



Minutes of the PRIM Administration and Audit Committee Remote Meeting  
Thursday, November 19, 2020

Committee members attending:

- Robert Brousseau, Chair
- Treasurer Deborah Goldberg
- Patrick Brock
- Karen Gershman, CPA
- James Hearty
- Dennis Naughton

Committee members not attending:

- Joseph Connolly
- Theresa McGoldrick, Esq.
- Michele Whitham, Esq.

The PRIM Administration and Audit Committee meeting was called to order at 10:06 a.m. Chair Robert Brousseau announced that the meeting was 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 the Committee participated remotely via telephone and/or internet enabled audio and video conferencing, and public access to the deliberations of the Committee was likewise provided via telephone, with presentation materials made available on PRIM's website ([www.mapension.com](http://www.mapension.com)). At the start of the meeting the names of the members participating remotely were announced.

**I. Approval of the Minutes (Voting Item)**

The PRIM Administration and Audit Committee approved by roll call vote the minutes of its July 23, 2020 meeting. Patrick Brock was not present for the July 23, 2020 meeting and therefore chose to abstain.

**II. Executive Director / Chief Investment Officer Report**

Michael G. Trotsky, CFA, Executive Director and Chief Investment Officer, made comments to the Committee, including:

*Markets*

Since September, markets have improved as two of the major uncertainties have become more certain. The election is over and there is more certainty surrounding the availability of a COVID-19 vaccine. Improvements to the economy are still modest as recent reports confirm. For example, exports are still 16% below February and employment is still 10.5 million jobs below pre-pandemic levels. An estimated 100,000 small businesses have closed, and employment participation is lower than at any time in 40 years, except for the recession of 2008/2009. Since September, there has been a loss of momentum in job postings and industrial activity, and the current surge of virus cases will undoubtedly impact employment going forward.

We believe that diminishing prospects for economic growth and fiscal spending could create continued volatility in the markets. This is a good time to be as diversified as possible, and the fact that the PRIT Fund is very well-diversified is paying off. On a relative basis, we did well during the correction in March and we benefitted significantly from the subsequent rebound. The PRIT Fund is structured to perform well in both up markets and perhaps more importantly, in down markets.

### *New Employees*

**Eliza Haynes** joined PRIM on September 21, 2020 as an Investment Analyst on the Private Equity team reporting to Michael McGirr. Eliza graduated from Holy Cross in 2018 with a Bachelor of Arts in International Studies and a minor in Philosophy. While at Holy Cross, she was a Founding Member of the Holy Cross Student Investment Club, member of the Feminist Forum and was a volunteer for the L'Arch Communities immersion project. After graduation she worked as an Investment Analyst for the College of the Holy Cross in their Investment Office. She participated in the screening, selection and monitoring of investment managers and portfolio analysis.

**Lionel Yelibi** joined PRIM on November 23, 2020 as an Investment Analyst on the Research team reporting to Maria Garrahan. Lionel graduated with a Bachelor of Science in Physics from Indiana University and a Master of Science in Mathematical Statistics from the University of Cape Town. Lionel joins PRIM from Boston Fusion as a Research Scientist where he designed and conducted experiments in Reinforcement Learning for predictive modeling as well as Optimal Asset Allocation. Prior to that he was a Research Assistant at the University of Cape Town, involved in the development of optimization methods for data clustering algorithms with applications to financial market data. Lionel won 1st place at the South African Statistical Association 2020 Conference for his postgraduate research paper.

### *Interns*

**Tobey Tian** joined PRIM in October 2020 as an intern on the Research team reporting to Maria Garrahan and will be working on Strategic Asset Allocation. Tobey received a Bachelor of Economics and Master of Economics from Nankai University in Tianjin, China. Tobey is currently studying at Brandeis University International Business School where she is expected to receive a Master of Science in Business Analytics in December 2020.

**Jaime Chung** joined PRIM in October 2020 as an intern on the Portfolio Completion Strategies team reporting to Bill Li. Jaime is pursuing a Master's in Finance at Brandeis University International Business School. Jaime earned his Bachelor's degree in Economics from Taiwan National Central University.

