Minutes of the PRIM Investment Committee Remote Meeting
Tuesday, August 3, 2021

Committee members attending:
- Treasurer Deborah Goldberg, Chair
- 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

Committee members not present
- Joseph Bonfiglio

The PRIM Investment Committee meeting was called to order at 9:31 a.m. Chair Treasurer Deborah Goldberg 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). 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 May 4, 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:

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 <u>must</u> 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.

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 7.0%.

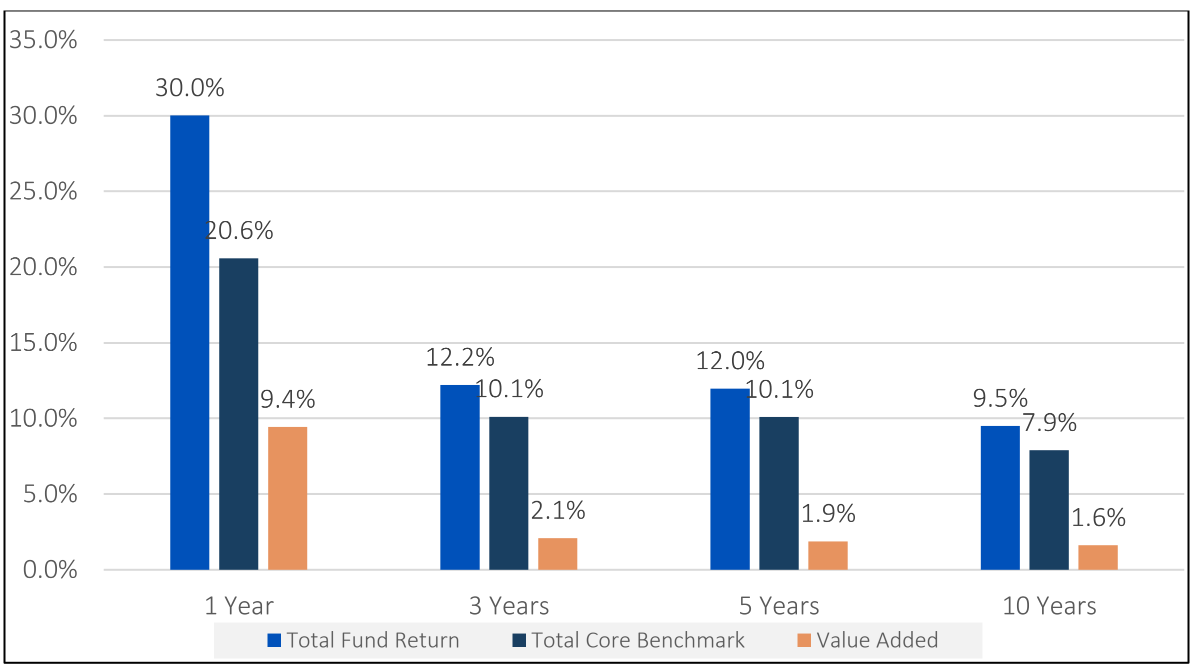
For the one-year period ended June 30, 2021:

- The PRIT Fund was up 29.5%, outperforming the total core benchmark of 20.6% by 891 basis points, net of fees.
- This performance equates to an investment gain of $22.1 billion.
- This outperformance equates to $6.7 billion of value above the benchmark return.
- Net total outflows to play benefits for the one-year ended June 30, 2021, were approximately $1.2 billion.
- Six of the seven major asset classes outperformed their respective benchmarks.

Mr. Trotsky referred to the following charts and graphs:

