



Minutes of the PRIM Investment Committee Remote Meeting
Tuesday, May 4, 2021

Committee members attending:

- Treasurer Deborah Goldberg, Chair
- Joseph Bonfiglio
- C. LaRoy Brantley
- Constance Everson, CFA
- Michael Even (arrived at 9:40)
- Ruth Ellen Fitch, Esq.
- James Hearty
- Peter Monaco
- Phil Perelmuter
- Philip Rotner
- Paul Shanley, Esq.
- Glenn Strehle, CFA
- Timothy Vaill

The PRIM Investment Committee meeting was called to order at 9:32 a.m. Chair Treasurer Deborah Goldberg announced that the meeting was being held by internet and telephone in accordance with the provisions of the Governor's March 12, 2020 Order that allows remote participation by all members of a public body and suspends the requirement that a quorum and the chair be physically present, provided that the public has access to the meeting through technology that enables the public to clearly follow the proceedings while they are occurring. Accordingly, all members of the Committee participated remotely via telephone and/or internet-enabled audio and video conferencing, and public access to the deliberations of the Committee was also provided via telephone, with presentation materials made available on PRIM's website (www.mapension.com). At the start of the meeting, the names of the members participating remotely were announced.

I. Approval of the Minutes (Voting Item)

The PRIM Investment Committee approved, by unanimous roll-call vote, the minutes, as amended, of its February 2, 2021, meeting.

II. Executive Director / Chief Investment Officer Comments

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

Michael Even arrived at 9:40am

Mr. Trotsky commented that the Committee should have all received an invitation to register for the remote Client Conference to be held on the morning of June 9th. He noted that this year Noubar Afeyan, the Founder and CEO of Flagship Pioneering, one of PRIM's very highest performing Private Equity managers, would be the keynote speaker. He mentioned that Mr. Afeyan is also the Chairman and Co-Founder of Moderna, among the very first companies to discover and produce a COVID-19 vaccine, the vaccine utilized the groundbreaking mRNA technology and PRIM was one of only 12 initial investors in the company. Mr. Trotsky mentioned the Moderna investment is very gratifying from both a public health

and an investment standpoint, and both Moderna and Flagship have been among the highest returning investments in PRIM's history. He welcomed the Committee to attend the client conference and expressed that they would find it very interesting.

PRIT Fund Performance

Mr. Trotsky was pleased to report that for this last reporting period ending March 31st, the PRIT Fund hit another milestone, reaching more than \$90 billion, a new record. He mentioned the last 12 months were exceptionally strong with the PRIT Fund gaining 30% net of fees, an investment gain of \$21 billion - in 12 months. Mr. Trotsky continued, moreover, the returns were more than 400 basis points (4%) above a benchmark return, which is an indication that PRIM's managers are doing a very good job. He said looking at all time periods, the 3-, 5-, and 10-year returns were strong and above benchmark and PRIM was extremely proud to have added \$21 billion to the pension fund in a period in which so many in the world and in our communities have suffered. He explained that the PRIT Fund's strong return should be viewed as pension security for the beneficiaries in this time of so much struggle and uncertainty. Mr. Trotsky noted that the carefully constructed PRIT Fund continues to perform well in both strong periods, like the last 12 months, but more importantly in weak markets, too, like a year ago with the onset of the pandemic.

Organizational Update

Mr. Trotsky reminded the Committee that at the last meeting, he reported that, "An Act Enabling Partnerships for Growth" was signed into law, which includes a provision to increase the diversity of PRIM's investment managers and contractors to at least 20% and increase access for minorities, women, and disabled investment managers and business partners. He mentioned Treasurer Goldberg strongly advocated for this initiative and PRIM believes the new legislation is a continuation of the important diversity and inclusion work PRIM has already been doing to further increase access for minorities, women, and people with disabilities – these efforts are focused both internally - on PRIM's own staff - and also externally as we seek diverse investment managers and vendors. He said PRIM has made great progress in increasing diversity both internally and externally and that David Gurtz, PRIM's Deputy CIO would be detailing the launch of the FUTURE Initiative. Mr. Trotsky said PRIM believes the FUTURE Initiative is comprehensive and industry leading initiative, designed to have maximum impact and establish PRIM as a leader in the industry with regard to diversity and inclusion practices just as PRIM is an industry leader and innovator in other important areas of its investment program. Mr. Trotsky highlighted the following important accomplishments with regard to diversity and inclusion progress:

- The PRIT Fund has over \$5B invested by diverse investment managers, top ten of all funds in the country, with a goal to increase that number steadily in the future.
- In FY 2020, PRIM hired 9 new full-time employees, all diverse in terms of gender, race or both.
- The entire class of 2020 interns (8 total) were diverse.
- In FY 2021, PRIM hired 5 new employees and 4 are diverse, and 6 of the 8 current interns are diverse.
- PRIM's total workforce diversity increased to 66% currently, up from 42% in FY2018.
- PRIM's senior management is 33% diverse, increasing from 9% in FY2018, and PRIM's female senior management is 26% increasing from 7% in FY2018.

