

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

Minutes of the Board Meeting

Wednesday, May 26, 2021

commencing at 9:30 a.m.

(CONDUCTED REMOTELY)

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

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:

- Deb Coulter
- Francesco Daniele
- Anthony Falzone
- Emily Kowtoniuk
- Chuck LaPosta
- Jay Leu
- Bill Li
- Matt Liposky
- Liu Liu
- Christina Marcarelli
- Michael McGirr
- Eric Nierenberg
- Tim Schlitzer
- Michael Trotsky
- Sarah Zatoonian

1 P R O C E E D I N G S

2 A meeting of the Pension Reserves
3 Investment Management Board (PRIM Board) was held
4 remotely on May 26, 2021. The meeting was called
5 to order and convened at 9:30 a.m. Treasurer and
6 Receiver-General Deborah Goldberg chaired the
7 meeting.

8 TREASURER GOLDBERG: First of all,
9 welcome, everyone, to the Massachusetts State PRIM
10 Board meeting.

11 This meeting is being held by Internet
12 and telephone in accordance with the provisions of
13 the Governor's March 12, 2020 order that allows
14 remote participation by all members of a public
15 body and suspends the requirement that a quorum
16 and the chair be physically present, provided that
17 the public has access to the meeting through
18 technology that enables the public to clearly
19 follow the proceedings while they are occurring.

20 Accordingly, all members of the board
21 will participate today remotely via telephone and/
22 or Internet-enabled audio and videoconferencing,
23 and all votes in today's meeting will be taken by
24 roll call.

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 which 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. So
11 accordingly, I am informing you all that the
12 stenographer, Virginia Dodge from Lexitas, is
13 transcribing and also recording this meeting. And
14 Tony will now tell you who else will be recording.

15 Anyone, if you have not checked in yet,
16 please do so -- I mean those who are recording the
17 meeting -- with Beth Herlihy at [eherlihy](mailto:eherlihy@mapension.com), which is
18 E-H-E-R-L-I-H-Y, [@mapension.com](mailto:eherlihy@mapension.com).

19 Additionally, the Attorney General's
20 guidance on holding remote meetings during the
21 COVID-19 state of emergency reads as follows: "At
22 the start of the meeting, the chair must announce
23 the name of the member or members who are
24 participating remotely."

1 I will now announce the name of all PRIM
2 Board members who are participating in today's
3 meeting.

4 Tony, do you see Peter yet?

5 MR. FALZONE: I do not see him yet. No.

6 TREASURER GOLDBERG: Well, I'm going to
7 put his name at the end, in case later he hops in.

8 Myself, Treasurer Deb Goldberg, chair.

9 Robert Brousseau, Ruth Ellen Fitch, James Hearty,
10 Theresa McGoldrick, Peter Monaco, Dennis Naughton,
11 Carly Rose and Paul Shanley.

12 That would be it for the script.

13 So with that, this is the first motion.

14 And I seek a motion of approval of the PRIM Board
15 meeting minutes from February 24, 2021. It is
16 attached as Appendix A of the expanded agenda.

17 And I seek further to authorize the executive
18 director to take all actions necessary to
19 effectuate this vote.

20 Is there a motion?

21 MR. SHANLEY: So moved.

22 MR. BROUSSEAU: Moved --

23 MS. FITCH: So moved.

24 MR. BROUSSEAU: -- to approve the

1 minutes.

2 TREASURER GOLDBERG: We have a whole
3 chorus here.

4 MS. FITCH: Yes.

5 TREASURER GOLDBERG: All right who wants
6 to be the first one? We need to help the
7 stenographer. Somebody give me a name. Who?

8 MR. BROUSSEAU: Bob Brousseau.

9 TREASURER GOLDBERG: Bob Brousseau.
10 Who seconded?

11 MR. SHANLEY: Paul Shanley.

12 MS. FITCH: Ruth Ellen.

13 TREASURER GOLDBERG: We'll give it to
14 you, Paul. Next one, Ruth Ellen gets.

15 MS. FITCH: Okay.

16 TREASURER GOLDBERG: All right. Roll
17 call.

18 Bob?

19 MR. BROUSSEAU: Yes.

20 TREASURER GOLDBERG: Ruth Ellen?

21 MS. FITCH: Yes.

22 TREASURER GOLDBERG: Jim?

23 MR. HEARTY: Yes.

24 TREASURER GOLDBERG: Theresa?

1 MS. MCGOLDRICK: Yes.

2 TREASURER GOLDBERG: Dennis.

3 MR. NAUGHTON: Yes?

4 TREASURER GOLDBERG: Carly?

5 MS. ROSE: Yes.

6 TREASURER GOLDBERG: Paul?

7 MR. SHANLEY: Yes.

8 TREASURER GOLDBERG: I'm just checking

9 in. Peter, are you here?

10 Okay. Myself, yes.

11 The motion carries.

12 Okay. Next item on the agenda, the
13 executive director/chief investment officer
14 report. And Michael has great news that he is
15 going to be sharing when he gets to PRIT Fund
16 performance. It's really been outstanding.

17 MR. TROTSKY: Thank you very much,
18 Treasurer.

19 And nice to see everybody. It's a great
20 morning here in Boston. I have to say that it's
21 getting more and more busy every day. And I love
22 to see that. Things are returning to normal.

23 TREASURER GOLDBERG: Although, Michael,
24 honestly, I have never seen traffic like this in

1 my life, even on suburban side roads, on the
2 highways. So I think it's even more than normal.
3 I think it was like letting the genie out of a
4 bottle.

5 MR. TROTSKY: Exactly. Letting the
6 genie out of the bottle. People are ready to get
7 back to some semblance of normalcy.

8 So as the Treasurer said, today we are
9 very, very excited to report the pension fund's
10 strong return of 30 percent, which is a gain of
11 \$21 billion for the year ended March 21, 2021.

12 As you know, in what has been a very
13 challenging and volatile year, our returns really
14 represent both pension security for our
15 beneficiaries and also I believe an important
16 improvement in the finances of the entire
17 Commonwealth of Massachusetts.

18 In today's agenda, you'll hear more
19 about that performance, and with your approvals
20 today, we will deploy more than \$2 billion,
21 \$2 billion, of new capital to high conviction
22 opportunities. So we've been very busy throughout
23 the end of the pandemic, hopefully, and we are
24 seeing lots of new and exciting investment

1 opportunities. You'll hear about \$2 billion worth
2 of them today.

3 First, however, a note about today's
4 agenda. Unfortunately, David Gurtz, PRIM's deputy
5 chief investment officer and director of public
6 markets, is not able to attend today's meeting
7 because of a sudden and unexpected medical issue.
8 I spoke to him yesterday. He's resting at home
9 comfortably. And our understanding is that he is
10 expected to make a full recovery. Of course our
11 very best wishes go out to Dave and his family for
12 the complete recovery and a return to work.

13 As a result of his absence today, we are
14 altering today's agenda. Dave would have
15 presented agenda item 3, PRIM's investment equity
16 diversity program update. That's called the
17 FUTURE Initiative, which is also in Appendix D.

18 We will not be going through that
19 presentation. And instead, I'll provide a brief
20 overview of the program in my opening remarks.

21 You've all heard Dave's excellent
22 presentation at each of the committee meetings two
23 weeks ago, and we look forward to another update
24 from Dave at the next board cycle. So thank you

1 for your understanding there.

2 Now, a couple of updates. First, I
3 would like to congratulate Theresa McGoldrick -- I
4 know you're on; I see you smiling -- for your
5 recent election victory, in which she secured her
6 seventh three-year term on the Mass State
7 Employees Retirement System Board.

8 So congratulations to you. It is
9 through this seat that Theresa earns a seat on the
10 PRIM Board. And congratulations again, Theresa.
11 Seven three-year terms, that's amazing.

12 MS. MCGOLDRICK: Thank you, Michael.
13 It's flown by, to be honest with you. It's a
14 pleasure working with all of you. So thanks very
15 much for that.

16 MR. TROTSKY: Great.

17 Next, you all should have received an
18 invitation to register for the remote client
19 conference to be held on the morning of June 9.
20 This year, Noubar Afeyan -- I always mess that
21 up -- Afeyan, the founder and CEO of Flagship
22 Pioneering, one of PRIM's very highest performing
23 private equity managers, has agreed to be our
24 keynote speaker.

1 Noubar is also the chairman and co-
2 founder of Moderna. And as you know, Moderna was
3 among the very first companies to discover and
4 produce a COVID-19 vaccine. And that vaccine --

5 May I ask people to please check their
6 mute and make sure it's on. I'm hearing some
7 background noise.

8 But as you know, the vaccine from
9 Moderna utilized the groundbreaking mRNA
10 technology. Flagship Pioneering and Noubar
11 created the company from before it even had a
12 name. It was only a number, a company number.
13 And PRIM was one of the initial investors in the
14 company. We're very happy that we're among the
15 first investors to fund Moderna through Flagship
16 Pioneering. Obviously Moderna is very gratifying
17 from both a public health standpoint but also from
18 an investment standpoint. Moderna and Flagship
19 have been among the highest returning investments
20 in PRIM's entire history.

21 So please come to the client conference.
22 I think you'll find it very interesting. And
23 that's again on June 9.

24 Update on performance. As the Treasurer

1 said, we are extremely proud to have added
2 \$21 billion to the pension fund in a period we
3 will not soon forget, a period in which so many in
4 the world and our communities have suffered. It's
5 been difficult.

6 I said earlier that our strong returns
7 represent both pension security for our
8 beneficiaries, but also a very important
9 improvement in the finances of the Commonwealth.
10 The fund grew by \$21 billion dollars in one year.
11 \$21 billion. That's nearly half the size of the
12 entire state annual budget.

13 So the carefully constructed PRIT Fund
14 continues to perform well in both strong periods
15 like last year, but more importantly, in weak
16 markets too, we've performed strongly, like the
17 market we had a year ago with the onset of the
18 COVID-19 pandemic.

19 So the PRIT Fund assets reached
20 \$90.1 billion for the quarter ended March 31,
21 2021. That was a new all-time high.
22 \$90.1 billion. The PRIT Fund gained 30 percent,
23 net of all fees, over the one-year period; again,
24 an investment gain of \$21 billion. And moreover,

1 even though it was a strong market, the one-year
2 return was more than 4 percent above the benchmark
3 return, 4 percent above benchmark, which is an
4 indication that our managers are really doing a
5 very, very good job for us.

6 And also, all recent time periods, the
7 3-, 5- and 10-year returns were all very strong
8 and also above benchmark returns. Returns during
9 all time periods also exceeded the actuarial rate
10 of return requirement, which is now 7 percent.

11 To recap, for the one-year period ended
12 March 31, global equities was the best performing
13 asset class. And that was up 58.5 percent.
14 58.5 percent, net of all fees.

15 Private equity achieved one of its
16 highest annual returns ever in PRIM's history, and
17 it was up 35.9 percent net.

18 Value-added fixed income, which includes
19 emerging markets debt, high yield bonds and bank
20 loans, was up 17 percent net for the year. And
21 portfolio completion strategies, which includes
22 hedge funds and real assets, was up 14.1 percent
23 net. Real estate, our large real estate
24 portfolio, was up 9.3 percent, net of all fees.

1 And again, 3-, 5- and 10-year returns of
2 9.7 percent, 10.5 percent and 8.5 percent are all
3 very strong, above benchmark, and they exceeded
4 the actuarial rate of return of 7 percent.

5 So as you know, markets are up more than
6 90 percent since the March 2020 lows, and the
7 economic news recently is very encouraging.
8 Still, we adhere to our fundamental core beliefs
9 at PRIM, which I'll repeat here. Number 1, we
10 believe that nobody can predict the future, so we
11 don't try to do that here at PRIM. And number 2,
12 nobody can successfully predict the direction of
13 the financial markets. So we don't try to do that
14 either. Instead, our mission at PRIM is to
15 construct a portfolio with components that will
16 perform well, no matter what the future holds.

17 And nevertheless, we are keeping the
18 following market themes in mind as we move forward
19 into the end of the fiscal year and the beginning
20 of a new fiscal year.

21 Number 1, recent months have shown
22 evidence of a start and a rebound in economic
23 activity that could last for several years, as the
24 new administration seems intent on utilizing its

1 slim majority control of Congress to advance its
2 stimulus measures. We'll see.

3 But these stimulus measures will likely
4 last for many years, and it is possible that the
5 economy and the markets will benefit well into the
6 future. The Department of Treasury and the
7 Federal Reserve Bank seems to be acting as a team,
8 coordinated, and are not so worried about what
9 they describe as, quote, "transitory inflation."
10 And as a result, they will likely keep the federal
11 funds rate very low and bond purchases ongoing
12 well beyond the time when inflation stays above
13 their target rate of 2 percent.

14 The markets are broadening beyond the
15 growth stock that drove returns for many previous
16 quarters. In fact, value stocks outperformed
17 growth stocks in developed international markets
18 this last period. That hasn't happened in a long
19 time. And there's a good chance that the markets
20 will continue to broaden as the recovery unfolds.

21 The main risk, of course, to the
22 strength of the markets is that the virus flares
23 up again, causing the economy to stagger despite
24 the stimulus.

1 And there is a risk that supply chain
2 shortages and higher commodity prices could dampen
3 economic growth.

4 And finally, you're hearing about this
5 in the news reports. There is a risk that even
6 though the Fed has pledged not to raise rates,
7 that investors will begin to factor in non-
8 transitory inflation, and worse, they'll factor in
9 much higher interest rates, causing the markets to
10 decline.

11 We are confident, however, that the PRIT
12 Fund will perform well in a variety of potential
13 outcomes. And we'll have more on this strong
14 performance later. You'll hear from each asset
15 class head.

16 But first, I want to take a few minutes
17 to describe the exciting new initiative here at
18 PRIM called the FUTURE Initiative.

19 In January, An Act Enabling Partnerships
20 for Growth was signed into law, which includes a
21 provision to increase the diversity of PRIM's
22 investment managers and contractors to at least
23 20 percent and increase access for minorities,
24 women and disabled investment managers and

1 business partners.

2 Treasurer Goldberg and her team created
3 the legislation and strongly advocated for its
4 passage. They worked directly with Representative
5 Chynah Tyler and Senator Paul Feeney, who filed
6 the bill, which was ultimately very successful.

7 Congratulations on your efforts,
8 Treasurer.

9 The new legislation is an important new
10 extension of the important diversity and inclusion
11 work PRIM has been doing for several years during
12 Treasurer Goldberg's tenure to further increase
13 access for minorities, women and people with
14 disabilities. And these efforts are both focused
15 internally on our own staff but also externally as
16 we seek diverse investment managers and vendors.
17 The new law sets goals and formalizes procedures
18 and reporting requirements for investment managers
19 and other vendors.

20 We believe the FUTURE Initiative is
21 comprehensive and industry-leading. The FUTURE
22 Initiative provides a new and improved pathway for
23 emerging diverse managers to work with PRIM.
24 Again, a new and improved pathway for emerging

1 diverse managers to work with us.

2 Specifically, the FUTURE Initiative
3 targets emerging diverse managers with a short
4 track record and small AUM, assets under
5 management. So small emerging diverse managers.
6 And we hope to give them an opportunity to work
7 with PRIM in the future.

8 We believe the FUTURE Initiative will
9 strengthen PRIM's leadership position in the
10 industry with regard to diversity and inclusion
11 practices. And similar to our other initiatives
12 and innovations in other important areas of our
13 investment program, we believe the FUTURE
14 Initiative will result in more recognized strength
15 in the leadership for PRIM in our industry. Dave
16 Gurtz will be able to update you on the project
17 specifics at the next meeting of the board.

18 But we are very proud of our progress
19 over the last several years on our diversity and
20 inclusion efforts, and this program will make us
21 even stronger.

22 As a reminder, remember over the last
23 five years, PRIM has successfully increased the
24 use of diverse managers. PRIM is currently in the

1 top 10 percent -- or top 10, not 10 percent -- top
2 10 of all peer pension plans with assets managed
3 by diverse managers. *Pensions & Investments* rank
4 PRIM number 6 in the nation as of February. And
5 we already outrank many pension funds that are
6 larger than we are in dollar terms.

7 We have \$5.3 billion or nearly 6 percent
8 of the PRIT Fund allocated to diverse investment
9 managers. And that's up from \$1 billion only
10 five years ago. This is an industry where only
11 1.5% of all managers are diverse.

12 Importantly, \$2.5 billion or
13 approximately 5 percent of PRIM's public markets
14 portfolio is managed by diverse investment
15 managers. \$1.5 billion or approximately 20
16 percent of PRIM's hedge fund portfolio is managed
17 by diverse investment managers. And \$1.4 billion
18 or approximately 11 percent of PRIM's private
19 equity portfolio is managed by diverse investment
20 managers.

21 Now, we're proud of this progress, but
22 there is still much more to do, and we will keep
23 you posted on our progress.

24 Next an organizational update --

1 TREASURER GOLDBERG: Hang on a minute,
2 Michael. I would like to add a few words here.

3 MR. TROTSKY: Sure.

4 TREASURER GOLDBERG: I think in
5 particular, I'm sure most of you on the call today
6 could not have missed that yesterday was the one-
7 year anniversary since the tragic death of George
8 Floyd.

9 This is a significant moment and a
10 significant moment to officially at the board
11 level -- we did talk about this at the Investment
12 Committee level -- to acknowledge that this new
13 bill is critical. And in fact, there was an
14 article in the *Globe* yesterday about the racial
15 wealth gap and how significant it is and its
16 negative impacts on our total economy.

17 Michael just illustrated for you
18 statistically that the financial world has been
19 really abysmal in opening up opportunities and
20 being supportive of diverse managers. And women,
21 for that matter. The glass ceiling had been more
22 like a brick ceiling.

