

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

Minutes of the Board Meeting

Tuesday, August 17, 2021

commencing at 9:30 a.m.

(CONDUCTED REMOTELY)

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

A T T E N D E E S

(Via Zoom)

Board Members

- Treasurer Deborah B. Goldberg, Chair
- Robert L. Brousseau
- Ruth Ellen Fitch
- James B.G. Hearty
- Theresa F. McGoldrick, Esq.
- Peter Monaco
- Dennis J. Naughton
- Paul E. Shanley, Esq.

Other Attendees:

- Anthony Falzone
- Alyssa Fiore
- Maria Garrahan
- David Gurtz
- Eleni Klemper
- Joseph Kamotho
- Mini Kouame
- Emily Kowtoniuk
- Chuck LaPosta
- Jay Leu
- Bill Li
- Christina Marcarelli
- Michael McGirr
- Eric Nierenberg
- Tim Schlitzer
- Michael Trotsky

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

2 A meeting of the Pension Reserves
3 Investment Management Board (PRIM Board) was held
4 remotely on August 17, 2021. The meeting was
5 called to order and convened at 9:30 a.m.
6 Treasurer and Receiver-General Deborah Goldberg
7 chaired the meeting.

8 TREASURER GOLDBERG: Good morning,
9 everyone. This meeting will be held by Internet
10 and telephone in accordance with the provisions of
11 an act extending certain COVID-19 measures adopted
12 during the state of emergency, which was signed
13 into law on June 16, 2021.

14 This act includes an extension until
15 April 1, 2022 of the remote meeting provisions of
16 the March 12, 2020 Executive Order that allows
17 remote participation by all members of a public
18 body and suspends the requirement that a quorum
19 and the chair be physically present, provided that
20 the public has access to the meeting through
21 technology that enables the public to clearly
22 follow the proceedings while they are occurring.

23 Accordingly, all members of this board
24 will participate today remotely via telephone and/

1 or Internet-enabled audio and videoconferencing,
2 and all votes in today's meeting will be taken by
3 roll call. Public access to the deliberations of
4 the meeting today will likewise be provided via
5 telephone with all documents referenced at the
6 meeting available to be viewed on PRIM's website,
7 www.mapension.com.

8 All persons speaking at today's meeting
9 are asked first to identify themselves. And the
10 Open Meeting Law requires anyone wishing to record
11 a meeting to first notify the chair so that the
12 chair can inform the other attendees.

13 So accordingly, I am informing you all
14 that the stenographer, Virginia Dodge from
15 Lexitas, is transcribing and also recording this
16 meeting.

17 If anyone else does intend to record
18 today's meeting, please first notify Steffanny
19 Rosario by email at srosario@mapension.com.

20 Tony, have you heard from anyone else
21 about recording the meeting today?

22 MR. FALZONE: I have not. Thank you.

23 TREASURER GOLDBERG: Additionally, the
24 Attorney General's guidance on holding remote

1 meetings reads as follows: At the start of the
2 meeting, the chair must announce the name of the
3 member or members who are participating remotely.

4 I will now announce the names of all
5 PRIM Board members who are participating in
6 today's meeting.

7 Bob Brousseau, Ruth Ellen Fitch, Jim
8 Hearty, Theresa McGoldrick, Dennis Naughton,
9 Carly --

10 Is Carly here?

11 MR. FALZONE: Carly is unable to make
12 it.

13 TREASURER GOLDBERG: Ah, okay.

14 And Paul Shanley.

15 And you will notify me when Peter Monaco
16 arrives.

17 And oh, by the way, I'm Deb Goldberg.
18 Forgot to announce myself.

19 So with that, we will have the first
20 motion, which is I would seek approval of the PRIM
21 Board meeting minutes, that the Prim Board
22 approves the minutes of the May 26, 2021 meeting
23 attached as Appendix A of the expanded agenda, and
24 further to authorize the executive director to

1 take all actions necessary to effectuate this
2 vote.

3 Is there a motion?

4 MR. SHANLEY: So moved.

5 TREASURER GOLDBERG: Is there a second?

6 MS. MCGOLDRICK: Second.

7 TREASURER GOLDBERG: By the way, I saw a
8 phone pop in.

9 Peter Monaco, is that you?

10 MR. MONACO: It is. Good morning, Madam
11 Treasurer.

12 TREASURER GOLDBERG: Perfect. Your
13 timing is exquisite. You're bright, ready and
14 willing and able for a vote. So we have a motion,
15 and we have a second. I'm going to take you out
16 of order and have you vote first.

17 MR. MONACO: Yes.

18 TREASURER GOLDBERG: Bob?

19 Did we lose Bob Brousseau?

20 MR. FALZONE: He's on mute.

21 TREASURER GOLDBERG: All right. We'll
22 come back to you, Bob.

23 Jim?

24 MR. HEARTY: Yes.

1 TREASURER GOLDBERG: Ruth Ellen?

2 Ruth Ellen?

3 MR. FALZONE: You're on mute too.

4 MS. FITCH: There it is. Yes. Sorry.

5 TREASURER GOLDBERG: Okay. Maybe I

6 should start the whole thing all over again.

7 All right. We've got Ruth Ellen, and

8 we've got Jim.

9 Theresa?

10 MS. MCGOLDRICK: Yes.

11 TREASURER GOLDBERG: We already had

12 Peter.

13 Dennis?

14 MR. NAUGHTON: Yes.

15 TREASURER GOLDBERG: Paul?

16 MR. SHANLEY: Yes.

17 TREASURER GOLDBERG: Bob, we're coming

18 back to you. Are you there?

19 MR. BROUSSEAU: Yes.

20 TREASURER GOLDBERG: Thank you.

21 And myself, yes. The motion carries.

22 Okay then. Next item on the agenda.

23 Let me see. That may be the executive director/

24 chief investment officer report.

1 Take it away, Michael.

2 MR. TROTSKY: Good morning, everyone.

3 Good morning, Treasurer. Thank you.

4 It's great to see everybody, and I hope
5 you're having a great summer so far and staying
6 safe.

7 We do have several guests on the line
8 today with us, including several clients, so we
9 want to welcome you all to the meeting. We also
10 want to remind all those speaking today that it is
11 now very typical in this remote environment that
12 the press records the proceedings. Sometimes they
13 show up late too. So they may be coming on. And
14 that of course allows verbatim quotes to be
15 included in their reporting.

16 So please keep that in mind as you
17 speak. Thank you very much.

18 Well, you've all heard this, but for the
19 benefit of our other guests who may not have
20 heard, the big news of this cycle is really that
21 the PRIT Fund recorded its best fiscal year in
22 PRIM's entire history with a return of 30 percent.
23 That's 29.5 percent, net of all fees. And also
24 its largest outperformance ever of 8.9 percent,

1 net, above benchmark. Almost 9 percent, we beat
2 the benchmark by.

3 The total return surpassed the previous
4 high in 1986, the year that the fund was first
5 established, the PRIT Fund, when the fund returned
6 25.6 percent. So a big outperformance over that
7 year a long, long time ago.

8 The outperformance of 9 percent above
9 benchmark surpassed the previous high in the year
10 2000, when the fund outperformed by 5.9 percent.
11 And of course this return equates to a net
12 investment gain of an incredible \$22.1 billion for
13 one year, for the fiscal year, and that's
14 \$6.7 billion above a benchmark return.

15 Assets under management were also a
16 record at 95.7 billion, while outflows to pay
17 pension benefits were approximately 1.2 billion,
18 which is fairly typical.

19 We're very pleased with the strong one-
20 year performance, but even more pleased that over
21 longer periods of time, through strong markets
22 like we've just had and enjoyed and through market
23 corrections, the PRIT Fund has proven to be very
24 high-performing, it's resilient, and it's very,

1 very cost-effective.

2 The PRIT Fund's trailing 3-, 5- and
3 10-year returns remain strong and consistently
4 above benchmarks and also above the required
5 actuarial rate of return, which is now 7 percent
6 for the state and for the teachers.

7 Much of the success can be attributed to
8 our individual asset class teams, who are very
9 disciplined and focused on identifying the most
10 profitable sectors and the most skillful managers.
11 We also believe our innovative and acclaimed work
12 over the last 10 years to develop our own
13 proprietary and statistically driven tools for
14 asset allocation and also manager selection, those
15 tools, those techniques, are paying off. We've
16 successfully engineered a portfolio that performs
17 well in really a variety of market conditions, and
18 we're proud of that.

19 Remember, one of PRIM's principal
20 investment beliefs, probably our core belief, is
21 that all investment programs must -- must -- be
22 evaluated on three equal important parameters, and
23 those parameters are return, risk and cost. And
24 while we are delighted with the record return of

1 fiscal 2021, we're equally pleased that risk was
2 well-controlled and our costs remain very, very
3 low. This was in a period when by design we
4 invested more of the fund in higher performing,
5 but higher cost private investments.

6 Now, in strong markets, investors often
7 become more focused on return and less focused on
8 risk and cost. But I can assure you that we are
9 all still as focused as ever on risk and cost here
10 at PRIM. In fact, for fiscal year 2021, the risk-
11 adjusted returns were at a multi-year high, while
12 costs were at a multi-year low.

13 And we measure this. Remember, there's
14 an old saying: What gets measured gets managed.
15 And last year, the PRIT Fund's Sharpe ratio was an
16 astounding 4.05, and total costs, all-in costs,
17 including everything, were 51 basis points, a half
18 a percent.

19 As a reminder, a Sharpe ratio of over
20 one is generally considered acceptable to most
21 investors, and larger is better. 4.05 is
22 astounding really. And 51 basis points cost,
23 all-in, is very low for any portfolio, let alone
24 for a portfolio that is approximately 35 percent --

1 35 percent -- high-performing private assets like
2 private equity, private debt, real estate and
3 timberland.

4 Project SAVE initiatives now total
5 \$250 million annually. And importantly, we
6 learned last week that our returns are at the very
7 top of our peer group, even while we believe that
8 the risk of the PRIT Fund is near the bottom. And
9 costs remain low and well-controlled.