Three interns joined in September from UMass Amherst and are conducting research on diverse-owned investment management firms. This research is an extension of the PRIM-sponsored group project from the autumn of 2019.

**Heather Stratton** is expected to graduate in May 2021 with a Bachelor of Arts in Economics. Heather is currently the President of the Isenberg Undergraduate Consulting Group.

**Kyle Aikman** is expected to graduate in December 2020 with a Bachelor of Business Administration in Finance. Kyle is a portfolio manager at the student-run Minutemen Equity Fund, which is a hands-on learning experience within the Isenberg School of Management.

**Jake Gunning** is expected to graduate in May 2021 with a dual major, Bachelor of Business Administration in Finance and Bachelor of Arts in Economics.

### *National Recognition*

On September 15, 2020, **Treasurer Deborah Goldberg** was honored by the National Association of State Treasurers with the Jesse M. Unruh Award, which is awarded to an active Treasurer in recognition of outstanding service to the Association, the profession, and his or her state. Treasurer Goldberg currently serves as the President of the Association.

**Dan Eckman**, Director of Finance and Administration, and **Maria Garrahan**, Senior Investment Officer - Director of Research, were honored in September at Treasurer Goldberg's Performance Recognition

Program (PRP) ceremony. Dan was recognized for his contributions that allowed PRIM to continue operating seamlessly throughout the pandemic, among many other things. Maria was recognized for spearheading several industry-leading initiatives in her role at PRIM. Maria drives PRIM's innovative and proprietary, statistically-driven asset allocation framework and also worked recently to establish PRIM as the founding member of a new project with MIT Sloan School's Sustainability Initiative, a research consortium designed to solve ESG investing's most challenging issues.

For the 15th consecutive year, PRIM was awarded the GFOA's (Government Finance Officer Association's) Certificate of Achievement for Excellence in Financial Reporting. This award is for the completeness and timeliness of PRIM's Comprehensive Annual Financial Report, the CAFR. Qingmei Li, Financial Reporting Manager, manages the production of the CAFR and an increasing number of audits that have dramatically increased in complexity over time. She is the driving force behind PRIM's financial statements consistently having clean audit opinions.

### *Promotions*

**Anthony Falzone** is promoted to Deputy Executive Director. As Chief Operating Officer, Tony currently oversees PRIM's entire finance, operations, reporting, compliance, human resources, and technology functions. Tony has more than 25 years of finance, investment operations, and technology experience. He joined PRIM as a Senior Financial Analyst in 2006 from BNY Mellon Custody Services, where he directly supported PRIM for seven years. As a Senior Financial Analyst, Tony was responsible for real estate, timberland, and private equity. In 2009 he was promoted to Director of Private Investment Accounting, responsible for the oversight of all of PRIM's alternative investments. During that time, Tony returned to school part-time and earned his degree in Computer Information Systems. In 2013 Tony became PRIM's Chief Technology Officer. In that role, Tony upgraded and maintained PRIM's entire information technology infrastructure and designed and deployed PRIM's disaster recovery, business continuity, mobile device management, and cybersecurity platforms. His work in this area essentially prepared us for where we are today – a fully enabled and secure remote workforce. In 2018 Tony was promoted to Chief Operating Officer. In addition to his current responsibilities, Tony will oversee PRIM's Communications team under Elizabeth Herlihy.

**Deborah Coulter, CPA**, who currently serves as Chief Financial Officer, has been promoted, adding Chief Administration Officer to her responsibilities. As Chief Financial Officer Deb is responsible for managing PRIM's non-investment financial activities, including budgeting, corporate accounting, audits, taxation, cash management and office administration. Deb joined PRIM in 2012 as PRIM's Director of Finance and in that role also served as interim Chief Financial Officer while our former CFO was on medical leave. She briefly left PRIM to join the private sector as Assistant Controller at the Baupost Group, a Boston-based absolute return investment manager, but rejoined PRIM in April 2016 as the Director of Strategic Initiatives on the Finance and Operations team. Among many other accomplishments, Deb is responsible for PRIM receiving clean audit reports and for publishing the award-winning Comprehensive Annual Financial Report (CAFR). Additionally, Deb has developed procedures to comply with the Public Records Law changes and implemented new human resources policies designed to broaden the diversity of PRIM staff. Deb has more than 25 years of experience in investment management, financial management, and public accounting. Prior to joining PRIM, Deb spent 17 years at Essex Investment Management, a Boston based investment management firm, as Chief Financial Officer and Compliance Manager. In addition to her current responsibilities, Deb will assume responsibility of PRIM's Client Services team under Paul Todisco and join PRIM's Executive Management Team.