Mr. Trotsky reiterated changes to the Client Services team, announced at the end of March, shortly after Paul Todisco's retirement, noting Francesco Daniele was promoted to Director of Client Services. Francesco joined PRIM in December of 2016, with 20 years of experience in finance and administration. PRIM is fortunate that Paul recruited, hired, trained, and mentored Francesco over the last four years. Prior to joining PRIM, Francesco was a Director at the Debt Exchange, assisting global financial institutions actively managing their core and non-core loan portfolios. Francesco began his career as a Fixed Income and International Equities Analyst at Independence Investment Associates. He has a bachelor's degree in

international business and finance from Northeastern University and an MBA from Suffolk University. He holds the Investment Foundations™ Certificate from the CFA Institute and on an interesting personal note, Francesco grew up in Sicily and is fluent in Italian and Sicilian. He has traveled extensively throughout Italy during his career for work and for pleasure.

Emily Green was promoted to Senior Client Services Analyst. Emily joined PRIM in 2019 as a Client Services Analyst and has quickly become a valuable asset to the team. Before joining PRIM, Emily was with Stevens, Inc., where she was Vice President of Institutional Equity Sales. Emily graduated from Fairfield University with a bachelor's degree in marketing and a minor in art history.

Mr. Trotsky then added that Laura Strickland joined PRIM as a Senior Client Services Officer. Laura has 20 years of finance and client service experience. Most recently, Laura was a Director of Business Development and Relationship Management at DDJ Capital Management in Boston, where she managed institutional relationships and was responsible for business development and consultant relations in the Midwest and Northeast United States. Prior to that, Laura was a Vice President and Relationship Manager at Standish Mellon Asset Management. She has a bachelor's degree in Finance and an MBA from DePaul University. He asked the Committee to join him in welcoming Laura and congratulating Francesco and Emily on their promotions. Mr. Trotsky expressed confidence that the Client Services team is very strong and will continue to seamlessly deliver the outstanding service PRIM's clients are used to, well into the future.

Mr. Trotsky welcomed two additional new hires as follows:

Colleen Nulty joined PRIM as a Corporate Accountant on the Finance team, reporting to Dan Eckman. Colleen most recently worked as an Accountant at Education First in Cambridge, MA. Prior to that, Colleen was a Marketing Assistant at Boston University. Colleen holds a bachelor's degree in Accounting from Suffolk University and a Master's degree in Accounting also from Suffolk University.

George Defina joined PRIM as a Senior Investment Officer on the Research team, reporting to Maria Garrahan. George brings close to 20 years of investment industry experience, including 12 years at Mellon, Inc. (formerly The Boston Company) as a Senior Quantitative Analyst and Portfolio Manager. Prior to that, George served as a Quantitative Analyst, Developer, and Manager at Independence Investment Associates. George has designed, managed, and developed data systems throughout his career, and his expertise will be valuable to our internal data infrastructure project and other research initiatives. George holds a bachelor's degree in Computer Science and Engineering from the University of Connecticut.

Mr. Trotsky then mentioned a few interesting developments related to Project SAVE, the initiative that Tim Vaill, Investment Committee member, spearheaded many years ago. He said the spirit of Project SAVE is deeply embedded in PRIM's everyday thinking and has more than doubled the original goal of \$100 million in annual cost savings and value enhancing activities, is more than \$200 million of Project SAVE activities. Mr. Trotsky highlighted three very recent opportunities that several outstanding staff members identified that were not immediately obvious to any of PRIM's consultants or business partners. These outstanding staff members were able to identify these opportunities because of their many years of relevant experience in the industry. Mr. Trotsky felt that this is a ringing endorsement of PRIM's efforts to not only hire junior level employees, but to also add depth and senior experience to the team – he commented that there is no substitute for industry knowledge and firsthand experience. He described the following three opportunities as follows:

The first example he provided included Jay Leu, Director of Risk Management, Matt Liposky, CIOO, and the Real Estate team, working on an enhanced leverage program that will reduce PRIM's borrowing costs by nearly \$7 million dollars annually. Mr. Trotsky told the Committee that PRIM is lucky to have Jay on the team and his many years of fixed income practical experience.

The next two examples Mr. Trotsky provided, included staff members Andre Clapp, Senior Investment Officer, Public Markets and David Gurtz, Deputy Chief Investment Officer (CIO), who together, developed an internal crossing program for stock trades throughout the public markets portfolio that will save approximately \$3 million annually in trading costs. The Public Markets team also renegotiated several public market fee schedules that will result in more than \$2 million in annual savings.