23 And one of the reasons why when I came
24 in as Treasurer six years ago, we made a concerted

1 effort and have worked directly with PRIM, who has
2 moved the needle so much since the first meeting I
3 attended on internal hires and outreach to others
4 from different backgrounds. My very first meeting
5 was shocking to me that there were about three to
6 four women in the room, even though there were
7 65 people in the room.

8 So the world is changing in many ways
9 that are better. The reason for the bill and why
10 we worked with the legislature and now with PRIM
11 is we saw that there were other pension funds
12 whose legislators had stepped up and given them
13 the authority that would allow them to expand the
14 scope of their investment strategies and allow for
15 looking at different kinds of diverse managers in
16 a different lens because a lot of the traditional
17 structures have kept people out, really fine,
18 talented, qualified.

19 And in my hiring practices in our
20 offices, what we found is once we were able to
21 reach people, the most outstanding candidates
22 emerged because in a treasurer's office, you need
23 qualified people. And in PRIM, you need qualified
24 people. And when you're investing, you need

1 qualified people to be investing with.

2 So I think it's significant that --
3 George Floyd's daughter said, "Daddy changed the
4 world." She's seven years old. What Daddy did,
5 what her dad's death did, is it was a wake-up call
6 to corporate America. All over the country,
7 diversity, equity and inclusion is being worked on
8 by major corporations, by investment firms.

9 And as we grow as an organization with
10 our investments, we will find that many more doors
11 have opened for those with talent, that we will be
12 able to access.

13 But I am very pleased that PRIM is on
14 the cutting edge with this program, yet again.
15 Yet again. And I hope that we end up being
16 number 1 in this space because candidly a lot of
17 like-size funds have not done a very good job at
18 this. And so I look forward to the future where
19 we can really applaud the efforts.

20 I feel terrible that David is not here
21 today. His description of the program is
22 outstanding. Please do look through the deck.
23 And I think we need to give David an opportunity
24 when he is back to give this presentation again.

1 So thank you.

2 MR. TROTSKY: And thank you for
3 recognizing that, Treasurer. And your leadership
4 has been really important to the progress we've
5 made.

6 It's a good time to remind the board
7 that we are the leanest pension fund in the
8 country in terms of employees relative to assets
9 under management. And we continue to grow staff
10 as quickly as possible under board-approved plans,
11 and we continue to improve our diversity. So we
12 are finding very high quality diverse employees to
13 hire. And I think that's wonderful.

14 TREASURER GOLDBERG: As are we. As I
15 tell people, if you build it, they will come, if
16 they know you're the real deal. And that's the
17 whole thing.

18 I remember one of the first meetings I
19 was at with you, I said to you I graduated BC Law
20 School in '83. Half of my class was women. And
21 we had a huge amount of diversity. In '85, same
22 thing at Harvard Business School. Compound that
23 over the years. People are out there.

24 But what you find is there are a lot of

1 cultural barriers. There's a sense of a lack of
2 opportunity. And it's up to us to make sure we
3 make those opportunities available and welcome
4 people in.

5 So this is the next step in PRIM's
6 advancement, and I can't wait to see what the
7 future holds.

8 MR. TROTSKY: Right. And I think we can
9 be a leader, and I'm actually very optimistic
10 about the future.

11 I graduated in 1985 with a degree in
12 electrical engineering, and there were 80 students
13 in my class, only two of whom were female.

14 And today, I'm involved with my alma
15 matter. More than 50 percent of the incoming
16 classes are female electrical engineers.

17 So I think the financial industry can
18 accomplish the same thing. And I hope that
19 happens.

20 And by the way, my wife had a long
21 career in finance.

22 TREASURER GOLDBERG: Would she like to
23 come back, Michael?

24 MR. TROTSKY: I hope so. I'd love her

1 to go back to work.

2 And by the way, I hear that Peter joined
3 us. I think he's feeling a little under the
4 weather today.

5 So welcome, Peter, and I'm glad you were
6 able to make it.

7 TREASURER GOLDBERG: Peter, do you want
8 to participate in the votes, or would you like to
9 just listen today?

10 MR. MONACO: No. I'm here. I'm ready.

11 TREASURER GOLDBERG: Okay. Very good.
12 I just wanted to make -- whatever it was, I wanted
13 to make it easy for you.

14 MR. MONACO: Much appreciated. All
15 good.

16 MR. TROTSKY: Thanks, Peter.

17 And just as a reminder, last fiscal
18 year, we hired nine new full-time employees. All
19 were diverse in terms of gender, race or both.
20 The entire class of interns last year, eight of
21 them in total were diverse.

22 This fiscal year, we have hired five new
23 employees, and four are diverse. And currently,
24 six of eight interns on staff are diverse.

1 Our total workforce diversity increased
2 to 66 percent currently, and that's up from
3 42 percent in fiscal year 2018, two years ago.

4 PRIM senior management, we have a way to
5 go here, but is currently 33 percent diverse.
6 That's an increase from 9 percent only in fiscal
7 2018. And PRIM's female senior management
8 increased from 7 percent two years ago to
9 26 percent today.

10 So we have a long way to go, but we are
11 proud of the progress we're making, and we intend
12 to do more.

13 TREASURER GOLDBERG: And your efforts
14 have added to -- under the Treasurer's Office, we
15 have the most diverse offices in state government
16 by a long shot. So working together, we're
17 creating opportunity for highly qualified people
18 who are most deserving.

19 MR. TROTSKY: Briefly now on staffing
20 changes, promotions, new hires, we announced
21 changes to the client service team shortly after
22 Paul Todisco's retirement.

23 Francesco Daniele was promoted to
24 director of client services and will report to our

1 CFO, Deb Coulter. Francesco joined in December of
2 2016 and has 20 years of experience in finance and
3 administration. And we're very fortunate really
4 that Paul Todisco recruited, hired and trained
5 Francesco, mentored Francesco over the last four
6 years so it's really seamless.

7 Emily Green was promoted to senior
8 client services analyst, and Emily joined in 2019
9 as a client services analyst. Now she's a senior
10 level employee because she's quickly become a very
11 valuable asset to the team, a lot of potential.

12 And we recently announced that Laura
13 Strickland -- I see Laura on the call -- has
14 joined PRIM as another senior client services
15 officer. She has 20 years of finance and client
16 service experience, most recently as director of
17 business development and relationship management
18 at DDJ Capital Management in Boston. Prior to
19 that, Laura was vice president and relationship
20 manager at Standish Mellon Asset Management. She
21 has a bachelor of science in finance and an MBA
22 from DePaul University.

23 Please join me in welcoming Laura,
24 congratulating Francesco and Emily. We're very

1 confident in your team. You'll continue to
2 seamlessly deliver the outstanding service that
3 our clients are accustomed to. It's a very strong
4 team.

5 And maybe -- I talked to Francesco about
6 this this morning. There is some late-breaking
7 news that you might be very interested to hear.
8 Maybe after my remarks, we can take things
9 slightly out of order and hear from Francesco on
10 that. I'd like him to announce it.

11 Two additional new hires since we last
12 met. Colleen Nulty joined PRIM as a corporate
13 accountant on the finance team, and she reports to
14 Dan Eckman. She recently worked as an accountant
15 at Education First in Cambridge. Prior to that,
16 she was a marketing assistant at BU, Boston
17 University. She holds a bachelor's degree in
18 accounting from Suffolk and a master's degree also
19 in accounting from Suffolk.

20 And George Defina joined PRIM as a
21 senior investment officer on the research team,
22 and he reports to Maria Garrahan. George brings
23 close to 20 years of investment industry
24 experience, including 12 years at Mellon, and

1 formerly The Boston Company, as a senior
2 quantitative analyst and portfolio manager.

3 Prior to that, George served as a
4 quantitative analyst developer and manager at
5 Independence Investment Associates. He's
6 designed, managed and developed data systems
7 throughout his career. His expertise will be
8 invaluable to us and in particular on our internal
9 data infrastructure project and also other
10 research initiatives.

11 He holds a bachelor of science in
12 computer science and engineering from the
13 University of Connecticut.

14 Welcome to Laura, Colleen and George,
15 our three newest employees.

16 And last, I'll do this quickly, I'd like
17 to mention a few developments to highlight the
18 fact that the spirit of Project SAVE is deeply
19 embedded in our everyday activities here at PRIM.
20 We have more than doubled the original goal of
21 \$100 million in annual cost savings and value-
22 enhancing activities. That's right. We have
23 identified more than 200 million of Project SAVE
24 activities to date.

1 And later, you'll be approving the
2 budget, which is over 400 million. So the
3 200 million is very significant.

4 At the committee meetings, I highlighted
5 the three most recent SAVE initiatives worth an
6 annual savings of a combined \$15 million.

7 And we often say that we value a basis
8 point of cost reduction more than we value a basis
9 point of returns. That might sound
10 counterintuitive, but the reason is quite simple.
11 Cost savings recur each year, and these cost
12 savings compound over time. We can control our
13 costs, but we can never predict the markets, and
14 we can't control the markets. Remember our core
15 beliefs.

16 And I note that three outstanding senior
17 staff members were able to identify these
18 opportunities because of their many years of
19 relevant experience in the industry. These
20 opportunities were not immediately obvious to any
21 of our outside consultants or business partners.

22 Jay Leu and the real estate team are
23 working on an exciting new enhanced leverage
24 program that will reduce our borrowing costs in

1 the real estate portfolio by nearly \$7 million
2 annually.

3 Andre Clapp and David Gurtz developed an
4 internal crossing program for stock trades
5 throughout the public markets portfolio that will
6 save approximately \$3 million in annual trading
7 costs. And they also at the same time
8 renegotiated some public markets investment
9 management fees that will result in more than
10 \$5 million in annual savings.

11 And this is the stuff that goes on every
12 day at PRIM that nobody necessarily knows about
13 and you probably wouldn't ever notice if we didn't
14 identify them to you from time to time. That's
15 why I'm doing it today. This is good stuff.

16 Our makeup at PRIM, as you know, is to
17 leave no stone unturned. And I'm proud of these
18 employees and their recent findings but prouder
19 still that the entire team has this Project SAVE
20 DNA in our blood now. So thank you.

21 I'll end by recapping performance before
22 turning it over to the strategy group.

23 So Tony, please turn to the slides
24 quickly. I'll go through these quickly. They're

1 also in your packet.

2 Right. This shows the graph of the
3 value of the PRIT Fund, and you can see it's a new
4 all-time high by a lot. \$90.1 billion. And
5 that's despite paying out 1.5 billion in benefits
6 over the last 12 months.

7 Next slide. I've reviewed some of these
8 numbers, but you can see 30.4 percent gross
9 returns. That's 29.9 percent net. Outperformed
10 by 460 basis points gross or 410 basis points net.
11 That's more than 4 percent. That's a lot. And
12 this again equates to an investment gain of more
13 than \$21 billion.

14 All other time periods, strong. 10.2,
15 10.9, 9 percent relative to the benchmark also
16 very strong. And all periods again are above the
17 actuarial rate of return, which is 7 percent.

18 Next slide. On the left, you can see
19 that equities were up nearly 60 percent for the 12-
20 month period. And private equity was up nearly
21 40 percent.

22 And on the right, you can see that fixed
23 income was weaker, as you would expect during a
24 period when interest rates are rising. When

1 interest rates rise, of course bond prices go
2 down.

3 And I'll end with the quilt chart, next
4 slide, which shows that global equity and private
5 equity really drive the bus in term of returns in
6 all time periods at PRIM. Real estate's a close
7 third. And we pay a lot of attention to these
8 asset classes.

9 That's the end of my brief remarks.
10 I'll take any questions, but I would ask you to
11 hear from Francesco just very briefly after we're
12 done with questions. And you will be hearing from
13 each and every asset class head in more detail on
14 performance. But great performance.

15 Maybe no questions.

16 MS. FITCH: I don't have any questions.
17 I'm just awestruck.

18 MR. TROTSKY: Good.

19 MR. DANIELE: Okay then. I'll just jump
20 right in. Good morning, everyone. My name's
21 Francesco Daniele, the director of client
22 services. Thank you, Michael.

23 Yes, we do have an update on the MBTA
24 Retirement Fund. We received notification from

1 them on Monday, May 24, of an additional
2 commitment to PRIM of \$15 million to our real
3 estate offering, which occurs via our segmentation
4 program.

5 I'd like to thank PRIM's real estate
6 team led by Tim Schlitzer for all the work that
7 went into this allocation from the MBTA Retirement
8 Fund. This brings their total commitments to PRIM
9 to 107 million.

10 As a reminder, they made their first
11 commitment in October of 2019, which was an
12 allocation of \$20 million through hedge funds,
13 followed by private equity vintage year 2020 for
14 25 million, emerging markets equity in August of
15 2020 for 30 million, and private equity vintage
16 year 2020 most recently of 17 and a half million.

17 As I mentioned, the most recent
18 commitment this week was an additional commitment
19 from the MBTA Retirement Fund for the real estate
20 segmentation program.

21 I can continue on briefly. I'll just
22 continue my update.

23 The meeting schedule has been picking up
24 as I mentioned to Michael earlier this morning,

1 specifically for in-person meetings, which we
2 welcome. Nothing replaces a face-to-face meeting.

3 The client conference, as Michael
4 mentioned, will be occurring on June 9. We're
5 very excited to have Noubar Afeyan join us as our
6 keynote speaker and excited about the entire
7 program.

8 So please join us. If anyone needs
9 assistance in registering, please reach out to me
10 or the team.

11 MR. TROTSKY: Thanks, Francesco. Thank
12 you.

13 And I guess we are receiving lots of in-
14 person requests, so hopefully we'll be able to do
15 some of those.

16 And congratulations to you, Francesco,
17 and Tim Schlitzer for reeling in the real estate
18 portfolio part and allocation from the MBTA.

19 We love to win clients here. It's an
20 indication that our client base is confident in
21 what we do here. And of course we feel very
22 strongly that they should be confident, but it's a
23 great pat on the back, and we hope to win more.

24 Treasurer, I think we're going directly

1 to the investment report and the strategy group
2 now.

3 TREASURER GOLDBERG: Oh, okay. I just
4 wanted to make sure there was nothing else.

5 Okay then. There will be two voting
6 items under this category and the strategy group,
7 which is led by Eric. Please take it away.

8 MR. NIERENBERG: Good morning. Thank
9 you, Treasurer. Hello, Board.

10 Glad to be here this morning, and we've
11 got a lot of exciting things going on with the
12 strategy group.

13 First of all, I just want to welcome
14 George Defina, who I've worked with in the past,
15 and welcome him to our PRIM team. He's already
16 made a lot of great contributions working with
17 Maria on our data infrastructure efforts which is
18 really the backbone of all of the research that
19 we're doing.

20 Michael already mentioned the strong
21 results that we've had in both up and down
22 markets, and that's really a testament to the
23 asset allocation work and risk management work
24 that Maria and Jay, respectively,

1 head up.

2 It really is important to keep that
3 longer term picture in mind. And when we do that,
4 we see that we can very much generate consistent
5 outperformance. And that's really what our goal
6 is here at PRIM.

7 Moving onto the investment side, Bill
8 and Eleni have been hard at work looking at
9 different investments for portfolio completion
10 strategies. Bill has been involved in two
11 recommendations, which you'll be looking at
12 momentarily.

13 And I'd also be remiss to not thank Jay
14 and Shannon for their tireless work on the
15 benchmarking efforts, which you'll also be voting
16 on in a few minutes, because that really has a
17 major impact on how we measure what we do. And
18 of course, that's very critical to knowing whether
19 or not we're actually performing as we should be.

20 So with that, if there's any general
21 questions, I'm happy to take that.

22 I'm also looking forward to the client
23 conference, where I've been working closely with
24 Francesco. We're planning a very good agenda for

1 everyone. And we're pretty confident you guys
2 will enjoy it.

3 But otherwise, if there are no
4 questions -- happy to take them. But otherwise,
5 I'll turn it over to Bill Li.

6 Dennis, looks like you had a question?

7 MR. NAUGHTON: I have two questions.
8 One, a procedural question. I had my hand up in
9 the participants area when Francesco was speaking,
10 and it wasn't recognized, so I guess we're not
11 using that. So that's why I went this way.

12 And thank you. My question is for
13 Francesco. Francesco, back to the MBTA
14 investment, do you know offhand ballpark what
15 percent of the MBTA Retirement Fund is now
16 invested with PRIM?

17 MR. DANIELE: It's a little bit less
18 than 10 percent, I believe, but I can double-check
19 that for you.

20 MR. NAUGHTON: Thank you.

21 MR. TROTSKY: How much is it total,
22 Francesco? How much do they have with us, and how
23 much total?

24 MR. DANIELE: They have 107 million with

1 us, and they're about 1.7 billion in total.

2 MR. TROTSKY: Yes. So a little over
3 5 percent. But they've been growing it steadily.

4 MS. FITCH: Yes. That's right.

5 MR. NIERENBERG: Thanks.

6 Bill, if you want to take it away with
7 PCS update and your voting item.

8 MR. LI: Great. Thank you, Eric. Good
9 morning, everybody. This is Bill Li, senior
10 investment officer and the director of PCS.

11 As for performance update, for Q1,
12 portfolio completion strategies returned
13 4.6 percent. That outpaced the benchmark by
14 50 basis points. And hedge funds, which account
15 for over 80 percent of PCS, in Q1, delivered 5.2
16 percent, versus benchmark's
17 4.4 percent. Performance was good in both
18 absolute and relative terms.