10 So in short, the PRIT Fund is high
11 return, lower risk than most, less volatile and
12 very, very low cost. And we believe this is an
13 indication that our manager selection, our asset
14 allocation and diversification techniques and
15 tools have been working as expected since they
16 were designed and implemented several years ago.
17 It also indicates the success of our maniacal
18 focus on controlling costs.

19 Operationally, we had a very productive
20 year. We researched and deployed more than
21 \$4.4 billion in new investments. In one year,
22 \$4.4 billion. We hired and on-boarded seven new
23 full-time employees -- seven new full-time
24 employees -- even while we struggled with the

1 COVID pandemic. We promoted five of our highest-
2 performing rising stars. We hired 13 interns last
3 year.

4 And we launched several new initiatives,
5 including a groundbreaking agreement with the MIT
6 Sloan School designed to improve ESG investing,
7 and of course the program called the FUTURE
8 Initiative, which is designed to implement the
9 newly created Investment Equity Law, the law
10 created and championed by the Treasurer and her
11 staff, which was signed into law only in January
12 of this year.

13 The new law will help PRIM create an
14 enhanced pathway for diverse investment managers
15 and vendors to compete successfully for our
16 contracts, with the ultimate goal of achieving at
17 least 20 percent diversity in PRIM's vendor base.

18 But to recap our progress on this front,
19 let me first say that while there is always room
20 to improve, we're very, very proud of our
21 diversity and inclusion results to date, both in
22 regard to internal staff and external contracts
23 too. Last fiscal year, PRIM placed 1.2 billion
24 with diverse investment management firms and now

1 has more than \$6 billion in assets deployed.

2 With an affirmative board vote later
3 today, we'll add another billion dollar mandate to
4 this program. And prior to that, PRIM ranked
5 sixth in the nation in funds invested with diverse
6 managers -- sixth -- according to a recent *Pension*
7 *and Investments* survey. And that compares us to
8 plans that are far larger than us too.

9 Internally, 64 percent of PRIM's
10 workforce is diverse in regard to gender, race or
11 both. 49 percent of PRIM's workforce is female.
12 38 percent of PRIM's senior management is diverse
13 in regard to gender, race or both. And 33 percent
14 of PRIM's senior management is female.

15 Importantly, we continue to enhance our
16 proxy voting guidelines to require the boards of
17 our publicly traded companies to be diverse in
18 terms of both gender and race. The Treasurer and
19 this board have taken a leadership position there.

20 But clearly, in all of these areas,
21 there is room to improve, but we are consistently
22 and materially making progress each and every
23 year.

24 So great performance, low risk, low

1 costs. High productivity, new hires, new
2 promotions, diversity progress, research
3 leadership. These are results that we should all
4 be very, very proud of.

5 But I believe last year's achievements
6 are particularly remarkable because of the COVID
7 pandemic. It was a major distraction, if not a
8 major headwind, to our efforts. It was an
9 extremely difficult year, as we all know.

10 I couldn't be prouder of this team --
11 they're rock stars -- and how we responded during
12 the crisis and how we overcame the challenges to
13 deliver these incredibly strong results.

14 And I'm thankful to the board, to the
15 staff, to our committee members for your support,
16 your dedication and hard work over the past year.
17 It's really a year we will not soon forget. And I
18 hope it's in our rear view mirror soon.

19 Now, a quick operational update,
20 beginning with four new hires. I announced three
21 during the committee cycle. We have one new
22 announcement since the committee meetings. Let me
23 start with him. And I think he's on.

24 Yesterday, we welcomed Joseph Kamotho.

1 Are you on? Yes, there you are.

2 Joseph is joining us as a business
3 system analyst on the IT team. He will be working
4 to help IT support PRIM's systems and on-board new
5 technologies. Joseph previously worked at Man
6 Numeric as a database administrator, where he was
7 responsible for database design, management and
8 administration.

9 Previous to that, Joseph was a systems
10 administrator at Numeric Investors. Joseph holds
11 a bachelor of science in management information
12 systems from Northeastern University.

13 Welcome. Great to have you.

14 Next please join me in welcoming Helen
15 Huang, senior investment officer, private equity,
16 who began on June 1 and is reporting to Michael
17 McGirr.

18 Helen has more than 12 years of
19 investment management experience and will be
20 responsible for portfolio construction, manager
21 selection and contributing to PRIM's cutting-edge
22 private equity research.

23 She joined PRIM from China Growth
24 Capital, where she was a senior advisor. And

1 prior to that, she worked for the Harvard
2 Management Company, the Harvard endowment, and
3 also at Summit Partners, a local venture capital
4 firm, in investment roles.

5 She started her career at Merrill Lynch/
6 Bank of America. She has a bachelor of science
7 degree in finance from the University of Virginia
8 and an MBA from the Harvard Business School.

9 We're very happy to have her join the
10 team. She can't be with us today, but she has
11 already been an active participant in many of our
12 internal discussions.

13 And I'm particularly interested in the
14 venture capital research she is leading. She has
15 a lot of experience in venture capital. And that
16 research looks very interesting. Hopefully, we
17 will all hear more about that at the next board
18 cycle.

19 Also, I see you on, Mini Kouame started
20 on July 26 as an investment analyst on the
21 research team, reporting to Maria Garrahan, PRIM's
22 director of research. Mini comes to us from
23 Potomac Group, a sovereign advisory firm, as a
24 senior associate. He has prior experience as a

1 consultant for the World Bank and was a project
2 manager at KPMG Advisory.

3 Mini recently received his master's in
4 public administration and in international
5 development with a major in financial economics
6 from Harvard University. Congratulations on that
7 degree.

8 Mini also has his master's in management
9 with a major in finance from ESCP Europe Business
10 School in Paris, France, and a bachelor of science
11 in statistics from ENSEA in Ivory Coast. A lot of
12 great degrees. Can't wait for you to get going.

13 We're very happy to have you join the
14 team as well. Welcome to PRIM.

15 And last, but certainly not least, later
16 this month, Seth Gitell will be joining our
17 leadership team as our new chief external affairs
18 officer. And he'll report directly to me.

19 Seth is a seasoned public strategist,
20 experienced in strategic communications and media
21 relationships, as well as being a trusted counsel
22 to senior leaders. Most recently, Seth was chief
23 of staff for the office of the Massachusetts House
24 Speaker Bob DeLeo, the former House Speaker Bob

1 DeLeo.

2 His responsibilities included directing
3 and coordinating the daily and long-term
4 operations of the speaker's office and for
5 overseeing the office's communications efforts.

6 Prior to this role, Seth served as
7 Speaker DeLeo's director of communications. And
8 before that, in what was the top communications
9 role in the City of Boston, Seth was Mayor
10 Menino's press secretary.

11 Seth is a very talented writer, having
12 begun his career in political journalism, a former
13 reporter with the *Boston Phoenix* and *Forward*. He
14 has been published in *The Atlantic Monthly*, the
15 *Wall Street Journal*, *The Boston Globe* and the *Los*
16 *Angeles Times*. Seth is very well-known for his
17 sound judgment and his professionalism.

18 He has a bachelor of arts degree, magna
19 cum laude, in American history from Harvard and a
20 law degree from NYU School of Law.

21 We're very excited to have Seth join our
22 team later in the month.

23 So welcome to PRIM, everyone. We're
24 extremely happy to have you.

1 Now, before moving on to markets and
2 PRIT Fund performance, I'm pleased to report that
3 last month, the American Investment Council
4 announced that PRIM Private Equity ranked number 4
5 in private equity returns among nearly 200 U.S.
6 public pension funds. And that's based on 10-year
7 performance.

8 PRIM is the only fund that has been in
9 the top 5 of all private equity portfolios in
10 every single year the American Investment Council
11 has performed that study, including number 1
12 rankings in 2019, 2018, 2015 and 2013. We're
13 extremely proud of this accomplishment yet again.

14 Congratulations to the private equity
15 team for this outstanding accomplishment. Mike
16 McGirr will have more to say about that and the
17 performance later in today's agenda.

18 And I do think it's safe to say with a
19 return of more than 70 percent, seven, zero,
20 70 percent in fiscal year 2021, we're very
21 optimistic about next year's ranking.

22 Also, we are pleased to announce that
23 the PCS team, portfolio completion strategies
24 team, under Bill Li is one of four finalists for

1 partnership of the year at the 2021 *Institutional*
2 *Investor* Allocators' Choice Awards to be held in
3 New York next month.

4 This is the sixth time PRIM has been
5 recognized for outstanding innovation by
6 *Institutional Investor* as nominated by our
7 industry peers and colleagues. You may recall
8 that we were winner of Plan of the Year in 2016
9 and nominated for Plan of the Year in 2017, 2018,
10 2019. And of course my own Lifetime Achievement
11 Award, which is very gratifying to me, which was
12 awarded in 2019, which a few of you attended.

13 This year, we are being recognized for
14 our PCS partnership with Fir Tree Partners because
15 as *Institutional Investor* said, and I quote, "PRIM
16 kicked off a SPAC investment mandate before SPAC
17 became a buzzword." That deal made MassPRIM money
18 while invigorating Fir Tree's business as well.

19 We were really very early on the whole
20 SPAC theme, and congratulations to Bill, Eric, for
21 spotting that opportunity, and the entire PCS
22 team. Good luck in September.

23 Now turning to PRIT Fund performance and
24 markets, as you know, the financial markets

1 continued to rebound through the June quarter. At
2 the investment committee meeting two weeks ago, we
3 discussed the outlook.

4 And member Connie Everson, who is our
5 resident economist and strategist, she discussed
6 the possibility that the next 10 years in the
7 markets are likely to be very different from the
8 last 10 years. Namely, the forces that dominated
9 for the last 10 years, which are persistently low
10 interest rates, low inflation and an economy that
11 really tried and failed repeatedly to resume
12 sustained growth. This economy may finally break
13 out and show some sustained growth and inflation.

14 We noted that demand in the economy is
15 surging. And it is currently being held back by
16 supply issues, low inventory and labor shortages.
17 There are nearly 10 million workers still
18 unemployed. And their return to the workforce
19 could help keep demand surging.

20 We spoke about how it probably won't
21 take two years until the Fed tapers and/or
22 tightens. In fact, we discussed that if it does
23 take that long, this recovery might also be
24 considered another failure.

