

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

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10                   Minutes of the Board Meeting

11                   Monday, December 1, 2020

12                   commencing at 9:31 a.m.

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14                   (CONDUCTED REMOTELY)

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23                   **PRIM Board Offices**  
24                   **84 State Street**  
                     **Boston, Massachusetts**

## 1                                   A T T E N D E E S

2                                   (Via Zoom)

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4           **Board Members**

- 5           · Treasurer Deborah B. Goldberg, Chair
- 6           · Robert L. Brousseau
- 7           · Ruth Ellen Fitch
- 8           · James B.G. Hearty
- 9           · Theresa F. McGoldrick, Esq.
- 10          · Peter Monaco
- 11          · Dennis J. Naughton
- 12          · Carly Rose
- 13          · Paul E. Shanley, Esq.

14           Other Attendees:

- 15          · Michael Bailey
- 16          · Anthony Falzone
- 17          · Alyssa Fiore
- 18          · Maria Garrahan
- 19          · David Griswold
- 20          · David Gurtz
- 21          · Eleni Klempner
- 22          · John La Cara
- 23          · Bill Li
- 24          · Jay Leu
- Eric Nierenberg
- John A. Nixon,
- Esq.
- Tim Schlitzer
- Chris Supple
- Paul Todisco
- Michael Trotsky



1                   Public access to the deliberations of  
2     the meeting today will likewise be provided via  
3     telephone, with all documents referenced at the  
4     meeting available to be viewed on PRIM's website.  
5     That is [www.mapension.com](http://www.mapension.com).

6                   All persons speaking at today's meeting  
7     are asked first to identify themselves. Also the  
8     Open Meeting Law requires anyone wishing to record  
9     a meeting to first notify the chair so that the  
10    chair can inform the other attendees. And we do,  
11    as of just before we started, have two individuals  
12    who are planning on recording the meeting. But if  
13    any others come in we don't know about, please  
14    notify Beth Herlihy at [etherlihy@mapension.com](mailto:etherlihy@mapension.com).

15                  Tony, could you please inform us, who  
16    are the two people we know of who are recording  
17    the meeting?

18                  MR. FALZONE: Yes. We have Virginia  
19    Dodge, who is our stenographer taking minutes.  
20    She's recording the meeting. And Justin Mitchell  
21    from *Buyouts Insider* is also recording the  
22    meeting.

23                  And then there is also a representative  
24    from Fundmap recording the meeting that we just

1 found out about. So that's three that I'm aware  
2 of.

3 TREASURER GOLDBERG: Okay. Please  
4 inform us if you learn of additional ones.

5 MR. FALZONE: I will.

6 TREASURER GOLDBERG: I will announce the  
7 names of all PRIM Board members who are  
8 participating in today's meeting: Myself,  
9 Treasurer Deb Goldberg, Bob Brousseau, Ruth Ellen  
10 Fitch, Jim Hearty, Theresa McGoldrick, Dennis  
11 Naughton.

12 Has he joined yet? Dennis, are you  
13 there?

14 MS. FITCH: There he is. Yes.

15 TREASURER GOLDBERG: Is Peter Monaco on  
16 the call yet?

17 MR. FALZONE: I do not see him yet.

18 TREASURER GOLDBERG: Okay. Do me a  
19 favor, give me a heads-up when he arrives so I can  
20 include him in the vote.

21 Carly Rose is with us, as is Paul  
22 Shanley.

23 Okay. First item on the agenda, I would  
24 seek a motion that the PRIM Board approve the

1 following consent agenda items as described in the  
2 expanded agenda. I hope I'm on the right page.

3 MS. FITCH: So moved.

4 TREASURER GOLDBERG: Am I?

5 MR. FALZONE: You are. Correct.

6 TREASURER GOLDBERG: Well, I want to --  
7 all right. I just want to list what those are,  
8 Ruth Ellen.

9 Approval of the PRIM Board minutes of  
10 September 9, 2020; approval of fiscal year 2020  
11 audit results; approval of draft fiscal year 2020  
12 Comprehensive Annual Financial Report, better  
13 known as the CAFR; approval of the proposed 2021  
14 PRIM Board and committee meeting schedule.

15 And further to authorize the executive  
16 director to take all actions necessary to  
17 effectuate this vote.

18 Take it away, Ruth Ellen.

19 MS. FITCH: So moved.

20 TREASURER GOLDBERG: Is there a second?

21 MR. SHANLEY: Second.

22 MR. HEARTY: Second.

23 TREASURER GOLDBERG: A number of  
24 seconds.

1                   Okay. Ready? Bob Brousseau?

2                   MR. BROUSSEAU: Yes.

3                   TREASURER GOLDBERG: Ruth Ellen Fitch?

4                   MS. FITCH: Yes.

5                   TREASURER GOLDBERG: Jim Hearty?

6                   MR. HEARTY: Yes.

7                   TREASURER GOLDBERG: Theresa McGoldrick?

8                   MS. MCGOLDRICK: Yes.

9                   TREASURER GOLDBERG: Dennis Naughton?

10                  MR. NAUGHTON: Yes.

11                  TREASURER GOLDBERG: Carly Rose?

12                  MS. ROSE: Yes.

13                  TREASURER GOLDBERG: Paul Shanley?

14                  MR. SHANLEY: Yes.

15                  TREASURER GOLDBERG: Myself, yes.

16                  The motion is carried.

17                  Next item on the agenda is the executive

18                  director's report.

19                  MR. FALZONE: You're muted, Michael.

20                  MR. TROTSKY: How about now?

21                  Can you hear me?

22                  MS. FITCH: Yes.

23                  MR. TROTSKY: Okay. Thank you very

24                  much, Treasurer.

1                   And welcome to the PRIM Board meeting,  
2     the December meeting. I hope you all had a  
3     relatively nice Thanksgiving. A little different  
4     this year for all of us, I think. I'm hoping that  
5     next year, we'll have this meeting in person and  
6     we'll be getting back from a long weekend with our  
7     families hopefully, our extended families. So  
8     thank you for joining us.

9                   A reminder, everyone, to please keep  
10    your microphones on mute. We'd really appreciate  
11    that. It eliminates background noise.

12                  We'll be reviewing September 30, 2020  
13    results, but as you know, the quarter was very  
14    strong, and that strength really continues as we  
15    close out the calendar year. In fact, November  
16    was record-setting in some cases.

17                  The PRIT Fund, importantly, now stands  
18    at \$80 billion, and that's a new all-time high.  
19    And as I mentioned before, that's particularly  
20    impressive because we also paid about a billion  
21    and a half of benefits out of the plan over the  
22    last 12 months. The PRIT Fund was up 6.2 percent  
23    in the September quarter and is now up more than  
24    7 percent for the 12 months ending September.



1                   Private equity rebounded very sharply.  
2           It was up nearly 17 percent year on year in the  
3           September quarter, and that compared to up  
4           4.4 percent year on year last quarter when we last  
5           spoke.

6                   And as expected, the private equity  
7           benchmark anomaly that accounted for much of the  
8           PRIT Fund's relative underperformance for the  
9           fiscal year ended June completely reversed itself  
10          in the September quarter. If you remember, for  
11          those of you who were here, it also reversed when  
12          this anomaly last occurred during the global  
13          financial crisis in '08-'09.

14                  Equities across the board were all very  
15          strong. Bonds and real assets were weaker for the  
16          quarter, but still, all asset classes were  
17          positive.

18                  I'll briefly review the performance  
19          slides in more detail in a moment, but first an  
20          organizational update, starting with two  
21          promotions.

22                  First, Tony Falzone was promoted to  
23          deputy executive director. And as chief operating  
24          officer, Tony oversaw or continues to oversee

1 PRIM's entire finance, operations, reporting,  
2 compliance, human resources and technology  
3 functions. In addition to his current  
4 responsibilities as chief operating officer, with  
5 this promotion, Tony will also oversee PRIM's  
6 communications team under Elizabeth Herlihy.

7 Tony has more than 25 years of finance,  
8 investment operations and technology experience.  
9 He joined PRIM as a senior financial analyst in  
10 2006 from BNY Mellon custody services division,  
11 where he directly supported PRIM in that role for  
12 seven years. As a senior financial analyst, Tony  
13 was responsible for real assets, real estate,  
14 timberland and also private equity.

15 In 2009, he was promoted to director of  
16 all private investment accounting and was  
17 responsible for the oversight of all PRIM's  
18 alternative investments.

19 During that time, as if he wasn't busy  
20 enough, Tony returned to school part-time and  
21 earned his degree in computer information systems.  
22 Very ambitious guy, Tony.

23 In 2013, Tony became PRIM's chief  
24 technology officer. And in that role, he upgraded

1 and maintained PRIM's entire IT infrastructure and  
2 designed and deployed PRIM's disaster recovery,  
3 business continuity, mobile device management and  
4 cybersecurity platforms.

5 His work in this area essentially set us  
6 up, prepared us well for where we are today. And  
7 we are a fully enabled and secure remote workforce  
8 as we sit here today, as you can see through this  
9 Zoom.

10 In 2018, Tony was promoted to chief  
11 operating officer, and as I'm sure many of you  
12 have observed along with me, Tony has been nothing  
13 short of extraordinary in his current role.

14 I'm very happy to promote him, and I  
15 know he will be successful. In fact, I told him  
16 last month during his performance evaluation that  
17 promoting him into the many different roles he has  
18 occupied over the years and watching him succeed  
19 in every one of them has been one of the most  
20 fulfilling rewards of my own career. And it's  
21 true. It's much deserved.

22 Congratulations, Tony. Round of  
23 applause.

24 Next, Deb Coulter, who currently serves

1 as chief financial officer, has been promoted,  
2 adding chief administration officer to her  
3 responsibilities. Deb, like Tony, is another MVP  
4 at PRIM, and I'm also very excited to promote her.

5 As chief financial officer, Deb is  
6 responsible for managing PRIM's non-investment  
7 financial activities, including budgeting,  
8 corporate accounting, audits, taxation, cash  
9 management and office administration.

10 Deb joined PRIM in 2012 as PRIM's  
11 director of finance, and you may remember that she  
12 served as interim chief financial officer while  
13 our former CFO, Tom Hanna, was out on medical  
14 leave.

15 She briefly left PRIM to join the  
16 private sector as assistant controller at Baupost  
17 Group, a well-known Boston-based investment  
18 manager, but as I said, she quickly regained her  
19 senses and rejoined PRIM in the spring, in April,  
20 of 2016 as the director of strategic initiatives  
21 on the finance and operations team.

22 Among many other accomplishments, Deb is  
23 responsible for PRIM receiving clean audit  
24 reports, as we just voted on another clean audit

1 report, and for publishing the award-winning  
2 Comprehensive Annual Financial Report.

3 Additionally, she has developed  
4 procedures to comply with the new public records  
5 laws, and she implemented new human resources  
6 policy designed to broaden the diversity of PRIM  
7 staff, and we've made great strides in that  
8 regard.

9 Deb has more than 25 years of experience  
10 in investment management, financial management and  
11 public accounting. She is a CPA. Prior to  
12 joining PRIM, Deb spent 17 years at Essex  
13 Investment Management, another Boston-based  
14 investment management firm, as their chief  
15 financial officer and compliance manager.

16 In addition to her current  
17 responsibilities, Deb will assume responsibility  
18 for PRIM's client services team under Paul  
19 Todisco, and she'll also join PRIM's executive  
20 management team.

21 Please again join me in congratulating  
22 both Tony and Deb on their promotions that are  
23 very well-deserved, and we're all very excited.

24 Next, we're happy to welcome two new

1 employees to PRIM. Eliza Haynes joined PRIM on  
2 September 21 as an investment analyst on the  
3 private equity team, and she'll report to Mike  
4 McGirr. She graduated from Holy Cross in 2018  
5 with a bachelor of arts in international studies  
6 and a minor in philosophy.

7 While at Holy Cross, she was a founding  
8 member of the Holy Cross Student Investment Club,  
9 member of the Feminist Forum and was a volunteer  
10 for L'Arch Communities immersion project.

11 After graduation, she worked as an  
12 investment analyst at Holy Cross's investment  
13 office, the endowment office. She participated in  
14 the screening, selection and monitoring of  
15 investment managers, and she performed portfolio  
16 analytics as well.

17 Next, Lionel Yelibi started on  
18 November 23, just last week, as an investment  
19 analyst in the research team reporting to Maria  
20 Garrahan. He graduated with a bachelor of science  
21 in physics from Indiana University and a master of  
22 science in mathematical statistics from the  
23 University of Capetown.

24 We're delighted to have him. He comes

1 to us from Boston Fusion as a research scientist,  
2 where he designed and conducted experiments in  
3 reinforcement learning for predictive modeling, as  
4 well as optimal asset allocation.

5 Mind you, he's the second physicist we  
6 have on staff. You may remember that Dr. Andre  
7 Clapp is a doctor, a Ph.D. in physics as well.

8 Prior to that, Lionel was a research  
9 assistant at the University of Cape Town, involved  
10 in the development of optimization methods for  
11 data clustering algorithms in applications to the  
12 financial markets as well.

13 Lionel won first place at the South  
14 African Statistical Association 2020 Conference  
15 for his postgraduate research paper.

16 We're delighted to have you both and  
17 look forward to the day when you can meet our  
18 board in person and actually meet with most of the  
19 rest of the staff in person too. That day is  
20 coming.

21 We also welcome five new interns to  
22 PRIM. Tobey Tian joined PRIM in October as an  
23 intern on the research team reporting to Maria  
24 Garrahan and will be working on asset allocation

1 work, which begins this month. Tobey received a  
2 bachelor of economics and a master of economics  
3 from Nankai University in Tianjin, China.

4 Tobey is currently studying at Brandeis  
5 University International Business School, where  
6 she is expected to receive a master of science in  
7 business analytics in December of this year.

8 Next, Jamie Chung joined PRIM in October  
9 as an intern on the portfolio completion strategy  
10 team reporting to Bill Li. Jamie is pursuing a  
11 master in finance at Brandeis University  
12 International Business School as well. And he  
13 earned his bachelor's degree in economics from  
14 Taiwan National Central University.

15 As I mentioned before, because of the  
16 two professors we have on staff, Jay Liu and Eric  
17 Nierenberg at the Brandeis University  
18 International Business School, we really have a  
19 great pipeline into the best and brightest in that  
20 program.

21 The next three interns joined in  
22 September from UMass/Amherst and are conducting  
23 research on diverse-owned investment management  
24 firms. This is an extension of the PRIM-sponsored



1 group project under Eric Nierenberg's leadership  
2 that was launched in the fall of 2019, last year.

3 Heather Stratton is expected to graduate  
4 in May of 2021 with a bachelor of arts in  
5 economics. Heather is currently the president of  
6 the Isenberg Undergraduate Consulting Group.

7 Kyle Aikman is expected to graduate in  
8 December 2020 with a bachelor of business  
9 administration in finance. He is a portfolio  
10 manager at the student-run Minuteman Equity Fund,  
11 which is a hands-on learning experience within the  
12 Isenberg School.

13 And last, Jake Gunning is expected to  
14 graduate in May 2021 with a dual major, bachelor  
15 of business administration in finance and a  
16 bachelor of arts in economics.