19 Trailing one year, PRIM hedge fund
20 delivered 16.9 percent. Despite the encouraging
21 absolute figure, it underperformed the benchmark
22 noticeably. One major reason being post the March
23 sell-off last year, PRIM's overall hedge fund
24 portfolio became defensive and thus missed

1 significant market upside.

2 Looking at it from another angle,
3 trailing 12-month PRIM hedge fund realized a
4 negative equity beta, while peer hedge funds in
5 general realized equity beta of positive .25.

6 Admittedly, 2020's last three quarters
7 were a game of whichever hedge funds loaded with
8 more equities outperforming. We saw that dynamics
9 had shifted going to 1Q this calendar year.
10 Security selection started to matter more, and we
11 see this increased emphasis on fundamentals
12 favorable to PRIM's hedge fund managers.

13 Delving into the portfolio, which can be
14 bifurcated into two distinctive sleeves, stable
15 value and directional, for Q1, stable value funds,
16 which are of minimal beta and account for two
17 thirds of PRIM hedge funds, returned 3.5 percent.

18 Bonds relative value and discretionary
19 macros continued to deliver steady performance.
20 The only detractor was systematic macros, and we
21 continue to deemphasis this subcategory.

22 The remainder one third of PRIM hedge
23 funds are directional funds, which are of a
24 moderate beta, and they performed particularly

1 well in Q1 with 10.6 percent. And that was largely
2 driven by catalyst events and stock selection
3 instead of beta.

4 Overall, we believe the specialist,
5 nimble approach in constructing the directional
6 sleeve will continue benefiting us in the near
7 future, where there are highly dispersed
8 fundamentals and a proliferation of idiosyncratic
9 events. And per the asset allocation guideline,
10 we will continue emphasizing sourcing efforts
11 here.

12 That is my performance update for PCS
13 and hedge funds, and happy to answer any questions
14 you may have.

15 TREASURER GOLDBERG: Any questions from
16 members of the board for Bill?

17 Okay then. Is the next item the Power
18 Pacific China?

19 MR. LI: That is right, Treasurer, and
20 that is a voting item.

21 TREASURER GOLDBERG: All right. I'm
22 going to seek a motion in a second. Then Bill
23 will make his presentation. We can entertain
24 questions, and then we can follow up with the

1 vote.

2 So I would seek a motion that the PRIM
3 Board approve the Investment Committee's
4 recommendation to approve an initial allocation of
5 up to \$200 million to Power Pacific China A-Shares
6 Absolute Return Separately Managed Account, as
7 described in Appendix E of the expanded agenda,
8 and further to authorize the executive director to
9 take all actions necessary to effectuate this
10 vote.

11 Is there a motion?

12 MS. FITCH: So moved.

13 MR. BROUSSEAU: I would like to move the
14 issue.

15 TREASURER GOLDBERG: Is there a second?

16 Ruth Ellen, I heard you. So we'll do
17 Bob, Ruth Ellen.

18 And so next, Bill, go ahead and describe
19 the investment.

20 MR. LI: Thank you.

21 What we're presenting here is a strategy
22 managed by a China equity specialist. And I'm
23 presenting this together with my associate Liu.

24 China, as the world's second largest

1 economy, has a capital market of significant
2 breadth and depth. As of recent, PRIT Fund's
3 overall exposure to China investments is 1.8
4 percent, mostly through the public equity EM
5 bucket. We believe China's domestically listed
6 shares, or A shares, present great alpha
7 opportunities, given its immense market
8 inefficiencies.

9 However, sourcing is of paramount
10 importance here because the funds ecosystem in
11 that part of the world has very different
12 dynamics, and you want to partner with the most
13 reliable and the best investors on the ground.

14 Thanks to the multilingual capability on
15 the team, we're able to identify and triangulate
16 to validate potential partnerships in China. And
17 Liu is going to present one of them here. It's
18 called Power Pacific, run by a female chief
19 investment officer. PRIM will be the first
20 outside institutional investor in the fund.

21 With that, I'll turn it to Liu to give
22 you more details.

23 MS. LIU: Thanks, Bill. And good
24 morning, everyone. This is Liu Liu, the

1 investment analyst for portfolio completion
2 strategies.

3 Before turning to our proposed manager,
4 Power Pacific, we will start with an introduction
5 to China A shares market and the reason why we
6 believe it's a fertile ground for active alpha
7 managers.

8 Starting with slide 3, China A shares
9 are the stock shares of mainland China-based
10 companies traded on Shanghai and Shenzhen Stock
11 Exchanges. In spite of the high total market
12 value of over \$11 trillion, the China A shares are
13 still underrepresented in the global investors'
14 portfolio.

15 So turning to slide 5, China A shares
16 market can offer attractive alpha opportunities
17 due to its inefficient nature. The left-hand pie
18 chart shows that around 80 percent of China
19 A shares' trading volume is from momentum-driven,
20 unprofessional retail investors. They tend to
21 have short investment horizon and tend to overlook
22 the company fundamentals.

23 Besides, China A shares market is
24 overall under-researched. So therefore, this kind

1 of inefficient market can benefit investors with
2 in-depth research capability and longer term
3 investment horizons.

4 Please turn to page 6. As listed here,
5 China A shares market used to be closed for
6 foreign investors like PRIM. However, everything
7 is changing now. The current market opening
8 programs, as well as the passive index inclusions,
9 have further facilitated foreign investors' access
10 to China domestic equity.

11 Next we will go to more details of our
12 proposed manager, Power Pacific. So turning to
13 slide 8.

14 Power Pacific has a Shanghai, China-
15 based team led by a female CIO. The team follows
16 a private equity approach in terms of thorough due
17 diligence and concentrating portfolios to high
18 conviction ideas. The team members can share a
19 large portion of the manager's profit and have
20 invested a large amount of their private wealth in
21 the strategy, which assure a good alignment of
22 interest.

23 So turning to slide 9, the table
24 shows that Power Pacific generated high returns

1 and consistently outperformed the corresponding
2 market index. Over the past eight years, Power
3 Pacific realized a money multiple of 3.9 times and
4 a Sharpe ratio of 1.1 times, both well above China
5 A beta's performance.

6 In terms of the universe ranking, as
7 listed on slide 10, the risk-adjusted return of
8 Power Pacific has also been topnotch.

9 If we turn to slide 11, we compare Power
10 Pacific with general emerging market managers and
11 concluded that it can be complementary. Power
12 Pacific dedicated its attention to China A shares
13 only, while a typical EM manager, here we take
14 Baillie Gifford, one of our best performing EM
15 manager as example, they focus more on the Hong
16 Kong-listed stocks when it comes to China
17 investing. Besides, their sector focuses are also
18 quite different.

19 In summary, we like Power Pacific because
20 they are high caliber, down to earth, and they
21 offer a good alignment of interests. We believe
22 Power Pacific can be a good partner in alpha
23 investing in China A-Shares' ground.

24 That's all for my presentation, and we

1 are happy to answer any questions.

2 TREASURER GOLDBERG: Are there any
3 questions from members of the board?

4 MR. BROUSSEAU: Yes, Madam Treasurer. I
5 just have a comment, please. Okay?

6 TREASURER GOLDBERG: Oh, yes.
7 Absolutely.

8 MR. BROUSSEAU: First of all, I would
9 very much like to really compliment Bill and Liu
10 for this excellent presentation. When I received
11 the packet last Friday and I started going through
12 it, I saw this, and of course it was very new to
13 me and also to probably others. I don't know if
14 others felt the same way.

15 But not only did I read the presentation
16 thoroughly once when I first received it, but
17 yesterday morning, I sat down for about a good
18 20 minutes and reread it a second time. And I was
19 just amazed at the amount of work I believe that
20 went into this by the team.

21 And I think they are really due
22 congratulations for this. It appears to me that
23 they probably have spent not hours, but days and
24 weeks and probably months in putting this project

1 together to make this recommendation.

2 I was very pleased to see the female
3 component and as chief investment officer with
4 Power Pacific.

5 And I was looking at page 11 on our
6 expanded agenda and also under the protected
7 materials reading it, what hit my eye very
8 carefully is that the investment risk is also
9 managed through an in-depth research profits and
10 careful thesis review of the research. The team
11 [inaudible] on investing in [inaudible] strong
12 fundamentals. That was important.

13 And further down, it says any irregular
14 stock movements will immediately trigger reviews
15 of the company in the thesis. And it gives us, I
16 think, a lot of I guess confidence that this
17 investment is going to be very carefully
18 monitored. And I think it's probably one of the
19 very important investments that PRIM is making at
20 this time.

21 And again, kudos to the team to put this
22 together because I think it was very well-
23 presented, very well-written. And I don't know
24 how the other board members feel, but I just

1 wanted to make that note.

2 MR. LI: Thank you, Bob. That's very
3 nice of you to say that.

4 TREASURER GOLDBERG: Yes.

5 MS. FITCH: Let me just add I agree with
6 all that has been said. And it really does give a
7 comfort to the board to make a decision that
8 really supports it frankly in knowing that it's
9 going to be followed closely.

10 So I think "comfort" is the word that
11 really strikes me.

12 TREASURER GOLDBERG: Any other comments
13 from members of the board? I think Bob really
14 covered it very well.

15 For those of us who sit on the
16 Investment Committee, we were fortunate enough to
17 hear this outstanding presentation, and that is
18 why we fully supported recommending it to the
19 board.

20 But I want to give Bob a shout-out
21 because for those who wonder if we really do look
22 at all these things, I think you just saw a case
23 in point where we absolutely do, right down to the
24 finest details.

1 If there are no more comments, I will do
2 the vote. Any other questions or comments before
3 we proceed?

4 MR. MONACO: Madam Treasurer, Peter
5 Monaco. One quick comment and two quick
6 questions, if I may.

7 TREASURER GOLDBERG: Absolutely.

8 MR. MONACO: Yes. At the risk of
9 stating the obvious, because it was well-detailed
10 in the materials provided, in addition to the
11 factors that Bob cited, I take a measure of
12 confidence and comfort from the fact that Power
13 China is affiliated with/subsidiary of Power
14 Corp., a very substantial Canadian corporation,
15 which also happens to be the owner of Boston-based
16 Putnam Investments.

17 So in contrast to other situations where
18 sometimes we go abroad and are a first
19 institutional investor with a firm that has more
20 of a, for lack of a better way to put it, startup
21 feel, again I take some comfort that this firm has
22 the resources of Power Corp. behind it. That's my
23 comment.

24 My two quick questions. Excuse my

1 ignorance, but on the Shanghai and Shenzhen
2 Exchanges, do we find a mix of both state-
3 controlled companies and purely private sector
4 companies? Or do I not appreciate that Shanghai
5 and Shenzhen is really where you go to invest in
6 pure private enterprise? That's the first
7 question.

8 MS. LIU: Hi, Peter. Thank you for your
9 comment, and thank you for your question.

10 So for Shanghai and Shenzhen Stock
11 Exchanges, they are two on-shore stock exchanges.
12 And on these two on-shore exchanges, both state-
13 owned companies and private companies are listed
14 there. So which means if we allocate to China
15 A shares, we can have access to both the state-
16 owned companies and private sector companies.

17 MR. LI: Peter, 30 years ago when the
18 capital markets started opening up, the stock
19 exchanges were comprised mostly of state-owned
20 enterprises versus now. Fast-forward, it's not
21 as much anymore, partly because the nation as a
22 whole has been deemphasizing and restructuring
23 those enterprises to be more market-oriented per
24 the

1 government's guideline.

2 One of the reasons of the stock exchange
3 initiatives, is to introduce institutional capital
4 from overseas to further promote that change, to
5 facilitate a market mentality and more scrutiny over
6 the remainder of these state-owned enterprises
7 traded on the two stock exchanges.

8

9 MR. MONACO: Got it. Thank you, both.

10 The second question, again excusing my
11 ignorance, notwithstanding, all the liberalization
12 of the capital markets in China, I believe it's
13 correct to say that China still does not have a
14 truly open and liberalized capital account.

15 Notwithstanding that we are investing in
16 the liquid public Chinese equity market,
17 notwithstanding that as usual we will be investing
18 through the SMA construct, is there anything we
19 should be aware of with respect to prospective
20 capital controls?

21 MR. LI: The PRIM account wouldn't be
22 as subject to the capital controls. Just to
23 provide further background knowledge, the capital
24 controls and the capital account mentioned here,

1 mostly applies to individual citizens who want to
2 exchange the local RMB versus foreign currencies.
3 There's a certain restriction put by the central
4 bank, how much you can exchange per year and such.

5 Our account will be residing in Hong
6 Kong, and whatever investment we own in the account
7 will be cleared by the Hong Kong Exchange, but the
8 stocks will be denominated in Chinese RMB.

9 However, because of the fact that our assets are
10 cleared and brokered by the Hong Kong entities, we
11 will not be much subject to the currency exchange
12 restrictions. There's twofolds clarification we
13 want to make here.

14 One is that whenever we want to get out
15 of those assets, it's going to be just a matter of
16 days before cash is completely back to the account
17 or even back to the PRIM parent entity. That's
18 point number 1.

19 The second clarification is that because
20 our accounts will be in the offshore currency
21 vehicle, it means that we won't be subjected to the
22 currency exchange restrictions or

23

24

1 the capital account restrictions. And it's freely
2 convertible back to USD at any moment.

3 MR. MONACO: Great.

4 MR. LI:

5
6 We put a lot of thoughts into the details of the design,
7 to balance the operational risk, which goes back
8 to Bob's point. Actually, we spent over three
9 years on this project to make sure that
10 operationally we're also comfortable.

11 MR. TROTSKY: Treasurer, I have one
12 comment.

13 TREASURER GOLDBERG: Sure. Go ahead.

14 MR. FALZONE: Dennis also has a comment.
15 He had his hand up. I just want to make sure it's
16 acknowledged.

17 MR. TROTSKY: Go ahead, Dennis.

18 MR. NAUGHTON: No. Just probably
19 timely, just following up on what Bill had to say,
20 given the political things that have taken place
21 in Hong Kong over the last year, 18 months and
22 relative impunity with which democracy has been
23 trod upon in Hong Kong, are we secure that the
24 Hong Kong Stock Exchange will remain independent?

1 MR. LI: We're not political experts,
2 but what we can observe is that the capital
3 markets in Hong Kong, the independence of the
4 exchange and the market activities, are well-
5 respected.

6 But again, we're not political experts.
7 We do talk to policy analysts on the ground. So far,
8 there's no such concerns.

9 MR. NAUGHTON: Would it be safe to
10 think that actually Beijing benefits more by
11 having that independence than by doing anything to
12 it along the lines of the concern that I was
13 originally raising?

14 In other words, they'd be inclined to
15 leave it alone because they benefit more by
16 having it as it is?

17 MR. LI: I wouldn't presume what
18 Beijing is thinking or balancing here. Again,
19 we're investors, and what we hear and want to make
20 sure is happening and will continue to be the case
21 is

22

23

24

1 that there's market activity and rules that's
2 respected, fully respected. And our investments
3 will be governed by local Hong Kong law as well as
4 SEC's oversight because the manager is registered
5 with the SEC, as well as the regulators in Canada
6 because the parent firm is headquartered in
7 Canada. And those are the kind of extra layers
8 of comfort we're trying to gain here.

9 MR. NAUGHTON: Thank you, Bill.

10 MR. TROTSKY: I had just a brief
11 comment.

12 I hope it's not lost on anyone that this
13 investment idea, which we actually didn't really
14 have a lot of time to talk about at the Investment
15 Committee, came at the very end of a long meeting.
16 And that's one of the reasons we were excited to
17 put it up front here.

18 I hope it's not lost on people that our
19 ability to identify this opportunity and be able to
20 invest in this opportunity is one of the best
21 advertisements for diversity on staff that I can
22 point to. We wouldn't have been able to identify,
23 gain access, understand the intricacies without
24 having Bill and

1 Liu and the confidence they give us on the staff.
2 So it's a great advertisement for how diversity of
3 thought and experience helps our investment
4 portfolio.

5 This is going to be a great investment.

6 MR. BROUSSEAU: One other comment, Madam
7 Treasurer. I've been following this issue on all
8 the *Pensions & Investments* magazine that we
9 receive every two weeks, and the issue of China
10 A shares is one they've been covering very, very
11 carefully.

12 And I think after reading this, and when
13 I saw this in our agenda, it brought back these
14 articles that I read the last two weeks. It seems
15 that we are about one of the first, I think,
16 institutional investors -- did you say, Bill, the
17 first? -- or to jump into these China A shares
18 after, as you said, at this point, three years of
19 research.

20 Is that accurate, as you look at it?
21 That we are among the first, if not the first?

22 MR. LI: We are the first outside
23 institutional investor to invest with the Power
24 Pacific team, in the proposed fund.

1 But to be clear, there have been other
2 U.S. pensions investing in China, in China A
3 shares, via Emerging Market allocations. The China market
4 is just too large to ignore. There's great
5 companies, traded companies and private companies,
6 in that part of the world. You just simply cannot
7 ignore.

8 And a second reason is that because of
9 the inclusion and endorsement of third-party
10 index providers like MSCI and such, for whoever is
11 allocating outside of the U.S., it's inevitable,
12 either passively or actively, you are exposed to
13 China stocks.

14 And the index providers are also
15 closely watching. There is only going to be
16 gradually more China A shares included in the
17 global indices. That kind of propels everybody
18 who's allocating globally to invest in that part
19 of the world.

20 We're not the first, but I think the way
21 that we're approaching this to make sure that it's
22 operationally reasonable and that we're partnering
23 with the best talent on the ground, are taking the
24 best approach here.

1 TREASURER GOLDBERG: Are there any other
2 questions? This has been a terrifically robust
3 conversation.

4 I don't see any hands.

5 Okay. Way back, we did a motion and a
6 second. So that's already been dispensed with.
7 And so now I will proceed with the vote.