1 Now, this was a very rosy outlook
2 indeed, but I want to assure you that we at PRIM
3 remain steadfast in our core investment
4 philosophies that, number 1, nobody can predict
5 the future, so we don't try. And nobody can
6 predict the financial markets, so we don't try.

7 Instead, we have designed a long-term
8 portfolio with components that will perform well,
9 whatever the future brings, and we don't
10 believe -- do not believe -- in short-term
11 tactical asset allocation. We like how this
12 portfolio is positioned for the long term, and
13 we're very confident.

14 Let me just end with some performance
15 slides before turning it over to the next --

16 And Tony, do you want to pull up
17 slide 6?

18 First of all, in Q4, the June quarter,
19 the markets were strong. The S&P was up 8 and a
20 half percent. Developed international markets and
21 emerging markets were up 5 percent. Bonds were
22 even up almost 2 percent. This is for the June
23 quarter. And long-duration bonds were up
24 9.6 percent.

1 For the year, for the year ended 2021,
2 the S&P was up 40.6 percent. Developed
3 international markets were up 32 percent.
4 Emerging markets were up more than 40 percent, and
5 bonds -- as you would expect in rising interest
6 rate environment, bonds were down, diversified
7 bonds were down a percent and a half. And long-
8 duration bonds that are more sensitive to interest
9 rate moves, they were down more than 10 percent.

10 Overall, a 60/40 mix of stocks and bonds
11 was up 23.3 percent. And the PRIT Fund fared
12 better than a 60/40 mix. It was up 30 percent.

13 Turning to that slide that Tony has put
14 in front of you, you can see the staggering
15 increase in assets under management. Despite
16 paying out 1.2 billion in benefits, we reached a
17 new all-time high of \$95.7 billion.

18 Next slide. For the one-year period,
19 the PRIT Fund was up 30 percent, and that equates
20 to 29.5 percent net. That's an outperformance of
21 9.4 percent gross or 8.9 percent net. And this
22 equates of course to an investment gain of
23 22.1 billion, \$6.7 billion above benchmark.

24 You can see on this slide longer term,

1 three-, five-year periods up 12 percent or more
2 and well above our benchmark. And even the
3 10-year number up 9.5 percent also, above the
4 benchmark.

5 Next slide. You can see on the left
6 private equity led the way at 72.7 percent gross.
7 That equates to 70.5 percent net. For the one-
8 year period, we compare this to itself.

9 Private equity is a long-term asset
10 class so we don't have a one-year benchmark that
11 we show to you. Over a longer period of time, we
12 compare private equity to a public markets return,
13 plus an illiquidity premium of 3 percent. The
14 public markets benchmark is the Russell 3000, and
15 of course the 70 percent is far above that.

16 You can see global equities up
17 42.4 percent gross, 42.1 percent net. That's
18 1.7 percent net above a benchmark. And I think
19 that's particularly impressive, considering that
20 this total portfolio is 61 percent passive. It's
21 61 percent indexed, which means that 61 percent of
22 the portfolio has no chance of beating the
23 benchmark. So it's the other 40 percent that is
24 active that is doing a very good job.

1 Next, you can see value-added, fixed
2 income, real estate, PCS. All posted strong
3 absolute returns.

4 PCS was a little below benchmark, mainly
5 due to the fact that our managers were somewhat
6 defensive during the year, as you might expect in
7 a year like we just had. And they were defensive.
8 It was indicated by a realized beta of only 0.1.
9 So really not very much market exposure, net.

10 And then on the right, as I mentioned,
11 core fixed income was weaker, as you would expect
12 with rising interest rates.

13 And I'll end on the next slide, which
14 shows again on the left that private equity led
15 the way. Global equities were also very strong,
16 and fixed income on the right was weaker,
17 especially long-duration bonds, as I mentioned.

18 And importantly, the PRIT Fund was up
19 30 percent, 29.5 percent net, and that equates or
20 compares in the middle to a 60/40 mix, which is a
21 common benchmark that people like to use, which
22 was up 23 percent.

23 I'll stop there with my comments and
24 take any questions you might have before turning

1 it over to the next agenda item.

2 TREASURER GOLDBERG: Any questions for
3 Michael?

4 Hearing none, we're actually coming up
5 on Michael's favorite moment, next-to-favorite
6 moment of the year. Correct, Michael?

7 MR. TROTSKY: That's correct. But this
8 year, I guess I can keep you from seeing me blush
9 if I shut my video down.

10 TREASURER GOLDBERG: No, no, no, no, no.

11 MR. TROTSKY: I do have a couple of
12 comments to make.

13 MS. MCGOLDRICK: You know what we're
14 going to do? We're going to make it more
15 uncomfortable. We're all going to shut our
16 cameras down and have you be --

17 Tony, we're going to put it on speaker
18 view, even if he's not speaking, and have him fill
19 up the whole screen.

20 MR. TROTSKY: I do have a couple of
21 comments before you get started on that.

22 TREASURER GOLDBERG: Okay. So why don't
23 you go ahead?

24 MR. TROTSKY: As the Treasurer

1 mentioned, the next agenda item is my fiscal 2021
2 performance evaluation, and you'll be responsible
3 for approving my fiscal year '22 goals and
4 objectives, which were presented at each and every
5 committee meeting, and I've received some feedback
6 on them.

7 Just to start, the accomplishments of
8 the fiscal year were highlighted in my opening
9 remarks. And these accomplishments can also be
10 found in more detail in your expanded agenda. I'm
11 not going to go through them. Hopefully, you've
12 had a chance to review that.

13 Also my annual self-assessment was sent
14 two weeks ago. And many of you have also reached
15 out to me with your thoughts and feedback. I
16 appreciate that.

17 I'm excited to put fiscal year 2021 in
18 the record books, and also to build on that
19 success for fiscal '22.

20 You'll see that fiscal 2022 sets forth
21 an ambitious set of goals and objectives that are
22 outlined in Appendix D. And as a courtesy, the
23 document also includes highlights of the board-
24 approved annual plans of each functional area.

1 Those goals and objectives are
2 consistent with past years, but I will highlight
3 just two new objectives.

4 Number 6 on that, successfully implement
5 the FUTURE Initiative to comply with the 2021
6 investment equity legislation. I mentioned that
7 in my opening remarks. That should look very
8 familiar to you all.

9 What might be new is number 7. And
10 that's a new one, to collaborate with the
11 Treasurer's Office, together with the board and
12 committee. I know several members are interested
13 in this. The MIT Sloan School also wants to
14 participate and also other members of the
15 Aggregate Confusion Project. MIT Sloan School's
16 ESG consortium is called the Aggregate Confusion
17 Project.

18 And number 7 really is a plan to develop
19 and execute a comprehensive ESG initiative that
20 we've already started on. You've heard from Maria
21 Garrahan in the past.

22 This will require that we work
23 cooperatively with the Treasurer's Office. We're
24 very much looking forward to this. Several board

1 and committee members have expressed an interest
2 in this. And we may have to work with the
3 legislature to come up with an agreeable ESG law.
4 That's a new goal of PRIM for fiscal year 2022.

5 I appreciate any of your direct
6 feedback. Many of you have already offered
7 helpful comments to me this year and also in past
8 years. So I very much look forward to speaking
9 with you soon.

10 You know how to reach me. Please
11 contact me directly or through Marliese if you
12 would like to set up a time to speak, and I'd look
13 forward to that very much.

14 TREASURER GOLDBERG: All set, Michael?

15 MR. TROTSKY: All set.

16 TREASURER GOLDBERG: So all in all, I
17 think we can agree that lots of fabulous news and
18 positive information. I think not only do we have
19 results, but we also have a forward-thinking
20 organization, which I think, you know, it's often
21 said that organizations that are innovative are
22 the most successful. Organizations that are the
23 most inclusive are more successful. And I feel
24 that that's exactly what I've been seeing occur

1 year after year.

2 And so with that, we move into the
3 performance evaluation, and then we have a voting
4 item that will be the fiscal year 2022 goals and
5 objectives.

6 So I think at this point, it's probably
7 appropriate to turn this over to you, Bob.
8 Wouldn't you agree?

9 MR. BROUSSEAU: I think so, Madam
10 Treasurer.

11 First of all, a few comments, probably
12 five or six minutes, that I would like to make.
13 But I want to say good morning and welcome to all
14 of you to this annual summer ritual that we go
15 through in August. It is the performance
16 evaluation of the executive director and, as
17 Michael said, the approval of his goals for the
18 next fiscal year.

19 I want to remind you that state law
20 requires an open public evaluation of the
21 executive director, and we do this every year.

22 After 11 years of course, we are
23 accustomed to the process. However, as the
24 Treasurer noted, this has never been one of

1 Michael's favorite days. I think over the last
2 few years, I think he's been able to relax and
3 accept the fact that, yes, this is one of his
4 happiest days, and he should bask in the sunshine,
5 of course, of the evaluation by his peers here on
6 the board, of the trustees.

7 To review the process, I think you all
8 know that the executive director forwards his self-
9 evaluation and his goals and objectives for the
10 coming year. Today, we evaluate this performance
11 for the fiscal year that ended on June 30 of this
12 year.

13 There were two documents that were sent
14 to you, of course. You received the performance
15 as well as the goals. These two documents were
16 provided to the board and to the three advisory
17 committees for any comments they choose to make.

18 I would say that included in this
19 document was a discussion guide. The discussion
20 guide is there for your use. It is not to be
21 returned to me. You're to use it as a jumping-off
22 point so that you can evaluate the goals and also
23 not only the goals from last year, but the
24 performance of these goals by the executive

1 director.

2 I think as board members, we encourage
3 you to use this performance guide, as Michael said
4 earlier, if you want to sit down with him and have
5 a conversation or talk to him. I know he welcomes
6 that, and he does welcome the feedback.

7 Now, as chair of the Administration and
8 Audit Committee, I don't evaluate his performance.
9 All I do is coordinate the process. Those are in
10 our governance documents, that the chair of the
11 Administration and Audit Committee coordinates the
12 process. And of course that's what I will do
13 today.

14 Board members are not required to
15 forward their evaluation to me. They may do so,
16 as many of you have done today.

17 Today's proceedings become -- I want to
18 remind you -- become a public record of the ED's
19 evaluation. The results, I received
20 10 evaluations from board and committee members;
21 five from board members and five from committee
22 members.