### *PRIT Fund Performance*

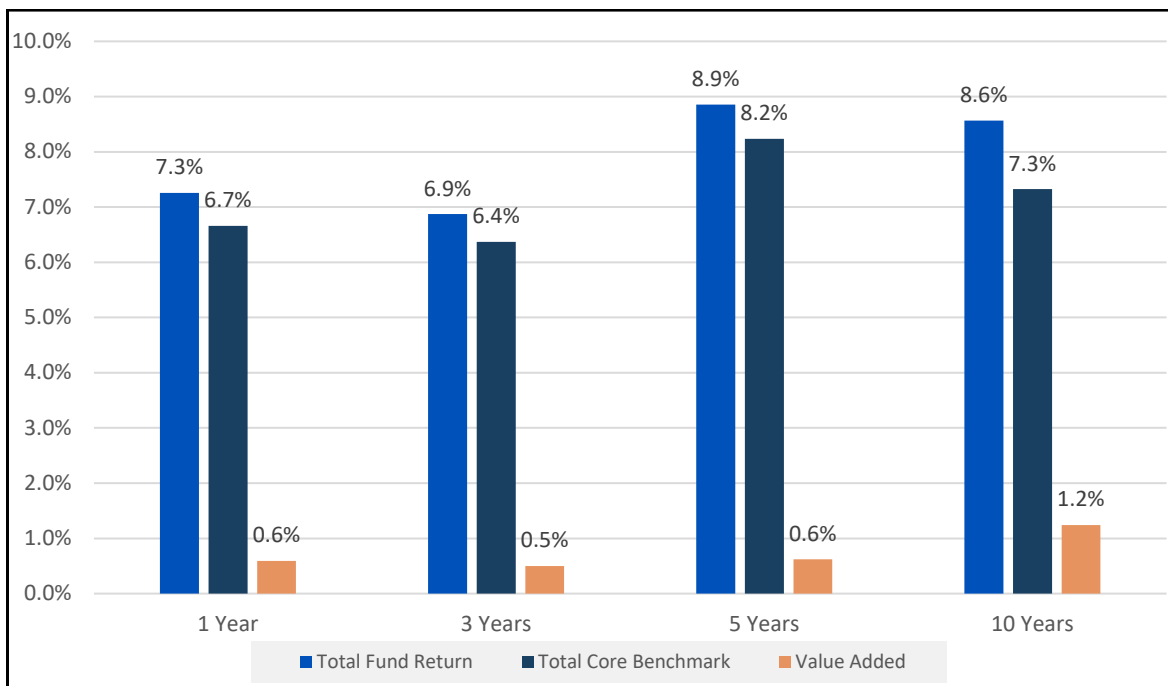
Assets in the PRIT Fund grew to an all-time high of \$80 billion in the quarter ending September 30, 2020, despite the volatile investment environment and paying \$1.5 billion in benefit obligations during the last

twelve months. Markets surged in the September quarter as COVID cases fell during the summer months and more of the economy opened. The PRIT Fund grew 6.2% in the quarter and 7.3% for the trailing twelve-month period. Private Equity rebounded very sharply in the third quarter; it was up nearly 17% (year/year) compared to 4.4% last quarter. As expected, a private equity benchmark anomaly that accounted for much of the PRIT Fund’s relative underperformance for the fiscal year ended June 30, 2020 reversed in the September quarter, just as it did when this occurred during the Global Financial Crisis in 2008/2009. For the one-year period, private equity outperformed the public equity benchmark by 2.6% compared to last quarter when private equity underperformed by 9.90%. For the one-year period, Core Fixed Income was up 10.7%, and Global Equities were up 8.7%, while other asset classes were essentially flat to slightly down.

