



Minutes of the PRIM Real Estate and Timberland Committee Remote Meeting
Wednesday, May 5, 2021

Committee members attending:

- Jill Hatton, CRE, Chair
- Treasurer Deborah Goldberg
- Lydia Chesnick, Esq.
- Robert Gifford
- Anthony Hubbard, Esq.
- Jack Lutz, Ph.D.
- Garlan Morse, Jr., CRE
- Carly Rose

Committee members not attending:

- Peter O'Connell

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

I. Approval of the Minutes (Voting Item)

The PRIM Real Estate and Timberland Committee approved (unanimously) by roll call vote the minutes of its February 3, 2021, meeting.

II. Executive Director / Chief Investment Officer Report

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

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:

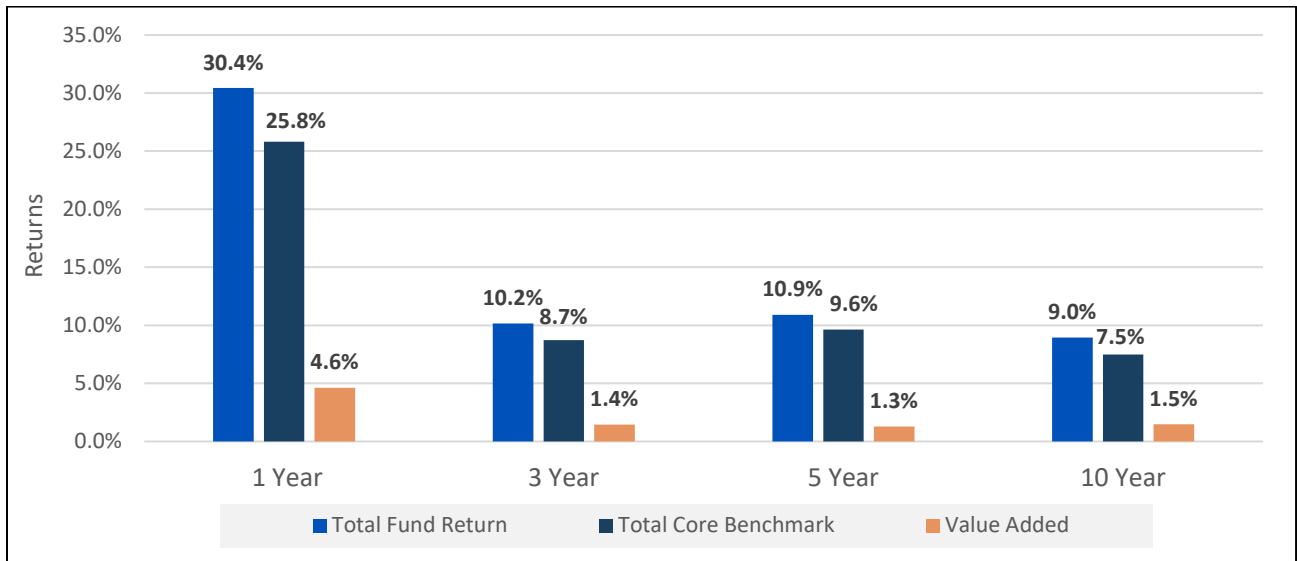
- U.S. GDP grew by an annualized 6.4% in the first quarter, following a 4.3% expansion in the previous three-month period.
- The U.S. Unemployment Rate fell to 6.0% in March from 6.2% in the previous month, the lowest rate in a year. The number of unemployed people fell by 262,000 to 9.71 million while 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)

