



Minutes of the PRIM Administration and Audit Committee Remote Meeting  
Thursday, August 5, 2021

Committee members attending:

- Robert Brousseau, Chair
- Treasurer Deborah Goldberg
- Patrick Brock
- James Hearty (joined at 10:15 a.m.)
- Dennis Naughton

Committee members not attending:

- Karen Gershman, CPA
- Theresa McGoldrick, Esq.
- Michele Whitham, Esq.

The PRIM Administration and Audit Committee meeting was called to order at 10:01 a.m. Chair Robert Brousseau announced that the meeting was being held by internet and telephone in accordance with the provisions of “An Act Extending Certain COVID-19 Measures Adopted During the State of Emergency” which was signed into law on June 16, 2021. This Act includes an extension, until April 1, 2022, of the remote meeting provisions of the March 12, 2020, Executive 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](http://www.mapension.com)). At the start of the meeting the names of the members participating remotely were announced.

Mr. Brousseau delayed the first voting item as a quorum was not present at the start of the meeting.

**I. Executive Director / Chief Investment Officer Report**

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

Mr. Trotsky reported that the PRIT Fund recorded the highest fiscal year performance in its entire history with a return of 30.0% (29.5%, net), surpassing the previous high in 1986 when the Fund returned 25.6%. Moreover, the Fund outperformed its benchmark by 8.9% (net), the largest fiscal year outperformance in PRIM’s history, surpassing the previous high in 2000 when the Fund outperformed by 5.9%.

Mr. Trotsky added that this return equates to a net investment gain of \$22.1 billion for the fiscal year, \$6.7 billion above a benchmark return. Assets under management were a record \$95.7 billion, while outflows to pay pension benefits were approximately \$1.2 billion.

Mr. Trotsky mentioned that PRIM is pleased with the strong one-year performance, but more pleased that over longer periods and through strong markets and market corrections the PRIT Fund has proven to be high-performing, resilient, and cost-effective. The PRIT Fund’s trailing 3-, 5-, and 10-year returns remain strong and consistently above benchmarks, and also above the required actuarial rate of return (7.0%). Mr. Trotsky explained that much of the success can be attributed to PRIM’s individual asset class teams who are disciplined and focused on identifying the most profitable sectors and most skillful managers. He added that PRIM’s innovative and acclaimed work over the last ten years, developing PRIM’s own proprietary and statistically driven tools for asset allocation and also manager selection is

paying off. PRIM has successfully engineered a portfolio that performs well in a variety of market conditions.

Mr. Trotsky informed the Committee that one of PRIM's principal investment beliefs is that all investment programs must be evaluated on three equally important parameters: return, risk, and cost, and while PRIM is delighted with the record return of fiscal year 2021, risk was well controlled, and PRIM's costs remain low. Excellent results in a period, when by design, PRIM invested more of the Fund in higher performing and higher cost private investments.

Mr. Trotsky continued by mentioning that too often in strong markets like PRIM just experienced, investors become more focused on returns and less focused on risk and cost. However, PRIM is still as focused as ever on risk and cost. In fact, for Fiscal Year 2021, the risk adjusted returns were at a multi-year high, while costs were at a multi-year low. The PRIT Fund's Sharpe Ratio was 4.05 and total costs, all costs, were 51 basis points. He reminded the Committee that a Sharpe Ratio over 1 is generally considered acceptable to most investors, and larger is better; and 51 basis points total cost, is very low especially for a portfolio that utilizes approximately 35% high performing and high cost private assets such as Private Equity, Private Debt, Real Estate, and Timberland. Mr. Trotsky added that Project SAVE initiatives now total \$250 million, annually, and he believes the PRIT Fund's returns will be near the top of its peer group, even while risk will be near the bottom and costs remain low and well controlled. Mr. Trotsky reiterated that the PRIT Fund is high return, lower risk, less volatile and low cost, and he believes this is an indication that PRIM's manager selection, asset allocation and diversification techniques and tools have been working as expected since they were designed and implemented. It also indicates the success of PRIM's maniacal focus on controlling costs.

Mr. Trotsky continued, operationally, PRIM had a very productive year. PRIM staff researched and deployed more than \$4.4 billion in new investments, hired and onboarded seven new full-time employees, promoted five of PRIM's highest-performing rising stars, hired thirteen interns, and launched several new initiatives including a groundbreaking agreement with MIT Sloan School designed to improve ESG investing, and a program called the FUTURE Initiative, which is designed to implement the newly created Investment Equity law, created and championed by Treasurer Goldberg and signed into law in January 2021. The new law will help PRIM create an enhanced pathway for diverse investment managers and vendors to compete successfully for contracts, with the ultimate goal of achieving at least 20% diversity in PRIM's vendor base.