23 And beforehand, I just want to thank all
24 of you for participating in this process. It

1 certainly makes my life a lot easier when it comes
2 to getting a narrative together.

3 This year's evaluation is no different
4 than the ones we have heard for the last 10 years.
5 In fact, they get better each year. And of
6 course, this is no exception.

7 Michael is highly respected and received
8 outstanding reviews by all of the evaluations that
9 I received. There was no criticism, not one
10 criticism, in any of the evaluations that I
11 received.

12 Words like -- last year, the word
13 "outstanding" appeared on several of the
14 evaluations. After a while last year, I guess
15 some people felt we have out-used this word. And
16 now the word that I found a lot in this year was
17 "creativity" and especially the term "innovation."
18 This is the quality that Mike uses in running that
19 organization, and we see the results.

20 Another one, "team building." Staff
21 working in teams for the common goals.

22 And another thing that came through,
23 that in this pandemic year with all of its
24 volatility, the results speak for themselves.

1 Here we see a 95-plus billion dollar fund gained
2 over \$22.2 billion over the last fiscal year,
3 which is phenomenal.

4 What was mentioned in these evaluations,
5 the ESG initiative or MIT Sloan program that we
6 are working with. The diversity and inclusion
7 program. The FUTURE, the FUTURE Project, being
8 handled by David Gurtz at this point. The real
9 estate leverage project that we are going to be
10 voting on today. And finally, all of the PRIM and
11 PRIM staff, recognition for our staff and for what
12 we have done here.

13 So these are the things I'm sure that
14 you would expect to have seen in these
15 evaluations, and they were here. However, I think
16 you have to get a flavor for all of this so what
17 I've tried to do is at least take some quotes from
18 the evaluations that I received so you're
19 realizing it's not Bob Brousseau saying these
20 things. These are the exact words of the
21 evaluators who evaluated Michael's performance.

22 I'll start with one. "This year capped
23 a very long-term era of over 10 years, I believe,
24 of spectacular PRIM performance. I was a bit

1 disappointed that we did not celebrate it more
2 because I think the whole team and especially Mike
3 deserve real kudos and a very hearty thank you.
4 The performance was consistent through various
5 market conditions, challenges and even political
6 and health issues. It was a collaborative effort
7 by a team that Mike has so carefully forged and
8 guided."

9 Stated here: "He guided PRIM through
10 the COVID environment with barely an issue. He
11 continued to drive the team to excel and innovate.
12 And he continued to hire and develop exceptional
13 people.

14 "Thanks to a large degree to Mike, PRIM
15 remains a thought leader, a highly respected
16 organization and a huge contributor to the well-
17 being of the state and the state's retirees."

18 Another comment stated, "This has been
19 another extraordinary, challenging year for PRIM.
20 Michael again had to face the combined challenges
21 of COVID and a volatile market, and I believe that
22 he has once again met these challenges superbly."

23 Some of the things that were mentioned
24 in this evaluation. "He has shepherded a huge

1 growth of the PRIT Fund in 2021 to \$95 billion,
2 fostering a true sense of team at PRIM, especially
3 by going out of his way to recognize individual
4 contributions to group success, continuing in a
5 very collaborative relationship with Treasurer
6 Goldberg, entering a groundbreaking research
7 relationship with MIT Sloan School on ESG
8 investing, significantly further expanding
9 diversity of our staff, continued success of
10 Phase II of Project SAVE, and continued close
11 attention to client services and smooth transition
12 in client services leadership from Paul Todisco to
13 Francesco Daniele.

14 "If past performance is a predictor of
15 future success, we are most fortunate to have
16 Michael at the helm at PRIM. Quite simply, this
17 has proven to be true beyond our fondest dreams."

18 And another evaluation stated, "We all
19 have to stand in great respect for the investment
20 management results of the just-closed fiscal year.
21 Even the highly vaunted and largest public fund in
22 America, CalPERS, came in significantly behind
23 PRIM in overall performance. At the end of the
24 day, this is the most important thing we do."

1 Quoted, "This is not just a one-shot
2 pony with a streak of luck. Indeed, the results
3 demonstrate investment integrity and stellar
4 performance across the board, executed by a superb
5 team of investors. This is about the leadership
6 that Michael exhibits."

7 "The continued advancement in Project
8 SAVE has borne impressive results as PRIM's
9 adoption of progressive proxy voting guidelines to
10 help influence corporate behavior. These
11 dimensions of Michael's performance help to shape
12 the future of our business, and he does an
13 exemplary job of leadership therein."

14 And another comment made here.

15 "Michael's performance is outstanding. He
16 consistently displays excellent leadership and
17 management of the PRIM team, and the extraordinary
18 investment results as well as the strength of the
19 team are evident of this assessment.

20 "Michael is an excellent communicator
21 and consistently articulates clear principles,
22 expectations, information that keeps staff,
23 committee and board members informed of the team's
24 investment activity and results.

1 "The quality of staff he has assembled
2 and his management style encouraging
3 collaboration, innovation and professional growth
4 are consistently on display in one of our
5 interactions with staff as well as in committees
6 and board meetings. His professionalism and
7 consistent, thoughtful investment approach
8 inspires confidence in what was an exceptionally
9 challenging year.

10 "The ongoing emphasis on learned teaming
11 and innovation are part of the culture of PRIM,
12 and it is exciting to observe new investment
13 recommendations and initiatives that result from
14 these efforts throughout the organization.

15 "Michael is a leader in embracing D&I,
16 diversity and inclusion, both in the organization
17 and throughout the manager line-up."

18 These, I think, are some of the goals,
19 some of the thoughts that appear on many of these
20 also so I'm not going to repeat.

21 But here is another evaluation from
22 another person. "I continue to be very impressed
23 with Michael's leadership of the PRIM team, his
24 investment skills and discipline and his openness

1 to new ideas to improve the fund. One recent
2 example is cross-team collaboration to address the
3 challenge of optimizing the debt facilities in the
4 real estate area. By utilizing the best ideas in
5 the real estate team, the fixed income team, the
6 portfolio completion team and the accounting
7 finance team, significant interest, cost savings
8 and operational flexibility were achieved."

9 And another evaluation, the person
10 stated, "Michael has continued to provide great
11 leadership and guidance to the board, trustees,
12 committee members and the entire staff, whose work
13 has been recognized by our peers and many
14 distinguished organizations across the country.

15 "Michael has continued to put together a
16 team that I would put up against any of their
17 peers in the public sector. I again think this is
18 the best team we have had at PRIM, but as I said
19 last year, this says a lot, as we have had some
20 very talented people pass through the doors of
21 PRIM.

22 "Again, a team with extremely talented
23 individuals and not only provide outstanding
24 leadership for their particular discipline, but

1 just as importantly, the generosity they share
2 working with the other teams is something Michael
3 can be greatly proud of."

4 And I think just a few more here. "The
5 work he and the PRIM staff have done under his
6 guidance is magnificent for the fiscal year and
7 almost unbelievable. I agree Michael deserves the
8 very highest marks and congrats for the 2021
9 results. I am in awe of his and the staff's
10 sensitive and excellent work and proud to be a
11 board member."

12 Another one here. "A comment I would
13 share about Michael's performance is the
14 following. In addition to the trailing investment
15 results being outstanding over the short, medium
16 and long term, what has impressed me about
17 Michael's leadership is the culture of
18 collaboration and continuous improvement that he
19 seems to have engrained in the staff, as I think
20 that increases the likelihood of continued success
21 of the fund."

22 And I believe -- the other one stated
23 here said, "I've said it before, and I repeat it
24 again. Michael is perhaps PRIM's greatest asset

1 and clearly its most valuable employee. While I
2 hope and expect that Michael remain with PRIM for
3 a long time to come, given his importance to the
4 organization and, to me, the absence today of an
5 obvious in-house successor, should the board
6 devote some time to contingency succession
7 planning? As it stands, I think the only plan is
8 that in the event of a void in the ED role, a
9 search committee would be formed to identify a
10 successor."

11 Now we all know -- finally, I'd like to
12 summarize by saying as I went through my
13 evaluation, there were all of the same things and
14 the same goals that were mentioned. The
15 inclusivity of the organization, Michael's culture
16 of openness, the way he runs the organization,
17 especially the way he has built a staff and treats
18 the staff.

19 And also the respect. I believe he
20 holds everybody he comes in contact with in such
21 high regard.

22 I know, Michael, that you've been with
23 us now for 11 years, longer than any other
24 executive director in the history of PRIM.

1 I've worked with all of them since the
2 inception of PRIM back in 1984, and it's certainly
3 been my pleasure -- even though I enjoyed very
4 much working with Jim Hearty. He was with us for
5 about two years as the executive director in the
6 early part of the century and then moved on to
7 probably better things. I don't know.

8 But, Michael, your 11 years have been an
9 absolute joy, I know, for me to experience. And I
10 wish you well and wish well to your family and
11 hope that you are with us for many years to come.

12 And please wait until after I retire
13 because I do not want to have to go through
14 another search before I retire.

15 Thank you very much, Madam Treasurer. I
16 will turn the meeting to you, and I think the next
17 item is the voting item.

18 And I would say overly that board
19 members at this point should feel free to offer
20 their own evaluations, if they have not already
21 done so. Remember, this is a public document, and
22 it becomes part of the public record when we
23 evaluate the executive director.

24 And then we'll be voting on Michael's

1 goals and objectives.

2 Thank you.

3 TREASURER GOLDBERG: Thank you, Bob.

4 And I'd like to open it up to members of
5 the board. Is there anyone who would like to
6 comment?

7 Theresa.

8 MS. MCGOLDRICK: Yes. I'm sorry, Madam
9 Treasurer, but I did not make it in time to do the
10 evaluation until today, so I just wanted to give
11 my comments now.

12 Michael continues to amaze me with his
13 inspiring leadership, expertise, professionalism,
14 work ethic and his success in leading our fund to
15 the highest return in its history during a time of
16 tragedy, turmoil, inconsistency in the markets and
17 especially in the world. It is so comforting to
18 know that he is at the helm of our fund,
19 protecting our assets while growing them to new
20 heights.