Mr. Trotsky noted that these examples, of experienced team members adding value, happen every day and nobody necessarily knows about them or would notice if PRIM staff did not identify these opportunities, but the lesson is that experience matters and that in just a few, unique brain synapses, because of years of practical experience, these employees identified opportunities that essentially offset the entire annual cost of PRIM staff. He continued telling the Committee that staff leaves no stone unturned, and he is proud of them, but more proud that the entire PRIM team has Project SAVE DNA in their blood.

Market Commentary

Mr. Trotsky told the Committee that markets continued to be strong in the March quarter, our third fiscal quarter, and that strength continued into April. Markets are up more than 90% off of the March 2020 lows and economic news is very encouraging. He relayed the following points:

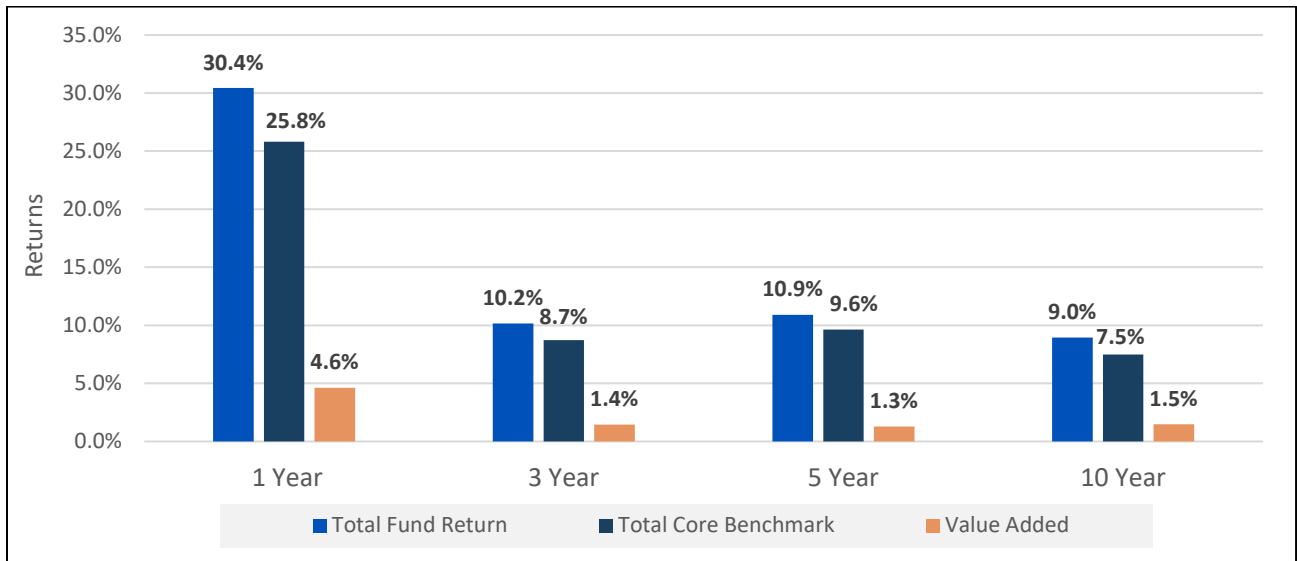
- U.S. GDP grew by an annualized 6.4% in the first quarter, following a 4.3% expansion in the previous three-month period.
- The U.S. Unemployment Rate fell to 6.0% in March from 6.2% in the previous month, the lowest rate in a year. The number of unemployed people fell by 262,000 to 9.71 million while the number of employed rose by 609,000 to 150.85 million. He noted that there are still nearly 10 million jobless workers and that hopefully that would continue to decline.
- The number of Americans filing for unemployment benefits decreased to 553,000 in the week ended April 24 from an upwardly revised 566,000 in the previous week. That is the third consecutive week with claims below 600,000 and a fresh low since the pandemic began.
- The Federal Reserve left the target range for its federal funds rate unchanged at 0-0.25% during its April meeting. Importantly, they will continue to purchase bonds at a rate of \$120 billion a month despite acknowledging a rise in inflation and the improvement in the economy.
- Market volatility has fallen year-to-date as the VIX Index decreased from 22.8 to 18.6 as of April 30, still above the 5-year average of 17.8, but encouraging, nonetheless.
- U.S. Retail Sales jumped 9.8% month-over-month in March, following a downwardly revised 2.7% fall in the previous month. Retail Sales increased 27.7% in March 2021 over the same month in the previous year, a record high. It is the biggest increase since May 2020, as more businesses reopened, the \$1,400 checks were sent starting in mid-March and the weather improved.
- The residential real estate market is very strong. U.S. Housing Starts soared, U.S. Building Permits rose, sales of new single-family homes for the U.S. jumped, but sales of previously owned homes for the U.S. fell. Properties typically sold in 18 days, a record low.