Total PRIT Fund Returns

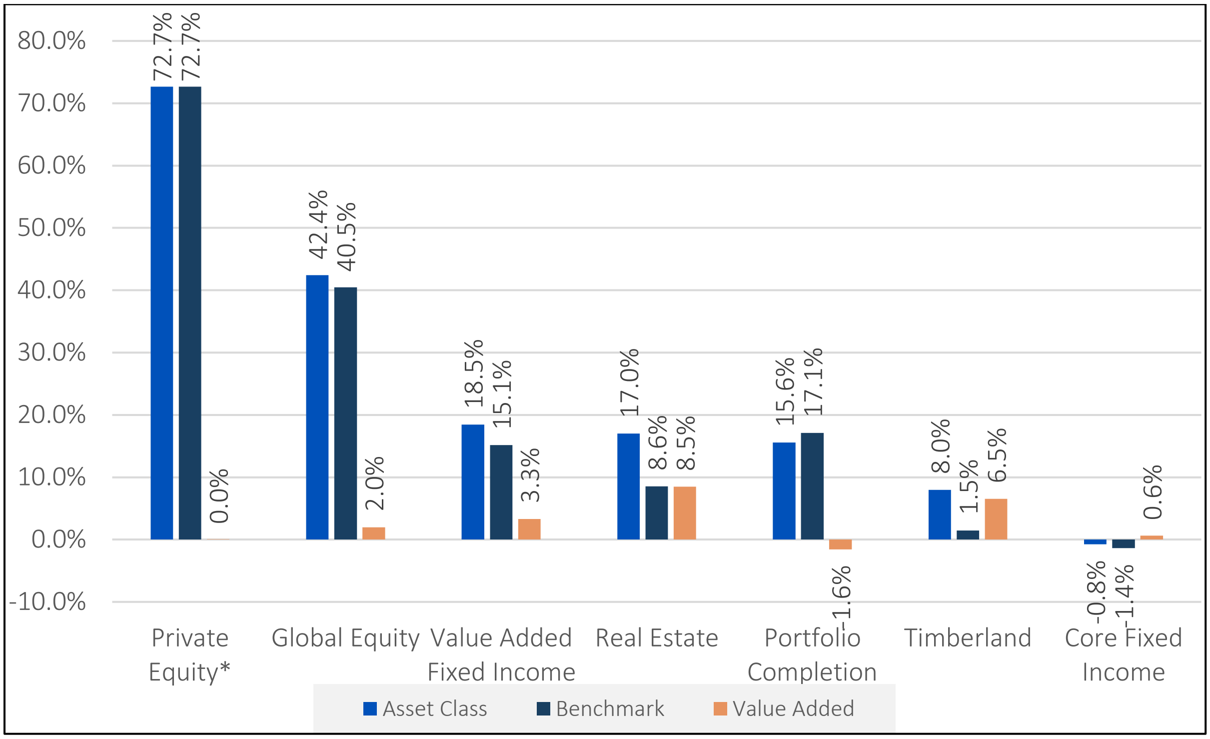
(Gross of Fees) Annualized Returns as of June 30, 2021



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.

(The rest of this page was intentionally left blank.)

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

Investment Committee member Constance Everson, CFA, provided her comments on the economy and market. Ms. Everson noted that demand within the US economy has exploded as the US has reopened, and any loss of momentum in recent data reflected the difficulty of satisfying demand in the current environment of supplier shortages and delays, rather than a shortage of demand itself. She noted the following commentary in the most recent Purchasing Managers Index: "US manufacturing operating conditions across the US recorded overall growth supported by new orders increasing at the second fastest rate since data collection began" and "cost barriers rose at a record-breaking rate".

Ms. Everson believed these conditions created an extremely robust earnings environment, strong enough to offset current uncertainty about the timing of interest rate adjustments, and the impact of tighter liquidity. Tighter liquidity had not been caused by the Fed, but by the requirements of a stronger economy diverting funds that at an earlier stage would be entirely available to the stock market. Equity upside momentum, or the "right tail," appeared to have been impacted, especially among speculative shares. However, the favorable economics that caused it would likely also reduce downside risk, or the "left tail."

III. Public Markets

a. Performance Summary

David Gurtz, CFA, PRIM's Deputy CIO and Director of Public Markets, provided the Committee with a performance update. He noted Global Equities returned a terrific 42% for the fiscal year, outperforming its benchmark by 2% gross or 165 basis points net of fees, which is a very impressive relative return when you consider that approximately 60% of the Global Equities portfolio is passively managed. Importantly, the relative outperformance was also broad, with each sub-asset classes contributing to this outperformance.