8 Bob Brousseau?

9 MR. BROUSSEAU: Yes.

10 TREASURER GOLDBERG: Ruth Ellen Fitch?

11 MS. FITCH: Yes.

12 TREASURER GOLDBERG: James Hearty?

13 MR. HEARTY: Yes.

14 TREASURER GOLDBERG: Theresa McGoldrick?

15 Theresa? You're on mute, Theresa. I
16 see your lips moving, but I -- but your mute
17 button is on.

18 MS. MCGOLDRICK: I don't know why it was
19 sticking. Yes.

20 TREASURER GOLDBERG: Peter Monaco?

21 MR. MONACO: Yes.

22 TREASURER GOLDBERG: Dennis Naughton?

23 MR. NAUGHTON: Yes.

24 TREASURER GOLDBERG: Carly Rose?

1 MS. ROSE: Yes.

2 TREASURER GOLDBERG: Paul Shanley?

3 MR. SHANLEY: Yes.

4 TREASURER GOLDBERG: Myself, yes.

5 The motion carries, okay.

6 MR. TROTSKY: Jay Leu is next.

7 TREASURER GOLDBERG: So that is also
8 going to be a voting item.

9 MR. LEU: Yes, it is.

10 TREASURER GOLDBERG: The benchmarking
11 recommendations.

12 MR. LEU: Correct.

13 TREASURER GOLDBERG: So I would seek a
14 motion that the PRIM Board approve the Investment
15 Committee's recommendation to approve the
16 benchmarking recommendations as described in
17 Appendices F, G and H of the expanded agenda,
18 and further to authorize the executive director
19 to take all actions necessary to effectuate this
20 vote.

21 Is there a motion?

22 MS. FITCH: So moved.

23 MR. BROUSSEAU: Second.

24 TREASURER GOLDBERG: So that was Ruth

1 Ellen Fitch moved it, and Bob Brousseau seconded
2 it.

3 Okay. Take it away.

4 MR. LEU: Hi. I'm Jay Leu, director of
5 risk.

6 And today, we won't be doing a risk
7 update, but before getting into the benchmarking,
8 I did want to take a moment to acknowledge Shannon
9 Ericson, who joined the risk team in January and
10 has already been making tremendous contributions.
11 Shannon has been working on the public equity
12 portfolio, holdings-based attribution and risk
13 factor exposures.

14 She's also working on the private equity
15 portfolio, which she's taken on what we call the
16 portfolio construction tool, looking at marginal
17 contribution to the risk to the total PRIT Fund
18 and what is the return we should require from a
19 prospective private equity fund, given its risks.

20 And as Eric mentioned, she has been a
21 key, tireless team member on the benchmarking
22 review. So thank you.

23 Today, we have two benchmark
24 recommendations: public markets equity and

1 private equity.

2 First, I'd like to review some
3 background on the benchmarking initiative. PRIM
4 issued an RFP and conducted a search for a
5 benchmark consultant in 2020.

6 PRIM hired Verus as benchmark consultant
7 in January 2021. Our focus and priorities in 2021
8 have been to conduct a comprehensive benchmark
9 review reviewing all of PRIM's benchmarks. We
10 prioritized private equity first. And we've also,
11 as we come up to each meeting, trying to address
12 issues that arise over the course of business.

13 Our approach. First, we meet with an
14 asset class group and seek input. Second, we seek
15 Verus's input, working closely with Eileen Neill
16 of Verus.

17 We all discuss, what are we trying to
18 measure? What are the different objectives? Matt
19 will mention measuring implementation or manager
20 selection. Are we picking good managers?

21 And then second theme or objective is
22 measuring allocation. Are you in the right asset
23 class?

24 Then we look at what are the alternative

1 solutions? Weigh the pros and cons. And then
2 finally, Matt Liposky, Shannon, Michael Trotsky
3 and myself try to arrive at a final recommendation
4 in conjunction with Eileen Neill from Verus.

5 So turning to today's recommendations --
6 and Tony, if you can go to slide 3 in the
7 benchmarking. Thank you.

8 First, in developed international equity
9 and emerging markets, this was done in conjunction
10 with David Gurtz and Andre Clapp. And the
11 benefits of these changes really should be
12 credited to Andre and David.

13 So first, in an effort to improve risk
14 management, we're splitting the developed
15 international SSGA passive mandate, which is a
16 broad capitalization mandate, into a large
17 capitalization piece and a small capitalization
18 piece. And this will improve risk management.

19 Next, we are looking to simplify the
20 benchmarks by using a single benchmark for
21 developed international managers. This would mean
22 changing the benchmarks of the active developed
23 international managers from an EAFE benchmark to a
24 world ex-US benchmark.

1 The passive developed international
2 mandates already use the world ex-US. And the
3 difference between world ex-US and EAFE is the
4 inclusion of Canada.

5 Then last, in the asset class
6 benchmarks, we are recommending moving from fixed
7 weight benchmarks to capitalization weighted
8 benchmarks. This would both, one, simplify the
9 benchmarks, and two, incorporate best practices.

10 Fixed weight benchmarks have the
11 drawback of extra trading costs to rebalance back
12 to fixed weights when weights drift due to
13 relative market moves.

14 For example, if you had a cap-weighted
15 benchmark starting out at 90 percent large cap and
16 10 percent small cap, and say the market moves and
17 it moves to 88 percent large and 12 percent small
18 because of a strong relative performance of small
19 cap, if you have a fixed weight benchmark of
20 90/10, that might cause you to rebalance back to
21 the 90/10.

22 So a fixed weight benchmark causes
23 unnecessary churn and trading costs to get back to
24 the fixed weights, whereas a cap-weighted

1 benchmark naturally adjusts to the relative market
2 moves of the subasset classes.

3 So moving from the fixed weight
4 benchmarks to the cap-weighted benchmarks will
5 eliminate unnecessary churn and will reduce
6 transaction costs and raise absolute returns.

7 And this affects three benchmarks. In
8 international equity, we'll move from a fixed
9 weight benchmark or fixed weight between large and
10 small cap to a cap-weighted broad MSCI world ex-US
11 IMI. IMI means broad capitalization in MSCI
12 lingo.

13 Similarly, in emerging markets equity,
14 we'll move from a fixed weight between large and
15 small cap to a cap-weighted broad MSCI emerging
16 markets IMI.

17 And then lastly, the third, in non-US
18 equity, moving from a fixed weight between
19 emerging markets and developed international to a
20 cap-weighted all country or ACWI ex-US, which
21 stands for "all country" in MSCI parlance.

22 I estimate that the transaction cost
23 savings from moving to cap weights will be about
24 \$2 million annually. That number is not included

1 in the savings number Michael Trotsky mentioned
2 earlier. Credit to David and Andre for this
3 additional savings.

4 Turning to slide 4, this shows the
5 detailed specific proposed actions. So split the
6 SSGA broad passive mandate into large and small
7 pieces.

8 Number 2, change active developed
9 international large cap from EAFE version to the
10 world ex-US version.

11 Number 3, change active developed
12 international small cap from EAFE version to world
13 ex-US version.

14 And then on the asset class benchmarks,
15 in developed international, move from fixed
16 weights between large and small to a cap-weighted
17 IMI. Same thing in emerging markets, move from
18 fixed weights between large and small to a cap-
19 weighted IMI.

20 And then non-US, move from fixed weights
21 between emerging markets and developed
22 international to a cap-weighted all country or
23 ACWI ex-US.

24 These are the benchmark change

1 recommendations for the developed international
2 and the emerging markets.

3 Now Matt Liposky will review benchmark
4 change recommendation for private equity.

5 MR. LIPOSKY: Okay. Thanks, Jay.

6 Everybody hear me okay? Thumbs-up?

7 TREASURER GOLDBERG: Yes.

8 MR. LIPOSKY: Thank you.

9 So last year, we spoke at length of a
10 private equity benchmarking anomaly that led to a
11 reporting issue of private equity performance
12 after the June 2020 quarter. We described how the
13 relative underperformance in June of 2020 was due
14 almost entirely to a private equity benchmarking
15 anomaly, that we would be working with an outside
16 benchmarking consultant to fix, if possible.

17 And as we predicted, the anomaly
18 completely reversed itself in the span of only one
19 quarter.

20 As a reminder, our current benchmark
21 compares the private equity one-year actual
22 performance to a long-term, smoothed seven-year
23 averaged public markets benchmark.

24 Now, this is an obvious mismatch in time

1 periods, which can result in dramatic differences,
2 especially during volatile markets, which is what
3 occurred during the March to June 2020 reporting
4 period.

5 This benchmark is appropriate over
6 longer term periods when the long-term actual
7 performance of private equity is compared to the
8 long-term benchmark, but it is not appropriate to
9 use when looking at short-term performance.
10 Simply put, it's misleading to compare short-term
11 performance to a long-term benchmark.

12 And today, Verus, our benchmarking
13 consultant, along with PRIM staff, are
14 recommending that we add another benchmark to our
15 reporting, which will provide a better short-term
16 benchmark, specifically addressing the
17 benchmarking anomaly.

18 We are adding a peer universe benchmark
19 as a complement to our existing long-term
20 benchmark. We'll use both benchmarks in our
21 reports, beginning in the new fiscal year starting
22 July 1, 2021.

23 There will be two different benchmarks
24 that will serve two different purposes, a

1 strategic, which is focused on allocation, as Jay
2 mentioned, and implementation, which is focused on
3 manager selection.

4 PRIM's current private equity benchmark
5 is a 7-year annualized return of a blend of
6 Russell 3000 and the MSCI Europe IMI, plus a
7 liquidity premium of 3 percent. Most public
8 pension plans use a similar benchmark.

9 This type of benchmark is generally
10 categorized as a strategic benchmark because the
11 objective is to measure the efficacy of the asset
12 allocation decision.

13 Specifically, is private equity
14 providing better returns than public markets
15 equities to compensate for the illiquidity? This
16 benchmark serves as a key role and is effective
17 over intermediate and long-term periods and will
18 continue to be used.

19 The recommendation of a secondary
20 benchmark for the private equity program will be a
21 peer universe-based benchmark, the State Street LP
22 index, which will exclude private debt.
23 Incorporating this benchmark will serve as an
24 implementation benchmark measuring PRIM's manager

1 selection decisions. PRIM staff, along with
2 Verus, reviewed three separate peer universe
3 benchmarks: the Burgiss, Cambridge and State
4 Street.

5 State Street was the unanimous choice
6 among the three providers for several reasons.

7 One, the universe is of similar size
8 funds, geographic distribution and strategy
9 distribution of that of PRIT's current PE program.
10 Also State Street uses data collected from similar
11 custodian clients, including many large public
12 pension funds such as CalPERS and CalSTRS.

13 To ensure the PRIT Fund has a more
14 suitable benchmark in the future to alleviate the
15 private equity benchmarking anomaly issue from
16 last June, we will be changing the name of the
17 interim benchmark to the implementation benchmark,
18 and having this total fund benchmark use a State
19 Street index as its PE benchmark component.

20 The current interim benchmark uses
21 actual private equity returns, which we felt
22 wasn't useful as it merely neutralizes the private
23 equity return.

24 So to recap, the proposed changes do not

1 impact the current benchmark, and PRIM will be
2 adding a new secondary benchmark which is a peer-
3 universe-based benchmark.

4 As mentioned, these changes will be
5 effective July 1.

6 TREASURER GOLDBERG: Matt, that is the
7 conclusion of your remarks, correct?

8 MR. LIPOSKY: Yes. Yes.

9 TREASURER GOLDBERG: Okay. So is this
10 the ending of the presentation?

11 MR. LIPOSKY: It is.

12 TREASURER GOLDBERG: So any questions
13 from the members of the board?

14 I don't see the Brady Bunch raising
15 their hands on anything.

16 Okay then. So clearly you were very
17 clear. And I thank you for that. And again,
18 outstanding work.

19 So we already have a motion, and we have
20 a second. So if there are no further questions, I
21 will proceed with the vote.

22 Hearing none, Bob?

23 MR. BROUSSEAU: Yes.

24 TREASURER GOLDBERG: Ruth Ellen?

1 MS. FITCH: Yes.

2 TREASURER GOLDBERG: Jim?

3 MR. HEARTY: Yes.

4 TREASURER GOLDBERG: Theresa?

5 MS. McGOLDRICK: Yes.

6 TREASURER GOLDBERG: Peter?

7 MR. MONACO: Yes.

8 TREASURER GOLDBERG: Dennis?

9 MR. NAUGHTON: Yes.

10 TREASURER GOLDBERG: Carly?

11 MS. ROSE: Yes.

12 TREASURER GOLDBERG: Paul?

13 MR. SHANLEY: Yes.

14 TREASURER GOLDBERG: Myself, yes.

15 The motion carries.

16 MR. LIPOSKY: Thank you.

17 MR. LEU: Thank you.

18 MR. TROTSKY: Treasurer, Chuck LaPosta

19 will be giving the public markets performance

20 summary where Dave would normally do it.

21 TREASURER GOLDBERG: I was going to ask

22 you. All right then. Go ahead, Chuck.

23 MR. LaPOSTA: Thank you. Good morning.

24 And first of all, on behalf of the public markets

1 team, we all wish Dave a speedy and long-lasting
2 recovery and look forward to his return to the
3 office soon.

4 TREASURER GOLDBERG: I do, Chuck, want
5 to interrupt you. I just want to give everyone a
6 heads-up that there will be one voting item under
7 Other Credit Opportunities.

8 MR. LaPOSTA: Thank you.

9 So yes. Hoping Dave's speedy recovery
10 and look forward to seeing him.

11 Just a quick update on team activity
12 that David, Andre Abouhala, Andre Clapp and myself
13 have been working on. We've been contributing to
14 the real estate leverage strategy that Michael
15 alluded to earlier, pursuing other credit
16 opportunities, reviewing our international small
17 cap exposure, exploring crossover equity
18 opportunities with the private equity and PCS
19 teams and, as always, finding new ways to
20 contribute to Project SAVE, many of which have
21 been alluded to earlier.

22 Jumping into performance. And Tony, if
23 you could put up the chart as well, I'd speak to
24 slide 17 on appendix B.

1 Thank you.

2 The one-year returns for global equities
3 have been outstanding. I'm happy to report that
4 our portfolio not only kept up with this extreme
5 rebound, but outperformed it. Global equities
6 returned over 58 percent for the one-year,
7 outperforming the benchmark by 216 basis points on
8 a net-of-fee basis, and all subasset classes
9 outperformed their benchmarks as well.

10 In US equities, small, SMID, microcap
11 portfolio returned a staggering 99.1 percent net,
12 outperforming its benchmark by 263 basis points.
13 This is quite impressive when you consider
14 approximately 40 percent of the portfolio is
15 passively managed to track the index return.

16 The most outperformance in our global
17 equity portfolio came from our active emerging
18 markets managers. Our EM core managers, which
19 represents about 90 percent of our EM allocation,
20 outperformed their benchmark by more than
21 9 percent for the trailing year, returning
22 68 percent versus 59 percent for the benchmark.

23 And while growth outperformed value by
24 over 11 percent in emerging markets for the one-

1 year period, our best manager was actually a deep
2 value manager, Pzena, who returned 78.3 percent,
3 net of fees.

4 In our nearly \$13 billion developed
5 international portfolio, our managers outperformed
6 by an impressive 405 basis points. Our managers
7 returned over 51 percent versus benchmark with a
8 little over 47 percent. Again, more impressive
9 when approximately 30 percent of this portfolio is
10 also passively managed.

11 Value outperformed growth by 3 percent
12 over the year in developed international.
13 However, our best performing manager was our
14 growth manager, Baillie Gifford, who returned
15 60 percent, net of fees.

16 Moving on into fixed income, so if you
17 could turn to page 18, you can see on the left
18 side of the page there, movement in interest
19 rates have risen over the period, with the 10-year
20 rising approximately 85 basis points as seen in
21 the yellow line in the top left corner of this
22 page. This jump in yields resulted in the worst
23 quarter for Treasuries in over 30 years.

24 Looking at the bottom left chart, you

1 can see credit spreads, which have grown tighter
2 and have gotten lower than pre-pandemic levels.
3 The improvement in credit and the rise in interest
4 rates have had significant impact on our fixed
5 income portfolio.

6 If you turn to page 19, Tony.

7 As a result of this move in credit
8 spreads, credit-sensitive strategies like high
9 yield, emerging market debt, bank loans and our
10 other credit opportunities all posted strong
11 one-year returns, while more interest rate-
12 sensitive strategies like TIPS, the Agg and STRIPS
13 posted lower or even negative returns.

14 At 26.1 percent, high yield is the best
15 performer on the back of the 540-basis-point
16 credit spread tightening. Our managers were
17 defensively positioned heading into the pandemic
18 but were able to take advantage of dislocations in
19 the highest quality segments of the market and to
20 add value to outpace the recovery by 245 basis
21 points, net of fees.

22 On the other end of the performance
23 spectrum was our long-duration Treasury STRIPS
24 portfolio, which returned a negative 22.4 percent.

1 With long interest rates higher by 110 basis
2 points, global equities up nearly 60 percent, this
3 is the kind of negative correlation you would
4 expect albeit on a larger scale.

5 Looking at a longer period, over a two-
6 year period, which includes pandemic selloff and
7 subsequent rally, STRIPS have returned
8 7.1 percent, while global equities have returned
9 17.8 percent net. So over the longer period,
10 which includes the pandemic reaction, we have
11 gotten positive performance from our STRIPS
12 portfolio.