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Mr. Trotsky referred to the following charts and graphs:

Total PRIT Fund Returns

Annualized Returns as of March 31, 2021 (Gross of Fees)

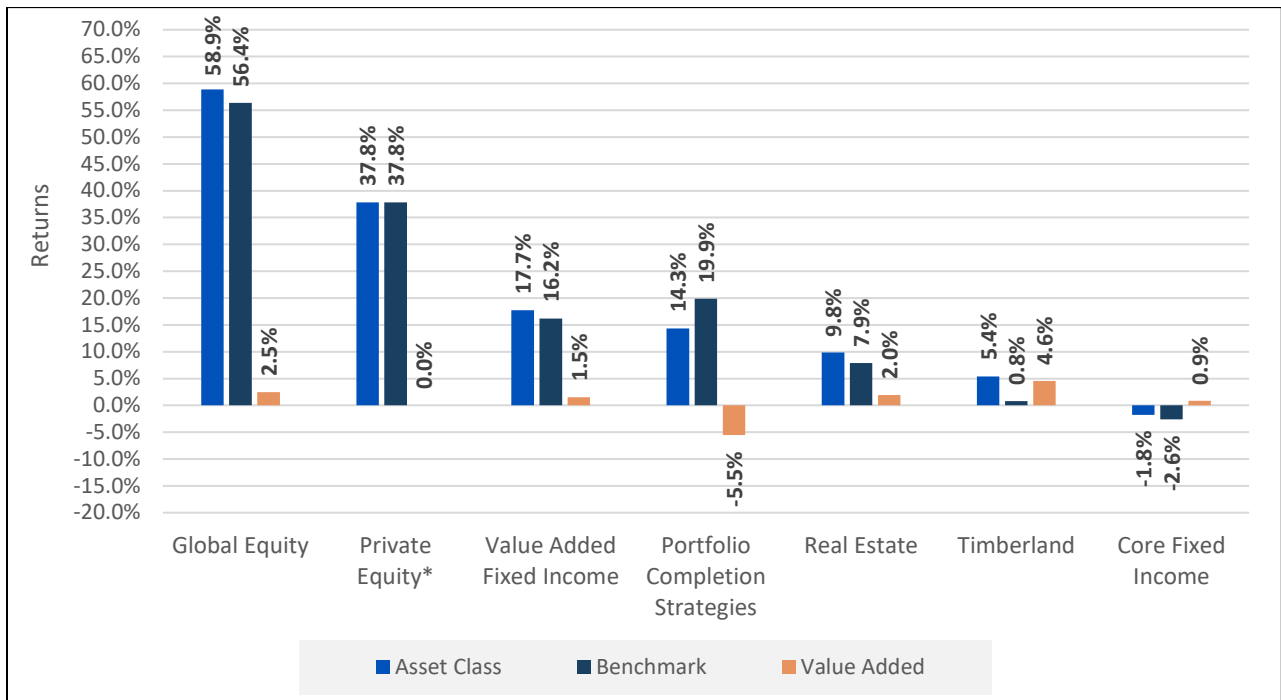


Source: BNY Mellon.

Total Core Benchmark includes private equity benchmark.

PRIT Asset Class Performance Summary

One Year ended March 31, 2021 (Gross of Fees)



Source: BNY Mellon. Totals may not add due to rounding. *Benchmark is actual performance.

PRIT Fund Annualized Returns by Asset Class

(March 31, 2021 - Gross of Fees)

1 Year	3 Year	5 Year	10 Year
GLOBAL EQUITY 58.9%	PRIVATE EQUITY 24.5%	PRIVATE EQUITY 22.6%	PRIVATE EQUITY 19.9%
PRIVATE EQUITY 37.8%	GLOBAL EQUITY 11.9%	GLOBAL EQUITY 13.7%	GLOBAL EQUITY 9.7%
VALUE-ADDED FIXED INCOME 17.7%	REAL ESTATE 6.8%	REAL ESTATE 7.1%	REAL ESTATE 9.6%
PCS 14.3%	CORE FIXED INCOME 5.8%	VALUE-ADDED FIXED INCOME 6.7%	VALUE-ADDED FIXED INCOME 5.4%
REAL ESTATE 9.8%	VALUE-ADDED FIXED INCOME 5.0%	PCS 5.0%	CORE FIXED INCOME 4.8%
TIMBER 5.4%	PCS 3.6%	TIMBER 4.3%	TIMBER 4.7%
CORE FIXED INCOME (1.8%)	TIMBER 2.4%	CORE FIXED INCOME 3.8%	PCS 4.2%

Source: BNY Mellon. Returns as of March 31, 2021

Investment Committee member Constance Everson, CFA, provided her comments on the economy and market.

III. PRIM's Investment Equity Diversity Program Update – "The FUTURE Initiative"

David Gurtz, CFA, PRIM's Deputy CIO, provided the Committee with an overview of the FUTURE Initiative, PRIM's enhanced diversity and inclusion program.