17 Welcome to PRIM, everybody. That's  
18 seven new hires since the last time we met; two  
19 full-time and five interns. We're very excited to  
20 have you all.

21 Next, in the area of national  
22 recognition, I'm very happy to announce that in  
23 September, Treasurer Goldberg was honored by the  
24 National Association of State Treasurers with the

1       Jesse M. Unruh Award, which is awarded to an  
2       active Treasurer in recognition of outstanding  
3       service to the association, the profession and her  
4       own state. As many of you already know, Treasurer  
5       Goldberg currently serves as the president of that  
6       association, which itself is an honor.

7               So congratulations, Treasurer. Much  
8       deserved.

9               Also keeping on the Treasury theme,  
10      please join me in congratulating Dan Eckman and  
11      Maria Garrahan, who were honored last month with  
12      the Treasurer's Performance Recognition Program  
13      Ceremony.

14             Dan Eckman, who is our director of  
15      finance and administration, was recognized for his  
16      contributions that allowed PRIM to continue  
17      operating seamlessly throughout the pandemic,  
18      among many other things.

19             Mary Garrahan, senior investment officer  
20      and our director of research, was recognized for  
21      spearheading several industry-leading initiatives  
22      in her role at PRIM. She drives our asset  
23      allocation framework. That's proprietary and  
24      statistically driven. And she also worked

1 recently to establish PRIM as the first founding  
2 member of a new project with MIT Sloan School's  
3 Stainability Initiative. That's a research  
4 consortium designed to solve ESG investing's most  
5 challenging issues.

6 So congratulations to both of you. And  
7 thank you, Treasurer. Thank you very much for  
8 recognizing their contributions.

9 And last, for the 15th consecutive year  
10 now, PRIM was awarded the GFOA's Certificate of  
11 Achievement for Excellence in Financial Reporting.  
12 This award is for the completeness and timeliness  
13 of our comprehensive annual report, the CAFR.

14 Later -- well, you already did it. You  
15 already, in the consent agenda, approved this  
16 year's submission and also the audit results.  
17 We're very happy to report again that the auditors  
18 have found no exceptions. PRIM has achieved  
19 another clean audit.

20 And Qingmei, our financial reporting  
21 manager, manages the production of the CAFR and an  
22 increasing number of audits that have dramatically  
23 increased in complexity over time. She is the  
24 driving force behind PRIM's financial statements

1 consistently having clean audit opinions.

2               So please let's congratulate Qingmei and  
3 also Tony and Deb on these outstanding  
4 achievements.

5               Turning to markets and PRIT Fund  
6 performance, the markets have improved  
7 dramatically as two of the major uncertainties  
8 have been lifted or at least been made more  
9 certain. The election is over, and we now have a  
10 better idea of when a COVID-19 vaccine might  
11 become available as Pfizer, Moderna and most  
12 recently AstraZeneca have announced impressive  
13 efficacy results of their vaccine clinical trials.

14              Incidentally, PRIM was a very early  
15 investor in Moderna through one of our venture  
16 capital partners, Flagship Pioneering. I think  
17 Moderna is up more than a hundred percent this  
18 year and was up 20 percent or so yesterday. We  
19 are very happy to be able to supply Moderna with  
20 enabling capital that allowed this innovation,  
21 this vaccine. And we did that through Flagship  
22 Pioneering. Obviously, the Moderna investment is  
23 very gratifying from both a public health and an  
24 investment standpoint. It's been a home run.

1                   Markets surged in September as COVID  
2 cases fell during the summer months and more of  
3 the economy opened up. And so far this quarter,  
4 the fourth calendar quarter, the markets are  
5 continuing on an upward trajectory now that the  
6 election is behind us and there is more  
7 encouraging news about the vaccines. November was  
8 an astounding month.

9                   At previous meetings, you may remember,  
10 it's been a volatile year, but we reviewed the  
11 March quarter in which the S&P was down  
12 20 percent. International markets were down more  
13 than 20 percent while bonds rose. Then the June  
14 quarter was very strong as markets cheered the  
15 enormous stimulus programs and the COVID-fighting  
16 protocols designed to keep the economy afloat and  
17 citizens safe.

18                  In the June quarter, the S&P was up more  
19 than 20 percent. Developed international markets  
20 were up 15 percent, and emerging markets were up  
21 18 percent. Bonds were up slightly.

22                  And then in September, the quarter that  
23 we're reporting now, the S&P was up 9 percent.  
24 Developed international markets up almost

1       5 percent. Emerging markets up almost 10 percent,  
2       while bonds were essentially flat. A 60/40 mix of  
3       stocks and bonds was up 5.1 percent in the  
4       September quarter. And the PRIT Fund fared  
5       better. It was up 6.2 percent.

6               October and November, markets continue  
7       to be very strong. And for the calendar year now,  
8       through the end of November, the S&P is up  
9       14 percent. Developed international markets are  
10      up 3 percent, and emerging markets are up  
11      11 percent. Bonds have also been very strong with  
12      diversified bonds of 7.4 percent, and long-  
13      duration Treasuries up 26 percent. That's the  
14      best-performing asset class this year.

15             The PRIT Fund continues to perform very  
16      well in both down markets like we had in the March  
17      quarter, and we are also very pleased to perform  
18      well in the strong markets in the September  
19      quarter and, so far, we believe for this quarter.

20             Again, we're very pleased that the fund  
21      is at a new record high \$80 billion, despite the  
22      extreme volatility that I just went through and  
23      the volatility that we've experienced and the many  
24      uncertainties that we've experienced throughout

1       this calendar year.

2               I'll briefly go through the performance  
3       slides, if you could call those up. Who's driving  
4       the slides today?

5               There we go. And you can go to the  
6       market value slide. Yes.

7               I'll just go through these quickly  
8       because we reviewed them at the Investment  
9       Committee, and also you'll hear from each asset  
10      class today.

11              You can see here \$80 billion, a new  
12      all-time high for the PRIT Fund, and that's  
13      despite paying benefits.

14              Next slide. The PRIT Fund is up  
15      6.2 percent gross. That's 6.1 percent net for the  
16      quarter, outperforming the benchmark by more than  
17      2 percent in the quarter. Private equity on the  
18      left rebounded strongly. You'll hear from Mike  
19      Bailey today. Equities in particular, emerging  
20      markets equities were very strong.

21              Next slide.

22              For the one-year period, the PRIT Fund  
23      was up 7.3 percent. On the left, you can see what  
24      did well. Long-duration Treasury STRIPS, as I

1 mentioned, number 1 performing asset class,  
2 followed by private equity and equities in  
3 general.

4 On the right, you can see what was a  
5 little weaker. You'll hear about that today.  
6 Real estate, timberland and PCS in particular.

7 Next slide. Annualized returns as of  
8 the end of September, again for the one-year  
9 period, the PRIT Fund was up 7.3 percent gross,  
10 6.8 percent net, outperforming the benchmark  
11 slightly. This performance equates to an  
12 investment gain of \$5.2 billion. And that's  
13 \$106 million above a benchmark return, net of  
14 fees. Net outfall is again \$1.5 billion.

15 Five of the seven asset classes  
16 outperformed in the year, and you can see also  
17 that the 3-, 5- and 10-year numbers remain strong  
18 and above benchmark.

19 I'll note that last year, NEPC lowered  
20 their capital markets assumption, and our 10-year  
21 expected return dropped to 6.2 percent. So we're  
22 comfortably above that in all time periods.

23 And the 30-year expected return was  
24 7.3 percent. And you can see we're doing pretty



1 well on that, despite the volatile year.

2 And I'll end with the performance slides  
3 on this chart. You can see on the left what did  
4 well. Private and public market equities were  
5 very strong. Bonds were very strong. You'll hear  
6 from Dave and Mike Bailey about that.

7 Real estate is okay. Private valuations  
8 were flat for the third quarter. REITs, publicly  
9 traded real estate vehicles, were down  
10 14.4 percent for the year. So that real estate  
11 number includes that.

12 Timberland, a bit weaker. PCS, weak,  
13 which we will talk about, but it was a combination  
14 of the problems that we highlighted earlier in the  
15 year, namely, the dislocation caused by credit-  
16 related hedge funds in the March quarter. Eric  
17 and Bill will discuss that in a moment.

18 You can take these slides down. And I  
19 just want to make a few comments about the economy  
20 and the outlook.

21 It is true that the economy greatly  
22 improved in the summer and the early fall with a  
23 massive stimulus and as lockdowns and precautions  
24 flattened the growth curve of this virus, at least

1 in the summer months.

2 But it is also true that the economy is  
3 losing momentum as we speak, as COVID-19 cases,  
4 hospitalizations and deaths are currently spiking.

5 The markets, unlike the economy, are not  
6 pausing. And they're up again today. The S&P, as  
7 you know, hit a new all-time high. And frankly  
8 sometimes that's a little difficult to understand  
9 right now.

10 We believe one of the contributing  
11 factors is that corporate earnings for the  
12 September quarter fell less than analysts feared.  
13 Corporate earnings actually did a little better  
14 than expected. In fact, nearly 90 percent of  
15 companies reported so far have reported a positive  
16 earning surprise. For the third quarter, that's  
17 the quarter ended September, S&P 500 companies are  
18 reporting year-over-year declines in earnings of  
19 7.5 percent and a decline in revenue of  
20 1.7 percent. But again, that was better than  
21 expected. And for the year, analysts are still  
22 expecting an earnings decline of nearly 15 percent  
23 year-over-year for the calendar year 2020 and a  
24 revenue decline of more than 2 percent.

1                   So this makes us wonder really why the  
2       S&P is up 64 percent since the bottom in March and  
3       up nearly 14 percent for the calendar year so far,  
4       when earnings are expected to be down 15 percent.

5                   And the answer, as we discussed in the  
6       Investment Committee meeting, the answer may lie  
7       in the narrowness of the markets. The largest  
8       five tech giants in the S&P 500 -- that's  
9       Facebook, Apple, Amazon, Microsoft, Google -- have  
10      generated returns of approximately 40 percent this  
11      year, just the five of them, while the other 495  
12      companies in the S&P 500 have produced a negative  
13      return of approximately 1 percent. So that is a  
14      very narrow market.

15                  Those five companies are driving the  
16      returns. And when you think about it, those five  
17      are really the ones that benefit from this new  
18      stay-at-home lifestyle. They really want you to  
19      be on your devices all day long. They do well  
20      when we do more of that.

21                  The COVID vaccine availability could be  
22      a game changer. We hope it is. And also there is  
23      the prospect of policy changes in the new  
24      administration, although in the near term, the

1 election leaves questions about the timing and the  
2 scale of additional government stimulus.

3 We'll have to see what happens and how  
4 soon, but factors that have guided portfolio  
5 strategies until now could possibly change in the  
6 coming quarters.

7 We talked last board cycle about  
8 improvements in the economy that were modest. And  
9 it is important to still realize that four months  
10 later, exports are still 16 percent below February  
11 levels. Employment is still short approximately  
12 10 million jobs. And those are big numbers.

13 An estimated 100,000 small businesses  
14 have closed. I just read an article this morning  
15 that said one in three small businesses in  
16 Massachusetts alone, one in three small businesses  
17 have closed. That's not good.

18 And employment participation is lower  
19 than at any time in 40 years except for the  
20 recession of 2008-2009. Since September, there's  
21 been a loss of momentum in job postings and  
22 industrial activity too. And the surge of the  
23 virus cases will undoubtedly impact employment  
24 going forward. In fact, yesterday, in his

1        comments, the chair of the Fed, Jerome Powell,  
2        said that the outlook is, quote, "extraordinarily  
3        uncertain."

4                So we don't believe that this is an  
5        environment in which bond yields are likely to  
6        rise much more. And we believe that the current  
7        falling prospects for economic growth and fiscal  
8        spending could create continued volatility in the  
9        markets.

10               And in the *Wall Street Journal* today --  
11        I don't know if you can see this, but it says,  
12        "Market Expects Everything Will Be Super." So  
13        expectations are very high right now.

14               We also discussed the very recent change  
15        in leadership in the daily markets, the back-and-  
16        forth rally between tech and non-tech shares. And  
17        I'll just point out that fortunately the PRITFund  
18        is invested in both. Regarding this broadening of  
19        participants in the market rally, at the  
20        Investment Committee, we discussed the fact that  
21        history shows new leaders usually emerge in bad  
22        markets by deteriorating less than the others.  
23        Leadership does not often change in strong  
24        markets.

1                   And this led to the general conclusion  
2                   at the Investment Committee that this is still a  
3                   time to be as diversified as possible. And in  
4                   fact, the PRIT Fund is very well-diversified. And  
5                   that is paying off.

6                   On a relative basis, we did well in  
7                   March, and we have participated very strongly in  
8                   the subsequent rebound. Again, we believe the  
9                   PRIT Fund is structured to perform well in both up  
10                  markets and, perhaps more importantly, in down  
11                  markets too.

12                  So thank you for your attention. I'm  
13                  open for any questions, or we can move on to the  
14                  rest of the agenda.

15                  TREASURER GOLDBERG: Are there any  
16                  questions at all? Okay then.

17                  And of course my agenda just shut down  
18                  on the iPad.

19                  I know we're starting with public  
20                  markets, if my memory serves, so take it away.  
21                  Thank you.

22                  MR. GURTZ: Good morning, everybody.

23                  TREASURER GOLDBERG: Good morning.

24                  MR. GURTZ: Hi. It's David Gurtz. I'm

1 the deputy CIO, head of public markets. And we've  
2 got two items on the agenda for public markets.  
3 One is just a brief update on performance, and  
4 then the second one is a voting item on adding  
5 some co-investment managers.

6 So I'll start with the performance  
7 talking points. Tony, would you mind pulling up  
8 the global equities slides?

9 So I'm pleased to report the continuing  
10 strong absolute and relative performance of the  
11 public markets portfolio, which represents nearly  
12 two thirds of the PRIT Fund.

13 I'll start with global equities. The  
14 key themes of equities continue to be, one, the  
15 strong recovery since the bottom back in March,  
16 and two, technology and growth stocks continue to  
17 lead the way and outperform.

18 Tony, would you mind skipping ahead  
19 two slides, I believe. Perfect.

20 First, a note about rebalancing. I'm  
21 going to talk a little bit about those numbers at  
22 the very top, which we don't normally speak about.  
23 So global equities as of 9/30 was \$33 billion or  
24 41.4 percent of the PRIT Fund.

1                   And if you remember, we have board-  
2   approved target ranges for each asset class, and  
3   for global equities, it's 34 to 44 percent there  
4   in those parentheses. Due to the strong markets  
5   with global equities up over 10 percent in the  
6   month of November alone, global equities was  
7   nearly the upper bounds of this target range. And  
8   as a result, we just sold \$800 million or  
9   approximately 1 percent of the PRIT Fund out of  
10   global equities and invested the majority into  
11   core fixed income to remain within the approved  
12   target ranges. So these are numbers that we are  
13   very mindful of and keep close eye on during these  
14   volatile time periods.

