to approve
18 an investment in PRIM's emerging markets equity
19 portfolio.

20 And that took place on August 3. They
21 transferred \$30.1 million to the emerging markets
22 sleeve. So we are very thankful to the MBTA
23 Retirement Fund Board for their investment. For that, we are
24 meeting continuously with our member systems

1 remotely.

2 I'd just like to add a postscript to
3 Michael's performance evaluation. Michael's
4 always been 100 percent supportive and committed
5 to PRIM's client service efforts, and he did
6 recently attend remotely with the Worcester
7 Regional Retirement System and the Belmont
8 Retirement System. And he'll be attending an Essex
9 Regional Retirement System meeting, as well as in
10 Andover.

11 And I'd also like to thank the
12 Treasurer's HR team for inviting Tony Falzone and
13 me to present to the Treasury staff at the brown
14 bag session that they held on September 2. There
15 were a lot of people who participated in that,
16 including many PRIM staff.

17 So I thank you so much for that
18 opportunity. We enjoyed it. And we're happy to
19 do another one at some time in the future, if you
20 would all see fit.

21 So that will end my comments. And if
22 anyone has any questions, I'd be happy to answer
23 them. TREASURER GOLDBERG: Any questions for
24 Paul?

1 12:30 on the dot.

2 MR. TODISCO: Great.

3 MR. BROUSSEAU: Move to adjourn.

4 TREASURER GOLDBERG: I seek a motion --
5 don't forget it's roll call.

6 MR. BROUSSEAU: I know that.

7 TREASURER GOLDBERG: Motion to adjourn.

8 MR. NAUGHTON: Second.

9 TREASURER GOLDBERG: Okay. Ready? I'm
10 going right across.

11 Paul?

12 MR. SHANLEY: Yes.

13 TREASURER GOLDBERG: Bob?

14 MR. BROUSSEAU: Yes.

15 TREASURER GOLDBERG: Dennis?

16 Ruth Ellen?

17 MS. FITCH: Yes.

18 TREASURER GOLDBERG: Jim?

19 MR. HEARTY: Yes.

20 TREASURER GOLDBERG: Carly?

21 MS. ROSE: Yes.

22 TREASURER GOLDBERG: Is Peter still on,
23 or did we lose him? Peter's house is on.

24 MR. MONACO: Yes.

1 MALE SPEAKER: His house votes yes.

2 TREASURER GOLDBERG: Okay. And

3 Theresa's back.

4 MS. MCGOLDRICK: Yes.

5 TREASURER GOLDBERG: I am here.

6 MR. NAUGHTON: I vote yes.

7 TREASURER GOLDBERG: The motion carries.

8 Goodbye, everybody.

9 (Meeting adjourned at 12:30 p.m.)

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