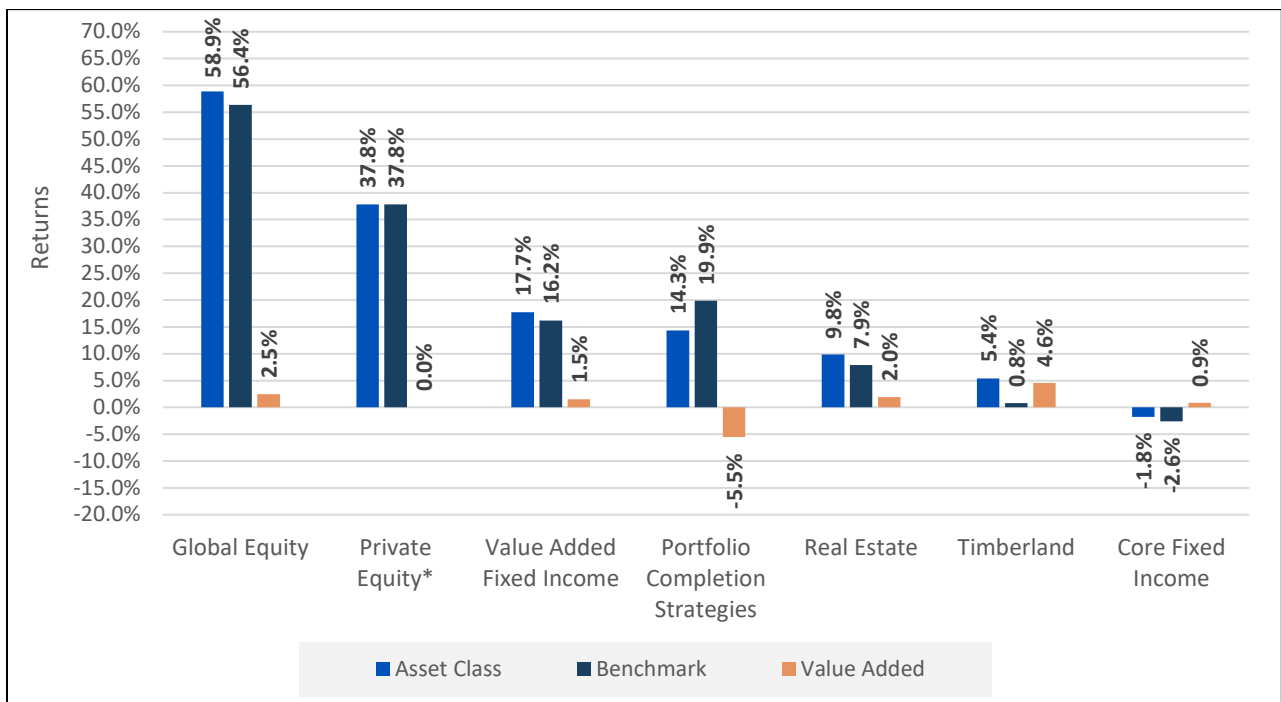


Source: BNY Mellon.

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

III. Performance Review and Market Summary

Timothy V. Schlitzer, CFA, CRE, Director of Real Estate updated the Committee on performance and markets.

Real Estate

The real estate portfolio ended the period at 8.3% of the PRIT Fund, below the 10% mid-point. The ending net asset value (NAV) was \$7.5 billion, compared to a beginning NAV of \$7.2 billion. The ending NAV includes \$200 million in proceeds from REIT sales intended to fund separate account pipeline acquisitions, a continuation of PRIM's long-term plan to use REITs as a liquidity option for private acquisitions.

Beginning with PRIM's results for the one-year period ended March 31, 2021, total real estate returned 9.8% for the year, 195 basis points above the benchmark. All of PRIM's private and public real estate separate account managers added relative value during the year, the first full year measurement period during the pandemic.

Private real estate returned 4.1% for the year, 254 basis points over the stated benchmark. Relative outperformance versus the actual March benchmark was 154 basis points. Mr. Schlitzer noted that PRIM's first quarter property valuations were up 1.6%. The apartment, industrial, and office segments showed flat to positive returns. Suburban apartments and warehouse properties were the drivers of the uplift. Retail decreased slightly, by less than 1%.

Mr. Schlitzer noted that valuation cap and discount rates were flat during the quarter, despite an increase in the 10-year U.S. treasury rate of 81 basis points. This is reflective of what staff is seeing in the market. Rent collections have been strong. The portfolio is 93% occupied with a 96% collections rate on those tenants. Retail and office properties are both approaching 90% leased, with collections at approximately 90%. Portfolio leverage added 48 basis points to the one-year private core return as interest rates increased, particularly in the first quarter, making PRIM's interest rate relatively more attractive than it was at year end and increasing the mark-to-market value of the debt.

Mr. Schlitzer noted that REIT portfolio performance was 38.4% for the year, 262 basis points over the benchmark. Similar to the broader equity markets, the REIT market bottomed at the end of March, which is reflected in the magnitude of this number. At this point in early May, the REIT indices have recovered the value lost during the pandemic whereas the S & P 500 is at levels approximately 25% ahead of pre-pandemic levels.

Mr. Schlitzer commented that there were no material changes to the real estate strategic weights during the quarter. The REIT percentage, at 21%, includes REIT sale proceeds. The actual balance is 18% based on current holdings.

PRIM completed two acquisitions in the first quarter, including PRIM's first data center and a medical office building, both on the west coast, totaling approximately \$155 million. Subsequent to quarter end, PRIM completed an additional separate account multifamily acquisition for approximately \$105 million, are preparing to close on a smaller warehouse investment, and were recently awarded a multifamily opportunity. There have been no dispositions year-to-date, equating to approximately \$400 million in net acquisitions year to date.

Timberland

The timberland portfolio was valued at \$2.8 billion at year-end, with no changes during the first quarter. Timberland represents 3.1% of PRIT versus the 4% midpoint. Total timberland returned 5.4% during the prior year, 458 basis points above PRIM's benchmark and 393 basis points above the unlagged NCREIF index. The southern portfolio, which includes PRIM's Black Cherry plantations in New York and Pennsylvania, returned 59 basis points for the year, illustrating a relatively benign price environment.

Mr. Schlitzer noted that the Pacific Northwest and Australasian portfolio drove the strong relative return for the year, driven by strong export markets and a lower supply overhang in the Pacific Northwest. Similar to real estate, PRIM staff are seeing some anecdotal evidence of strengthening capital markets.

Broad indicators for timberland demand continue to be positive. Prices increased in the Pacific Northwest in the first quarter. First quarter data for the South was unavailable but anecdotal evidence suggests positive momentum. Housing starts, permits, demographics, suburban migration, savings rates, and the potential for infrastructure spending are all positive signals. Challenges will likely be supply related or structural, given the supply chain challenges that currently exist.

IV. 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 of if the manger is defined as diverse or not.

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

The PRIM Real Estate and Timberland Committee meeting adjourned at 11:02 a.m.

List of documents and exhibits used during the meeting:

- *Minutes of the PRIM Real Estate and Timberland Committee Meeting of February 3, 2021*
- *PRIT Fund Performance Report*
- *BNY Mellon Gross of Fees Performance Report*
- *Real Estate and Timberland Performance Charts*
- *PRIM's Investment Equity Diversity Program – "The FUTURE Initiative"*

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