13 With that, I will take any questions on
14 public markets performance.

15 TREASURER GOLDBERG: Are there
16 questions?

17 Nothing on performance. Would you like
18 to, Chuck, continue?

19 MR. LaPOSTA: Yes. So the next item is
20 a voting item, is a recommendation for other
21 credit opportunities.

22 TREASURER GOLDBERG: What I'll do is I
23 will seek a motion and a second, and then you can
24 kick it off. And then we will have questions, and

1 then we'll vote.

2 So this is for Oaktree Fund-of-One,
3 correct?

4 MR. LaPOSTA: Yes.

5 TREASURER GOLDBERG: Okay. So I would
6 seek a motion that the PRIM Board approve the
7 Investment Committee's recommendation to approve
8 an initial allocation of up to \$250 million to
9 Oaktree Fund-of-One, and further to authorize the
10 executive director to take all actions necessary
11 to effectuate this vote.

12 Is there a motion?

13 MR. SHANLEY: So moved.

14 MR. BROUSSEAU: Second.

15 TREASURER GOLDBERG: I think it was Paul
16 and then Bob. Correct?

17 MR. SHANLEY: Correct.

18 TREASURER GOLDBERG: Okay then. We have
19 a motion. We have a second.

20 Chuck, take it away.

21 MR. LaPOSTA: All right. Thank you.

22 So this proposed Oaktree strategy will
23 be added to our other credit opportunity bucket,
24 which is a place where we seek to find unique

1 credit exposures which can be accretive to the
2 fund.

3 By their nature, these mandates tend to
4 foster collaboration across asset classes. In
5 this case, the work began with Mike Bailey and our
6 PE team, who has had investments in Oaktree's
7 distressed debt funds since 2004.

8 And it subsequently led to myself and my
9 colleagues Bill Li and Chris Marcarelli looking
10 into different strategies within Oaktree which
11 align better with PRIM's current objectives.

12 We are recommending the strategy for the
13 following reasons: its ability to allocate
14 capital to two of Oaktree's high-performing
15 strategies which focus on more all-weather
16 investing rather than distressed debt, which we
17 had prior iterations of Oaktree investments; to
18 utilize a fund-of-one structure that offers
19 improved flexibility and control relative to
20 traditional fund investments; achieve better fee
21 structure relative to traditional fund
22 investments; and add exposure to the PRIT Fund
23 that are currently underrepresented; in this case,
24 real estate-based credit investing, about which I

1 will turn it over to Christina to give you a
2 little bit of a background on real estate debt.

3 MS. MARCARELLI: Thanks, Chuck. Good
4 morning, everyone.

5 So I will provide a little bit of
6 context to the strategy that Bill will discuss in
7 a few moments.

8 So as Chuck said, we've been researching
9 and digging into the commercial real estate debt
10 sector over the past year and have found reasons
11 to believe that it could be complementary to the
12 total PRIT portfolio.

13 So the sector is large. It's about
14 \$4.7 trillion. So it has scale, and it's
15 investable, and PRIM currently has little exposure
16 to it currently.

17 So when we talk about real estate debt
18 as a strategy, we're describing an opportunity
19 where lenders provide financing to property owners
20 to either acquire, renovate or recapitalize the
21 property in exchange for monthly contractual
22 interest payments. And the property serves as the
23 lender's collateral.

24 In real estate that can be separated

1 into risk categories, senior mortgages are
2 typically the safest position in the capital stack
3 and the first to be paid but also come with the
4 lowest returns. Subordinate positions like
5 B notes, mezzanine loans and preferred equity are
6 in riskier positions in the capital stack, but
7 also come with higher returns.

8 All debt positions are senior to the
9 equity, which provides added cushion. And one of
10 the reasons that we like the strategy is because
11 of that added downside protection.

12 So real estate debt could offer a way to
13 gain exposure to investments that have stable
14 income returns because of the contractual interest
15 payments, low volatility because of the physical
16 collateral that backs the debt, and its position
17 behind the equity in the capital stack, and low
18 correlation and often higher returns relative to
19 other fixed income investments.

20 The strategy is not without its risks,
21 primarily property-level and sponsor risks. The
22 lender's ability to get paid off lies with the
23 borrower's ability to either refinance or sell the
24 asset. And the further up the risk spectrum you

1 are, the tougher that could be.

2 But maintaining disciplined structuring
3 and diversification across property types,
4 sponsors, markets and within the capital stack
5 could help to mitigate some of those risks.

6 So that's just a little bit of
7 background on real estate debt and why we think
8 it's an interesting sector to invest in. And I'll
9 let Bill discuss the Oaktree strategy in more
10 detail.

11 MR. LI: Thank you, Christina.

12 More specifics about the manager,
13 Oaktree. It was founded in 1995, and it's a
14 global alternative investment firm that focuses on
15 credit-related strategies. Oaktree has
16 approximately 148 billion under management across
17 investment strategies including high yield, bank
18 loans, real estate, and equities.

19 In 2019, Brookfield acquired a majority
20 stake in Oaktree, but Oaktree continues to
21 operate as an independent business.

22 As Chuck briefly mentioned, PRIM has
23 been investing in Oaktree's flagship distressed
24 fund series since 2004 in the private equity

1 structure.

2 However, PRIM's focus has shifted to
3 performing debts, and prefers an all-weather
4 approach, which will ensure the deployed capital
5 can generate returns across market cycles instead
6 of in those once in a 10-year time window.

7 PRIM and Oaktree have worked together to
8 identify two specific performing credit
9 strategies, both offering real estate credit
10 exposures where, as Christina described, PRIM
11 currently has limited exposure to.

12 Additionally, PRIM staff have negotiated
13 a fund-of-one structure that will provide improved
14 flexibility, control and preferred fees relative
15 to the traditional fund investment.

16 One of the strategies the fund-of-one
17 will invest is real estate debt fund managed by a
18 team based in LA. The team sits in the broader
19 Oaktree real estate group, and it takes a relative
20 value approach, flexibly investing in a range of
21 real estate credits, including mezz loans, first
22 mortgages, structural credit and even real estate-
23 related corporate credit.

24

1 The other one is called European Capital
2 Solutions. It's managed by Oaktree's London team.
3 And the European team primarily lends to
4 unsponsored borrowers and seeks asset-backed
5 collateralizations.

6 It's worth noting again that the due
7 diligence exercise has been a great collaboration
8 among almost all asset class teams at PRIM.
9 Diverse perspectives are openly shared, and we're
10 also able to leverage a spectrum of external
11 relationships for informational inputs. We will
12 continue working this way because we believe
13 teamwork helps us become a better investor
14 overall.

15 And that concludes our presentation
16 about Oaktree Fund-of-One. Happy to address any
17 questions.

18 TREASURER GOLDBERG: So again, another
19 excellent presentation. Do we have questions from
20 members of the board?

21 Any?

22 MS. FITCH: I have one. And it relates
23 to the Brookfield acquired a major interest in
24 Oaktree in 2019. Is that anything -- "concern"

1 isn't quite the right word, but is that a good
2 thing in the context of this? In Oaktree's
3 ability to make its own decisions?

4 MR. LI: Thanks Ruth Ellen, that's a very
5 good question. Conventionally speaking, when you
6 see a private manager, a manager where the
7 founders have significant economic interest, is
8 acquired by a larger, public company, usually
9 that's considered a negative. People would be
10 worried that the incentive might not be as aligned
11 going forward because it is a different corporate
12 mentality.

13 MS. FITCH: Right, right.

14 MR. LI: Versus in this case, the
15 founders of Oaktree,
16 are staying. And they're still intimately
17 involved in the day-to-day management of the
18 business.

19 And Brookfield promised that Oaktree
20 still is going to operate independently as an
21 investor versus on the back-end, operations and
22 marketing as such, are trying to realize more
23 synergies. That's their kind of integration focus
24 for now.

1 And with regard to the investment teams,
2 they are fairly independent, based on all our due
3 diligence and reference checks. The two teams
4 that we're going to work with, one based in LA,
5 the other one in London, have very limited
6 interaction with the corporate parent of
7 Brookfield.

8 And if anything, facing the outside
9 parties, Oaktree is dealing with, they are seeing
10 more synergies in constructing the narrative that
11 we're a bigger firm, and there's more capital
12 solutions we can provide you with.

13 So that's the narrative they're trying
14 to construct, leveraging the Brookfield brand and
15 the expanded platform.

16 But to be honest, the investment teams
17 are fairly independent.

18 MS. FITCH: Okay. Thank you. Thanks. I
19 just -- I guess I'd keep watch.

20

21 MR. LI: Yes. We're closely
22 watching the situation.

23 MS. FITCH: Obviously. We will.

24

1 TREASURER GOLDBERG: Any other
2 questions?

3 MR. BROUSSEAU: Just one probably for
4 Bill. Okay, Madam Treasurer?

5 Bill, on page 13 of the expanded agenda
6 under the summary of proposed strategies, this
7 seems like a -- is this unusual, or have I seen
8 this before where the vehicle will give us access
9 to co-investment opportunities from each strategy
10 with veto rights?

11 And that entire paragraph, was that
12 unique to PRIM, or have we had other investments
13 like this?

14 MR. LI: It's not unusual in the sense
15 that investors are asking for co-investment
16 rights and managers are offering that. It has
17 become more prevalent a practice in the
18 marketplace.

19 In this case, any future co-investment
20 will go into this fund-of-one, which is entirely
21 set up for PRIM.

22 Bob, I think you are right in observing
23 that. There's some difference here that PRIM is
24 trying to negotiate for.

1

2 MR. BROUSSEAU: Thank you.

3 TREASURER GOLDBERG: Okay. Any other

4 questions?

5 All right. Hearing none, we have a
6 motion. We have a second. And so therefore, we
7 will proceed with the vote.

8 Bob?

9 MR. BROUSSEAU: Yes.

10 TREASURER GOLDBERG: Ruth Ellen?

11 MS. FITCH: Yes.

12 TREASURER GOLDBERG: Jim?

13 MR. HEARTY: Yes.

14 TREASURER GOLDBERG: Theresa?

15 MS. McGOLDRICK: Yes.

16 TREASURER GOLDBERG: Peter?

17 MR. MONACO: Yes.

18 TREASURER GOLDBERG: Dennis?

19 MR. NAUGHTON: Yes.

20 TREASURER GOLDBERG: Carly?

21 MS. ROSE: Yes.

22 TREASURER GOLDBERG: Paul?

23 MR. SHANLEY: Yes.

24 TREASURER GOLDBERG: Myself, yes.

1 And the motion carries.

2 MR. LI: Thank you.

3 TREASURER GOLDBERG: Thank you.

4 My great little computer here closed.

5 MR. TROTSKY: Private equity is next,
6 with Mike McGirr.

7 TREASURER GOLDBERG: Thank you, because
8 I would have seen that if my computer hadn't
9 closed. And now I see it.

10 Private equity. Performance summary and
11 cash flows, commitment, and then we will have two
12 voting items.

13 MR. MCGIRR: That's right. Thank you,
14 Madam Treasurer.

15 Good morning, everybody. I'm going to
16 make some comments on the market and our
17 performance, open up for any questions or comments
18 before moving into our two voting items today.

19 So the private equity market continues
20 to be very active. Global buyout deal volume was
21 up last year. There's a mix shift going on, with
22 technology leading the way. Most sectors,
23 however, saw a decline in the overall number of
24 transactions.

1 In the first quarter of 2021, there's
2 been a resurgence in IPO activity. Big increase
3 from prior years. Roblox and Coinbase recent
4 direct listings were notable. PRIM had early-
5 stage exposure to both companies.

6 And SPACs. SPAC activity represented
7 about half of total US IPOs in 2020. Big pickup,
8 with a continuation of activity in Q1, although
9 there's been a recent slowdown.

10 It's a competitive market. Private
11 equity is a growing asset class. Every major
12 survey from market participants, consultants,
13 indicates that institutional investors are trying
14 to increase their private equity allocations.

15 And global private market AUM is now at
16 an all-time high along with dry powder or uncalled
17 capital.

18 Fundraising in 2020, even with the pause
19 last year in the spring, was the third highest in
20 history. And the early read is Q1 is going to set
21 some records.

22 It's a big universe. There's 11,000
23 alternative investment managers. Private equity
24 makes up roughly 75 percent of that. So you're

1 facing a more complex market today. There's
2 partial exits. There's continuation funds, GP-led
3 restructuring, SPACs and product proliferation.
4 Lots of different funds series managed by one
5 investment manager.

6 And capital is flowing to the asset
7 class. As I mentioned, high public equity
8 valuations are leading to higher private equity
9 valuations. According to Bain & Co.'s private
10 annual report, average transaction value for 2020
11 was over 11 times.

12 Debt, also at all-time highs on a debt-
13 to-cash-flow basis, although not tipping the GFC
14 records in terms of LTV calculations.

15 Shifting to performance, private equity
16 had another strong quarter. As we had mentioned
17 earlier, 15.1 percent net or 15.5 percent gross.
18 That brought our one-year number up to
19 35.9 percent net. And those figures compare very
20 favorably to public markets over the same time
21 period.

22 Our asset value increased to
23 \$12.4 billion, which is the biggest it's ever
24 been in PRIM's history. Also as a percent of
 total,

1 we're at 13.8 percent, private equity as a percent
2 of PRIT, also an all-time high.

3 Earlier this year, the IC and board
4 voted to increase the private equity target
5 allocation range to 11 to 17 percent, which, as a
6 reminder, translates into a commitment goal of
7 \$2.1 to \$2.7 billion to funds and co-investments.
8 And with your approvals, we'll be well on our way
9 to landing within that range.

10 So in summary, the portfolio is
11 performing well. The market is active. It's very
12 competitive. It's complex, and it's expensive.

13 I'll pause there and open up to any
14 questions or comments on the market or the
15 portfolio before moving into our voting items
16 today.

17 TREASURER GOLDBERG: Questions from
18 members of the board?

19 Hearing none, okay. So your next item,
20 Michael, will be the --

21 Should I propose the motion and get the
22 second before you --

23 MR. McGIRR: Yes.

24 Before you do, Madam Treasurer, I'd just

1 like to recognize that we have a very busy agenda
2 here, ten fund recommendations in total, totaling
3 \$1.6 billion. So it's a lot to get through.

4 And as this portfolio get bigger, we're
5 going to have more quarters like this. So with
6 the IC, we tried something new. We're going to
7 try something new here as well.

8 And so far, the feedback from the
9 Investment Committee members has been positive,
10 but if you don't like it, we'll go back to the old
11 way of doing it.

12 So with our first recommendation, we're
13 going to batch nine of the 10 investment
14 recommendations together in one vote, with the
15 goal of freeing up time, which will allow us to
16 focus your attention on new managers and new
17 initiatives, which we don't have today.

18 But it will also give us a little bit
19 more time to discuss our second voting item,
20 Flagship, which does deserve some additional
21 attention.

22 And all of our investment
23 recommendations today are with high-conviction,
24 existing managers.

1 And as a reminder, our portfolio
2 liquidates in private equity. We received over a
3 billion dollars in distributions in Q4 of 2020
4 alone. So these reups allow us to continue
5 investing with these high-performing incumbent
6 managers.

7 So for our first voting item, I'm going
8 to run through the first nine investments very
9 quickly, tell you a little bit about them, tell
10 you about the firm, how it fits into the
11 portfolio, and open up for questions or comments
12 before taking the vote.

13 So Madam Treasurer, if you could please
14 read that first motion.

15 TREASURER GOLDBERG: Are you ready?

16 I'd seek a motion that the PRIM Board
17 approve the Investment Committee's recommendations
18 to approve the following commitments as described
19 in the expanded agenda:

20 Up to \$350 million to Hellman & Friedman
21 Capital Partners Fund X, LP;

22 Up to \$350 million to TA Associates XIV,
23 LP;

24 Up to \$150 million to TA Select

1 Opportunities Fund II, LP;

2 Up to \$175 million to Providence

3 Strategic Growth Fund V, LP;

4 Up to \$150 million to Insight Venture
5 Partners XII, LP;

6 Up to \$50 million to Insight Partners
7 XII Buyout Annex Fund, LP;

8 Up to \$75 million to Insight Partners
9 Fund X Follow-On Fund, LP;

10 Up to \$175 million to Quad-C Partners X,
11 LP;

12 Up to \$150 million to Thompson Street
13 Fund VI, LP;

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

17 Is there a motion?

18 MR. NAUGHTON: So moved. Dennis
19 Naughton.

20 MS. MCGOLDRICK: Second.

21 TREASURER GOLDBERG: Okay. Just so
22 everybody gets it, it was Dennis Naughton moved.
23 Theresa McGoldrick seconded.

24 Take it away.

1 MR. McGIRR: Great. Thank you.

2 Starting with Hellman & Friedman,
3 we're recommending \$350 million to Fund X. PRIM has
4 been investing with Hellman since 1995. We've
5 done seven funds and three co-investments so far.

6 Performance has been top tier. Since
7 inception, they've compounded capital for us at
8 nearly 30 percent on very large dollar amounts.
9 They fit in that large to mega area of our buyout
10 portfolio. They focus on outstanding businesses,
11 market-leading businesses that have strong and
12 defensible competitive positions.

13 TA is raising two funds. PRIM's been
14 invested with TA since 1997. We have seven prior
15 fund commitments to this growthy buyout manager.

16 TA has generated great performance for
17 PRIM on very large dollars. For example, our 2016
18 investment, Fund XII, is compounding capital at
19 36 percent, having already returned 89 percent of
20 invested capital.

21 TA XIV is their flagship fund, and TA
22 Select Opps II, as TA describes it, is a best ideas
23 fund. It will participate in equity

24

1 recapitalizations of existing TA companies.