15                  Now on to performance. For the one-year  
16   period ended September 30, our active managers in  
17   global equities performed very strongly.

18                  Starting with the U.S. portfolio, the  
19   S&P 500 was the best-performing strategy this  
20   year, returning over 15 percent. Emerging markets  
21   returned a strong 10.6 percent return, thanks to  
22   China, which was up over 30 percent during this  
23   period.

24                  Our active U.S. small cap managers



1 performed exceptionally well this year, returning  
2 over 8 percent, outperforming the benchmark by  
3 3 percent, keeping in mind that we are roughly  
4 50 percent indexed in the U.S. small cap  
5 portfolio.

6 Our U.S. growth managers significantly  
7 outperformed their growth benchmarks, with our two  
8 best-performing managers being two U.S. microcap  
9 growth managers, Driehaus and Lord Abbett. Both  
10 were up an astounding 56 percent for this one-year  
11 period, outperforming their growth benchmarks by  
12 nearly 30 percent. And their focus on highly  
13 innovative segments of the market such as biotech,  
14 software, IT services and ecommerce really drove  
15 their outstanding performance.

16 Even more impressive was our developed  
17 international portfolio, which returned over  
18 5 percent, outperforming its benchmark by  
19 4.3 percent. This outperformance was largely due  
20 to our growth manager, Baillie Gifford, which  
21 returned 24 percent over this one-year period, who  
22 again capitalized on the accelerated trends of  
23 online commerce and medical device and equipment  
24 makers. Again, keeping in mind that we're about

1 40 percent indexed in developed international so  
2 the 4.3 percent outperformance was truly  
3 fantastic.

4 Bill Li and Eric will update on the  
5 domestic enhanced equity portfolio in a few  
6 minutes. But collectively, the global equities  
7 portfolio returned 8.7 percent, outperforming its  
8 benchmark by 53 basis points or 26 basis points,  
9 net of fees.

10 Moving on to fixed income. Tony, if you  
11 could skip ahead two slides, that would be great.

12 Core fixed income was PRIM's second-  
13 best-performing asset class for the one-year  
14 period, returning a strong 10.7 percent,  
15 outperforming its benchmark by 78 basis points,  
16 net of fees.

17 Again, the key themes for fixed income  
18 continue to be, one, interest rates remain low  
19 since the Fed dropped the rates near zero in  
20 March. And two, credit spreads continue to narrow  
21 since they widened dramatically in March.

22 And as a result, over the last year,  
23 core fixed income strategies or strategies with  
24 more interest rate risk and higher rated credit

1 investments did very well, while our value-added  
2 fixed income portfolios with lower rated credits  
3 and less interest rate-sensitive strategies had  
4 lower returns.

5           So referring to the right-hand bar chart  
6 there, STRIPS was PRIM's best-performing asset  
7 class over this one-year period, returning over  
8 21 percent, thanks to rates falling 67 basis  
9 points. TIPS and ILBs likewise performed well,  
10 due to falling rates, returning nearly 9 percent.

11           And core fixed income, the agg  
12 portfolios returned nearly 8 percent, with our  
13 active managers collectively outperforming the  
14 benchmark by an impressive 80 basis points.

15           The remaining lower-returning subasset  
16 classes are part of our value-added fixed income  
17 portfolio. OCO, or other credit opportunities,  
18 which has grown to nearly 1 percent of the PRIT  
19 Fund and has six strategies currently contributing  
20 to this return; our managers have navigated these  
21 choppy credit markets and added value to the tune  
22 of nearly 3 percent over the benchmark. It's  
23 still early days for this allocation, but we are  
24 pleased with the performance so far.

1                   High yield returned nearly 4 percent,  
2           outperforming the benchmark by an impressive  
3           160 basis points. Our active managers did really  
4           well, being defensively positioned at the start of  
5           2020 and then keeping pace as the market recovered  
6           throughout the year.

7                   And after an extremely volatile  
8           12 months, bank loans are essentially flat, up a  
9           little less than a percent.

10                  And our worst performing strategy, both  
11           in absolute and relative returns, was our emerging  
12           markets debt portfolio, down nearly 1 percent, but  
13           underperforming the benchmark by over 3 percent.  
14           This is due to the one manager, Ashmore, who  
15           continues to lag the benchmark after holdings in  
16           Venezuela, Argentina, Ecuador and Lebanon fell  
17           dramatically this year. However, Ashmore's  
18           performance continues to rebound as the year  
19           progresses, and we continue to monitor them very  
20           closely.

21                  So I know that was brief, but happy to  
22           take any questions before we move on to the one  
23           voting item.

24                  TREASURER GOLDBERG: Any questions at

1 all?

2 Otherwise, our voting item is for a new  
3 co-investment manager. What I'll do, Dave, is I  
4 will seek a motion and a second, and then you can  
5 present.

6 So I seek a motion that the PRIM Board  
7 approve the Investment Committee's recommendation  
8 to add Fidelity, Loomis Sayles & Company, PIMCO  
9 and Shenkman Capital to the board-approved bench  
10 of co-investment managers as described in the  
11 expanded agenda, and further to authorize the  
12 executive director to take all actions necessary  
13 to effectuate this vote.

14 Is there a motion?

15 MR. SHANLEY: So moved.

16 TREASURER GOLDBERG: Thank you, Paul.

17 Is there a second?

18 MR. NAUGHTON: Second.

19 TREASURER GOLDBERG: Dennis.

20 Take it away.

21 MR. GURTZ: Great. Thank you.

22 So this is a voting item to add four  
23 more managers to our bench of eligible co-  
24 investment managers. And in the spirit of Gar

1 Morse, PRIM's long-serving Real Estate and  
2 Timberland Committee member, who likes to say, "We  
3 need to have our catcher's mitt up and ready."

4 And that is exactly what we'd like to do  
5 here. We're adding these managers to the bench of  
6 eligible co-investment managers, and we want to be  
7 ready, should opportunities become available.

8 This vote will expand upon our co-  
9 investment program by adding four of our value-  
10 added fixed income managers to our co-investment  
11 bench. These firms, as just listed, were  
12 Fidelity, Loomis Sayles, PIMCO and Shenkman.  
13 Co-investments from these managers will follow the  
14 same PCS and OCO guidelines which were board-  
15 approved back in February of this year, which  
16 seems like a lifetime ago but was this year.

17 And as a reminder, some of these co-  
18 investment guidelines are that the investments  
19 need to fit with manager's strength, the main  
20 account is a separately managed account, the  
21 co-investments need to be offered at better fee  
22 terms than the main account, the investments will  
23 be capped at 30 percent of the account's NAV.  
24 They need to be an investment alongside the

1 manager's main fund. They need to be subject to  
2 review by PRIM staff and advisors. And  
3 ultimately, the investments will be approved by  
4 PRIM's CIO.

5 Three of the recommended managers,  
6 Fidelity, Loomis and Shenkman, currently manage  
7 high yield bond strategies for us, while the  
8 fourth, PIMCO, manages emerging markets debt  
9 strategy. And collectively, these four firms  
10 manage approximately \$1.7 billion for us.

11 We've discussed with each of these  
12 managers ways in which we may expand our  
13 relationship. And more specifically, we were in  
14 initial discussions with Fidelity about a co-  
15 investment structure which will allow access to  
16 the firm's best ideas and upsizing existing  
17 positions; and also Shenkman, they recently just  
18 presented us with a one-off transaction they have  
19 in their pipeline, which may present a co-  
20 investment opportunity.

21 So again, to keep the catcher's mitt up  
22 and ready, these are the reasons we'd like to add  
23 these managers to our co-investment bench.

24 TREASURER GOLDBERG: Okay. Thank you.

1                   So we have a motion. We have the  
2       second. Dave has explained it to us.

3                   So are there any questions?

4                   Hearing none, with that, this is a roll  
5       call vote, and I will start at the top.

6                   Bob Brousseau?

7                   Bob?

8                   I'll move on.

9                   MR. BROUSSEAU: Yes.

10                  TREASURER GOLDBERG: Okay, Bob.

11                  Ruth Ellen?

12                  Jim, we know you're there.

13                  MR. HEARTY: Yes.

14                  MS. FITCH: I'm a yes.

15                  TREASURER GOLDBERG: Okay. Thank you.

16                  Theresa?

17                  MS. MCGOLDRICK: Yes.

18                  TREASURER GOLDBERG: Peter Monaco?

19                  MR. MONACO: Yes.

20                  TREASURER GOLDBERG: Dennis Naughton?

21                  MR. NAUGHTON: Yes.

22                  TREASURER GOLDBERG: Carly Rose?

23                  MS. ROSE: Yes.

24                  TREASURER GOLDBERG: Paul Shanley?



1 MR. SHANLEY: Yes.

2 TREASURER GOLDBERG: Myself, yes.

3 And the motion carries. Okay.

4 MR. GURTZ: Thanks.

5 TREASURER GOLDBERG: That looks like  
6 that's all for you, David.

7 MR. GURTZ: I'm done. Thank you.

8 TREASURER GOLDBERG: And I believe that  
9 Eric's group is up next. We will have two voting  
10 items during this presentation. Am I correct?

11 MR. NIERENBERG: I think it's just one,  
12 Madam Treasurer.

13 MR. BROUSSEAU: Just one.

14 MR. SHANLEY: Agenda's showing two.

15 MR. FALZONE: There was two, the real  
16 assets recommendation.

17 MR. NIERENBERG: Yes. I'm sorry. My  
18 apologies. Yes, it's two. Sorry. Forgot about  
19 the second one.

20 Well, thank you --

21 TREASURER GOLDBERG: That's okay, long  
22 as I was right.

23 MR. NIERENBERG: You were right. Thank  
24 you, Madam Treasurer.

1                   TREASURER GOLDBERG: If you think it's  
2   easy to have four things going at once, it isn't.

3                   MR. NIERENBERG: Well, thank you.

4                   I hope everyone had a nice Thanksgiving  
5   holiday. As Michael said, hopefully next year  
6   we'll all be in person.

7                   It's been a busy period for the team,  
8   and then you'll hear from four of my colleagues  
9   today, all either giving updates on performance or  
10   on goings-on within the group. And as we now  
11   know, it's two recommendations to be voted on  
12   instead of one.

13                  So I'm very proud of the team, happy to  
14   welcome Lionel to the research group as well.

15                  I did just want to make one note,  
16   though, when it comes to investment strategy and  
17   asset allocation. We do get the question a lot,  
18   particularly in volatile periods, about what  
19   exactly PRIM is going to do about it or how we  
20   react to certain market moves.

21                  And the answer is almost always that we  
22   do not change what we're doing. And it's really  
23   important to stress that. I know that everyone on  
24   the board is well-aware of this, but I think it's

1     worth mentioning again that when you have an  
2     investment horizon that's measured in years, if  
3     not decades, it's almost always the wrong thing to  
4     do to react to events that are going on in the  
5     market that could be transitory, or quite frankly  
6     you're not sure what the outcome will be, but you  
7     have to keep your eye on the long-term ball here.  
8     And that's really very much what we do.

9                 So I want to kind of give the assurance  
10    to the entire board that while we're very much  
11    keeping tabs on everything that's going on in the  
12    markets, that does not translate into lots of  
13    tweaking of the portfolio. As we've talked about  
14    before, that rarely has positive value for the  
15    fund.

16                So I'll stop there with my comments. If  
17    you have any comments or questions, as always,  
18    happy to take those.

19                But otherwise, I will turn it over first  
20    to my colleague Bill Li, director of portfolio  
21    completion strategies, who will talk about hedge  
22    fund performance. And then Eleni Klempner will  
23    then talk about some real assets performance and  
24    then the first voting recommendation, which is on

1 JEN Partners.

2 TREASURER GOLDBERG: Thank you.

3 MR. LI: Thank you, Eric. Hi. Good

4 morning, everyone.

5 Before getting to performance, I want to

6 first welcome Jamie --

7 TREASURER GOLDBERG: We can't hear him.

8 MR. NIERENBERG: Bill.

9 TREASURER GOLDBERG: Do people --

10 Bill.

11 We cannot hear him.

12 MR. LI: -- the equity, which was a

13 downsize to 1 percent of the total --

14 MR. GRISWOLD: Bill, you might want to

15 see if you can change your microphone source in

16 the audio settings. They're down in the bottom of

17 Zoom.

18 MR. LI: Sorry about the technical

19 glitch. Can you hear me now?

20 MR. FALZONE: It's very faint.

21 MR. LI: Is it better now?

22 MR. HEARTY: That's better.

23 MR. LI: Sorry about that.

24 I was going to briefly talk about put

1 spread collar enhanced equity performance before  
2 getting to hedge fund.

3 As communicated to you in mid-June, PRIM  
4 staff proposed to downsize this strategy to  
5 1 percent, a size more in line with other active  
6 equity mandates. And the downsizing was finalized  
7 in August.

8 For 3Q, the strategy returned  
9 3.4 percent versus the benchmark's 4 percent. The  
10 relative gain in September when the market dropped  
11 was not able to offset a relative loss in August,  
12 where the market was up by over 7 percent.

13 And turning to hedge fund, this year, we  
14 find ourselves spending more time with existing  
15 relationships. On the one hand, our managers have  
16 been actively putting co-invest ideas in front of  
17 PRIM. The staff has been diligently vetting co-  
18 investments per the guideline you have approved  
19 earlier this year.

20 On the other hand, we keep evaluating  
21 the lineup of existing mandates to closely monitor  
22 those unevenly impacted by the pandemic.

23 In parallel, the staff continues this  
24 sourcing effort for directional funds, or in

1 other words unconstrained stock pickers targeting  
2 high alpha on top of public market betas. We are  
3 working across teams, especially with  
4 Mr. Andre Abouhala, my public equity colleague, on  
5 this directional funds topic.

6 As for performance in the third quarter,  
7 PRIT hedge fund delivered 2.7 percent versus  
8 benchmark's 2.8 percent. Trailing one-year, the  
9 hedge fund portfolio detracted by 2.7 percent  
10 versus benchmark's minus .5 percent.

11 This last quarter, we saw the hedge fund  
12 portfolio perform steadily with all three months  
13 positive. This is irrespective of the equity  
14 market's rally in July and August before a  
15 noticeable drop in September and this steady  
16 positive trend had continued into October and  
17 November, regardless of the stock market  
18 turbulence.

19 The troubled sectors mentioned at this  
20 last board meeting, emerging market credits and  
21 structured credits, came back strongly with high  
22 single-digit figures. They have yet to recover  
23 all losses incurred earlier, but we remain  
24 optimistic. Event-driven and Asian macros  
continued to perform

1 reasonably well.

2 But performance of systematic funds has  
3 been somewhat muted. As mentioned last board  
4 cycle, we continue to be less constructive here as  
5 we want to emphasize clear edge and high barrier  
6 to entry, while most systematic CTAs don't exhibit  
7 those characteristics anymore.

8 And with that, I will open it up for any  
9 questions you may have.

10 TREASURER GOLDBERG: Does anyone have  
11 questions for Bill?

12 Okay. Hearing none.

13 MR. NIERENBERG: Great. I'll turn it  
14 over to Eleni, who will take you through real  
15 assets and JEN Partners.

16 MS. KLEMPNER: Thank you.

17 TREASURER GOLDBERG: All right. One  
18 second, please, Eleni. We will hear you going  
19 through real assets, and then I will seek the  
20 motion and a second and then turn it back over to  
21 you in order to describe the voting item.