Mr. Gurtz noted that the best performing equities portfolio was PRIM's $3.5 billion U.S. Small/Smid/Micro-Cap portfolio, which returned over 62%, outperforming its benchmark by 1.5% or 75 basis points net of fees, which is impressive as roughly a third of this portfolio is passively managed. The $5 billion Emerging Markets portfolio posted the second-best return and the best relative performance. Emerging Markets returned over 48%, outperforming its benchmark by over 5% or 4.5% net of fees. PRIM is 100% active in Emerging markets. PRIM's U.S. Large Cap portfolio is 100% passively managed to the S&P 500, which returned 40.8% for the year. Finally, the nearly $12.5 billion Developed International portfolio returned 37%, outperforming by over 3%, or 290 basis points, net of fees. Again, impressive outperformance, when you consider that approximately 40% is passive. Collectively Global Equities produced very strong absolute and relative returns across the board this fiscal year.

Commenting on Fixed Income, Mr. Gurtz noted that U.S. interest rates, as of June 30, were higher compared to a year ago. When rates rise, bond prices fall, all else equal. While the rates have risen this past year from their all-time lows of last summer, the rates as of June 30, 2021, are still historically low. The U.S. Credit spreads continue to tighten to levels that were last seen since 2004. Meanwhile Fed Funds remain near zero despite recent inflation prints above the Fed's target level.

Mr. Gurtz noted that consistent with past quarters the improvement in credit conditions have bolstered returns in our Value-Added Fixed Income portfolio, while more interest rate sensitive assets in Core Fixed Income have suffered due to the rise in yields.

Mr. Gurtz noted that in the Other Credit Opportunities asset class, which has grown to approximately $900 million, was the best fixed income performer, returning over 24%, but more impressively outperforming its benchmark by nearly 16%, net of fees. Returns for the 6 strategies within this portfolio took advantage of dislocations in credit markets to deliver outsized returns for the period.

Mr. Gurtz noted that High Yield returned 17.7% (17.3% net) on the back of credit spreads which tightened 340 basis points over this 1-year period, outperforming the benchmark by over 2% or 171 basis points, net of fees. Emerging Markets Debt returned 15.9% (15.3% net) beating its benchmark by 9% or 848 basis points, while Bank Loans return 10.1% (9.7% net) lagging the benchmark by nearly 2%.

Core Fixed Income strategies fared worse given the rise in rates this fiscal year. The Tips/ILB portfolio returned 5.8% largely due to the 4.2% adjustment from realized inflation in the US which flows into the return for TIPS. PRIM's Agg portfolio returned a modest 1% but outperformed the benchmark by over 1%. Finally, PRIM's STRIPS portfolio returned -13.9% on the back of long rates rising 65 basis points over the period. Despite the low overall level of interest rates, STRIPS continue to provide negative correlations with equities which serve to dampen overall portfolio volatility.

b. Manager Recommendation – RhumbLine – Passive S&P 500 (Voting Item)

Mr. Gurtz and Andre Abouhala, Investment Officer, Public Markets, presented a recommendation for RhumbLine Passive S&P 500. Mr. Gurtz noted that at the previous meeting PRIM staff proudly launched its FUTURE Initiative, a firm-wide effort to increase the diversity of our investment managers and vendors. As part of the FUTURE Initiative, PRIM has been working to ensure all diverse managers have a path to success at PRIM, whether its diverse emerging managers, diverse active managers, or even diverse passive managers. Mr. Gurtz noted that PRIM staff was pleased to recommend RhumbLine, a diverse investment manager, to passively manage a portion of PRIM's S&P 500 portfolio.

Mr. Abouhala noted that the Public Market's team is recommending a $1 billion allocation to RhumbLine Advisers Passive S&P 500 Index Strategy. Funding for this investment will be sourced from

PRIM's existing State Street Passive S&P 500 Index portfolio, which is currently $18.7 billion in assets. Therefore, this allocation will not change PRIM's exposure to equities.