Mr. Trotsky told the Committee that there is always room to improve on Diversity and Inclusion metrics; nonetheless PRIM is extremely proud of its results to date, both regarding internal staff and external contracts. He added that last fiscal year, PRIM placed \$1.2 billion with diverse investment management firms and now has more than \$6 billion in assets deployed, and with an affirmative Board vote at the next meeting, PRIM will add another \$1 billion mandate to the program. PRIM ranks sixth in the nation in funds invested with diverse managers, according to a recent *Pensions and Investments* survey. Internally, 64% of PRIM's workforce is diverse in regard to gender, race, or both, 49% of PRIM's workforce is female, 38% of PRIM's Senior Management is diverse in regard to gender, race, or both, and 33% of PRIM's Senior Management is female. Mr. Trotsky added that importantly, PRIM continues to enhance its proxy voting guidelines to require the boards of PRIM's publicly traded companies to be diverse in terms of both gender and race, and PRIM is consistently and materially making progress each year.

Mr. Trotsky made comments on the environment of last year. He mentioned that he is extremely proud of PRIM's record setting accomplishments this year and even more pleased with PRIM's long-term successes, but he believes this year's achievements are particularly remarkable because the COVID pandemic was a major distraction, if not a major headwind, to PRIM's efforts. He added that it was an extremely difficult year, and he couldn't be prouder of the team and how everyone responded during the

crisis and how everyone overcame the challenges to deliver these strong results. He thanked the entire Board, committee members, and PRIM staff for their support, dedication, and hard work over the past year.

James Hearty joined the meeting at 10:15.

## **II. Approval of the Minutes (Voting Item)**

The PRIM Administration and Audit Committee approved (unanimously) by roll call vote the minutes of its May 6, 2021, meeting.

## **III. Issuance of a Request for Proposals (RFP) for Board Governance Consulting and Fiduciary Education Services (Voting Item)**

Anthony Falzone, Deputy Executive Director and Chief Operating Officer, informed the Committee that Cortex Applied Research, PRIM's current governance consultant, will be unwinding their governance practice by the end of the year.

The Administration and Audit Committee voted (unanimously) by roll call vote to recommend to the PRIM Board that the Board approve the issuance of the RFP for Board Governance Consulting and Fiduciary Education Services, as set forth at the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

## **IV. Issuance of a Request for Proposals (RFP) for Information Technology Consulting and Support Services (Voting Item)**

Mr. Falzone informed the Committee that PRIM's contract with EdgeTech Consulting will expire in December 2021.

The Administration and Audit Committee voted (unanimously) by roll call vote to recommend to the PRIM Board that the Board approve the issuance of the RFP for Information Technology Consulting and Support Services, as set forth at the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

## **V. Executive Director's Fiscal Year 2022 Goals and Objectives (Voting Item)**

Robert Brousseau, Chair, noted that the Administration and Audit Committee, pursuant to the PRIM Charters, is tasked with reviewing and potentially revising the Executive Director's proposed goals and objectives, and recommending them to the PRIM Board for approval. Mr. Trotsky noted that his fiscal year 2022 Goals and Objectives are largely consistent with prior years. Mr. Trotsky highlighted a few of his new fiscal year 2022 goals and objectives, including the implementation of the FUTURE Initiative and PRIM ESG initiative.

Mr. Brousseau commented that is remarkable the ambitious number of goals that Mr. Trotsky tries to achieve each year, his ambition is something to remark on, and added that he has constantly met the goals he sets forth, with a staff that is smaller in size.

Treasurer Deborah Goldberg noted the amount of work Mr. Trotsky along with his staff, like Mr. Falzone and others, are taking on. Because of this, PRIM is looking to hire others as the Fund is growing, as the challenges are growing, as the initiatives are growing. She mentioned that the addition of Seth Gitell is excellent as he has a wide background in Communications and External Relations. Treasurer Goldberg informed the Committee that he is someone that she has known a very long time, back to when he worked in Mayor Menino's office. She noted that ESG is of critical importance and PRIM's work, being led by Maria Garrahan, PRIM's Director of Research, will help define it's role in PRIM'S investment program.

Mr. Dennis Naughton commented that in reference to staff size, as PRIM continues to expand, it is important that appropriate compensation is in place and asked when PRIM is due for its next compensation study.

Mr. Falzone noted that PRIM is required to review compensation levels every 4 years, and he is currently working with McLagan to review PRIM’s compensation levels. He expects McLagan to present their findings to the Compensation Committee at their next meeting being held this upcoming November.