22 Thank you.

23 MS. KLEMPNER: Thank you, Madam  
24 Treasurer.

1                   Good morning, everyone. It's Eleni  
2                   Klempner, giving the real assets performance  
3                   update.

4                   For the quarter, real estates was down  
5                   half a percent, and the benchmark was up  
6                   1 percent. Agriculture, which is just over half  
7                   of real assets, was down 3 percent, and its  
8                   benchmark was up one and a quarter percent.

9                   There were no agriculture reappraisals  
10                  done this quarter. And the variance to the  
11                  benchmark was driven by disbursements into the  
12                  properties because they're in development, the  
13                  J-curve effect, while the benchmark has a decent  
14                  income component. As such, there's a mismatch  
15                  with the benchmark.

16                  We will be performing a comprehensive  
17                  benchmark review, and Jay will have more to say  
18                  about that in a moment.

19                  With that, I'm happy to open up to any  
20                  questions.

21                  TREASURER GOLDBERG: Are there any  
22                  questions on that?

23                  Hearing none, first I would seek a  
24                  motion that the PRIM Board approve the Investment



1 Committee's recommendation to approve a commitment  
2 of up to \$100 million to JEN Partners VII, L.P.,  
3 as described in the expanded agenda, and further  
4 to authorize the executive director to take all  
5 actions necessary to effectuate this vote.

6 Is there a motion?

7 MS. McGOLDRICK: So moved.

8 MR. HEARTY: So moved.

9 TREASURER GOLDBERG: Let's see. I heard  
10 Jim and Theresa.

11 So, Theresa, you can have the motion.

12 Jim, would you like to second?

13 MR. HEARTY: Sure. Thank you.

14 TREASURER GOLDBERG: Okay. All right.  
15 That was efficient.

16 And so please go ahead, Eleni.

17 MS. KLEMPNER: Thank you, Madam  
18 Treasurer.

19 We are asking for approval for a follow-  
20 on commitment of 100 million to JEN Fund VII.  
21 We've invested in two prior JEN Funds, Funds V and  
22 VI, and they've performed very well.

23 Fund VII's strategy is going to be  
24 mostly the same, continuing those successful

1 strategies of Funds V and VI, the lot banking and  
2 land repositioning strategies, with also a new  
3 build-for-rent component, only compromising up to  
4 15 percent of the fund.

5 And with that, I'll open to any  
6 questions.

7 TREASURER GOLDBERG: Are there questions  
8 on this motion and explanation?

9 All right. Hearing none, we will do a  
10 roll call vote.

11 TREASURER GOLDBERG: Bob Brousseau?

12 MR. BROUSSEAU: Yes.

13 TREASURER GOLDBERG: Ruth Ellen Fitch?

14 MS. FITCH: Yes.

15 TREASURER GOLDBERG: Jim Hearty?

16 MR. HEARTY: Yes.

17 TREASURER GOLDBERG: Theresa McGoldrick?

18 MS. MCGOLDRICK: Yes.

19 TREASURER GOLDBERG: Peter Monaco?

20 MR. MONACO: Yes.

21 TREASURER GOLDBERG: Dennis Naughton?

22 MR. NAUGHTON: Yes.

23 TREASURER GOLDBERG: Carly Rose?

24 MS. ROSE: Yes.

1                   TREASURER GOLDBERG: Paul Shanley?

2                   MR. SHANLEY: Yes.

3                   TREASURER GOLDBERG: Myself, yes.

4                   The motion carries.

5                   Thank you very much.

6                   So let's see. We're now on to risk  
7 management.

8                   MR. NIERENBERG: Yes, Madam Treasurer,  
9 and this will be a voting item as well.

10                  TREASURER GOLDBERG: So what I'm going  
11 to do so I am going to read the motion. I am  
12 going to ask for a motion and a second, and then  
13 we can go into the explanation.

14                  All right then. I'm seeking a motion  
15 that the PRIM Board approve the Investment  
16 Committee's recommendation to select Verus to  
17 provide benchmarking advisory services as  
18 described in Appendix G of the expanded agenda,  
19 and further to authorize the executive director to  
20 take all actions necessary to effectuate this  
21 vote.

22                  Is there a motion?

23                  MR. NAUGHTON: So moved.

24                  MR. BROUSSEAU: Second.

1                   TREASURER GOLDBERG: Beautiful. Okay  
2 then. Go ahead.

3                   MR. LEU: Okay. Thank you.

4                   Hi. I'm Jay Leu, director of risk.

5                   So benchmarking advisory services is  
6 new mandate for MassPRIM. In that regard, I will  
7 briefly highlight the scope of services for the  
8 benchmark consultant.

9                   First, we look for the benchmark  
10 consultant to conduct a comprehensive benchmark  
11 review after they start and then every three  
12 years. They will go over the benchmarks at the  
13 manager level, the subasset class level, the asset  
14 class level and the total PRIT Fund level. Also,  
15 the consultant will review the framework and  
16 rationale of the benchmarks as it relates to the  
17 philosophy of the PRIT Fund portfolio.

18                  Second, the benchmark consultant will  
19 conduct an annual benchmark review and report to  
20 the PRIM staff, the Investment Committee and the  
21 Board any findings, changes or recommendations  
22 over the course of the year.

23                  Third, the benchmark consultant will  
24 provide additional benchmark guidance and analysis

1 on a case-by-case basis as issues arise.

2 Now turning to the RFP process. PRIM  
3 issued a request for proposal or RFP for benchmark  
4 advisory services on August 24, 2020. By the  
5 deadline on September 25, 2020, PRIM had received  
6 three proposals for benchmarking advisory  
7 services. Respondents included NEPC, RVK and  
8 Verus.

9 The evaluation committee consisted of  
10 Michael Trotsky, Eric Nierenberg, Maria Garrahan,  
11 David Gurtz, myself Jay Leu, Matt Liposky and  
12 Glenn Strehle from the Investment Committee. We'd  
13 like to thank Glenn for his participation and  
14 greatly appreciate his input.

15 All of the RFP responses were thoroughly  
16 reviewed, and finalists were selected based on the  
17 criteria detailed in the RFP. All three firms  
18 were selected for interviews. Interviews were  
19 held in a virtual format on October 13, 2020. The  
20 evaluation committee unanimously recommended the  
21 selection of Verus for the benchmarking mandate.

22 And I'll just summarize some of the  
23 conclusions and rationale by the evaluation  
24 committee.

1                   Number 1, experience with similar  
2   clients. Verus has been offering investment  
3   advisory services since 1986, when it was founded  
4   as Wurts. Verus distinguishes itself from other  
5   respondents by being the only respondent with a  
6   dedicated benchmarking advisory mandate as opposed  
7   to offering benchmarking advisory services as part  
8   of general consulting services.

9                   Verus's other benchmarking mandate is  
10   similar to PRIM's in terms of scope of services.  
11   In addition, the client of this dedicated mandate  
12   is a large public plan similar in size and  
13   complexity to PRIM. And due to this mandate,  
14   Verus has an established framework and process for  
15   conducting benchmarking advisory services,  
16   including performing a comprehensive benchmark  
17   review.

18                  Second, in terms of the quality of the  
19   proposal, both in terms of content and  
20   presentation, Verus's written proposal and  
21   presentation each exhibited greater depth of  
22   thought and analysis than the other respondents.  
23   In discussing their approaches to benchmarking,  
24   Verus discussed relevant tradeoffs and use cases

1       for alternative solutions. Verus demonstrated an  
2       approach that considered client-specific  
3       situations to arrive at tailored solutions.  
4       Examples they gave also illustrated the  
5       incorporation of risk analytics.

6               Third, the proposed team. Eileen Neill  
7       is the proposed primary client contact. Eileen is  
8       also the primary client contact with Verus's other  
9       dedicated benchmarking mandate with another public  
10      pension plan.

11             Fourth on references, references  
12      confirmed, number 1, Verus's technical depth and,  
13      number 2, willingness to work with clients to  
14      develop tailored solutions to meet a client's  
15      needs. And references also remarked on Verus's  
16      use of risk analytics.

17             And then lastly, number 5, on the fee  
18      proposal, the initially proposed fee by Verus of  
19      \$130,000 annually was a competitive fee bid and  
20      was the midpoint for the fees proposed by the  
21      three respondents. And then in the spirit of our  
22      ongoing Project SAVE efforts, the revised fee  
23      proposal after contract negotiations is \$115,000  
24      annually.

1                   So in conclusion, the evaluation  
2       committee recommends the selection of Verus to the  
3       board for benchmark advisory services.

4                   Now I'll take any questions.

5                   TREASURER GOLDBERG: Are there questions  
6       for Jay? It was a very thorough explanation.

7                   Hearing no questions -- I'm pausing just  
8       to make sure.

9                   Okay. Roll call vote.

10                  Bob Brousseau?

11                  MR. BROUSSEAU: Yes.

12                  TREASURER GOLDBERG: Ruth Ellen Fitch?

13                  MS. FITCH: Yes.

14                  TREASURER GOLDBERG: Jim Hearty?

15                  MR. HEARTY: Yes.

16                  TREASURER GOLDBERG: Theresa McGoldrick?

17                  MS. MCGOLDRICK: Yes.

18                  TREASURER GOLDBERG: Peter Monaco?

19                  MR. MONACO: Yes.

20                  TREASURER GOLDBERG: Dennis Naughton?

21                  MR. NAUGHTON: Yes.

22                  TREASURER GOLDBERG: Carly Rose?

23                  MS. ROSE: Yes.

24                  TREASURER GOLDBERG: Paul Shanley?



1 MR. SHANLEY: Yes.

2 TREASURER GOLDBERG: Myself, yes.

3 The motion carries.

4 MR. LEU: Thank you.

5 TREASURER GOLDBERG: All right then.

6 Are we having a research update?

7 MS. GARRAHAN: Yes, we are, Madam

8 Treasurer.

9 TREASURER GOLDBERG: Maria.

10 MS. GARRAHAN: Hi, everyone. I'm Maria  
11 Garrahan, the director of research. And I'm going  
12 to just provide a quick research update.

13 So it gives me great pride to announce  
14 that Lionel Yelibi joined the research team on  
15 November 23 as an investment analyst. Lionel  
16 brings a solid quantitative background in  
17 clustering and dimension reduction techniques,  
18 which will be incredibly valuable to MassPRIM's  
19 strategic allocation efforts, as well as other  
20 complex research initiatives.

21 I would also like to inform the board of  
22 a recent departure. Grace Gao has recently left  
23 MassPRIM for a new opportunity in New York City.  
24 We wish her well on her future endeavors.

1                   With that being said, the research team  
2                   is currently deep into work on strategic asset  
3                   allocation as the first quarter of 2021 seems to  
4                   be almost upon us. With that, I would like to  
5                   inform the board that we have signed a one-year  
6                   extension with NEPC where they will continue to  
7                   act as our asset allocation advisory consultant  
8                   into the second quarter of next year.

9                   The evaluation committee for the asset  
10                  allocation advisory services RFP will resume the  
11                  search initiative in 2021 to determine the best  
12                  path forward for asset allocation advisory  
13                  services.

14                 Now turning to ESG, PRIM continues to  
15                 work closely with MIT as they conduct the  
16                 recruiting process for additional members of the  
17                 ESG research consortium called Aggregate Confusion  
18                 Project.

19                 Finally, I'm excited to share a new  
20                 internal ESG research initiative with you. In  
21                 September 2020, we hired Kyle Aikman, Heather  
22                 Stratton and Jake Gunning as part-time interns on  
23                 the research team to focus on sourcing diversely  
24                 owned investment management firms, an extension of

1       their PRIM-sponsored student project from the fall  
2       2019 semester at UMass/Amherst led by Eric  
3       Nierenberg.

4               Heather, Jake and Kyle are creating a  
5       database of diversely owned investment management  
6       firms, as well as identifying diversely staffed  
7       investment management teams to better explore  
8       areas of opportunity.

9               I hope to share more with you in the  
10      coming board cycles.

11              MR. NIERENBERG: Madam Treasurer, thank  
12      you. That's what we have for the strategy group  
13      for today.

14              TREASURER GOLDBERG: Okay. I didn't  
15      know if it was a pause or a finale.

16              MS. GARRAHAN: Yes. Sorry. I needed a  
17      sip of water.

18              TREASURER GOLDBERG: Okay. So then in  
19      that case, we're moving on to private equity, and  
20      Mike Bailey and team will do a performance  
21      summary and cash flows. There are two voting  
22      items.

23              Mike, you can share with us who will be  
24      presenting the two voting items.  
24      MR. BAILEY: Thank you, Madam Treasurer,

1 and good morning, everyone.

2 Alyssa Fiore will walk us through the  
3 two voting items when I finish the performance  
4 comments.

5 Can you hear me okay, Madam Treasurer?

6 TREASURER GOLDBERG: All right. I can.  
7 For some reason, there was no picture, and then it  
8 started up.

9 MR. BAILEY: Okay. Great.

10 So let me give a few comments on  
11 performance and walk through what we see in the  
12 market and what our pipeline looks like before I  
13 turn it over to Alyssa.

14 I'm Mike Bailey, the director of private  
15 equity at PRIM. And before I do the performance  
16 update, I wanted to echo Michael Trotsky's  
17 comments and relate how excited my colleagues and  
18 I on the private equity team are to have welcomed  
19 Eliza Haynes to join us in September. Eliza hit  
20 the ground running, is working with us on several  
21 important projects and underwritings. And we look  
22 forward to introducing you all to her in person  
23 when we get together again when that's possible.

24 Welcome, Eliza.

1                   On performance, as Michael mentioned,  
2     the private equity portfolio rebounded sharply.  
3     The one-year performance advanced to nearly  
4     17 percent, up from 4.4 percent for the one-year  
5     period we reported back in June. And it also  
6     contributed about 25 percent of the one-year's  
7     7.3 percent overall performance at the PRIT Fund  
8     level. So an important contribution to the PRIT  
9     Fund's performance for one-year.

10                  And finally, over the longer time  
11     periods that we like to think about for private  
12     assets like private equity, it's continued to  
13     demonstrably outperform public equities with its  
14     10-year performance at about 18 percent, 18.3,  
15     versus a broadly used public equity index, the  
16     Russell 3000, which had about 13.5 percent  
17     performance. Great performance for public  
18     equities over a 10-year period, but PE  
19     outperforming it by more than 4 and a half  
20     percentage points.

21                  On the drivers of performance for the  
22     quarter and the one-year, we saw leadership across  
23     a broad number of companies, a diverse number of  
24     companies in private equity. I think that

1 contrasts with some of the comments Michael made  
2 about narrower leadership in public equities and  
3 some of the indexes.

