

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

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Minutes of the Board Meeting
Monday, December 1, 2020
commencing at 9:31 a.m.

(CONDUCTED REMOTELY)

PRIM Board Offices
84 State Street
Boston, Massachusetts

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A T T E N D E E S

(Via Zoom)

Board Members

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

Other Attendees:

- Michael Bailey
- Anthony Falzone
- Alyssa Fiore
- Maria Garrahan
- David Griswold
- David Gurtz
- Eleni Klempler
- John La Cara
- Bill Li
- Jay Liu
- 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.

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 eherlihy@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 Capetown, 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 the performance slides on
3 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 really between tech and non-tech shares.
17 And I'll just point out that fortunately the PRIT
18 Fund is invested in both. And 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 portfolio in a few minutes. But
6 collectively, the global equities portfolio
7 returned 8.7 percent, outperforming its benchmark
8 by 53 basis points or 26 basis points, net of
9 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 pleased
24 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 another word, unconstrained stock pickers
2 targeting high alpha on public market betas. We
3 are 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 structure credits, came back strongly with high
22 single-digit figures. They have yet recovered all
23 losses incurred earlier, but we remain optimistic.
24 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 Klempler, 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 move.

24 MR. BROUSSEAU: Second.

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

3 MR. LIU: Okay. Thank you.

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

5 So benchmarking advisory services is a
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 --

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 Liu, 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. LIU: 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. NIENBERG: 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 summary
21 in cash flows. There are two voting items.

22 Mike, you can share with us who will be
23 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 accountative. Dave Gurtz mentioned credit spreads
8 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 the 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 acquisitions,
23 which then leads these companies to be longer and
24 stronger within the 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 size,
2 we have not closed a timberland investment this
3 year. It's safe to say that it's been a very slow
4 year in the timberland capital markets overall. I
5 think our investment activity reflects this.

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

11 Total housing starts averaged over
12 1.4 million in the third quarter, led by single-
13 family starts, an increase of over 30 percent from
14 the second quarter. Home sales increased
15 40 percent in the third quarter. And mortgage
16 rates have come down almost a hundred basis
17 points, two and the high twos, 2.9 percent, give
18 or take, over the course of the year.

19 So our managers have been actually
20 cutting timber volume that they had previously
21 deferred, taking advantage of that biological
22 growth. They are now cutting that timber into
23 these stronger markets. And we expect that they
24 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. Issue on
23 fees. Now, we have 13 recommended firms here. Do
24 we 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 laws. There
21 are 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 that process
13 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 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 on issues in the past
8 the Federal Department of Labor issuing directives
9 and guidance on the federal ERISA statute.

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

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

21 We did in fact do that. Attorney John
22 Nixon of the law firm Duane Morris, with whom this
23 board is very familiar and who has advised us on
24 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 they
22 are now basically costing out. There is a process
23 by which any federal regulation, before it is
24 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 I
20 assess who we work with to develop our proxy
21 voting 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 know what's in that
5 final regulation.

6 So sometimes you will see -- I mean we
7 don't know. We suspect what's in it, but we don't
8 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 OPED 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 senior officer, to discuss a possible
6 investment in the private equity vintage year 2021
7 sleeve. And they are currently investors in our
8 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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