The Administration and Audit Committee voted (unanimously) by roll call vote to recommend to the PRIM Board that the Board approve the Executive Director’s Fiscal Year 2022 Goals and Objectives, as set forth at Appendix D of the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

Mr. Hearty left the meeting at 10:35 a.m.

**Executive Director / Chief Investment Officer Report – continued**

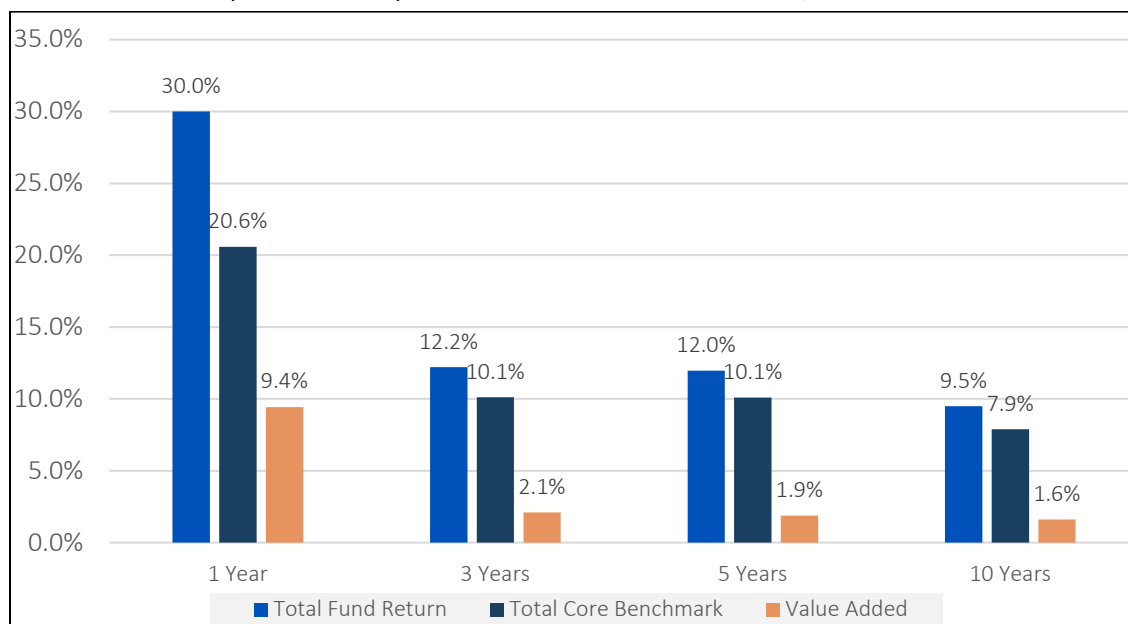
Mr. Trotsky briefly mentioned the PRIT Fund’s record setting performance in more detail.

The PRIT Fund’s trailing 3-, 5-, and 10-year returns remain strong, above benchmark, and above the Actuarial Rate of Return, which is currently 7.00%.