Mr. Gurtz said that diversity and inclusion is critical to the future success of PRIM and the asset management industry and PRIM is proud to launch PRIM's FUTURE Initiative – a strategic initiative to help PRIM achieve the goals set out by recent legislation, championed by Treasurer Goldberg, and one that positions PRIM to be a leader in the industry by raising awareness and establishing best practices around diversity and inclusion. Mr. Gurtz mentioned that significant progress has been made, both internally and externally over the years, but there is much more work to do. He highlighted the following examples:

- PRIM has had a firm-wide effort to increase the diversity among PRIM staff, PRIM's investment managers, and on the boards of public companies that PRIM own.
- PRIM has steadily increased its use of diverse managers from \$1B five years ago to more than \$5B today or nearly 6% of the PRIT Fund. The industry has just 1.5% of assets managed by diverse managers.

- Pensions and Investments reported that PRIM is already being recognized as a leader and was listed as a top 10 pension plan with assets managed by diverse managers – number six, in fact.

Mr. Gurtz noted three keys to PRIM's future success:

1. Reduce the barriers to diverse managers to ensure all diverse managers have a clear path to work with PRIM regardless of their size or track record.
2. Improve PRIM's manager sourcing and pipeline of diverse managers.
3. Enhance the measurement and tracking of comprehensive D&I information across all of PRIM's investment managers and vendors, and ultimately report on this information, as required by the new law.

Mr. Gurtz discussed establishing a new Emerging Diverse Manager Program modeled after the current Emerging Manager Direct Hedge Fund Program, developed by Bill Li, Director of Portfolio Completion Strategies, and Eric Nierenberg, Chief Strategy Officer, that will augment PRIM's established process for working with diverse managers. For non-emerging managers, those with higher AUM and a longer track records, PRIM staff will continue to review, conduct due diligence, select, and monitor these managers as it has successfully done in the past. This new, Emerging Diverse Manager program will ensure that when a prospective diverse manager comes to PRIM, there is now a clear path to successfully work with PRIM.

Mr. Gurtz mentioned that as a first step, PRIM staff has been identifying and reviewing potential advisors for each asset class to help staff source, review and recommend emerging diverse managers. PRIM's reviews include understanding their sourcing processes, their due diligence methodology and expertise, and their experience with recommending emerging diverse investment managers.

Mr. Gurtz then mentioned another key to future success is improving the sourcing of diverse investment managers. PRIM needs to signal to all diverse managers that we are open to do business and to help facilitate this PRIM has launched a new page on its website that allows all managers to submit their information, which will then be uploaded into the internal database of managers, flowing right into PRIM's pipeline of managers to review. He said the web page provides a clearer path for managers to submit information and enhances PRIM's efficiency in tracking prospective managers.

Mr. Gurtz also mentioned that PRIM is partnering with multiple advisors and industry advocacy groups to enhance its knowledge and network of diverse managers. He named as an example, NAIC, the National Association of Investment Companies, the largest network of diverse private equity managers and PRIM will be hosting a roadshow of diverse private equity managers this summer.

Mr. Gurtz noted PRIM will be championing the CFA Institute's Diversity and Inclusion Code of Conduct, which Mr. Trotsky helped draft and which will be rolled out in the coming months with PRIM as a founding adopter. PRIM wants to make a difference in the behavior of all its existing managers and has partnered with expert advisors to survey existing investment managers for D&I information beyond ownership with examples such as:

- The diversity of their portfolio management team,
- The diversity of their total workforce, and
- Their policies and programs to promote diversity and inclusion.

It is critical that PRIM capture, track, and measure all firms on their progress towards improving their diversity and inclusion, regardless if the manager is defined as diverse or not.

Mr. Gurtz mentioned PRIM will be hiring a senior level investment staff member dedicated to this FUTURE Initiative.

IV. Public Markets Performance Summary

Mr. Gurtz provided the Committee with an update on the activities of the Public Markets team. First, Chuck LaPosta, Senior Investment Officer and PRIM's fixed income expert, has been working with members from PRIM's Real Estate and Strategy teams on other credit opportunities strategies, as well as to enhance PRIM's Real Estate Leverage program, focusing on ways to reduce costs and allow for more flexibility.

Second, Dr. Andre Clapp, Senior Investment Officer and PRIM's global equities expert, has been reviewing PRIM's existing Developed International small cap managers and is currently conducting deep due diligence on a few managers. Dr. Clapp has also worked closely with Jay Leu, Director of Risk, on benchmarks within PRIM's Global Equities portfolio.

Lastly, Andre Abouhala, Investment Officer, has been working with PRIM's PCS and PE teams on crossover opportunities and conducting due diligence on some diverse domestic equity managers.

Additionally, Mr. Gurtz continued, both Dr. Clapp and Mr. Abouhala, continue to ensure that Project SAVE is truly part of our DNA here by continuously working to improve PRIM's efficiency and lower costs. Their most recent work will save PRIM approximately \$5 million dollars annually.