2 We're recommending \$350 million to TA XIV
3 and \$115 million to TA Select Opportunities II.

4 PSG or Providence Strategic Growth, we
5 have invested in two prior funds going back to
6 2018 and two co-investments with this growth
7 equity firm.

8 They focus on smaller minority
9 investments in high-growth software businesses,
10 primarily located in the U.S. Very strong rates
11 of return from Funds I and II. It's early days of
12 our first investment with this group, Fund III,
13 but performance has been very strong at 28 percent
14 rate of return, and the fund continues to track
15 our underwriting.

16 We're recommending \$175 million to PSG V.

17 Insight is raising three funds. We've
18 been invested with Insight since 2005. We have
19 11 prior fund commitments and one co-investment.

20 Insight's one of our biggest positions
21 in the entire portfolio and our largest growth
22 equity position. Performance has been fantastic.
23 Very strong momentum with this firm. Since
24 inception, they have compounded capital for us at

1 26 percent, on again, very large dollar amounts.

2 With the main fund, the Buyout Annex
3 Fund, think of that as a continuation of the
4 flagship effort.

5 And then Fund X Follow-On Fund is a
6 slight wrinkle. So Fund X, as the board will
7 recall, we invested in back in 2017. It's doing
8 great, generating 49 percent net rate of return,
9 2.1 times multiple. It's a young fund.

10 However, it's 98 percent called, and the
11 follow-on investment opportunities are larger than
12 expected. So Insight's raising a Fund X follow-on
13 fund to existing Fund X LPs.

14 We're recommending \$150 million to Fund XII, \$50
15 million to the buyout annex and \$75 million to the
16 follow-on fund.

17 The last two, there are some
18 similarities. They're both small buyout groups
19 starting with Quad-C Fund X. PRIM's been
20 invested with Quad-C since 2001, which I can't
21 believe is 20 years ago. Five fund investments
22 and four
23 co-investments with this small Charlottesville,
24 Virginia-based buyout firm.

Performance has been strong; compounding
capital in the high teens for PRIM. Again,

1 they're targeting smaller deals. They fit in
2 that small buyout category. We're recommending
3 \$175 million to Fund X.

4 And Thompson Street Fund VI, last but
5 not least. A newer relationship for PRIM, started
6 in 2018. This will be our second fund with them.
7 We've made one co-investment alongside them.

8 There are some similarities to Quad-C in
9 terms of size and targeted growth-oriented, niche,
10 market-leading companies. Fund V, our prior
11 investment with Thompson Street, is tracking our
12 underwriting. We're recommending 150 million to
13 Fund VI.

14 So nine out of our 10 funds that we're
15 recommending today equate to about \$1.6 billion.
16 Take what we did in Q1 with JMI and T.H. Lee. That
17 gets us to \$1.9 billion, along with some
18 co-investment activity for the year would get us
19 to \$2 billion, halfway through the year and very
20 much on pace for that target range that we had
21 discussed earlier in the year.

22 TREASURER GOLDBERG: Okay. A lot of
23 information here. Do we have questions from
24 members of the board?

1 MR. SHANLEY: I have one.

2 TREASURER GOLDBERG: Paul, go ahead.

3 MR. SHANLEY: Michael, of the amount
4 you're recommending commitment, how much do you
5 think you'll get?

6 MR. McGIRR: With some of them, we
7 expect to be able to allocate to our full
8 commitment.

9 There is one or two where we might be
10 cut back relative to this commitment
11 recommendation. And like what we've done in prior
12 years, we ask for a commitment up to, and we can
13 go down from there but not up.

14 MR. SHANLEY: Okay. Thank you.

15 TREASURER GOLDBERG: Any other
16 questions?

17 Okay then. We have a motion. We have a
18 second. Here comes the roll call.

19 Bob?

20 MR. BROUSSEAU: Yes.

21 TREASURER GOLDBERG: Ruth Ellen?

22 MS. FITCH: Yes.

23 TREASURER GOLDBERG: Jim?

24 MR. HEARTY: Yes.

1 TREASURER GOLDBERG: Theresa?
2 MS. McGOLDRICK: Yes.
3 TREASURER GOLDBERG: Peter Monaco?
4 Peter.
5 I don't know why I said the last name.
6 Peter?
7 MR. MONACO: Yes.
8 TREASURER GOLDBERG: Dennis?
9 MR. NAUGHTON: Yes.
10 TREASURER GOLDBERG: Carly?
11 MS. ROSE: Yes.
12 TREASURER GOLDBERG: Paul?
13 MR. SHANLEY: Yes.
14 TREASURER GOLDBERG: Myself, yes.
15 The motion carries.
16 Okay. So next.
17 MR. McGIRR: Great.
18 So we have another voting item, and
19 Sarah Zatoonian is going to walk us through the
20 presentation for Flagship.
21 TREASURER GOLDBERG: However, I'm going
22 to do the motion and the second.
23 MR. McGIRR: Thank you.
24 TREASURER GOLDBERG: So I would seek a

1 motion that the PRIM Board approve the Investment
2 Committee's recommendation to approve a commitment
3 of up to \$30 million to Flagship Pioneering
4 Fund VII, LP as described in the expanded agenda,
5 and further to authorize the executive director to
6 take all actions necessary to effectuate this
7 vote.

8 Is there a motion?

9 MR. BROUSSEAU: Move the recommendation,
10 please.

11 TREASURER GOLDBERG: Thank you, Bob.

12 Is there a second?

13 MS. FITCH: Second.

14 TREASURER GOLDBERG: Was that you, Ruth
15 Ellen?

16 MS. FITCH: Yes, it is.

17 TREASURER GOLDBERG: Okay. Thank you.
18 Take it away, Sarah.

19 MS. ZATOONIAN: Thank you, Madam
20 Treasurer.

21 And hello, everyone. My name is Sarah
22 Zatoonian, and I am an investment analyst on the
23 private equity team.

24 Flagship Pioneering is a life sciences-

1 focused venture capital firm based in Cambridge,
2 Massachusetts. PRIM has invested in seven of
3 Flagship's funds since 2004 across both their
4 early and later stage fund series.

5 Flagship is led by CEO and founder
6 Noubar Afeyan. Flagship is highly differentiated
7 not only from the other venture capital funds in
8 PRIM's portfolio, but from most other venture
9 capital firms in the life sciences space.

10 Flagship employs entrepreneurial
11 scientists working in their Flagship Labs unit in
12 Cambridge, and they are developing completely
13 novel therapeutics, health technology and
14 agricultural technology.

15 Flagship Pioneering is aptly named as
16 the Flagship team considers themselves pioneers,
17 defined as a person or group that originates or
18 helps open up a new line of thought or activity or
19 a new method or technical development.

20 Flagship and its team of scientists are
21 working in white space. They form a hypothesis,
22 test that hypothesis, and if they achieve proof of
23 concept, they work to develop the product and
24 build a platform around it.

1 For example, in 2010, Flagship partnered
2 with leading academic researchers to develop a
3 pioneer in the space of messenger RNA
4 therapeutics. I'm sure you're all familiar with
5 Moderna as being one of the first COVID-19
6 vaccines authorized for use in the United States.

7 Flagship was excited about messenger RNA
8 therapeutics a decade ago. Moderna's potential
9 was not obvious at the time. However, PRIM had
10 conviction in Flagship's capabilities, and now
11 we're seeing it come to fruition.

12 Not only was Moderna critical this past
13 year during the COVID-19 crisis, but also
14 generated a fantastic rate of return for PRIM.
15 And Fund IV, Flagship's 2010 fund which holds
16 Moderna, is one of the best-performing private
17 equity funds in PRIM's history.

18 Although Moderna is the largest and most
19 notable of Flagship's successful companies to
20 date, Flagship has launched 50 companies from
21 Flagship Labs since 2007. Flagship's other
22 successes include Seres Therapeutics, which is a
23 pioneer in microbiome therapeutics, and Sana
24 Biotechnology, which is developing platforms that

1 can repair and control genes and cells or replace
2 any cell in the body.

3 We're carving out Flagship from the rest
4 of the private equity recommendations today
5 because we did not get a chance to talk about
6 Fund VII when we made our initial commitment of
7 \$25 million back in March 2020.

8 Flagship and other venture capital
9 fundraises tend to pop up quickly, and the
10 timelines are very compressed, which is why we
11 brought Fund VII through our internal approval
12 process last year. This time around, the
13 fundraising timeline coincides with our Investment
14 Committee and board cycle.

15 The recommendation we have today is not
16 for a commitment to a new Flagship fund, but
17 rather Flagship is reopening and expanding
18 Fund VII, for which they raised \$1.1 billion of
19 total commitments in March 2020, and to which PRIM
20 committed and closed on a \$25 million allocation.

21 Instead of raising a new Flagship
22 special opportunities fund, their captive later-
23 stage fund series, they plan to combine the FSO
24 funds with the main funds and raise one fund

1 series moving forward.

2 Combining their two fund series has some
3 benefits, including increased flexibility, less
4 frequent fundraising, and elimination of potential
5 conflicts of interest between the two funds.

6 We continue to have conviction in
7 Flagship. Flagship's performance has been
8 outstanding, and they're pioneers working in white
9 space and creating companies from scratch.

10 Overall, we also believe Flagship is
11 getting better over time. We talk about success
12 begetting success, and Flagship and Noubar's
13 continued success has allowed them to attract even
14 better talent in the Flagship Labs.

15 Today we are recommending an additional
16 commitment of \$30 million to Flagship Pioneering
17 Fund VII, representing a total commitment size of
18 \$55 million.

19 At this point, Michael and I are happy
20 to take any questions or comments on Flagship.

21 TREASURER GOLDBERG: Are there questions
22 on Flagship?

23 I mean clearly the performance has been
24 incredible this year. But as Sarah described,

1 there's still a lot of conviction that this is --
2 sometimes you say, well, there's no way somebody
3 can strike something like that twice. However,
4 they are very much on the cutting edge of
5 technologies and development.

6 I guess that wasn't a question. It was
7 just a comment on my part.

8 But, Board, I encourage you, if you have
9 questions, please do ask.

10 MR. BROUSSEAU: I have a question, Madam
11 Treasurer.

12 Probably Sarah knows the answer. Maybe
13 she doesn't.

14 Do you know, over the years since we've
15 been invested in them for years and years, how
16 much total has PRIM invested with Flagship?
17 That's number 1.

18 And number 2, I'm looking here. And
19 given the success that Flagship has had over the
20 years -- I know we committed 25 million last year
21 to Fund VII.

22 I see this is a \$3 billion fund, and we
23 could have a commitment of up to \$30 million. It
24 appears that probably there are a lot of people

1 out there just waiting to jump on the bandwagon of
2 success, and that's why we're limited to only
3 \$30 million.

4 They should reward some of us for our
5 long-term commitment to Flagship and at least give
6 us a better opportunity to invest more money.

7 My first question, you probably have the
8 answer to, and my other one I guess is a
9 commentary. Why didn't we get more than
10 30 million?

11 MS. ZATOONIAN: Thank you, Bob.

12 Yes. We've committed 205 million to
13 Flagship Pioneering over the course of our
14 relationship, including our first commitment to
15 Fund VII of \$25 million.

16 Our aggregate commitment to Fund VII,
17 the \$3 billion fund, will actually be \$55 million,
18 including our original commitment of 25 million
19 and this additional commitment of \$30 million
20 with the reopening.

21 MR. BROUSSEAU: Thank you.

22 MR. TROTSKY: We get Noubar at our
23 client conference. And, Bob, maybe you could ask
24 him the same.

1 He does recognize PRIM as one of his
2 very early supporters, and we do get favorable
3 treatment. But as you can imagine, this is a hot
4 commodity.

5 MS. FITCH: Yes.

6 TREASURER GOLDBERG: Not everyone was as
7 smart as all of us.

8 MR. BROUSSEAU: We're from
9 Massachusetts.

10 MR. TROTSKY: Bob, that's a great
11 question to ask Noubar at the client conference,
12 and I hope you do.

13 TREASURER GOLDBERG: I'm sure all of us
14 will be happy to ask. Do you want us to line up
15 at the microphone and ask the question over and
16 over?

17 Anyway, are there any other questions?

18 Hearing none, we have a motion, and we
19 have a second. We will proceed with the vote.

20 Bob?

21 MR. BROUSSEAU: Yes.

22 TREASURER GOLDBERG: I think you were a
23 yes.

24 MR. BROUSSEAU: Yes. Yes. Yes. Yes.

1 TREASURER GOLDBERG: Ruth Ellen?
2 MS. FITCH: Yes.
3 TREASURER GOLDBERG: Jim?
4 MR. HEARTY: Yes.
5 TREASURER GOLDBERG: Theresa?
6 MS. McGOLDRICK: Yes.
7 TREASURER GOLDBERG: Peter?
8 MR. MONACO: Yes.
9 TREASURER GOLDBERG: Dennis?
10 MR. NAUGHTON: Yes.
11 TREASURER GOLDBERG: Carly?
12 MS. ROSE: Yes.
13 TREASURER GOLDBERG: Paul?
14 MR. SHANLEY: Yes.
15 TREASURER GOLDBERG: Myself, yes.
16 The motion carries.
17 So that is it for private equity. Thank
18 you, guys.
19 MR. TROTSKY: Real estate is next.
20 TREASURER GOLDBERG: Yes.
21 Tim, are you here?
22 MR. SCHLITZER: Good morning, Treasurer.
23 Can you hear me?
24 TREASURER GOLDBERG: Oh, I can now.

1 Thank you.

2 MR. SCHLITZER: Perfect.

3 So good morning, everyone. I probably
4 will have three to four minutes of comments, so
5 I'll be efficient, and we can move on to the
6 budget.

7 So the team is great. Working hard as
8 always. You heard a little bit from Christina
9 earlier on, one of her many projects. Christina
10 also was mine and Francesco's partner on the MBTA
11 work. So great work by her there.

12 And then my thanks to John for his
13 ongoing efforts with risk and public markets on
14 the internal financing work for real estate.

15 Also we're beginning to plan a number of
16 trips to see assets and potential acquisitions,
17 and beginning to host in-person meetings as well.
18 So feeling good, moving forward, and more active
19 than I think even we were during the pandemic. So
20 all good.

21 There is information in the materials,
22 which I know that you have. I will not be
23 referencing any of those specifically.

24 So let me just give you an update on the

1 portfolio, and again, happy to answer questions.

2 Real estate is at 8.3 percent of the
3 fund. In terms of activity this year, we're
4 expecting to allocate via our separate accounts
5 about \$450 million for private acquisitions.
6 Again, that's really in the first half of this
7 year.

8 We're funding these partially through
9 REIT liquidations, and we did complete some REIT
10 sales in the first quarter, which is a
11 continuation of our long-term plan to increase
12 PRIM's private exposure. So we've talked about
13 that previously.

14 New investments represent both
15 traditional property types, so really specifically
16 apartments and industrial buildings, as well as
17 some less traditional types, such as data centers
18 and medical office buildings.

19 We haven't had any dispositions year to
20 date, but we do expect to close on a few
21 relatively large sales this year, which will also
22 effectively fund some of these new investments.

23 The existing portfolio continues to be
24 resilient at 93 percent occupied. We're

1 96 percent collected on those contractual rents.
2 Retail and office notably are both approaching
3 90 percent leased, and we're collecting about
4 89 percent on those leases. So a fair amount of
5 resilience there.

6 So for Q1, in terms of valuations, we
7 actually marked up the portfolio about
8 1.6 percent. Retail was the only property type
9 that on average was down, and that was less than
10 1 percent.

11 So a little more generally, we're seeing
12 more stability on the operating side as the
13 pandemic slows, and actually some fairly robust
14 capital markets for certain property types, but it
15 is a bit bifurcated. So thematically -- and I've
16 talked about this, but ecommerce, logistics,
17 suburban housing, digital infrastructure demand,
18 life science tenants, and those buyers as well are
19 continuing to show stronger demand than traditional
20 office, retail and regional malls.

21 And then conference or more full-
22 service-related hotels are still tougher to
23 handicap frankly. But luckily our relative
24 exposure there is lower.

1 And then last comment within at least
2 this asset class, and I think more broadly -- I
3 know Michael spoke to it -- I think we're out of
4 the theoretical realm on inflation at a point.
5 Cost increases in development are tangible. And I
6 think it could be a governor on new supply, at
7 least in the near term, which we would expect to
8 lead to rent inflation.

9 Just a few comments on performance in
10 real estate, and Michael mentioned this. Real
11 estate returned 9.8 percent for the year. That's
12 195 basis points above benchmark.

13 All of PRIM's strategies outperformed
14 their representative benchmarks, and all of PRIM's
15 private and public real estate separate account
16 managers added relative value during the prior
17 12 months. So the first full-year measurement
18 period during the pandemic, which we were pleased
19 to see.

20 Our capital structure, so our real
21 estate debt, added 48 basis points to the one-year
22 private return, a reversal in the mark to market
23 as interest rates increased.

24 Similar, the broader public markets, the

1 REIT portfolio's performance was strong at
2 38.4 percent for the year. That's 262 basis
3 points above the benchmark. And at this point in
4 early May, the REIT indices really have recovered
5 all of the value lost during the pandemic.

6 So moving on to timber, which represents
7 3.1 percent of PRIT, we've had no acquisition
8 activity during the past year.

9 It's more of an anecdote, but I'll
10 mention that we recently did have a separate
11 account sale in the west to what was an industrial
12 buyer for about 75 percent above the most recent
13 appraised value. So it's just an interesting
14 example of how these groups, in particular the
15 industrial groups, are really looking to control
16 their inventory, given where product prices and
17 really lumber prices, which I know you're all
18 aware of, where those are. And then in the
19 aftermath of the forest fires in the west last
20 year as well.