*Risk*

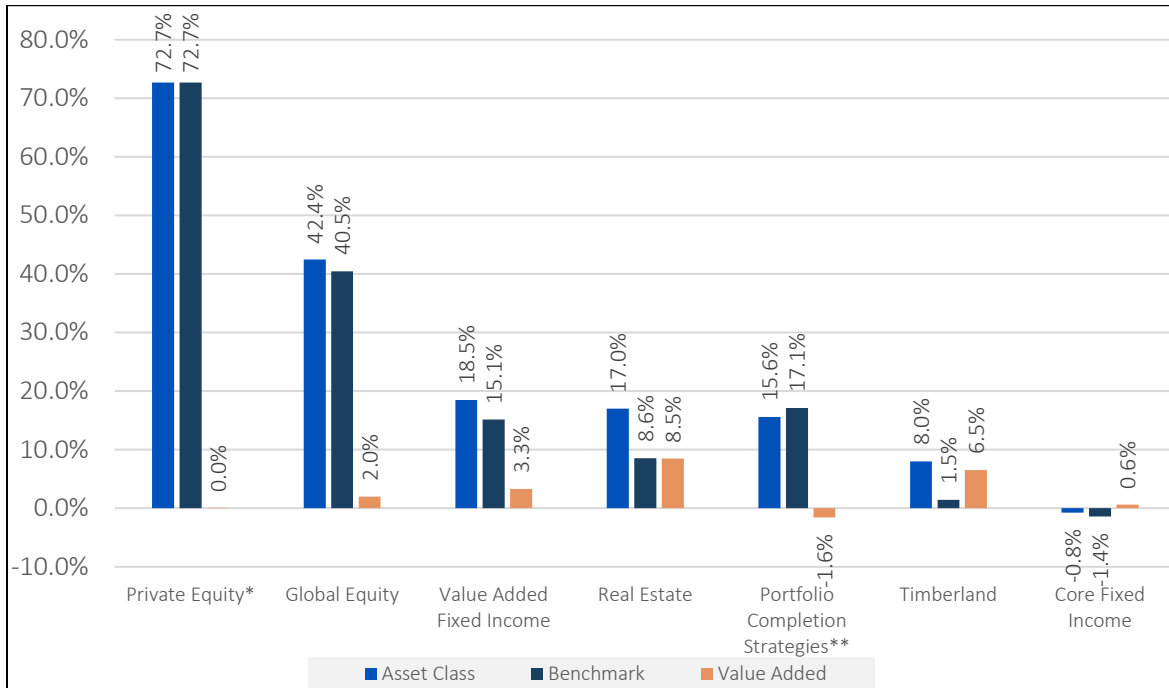
Mr. Trotsky mentioned that the one-year realized Sharpe Ratio of the PRIT Fund was 4.05; this compares to a Sharpe Ratio of 2.32 for a 60/40 mix of stocks and bonds, indicating that overall return, manager selection, asset allocation and diversification is achieved in a risk efficient manner. (A Sharpe Ratio of 1 is considered acceptable to most investors; larger is better.) He added that more importantly, the risk return efficiency of the PRIT Fund is also observed looking at longer time periods. For example, the five-year trailing Sharpe Ratio for the PRIT Fund has been higher than a 60/40 mix in each fiscal year since 2014, while the five-year trailing Sharpe Ratio for the PRIT Fund had been lower than a 60/40 mix for each of the five fiscal year ends prior to 2014. Mr. Trotsky then referred to the following charts and graphs.

Total PRIT Fund Returns  
(Gross of Fees) Annualized Returns as of June 30, 2021



Source: BNY Mellon. Total Core Benchmark includes private equity benchmark.

**PRIT Performance by Asset Class**  
(Gross of Fees) Annualized Returns as of June 30, 2021



Source: BNY Mellon. Totals may not add due to rounding. \*Benchmark is actual performance. \*\*Hedge Fund returns are net of fees.

**PRIT Fund Periodic Table of Returns**  
(Gross of Fees) as of June 30, 2021

1 Year	3 Year	5 Year	10 Year
PRIVATE EQUITY 72.7%	PRIVATE EQUITY 28.8%	PRIVATE EQUITY 25.9%	PRIVATE EQUITY 20.8%
GLOBAL EQUITY 42.4%	GLOBAL EQUITY 14.3%	GLOBAL EQUITY 15.1%	GLOBAL EQUITY 10.4%
VALUE-ADDED FIXED INCOME 18.5%	REAL ESTATE 7.9%	REAL ESTATE 7.9%	REAL ESTATE 10.0%
REAL ESTATE 17.0%	CORE FIXED INCOME 7.0%	VALUE-ADDED FIXED INCOME 7.0%	VALUE-ADDED FIXED INCOME 5.4%
PORTFOLIO COMPLETION STRATEGIES 15.6%	VALUE-ADDED FIXED INCOME 6.9%	PORTFOLIO COMPLETION STRATEGIES 5.2%	TIMBER 5.0%
TIMBER 8.0%	PORTFOLIO COMPLETION STRATEGIES 3.8%	TIMBER 4.8%	CORE FIXED INCOME 5.0%
CORE FIXED INCOME (0.8%)	TIMBER 2.6%	CORE FIXED INCOME 3.5%	PORTFOLIO COMPLETION STRATEGIES 4.5%

Source: BNY Mellon

## Organizational Updates

Mr. Trotsky provided a brief organizational update that included the following points:

On August 23<sup>rd</sup>, **Seth Gitell** will join the leadership team as PRIM's Chief External Affairs Officer. Seth is a seasoned public strategist, experienced in strategic communications and media relations as well as being a trusted counsel to senior leaders. Most recently, Seth was the Chief of Staff for the Office of Massachusetts House Speaker Robert DeLeo. His responsibilities included directing and coordinating the daily and long-term operations of the Speaker's office and overseeing the office's communications efforts. Prior to this role, Seth served as Speaker DeLeo's Director of Communications, and, before that, in what was the top communications role in City Hall, Seth was Mayor Menino's Press Secretary.

Seth is a talented writer, having begun his career in political journalism. A former reporter with *The Boston Phoenix* and *Forward*, he has been published in *The Atlantic Monthly*, *Wall Street Journal*, *Boston Globe*, and *The Los Angeles Times*. Seth is well-known for his sound judgment and professionalism. He has a Bachelor of Arts, Magna Cum Laude in American History from Harvard College and a law degree from New York University School of Law.