4 Private equity generated gains across a  
5 number of different types of companies. As some  
6 of the COVID-19 impacts that we talked about in  
7 the June quarter started to disappear, private  
8 equity firms were able to lift the value discounts  
9 that they had applied back then as the stay-at-  
10 home orders began to lift and valuation multiples  
11 began to increase and the private equity companies  
12 that were most deeply impacted were able to shore  
13 up their liquidity and remove some of the concerns  
14 about their prospects that we had back in the  
15 marking quarter in June.

16 And then on the public equities side, we  
17 told you about public companies that are in the  
18 parking lot. But inside the private equity  
19 portfolio, we saw good valuation increases in  
20 public companies. Michael already mentioned one  
21 of them today in the biotech sector, and we also  
22 saw strong gains across software, for example,  
23 where we own public company shares.

24 And then on the market updates, not

1 surprising to many of you who see what's going on  
2 in the public equity market, private equity also  
3 had an uptick in activity with transaction volumes  
4 lifting sharply after kind of June 1 into the  
5 second and third quarters.

6 Credit markets continue to be  
7 accommodative. Dave Gurtz mentioned credit  
8 spreads narrowing into this time period. That's  
9 supporting private equity transaction volumes.

10 And finally, pricing has increased  
11 significantly, and that's giving our managers the  
12 ability to liquidate holdings. And you'll notice  
13 on page 12 of the materials that the private  
14 equity portfolio returned to cash flow positive as  
15 our managers sold more companies than they bought.  
16 And it's a sign of liquidity coming back into the  
17 markets and our managers taking advantage of that  
18 too to sell assets into stronger markets.

19 On the pipeline, with your approvals  
20 today, we will have committed over \$2 billion to  
21 15 new funds this year. That's about on target  
22 for that midpoint of the range we set back in the  
23 January/February meetings, that \$2 billion. And  
24 the exposure overall to private equity rose to

1       about 12 and a half percent as you see from your  
2       materials.

3               The pipeline is full, and we'll be  
4       talking more about that in the new year. And  
5       we're seeing significant co-investment activity as  
6       well and hope to share some ideas on co-investment  
7       with you in the first part of the new year.

8               Happy to take any questions or comments  
9       on any of that before I turn it over to Alyssa to  
10      walk us through the voting items.

11              TREASURER GOLDBERG: So no questions on  
12      my part.

13              MR. MONACO: Hey, Michael.

14              TREASURER GOLDBERG: Others members of  
15      the board, do you have questions?

16              Okay. Thank you, Peter.

17              MR. MONACO: Just a quick one, Michael.  
18      Curious your thoughts on the explosion in the  
19      number of SPACs, you know, the sheer number of  
20      them, their average size and as a result, the  
21      enormous amount of capital raised around them.  
22      Legitimate new competition for private equity or  
23      kind of the latest fad?

24              And related, you know, it seems that a



1 lot of private equity firms want to also be SPAC  
2 managers, and if they're an inherent contradiction  
3 and perhaps even a bit of conflict of interest  
4 there.

5 MR. BAILEY: Yes. And Dave and Bill may  
6 want to chime in on this as well on the SPAC piece  
7 that relates to public equities.

8 I think on the first part of your  
9 question, I do think it's related to strengthened  
10 public equity markets generally. And in the IPO  
11 market in particular, sort of seeing this idea  
12 that managers, financial sponsors are able to take  
13 advantage of that strengthened equity market  
14 conditions to issue these blank check companies.  
15 And I think Bill's talked to us about that before.

16 So I don't see it as -- I know there are  
17 some secular things that have changed in SPACs  
18 that have enabled some of the growth in that  
19 world. And I don't see that changing. I feel  
20 like that's not -- I wouldn't call that a fad. It  
21 feels to me like more of a secular trend related  
22 to some of the structural changes in that market  
23 and the strengthened public equity markets  
24 generally.

1                   On your second part, I think, of your  
2                   question, I do see it as -- I'm not sure if it's  
3                   competition or maybe another source of liquidity  
4                   for private companies, sort of another way to get  
5                   public. And what we see are private equity  
6                   managers looking at it as yet another option to  
7                   seek liquidity.

8                   So as a big owner of private equity  
9                   assets, I think the PRIT Fund is well-positioned  
10                  to see that as another potential avenue for a  
11                  pathway towards liquidity ultimately.

12                  I think on the conflicts question,  
13                  you're right on to something, Peter, we've talked  
14                  about a lot as a team and can talk to you more  
15                  about it offline. I think that we do see PE firms  
16                  stepping up to become SPAC sponsors, trying to  
17                  carefully weave that in a way that doesn't create  
18                  inherent conflicts for the fund that they're also  
19                  managing on our behalf. And they're attuned to  
20                  dealing with that conflict of interest. So we are  
21                  seeing that growing in the PE world and in  
22                  particular in some of the private equity firms  
23                  we're working with.

24                  I hope that's helpful.

1 MR. MONACO: Yes. Thanks.

2 MR. BAILEY: Sure.

3 TREASURER GOLDBERG: Any other questions  
4 for Mike?

5 Hearing none, okay, now we have the  
6 investment recommendation.

7 MR. BAILEY: Yes.

8 TREASURER GOLDBERG: I am going to seek  
9 a motion and a second, and then we will hear the  
10 presentation. So this is for Charlesbank.

11 I would seek a motion that the PRIM  
12 Board approve the Investment Committee's  
13 recommendation to approve a commitment of up to  
14 \$220 million to Charlesbank Equity Fund X, L.P.  
15 and up to \$25 million to Charlesbank Equity  
16 Overage Fund X, L.P., as described in the expanded  
17 agenda, and further to authorize the executive  
18 director to take all actions necessary to  
19 effectuate this vote.

20 Is there a motion?

21 MR. BROUSSEAU: So moved.

22 TREASURER GOLDBERG: Is there a second?

23 MR. NAUGHTON: Second.

24 TREASURER GOLDBERG: Okay. Go ahead.

1                   MS. FIORE: Good morning, everyone. I'm  
2 Alyssa Fiore, an investment officer on the private  
3 equity team.

4                   So Charlesbank is an existing manager,  
5 and they're located here in Boston. PRIM has a  
6 longstanding relationship with the firm over  
7 20 years, and we have made six prior Charlesbank  
8 investments.

9                   We expect Charlesbank to make buyout  
10 investments in large and middle market companies  
11 in North America across their five target sectors  
12 of business services, consumer, healthcare,  
13 industrials and technology.

14                  Fund X will pursue a wide range of  
15 transactions across the capital structure and the  
16 spectrum of value and growth. Across all  
17 investments, Charlesbank is focused on capital  
18 preservation and downside protection.

19                  The firm has a very talented and stable  
20 investment team, and their senior team of managing  
21 directors have been working together at  
22 Charlesbank for over 20 years.

23                  Before I take any questions, I'll  
24 quickly mention that the overage vehicle will be a

1 dedicated pool of capital to investment alongside  
2 Fund X and larger transactions.

3 Happy to take any questions.

4 TREASURER GOLDBERG: Any questions for  
5 Alyssa?

6 Okay. I'm hearing none.

7 So we have a motion. We have a second.

8 Roll call.

9 Bob Brousseau?

10 MR. BROUSSEAU: Yes.

11 TREASURER GOLDBERG: Ruth Ellen Fitch?

12 MS. FITCH: Yes.

13 TREASURER GOLDBERG: Jim Hearty?

14 MR. HEARTY: Yes.

15 TREASURER GOLDBERG: Theresa McGoldrick?

16 MS. MCGOLDRICK: Yes.

17 TREASURER GOLDBERG: Peter Monaco?

18 MR. MONACO: Yes.

19 TREASURER GOLDBERG: Dennis Naughton?

20 MR. NAUGHTON: Yes.

21 TREASURER GOLDBERG: Carly Rose?

22 MS. ROSE: Yes.

23 TREASURER GOLDBERG: Paul Shanley?

24 MR. SHANLEY: Yes.

1                   TREASURER GOLDBERG: Myself, yes.

2                   The motion carries.

3                   My agenda just closed. Don't we have

4           a --

5                   MR. BAILEY: Waterland Fund VIII is the  
6           next one up on the voting items.

7                   TREASURER GOLDBERG: Just give me one  
8           second. It always is the most untimely time  
9           these iPads decide to shut off. Right?

10                  Okay. Waterland. Got it.

11                  All right then. I would seek a motion  
12           that the PRIM Board approve the Investment  
13           Committee's recommendation to approve a commitment  
14           of up to 65 million euro to Waterland Private  
15           Equity Fund VIII, C.V., subject to successful  
16           operational due diligence as described in the  
17           expanded agenda, and further to authorize the  
18           executive director to take all actions necessary  
19           to effectuate this vote.

20                  Is there a motion?

21                  MR. SHANLEY: So moved.

22                  TREASURER GOLDBERG: Is there a second?

23                  MR. BROUSSEAU: Second.

24                  TREASURER GOLDBERG: Okay. Take it

1 away.

2 MS. FIORE: Great. So Waterland is  
3 another existing manager. PRIM made our first  
4 investment back in 2017, and this was a result of  
5 our team's initiative to identify firms that  
6 invest in smaller buyouts.

7 Waterland is a leading private equity  
8 firm based in Europe, and while the firm began  
9 investing in the Netherlands and Germany, they  
10 have thoughtfully and successfully expanded their  
11 geographic expansion throughout western Europe  
12 over the past few years and now have offices in  
13 nine countries.

14 Waterland's portfolio companies are  
15 often founder-owned, and Waterland works with  
16 entrepreneurs and management teams to improve  
17 operations and accelerate business growth through  
18 organic and inorganic growth.

19 We continue to be impressed with the  
20 scale of Waterland's buy and build acquisition  
21 strategy. Waterland plays a key role in helping  
22 these small companies execute add-on  
23 acquisitions, which then leads these companies to  
24 be larger and stronger within their representative  
markets.

1           The firm is very talented with proven  
2   investment skill, and they are well-resourced for  
3   the size of capital they're managing with a team  
4   of 75 investment professionals.

5           And I'm happy to take any questions.

6           TREASURER GOLDBERG: Are there  
7   questions?

8           Hearing none, we have a motion. We have  
9   a second. And we will do our roll call vote.

10          Bob Brousseau?

11          MR. BROUSSEAU: Yes.

12          TREASURER GOLDBERG: Ruth Ellen Fitch?

13          MS. FITCH: Yes.

14          TREASURER GOLDBERG: Jim Hearty?

15          MR. HEARTY: Yes.

16          TREASURER GOLDBERG: Theresa McGoldrick?

17          MS. MCGOLDRICK: Yes.

18          TREASURER GOLDBERG: Peter Monaco?

19          MR. MONACO: Yes.

20          TREASURER GOLDBERG: Dennis Naughton?

21          MR. NAUGHTON: Yes.

22          TREASURER GOLDBERG: Carly Rose?

23          MS. ROSE: Yes.

24          TREASURER GOLDBERG: Paul Shanley?



1 MR. SHANLEY: Yes.

2 TREASURER GOLDBERG: Myself, yes.

3 The motion carries. Thank you.

4 So that looks like that is that for  
5 private equity, and we will move on to Tim in real  
6 estate and timberland. First a performance  
7 summary and then one voting item.

8 MR. SCHLITZER: Good morning, everyone.

9 Virginia, I'm Tim Schlitzer, director of  
10 real estate.

11 So I'll just spend a few minutes on the  
12 portfolios, and then I'll hand it over to John for  
13 the RFP recommendation.

14 I will not be referencing anything  
15 specifically in the board package.

16 Just want to thank the team. John,  
17 Christina and Minching continue to be in the  
18 office every day, working very hard and  
19 collaborating very effectively on a number of  
20 projects.

21 We continue to evaluate several  
22 investment opportunities, which I'll briefly touch  
23 on, but are also transitioning into our sort of  
24 standard year-end focus on the existing assets,

1 reviewing asset business plans and thinking more  
2 strategically about next year.

3           So let me just start with real estate  
4 returns for the prior year. Total real estate was  
5 roughly flat at negative .3 percent. That's  
6 78 basis points above the combined benchmark.

7           We did see strong relative performance  
8 across all three of our major strategic buckets,  
9 so meaning private core and non-core real estate,  
10 as well as global REITs.

11           Operational performance in the private  
12 portfolio has been fairly resilient. Occupancy  
13 was at 94 percent at the end of September. That's  
14 with six years of remaining lease term, so plenty  
15 of term to get us through this period of turmoil.

16           And we collected just under 94 percent  
17 of rents in October. So I think a good sign  
18 there.

19           In terms of capital allocation, I'll  
20 note that the private real estate capital markets  
21 did show some signs of life in the third and  
22 fourth quarters. Both the equity and the debt  
23 markets are highly dependent on the certainty and  
24 the timing of demand drivers across the entire

1 spectrum of traditional and specialty property  
2 types.

3           So there's a lot to pick through. It's  
4 a broad asset class. And I'd say that these  
5 dynamics are particularly apparent in the U.S.  
6 REIT market currently, which remains down  
7 approximately 10 percent year to date, but is  
8 actually outperforming the S&P 500 in the fourth  
9 quarter, but with returns ranging from negative  
10 6 percent to positive 49 percent across property  
11 sectors. So we continue to see a lot of  
12 dispersion there.

13           On the private side, PRIM has recently  
14 sold three assets in the portfolio, taking  
15 advantage of stronger markets for both industrial  
16 and multi-family assets. But we're also moving  
17 forward to redeploy that capital into three new  
18 investment opportunities in both the industrial  
19 and life science sectors, which should benefit  
20 hopefully from more attractive long-term demand  
21 drivers.

22           More specifically, I do want to confirm  
23 that the Blackstone investment previously  
24 discussed is through a key milestone, called

1 capital two weeks ago and is moving toward a  
2 close. And I also want to congratulate John and  
3 thank John again for his leadership on that  
4 investment.

5 So just touching on timberland, total  
6 timberland was down 1.2 percent for the previous  
7 year. That's 154 basis points below the  
8 benchmark. Relative performance improved by a  
9 little bit, 15 basis points, when we compare  
10 PRIM's return to the unlagged September index.

11 I'll note that from a regional  
12 perspective, our Southern and Australian  
13 portfolios are performing in line or exceeding the  
14 index. So no problems there. It continues to be  
15 the Pacific northwest holdings that are the  
16 detractor. We've previously discussed this.  
17 Really in no small part due to an appraisal  
18 rotation as well as log price volatility in the  
19 region.

20 With that said, log prices in the  
21 Pacific southwest are up 10 percent year-over-  
22 year. We're also in the process of reappraising  
23 PRIM's assets, and these values will be in our  
24 fourth quarter numbers.

1                   Quickly, on the capital allocation  
2     side, we have not closed a timberland investment  
3     this year. It's safe to say that it's been a very  
4     slow year in the timberland capital markets  
5     overall. I think our investment activity reflects  
6     this.

7                   The operating environment overall has  
8     actually improved, given some of the key demand  
9     drivers. U.S. housing activity has been strong  
10    as the migration to suburban single-family homes  
11    has continued and increased over the past six  
12    months.

13                  Total housing starts averaged over  
14    1.4 million in the third quarter, led by single-  
15    family starts, an increase of over 30 percent  
16    from the second quarter. Home sales increased  
17    40 percent in the third quarter. And mortgage  
18    rates have come down almost a hundred basis points  
19    to 2.9 percent, give or take, over the course of  
20    the year.