Mr. Gurtz noted that when it comes to performance, the 1-year returns for Global Equities are outstanding on an absolute basis as this 1-year period starts on April 1, 2020, right after the market bottomed out and fully reflects the historic rebound. Mr. Gurtz noted that he was happy to report that PRIM's portfolio not only kept up with this extreme rebound but outperformed it. Global Equities returned over 58% for the 1-year period, outperforming the benchmark by 216 basis points on a net of fees basis as all sub-asset classes outperformed their benchmarks.

Mr. Gurtz noted that U.S. equities posted the strongest returns compared to other countries over this 1-year period, thanks to strong performance by growth stocks has been highlighted at the last few meetings. However, due in part to rates rising, the first 3-months of 2021 represented a clear rotation into value stocks. In fact, quarter one of 2021 marked the largest outperformance of U.S. Value stocks versus U.S. Growth stocks in 20 years. U.S. Value outperformed U.S Growth equity by over 10% in quarter one.

Mr. Gurtz noted that in U.S. Equities, PRIM had fantastic performance out of its U.S. Smid/Small/Micro-cap portfolio, which returned a staggering 99.1%, net of fees, for this 1-year period, outperforming by 263 basis points, net of fees. This outperformance is impressive when you consider approximately 40% of this portfolio is passively managed.

Mr. Gurtz commented that most outperformance came from PRIM's active Emerging Market ("EM") managers. In EM, PRIM is 100% active, and our EM Core managers as a group outperformed the MSCI EM benchmark by 9% for the trailing year, returning 68% vs. 59% for the benchmark. And while growth outperformed value by over 11% in EM for this 1-year period, PRIM's best performing manager was actually our deep value manager, Pzena, who returned 78.3%, net of fees.

Mr. Gurtz noted that in the nearly \$13 billion Developed International portfolio, which represents over 14% of the PRIT Fund, PRIM's managers outperformed by an impressive 405 basis points on a net basis. PRIM's managers returned over 51% vs. the benchmark which returned a little over 47%. Noting that this is really impressive when approximately 40% of this portfolio is passively managed. Value actually outperformed growth by 3% over this 1-year period in Developed International, however, PRIM's best performing manager was our growth manager, Baillie Gifford, who returned 60%, net of fees. So, in this outlier of a 1-year period – PRIM's portfolio not only kept up with the historic rebound – but in all areas outperformed – which is great.

Mr. Gurtz commented that for Fixed Income the yield curve did steepen dramatically this quarter, with the 10-year rising approximately 85 basis points this quarter, or over a percentage point since the bottom which was back in August of last year. The jump in yields resulted in the worst quarter for Treasuries in over 30 years (1980).

Mr. Gurtz noted that Credit spreads continue to tighten since they gapped out last spring and are now at pre-pandemic levels. As a result, credit sensitive strategies, like High Yield, EMD, Bank Loans and OCO posted strong 1-year returns, while more interest rate sensitive strategies like TIPS, the Agg and STRIPS posted lower or negative returns. At 26.1% High Yield was the best performer on the back of the 540-basis point spread tightening. PRIM's managers were defensively positioned heading into the pandemic but were able to take advantage of dislocations in the highest quality segments of the market to add value and outpace the recovery by 2.9%.

Mr. Gurtz noted that on the other end of the performance spectrum was Long Duration Treasury STRIPS, which returned a negative 22.4%. With rates 110 basis points higher and Global Equities up nearly 60% this is the kind of negative correlation, albeit on an extraordinary scale, one might expect. Over a 2-year period, inclusive of the pandemic sell off period, STRIPS have returned 7.1% annually for the trailing two-years while Global Equities returned 17.8% (net) for the same 2-year period.

V. Strategy Group

Eric Nierenberg, Ph.D., Chief Strategy Officer, provided some comments on the Strategy Group.

a. Portfolio Completion Strategies Performance Summary

Bill Li, CFA, CAIA, Senior Investment Officer - Director of Portfolio Completion Strategies, updated the Committee on the PCS portfolio. Mr. Li noted that the Portfolio Completion Strategies one quarter performance was up 4.6%, which outpaced the benchmark by 50 basis points. PRIM's Hedge Fund portfolio, which represents over 80% of the PCS portfolio, returned 5.2% vs. the benchmark's 4.4% in the quarter ended March 31, 2021. Performance was good in both absolute and relative terms.

Mr. Li noted that for the trailing 1-year, PRIM Hedge Funds returned 16.9%. Despite an encouraging absolute figure, it underperformed the benchmark by 5%. One major reason being, post the March selloff last year, PRIM's overall Hedge Fund portfolio was defensive, and thus missed significant market upside. Mr. Li noted that looking at the performance from another angle, for the trailing 12-months, PRIM Hedge Funds realized an equity beta of -0.01, while peer Hedge Funds in general realized an equity beta of 0.25.