Mr. Abouhala noted RhumbLine was founded in 1990 and is a Boston-based diverse investment manager that specializes in index-based products. As of June 30, 2021, RhumbLine's assets under management totaled $92 billion invested in 60 unique index strategies for 287 clients in 38 states. Approximately two-thirds of RhumbLine's assets are from public funds and the majority of those assets are managed in domestic equity strategies. Investors in these funds have allocations ranging from single-digit millions to over $5 billion separately managed accounts. RhumbLine has ten separately managed accounts with assets between $1 to $2 billion.

Mr. Abouhala commented that overall, RhumbLine is well-positioned to manage PRIM's Passive S&P 500 index assets. The firm offers low fees, a competitive 30-year track record, with substantial AUM and a diversified client base. The addition of RhumbLine will benefit PRIM in three immediate ways:

1. Reduce manager concentration risk for the PRIT Fund:
   a) Per PRIM's Investment Policy Statement, no passive manager should manage more than 25% of the PRIT Fund assets. State Street Global Advisors (SSGA) currently manages 25.9% of PRIT Fund assets.
   b) An initial $1 billion allocation to RhumbLine will reduce that exposure to below 25%.
2. Reduce investment management fees in our largest asset class:
   a) RhumbLine's fees are competitive with peers and were lower than our existing SSGA mandate.
   b) As a result, we have since renegotiated fees with SSGA, Collectively, we will be saving approximately $1 million in fees annually.
3. Hiring RhumbLine will increase PRIM's allocation to diverse investment managers in line with PRIM's FUTURE Initiative:
   a) RhumbLine has been a diverse firm since its founding in 1990 by JD Nelson and Wayne Owen.
   b) Today, RhumbLine is owned by three general partners who own over 80% of the firm. They are Wayne Owen, CEO; Kim McCant, CFO, and Denise D'entremont, President. The rest is owned by current employees.
   c) Ms. D'entremont and Ms. McCant are both diverse in terms of gender or race.
   d) Ms. D'entremont has been chosen to replace Wayne Owen as CEO when he retires at the end of the year. And Ms. McCant plans on retiring at the end of 2022. Ms. D'entremont is currently in the process of purchasing Mr. Owen and Ms. McCant's shares and will become the majority owner of RhumbLine.

The PRIM Investment Committee voted, by unanimous roll-call vote, to approve a recommendation to the PRIM Board to approve an initial allocation of up to $1 billion to RhumbLine Passive S&P 500 Index as described in Appendices D, E, and F of the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

IV. Real Estate Leverage

James Leu, CFA, Senior Investment Officer - Director of Risk Management, presented a recommendation for Real Estate Leverage.

Mr. Leu noted that while he would be presenting the real estate leverage presentation, he would like to point out that this has been a team effort with collaboration across asset classes (Public Markets, Real Estate and Risk). David Gurtz, Chuck LaPosta, John LaCara, Matt Liposky, Tim Schlitzer, Shannon Ericson and he worked together on this quite closely and for quite a period of time. PRIM has been exploring the financing options from various different perspectives and various different vendors. We also received a lot of feedback and questions from individual committee members both from the (1) education seminar and (2) once the materials were sent out. Mr. Gurtz and Mr. LaPosta were co-presenters at the educational seminar last month.

Mr. leu continued that PRIM is looking to add tools or financing options to PRIM's existing Real Estate Leverage Program. Noting that the PRIM Real Estate asset class has a Board approved PRIM Real Estate Leverage Policy. The Real Estate group manages the leverage program within the constraints of that policy. Among other things, the Real Estate group decides on (1) size or amount of borrowing (2) whether the borrowing is fixed or floating interest rate and (3) the term or average maturity of the borrowing. This recommendation would not focus on those decisions, rather about adding financing options. PRIM is looking to add tools, or financing options, to its existing Real Estate Leverage Program. Currently, the Real Estate Leverage Program utilizes direct financing through (1) property level mortgages, (2) a bank loan, (3) private placement notes and (4) internal financing through PRIM's securities lending program.

Mr. Leu noted that PRIM is looking to add the following tools or financing options: (1) general collateral (primarily US Treasury) lending in PRIM's securities lending program (2) repurchase agreements (repos) (3) futures (on Equities and US Treasuries) and (4) total return swaps on Equities and US Treasuries.