21 And I just want to say that it's almost
22 repetitive every year what we say because every
23 year, I am more comforted by the fact that we have
24 him in charge of our beneficiaries' fund. And I

1 feel that we're really blessed with it.

2 And this year just -- I mean in a time
3 when you could count on nothing else really going
4 consistently, you could count on this, and that
5 just brings me a lot of peace, representing the
6 people that I represent, who completely depend on
7 their pension being there when they go to retire.

8 So thank you for all you do.

9 TREASURER GOLDBERG: Thank you, Theresa.

10 Is there anyone else?

11 Well, then it's my turn.

12 So I did speak with Bob yesterday. And
13 I listened very carefully to all of the comments
14 and accolades of your summary, Bob, and I thank
15 you for your hard work on that.

16 I have to say it's probably getting
17 easier because very often people use the same
18 adjectives over and over.

19 I think for this past year, the most
20 remarkable feature was the cohesiveness of the
21 team during an adjustment to remote and to the
22 pandemic, and Michael's true expression of concern
23 for his team and for what was happening out there
24 in the world.

1 Michael, you often started our meetings,
2 if you did come downtown, commenting on how
3 disturbing it was for you to see the restaurants
4 closed, the shops closed, the streets abandoned.
5 Which takes you above and beyond your perception
6 of what was going on.

7 And truly, the team, because of you and
8 your support of them and your engagement with my
9 office, helped, as I used consistently with not
10 just our offices, but also with the national group
11 of treasurers I work with, we kept on getting the
12 job done. And we kept on getting it done on
13 behalf of the people. And in PRIM's case, it's
14 the beneficiaries, Theresa, and it's also the
15 taxpayers.

16 And so we understand our double goals.
17 And this past year rose very much above what -- I
18 mean so many things could have been considered
19 acceptable, but not in Michael Trotsky's world.
20 Performance and adjustment to whatever the
21 circumstances may be, this year proved that the
22 strategy of return, risk and cost is the strategy
23 to live by. And this year, it paid off
24 enormously.

1 So when you use the word "innovative," I
2 think that's what has really been a key driver of
3 this organization, willing to take risks in being
4 innovative, which is different than taking risks
5 in investments, and that's what was one of the key
6 facets, Michael, that you really drive the bus
7 with.

8 And so I think that overall -- by the
9 way, I just wanted to let you know, no one gets to
10 retire unless I do. And so I have a new idea this
11 year that I'm going to beat Bob Crane's record of
12 number of years served as Treasurer. So we're all
13 going to be really old by the time we retire. So
14 don't have any thoughts of sitting on a beach and
15 enjoying yourself because at that point, we'll all
16 be going over to Hebrew SeniorLife.

17 But all kidding aside, this is great
18 teamwork between my team and yours. And I think
19 that members of the board who are looking forward
20 to getting engaged in how we evaluate and how we
21 move forward in ESG this --

22 With everything with the pandemic going
23 on, the only other major issue that you see
24 consistently talked about and concern about is

1 just what is happening with climate and climate
2 risk. And the collaborations that you are working
3 on putting together to address how do we as
4 investors impact that?

5 I think a major thing that happened this
6 year is that Engine 1, a group of investors,
7 gained two board seats on Exxon, the Exxon board.
8 And if we can get a group like Exxon engaged in
9 helping support how we save our planet, that would
10 be a really good thing.

11 So we have lots more to do together.
12 And at the same time, make sure that we have the
13 kind of returns together that are so important for
14 our beneficiaries and the taxpayer.

15 And I look forward to this conversation
16 again in a year. Bob, I just think you should
17 make copies of that because we're going to say it
18 again. Please, God.

19 So with that, Michael, do you have any
20 response to all of this? I do see a little bit of
21 red in your face.

22 Otherwise, would you like me to move on
23 to the voting item, or would anyone else care to
24 comment?

1 MR. NAUGHTON: Madam Treasurer, I would
2 just make a quick comment. I apologize to Bob for
3 the multifarious accolades that I sent to him
4 regarding Michael.

5 And directly to Michael, thank you for
6 being you.

7 MR. TROTSKY: Well, thank you, Dennis,
8 Treasurer, Theresa, Bob.

9 It's hard for me. These comments mean
10 the world to me because -- and thank you to
11 everyone else who participated. You know, we work
12 very hard to gain your confidence and your support
13 and to produce good results for the more than
14 300,000 beneficiaries of the fund.

15 We're very proud of the work we do and
16 the results we deliver, but I was very, very happy
17 to hear that most of the comments also attributed
18 my own success to that of the staff.

19 And really, I do believe that my job is
20 made easy because of this excellent staff we've
21 assembled and supported. And it's because of
22 their commitment to the fund and to each other
23 that we're able to celebrate this success.

24 This team is phenomenal. And really I

1 do believe that they deserve all the credit
2 because they really do all the work. And more
3 importantly, it's heartwarming to me because they
4 deserve the recognition more than me for producing
5 these strong results.

6 And they also deserve my gratitude for
7 being able to sit here and get your accolades.
8 Thank you. Thank you for all the work you do.

9 Someone said it, and I'll say it again,
10 that this staff is the best in the country, if not
11 the world. And again, I'm so happy that they
12 received as much recognition as I do really, and
13 they deserve it. And so congratulations to
14 everybody.

15 TREASURER GOLDBERG: Thank you, Michael.

16 Any other comments before we move on to
17 the vote for goals and objectives for '22?

18 MS. FITCH: Just a quick well-said by
19 Michael because it's really important for the
20 staff support. But this has been an incredible
21 year. Thank you.

22 TREASURER GOLDBERG: Okay. Thank you,
23 Ruth Ellen.

24 With that -- that's right, Michael.

1 Have a sip of water. You can breathe again.

2 We will turn to the fiscal year 2022
3 goals and objectives vote. Let me get the actual
4 wording.

5 I seek a motion that the PRIM Board
6 approve the Administration and Audit Committee's
7 recommendation to approve the executive director's
8 fiscal year 2022 goals and objectives as contained
9 in Appendix D of the expanded agenda and further
10 to authorize the executive director to take all
11 actions necessary to effectuate this vote.

12 Is there a motion?

13 MR. BROUSSEAU: I move that we adopt the
14 goals and objectives.

15 TREASURER GOLDBERG: So we had a lot of
16 chorus line people.

17 So let's see. Bob, we'll let you do the
18 motion, and I didn't quite hear everyone else's
19 voice.

20 Jim, was that you who had a motion?

21 MR. HEARTY: It was not. I'll be happy
22 to do so, but it wasn't I.

23 TREASURER GOLDBERG: All right. Who
24 else made noise?

1 MR. SHANLEY: It was me.

2 TREASURER GOLDBERG: All right. Then
3 let me have a second from somebody.

4 MR. NAUGHTON: Second.

5 MS. MCGOLDRICK: I'll second it.

6 TREASURER GOLDBERG: All right. Thank
7 you.

8 Discussion?

9 So I'm assuming everyone has read them.

10 And we had a thorough conversation, went over them
11 at Admin and Audit. And so since there's no
12 further discussion or comment, I will do a roll
13 call vote.

14 Robert Brousseau?

15 MR. BROUSSEAU: Yes.

16 TREASURER GOLDBERG: Ruth Ellen Fitch?

17 MS. FITCH: Yes.

18 TREASURER GOLDBERG: James Hearty?

19 MR. HEARTY: Yes.

20 TREASURER GOLDBERG: Theresa McGoldrick?

21 MS. MCGOLDRICK: Yes.

22 TREASURER GOLDBERG: Peter Monaco?

23 MR. MONACO: Yes.

24 TREASURER GOLDBERG: Dennis Naughton?

1 MR. NAUGHTON: Yes.

2 TREASURER GOLDBERG: Paul Shanley?

3 MR. SHANLEY: Yes.

4 TREASURER GOLDBERG: Myself, yes. The
5 motion carries.

6 Thank you very much.

7 Now we will turn to our investment
8 report and begin with public markets.

9 Dave, you're up.

10 MR. GURTZ: Good morning, everybody.
11 I'm David Gurtz, deputy CIO, director of public
12 markets.

13 And let me just jump right into
14 performance. I'll go through that very briefly
15 before we turn to our two voting items.

16 So Tony, would you mind opening up
17 page 15, and we're going to start with global
18 equities.

19 So global equities returned, as Michael
20 said, a terrific 42 percent for the fiscal year,
21 outperforming its benchmark by 2 percent gross or
22 165 basis points net of fees.

23 It's a very impressive relative return
24 when you consider that approximately 60 percent of

1 the global equities portfolio is passively
2 managed. Importantly, the relative outperformance
3 was also broad, with each subasset class
4 contributing to this outperformance.

5 I think there was three key reasons I
6 believe why this year was special and why every
7 asset class outperformed. One, good manager
8 selection; two, good portfolio construction; and
9 three, methodical rebalancing.

10 First, good manager selection. We have
11 selected strong managers in each subasset class,
12 resulting in relative outperformance across the
13 board. For example, two years ago, we added four
14 new U.S. microcap managers to our U.S. small/SMID
15 cap portfolio. And these four managers
16 collectively produced an absolute return of nearly
17 93 percent this past fiscal year, helping to make
18 U.S. small/SMID the highest-performing global
19 equity asset subasset class.

20 Additionally, these four microcap
21 managers outperformed their benchmarks by over
22 16 percent, net of fees, providing significant
23 relative outperformance.

24 Second, good portfolio construction. We

1 have constructed the global equity portfolio to
2 use active strategies in inefficient markets and
3 passive management in more efficient markets. For
4 example, a couple of years ago, we moved our
5 emerging markets portfolio to 100 percent actively
6 managed.

7 In this past fiscal year, our \$5 billion
8 emerging markets portfolio produced the best
9 relative performance. EM returned 48 percent,
10 outperforming its benchmark by over 5 percent or
11 44 and a half percent, net of fees.

12 On the other end of the spectrum, our
13 U.S. large cap portfolio is 100 percent passively
14 managed to the S&P 500 because that market is so
15 efficient.

16 And lastly, methodical rebalancing. As
17 Michael says, we do not predict the future, and so
18 we methodologically rebalanced the portfolio
19 between the U.S., developed international and
20 emerging markets, as well as between large cap and
21 small cap within each of these. And additionally,
22 we track and rebalance within our portfolios
23 between growth and value managers.