Mr. Li commented that admittedly, 2020's last three quarters were a game of whichever Hedge Funds loaded with more equities outperforming, PRIM saw that dynamics had shifted going into the first quarter this year. Security selection started to matter more, and we see this increased emphasis on fundamentals favorable to PRIM's Hedge Funds managers.

Mr. Li noted that delving into the portfolio, it can be bifurcated into two distinctive sleeves: Stable Value and Directional. For the first quarter Stable Value Funds, which are of minimal beta and account for 2/3 of PRIM's Hedge Funds, returned 3.5%. Bond RV and Discretionary Macros continued to deliver steady performance. Only detractor was systematic Macros and PRIM continues to de-emphasize this sub-category. The remaining 1/3 of PRIM's Hedge Funds are Directional Funds, which are of moderate beta, and they performed particularly well, with a return of 10.6%. These are largely driven by catalyst events and stock selection. Notably, the Replication program delivered 6.1%, with a mere 0.25 beta. Overall, we believe the specialist, nimble approach in constructing the Directional sleeve will continue benefiting in the near future, where there are highly dispersed fundamentals and a proliferation of idiosyncratic events.

b. Risk – Benchmarking Review (Voting Item)

James Leu, CFA, Senior Investment Officer - Director of Risk Management, and Matthew Liposky, Chief Investment Operating Officer, presented a recommendation for PRIM's Benchmarking Review.

Mr. Leu noted that he would first like to acknowledge Shannon Ericson, who joined the Risk team in January and has already been making tremendous contributions. Ms. Ericson has been working on the Public Equity portfolio looking at holdings-based performance attribution and risk factor exposures. She is also working on the Private Equity portfolio where she has taken on the "portfolio construction tool" looking at the marginal contribution to risk to the total PRIT fund and what is the return we should require from a prospective private equity fund given its risks. She has also been a key team member on the benchmarking review.

Mr. Leu noted that the review would focus on two benchmark recommendations, Global Equity – specifically non-U.S. equities and Private Equity. As a reminder PRIM issued an RFP and conducted a search for benchmark consultant in 2020 and in December 2020 the Board approved the hiring of Verus as benchmark consultant. PRIM's focus and priorities in 2021 included conducting a comprehensive benchmark review – reviewing all of PRIM's benchmarks. For this, PRIM's prioritized Private Equity to address issues that arise over the course of business.

Noting that in an effort to improve risk management, Mr. Leu continued, the recommendation is to split the Developed International SSGA passive mandate, which is a broad capitalization mandate, into a large capitalization piece and small capitalization piece. This move will improve risk management. Additionally, the recommendation is to simplify the benchmarks by using a single benchmark for Developed International managers. This would mean changing the benchmarks of the active Developed International managers from an EAFE benchmark to World ex-US benchmark. The passive developed international mandates already use the World ex-US. The difference between World ex-US and EAFE is the inclusion of Canada.

Mr. Leu noted that in asset class benchmarks, the recommendation moves from "fixed weight" benchmarks to "capitalization weighted" benchmarks. This will both simplify benchmarks and incorporate best practice as "fixed weight" benchmarks have the drawback of extra trading costs to rebalance back to fixed weights when weights drift due to relative market moves. These changes will affect three benchmarks: 1) International Equity will move from fixed weight between large and small cap to a cap weighted broad MSCI World ex-US IMI; 2) Emerging Markets Equity will move from a fixed weight between large and small cap to a cap-weighted broad MSCI Emerging Markets IMI; and 3) Non-US Equity will move from a fixed weight between emerging markets and developed international to a cap weighted "all country" or ACWI ex-US.

Mr. Leu noted that he estimated that the transaction cost savings from moving to cap weights will be approximately \$2 million annually.

Mr. Liposky noted that last year the Committee spoke at length of a Private Equity benchmarking anomaly that led to a reporting issue for Private Equity performance after the June 2020 quarter. We described how the relative underperformance in June of 2020 was due almost entirely to a private equity benchmarking anomaly and that we would be working with an outside benchmarking consultant to fix, if possible. And, as predicted, the anomaly completely reversed itself in the span of only one quarter. As a reminder, PRIM's current benchmark compares the Private Equity 1-year actual performance to a long-term, smoothed 7-year average public markets benchmark, a blend of the Russell 3000 and MSCI Europe IMI plus a 3% liquidity premium. This is an obvious mismatch in time periods which can result in dramatic differences, especially during volatile markets, which is what occurred during the March to June 2020 reporting period. This benchmark is appropriate over longer

time periods when the long-term actual performance of the Private Equity portfolio is compared to the long-term benchmark, but it is not appropriate to use when looking at short term performance. Simply put, it is misleading to compare short term performance to a long-term benchmark.