Mr. Leu noted the key reasons to expand PRIM's financing options as threefold: (1) lower our financing cost (2) diversify our financing options and increase our flexibility and (3) potentially add leverage capacity if we seek it. These internal financing options will have a lower interest rate cost of over 100 basis points per year versus bank loans or private placement notes.

Mr. Leu noted that all of these additional tools (repo, futures, total return swaps) are short term financing. These tools would be coupled with interest rate swaps to achieve fixed rate financing for a term. PRIM has been and are currently utilizing interest rate swaps for this purpose in the Real Estate Leverage Program. In 2017, PRIM combined a LIBOR based bank loan with an interest rate swap to get four-year fixed rate debt. PRIM has also used interest rate swaps in conjunction with the securities lending. So, while PRIM is adding short term financing tools, this does not mean we are turning to short term borrowing. These tools will be coupled with interest rate swaps as we have done in the past.

Mr. Leu noted that in order to expand PRIM's financing options, the staff is recommending utilizing two of our existing managers, eSecLending and Parametric. By approving eSecLending, PRIM's current securities lending manager, to manage a (1) general collateral (primarily US Treasuries) securities lending program and (2) repo agreements and approving Parametric, PRIM's current overlay manager, to manage (1) Futures, (2) Total Return Swaps, and (3) Repos, as needed. PRIM staff will ensure that the use of leverage remains in compliance with Board approved Real Estate Leverage Policy.

Mr. Leu reviewed some of the funding sources or financing options currently used in the Real Estate Leverage Program. The first three funding sources are traditional external methods like mortgages, bank loans and private placement notes. Looking at the spread is a way of comparing interest rate costs as an approximation. Bank loans and private notes are expensive carrying a spread of 120-140 basis points for PRIM Real Estate. PRIM real estate borrows at roughly a BBB level. Securities lending, in contrast, is a cheap financing source at flat to LIBOR. As an aside, Mr. Leu noted that the use of the securities lending program was put in place in 2004 under PRIM's Board and Investment Committee member James Hearty. Also noting that the floating rate bank loan and the short-term securities lending option are each combined with an interest rate swap to achieve a fixed rate for an intermediate term. With a key takeaway that mortgages, bank loans, and private notes are expensive while securities lending is a much cheaper financing option

Mr. Leu noted that the proposed additional funding sources or financing options, all three financing options are low cost. “General collateral” Treasury security lending can be done as either a repo transaction or a securities lending transaction. Either way, general collateral Treasury security lending is the lowest cost of financing because it represents a collateralized loan with the highest quality collateral.

Mr. Leu commented that both futures contracts and total return swaps are also low-cost financing options. The cheapness of futures contracts and total return swaps can vary over time. Futures have the drawback of increased tracking error and quarterly rollover. Total return swaps introduce counterparty risk and lower liquidity although eliminating tracking error. The key takeaway are that repo, futures contracts and total return swaps are also low-cost financing options and gives us added flexibility.

Mr. Leu noted that eSecLending has managed PRIM’s securities lending program since December 2014 and is the largest independent securities lending agent in the market, eSecLending’s fee will be approximately 10 basis points. Parametric has managed PRIM’s cash overlay program since October 2013 using futures to equitize PRIM cash. Parametric manages over $137 billion in notional synthetic exposure for 235 institutional investors. Parametric’s fee is an extension of their current fee structure and will be approximately 2-3 basis points.

The PRIM Investment Committee voted, by unanimous roll-call vote, to approve a recommendation to the PRIM Board to approve (1) eSeclending, PRIM’s current securities lending manager, to manage a general collateral (primarily U.S. Treasuries) securities lending program and repurchase agreements, as needed, and (2) Parametric, PRIM’s current overlay manager, to manage Futures, Total Return Swaps and Repos, as needed, as described in Appendix G of the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

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 welcomed the three interns that joined the PCS team this summer, Yang Wang from the University of Washington, Peng Fei, University of Washington, and Tiana Xiong from Brandeis University.