21                  So our managers have been actually  
22    cutting timber volume that they had previously  
23    deferred, taking advantage of that biological  
24    growth. They are now cutting that timber into  
   these stronger markets. And we expect that they  
   actually could exceed their budgeted operating

1 cash flows for the year. So a good sign there.

2 I'll just end by saying that the  
3 Australian business has also had a strong first  
4 quarter. It moves on a July 1 fiscal basis, but a  
5 strong first quarter there. Earnings up  
6 17 percent from the first quarter of 2019.

7 So we're seeing some good signs in the  
8 timberland portfolio. I'm going to leave it at  
9 that, and obviously happy to answer any questions.

10 TREASURER GOLDBERG: Are there questions  
11 for Tim?

12 Hearing none, are you presenting on  
13 the --

14 MR. SCHLITZER: I'm going to hand it  
15 over to John, who led the search.

16 TREASURER GOLDBERG: Okay. Thank you.

17 Then in that case, I am going to seek a  
18 motion and a second, and then, John, you can go  
19 ahead and fill in the blanks.

20 Okay. This is a long motion. Get  
21 ready.

22 I would seek a motion that the PRIM  
23 Board approve the Real Estate and Timber  
24 Committee's recommendation to, number 1, select

1 the incumbent, The International Woodland Company,  
2 to provide timberland advisory services.

3 Two, add the following firms to the  
4 bench of eligible project advisory services firms:  
5 Aberdeen Asset Management, Bard Consulting,  
6 Buckhead Resources, Callan Associates, Chatham  
7 Financial Group, Coast and Harbor, Eigen 10  
8 Advisors, Harvest Capital Partners, Hamilton Lane,  
9 Legacy Appraisal Services, Meketa Investment  
10 Group, RCLCO Fund Advisors and Real Estate  
11 Fiduciary Services.

12 And number 3, move to a project-based  
13 model for general real estate investment advisory  
14 services as described in Appendix I of the  
15 expanded agenda, and further to authorize the  
16 executive director to take all actions necessary  
17 to effectuate this vote.

18 Is there a motion?

19 MR. BROUSSEAU: So moved.

20 MR. HEARTY: Moved.

21 Second.

22 TREASURER GOLDBERG: So we heard Bob and  
23 Jim. Who was first?

24 MR. HEARTY: Bob.

1                   MR. BROUSSEAU: Doesn't make any  
2 difference. Jim is always first in my mind.

3                   TREASURER GOLDBERG: You know, Jim, I  
4 could just say -- whenever I do a motion, I should  
5 just say, "Jim?"

6                   MR. HEARTY: Fine with me.

7                   TREASURER GOLDBERG: Because he's great.  
8 He pops in right away.

9                   Okay. Our first is Bob Brousseau. Our  
10 second is Jim.

11                  Go ahead, John.

12                  MR. LA CARA: Thank you, Treasurer.

13                  Virginia Dodge, I am John La Cara,  
14 senior investment officer on the real estate team.

15                  Good to see you all today.

16                  The RFP for general real estate,  
17 timberland and project consulting services was  
18 issued on March 9 with an initial response  
19 deadline of April 15. Because of the widespread  
20 business disruptions caused by the coronavirus, we  
21 had to shift the response deadline to June 8,  
22 which caused other key dates in the RFP process to  
23 move forward by approximately one quarter.

24                  An RFP search committee was formed that



1 included the real estate team and George Tsipakis  
2 and Matt Liposky from the operations group. I'd  
3 like to thank them all for their good work during  
4 the process.

5 I'd also like to thank Paul Shanley --  
6 thank you, Paul -- and Jill Hatton and Dr. Jack  
7 Lutz from the Real Estate and Timberland Committee  
8 for volunteering their time during the finalist  
9 interviews. Your help is always appreciated.

10 The response to the RFP was very strong.  
11 Might have been the strongest we've ever had. We  
12 received nine responses for general real estate,  
13 six responses for timberland and 17 responses for  
14 project consulting.

15 From these responses, a group of  
16 finalists were identified and interviewed remotely  
17 for each service.

18 After reviewing the general real estate  
19 proposals and conducting several interviews, the  
20 RFP search committee and the Real Estate and  
21 Timberland Committee recommend that PRIM should  
22 not select a general real estate consultant from  
23 this search and move to a project-based model.

24 We believe the project-based approach is

1       better for PRIM because it would allow us to  
2       select firms that are best-suited for specific  
3       tasks based on their experience and expertise.  
4       And there might also be some fee savings along the  
5       way.

6               To implement this approach, we are also  
7       recommending the selection of 13 project  
8       consultants. Collectively, we believe this group  
9       provides access to a diverse set of skills and  
10      experience that will benefit us going forward.

11             As for the timberland RFP, we recommend  
12      retaining The International Woodland Company.  
13      They are the incumbent. We've been pleased with  
14      their level of service over the past three years.

15             During the selection process, they  
16      demonstrated a superior level of experience and  
17      expertise. And their sole focus is on timberland,  
18      which is very advantageous to us.

19             And with that, I'd be happy to take any  
20      questions.

21             MR. NAUGHTON: If I may, Madam  
22      Treasurer, I would like to make a comment. It  
23      just struck me that that seems a wise step for us  
24      to be taking to go to that project-based model.

1                   And I wonder, John, could you just give  
2                   an example of prospective kind of project-based  
3                   investment that one of those firms might be  
4                   particularly suited to assist us with?

5                   MR. LA CARA: So yes. I think probably  
6                   the best example is our debt advisor, Chatham  
7                   Financial. We do have a bank loan maturing later  
8                   in 2021, and we'll be working with them on  
9                   solutions on that loan. So that's probably the  
10                  best example.

11                  There's probably a couple other firms on  
12                  here that can help us in ways of research, maybe  
13                  special research projects as well. So I think  
14                  with the group of 13 that we're recommending  
15                  today, there's a lot of skill and experience that  
16                  we can tap from.

17                  MR. NAUGHTON: Thanks very much, John.

18                  MR. LA CARA: You're welcome.

19                  TREASURER GOLDBERG: Any other  
20                  questions?

21                  MR. BROUSSEAU: Just one.

22                  John, I have one question. On the issue  
23                  of fees. Now, we have 13 recommended firms here.  
24                  Dowe enter into a retainer agreement, or is this  
                  on

1 a project-by-project basis? And I see here there  
2 could be a potential \$2 million in savings. Help  
3 Project SAVE; that's for sure.

4 But if we're ever to use them for a  
5 specific project, how do we determine which firm  
6 we'd want to use? Is it a competitive bidding  
7 process? Do we have agreed-upon fees in the  
8 agreements we have with them before this takes  
9 place?

10 MR. LA CARA: Typically the way it  
11 works, Bob, is if we have a project in mind, we  
12 can reach out to one or more firms and negotiate a  
13 fee in advance of engaging with them, officially  
14 engaging with them on that specific project.

15 So maybe a good example of that would be  
16 incentive fee modeling where you can reach out to  
17 multiple firms, have them come in with what they  
18 have in mind and then select one to help you with  
19 the fee modeling project or something like that.

20 In the past, we've also used them for --  
21 hopefully, knock on wood, we won't have to rely on  
22 that anytime soon, but workouts, real estate  
23 workouts. And we have a deep group here where we  
24 could probably reach out to multiple firms and get

1        quotes from them on what they would charge to work  
2        on a real estate asset.

3                MR. BROUSSEAU: Thank you.

4                MR. LA CARA: Thank you.

5                TREASURER GOLDBERG: Any other  
6        questions?

7                Hearing none, this is a roll call.

8                Bob Brousseau?

9                MR. BROUSSEAU: Yes.

10                TREASURER GOLDBERG: Ruth Ellen Fitch?

11                MS. FITCH: Yes.

12                TREASURER GOLDBERG: Jim Hearty?

13                MR. HEARTY: Yes.

14                TREASURER GOLDBERG: Theresa McGoldrick?

15                MS. MCGOLDRICK: Yes.

16                TREASURER GOLDBERG: Peter Monaco?

17                MR. MONACO: Yes.

18                TREASURER GOLDBERG: Dennis Naughton?

19                MR. NAUGHTON: Yes.

20                TREASURER GOLDBERG: Carly Rose?

21                MS. ROSE: Yes.

22                TREASURER GOLDBERG: Paul Shanley?

23                MR. SHANLEY: Yes.

24                TREASURER GOLDBERG: Myself, yes.

1                   The motion carries.

2                   MR. LA CARA: Thank you.

3                   TREASURER GOLDBERG: All right then.

4                   Moving on, finance and administration report.

5                   Global custody services RFP. Are we beginning  
6                   with that? Should I seek a motion right off the  
7                   bat?

8                   MR. FALZONE: Madam Treasurer, if I  
9                   could just say a few words before you jump into  
10                  that motion, if that's okay. And I'll be very  
11                  quick.

12                  I know we already approved the CAFR and  
13                  the audit results. I do want to mention that  
14                  although we did include them in the consent  
15                  agenda, they are a massive undertaking that many  
16                  areas of the organization have to touch.

17                  So I just want to thank my team for  
18                  dealing with all of that and some of the other  
19                  obstacles that came up this year with the  
20                  pandemic.

21                  And I also want to thank all of you for  
22                  your support and Michael for yet another growth  
23                  opportunity. I appreciate it.

24                  With that, I'll let you go with the

1 motion.

2 TREASURER GOLDBERG: Thank you, though.

3 I think that's well worth interjecting.

4 Now I'll proceed with the motion. And I  
5 seek a motion that the PRIM Board approve the  
6 Administration and Audit Committee's  
7 recommendation to select the incumbent, BNY  
8 Mellon, to provide global custody services as  
9 described in Appendix J of the expanded agenda,  
10 and further to authorize the executive director to  
11 take all actions necessary to effectuate this  
12 vote.

13 Is there a motion?

14 MR. BROUSSEAU: So moved.

15 TREASURER GOLDBERG: Second?

16 MS. FITCH: Second.

17 MR. NAUGHTON: Second.

18 TREASURER GOLDBERG: Jim, where were  
19 you?

20 MR. HEARTY: Asleep.

21 TREASURER GOLDBERG: Okay. No, you  
22 weren't.

23 Okay then. Take it away.

24 MR. LIPOSKY: Thank you, Madam

1       Treasurer.

2                   MR. FALZONE: Matt is PRIM's chief  
3       investment operating officer. He is going to  
4       present the recommendation.

5                   I would just remind the board that  
6       earlier this year in February, you all approved  
7       the issuance of an RFP for global custody  
8       services. That RFP was issued in May, and Matt  
9       led that procurement.

10                  So, Matt, take it away. Thank you.

11                  MR. LIPOSKY: Thank you.

12                  I'm at Appendix J to walk you through  
13       the global custody services RFP recommendation.

14                  PRIM issued an RFP for global custody  
15       services in May of this year. By the response  
16       deadline, PRIM received three responses from  
17       custody banks: State Street, Northern Trust and  
18       Bank of New York Mellon.

19                  The evaluation committee consisted of  
20       Bob Brousseau, Karen Gershman, Tony Falzone, Deb  
21       Coulter, Paul Todisco, George Tsipakis, Jennifer  
22       Cole, Qingmei Li and myself.

23                  PRIM also engaged Callan Associates to  
24       assist in the evaluation process, and



1 representatives from Callan included Bo Abesamis,  
2 Mark Kinoshita and Alvaro Vega. I want to thank  
3 everyone on the evaluation committee for their  
4 help, especially Board and Admin and Audit  
5 Committee member Bob Brousseau, as well as Karen  
6 Gershman from the Admin and Audit Committee.  
7 Their time and valuable insight was greatly  
8 appreciated throughout the process.

9 The evaluation committee reviewed the  
10 responses from State Street, Northern Trust and  
11 Bank of New York Mellon, and invited all three  
12 respondents for finalist interviews, which were  
13 conducted virtually.

14 After extensive review of all  
15 respondents, the evaluation committee unanimously  
16 found that Bank of New York Mellon was best-suited  
17 to continue to provide global security services  
18 for PRIM over the next several years. I'll  
19 highlight a few of the key reasons.

20 First, relative experience and  
21 organization. With over \$35 trillion in assets  
22 under custody and as one of the larger providers  
23 of custody service in the U.S., Bank of New York  
24 Mellon considers asset servicing a core

1 competency, with it making up 76 percent of their  
2 total company revenue.

3 Secondly, as many of you are aware, PRIM  
4 continues to acknowledge the great need to improve  
5 diversity in the financial services industry. And  
6 during the RFP process, Bank of New York Mellon  
7 demonstrated an unwavering commitment to diversity  
8 and inclusion that has very positively and  
9 significantly impacted the level of diversity  
10 within the Bank of New York Mellon organization.

11 Third, client services and team  
12 structure. With 20-plus years of servicing PRIM,  
13 Bank of New York Mellon has the institutional  
14 knowledge, support structure and proven team to  
15 continue to service PRIM for the future.

16 Fourth, custody and accounting process.  
17 Bank of New York Mellon has one of the most  
18 expansive market coverage networks, with more than  
19 110 country subcustodians to assist PRIM and our  
20 investment managers. Their accounting expertise  
21 is topnotch. Their proven accounting platform  
22 provides an integrated system capable of tracking  
23 all accounting activity, including the ability to  
24 value assets daily and perform plan accounting

1 essential to properly supporting PRIM's municipal  
2 clients.

3 Fifth we have systems and technology  
4 platform. BNY Mellon continues to put money into  
5 and invest highly into their business, while  
6 providing open architecture to allow maximum  
7 flexibility and collaborate with business  
8 partners. This open architecture provides Bank of  
9 New York Mellon with the capability to evolve with  
10 clients and their changing needs.

11 Lastly, the fee proposal. Bank of New  
12 York Mellon proposed the lowest annual total fee  
13 at 1.1 million per year for the next five years.

14 With that, I'm take any questions.

15 TREASURER GOLDBERG: Any questions?

16 MR. BROUSSEAU: Just a comment, Madam  
17 Treasurer.

18 I would like to just add that Matthew  
19 did a tremendous job in pulling the group together  
20 and also in soliciting our input into this.

21 And just a few things. He did  
22 mention -- I think he did -- this is a five-year  
23 engagement with two-year renewals after the five  
24 years.

1                   But this is a very important thing that  
2     we do as a board. I think next to asset  
3     allocation, I think that choosing the custodian  
4     for the fund is probably the most important  
5     commitment that we make as an organization because  
6     it impacts every system that is invested through  
7     PRIM. And I think they depend upon our custodian  
8     to present them with the information that they  
9     need in running their retirement funds.

10                  So I think the board is aware of that,  
11     but sometimes we don't realize that this is a  
12     five-year contract.

13                  I believe, Matt, how long have we had  
14     BNY now? Is this going to be year --

15                  MR. LIPOSKY: This is 21, yes.

16                  MR. BROUSSEAU: 21 years. And I think I  
17     have served on all of these teams. And we've  
18     evaluated and looked every three years, or every  
19     five years now, at the services that have been  
20     provided to us by BNY Mellon.