**Helen Huang** joined PRIM on June 1, 2021, as a Senior Investment Officer on the Private Equity team, reporting to Michael McGirr, PRIM's Director of Private Equity. Helen has more than twelve years of investment management experience and will be responsible for portfolio construction, manager selection, and contributing to PRIM's cutting-edge private equity research. Helen joined PRIM from China Growth Capital, where she was a senior advisor. Prior to that she worked for Harvard Management Company and Summit Partners in investment roles and started her career at Merrill Lynch/Bank of America. Helen has a Bachelor of Science degree in Finance from the University of Virginia and an MBA from Harvard Business School.

**Mini Kouame** joined PRIM on July 26th, 2021, as an Investment Analyst on the Research team reporting to Maria Garrahan, PRIM's Director of Research. Mini comes to us from Potomac Group LLC, a sovereign advisory firm, as a Senior Associate. He has prior experience as a Consultant for the World Bank and was a Project Manager at KPMG Advisory. Mini recently received his Master's in Public Administration in International Development, with a major in Financial Economics from Harvard University. Mini also has his Master's in Management with a major in Finance from ESCP Europe Business School in Paris, France, and a Bachelor of Science in Statistics from ENSEA in Ivory Coast.

## Recognition

Mr. Trotsky informed the Committee that PRIM had received the following national recognition:

The American Investment Council announced in July that PRIM Private Equity ranked #4 in private equity returns among nearly 200 U.S. public pension funds based on 10-year performance. PRIM is the only fund that has been in the Top 5 of all private equity portfolios in every year the American Investment Council has performed the study – including #1 rankings in 2019, 2018, 2015 and 2013. PRIM is extremely proud of this accomplishment. He offered congratulations to the Private Equity team for the outstanding accomplishment.

The Portfolio Completion Strategies team is one of four finalists for "Partnership of the Year" at the 2021 *Institutional Investor* Allocators' Choice Awards, to be held in New York in September. This is the sixth time PRIM has been recognized for outstanding innovation by *Institutional Investor*, as nominated by PRIM's industry peers and colleagues, including "Plan of the Year" – winner 2016, "Plan of the Year" – nominee 2017, 2018, 2019, and *Lifetime Achievement Award* in 2019 – winner Michael G. Trotsky, CFA.

He added that this year PRIM is being recognized for PRIM's PCS partnership with Fir Tree Partners, because as Institutional Investor noted ***"PRIM kicked off a SPAC investment mandate before SPAC became a buzz." The deal made MassPRIM money while "reinvigorating Fir Tree's business."***

#### **VI. Proposed 2022 PRIM Board and Committee Meeting Schedule**

Mr. Falzone mentioned to the Committee that the proposed meeting schedule was not a voting item and that a final draft will be included in the November Administration and Audit Committee meeting materials for a recommendation to the Board at its December meeting.

#### **VII. Legislative Update**

Mr. Falzone told the Committee there was nothing significant to report on the legal front and introduced Emily Kowtoniuk, Director of Policy & Legislative Affairs, to provide a legislative update.

Ms. Kowtoniuk told the Committee that the House Budget process has ended with no additional language added that would require a change to the composition of the PRIM Board.

#### **VIII. Other Matters:**

The Committee members briefly discussed the following topics:

a. June 2021 PRIM Operating Budget

Mr. Brousseau remarked that PRIM does an extraordinary job of hitting the budget to the dollar and remarked what a great job the staff does. Mr. Falzone thanked him and remarked that he would like to thank his team for all the hard work they do and recognized those behind the scenes that work very hard and play a critical role in PRIM's success. He noted that as the Fund continues to grow in size and complexity the needs of the Fund keep changing and the Operation's team has done a fantastic job of keeping up with the Investment teams' constant innovation.

b. Travel Report

c. Client Services Update

Francesco Daniele provided a Client Service update.

Mr. Naughton commended the Client Service staff on a well thought-out and executed Investor Conference.

The PRIM Administration and Audit Committee meeting adjourned at 11:02 a.m.

#### List of documents and exhibits used during the meeting:

- *Minutes of the PRIM Administration and Audit Committee Meeting of May 6, 2021*
- *PRIT Fund Performance Report*
- *BNY Mellon Gross of Fees Performance Report*
- *Executive Director and Chief Investment Officer's Fiscal Year 2022 Goals and Objectives*
- *Proposed 2022 PRIM Board and Committee Meeting Schedule*
- *June 2021 PRIM Operating Budget*
- *Travel Report*