24 So collectively, a great year. Global

1 equities produced very strong absolute and
2 relative returns for those reasons.

3 Turning to page 16 and a review of our
4 fixed income portfolio, looking at the top left
5 graph, U.S. rates as of June 30, the yellow line
6 is higher compared to a year ago, the reddish
7 orange line there.

8 And when rates rise, bond prices fall,
9 all else equal. And while the rates have risen
10 this past year from their all-time lows of last
11 summer, the rates as of June 30 are still very
12 historically low.

13 The bottom right graph shows the U.S.
14 credit spreads. These credits continue to tighten
15 to levels last seen since 2004.

16 So what has happened this year is our
17 valued-added managers or our value-added fixed
18 income portfolio, which has mostly credit
19 exposure, has done very well, while our more
20 interest rate-sensitive assets in core fixed
21 income has suffered due to the rise in the yields.

22 So turning to the next page, on the
23 right-hand graph, you can see OCO, or other credit
24 opportunities, high yield, emerging market debt

1 and bank loans, all within our value-added fixed
2 income, all produced double-digit returns this
3 past fiscal year, thanks to credit spreads
4 tightening.

5 The OCO portfolio, which has grown to
6 approximately \$900 million, was the best fixed
7 income performer, returning over 20 percent, but
8 more impressively outperforming its benchmark by
9 nearly 16 percent, net of fees, as our managers
10 took advantage of dislocations in credit markets
11 to deliver these outsized returns.

12 Our high yield portfolio returned
13 17.3 percent, net of fees, on the back of credit
14 spreads tightening over 300 basis points during
15 this fiscal year. And again, they outperformed
16 the benchmark by over 2 percent, 171 basis points,
17 on a net-of-fees basis.

18 And emerging market debt returned nearly
19 16 percent, beating its benchmark by 9 percent,
20 while bank loans returned 10.1 percent, lagging
21 the benchmark by nearly 2 percent.

22 On the other end of the spectrum, core
23 fixed income strategies fared worse, given the
24 rise in interest rates this fiscal year. The TIPS

1 portfolio returned 5.8 percent, largely due to the
2 4.2 percent adjustment from realized inflation in
3 the U.S., which flows directly into the returns
4 for TIPS.

5 Our agg portfolio returned a modest
6 1 percent but outperformed the benchmark by over
7 1 percent. And finally, our STRIPS portfolio
8 returned a negative 13.9 percent on the back of
9 long rates rising 65 basis points over this
10 period.

11 And despite the low overall level of
12 interest rates, STRIPS continue to be negatively
13 correlated with equities, which served to dampen
14 overall portfolio volatility.

15 So I'll pause there and see if there's
16 any questions before we jump right into the voting
17 items.

18 TREASURER GOLDBERG: Any questions at
19 all, or are we ready to vote on items?

20 Okay then. I'll seek a motion and a
21 second, and then we can kick that off.

22 So I seek a motion that the PRIM Board
23 approve the Investment Committee's recommendation
24 to approve an initial allocation of up to

1 \$1 billion to Rhumblin Passive S&P 500 Index as
2 described in Appendix E of the expanded agenda,
3 and further to authorize the executive director to
4 take all actions necessary to effectuate this
5 vote.

6 Is there a motion?

7 MR. SHANLEY: So moved.

8 MR. BROUSSEAU: Second.

9 MS. FITCH: Second.

10 TREASURER GOLDBERG: Go ahead.

11 MR. GURTZ: Thank you.

12 So at the last meeting, we proudly
13 launched our FUTURE Initiative. It's our firm-
14 wide effort to increase the diversity of our
15 investment managers and vendors. And since the
16 last meeting in May, we continue to make
17 significant progress.

18 So in July, we held a Diverse Manager
19 Roadshow with the NAIC, that's the National
20 Association of Investment Companies. That's the
21 largest network of diverse private equity and
22 hedge fund managers. We had 20 PRIM investment
23 staff members meet with 24 diverse private equity,
24 hedge fund and real estate firms. And this event

1 was a great success and helped us continue to
2 build a deeper pipeline of diverse managers.

3 We continue to meet with and vet
4 advisors to help build our emerging diverse
5 manager program for each asset class.

6 And as part of the FUTURE Initiative, we
7 are working to ensure all diverse managers have a
8 clear path to success at PRIM, whether it's
9 diverse emerging managers, diverse active managers
10 or even diverse passive managers, which is what
11 we're talking about today.

12 So I am very pleased to recommend
13 Rhumblin, a diverse manager, to passively manage
14 an initial allocation of \$1 billion of our S&P 500
15 portfolio.

16 Now, the addition of Rhumblin will
17 benefit PRIM in three immediate ways. The first
18 is it reduces a manager concentration risk for the
19 PRIT Fund. Per PRIM's investment policy
20 statement, no passive managers should manage more
21 than 25 percent of the PRIT Fund assets.

22 State Street Global Advisors, or SSGA,
23 currently manages approximately 26 percent of the
24 PRIT Fund assets. We continue to view State

1 Street as a key partner, managing a significant
2 portion of the PRIT Fund, but this initial billion
3 dollar allocation to Rhumblin will bring State
4 Street in compliance by reducing their exposure to
5 below 25 percent.

6 Second, it reduces the investment
7 management fees in our largest asset class.
8 Rhumblin's fees are competitive with peers and
9 were lower than our existing SSGA mandate.

10 Leveraging this recommendation and the
11 fee quote, we successfully renegotiated fees with
12 State Street, who reduced their fees by over
13 50 percent. And so collectively, between the
14 lower Rhumblin fees and the reduced State Street
15 fees, we will be saving approximately \$1 million
16 annually, certainly a clear indication that
17 Project SAVE is part of our DNA here.

18 And third, hiring Rhumblin will
19 increase PRIM's allocation to diverse investment
20 managers as part of PRIM's FUTURE Initiative.
21 Rhumblin has been a diverse firm since its
22 founding in 1990.

23 And so this truly is in my mind a win-
24 win-win recommendation.

1 So Rhumblin was founded in 1990.
2 They're a Boston-based diverse investment manager
3 that specializes in index-based products.

4 As of June 30, Rhumblin's assets
5 totaled \$92 billion invested in 60 unique index
6 strategies for nearly 300 clients. Approximately
7 two thirds of Rhumblin's assets are from public
8 funds like us. And the majority of these assets
9 are managed in domestic equity and index
10 strategies.

11 Rhumblin will use a full replication
12 approach to closely track the S&P 500 index and
13 customized to exclude PRIM's restricted
14 securities. Their track record of performance is
15 competitive with peers and certainly within
16 expectations.

17 Funding for this investment will be
18 sourced from our existing SSGA Passive S&P 500
19 Index portfolio, which is currently over
20 \$18 billion. Therefore, and importantly, this
21 allocation will not change our exposure to
22 equities. It does not increase it.

23 Overall, Rhumblin is well-positioned to
24 manage PRIM's passive S&P 500 index portfolio.

1 The firm offers a competitive 30-year track record
2 with substantial AUM and a diversified client
3 base. And this recommendation helps us remain in
4 compliance with our investment policy statement.
5 It helps us lower our fees, and it increases the
6 use of diverse investment managers.

7 So with that, I will stop and take your
8 questions.

9 TREASURER GOLDBERG: Any questions at
10 all for Dave?

11 I like you're using my expression, Dave.

12 MR. GURTZ: That's what I did.

13 TREASURER GOLDBERG: Win-win, win-win-
14 win-win.

15 MR. GURTZ: Yes. I stole it from you.

16 TREASURER GOLDBERG: This was a win-win-
17 win-win. So with that, win-win-win-win, are there
18 any other questions?

19 MS. FITCH: Not a question. A comment.
20 Smart move.

21 TREASURER GOLDBERG: And Bob, I see your
22 hand.

23 MR. BROUSSEAU: Just a very positive
24 comment. I guess I'm old enough to remember that

1 we were invested with Rhumbline. Right after they
2 organized in the 1990s and became a firm, it was
3 in the mid-'90s. I know that Jim Hearty was on
4 the board and recalls that.

5 And I recall when Wayne Owen was the
6 contact, was actually the person who represented
7 Rhumbline with PRIM. And I don't know how many
8 years we were with them at the time. It was I
9 think several years when there was a change. And
10 my aged memory forgets why that occurred.

11 But we were one of the first firms I
12 think to invest with Rhumbline when they were,
13 even at that point, a diverse organization.

14 I'm pleased to see that we're coming
15 back to work with Rhumbline. I think they are a
16 quality firm.

17 TREASURER GOLDBERG: Great.

18 Any other comments?

19 MR. NAUGHTON: If I may, Madam
20 Treasurer. Thank you.

21 I just want to mention, I know that we
22 have like 85-plus people who are listening to our
23 meeting. And I just want to emphasize that the
24 reason you don't hear more questions is because

1 the board members regularly attend the
2 subcommittee meetings, including the investment
3 committee meetings. And so we have had our
4 opportunity to hear these things through
5 thoroughly in those venues.

6 I just wanted to mention that as an
7 informational.

8 TREASURER GOLDBERG: Yes. That is
9 absolutely true. A good point to be made, Dennis.

10 We have an extensive subcommittee
11 process. And what I always think is terrific is
12 how even if members of the board are not members
13 of the subcommittees, many people attend. And
14 then we have people on the subcommittees who are
15 not members of the board who equally do attend our
16 board meeting. So there's a lot of integration.
17 And it's a good point to be made.

18 With that, we have a motion. We have a
19 second. And I think I will proceed to a vote if
20 there are no further questions.