21                  And nobody has been able to come close  
22     to I think providing the services at the fees that  
23     we are paying to do this. These are the lowest  
24     fees, as Matt mentioned.

1                   And I think this is a tremendous  
2                   opportunity for PRIM to reestablish a longstanding  
3                   relationship with BNY Mellon.

4                   MR. LIPOSKY: Thank you, Bob. Well  
5                   said.

6                   TREASURER GOLDBERG: Okay. Thank you,  
7                   Bob.

8                   Any other comments?

9                   Okay. Hearing none, we have a motion.  
10                  We have a second. Again, roll call vote.

11                  Bob Brousseau?

12                  MR. BROUSSEAU: Yes.

13                  TREASURER GOLDBERG: Ruth Ellen Fitch?

14                  MS. FITCH: Yes.

15                  TREASURER GOLDBERG: Jim Hearty?

16                  MR. HEARTY: Yes.

17                  TREASURER GOLDBERG: Theresa McGoldrick?

18                  MS. MCGOLDRICK: Yes.

19                  TREASURER GOLDBERG: Peter Monaco?

20                  MR. MONACO: Yes.

21                  TREASURER GOLDBERG: Dennis Naughton?

22                  MR. NAUGHTON: Yes.

23                  TREASURER GOLDBERG: Carly Rose?

24                  MS. ROSE: Yes.

1                   TREASURER GOLDBERG: Paul Shanley?

2                   MR. SHANLEY: Yes.

3                   TREASURER GOLDBERG: Myself, yes.

4                   The motion carries.

5                   MR. LIPOSKY: Thank you, everyone.

6                   TREASURER GOLDBERG: Okay. So let's  
7 see. No other voting items here, but there is a  
8 legal or legislative update from Chris Supple.

9                   MR. SUPPLE: Thank you, Madam Chair, and  
10 good morning, members of the board.

11                   Chris Supple. I'm PRIM's general  
12 counsel. I have two items to mention in this  
13 update this morning, the first of which relates to  
14 Massachusetts state legislative activity. And the  
15 second relates to Federal Department of Labor  
16 rule-making activity.

17                   With regard to the first item, we've  
18 discussed on many occasions previously a number of  
19 legislative proposals that could impact PRIM if  
20 they were to be enacted and become law. There are  
21 two contexts at the State House in which those  
22 proposals are considered, the first of which is  
23 the budget process, and the second is the general  
24 legislation process.

1           In an ordinary year, both of those would  
2     be concluded by now, but in this year, neither has  
3     been concluded. Because of issues related to the  
4     pandemic, the budget process is still ongoing,  
5     although it's kind of late in the process. Both  
6     branches have finalized their budget, and they're  
7     in conference and expected to go to the governor  
8     shortly.

9           There have been some proposals in each  
10    of those processes on issues related to PRIM, but  
11    in neither budget have those proposals been  
12    included, so it appears as though the budget  
13    process should not impact PRIM.

14          There were other proposals under  
15    consideration in conference committees in the  
16    general legislative process. Ordinarily in an  
17    even-numbered year, that all would end on July 31.  
18    Again, for issues related to the pandemic during  
19    this year, it was extended until the end of the  
20    session, which is early January.

21          I'm not aware, and I always confer with  
22    the Treasurer's legislative staff as well, of any  
23    significant activity recently. Typically the  
24    pressure of a deadline is what causes activity in

1 the conference committee, and we may see some  
2 activity as we get closer to the deadline in late  
3 December. But as of now, nothing of significance  
4 to report.

5 Turning to the second category, the  
6 Federal Department of Labor rule-making activity,  
7 we've discussed occasionally issues in the past  
8 regarding the Federal Department of Labor issuing  
9 directives and guidance on the federal ERISA  
10 statute.

11 Now, PRIM is not covered by the federal  
12 ERISA statute, but fiduciary institutional  
13 investors like PRIM nonetheless pay attention to  
14 these directives because courts often look to  
15 ERISA for guidance on fiduciary issues.

16 At the last meeting of this board in  
17 September, we discussed a proposed federal rule  
18 regarding proxy voting. And at that meeting, the  
19 board directed that PRIM file a comment letter in  
20 opposition to that proposed rule.

21 We did in fact do that. Attorney John  
22 Nixon of the law firm Duane Morris, with whom  
23 this board is very familiar and who has advised us  
24 on these types of issues on many occasions in the



1 past, filed an opposition letter on PRIM's behalf.

2 And John is here to join us today for a  
3 brief update on this issue. John, if you would.

4 MR. NIXON: Absolutely. Thank you,  
5 Chris, and it's a pleasure to speak to you all  
6 again this morning. I wish I was in Boston, or  
7 frankly I just wish I was out of my basement.

8 We had the opportunity to evaluate on  
9 behalf of PRIM the DOL's guidance on proxy voting  
10 rules and shareholder rights.

11 As Chris mentioned, you all are exempt  
12 from ERISA, but nonetheless, courts will look to  
13 ERISA for evaluation of fiduciary conduct and  
14 fiduciary prudence. So any guidance from the DOL,  
15 we take very seriously.

16 The key feature of the guidance is that  
17 fiduciaries, according to the DOL position and the  
18 proposed regulations, fiduciaries were not to vote  
19 on any proxy issue unless it was deemed to have an  
20 economic impact on the plan after considerations  
21 of the cost involved in researching the issue.

22 So they really came forward with a very  
23 direct standard of determining whether or not the  
24 issue that was subject to the proxy vote had a

1 direct economic impact. They also required that  
2 fiduciaries quantified and documented the  
3 considerations that went into the determination of  
4 the economic impact.

5 One significant feature of the rule was  
6 the issuance of safe harbor practices that could  
7 be exercised by fiduciaries. And there were three  
8 general practices. First, the fiduciaries could  
9 follow the recommendations of management in voting  
10 the proxy. Second, the fiduciary could establish  
11 under its policy that it would only vote on  
12 certain major corporate events.

13 And third, the fiduciary could establish  
14 by policy that it would only vote on a proxy issue  
15 involving a company if the holdings in that  
16 company exceeded a certain threshold of fund  
17 assets under management. And in the preamble to  
18 the regulations, they talked about whether or not  
19 5 percent of the assets would be an appropriate  
20 threshold, and they requested comments on what  
21 would be an appropriate threshold.

22 It was a 30-day comment period, and as  
23 Chris mentioned, the board authorized the  
24 submission of a comment, and we did submit a

1 comment on October 5.

2 You should be aware that there was a  
3 significant amount of interest in these proposed  
4 regs, and there were a fair amount of comments I'm  
5 going to touch on a bit later.

6 With respect to our comment, one of the  
7 first things we noted was that PRIM has a very  
8 extensive proxy voting policy, as you all are  
9 aware. In fact, the policy covers 12 broad  
10 topics, but more importantly, the policy actually  
11 contains specific for -or- against recommendations  
12 on over 200 subissues.

13 And we pointed that out in our letter to  
14 the DOL, that when you have a fund and fiduciaries  
15 who have very extensive proxy voting policies, we  
16 felt there was no need to have an overly  
17 restrictive rule that would prohibit those  
18 fiduciaries from voting in accordance with their  
19 policy.

20 So again, our policy contains over  
21 200 subissues with specific for-or- against  
22 recommendations; another 25 or so issues that,  
23 when identified, are to be voted on a case-by-case  
24 basis.

1           So again, we felt that we were well-  
2       suited to deal with these proxy votes and that the  
3       proposed rule was somewhat overstated as it  
4       related to a fund like PRIM.

5           Another concern that we raised was the  
6       permitted practice or the safe harbor that a  
7       fiduciary was okay if it voted in accordance with  
8       management recommendations. We felt that that was  
9       effectively reducing fiduciaries to a rubber stamp  
10      over existing management's determinations. And we  
11      believe that there were circumstances where that  
12      could run counter to our obligation as fiduciaries  
13      to act in the long-term best interest of looking  
14      at long-term performance of the holding, as well  
15      as to serve as, to some degree, an evaluator  
16      independent of management and on behalf of our  
17      membership and the members of our member funds.

18           The last thing that we expressed an  
19      objection to was the permitted practice of  
20      allowing a vote only in those circumstances where  
21      the assets in a particular stock exceeded a  
22      threshold that made it material to the fund. We  
23      felt this was effectively a possible over -- at  
24      the time I submitted the letter, it was a

1       \$75 billion -- we stated it was 75 billion, but  
2       congratulations, Michael, now that you're up to  
3       80 billion.

4               But we felt that in that circumstance,  
5       to set up an artificial threshold was just not  
6       practical for a fund of PRIM's size.

7               So just kind of on an overall basis,  
8       once the comment period closed on October 5, there  
9       were over 300 comments submitted. And I say  
10      300 comments. We took an approximate guess.  
11      There were these sort of form letters that were  
12      submitted, which we didn't really count.

13              The comments ran probably 60 percent/  
14      40 percent. 60 percent against, 40 percent in  
15      favor. Again, this is just us sort of  
16      extrapolating from a sample.

17              And I would note that there were a  
18      number of other public funds that submitted  
19      comments against the proposed regulation.

20              So where are we now? The DOL has  
21      finalized the language of the regulation, and  
22      they are now basically costing it out. There is a  
23      process by which any federal regulation, before it  
24      is published, there has to be an estimate of its  
net

1 cost, so either positive or negative from a  
2 revenue standpoint. So they're undergoing that  
3 process now.

4 Once that process is completed, it will  
5 be published in the Federal Register, and it can  
6 take effect 30 days after publication.

7 Now, we have no idea of knowing how long  
8 it will take for the cost process to be completed.  
9 It went into the cost process on November 25 so it  
10 could be completed tomorrow. It could be  
11 completed a month from now. We really don't know.

12 But to take the worst-case scenario that  
13 it's completed tomorrow, it could be published in  
14 the Federal Register, and then it will be  
15 published December 3, and it would take effect  
16 30 days after. So it could take effect as early  
17 as January 2. We really don't know.

18 We suspect, though, that there will be  
19 an effort to get it completed and published at  
20 least during this administration.

21 The only other thing I want to mention  
22 to you is in the past, one of the things that  
23 we've talked about is how the proxy voting rules  
24 have gone sort of hand in hand with the rules on

1 ESG, environmental, social and governance,  
2 investing. The DOL has been active, and the DOL  
3 tends to look at both issues side by side.

4 So with respect to ESG investing, we did  
5 not submit a comment for that, but just to update  
6 you, that rule came out in proposed form on  
7 June 30 of 2020. Basically the rule said that a  
8 fiduciary is only to make investment decisions  
9 based on pecuniary factors, i.e., those that have  
10 a material impact on risk and return.

11 That proposed reg has been brought to  
12 final form, and it will take effect on January 12  
13 of 2021. So that rule has now pretty much  
14 completed the regulatory process. It's been  
15 published. We know it will take effect.

16 So I wanted to update you on that in  
17 addition to the proxy voting, as I suspect you  
18 will see much commentary on both.

19 So with that, those are the items I  
20 wanted to update you on. And I'll turn it back  
21 over to Chris or the board if there are any  
22 questions.

23 MR. SUPPLE: Thank you, John.

24 Thank you, Madam Treasurer. That's all.

1                   TREASURER GOLDBERG: Okay, John. With  
2 both of these guidances, can they be reversed in  
3 the new administration?

4                   MR. NIXON: It is definitely possible.  
5 As administrations change over, they tend to  
6 review particularly regulations that seemed to  
7 have come in under the wire. And this particular  
8 topic has been the subject of regulatory back-and-  
9 forth between administrations as different  
10 administrations come in.

11                   So I would not be surprised if there is  
12 a very close examination of this regulation when  
13 the new administration comes in on January 20.

14                   Hello?

15                   MR. HEARTY: I hear you.

16                   MR. NIXON: I don't hear anyone.

17                   MR. HEARTY: I hear you.

18                   MR. NAUGHTON: It looks like the  
19 Treasurer froze.

20                   MR. NIXON: Oh, okay.

21                   TREASURER GOLDBERG: I'm back. And I  
22 missed your entire response, John. I went into  
23 freeze mode.

24                   MR. NIXON: Very quickly, both those



1 topics have gone back and forth between Democratic  
2 and Republican administrations. Given that this  
3 came in sort of under the wire, I would expect  
4 that the new Labor Secretary would look at this  
5 very closely.

6 So yes, there is a possibility, I would  
7 say, that this would be, at a minimum, modified.

8 TREASURER GOLDBERG: Yes. As you know,  
9 on several fronts, I was involved in this, not  
10 just with PRIM.

11 So it's very disturbing at a time where  
12 shareholder engagement is the preferred route in  
13 working with companies in helping them actualize  
14 greater returns. And we all know because all the  
15 data holds up that addressing a range of issues  
16 long term makes companies much more profitable.

17 And so this was concerning on a national  
18 level. And obviously when I brought it to the  
19 PRIM Board, it was concerning to all of us. And  
20 ISS, who we work with to develop our proxy voting  
21 guidelines.

22 So it appears that the comments didn't  
23 have much influence on how the decision was  
24 written.

1                   MR. NIXON: Well, we don't know yet  
2                   because the comments were submitted, the comments  
3                   were evaluated, and then the final regulation has  
4                   been drafted. But we don't yet know what's in that  
5                   final regulation.

6                   So sometime we will see -- I mean we  
7                   don't know. We suspect what's in it, but we  
8                   don't know.

9                   So we will find out when they -- after  
10                  they finish the cost process, we will find out.

11                  TREASURER GOLDBERG: At the big reveal.  
12                  We'll find out at the big reveal. Oh, God.

13                  All right. Well, thank you for joining  
14                  us. It was great to see you. It's been a while.

15                  MR. NIXON: Always a pleasure.

16                  TREASURER GOLDBERG: And, Chris, thank  
17                  you for bringing John in. It's always very, very  
18                  clarifying to hear his presentations on these  
19                  issues.

20                  MR. SUPPLE: I agree. Thank you.

21                  TREASURER GOLDBERG: And of course at  
22                  that point, my agenda closed up again. Can't win  
23                  for trying.

24                  Give me one second, everyone.

1                   So, Chris, are you done with your  
2    section?

3                   MR. SUPPLE: Yes, I am, Madam Treasurer.  
4    Thank you.

5                   Thank you, John.

6                   TREASURER GOLDBERG: Thank you.

7                   I believe, Tony, there's still some --  
8    if I recall before this shut down --

9                   MR. FALZONE: Yes. So just a few  
10   housekeeping items. One, I want to thank all the  
11   board members for completing the board self-  
12   evaluation surveys, having phone conversations, if  
13   applicable. So we'll have that report to you in  
14   February.

15                  Second to that is the budget. And the  
16   GIPS standards, the performance report are there  
17   for your perusal at your leisure. I do want to  
18   say Matt kind of organizes the GIPS performance  
19   standard, and it's a worldwide standard that  
20   investment managers use to promote transparency.

21                  So congratulations on another great year  
22   for that, Matt.

23                  And then client service. Paul would  
24   like to say a few words, just to provide you with

1       an update. And I know the board has interest in  
2       hearing from client services from time to time.