For the one-year ended September 30, 2020, the PRIT Fund was up 7.3%, (6.8% net), outperforming the total core benchmark of 6.7% by 59 basis points (14 bps net).

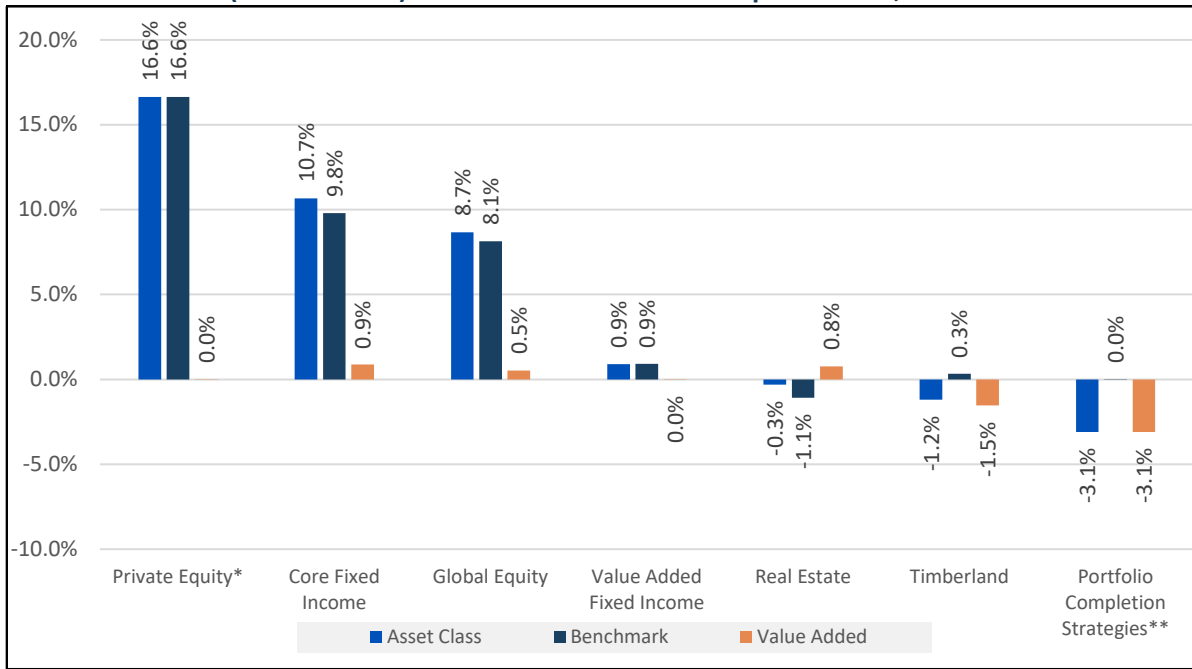
- This performance equates to an investment gain of \$5.2 billion, net of fees.
- This outperformance equates to \$106 million of value above the benchmark return, net of fees.
- Net total outflows to pay benefits for the one-year ended September 30, 2020, were approximately \$1.5 billion.

### Total PRIT Fund Returns (Gross of Fees) Annualized Returns as of September 30, 2020



Source: BNY Mellon. Total Core Benchmark includes private equity benchmark.

**PRIT Performance by Asset Class**  
**(Gross of Fees) Annualized Returns as of September 30, 2020**



Source: BNY Mellon. Totals may not add due to rounding. \*Benchmark is actual performance. \*\*Hedge Fund returns are net of fees.

**III. Draft Fiscal Year 2020 Comprehensive Annual Financial Report (CAFR) (Voting Item)**

Anthony Falzone, Chief Operating Officer, explained that the Fiscal Year 2020 Comprehensive Annual Financial Report (CAFR) will be PRIM’s 16th annual submission to the Government Finance Officers Association (GFOA) and is designed to provide information that goes above and beyond standard financial statements, meant to provide meaningful information concerning the PRIT Fund’s financial condition and performance.

Mr. Falzone described the CAFR’s four sections: Introductory, Investment, Financial and Statistical. He reminded the Committee that PRIM’s report has received the Certificate of Achievement for Excellence in Financial Reporting for the past 15 straight years and is optimistic that this year’s submission will earn the award as well. He thanked all the different teams at PRIM and reminded the Committee that this task is a total team effort, singling out Qingmei Li, PRIM’s Financial Reporting Manager, for her significant contribution.