21 Hearing none, all those in favor.

22 Bob Brousseau?

23 MR. BROUSSEAU: Yes.

24 TREASURER GOLDBERG: Ruth Ellen?

1 MS. FITCH: Yes.

2 TREASURER GOLDBERG: Jim?

3 MR. HEARTY: Yes.

4 TREASURER GOLDBERG: Theresa?

5 MS. MCGOLDRICK: Yes.

6 TREASURER GOLDBERG: Peter?

7 MR. MONACO: Yes.

8 TREASURER GOLDBERG: Dennis?

9 MR. NAUGHTON: Yes.

10 TREASURER GOLDBERG: Paul?

11 MR. SHANLEY: Yes.

12 TREASURER GOLDBERG: Myself, yes. The
13 motion carries. Okay.

14 MR. SHANLEY: Thank you, Dave.

15 MR. GURTZ: Thank you.

16 TREASURER GOLDBERG: Now, next item.
17 Just flip through my papers here.

18 It looks like we have another voting
19 item.

20 MR. GURTZ: We do. And Chuck and Eleni
21 are going to go through Newmarket.

22 TREASURER GOLDBERG: Great.

23 What I'll do is I'll seek a motion and a
24 second, and then we'll go through Newmarket.

1 I seek a motion that the PRIM Board
2 approve the Investment Committee's recommendation
3 to approve an initial allocation of up to
4 \$150 million to Newmarket IIFC III Fund-of-One,
5 LLC, as described in the expanded agenda, and
6 further to authorize the executive director to
7 take all actions necessary to effectuate this
8 vote.

9 Is there a motion?

10 MR. BROUSSEAU: So moved.

11 TREASURER GOLDBERG: Second?

12 MS. FITCH: Second.

13 TREASURER GOLDBERG: Got it. Go ahead,
14 Chuck.

15 MR. LaPOSTA: All right. Thank you very
16 much, and good morning, everybody.

17 The proposed strategy will be a new
18 credit investment for our OCO portfolio which
19 focus on loans to global infrastructure products
20 as collateral.

21 I'd like to thank my colleague Eleni
22 Klempler, who contributed her expertise of
23 infrastructure assets, among other things, to the
24 diligence process, as well as to Jay Leu for

1 providing his assessment of the relative risks of
2 the strategy.

3 The fund of one investment will invest
4 in Newmarket Capital's International
5 Infrastructure Finance Company Fund III, as well
6 as other direct transactions in the regulatory
7 capital relief, or RegCap, space, in which
8 Newmarket has expertise underwriting and investing
9 within this niche segment of the market.

10 Newmarket is Philadelphia-based and is
11 led by cofounders, which include Andrew Hohns, the
12 CEO, and Molly Whitehouse, the primary portfolio
13 manager.

14 Newmarket consists of 17 full-time
15 professionals, supported by an external investment
16 committee of four, which includes Dr. Hohns, the
17 CEO, and a board of advisors comprised of five
18 individuals.

19 The firm is focused on the niche of
20 underwriting regulatory capital relief instruments
21 on bank-held infrastructure lending books. This
22 will be their third fund dedicated to this
23 strategy.

24 The group has been doing this for

1 10 years as part of a prior organization, Mariner.
2 In 2013, they raised Fund I, which was a
3 \$500 million fund. In 2017, they raised Fund II,
4 which was 630 million. Both Fund I and II are
5 fully invested and have generated strong returns,
6 as expected.

7 Based on the opportunity set in front of
8 them, in 2018, the team elected to exercise a
9 buyout option that was in the initial sponsorship
10 agreement with Mariner. In early 2020, they spun
11 out of Mariner and became Newmarket, bringing over
12 their entire team.

13 They are now raising Fund III, which has
14 a target of \$1 billion, and is also targeting a
15 net return of 8 percent, which is consistent with
16 prior funds.

17 Newmarket focuses on RegCap trades
18 within the infrastructure space with banks who
19 have a deep history in infrastructure lending.
20 RegCap transactions are designed to ease the
21 burden of retained capital requirements resulting
22 from certain risk-weighting categories that banks
23 must hold against their loan portfolios.

24 By entering into a RegCap transaction

1 with Newmarket, banks can reduce their capital
2 requirements to as little as 15 percent, which
3 frees up capital to make additional loans and
4 allows the bank to maintain connections with their
5 borrowers.

6 For their part, Newmarket is paid a
7 coupon of 9 to 12 percent above LIBOR for a period
8 of five to seven years and retains exposure to the
9 credit risk of an 8 percent slice of the total
10 loan portfolio.

11 Credit risk is defined by three distinct
12 events: bankruptcy, failure to pay principal and
13 interest, or a distressed restructuring. These
14 are the only events that will impair or impact the
15 investment that Newmarket makes.

16 The fund strategy focuses on
17 infrastructure as an asset class, due to its
18 historical track record of low defaults, high
19 recoveries and low correlation with other major
20 markets.

21 The strategy typically targets
22 transactions with the core infrastructure lending
23 portfolios of banks which have an established
24 footprint in the local jurisdiction. Importantly,

1 the strategy focuses on established infrastructure
2 projects with steady cash flows and limits
3 development exposure to projects which are near
4 the end of construction phase.

5 The team conducts due diligence on both
6 the bank counterpart as well as the individual
7 loans in the proposed reference pool in order to
8 gain comfort around the fundamental risks.

9 Newmarket brings an experienced and
10 cohesive team with expertise in transaction
11 structuring as well as credit underwriting and
12 project finance, which helped establish their
13 competitive position by specializing in this more
14 labor-intensive segment of the RegCap market and
15 solidified them as an incumbent partner for
16 leading global infrastructure lenders.

17 With that, I will open it up to any
18 questions.

19 TREASURER GOLDBERG: Questions for
20 Chuck? Any whatsoever? Any additional comments
21 or questions?

22 Hearing none, I will go through a roll
23 call vote.

24 Bob?

1 MR. BROUSSEAU: Yes.

2 TREASURER GOLDBERG: Ruth Ellen?

3 MS. FITCH: Yes.

4 TREASURER GOLDBERG: Jim?

5 MR. HEARTY: Yes.

6 TREASURER GOLDBERG: Theresa?

7 MS. McGOLDRICK: Yes.

8 TREASURER GOLDBERG: Peter?

9 MR. MONACO: Yes.

10 TREASURER GOLDBERG: Dennis?

11 MR. NAUGHTON: Yes.

12 TREASURER GOLDBERG: Paul?

13 MR. SHANLEY: Yes.

14 TREASURER GOLDBERG: Myself, yes. The
15 motion carries. Thank you very much.

16 MR. LaPOSTA: Thank you.

17 TREASURER GOLDBERG: Now let's see. We
18 have strategy group coming up. Hi, Eric.

19 MR. NIERENBERG: Hi. Thank you, Madam
20 Treasurer.

21 TREASURER GOLDBERG: So first, Eric will
22 do a performance summary, and then we will have a
23 voting item on an RFP. Go ahead, Eric.

24 MR. NIERENBERG: Thank you very much.

1 Eric Nierenberg, chief strategy officer. Great to
2 see all of you this morning.

3 I first want to welcome Mini to our
4 group. He's the 11th member of our Strategy
5 Group. We now have enough people to field our
6 own soccer or football team so we're looking
7 forward to that.

8 I also want to mention we have five
9 interns with us right now. Tiana Xiong from
10 Brandeis. And we have four interns from the
11 University of Washington master's program in
12 computational finance: Vivian Liang, Navid
13 Bahadoran, Yang Wong and Peng Fei. And they've
14 been doing great work across our group.

15 As a reminder, we have three teams
16 within strategy: research, risk and portfolio
17 completion strategies. And those teams work
18 collaboratively with each other and then also with
19 their counterparts throughout PRIM on both the
20 investments and operations side.

21 At the Investment Committee meeting a
22 couple weeks ago, we talked about a number of the
23 research, risk and investment initiatives that we
24 have been working on within the group.

1 Today you'll be hearing from all three
2 of our directors: Bill Li, director of portfolio
3 completion strategies; Maria Garrahan, director of
4 research and Jay Leu, director of risk.

5 With that, I'm going to turn it over to
6 Bill, who will take you through PCS performance
7 summary.

8 MR. LI: Thank you, Eric. Good morning,
9 everybody.

10 This is Bill Li, director of portfolio
11 completion strategies.

12 Jump right into performance. For
13 trailing one year, PCS delivered 15.6 percent
14 versus the benchmark's 17.1 percent. Hedge funds
15 account for over 80 percent of PCS. Last fiscal
16 year, PRIT hedge fund returned 17.4 percent,
17 lagging the benchmark by 150 bps. In a 10-year
18 time frame, PRIT hedge fund annualized
19 4.8 percent, outpacing the benchmark by 100 bps.

20 As mentioned by Michael earlier, post
21 the March 2020 selloff, our overall hedge fund
22 portfolio had turned defensive, as indicated in a
23 realized beta of merely 0.1, lower than the hedge
24 fund industry's 0.4 beta. Missing out significant

1 market rally explained part of the relative
2 performance.

3 That said, we're comfortable with the
4 lower beta profile, which was expressed bottom-up
5 from our investment partners, who collectively
6 took a cautious stance.

7 Despite a lower-risk profile, the
8 absolute return of 17.4 percent greatly exceeded
9 expectation.

10 More specifically, the stable value
11 bucket, which is of minimal beta and currently
12 accounts for two thirds of PRIT hedge fund,
13 returned 13.9 percent trailing one year. Bonds
14 relative values were the major contributor
15 strategy type, while systematic macros detracted.

16 The remainder one third are directional
17 hedge funds, which are of moderate beta. It had
18 seen exceptional performance across the board.
19 All together, the directional bucket delivered
20 28 percent. And we remain constructive that
21 today's rapidly evolving environment is conducive
22 to the security selection alpha, and that's also
23 our sourcing focus the next three years.

24 Zoom out of last year, since a decade

1 ago, PRIT hedge fund has come a long way.

2 Firstly, governance has been vastly enhanced, with
3 most investments in separate accounts that enable
4 control and fee savings.

5 Secondly, we successfully instilled a
6 diverse mindset sourcing and assessing talents.
7 Now, 54 percent of PRIT hedge fund are managed by
8 emerging managers and roughly a quarter by
9 minority managers.

10 Thirdly, through custom mandates,
11 co-investments and intelligence sharing, we have
12 built a roster of partners that's part of the
13 cornerstone for PRIM's ongoing success. The
14 innovative partnership approach is also what got
15 us the *Institutional Investors* recognition,
16 nominated by peers and asset managers.

17 Now, turning from hedge funds to put
18 spread collar enhanced equity program, which is
19 slightly over 1 percent of total PRIT and now
20 resides within domestic equity. The program
21 delivered 35.9 percent, outpacing benchmark by
22 about 790 bps. The superb performance was partly
23 due to rich volatility premium caused by
24 imbalanced supply and demand. And that's the

1 market environment we've been seeing and want to
2 share with you as well.