Turning to performance, Mr. Li noted that PCS 1-year return was 15.6% vs the benchmark of 17.1%. PRIM’s Hedge Funds portfolio, which is 80% of PCS, 1-year return was 17.4%, lagging the benchmark by 150 basis points. In a 10-year timeframe, the PRIT Hedge Fund annualized 4.8%, outpacing the benchmark by 100 basis points.

Mr. Li noted that as mentioned by Mr. Trotsky, post the March 2020 selloff, PRIM’s overall Hedge Fund portfolio had turned defensive, as indicated in a realized beta of merely 0.1, lower than the hedge fund indices of 0.4 realized beta. Missing out significant equity beta explained part of the relative performance. That said, he continued, PRIM is comfortable with the lower-beta profile, which was expressed bottom-up from our investment partners who collectively took a cautious stance.

Mr. Li commented that zooming out of last year, since a decade ago, the PRIT Hedge Fund portfolio has come a long way. Governance has been greatly enhanced, with the majority of Hedge Funds investments in separate accounts that enable control over assets and significant fee saving. PRIM has successfully instilled a diverse mindset sourcing and assessing talents. Now, 54% of PRIT Hedge Funds are managed by emerging managers, roughly a quarter by minority managers. Finally, through custom mandates, co-investments, and open information flow, we have built a roster of partners that is part of the cornerstone for PRIM's ongoing success. The innovative partnership approach is also what got us the Institutional Investors recognition nominated by peers and asset managers.

Mr. Li noted that the Put Spread Collar Enhanced Equity program, which is slightly over 1% of the total PRIT Fund, now resides within Domestic Equity. The program delivered 35.9%, outpacing the benchmark by about 790 basis points. The superb performance was partly due to a rich volatility premium caused by imbalanced supply and demand.

b. Research – Asset Allocation Advisory Services Request For Proposals (RFP) Recommendation (Voting Item)

Maria Garrahan, Senior Investment Officer, Director of Research, presented a recommendation for Asset Allocation Advisory Services and gave a quick update on the environmental, social, governance (ESG) research initiatives.

Ms. Garrahan welcomed a new addition to the Research team. Mini Kouame joined PRIM as an Investment Analyst. His initial research focus will be on ESG as PRIM continues to build upon its existing ESG research. When correctly measured, ESG characteristics should be implemented through a two-pronged approach of evaluating (1) through external practices, ESG risks and subsequent value creation opportunities and (2) through internal practices and culture within our organization. PRIM continues to build upon these internal and external ESG practices.

Ms. Garrahan reminded the Committee that PRIM has taken a leadership role as a founding member of MIT's Aggregate Confusion Project which is an ESG research consortium aimed at addressing issues around the lack of quality and consistency of ESG data. In regard to membership**,** MFS and AQR have officially signed on as the second and third members of the consortium. MIT researchers have been focusing on (1) Attribute Preferences and (2) Noise Reduction Techniques. These two workstreams are the vital foundation required in order to make progress towards consistent and reliable ESG data. Jason Jay and Roberto Rigobon will give a more detailed update regarding these ongoing research initiatives at the next Investment Committee cycle.

Ms. Garrahan noted that PRIM issued a Request for Proposals for Asset Allocation Advisory Services on August 24, 2020. PRIM received four responses by the deadline of September 25, 2020. The respondents were Meketa, Verus, RVK, and NEPC. The Evaluation Committee consisted of Investment Committee member Glenn Strehle and PRIM staff members: Michael Trotsky, Eric Nierenberg, Maria Garrahan, David Gurtz, Jay Leu and Matt Liposky.

Ms. Garrahan noted that the virtual finalist interviews were held on October 13, 2020, for all four respondents. All responses were thoroughly reviewed, and finalists were selected based on criteria detailed in the RFP including relative experience; stability and depth of the proposed team dedicated to PRIM; quality and suitability of firm; client references; and fee proposal.

Ms. Garrahan noted that the Evaluation Committee recommends retaining NEPC for Asset Allocation Advisory Services as a result of this RFP process. NEPC has been PRIM's Asset Allocation advisory since 2015. Headquartered in Boston, NEPC has been solely focused on investment consulting, offering these advisory services since inception in 1986. The key persons dedicated to the PRIM relationship are Michael Manning, Phil Nelson, and Jennifer Appel.