21 And it also supports the idea that
22 appraisals, while valuable and necessary, don't
23 always represent true value with our portfolio.

24 We're seeing timber prices increase in

1 all of the global regions, but less so in the
2 South where supply continues to weigh down prices.

3 There do continue to be a lot of
4 supportive drivers for timber demand and housing
5 demand. Starts and permits continue to increase.
6 Strong demographic trends and suburban migration
7 have accelerated, as I've mentioned. Savings
8 rates and lower mortgage rates during the pandemic
9 and some possible infrastructure spending all bode
10 well, going forward.

11 The challenge that's counter to that for
12 forest owners right now, and in many ways in the
13 context of the lumber prices, are more structural
14 and specifically related to finding enough labor
15 for both the logging and the processing
16 operations.

17 There are still lingering COVID issues,
18 as well as a need to offer wages that are more
19 competitive with other sources of income that this
20 labor base might have.

21 We're also importing as a country less
22 from Canada due to tariffs that are in place and
23 also lower supply due to their beetle infestation
24 issues over the last 20 years, which we've spoken

1 about a number of times.

2 In terms of performance in timber, we
3 were at 5.4 percent for the year. That's
4 458 basis points above the benchmark or 393 when I
5 unlagged that index. So good relative performance
6 there.

7 The Southern portfolio which also does
8 include our black cherry returned only 59 basis
9 points, which I think illustrates a more benign
10 pricing environment and higher supply in the
11 South.

12 But really, it was the Pacific Northwest
13 and the Australasian portfolio that drove the
14 strong relative return, which has performed a lot
15 better due to the larger impact from strong export
16 markets and a lower supply overhang.

17 So those are my comments. And again,
18 I'm happy to answer any questions or hand it over
19 back to the Treasurer and Tony.

20 MR. TROTSKY: Tim, just a quick comment
21 from me. In today's *Globe*, you'll see an article,
22 "Huge Equity Firm Bets Its Millions on Boston
23 Area," that talks about Blackstone. And it also
24 mentions Biomed, which is a very recent PRIM

1 investment with Blackstone, so of special
2 interest. You might want to read that article and
3 know that PRIM is involved.

4 MS. FITCH: Okay. Good.

5 MR. SCHLITZER: Good point.

6 TREASURER GOLDBERG: Tim, I just have a
7 question. You mentioned rent inflation. And I've
8 been hearing that there are oversupplies of both
9 rentals in office space and potentially also
10 housing in cities, whereas it's in the suburbs
11 where everything has taken off.

12 If that's true, if there's excess office
13 space and/or rentals in the cities, why would
14 there then be rent inflation?

15 MR. SCHLITZER: Well, great question.
16 And so I would say that in office in particular,
17 we are not expecting rent inflation despite the
18 fact that the employment market and I think office-
19 using job creation is actually improving. More
20 directly to your point, there's been a lot of
21 subleased space that has come on the market. I
22 think a lot of tenants do look at that as sort of
23 a free option. I think a lot of the time, it gets
24 pulled off the market and never leased. But some

1 of it will be leased.

2 And while I think that we are, I think,
3 still pretty comfortable that office demand will
4 remain, that market is clearly changing. And I
5 think a more hybrid model probably is here to stay
6 for a lot of tenants.

7 So we think that our portfolio will be
8 fine, but it's going to take a couple of years,
9 and I don't expect near-term inflation there.

10 I think in the multi-family rental market,
11 you're right that there is in certain locations,
12 probably more in the South where there has been
13 more development, but also more demand and a lot
14 of folks moving to the South. I think that we are
15 going to see rent inflation.

16 And even within PRIM's urban assets, we
17 are already seeing more rent stability and I think
18 a little bit of rent growth as people come back.
19 So it is market-specific, but I think that
20 inflation could be there.

21 We've been looking at a couple of
22 apartment development projects, and it's pretty
23 amazing what people are underwriting in terms of
24 costs just to adjust to the new normal. I have to

1 think that it's going to take some market
2 participants out, at least in the short term.

3 So I'll leave it at that, but thanks for
4 the question.

5 TREASURER GOLDBERG: Okay. Thank you.

6 Now, I want to remind everyone, there
7 were no voting items here. Are there any other
8 questions for Tim before we move on?

9 Hearing none, thank you.

10 So I would assume that this is -- we do
11 have two voting items under finance and
12 administration. Tony?

13 MR. FALZONE: Hello, everyone. Hello,
14 Treasurer.

15 Bear with me. I'm going to share my
16 screen.

17 I don't know if you want to read that
18 motion first, Treasurer, while I get that up on
19 the screen.

20 TREASURER GOLDBERG: I think I shall.
21 Okay. This is going to be the draft fiscal year
22 2022 operating budget.

23 And I would seek a motion that the PRIM
24 Board approve the Administration and Audit

1 Committee's recommendation to approve the draft
2 fiscal year 2022 PRIM operating budget attached to
3 Appendix J of the expanded agenda, and further to
4 authorize the executive director to take all
5 actions necessary to effectuate this vote.

6 Is there a motion?

7 MR. BROUSSEAU: So moved.

8 MR. NAUGHTON: Second.

9 MS. FITCH: Second. Yes.

10 TREASURER GOLDBERG: Bob and Dennis.

11 Okay then. Go ahead.

12 MR. FALZONE: Thank you.

13 So my plan was to quickly say a few
14 words on the budget as a whole, and then I would
15 have Deb Coulter, PRIM's chief financial officer,
16 provide much of the detail.

17 I just want to acknowledge the whole
18 organization. The budget is a significant
19 undertaking. It requires input from all areas of
20 the organization, the investment team, investment
21 operations.

22 But specifically, Deb and her team for
23 their hard work in creating the document that you
24 have in front of you today.

1 As I always say, the budget's designed
2 to give you an estimate of our expenses and costs
3 for fiscal year 2022. It's based on continued
4 asset growth using NEPC's 10-year growth
5 assumptions of 5.8 percent.

6 And as a reminder, there's no income
7 projection. We operate outside of the state's
8 budget, and we rely on investment returns to
9 support our operations.

10 So you can see that I am on page 4 of
11 the budget, which is the summary page. The budget
12 is projected to be 474 million or 52.7 basis
13 points of the projected average PRIT Fund asset
14 value, which is 90 billion. That fee load is down
15 a little bit from last year, by about two and a
16 half basis points.

17 The increase in budget -- and I will
18 mention, it's nice to have the fee load drop but
19 have our assets grow and the total budget amount
20 grow, but that's mainly due to the growth of
21 assets under management.

22 And then of course we do have a couple
23 other changes that Deb will cover. I just do want
24 to mention IT security. You may recall I served

1 as PRIM's CTO for quite a while, and I'm a little
2 bit of a maniac about IT security. People that
3 work here will tell you how I can get when we talk
4 about it.

5 And ultimately we have some additional
6 budget in there for some additional safeguards,
7 additional training, social engineering exercises
8 because I think as technology becomes more and
9 more advanced, our target becomes larger to those
10 bad actors. So it's important that we address that,
11 and I hope all of you address it too personally.

12 So very quickly on the three main
13 sections of the budget, the first is investment
14 management fees. Obviously, these are based on
15 the value of the PRIT Fund investments.

16 Second is our third-party service
17 providers. That's the projected fees for
18 advisors, consultants, custodians, et cetera.

19 And then the last is our operating
20 expenses, which is compensation, benefits, rent,
21 insurance, computers, technology and other
22 necessary expenses to run PRIM.

23

24 That's all I'm going to say on the

1 budget, and I'll leave most of the meat and
2 potatoes to Deb.

3 So I'll introduce Deb Coulter, our CFO.

4 MS. COULTER: Great. Thanks, Tony.
5 Good morning, everyone.

6 Before I begin, I just wanted to
7 congratulation Francesco and Emily again on their
8 well-deserved promotions, and also welcome Colleen
9 and Laura to PRIM. Everyone's off to a great
10 start, and we're really excited to have the
11 expertise and experience that Laura and Colleen
12 have brought to our team.

13 And I also wanted to thank Dan Eckman
14 and Sara Coelho for their hard work in preparing
15 the fiscal year '22 budget, along with George
16 Tsipakis and the investment operations team. As
17 Tony mentioned, the budget requires input from
18 all areas of the organization, and we really
19 appreciate the effort that goes into it.

20 So I'll be giving you a brief overview
21 of the changes in the three sections of the budget
22 that Tony just described. So overall, as he
23 mentioned, you'll see that the budget is
24 increasing by \$42.5 million or 9.8 percent year

1 over year, mainly driven by the increase in PRIT
2 Fund assets.

3 So the first section is investment
4 management fees. With our assets at an all-time
5 high, it's no surprise that our management fees
6 are projected to increase as well. But with our
7 continued focus on costs, we're actually
8 projecting an overall decrease in our basis
9 points.

10 Investment management fees are
11 increasing approximately 37 and a half million
12 dollars or 9.5 percent. And the projected basis
13 points in this section are decreasing from 50.1 to
14 47.9.

15 As Michael mentioned, Project SAVE is
16 something that is firmly embedded in all aspects
17 of our business, but especially when it comes to
18 investment management fees. Over the past few
19 years, we've moved toward lower fee structures
20 like no-fee private equity co-investments and
21 direct real estate investments.

22 And this year, you'll see that the
23 budget for global equities has actually gone down
24 year over year, even though the assets are going

1 up. And that's due to a couple of different
2 things.

3 First, we downsized our enhanced equity,
4 strategy and those assets were moved to lower fee
5 passive equity managers. And second, as Michael
6 mentioned earlier, the public markets team
7 continues to negotiate their fee schedules,
8 including recent changes that will result in
9 approximately
10 \$5 million in annual savings.

11 The cost savings in global equities,
12 which is our largest asset class, is the main
13 reason for our lower projected basis points in
14 fiscal year '22.

15 Now, the largest dollar increases in
16 management fees year over year are in value-added
17 fixed income and in private equity due to
18 projected increases in our other credit
19 opportunities investments in fixed income and a
20 slightly higher allocation to PE, which was
21 approved as part of our latest asset allocation
22 plan back in February.

23 So if we look at the second section of
24 the budget, third-party service providers, fees
are increasing approximately 3.2 million or

1 16.7 percent. You may remember over the past
2 couple of years, we've budgeted amounts in this
3 section for specialized software and data tools
4 for each asset class, in addition to general
5 consulting and advisory fees.

6 General consulting is increasing
7 approximately 420,000, mainly due to additional
8 fees for our new benchmark consultant and the
9 implementation costs for the new investment equity
10 diversity program. This line item also includes
11 an increase to our IT consultant expense for
12 additional cybersecurity support, as this area
13 continues to be a focus for everybody here at
14 PRIM.

15 Public markets and PCS are both
16 increasing, mainly due to higher platform provider
17 fees for the OCO and direct hedge fund accounts as
18 these assets continue to grow.

19 And research is increasing by
20 approximately 1.2 million to add and implement new
21 data tools to support our new research
22 initiatives.

23 And I also wanted to note that custodian
24 fees that we pay to BNY Mellon are actually

1 decreasing. As you know, we recently ran an RFP
2 for custodial services, which resulted in
3 approximately \$750,000 in annual savings.

4 If we move on, the last section, which
5 is operations, that portion of the budget is
6 increasing by \$1.8 million or 9.3 percent. And
7 the majority of this increase, approximately
8 1.7 million of it, is compensation and employee
9 benefits. As Michael always says, hiring talent
10 for PRIM's lean team continues to be a priority,
11 and the annual plans of each team reflect the goal
12 of hiring more staff. So as a result, the
13 fiscal '22 operations budget accounts for this
14 projected increase in head count.

15 In addition, we've also increased the
16 computer and MIS line item to account for the
17 increase in software tools, licenses, system
18 upgrades and additional hardware to support our
19 growing staff.

20 That's the budget. With that, we would
21 be happy to answer any questions.

22 TREASURER GOLDBERG: Are there
23 questions?

24 MR. BROUSSEAU: Not a question, but just

1 a comment.

2 Somebody else -- does somebody else have
3 a question?

4 MR. MONACO: It's Peter, Bob, but you go
5 first.

6 MR. BROUSSEAU: No. Go ahead, Peter.

7 MR. MONACO: So thanks, Deb. Thanks,
8 Tony.

9 I ask the following couple questions
10 mostly just out of pure curiosity because, as you
11 know, I'm a strong advocate for PRIM always having
12 the budget it feels it needs to do the great job
13 that it does and continue to do that.

14 But in the third-party service bucket,
15 the increase is pretty material, and it seems to
16 be spoken for almost entirely by four items: PCS
17 managed account platform, PCS strategy advisor,
18 public managed account platform provider and
19 research tools.

20 The year-over-year increases here in
21 percentage terms were truly dramatic. To the
22 extent these contracts are at least somewhat
23 linked, I presumed to the AUM served by these
24 contracts, and since the AUM hasn't increased in

1 line with the percentage increases, I guess I'm
2 just looking for a little more color on what's
3 going on there.

4 And then I'll ask my operations-related
5 question.

6 MS. COULTER: Sure. Thanks, Peter.

7 I think it's increasing for a couple
8 reasons. If you look at the budget that we had
9 for last year, the 2021 budget, in some of those
10 areas we are trending higher, so we needed to increase
11 the budget a little bit more, just to reflect that
12 increase. The expense is based on AUM, but also part
13 of it is due to the number of accounts that we
14 have, and we've dramatically increased the number
15 of accounts for some of those platforms. So I think
16 that accounts for it.

17 And we're just projecting more
18 accounts. As you see, we just added another OCO
19 investment that was just approved at this meeting.
20 That's in that same type of bucket, - the public
21 markets platform provider.

22 So I think we're projecting an increase in the
23 number of accounts and for assets to continue to
24 grow.

MR. FALZONE: Yes. Some of the
relationships with some of these providers are

1 less based on AUM and more based on the number of
2 accounts on the platform, within that separately
3 managed account platform --

4 What is it now? Over 20 accounts, Deb,
5 I think it is?

6 MS. COULTER: Yes. Yes.

7 MR. FALZONE: And that grows. While it
8 didn't grow as much this year, but it has grown
9 steadily over the last few years. And we
10 obviously want to try to budget to projections,
11 so --

12 MR. TROTSKY: So I mean maybe the
13 mechanics should be explained. If we're moving
14 from commingled accounts to separately managed
15 accounts, commingled accounts differ in that all
16 fees are subtracted from performance, netted
17 against performance, and doesn't show up in the
18 budget.

19 But in this case, it's advantageous to
20 move to separately managed accounts because the
21 overall fees are generally lower, but it does hit
22 the budget, unlike commingled accounts. So
23 there's some of that going on.

24 MR. LIPOSKY: The one other thing that

1 I'll highlight is we have two platforms, right.
2 So we have the legacy larger platform, but we also
3 have the platform provider with Innocap, which
4 they serve our emerging manager program, which has
5 been steadily increasing year over year.

6 MR. FALZONE: I would also mention,
7 Peter -- and you may find it interesting; maybe
8 not -- we are doing a deeper dive into our
9 expenses. Like Michael talks about Project SAVE
10 all the time, and it's in our DNA. There's still
11 additional analysis we can do in terms of the
12 expense that rolls into each asset class, and we
13 can do a little bit more analytics in that area.
14 And we're hoping to start doing more of those down
15 the road.

16 In fact, we've already started putting
17 stuff together that covers fiscal year 2021. So
18 that's a project my team is currently working on
19 where we can get a better understanding of where
20 we're spending our money and how fruitful it is,
21 so --

22 MR. MONACO: And anything to call out
23 when the research tools budget increases by a
24 factor of three? \$1.2 million? That's a lot of

1 Bloomberg terminals.

2 MR. FALZONE: Sure. Well, no. It's a
3 very good question.

4 I have the hindsight of being here 15,
5 20 years, so I can tell you we used to have one
6 Bloomberg terminal that sat in a cube in a hallway
7 where everyone would use it. It became very
8 inefficient.

9 Personally speaking for myself, and I
10 tell Michael this all the time, I don't think
11 we've ever spent enough money on technology and
12 the tools we use. I think we need to spend more
13 money to enable our research team, enable our
14 investment staff to do the work that they do. We
15 rely less on consultants now and more on our own
16 intellectual capital.

17 So I champion any spend we can do that
18 provides results. And I think ultimately we now
19 have five or six Bloomberg terminals for people.
20 And you know those are expensive.

21 We really don't have like a centralized
22 data warehouse, and we need that. Like right now,
23 it's kind of scattered all over the place.

24 So that again is a significant spend,

1 but if we're going to be doing the work we do, we
2 need to be able to support the teams that do it,
3 specifically Maria's team.

4 MR. NIERENBERG: Yes. Peter, this is
5 Eric. And I'm just going to echo what Tony said,
6 that part of what you're seeing with the increase
7 in the research budget really is the development
8 of that data infrastructure that we talk about,
9 which is really crucial to doing so many of the
10 research initiatives, whether it's in asset
11 allocation or cross-asset-class research.

12 So while it is a sizable increase in
13 percentage terms, I think you can think of this
14 almost as, in a way, deferred maintenance. These
15 are expenses that really are needed in order to
16 get the engine revving even more for future
17 initiatives that we want to pursue.

18 MR. TROTSKY: Thank you for saying that.

19 MR. MONACO: I quite agree. Really was
20 just looking for the incremental color.

21 Finally, just on the ops budget, with
22 the exception, Deb, of the IT-related increase
23 that you called out, which is also imperative,
24 every other non-comp item seemed essentially flat.

1 No inflation at all there?

2 MS. COULTER: You know, I think we were
3 trying to take a conservative approach,
4 especially when it came to things like travel and
5 meeting expenses. We've gained some efficiencies
6 this year by not having to print as many things,
7 not having meetings in person.