3               So, Paul, I'll let you take it from  
4       there.

5               MR. TODISCO: Great. Thanks, Tony.  
6       Thank you, Madam Treasurer.

7               I'll be referring to pages 17 and 18 in  
8       the expanded agenda.

9               As you can see from the list of meetings  
10      that we've had, we've had a very busy third  
11      quarter and fourth quarter.

12              And just a couple of quick updates of  
13      meetings that didn't make it into the board  
14      package when it went to press. We'll be meeting  
15      with the Haverhill Retirement Board on December 8.

16              We have rescheduled the Mass. Water  
17      Resources Authority OPEB committee meeting from  
18      November 23, as it states in your board package.  
19      It will now be held on December 9.

20              And we also have the PRIM Investors  
21      Advisory Council meeting scheduled for  
22      December 10. And finally, Fairhaven has scheduled  
23      an appointment with us on December 22.

24              We continue to strengthen our

1 relationship with the MBTA Retirement Fund. In  
2 October, the MBTA Retirement Fund board met with  
3 PRIM client service staff Francesco Daniele and  
4 Emily Green, as well as Michael McGirr, the  
5 private equity senior investment officer, to discuss a  
6 possible investment in the private equity vintage  
7 year 2021 sleeve. And they are currently  
8 investors in our 2020 private equity sleeve.

9 And after a very successful meeting with  
10 the board, we were notified on November 3 that the  
11 MBTA Retirement Board voted to participate in the  
12 2021 vintage year with a commitment of 17 and a  
13 half million dollars. So we're very happy about  
14 that.

15 Speaking of vintage year 2021, we  
16 continue to take commitment letters from a number  
17 of systems who have been investing in our private  
18 equity pretty consistently over the last several  
19 years, if not decades at this point.

20 And just in conclusion, I just want to  
21 thank the entire client services team, Francesco  
22 Daniele, Emily Green, Jennifer Cole and of course  
23 Deb Coulter. In a very successful year under very  
24 challenging circumstances with COVID and with the

1       number of meetings that we've had, we didn't miss  
2       a beat here this year.

3               And I particularly am grateful because I  
4       was out for a considerable time at the beginning  
5       of the year with a health issue, and also I was  
6       out in October with another health issue. But I'm  
7       very well, very healthy now. And I really thank  
8       Francesco and Emily for really keeping the client  
9       services ship afloat during that time and doing a  
10      great job.

11             So I'll be happy to take any questions,  
12      if anyone has them.

13             MS. FITCH: Hi. This is --

14             TREASURER GOLDBERG: First of all, Paul,  
15      I'm happy to --

16             Ruth Ellen, I'm sorry. I interrupted  
17      you.

18             MS. FITCH: Just really quickly. I am  
19      wondering if you have in your head, and maybe on  
20      paper obviously somewhere, the total of investment  
21      funds that MBTA --

22             TREASURER GOLDBERG: Ruth Ellen? Oh,  
23      I'm frozen again.

24             MR. TODISCO: The MBTA has invested

1       about 20 million -- actually committed about  
2       \$37 million in our two private equity funds. They  
3       invested \$25 million in our hedge funds. And also  
4       this year, they invested 30 million in our  
5       emerging markets equity funds.

6               And I'll take this opportunity to also  
7       thank the investment team who assisted us and  
8       participated in these due diligence meetings and  
9       retirement board meetings with the MBTA.

10              So we've had a very successful period  
11       over the last couple of years, continued  
12       commitments from them.

13              MS. FITCH: I think that's an indication  
14       of the real value, our value frankly, to the MBTA.  
15       Thanks.

16              MR. TODISCO: You're welcome. Thank  
17       you.

18              Any other questions?

19              If not, I just want to wish everyone  
20       happy holidays and good health and be well. And  
21       hopefully next year, we'll be able to start  
22       meeting again in person.

23              TREASURER GOLDBERG: Before you leave,  
24       Paul, I froze at the moment that I was trying to

1 tell you I'm happy to hear that you're feeling  
2 much better.

3 MR. TODISCO: Thank you, Treasurer.  
4 Appreciate that. Thank you very much.

5 TREASURER GOLDBERG: So next item on the  
6 agenda is -- is there anything left for you, Tony?

7 MR. TROTSKY: I just -- if you can hear  
8 me --

9 MR. FALZONE: We're moving to  
10 compensation.

11 TREASURER GOLDBERG: Wait a second,  
12 Mike.

13 We're moving on to the Compensation  
14 Committee report, and I'm turning it over to  
15 Michael Trotsky for some comments to begin with.

16 MR. TROTSKY: Thank you, Treasurer. I  
17 hope everyone can hear me.

18 I have brief comments. But before I do  
19 that, I just want to hit again on the last agenda  
20 item, the GIPS performance reporting. We kind of  
21 glossed over it, but this is another example of  
22 Matt Liposky's fantastic work.

23 We're one of only a very small handful  
24 of public funds in the whole entire country to



1       comply with GIPS, the GIPS performance reporting  
2       standards. Those are standards that we require of  
3       our investment managers, yet very few pension  
4       plans across the country bother to take the time  
5       to do the work to comply themselves with GIPS  
6       performance reporting.

7               It took a lot of work over the last  
8       couple of years. I think this is the second  
9       consecutive year. It really separates ourselves  
10      from other peer pension plans across the country.  
11      And I think it's really indicative of the  
12      transparency and completeness of our financial  
13      reports. It's unparalleled.

14             So thank you, Matt. I just didn't want  
15      to gloss over that. It took a lot of work, and I  
16      think it does differentiate us.

17             I do have just a couple of comments on  
18      compensation. We had a Compensation Committee  
19      meeting a couple of weeks ago where I mentioned  
20      that we continue to spend a significant amount of  
21      time on retention and recruitment of talent at  
22      PRIM. It continues to be one of my primary  
23      concerns.

24             We've been very successful in our

1 efforts, even through the pandemic. You heard of  
2 seven new hires, two full-time and five interns,  
3 even since the last time that we met.

4 Consistent with board-approved hiring  
5 plans last year, in fiscal year 2020, we filled  
6 nine staff vacancies with top talent. All of  
7 those hires were diverse. And only one senior  
8 level employee departed last year in fiscal year  
9 2020. No departures happened in fiscal year 2019.

10 And as you know and you saw today  
11 highlighted, we're staffed with exceptional  
12 investment and financial professionals. And all  
13 our job postings attract literally hundreds of  
14 talented and well-qualified applicants. There's  
15 no better compliment that we can all receive than  
16 when we get that many applicants.

17 Our team continues to be recognized  
18 around the nation for the success and innovation  
19 of our investment program and for the transparency  
20 and completeness of our financial reporting.

21 And very importantly, we have a very  
22 small staff compared to other public pensions,  
23 probably the smallest in terms of investment staff  
24 per AUM. And our comparatively small staff

1 researched and deployed approximately 5.4 billion  
2 in new board-approved investments during the  
3 fiscal year 2020.

4 I believe that's unparalleled and great  
5 productivity for a small staff in a very  
6 challenging year. And hats off to each and every  
7 one of you. Thank you.

8 As you know, the employment environment  
9 in the nation and in the region is weak. And we  
10 are hearing from experts. We've heard recently  
11 that there will be more layoffs in the financial  
12 sector in the coming months. In fact, I think  
13 just last week, Goldman Sachs, who is one of the  
14 best-performing banks out there, had additional  
15 layoffs.

16 I view this first and foremost as a  
17 great tragedy for our economy and the finance  
18 sector, but also perhaps the silver lining is that  
19 it's an opportunity for us to selectively and  
20 carefully add to our staff.

21 There are a lot of displaced financial  
22 people out there at the moment. And as you know,  
23 for several years, you, our board, has encouraged  
24 us to deepen our pool of talent. And we've been

1       doing that slowly and surely and anticipate that  
2       we will continue to add staff slowly, responsibly  
3       and selectively.

4               In last year's survey, our compensation  
5       consultant, McLagan, indicated a very low single-  
6       digit increase in compensation in 2019. And 2020  
7       survey results will be available next year. And I  
8       suggested to the Compensation Committee, and they  
9       agreed, that we wait for the survey in order to  
10      revisit our ranges. In the meantime, I do believe  
11      that our current ranges are appropriate.

12             And last, I informed the Compensation  
13      Committee of the decision to freeze all PRIM  
14      salaries this year in light of the COVID pandemic  
15      and its associated economic damage. And  
16      accordingly, I would recommend to you today, if I  
17      may, that you make no change to my current salary  
18      today. And that's why on your agenda there is no  
19      voting item on that.

20             Those are my comments. Thank you,  
21      Treasurer.

22             TREASURER GOLDBERG: Okay. Thank you,  
23      Michael.

24             However, we do have to vote on the

1 executive director's fiscal year 2020 individual  
2 performance component.

3 And so with that, I would seek a motion  
4 that the PRIM Board approve the Compensation  
5 Committee's recommendation to set the executive  
6 director's fiscal year 2020 individual performance  
7 multiplier at 1.00, as described in the expanded  
8 agenda.

9 Is there a motion?

10 MR. HEARTY: So moved.

11 MR. BROUSSEAU: So moved.

12 TREASURER GOLDBERG: All right. Duke it  
13 out. Who gets it?

14 MR. HEARTY: Bob.

15 TREASURER GOLDBERG: Okay, Bob.

16 And number 2 is Jim.

17 MR. HEARTY: Right.

18 TREASURER GOLDBERG: Okay. So who's  
19 going to present on this?

20 MR. BROUSSEAU: I'll make comments  
21 because I do not believe that the chair of the  
22 committee, Michele Whitham, is on this Zoom  
23 meeting.

24 Am I correct, Tony?

1                   Okay. He's nodding yes.

2                   Very, very briefly, we've gone through  
3           this for the last several years now, at least  
4           since 2014. And every year, we have to set the  
5           salary of the executive director. It's part 2 of  
6           what we do. We did his evaluations on  
7           September 9.

8                   And what I did, on the 19th of November,  
9           the Compensation Committee met, as we do once a  
10          year, to review -- Michael had made recommendation  
11          for salaries, which you heard him say today he was  
12          freezing them.

13                  But the most important thing is that we  
14          have to set his salary. And part of his salary --  
15          as you can see, it's comprised of two parts.  
16          80 percent of course is the performance of PRIM.  
17          20 percent is of course based upon his evaluation.  
18          And of course that is for his compensation,  
19          salary.

20                  And if you look on pages 19 and 20 of  
21          your agenda, and we included also in Appendix M a  
22          review of our evaluation process. I'm not going  
23          to go through it. It is there. It was there for  
24          your review, and it was in the minutes also.

1 But I gave a brief report to the  
2 committee, informing them that Michael's  
3 evaluation for the year was outstanding. And most  
4 of us had heard it earlier because a few of --  
5 well, the Treasurer and myself are on the  
6 Compensation Committee.

7                   So all we have to do today really is to  
8       approve the multiplier for his compensation. And  
9       as you can see, we have three choices. But we are  
10      recommending the top choice, that the multiplier  
11      be set at 1.0, which means it far exceeds high  
12      expectations, which is the top. And that is the  
13      20 percent part of Michael's compensation.

14                   And you need a motion to that effect,  
15       Madam Treasurer? The 1.0, I believe you do,  
16       right?

17           TREASURER GOLDBERG: I already did get a  
18       motion and a second. You moved it, and Jim Hearty  
19       seconded it.

20 MR. BROUSSEAU: Okay.

21           TREASURER GOLDBERG: So are there any  
22       questions or comments from members of the board  
23       prior to us voting on this item?

24 If there are none, I'm going to comment.

1       So as we all can tell, this has been a very  
2       challenging year, to say the least. And added to  
3       that, Michael personally had challenges within his  
4       family, while at the same time balancing -- along  
5       with an extraordinary staff, I might add -- going  
6       remote and keeping all the balls in the air,  
7       getting the job done.

8               As he has recommended, we do not intend  
9       to do annual raises this year, given the climate  
10      that we're all living in, but this multiplier is  
11      part of his regular annual evaluation.

12             And lo and behold, our long-term  
13      strategy, as Eric referred to it earlier in the  
14      meeting, so far, so good, has held to be true,  
15      that we don't overreact to the volatility in the  
16      market. And that's a mantra within the whole  
17      organization, beginning with Michael and going all  
18      the way down.

19             So with that, we have a motion. We have  
20      the second. And I am going to do a roll call  
21      vote.

22             Bob Brousseau?

23             MR. BROUSSEAU: Yes.

24             TREASURER GOLDBERG: Ruth Ellen Fitch?



1 MS. FITCH: Yes.

2 TREASURER GOLDBERG: Jim Hearty?

3 MR. HEARTY: Yes.

4 TREASURER GOLDBERG: Theresa McGoldrick?

5 MS. MCGOLDRICK: Yes.

6 TREASURER GOLDBERG: Peter Monaco?

7 MR. MONACO: Yes.

8 TREASURER GOLDBERG: Dennis Naughton?

9 MR. NAUGHTON: Yes.

10 TREASURER GOLDBERG: Carly Rose?

11 MS. ROSE: Yes.

12 TREASURER GOLDBERG: Paul Shanley?

13 MR. SHANLEY: Yes.

14 TREASURER GOLDBERG: Myself, yes.

15 And the motion carries.

16 MR. TROTSKY: Thank you very much,

17 everyone. I really appreciate it, really

18 appreciate all your support, both to me

19 professionally and personally. Happy to report

20 that both the pension fund and Amy are doing

21 terrifically well. So we're through a hard year

22 hopefully. Thank you so much.

23 And thank you to the staff too.

24 Couldn't have done it without you.

1           TREASURER GOLDBERG: That's true.

2           I don't want to say anything, but it is  
3   11:55 a.m., and we have plowed through the entire  
4   agenda. So with that, unless anyone else has  
5   anything to say, I would seek a motion to adjourn.

6           MR. BROUSSEAU: So moved.

7           TREASURER GOLDBERG: Second.

8           MS. FITCH: Second.

9           TREASURER GOLDBERG: Okay. All right.  
10   Let's do a roll call.

11           Bob Brousseau?

12           MR. BROUSSEAU: Yes.

13           TREASURER GOLDBERG: Ruth Ellen Fitch?

14           MS. FITCH: Yes.

15           TREASURER GOLDBERG: Jim Hearty?

16           MR. HEARTY: Yes.

17           TREASURER GOLDBERG: Theresa McGoldrick?

18           MS. MCGOLDRICK: Yes.

19           TREASURER GOLDBERG: Peter Monaco?

20           MR. MONACO: Yes.

21           TREASURER GOLDBERG: Dennis Naughton?

22           MR. NAUGHTON: Yes.

23           TREASURER GOLDBERG: Carly Rose?

24           MS. ROSE: Yes.

1                   TREASURER GOLDBERG: Paul Shanley?

2                   MR. SHANLEY: Yes.

3                   TREASURER GOLDBERG: And myself, yes.

4                   Thank you for your kind attention.

5                   Thank you for us plowing through and getting it  
6                   done.

7                   And with that, the meeting is adjourned  
8                   at 11:57 a.m. Thank you, all.

9                   (Meeting adjourned at 11:57 a.m.)

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