Ms. Garrahan continued that NEPC tailored their presentation to meet the needs of PRIM's proprietary asset allocation framework. In addition to the standard scope of services, NEPC has extended this with inclusion of quarterly deliverables comprised of the following: quarterly capital market assumptions and macroeconomic landscape; and update on peer asset allocation changes and peer capital market assumptions. Finally, the proposed fee by NEPC of $230,000 annually for a five-year period with two one-year extensions is a competitive bid as it is a flat fee.

The PRIM Investment Committee voted, by unanimous roll-call vote, to approve a recommendation to the PRIM Board to select the incumbent, NEPC, to provide asset allocation advisory services as described in Appendix H 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 welcomed to the team Helen Huang and commented that she was off to a great start. He noted that the private equity industry is on pace to set records in 2021 across deal activity, exits and fundraising driven by government stimulus, rebounding economy, strong public equity markets and record high amounts of dry powder. Global M&A in the first half of 2021 is topping $2.8 trillion, an all-time record**.** Global buyout deal volume is on pace to top $1 trillion annually for the first time ever, surpassing the previous boom years of 2006 and 2007.

In regard to IPOs, Mr. McGirr continued, the resurgence continued in the second quarter**.** For example, there were 410 companies that went public on the Nasdaq in the first half of 2021, an all-time record, partially driven by an all-time record number of SPAC listings. One beneficiary of IPO activity has been Venture Capital, which had an amazing year with all-time records in the first half of 2021 for invested capital, exits, and IPOs. Overall, he continued, private equity valuations remain elevated, with a median US PE EV/EBITDA ~14.1x (according to pitchbook as of 2020). High valuations are supported by accommodating DEBT markets. In the first quarter of 2021 the leveraged loan market set all-time record for new issuance as spreads have tightened. As for fundraising, there are currently 5,248 PE and VC funds in the market raising capital according to Preqin, another record.

Focusing on performance, Mr. McGirr noted that Private Equity had a strong quarter, up 14.8% gross (14.5%, net), which brought up the 1-year return to 72.7%, the strongest fiscal year return ever (70.45%, net). This compares favorably to the R3000 at 63% for the 1-year as of 3/31/21 and the MSCI EU IMI return of 48% for the 1-year as of 3/31/21. This strong 1-year return helped pull up our 3-, 5-, and 10-year numbers to 29%, 26%, and 21% respectively *(gross)*. Venture Capital had a very strong quarter up 35% and a strong year up 96%. This performance essentially doubled the size of PRIM's Venture Capital program. PRIM's entire Private Equity program's assets increased to $13.8 billion, the largest it has ever been (14.5% of PRIT). The increase in value has been partly driven by valuations but also in large part to realizations with Year-To-Date 2021, the Private Equity program received back $1.7 billion in distributions. To date, PRIM has committed roughly $2.3 billion to new funds & co-investments ($2 billion funds/$300 million co-investments).

Mr. McGirr concluded by congratulating the Investment Committee and the PRIM team. PRIM's Private Equity portfolio has again been recognized as a top performing plan by the American Investment Council. PRIM's private equity portfolio landed in the 98% percentile (4th out of 178 pension plans) for our 10-year net performance as of June 30, 2020. He reminded the Committee that this ranking is as of June 30, 2020, so it doesn't include PRIM's 70% 1-year return.

The PRIM Investment Committee meeting adjourned at 11:41 a.m.

List of documents and exhibits used during the meeting:

- *Minutes of the PRIM Investment Committee Meeting on May 4, 2021*
- *PRIT Fund Performance Report (June 30, 2021)*
- *BNY Mellon Gross of Fees Performance Report (June 30, 2021)*

- *Rhumbline Passive S&P 500 Recommendation Presentation*
- *Callan Memorandum on Rhumbline Passive S&P 500*
- *Albourne Operational Due Diligence Memorandum: Rhumbline*
- *Real Estate Leverage Presentation*
- *Asset Allocation Advisory Services RFP Evaluation Committee Recommendation Report*

(The rest of this page was intentionally left blank.)