The Administration and Audit Committee voted (unanimously) by roll call vote to recommend to the PRIM Board that it approve the draft Fiscal Year 2020 PRIT Fund Comprehensive Annual Financial Report (CAFR) attached as Appendix C to the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

**IV. Global Custody Services Request for Proposals (RFP) Recommendation (Voting Item)**

Mr. Falzone reminded the Committee that the PRIM Board approved the issuance of an RFP for Master Custody Services earlier in the year, and the RFP was issued in May. He introduced Matthew Liposky, Chief Investment Operating Officer who led the search to present the recommendation.

Mr. Liposky began by identifying the Evaluation Committee consisting of Administration and Audit Committee members Robert Brousseau and Karen Gershman, PRIM staff members Anthony Falzone, Deborah Coulter, Paul Todisco, George Tsipakis, Jennifer Cole, Qingmei Li and himself. He also mentioned

that PRIM engaged Callan Associates to assist in the evaluation process and representatives from Callan included Bo Abesamis, Mark Kinoshita and Alvaro Vega. Mr. Liposky thanked everyone on the Evaluation Committee for their help especially the Administration and Audit Committee members for their time and valuable insight provided throughout the process.

Mr. Liposky told the Committee that PRIM received three responses, State Street, Northern Trust and Bank of New York Mellon, by the June 12, 2020 deadline. The Evaluation Committee reviewed the responses and invited all three respondents for finalist interviews, which were conducted virtually.

Based on the RFP responses and after an extensive review of all respondents, the Evaluation Committee unanimously agreed that Bank of New York Mellon, the incumbent, was best suited to continue to provide global custody services for PRIM for a term of five years with two one-year extension options.

Dennis Naughton asked how long BNY Mellon has been providing global custody services for PRIM. Mr. Liposky indicated that they began working together back in 1999, so over 20 years, and because of the long standing relationship it was beneficial to have a third party, Callan Associates, provide support and insight into the current custodian landscape and help assess each respondent.

Karen Gershman mentioned that having Callan consult during the process was very helpful and that they added much value.

Mr. Naughton then asked if we investigated BNY Mellon's diversity and inclusion efforts. Mr. Falzone noted that all RFP questionnaires include several questions relating to the respondents' diversity and inclusion practices, and that BNY Mellon demonstrated a commitment to diversity and inclusion. Mr. Falzone indicated he would follow up with more detailed information from their response.

Treasurer Goldberg mentioned that PRIM should begin asking for more detailed numbers. One way to create meaningful change is to have vendors and suppliers dig deeper into the numbers and report on their percentage of woman and people of color.

The Administration and Audit Committee voted unanimously to make a recommendation to the PRIM Board that it approve the selection of the incumbent, BNY Mellon, to provide global custody services as described in Appendix E of the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

#### **V. Proposed 2021 PRIM Board and Committee Meeting Schedule (Voting Item)**

Mr. Falzone presented the proposed 2021 PRIM Board and committee meeting calendar to the Administration and Audit Committee and mentioned there had been no changes made to the calendar submitted in July 2020.

The Administration and Audit Committee voted unanimously to make a recommendation to the PRIM Board that it adopt the proposed 2021 PRIM Board and Committee Meeting Schedule, attached as Appendix F to the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

#### **VI. Proposed 2021 Proxy Voting Guidelines**

Mr. Falzone presented the proxy voting enhancements proposed by Treasurer Deborah B. Goldberg, attached as Appendix G to the Expanded Agenda. He reminded the Committee that the proposed enhancements will be discussed and voted on at the next meeting of the Administration and Audit Committee on February 4, 2021.

Mr. Naughton asked for clarification on the guideline under the Equal Employment Opportunity section requiring that not less than 20 percent of individuals employed by a company be diverse in terms of

gender. Mr. Falzone committed to working with the Treasurer's staff to clarify the language in the proposed guideline.