Mr. Liposky continued that today, Verus, PRIM's benchmarking consultant and staff are recommending the addition of another benchmark to our reporting which will provide a short term, 1-year, benchmark to specifically address the benchmarking anomaly. PRIM is adding a peer universe benchmark as a complement to the existing long-term benchmark. PRIM will use both benchmarks in reports beginning in the new fiscal year starting July 1, 2021. The two different benchmarks will serve two different purposes, strategic which is focused on allocation and implementation which is focused on manager selection.

Mr. Liposky noted that PRIM's current Private Equity benchmark is the 7-year annualized return of a blend of the Russell 3000 and MSCI Europe IMI plus a liquidity premium of 3%. Most public pension plans use a similar benchmark. This type of benchmark is generally categorized as a "strategic" benchmark because the objective is to measure the efficacy of the asset allocation decision. Specifically, is Private Equity providing better returns than public market equities to compensate for the illiquidity? This benchmark serves a key role and is effective over intermediate and long-term periods and will continue to be used.

Mr. Liposky noted that the recommendation of the secondary benchmark for the Private Equity program will be a peer universe-based benchmark, the State Street LP index, which will exclude Private Debt. Incorporating this benchmark will serve as an implementation benchmark measuring PRIM's manager selection decisions. PRIM staff along with Verus reviewed three separate peer universe benchmarks, Burgiss, Cambridge and State Street. State Street was the unanimous choice among the three providers for several reasons. One, the universe is of similar size funds, geographic distribution, and strategy distribution of that of the PRIT Fund's PE program. Also, State Street uses data collected from similar custodian clients, including many large public funds, such as CalPERS and CalSTRS.

Mr. Liposky noted that to ensure the PRIT Fund has a more suitable benchmark in the future to alleviate the private equity benchmarking anomaly issue from last June, PRIM will be changing the name of the "Interim benchmark" to the "Implementation benchmark" and having this Total Fund benchmark use the State Street LP Index as its Private Equity benchmark component. The current Interim Benchmark uses Actual Private Equity returns which the staff felt wasn't useful as it merely neutralizes the Private Equity return.

The PRIM Investment Committee voted, by unanimous roll-call vote, to approve a recommendation to the PRIM Board to approve the Benchmarking Recommendations as described in Appendices E, F and G of the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

VI. Private Equity Performance Summary

Michael McGirr, Senior Investment Officer – Director of Private Equity, provided an update on the Private Equity team, Private Equity performance, private equity markets, and the pace of commitments to new investments. Mr. McGirr reminded the Committee that the Private Equity Market operates on a quarter lag. Global buyouts deal volume was up in 2020, \$592 billion vs. \$550 billion for 2019, a difference of 7%. Average deal size was up (24% y/y) as deal count was down, with a mix shift, in most sectors the number of deals declined, but technology grew. Mr. McGirr noted that IPOs increased 121% to \$81 billion as more companies went public. SPACs represented about half of total US IPOs (450) in 2020.

Mr. McGirr noted that private equity is a growing asset class. Surveys suggest the vast majority of institutional investors are trying to increase their private equity allocation. Global private market AUM grew 5.1% to an all-time high of \$7.4 Trillion (US Buyouts \$1.4 Trillion) and global uncalled capital is at records levels. Mr. McGirr continue that fundraising in 2020, even with the pause last spring, was the third highest in history. There were over 11,000 alternative investment managers in 2020. Private Equity makes up 75% of that universe, or over 8,000 firms. We are facing a more complex market today, with patrial exits, continuation fund, GP led restructurings, SPACs, and product proliferation (GPs raising different series of funds).

Mr. McGirr noted that capital flowing into the asset class and high public equity valuations are leading to higher private equity valuations. These high valuations are supported by accommodating Debt markets. The average Debt/EBITDA ratio for 2020 was 6.8x the highest ever.

Focusing on performance, Mr. McGirr noted that Private Equity had a strong quarter, up 15.5% gross (15.1%, net), which brought up the 1-year return to 37.8%, the strongest annual return ever (35.9%, net). This compares favorably to the Russell 2000 returning 19.9% for the 1-year as of December 31, 2020, the Russell 3000 1-year return of 20.9% and the MSCI EU IMI return of 6.4%. PRIM's asset value increased to \$12.4 billion, the largest in PRIM's history at 13.8%. Earlier this year the Investment Committee and Board voted to increase the Private Equity target allocation range to 11% to 17%. Which translates to a commitment goal of \$2.1 billion to \$2.7 billion to funds and co-investment.

The PRIM Investment Committee meeting adjourned at 11:47 a.m.

List of documents and exhibits used during the meeting:

- *Minutes of the PRIM Investment Committee Meeting on February 2, 2021*
- *PRIT Fund Performance Report (March 31, 2021)*
- *BNY Mellon Gross of Fees Performance Report (March 31, 2021)*
- *PRIM's Investment Equity Diversity Program Update – "The FUTURE Initiative"*
- *Benchmarking Review Presentation*
- *Verus Non -- U.S. Equity Benchmark Recommendation Memo*
- *Verus Private Equity Benchmark Recommendation Memo*

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