8 And I think we were trying to
9 conservatively say that the expenses would stay
10 about the same, if not go down a little bit, not
11 knowing where our travel budgets and conference
12 expenses would be coming up in the next year.

13 MR. MONACO: Got it. Thanks.

14 MR. TROTSKY: Just in closing, I do want
15 to highlight the fact that our overall operating
16 budget is decreasing as a percent of assets under
17 management. I've already mentioned that we're the
18 leanest operation in the country in terms of
19 assets under management and the resources we
20 employ. And I'd like to add that we're one of the
21 highest performing too.

22 And we take our spending initiatives
23 very seriously, and we think about them a lot.
24 And personally, I'm incredibly proud of the fact

1 that we manage this entire pool of assets for less
2 than 53 basis points. And I would remind you that
3 this portfolio is almost a third high-cost and
4 high-performing alternatives.

5 So if you were able to buy this
6 portfolio at your local broker for 53 basis
7 points, I think each and every one of us would do
8 that all day long. It's just very difficult and I
9 think awesome to manage this fund for only
10 53 basis points. It's really impressive in my
11 mind.

12 MS. FITCH: Can I just add a point,
13 having worked in several different public and
14 private settings, that the trust and the
15 cooperation among and between all of the people
16 who work together at PRIM and the willingness to
17 be supportive of each other really goes a long way
18 in providing the positive work atmosphere and kind
19 of minimizing a need for intense and expensive
20 privacy overall.

21 So that's just a comment that I've seen
22 from many different kinds of work atmospheres
23 where I think it really falls to PRIM's bottom
24 line and helps support staff working together.

1 So I'll leave it at that.

2 MR. BROUSSEAU: Madam Treasurer, just a
3 couple of comments.

4 TREASURER GOLDBERG: Be my guest.

5 MR. BROUSSEAU: Thank you.

6 First of all, as the chair of Admin and
7 Audit, I would like again to recognize and thank
8 Deb and Tony and their entire team for putting
9 this budget together. I know after going through
10 this exercise for many, many years now that this
11 is no small feat indeed, and there's a lot that
12 goes into it.

13 I'm amazed. I think now, Michael,
14 correct me if I'm wrong, we have -- what? About
15 52 or 53 people on staff right now? Is it?

16 MR. TROTSKY: What's the number now?

17 MR. FALZONE: Maybe a few more than
18 that.

19 MR. TROTSKY: 55, I think it is.

20 MR. BROUSSEAU: I think we have money in
21 this budget for adding -- we have 55 now, you
22 said, Tony?

23 MR. FALZONE: Yes.

24 MR. BROUSSEAU: We're going to add two

1 or three more this year?

2 MR. FALZONE: We have I think four or
3 five open reqs right now.

4 MR. BROUSSEAU: I look at this as -- it
5 was mentioned so I don't want to be repetitive,
6 but a 4.4 percent cost of entire operations. And
7 if this were a large publicly traded company,
8 private enterprise, their operations, especially
9 in the area of compensation, I'm quite sure we'd
10 be looking at would be through the roof when you
11 see some of the executive compensations that take
12 place in the country.

13 And I think the fact that PRIM is
14 operating with this kind of a budget, I look at
15 4.4 percent of this entire budget, is due to
16 operations. And that's of course one of the other
17 things, as probably under 4 percent really on
18 compensation and employee benefits I think is
19 phenomenal.

20 And I think the board -- I know the
21 committee was exceptionally proud of the work that
22 our staff does, considering not only compensation
23 but also benefits employed here. I think it's
24 phenomenal, and I think it's a success story that

1 I think many other large companies could emulate.

2 TREASURER GOLDBERG: I think we have to
3 be very careful when you just refer to
4 "companies." We need to remember we are a public
5 pension fund.

6 MR. BROUSSEAU: That is true. I meant
7 public entities.

8 TREASURER GOLDBERG: And as such, we are
9 still perceived as public employees and therefore
10 are looked at in that context. So that would
11 naturally cause us to have lower operating costs,
12 which is also true -- operating costs over at the
13 lottery are actually I think 1.9 percent, and
14 they're a five-plus billion dollar company.

15 So I'm happy to say that things that are
16 under the Treasurer's Office are very lean and
17 mean. And I'm proud of that fact. And I'm proud
18 of PRIM.

19 So I actually am hoping that they add to
20 their operating costs because I do think with all
21 the things that are being brought internally and
22 the amount of work that has to be done, that
23 they're very lean and could probably use a little
24 extra help.

1 Right, Tony?

2 MR. FALZONE: Yes. Thank you for those
3 remarks. I appreciate it.

4 TREASURER GOLDBERG: So now I think --
5 maybe I've lost track. It must be past the
6 bewitching hour.

7 I believe all this conversation was
8 about our operating budget --

9 MR. FALZONE: That's right.

10 TREASURER GOLDBERG: -- and that we have
11 a motion and we have a second and that we have not
12 taken the vote yet, which must mean it's time for
13 more coffee, or if we were at PRIM, we'd be
14 munching on our bagels and fruit by now if we
15 hadn't indulged in them already.

16 So with that, I'm going to do a roll
17 call vote, unless there are any more questions.

18 Hearing none, Bob?

19 MR. BROUSSEAU: Yes.

20 TREASURER GOLDBERG: Ruth Ellen?

21 MS. FITCH: Yes.

22 TREASURER GOLDBERG: Jim?

23 MR. HEARTY: Yes.

24 TREASURER GOLDBERG: Theresa?

1 MS. McGOLDRICK: Yes.

2 TREASURER GOLDBERG: Peter?

3 MR. MONACO: Yes.

4 TREASURER GOLDBERG: Dennis?

5 MR. NAUGHTON: Yes.

6 TREASURER GOLDBERG: Carly?

7 MS. ROSE: Yes.

8 TREASURER GOLDBERG: Paul?

9 MR. SHANLEY: Yes.

10 TREASURER GOLDBERG: And myself, yes.

11 The motion carries.

12 Now, don't think that we're over yet
13 because we're not. We now have the next item on
14 the agenda, which is about the approval of the
15 request for proposals for proxy voting services.

16 And we also have a couple quick things
17 right at the end. So we're going to move along
18 here, but I'm going to seek a motion that the PRIM
19 Board approve the Administration and Audit
20 Committee's recommendations to approve of the
21 issuance of an RFP for proxy voting services as
22 described in the expanded agenda, and further to
23 authorize the executive director to take all
24 actions necessary to effectuate this vote.

1 Is there a motion?

2 MR. BROUSSEAU: So moved.

3 TREASURER GOLDBERG: Second?

4 MS. FITCH: Second.

5 TREASURER GOLDBERG: Okay. That was Bob
6 and Ruth Ellen.

7 Tony, are you presenting? Who's
8 presenting this?

9 MR. FALZONE: Yes. So I can say that
10 our contract is up as of the end of the year, the
11 calendar year, so we'll be issuing an RFP. I will
12 mention I don't know if I can guarantee we're
13 going to get the fees to go as low as the
14 custodian did, but I will try.

15 TREASURER GOLDBERG: Okay. Very good.

16 This is pretty straightforward. Any
17 questions on this?

18 Hearing none, I think I will proceed
19 with the roll call vote. Bob?

20 MR. BROUSSEAU: Yes.

21 TREASURER GOLDBERG: Ruth Ellen?

22 MS. FITCH: Yes.

23 TREASURER GOLDBERG: Jim?

24 MR. HEARTY: Yes.

1 TREASURER GOLDBERG: Theresa?

2 MS. McGOLDRICK: Yes.

3 TREASURER GOLDBERG: Peter?

4 MR. MONACO: Yes.

5 TREASURER GOLDBERG: Dennis?

6 MR. NAUGHTON: Yes.

7 TREASURER GOLDBERG: Carly?

8 MS. ROSE: Yes.

9 TREASURER GOLDBERG: Paul?

10 MR. SHANLEY: Yes.

11 TREASURER GOLDBERG: Myself, yes.

12 The motion carries.

13 So we have a few other quick things.

14 MR. FALZONE: I do not have a legal

15 update. There's nothing to report to the board on

16 legal.

17 TREASURER GOLDBERG: Okay. Is Emily a

18 participant?

19 MR. FALZONE: Yes. She's been promoted.

20 MS. KOWTONIUK: Hi. I'm here,

21 Treasurer.

22 TREASURER GOLDBERG: Okay then. Well,

23 she actually has things to report since yesterday.

24 MS. KOWTONIUK: I do.

1 TREASURER GOLDBERG: So I'm going to
2 turn it over to you, Emily.

3 MS. KOWTONIUK: All right. So by way of
4 brief background, we're in the first year of our
5 two-year legislative session. So we're watching a
6 number of PRIM-related initiatives that have been
7 referred to committee. These bills typically go
8 to the public service committee, and we have a new
9 house chair on that committee. It's
10 Representative Gordon this session.

11 And the bills related to PRIM typically
12 fall into one of three buckets. So the
13 generalized buckets are related to the composition
14 of the PRIM Board, PRIM administration and sort of
15 investment issues, and then also divestment
16 issues.

17 So we're watching all of these bills as
18 they've been referred to committee. We haven't
19 seen it really scheduled yet, but we'll keep you
20 updated on that front.

21 In tandem, we're watching the state's
22 budget process. And so sort of background on the
23 procedure here, our budget process at Treasury
24 actually starts in the fall in October, if you can

1 believe it. So that's when we work with our
2 departments internally to put in our funding
3 requests and our policy requests to the governor's
4 office.

5 The governor will then issue his
6 proposed budget in January. The house takes up
7 their budget in April. The senate takes up their
8 budget right now, this week actually, in May. A
9 conference committee will negotiate the
10 differences between the house and senate budgets
11 in June, with a budget finalized in July.

12 At that point, the governor can then
13 also send back pieces of the budget with
14 amendments, and he can strike line items out
15 entirely, which the legislature can then override
16 in August. And the process then begins again in
17 September.

18 So it's a fully year-round process, and
19 we're right now in the midst of senate budget
20 debate. And we've been watching two PRIM-related
21 items.

22 So one is language that you all are
23 familiar with, which is relative to PRIM's board
24 composition. This is the language that

1 Senator Keenan has traditionally filed in the
2 senate, and this session, we've seen it filed in
3 the house by Representative Alice Peisch, which is
4 a new sponsor. We've typically seen it sponsored
5 by Rep Cusack.

6 And so this language alters PRIM Board's
7 composition, specifically the public safety seat
8 selected by the governor. So it requires the
9 governor to select the public safety appointee
10 from a panel of three suggestions selected by
11 MACRS.

12 So we saw an amendment to this effect
13 filed during house budget debate in April. The
14 house adopted this language to their final budget.
15 We saw a parallel amendment filed in the senate
16 this week. And actually last night, it was
17 rejected, which we see as sort of typical. The
18 house and senate like to position themselves well
19 for conference committee so they don't like to do
20 too many of the same things.

21 This is the furthest that we've seen
22 this language go. So just wanted to flag that for
23 the board.

24 And at Treasury, just as a reminder, we

1 take a really deferential approach, and we haven't
2 sort of weighed in on this language one way or
3 another, and we leave that to the board's
4 discretion.

5 The other initiative that we're tracking
6 is really a senate-driven initiative. And this is
7 relative to ESG investing more specifically.
8 There was language filed by Senator Feeney, who,
9 following the diversity and inclusion work, now
10 has a strong interest in working on PRIM-related
11 issues.

12 He filed some language with the intent
13 of including PRIM's fantastic ESG work as part of
14 the investment-making decision process. So this
15 language was also rejected, but it is something
16 that we could see pop back up as a standalone bill
17 or in future supplemental budgets or annual
18 budgets as well.

19 So wanted to flag both items for the
20 board, and happy to answer any questions that you
21 might have.

22 TREASURER GOLDBERG: Any questions at
23 all?

24 Thank you, Emily.

1 Okay. Other matters? Anything to
2 mention about under other matters, Tony?

3 MR. FALZONE: Nope. Those are just
4 informational in nature.

5 TREASURER GOLDBERG: Okay. Well, guess
6 what, everyone?

7 MR. NAUGHTON: Wait a second, Madam
8 Treasurer, if I may.

9 TREASURER GOLDBERG: Yes.

10 MR. NAUGHTON: I wanted to just -- I'm
11 sure people have noted that the governor has
12 introduced legislation to do certain things
13 regarding COVID, including extending the
14 exceptions to the Open Meeting Law under which
15 we've been operating here.

16 Do we have a position on how we want to
17 approach that? I know originally we were going to
18 have to make a decision, I thought, after June 15,
19 when it was supposed to end.

20 TREASURER GOLDBERG: I raised this
21 question about six weeks ago with the governor
22 because a lot of the municipalities are very
23 concerned about this also -- and let's not forget
24 there are still some red municipalities --

1 regarding --

2 MR. NAUGHTON: I live in one. I know.

3 TREASURER GOLDBERG: So he suggested
4 that this is up to the legislature. So I gave the
5 AG -- and the legislature is aware that there are
6 some concerns about the Open Meeting Law and the
7 continuation.

8 There are many of us who, not because we
9 are anti-vaxxers, are not completely vaccinated.
10 And so I, for one, am not able to attend anything
11 in public at this time.

12 So I know I have concerns about what's
13 going to happen on June 15. And I am hoping that
14 the legislature and/or the AG come out with some
15 direction on this.

16 MR. NAUGHTON: Thank you for raising
17 that issue with the governor. I'm happy to hear
18 that you did that.

19 And I raise this because at our meeting
20 recently of the MTRS, that issue came up, and we
21 were actually polled as to whether we would come
22 to a meeting or not come to a meeting because of
23 course you have to consider a quorum. And so
24 that's why I just wanted to throw that out here.

1 Thank you.

2 TREASURER GOLDBERG: It's a huge issue,
3 and it's going to be interesting to see how this
4 plays out. I really truly hope that the
5 legislature does something about this.

6 Emily, are you still on?

7 MS. KOWTONIUK: I am. And I was just
8 going to say so the governor has filed legislation
9 extending the Open Meeting Law executive order
10 through September 1. And there's actually also a
11 state administration committee hearing on
12 Wednesday, I believe, relative to a number of
13 extensions of the executive order and perhaps
14 altering the underlying Open Meeting Law.

15 So I think this is something that the
16 legislature may address in an interim way prior to
17 the expiration of the executive order, but
18 something certainly that's under active
19 consideration.

20 TREASURER GOLDBERG: So I hope that's
21 helpful to you, Dennis, and others who are on the
22 call.

23 MR. NAUGHTON: It is. And I hope that
24 we can be kept informed in the interim maybe by

1 email or something as to how this is playing out.

2 I just want to say I don't understand
3 why the governor decides all of a sudden it's the
4 legislature's job, but anyway that's just my
5 thought.

6 TREASURER GOLDBERG: To do what? I'm
7 sorry. I couldn't hear you.

8 MR. NAUGHTON: So he does still have
9 executive authority last time I looked. I don't
10 understand why he can't just extend it
11 unilaterally, you know, as the governor. That's
12 all.

13 TREASURER GOLDBERG: I wouldn't know.
14 All I did was brought it up because I actually was
15 hearing a great deal from municipalities about
16 this. They actually feel that it's enhanced their
17 ability to operate within their communities and
18 been a more inclusive way in which to engage the
19 public. Interesting.

20 So anyway, I know on a personal level,
21 my attendance when I'm invited now to things, I've
22 been able to -- I used to have to drive to
23 different events to speak. Now I can just -- I
24 was able to do two events in a row by clicking off

1 one Zoom and clicking on the next one and was able
2 to give speeches at two events one night last
3 week. So it worked out really well for me.

4 So I have a feeling that for those who
5 are not confined by Open Meeting Law, that virtual
6 events may continue in some way, shape or form.

7 But anyway, that isn't the PRIM meeting,
8 and it's 12:27, and I know that we were scheduled
9 till 12:30. And we have actually finished our
10 meeting.

11 So I am going to seek a motion to
12 adjourn, but prior to that, I really want to thank
13 everyone at PRIM for such a clear, direct and
14 impressive presentation today.

15 And I want to congratulate you all again
16 because people do not realize that this
17 performance that has occurred is record-setting
18 for PRIM, and it's really outstanding. And so
19 another round of applause for everyone at PRIM for
20 such an outstanding achievement.

21 So with that, I seek a motion to
22 adjourn. Is there a motion?

23 MR. NAUGHTON: So moved.

24 MR. BROUSSEAU: So moved.

1 TREASURER GOLDBERG: Is there a second?
2 Okay. Ready?
3 Bob?
4 MR. BROUSSEAU: Yes.
5 TREASURER GOLDBERG: I'm going to shake
6 it up a little bit and do Brady Bunch.
7 Paul?
8 MR. SHANLEY: Yes.
9 TREASURER GOLDBERG: Jim?
10 MR. HEARTY: Yes.
11 TREASURER GOLDBERG: Dennis?
12 MR. NAUGHTON: Yes.
13 TREASURER GOLDBERG: Theresa?
14 MS. McGOLDRICK: Yes.
15 TREASURER GOLDBERG: Peter?
16 MR. MONACO: Yes.
17 TREASURER GOLDBERG: Carly?
18 MS. ROSE: Yes.
19 TREASURER GOLDBERG: Ruth Ellen?
20 MS. FITCH: Yes.
21 TREASURER GOLDBERG: I think I got
22 everybody because there's no one else left on my
23 Brady Bunch grid.
24 Myself, yes.

1 Thank you, everyone. 12:29. Under the
2 wire.

3 MR. TROTSKY: And the official start of
4 summer.

5 (Meeting adjourned at 12:29 p.m.)

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