## **VII. Legal/Legislative Update**

PRIM's General Counsel indicated that at previous meetings of this Committee we have discussed several legislative proposals under consideration in the State House that could impact PRIM if they were to be enacted and signed into law. These proposals have been offered and considered both in the budget process and in the non-budget general legislation process, both of which would typically have been concluded by now, but both are still ongoing because they have been greatly delayed and postponed this year due to the pandemic. The budget process is nearly concluded, and the formal legislative session, which had been set to end in July, was extended until January, so we are likely to see increased legislative activity around year-end.

Elizabeth Zelnick, Deputy Director of Policy and Legislative Affairs provided an update on several bills that would impact PRIM, including the economic development bill which is in conference committee. Ms. Zelnick told the Committee that she is monitoring that bill as there is a piece, the investment equity amendment, that would set required reporting and diversity goals of 20% for PRIM investment managers and consultants. She concluded her update by informing the Committee that the Treasurer's 2021-2022 legislative package has been filed, which includes the fire arms divestment bill and the investment equity bill that is the same version of the amendment currently in conference committee.

## **VIII. Other Matters:**

The Committee members briefly discussed the following topics:

- a. September 2020 PRIM budget
- b. Client Service Update
- c. GIPS

Mr. Trotsky reminded the Committee that PRIM is one of only a handful of public pension plans that utilize the Global Investment Performance Standards (GIPS). GIPS are a set of voluntary guidelines used by investment management firms throughout the world. The goal of GIPS is to encourage full disclosure and fair representation of investment performance. He congratulated Mr. Liposky and his team for a successful year.

## **IX. Fiscal Year 2020 Audit Results (Voting Item)**

Deborah Coulter, CPA, Chief Financial Officer, introduced KPMG Partner Brock Romano, Managing Director Christine St. Hilaire and Audit Manager William Belden, who attended the meeting to review their summary of the Fiscal Year 2020 PRIM and PRIT audits and the two Agreed-Upon Procedures (AUPs) that they perform each year. Ms. Coulter noted that the audits had once again resulted in clean opinions and the two AUPs concluded with no findings. Ms. Coulter thanked the Finance and Operations teams for their hard work, especially Qingmei Li, PRIM's Financial Reporting Manager, who coordinates the audits and prepares the financial statements. Ms. Coulter then described how the addition of new innovative investments to the portfolio had greatly increased the complexity of the financial reporting. Ms. Coulter also stated that PRIM staff and KPMG staff worked very well together.

Mr. Romano provided an overview of KPMG's Accelerate 2025 program related to the firm's Culture and Diversity initiatives.

Mr. Romano provided a summary of the roles and responsibilities of management, the Administration and Audit Committee and KPMG as it relates to the fiscal 2020 audits of the PRIM Board and the PRIT Fund. He then provided an overview of the required communications highlighting the unmodified audit

opinions for the PRIM Board and the PRIT Fund financial statements and that there were no matters that require the attention of the Administration and Audit Committee.

Mr. Belden summarized the audit areas of emphasis highlighting that the majority of the audit effort is related to investments and related valuation.

The Administration and Audit Committee voted (unanimously) by roll call vote to recommend to the PRIM Board that the Board accept 1) the Fiscal Year 2020 PRIM and PRIT audited financial statements, as well as 2) the Agreed-Upon Procedures reports on PRIM's Procurement Process for Investment Management and Other Professional Services, and 3) the Agreed-Upon Procedures reports on the PRIT Fund's Benchmark Calculation, all as contained in Appendix J to the Expanded Agenda.

In accordance with audit best practice, PRIM staff left the remote meeting at 11:30 a.m. so that Committee members could have an opportunity to speak with the auditors without staff present.

The PRIM Administration and Audit Committee meeting adjourned at 11:41 a. m.

List of documents and exhibits used during the meeting:

- *Minutes of the PRIM Administration and Audit Committee Meeting of July 23, 2020*
- *PRIT Fund Performance Report*
- *Draft Fiscal Year 2020 Comprehensive Annual Financial Report*
- *Global Custody Services RFP Evaluation Committee Report*
- *Proposed 2021 PRIM Board and Committee Meeting Schedule*
- *September 2020 PRIM Operating Budget*
- *Fiscal Year 2020 PRIT Fund GIPS Compliant Presentation*
- *KPMG 2020 Audit Results Report*