3 And with that, I'm happy to take any
4 questions regarding the performance as such.

5 TREASURER GOLDBERG: Any questions for
6 Bill at all?

7 Okay then.

8 MR. NIERENBERG: Next we have a voting
9 item, Treasurer, from Maria Garrahan.

10 TREASURER GOLDBERG: I'm going to -- all
11 right. Here we go.

12 I seek a motion that the PRIM Board
13 approve the Investment Committee's recommendation
14 to select NEPC to provide asset allocation
15 advisory services as described in Appendix G of
16 the expanded agenda, and further to authorize the
17 executive director to take all actions necessary
18 to effectuate this vote.

19 Is there a motion?

20 MR. SHANLEY: So moved.

21 TREASURER GOLDBERG: Is there a second?

22 MS. FITCH: Second.

23 TREASURER GOLDBERG: All right then.

24 Maria.

1 MS. GARRAHAN: Good morning, everyone.

2 Before we dive into the asset allocation
3 advisory recommendation, I would like to share a
4 quick update on the ESG initiative.

5 First, I'm excited to share that we have
6 a new addition to the research team. As Eric
7 described a few minutes before, Mini Kouame joined
8 a few weeks ago as an investment analyst. His
9 initial research focus will be on ESG as we
10 continue to build upon PRIM's existing ESG
11 research.

12 As a reminder, MassPRIM has taken a
13 leadership role as the founding member of MIT's
14 Aggregate Confusion Project, which is an ESG
15 research consortium aimed at addressing issues
16 around the lack of quality and consistency of ESG
17 data. In regard to the membership, MFS and AQR
18 have officially signed on as the second and third
19 members of the consortium.

20 MIT researchers have been focusing on,
21 one, attribute preferences and, two, noise
22 reduction techniques. These two work streams are
23 the vital foundation required in order to make
24 progress towards consistent and reliable ESG data.

1 Jason Jay and Roberto Rigobon plan to give a more
2 detailed update regarding these ongoing research
3 initiatives at the upcoming cycle.

4 And now we can jump into the asset
5 advisory services.

6 PRIM issued RFP for asset allocation
7 advisory services on August 24, 2020. PRIM
8 received four responses by the deadline of
9 September 25, 2020. Respondents are as follows:
10 Nokia, Verus, RVK and NEPC.

11 The evaluation committee consisted of
12 the investment committee member, Glenn Strehle,
13 and the following PRIM staff: Michael Trotsky,
14 Eric Nierenberg, myself, Maria Garrahan; David
15 Gurtz; Jay Leu and Matt Liposky.

16 The virtual finalist interviews were
17 held on October 13, 2020 for all four respondents.
18 All responses were thoroughly reviewed, and
19 finalists were selected based on criteria detailed
20 in the RFP: relative experience, stability and
21 depth of the proposed team dedicated to PRIM,
22 quality and suitability of the firm, client
23 references and fee proposal.

24 The evaluation committee would like to

1 bring forward to the PRIM Board our recommendation
2 to select NEPC for the asset allocation advisory
3 services as a result of this RFP process.

4 Headquartered in Boston, NEPC has been
5 solely focused on investment consulting, offering
6 these advisory services since inception in 1986.
7 The key persons dedicated to the PRIM relationship
8 are Michael Manning, Phil Nelson and Jennifer
9 Appel.

10 NEPC tailored their presentation to meet
11 the needs of MassPRIM's proprietary asset
12 allocation framework. In addition to the standard
13 scope of services, NEPC has extended this with the
14 inclusion of quarterly deliverables comprised of
15 the following: quarterly capital market
16 assumptions and macroeconomic landscape, an update
17 on peer asset allocation challenges and peer
18 capital market assumptions.

19 Finally, the proposed fee by NEPC of
20 230,000 annually for a five-year period with two
21 one-year extensions is a competitive bid as it is
22 a flat fee.

23 I would like to ask if anyone has any
24 questions or comments at this point.

1 TREASURER GOLDBERG: Any questions or
2 comments?

3 I think you were very thorough, Maria.

4 MS. GARRAHAN: Thank you.

5 TREASURER GOLDBERG: If there are none,
6 I will proceed with the roll call vote. Everybody
7 ready?

8 Bob?

9 MR. BROUSSEAU: Yes.

10 TREASURER GOLDBERG: Ruth Ellen?

11 MS. FITCH: Yes.

12 TREASURER GOLDBERG: Jim?

13 MR. HEARTY: Yes.

14 TREASURER GOLDBERG: Theresa?

15 MS. MCGOLDRICK: Yes.

16 TREASURER GOLDBERG: Peter?

17 MR. MONACO: Yes.

18 TREASURER GOLDBERG: Dennis?

19 MR. NAUGHTON: Yes.

20 TREASURER GOLDBERG: Paul?

21 MR. SHANLEY: Yes.

22 TREASURER GOLDBERG: Myself, yes. The
23 motion carries.

24 MR. TROTSKY: Thank you.

1 Before we move on, I just want to
2 acknowledge that Maria has a very important date
3 coming up on Saturday. She'll be getting married.

4 And on behalf of staff and the board, we
5 want to say congratulations and best wishes.
6 Enjoy your honeymoon.

7 MS. GARRAHAN: Thank you. I made sure
8 to plan the wedding around the board meeting
9 because I felt like that would be the best, you
10 know, kickstart to the wedding festivities.

11 I'm actually not kidding.

12 TREASURER GOLDBERG: I'm sure you're
13 not. Good for you.

14 MS. GARRAHAN: Thank you, everyone.

15 TREASURER GOLDBERG: You too. You're
16 officially off the hook now.

17 Okay. Next on the agenda is real
18 estate, and we have a voting item. Real estate
19 leverage. It's not real estate.

20 MR. LEU: That's right.

21 TREASURER GOLDBERG: That's right. It's
22 misleading, real estate.

23 Go ahead, Jay.

24 MR. LEU: Okay. And this is a voting

1 item so --

2 TREASURER GOLDBERG: So I'm going to do
3 the motion and the second, and then you'll go
4 ahead.

5 MR. LEU: Okay. Great.

6 TREASURER GOLDBERG: All right. I seek
7 a motion that the PRIM Board approve the
8 Investment Committee's recommendation to approve --
9 now, this is multifaceted so hang in there.

10 One, eSecLending, PRIM's current
11 securities lending manager, to manage a general
12 collateral, primarily U.S. Treasury, securities
13 lending program and repurchase agreement as
14 needed; and Parametric, PRIM's current overlay
15 manager, to manage futures, total return swaps and
16 repos as needed, as described in Appendix H; and
17 further to authorize the executive director to
18 take all actions necessary to effectuate this
19 vote.

20 Now, I will tell you this had a lot of
21 discussion. So let's have the motion.

22 MR. SHANLEY: So moved.

23 MR. BROUSSEAU: Second.

24 TREASURER GOLDBERG: Okay. Great.

1 And now, Jay, go ahead.

2 MR. LEU: Thank you.

3 Hi. I'm Jay Leu, director of risk. And
4 as the Treasurer mentioned, please refer to
5 Appendix H in your materials.

6 And Tony, can you pull up and turn to
7 slide 2.

8 Okay. Thanks.

9 While I'm presenting the real estate
10 leverage recommendation today, I'd like to point
11 out that this has been a team effort with
12 collaboration across asset classes, public
13 markets, real estate and risk.

14 David Gurtz, Chuck LaPosta, John La
15 Cara, Matt Liposky, Tim Schlitzer, Shannon Ericson
16 and myself have worked together on this quite
17 closely and for quite a period of time on this.
18 And we've been exploring the financing options
19 from various different perspectives and various
20 different vendors.

21 And as was mentioned before, we've
22 received a lot of feedback and comments from
23 individual committee and board members, both from
24 the education seminar and the real estate

1 investment committee meetings and the material
2 that were sent out. So we very much appreciate
3 that collaboration as well.

4 David Gurtz and Chuck LaPosta were
5 co-presenters at the educational seminar last
6 month. And Chuck and David and Tim are on the
7 call and are each available for questions.

8 Today, we are looking to add tools or
9 financing options to PRIM's existing real estate
10 leverage program. And note: The PRIM real estate
11 asset class has a board-approved real estate
12 leverage policy.

13 And the real estate group manages the
14 leverage program within the constraints of that
15 policy. Among other things, the real estate group
16 decides on the size or amount of borrowing; two,
17 whether the borrowing is fixed or floating
18 interest rate; and then the term or average
19 maturity of the borrowing.

20 Today, we are not talking about those
21 decisions. We are talking about adding financing
22 options to the program.

23 So today, we are looking to add tools or
24 financing options to PRIM's existing real estate

1 leverage program. Currently, the real estate
2 program utilizes direct financing through, one,
3 property mortgages; two, bank loans; and three,
4 private placement notes.

5 The real estate leverage program also
6 utilizes internal financing through PRIM's
7 securities lending program, where we lend out
8 largely equity securities.

9 Today, we're looking to add the
10 following tools or financing options: general
11 collateral, primarily U.S. Treasury lending in
12 PRIM's securities lending program. So we've been
13 lending out stocks. Now we're looking to add U.S.
14 Treasuries, but specifically general collateral
15 U.S. Treasuries.

16 Two, repurchase agreements or repos,
17 very similar in spirit to the U.S. Treasury
18 securities lending; three, futures on equities and
19 U.S. Treasuries; and four, total return swaps on
20 equities and U.S. Treasuries.

21 Now, why are we looking to add these
22 tools or expand these financing options? The
23 reasons are really threefold. We're looking to
24 add these tools, number 1 and primarily, to lower

1 our financing cost; number 2, diversify our
2 financing options and increase our flexibility as
3 markets change; and three, potentially add
4 leverage capacity if we seek it.

5 Now, on the cost front, these internal
6 financing options will have a lower interest rate
7 cost of over 100 basis points per year versus bank
8 loans or private placement notes.

9 Bank loans and private notes are
10 expensive, carrying a spread currently of 120 to
11 140 basis points for PRIM real estate. And PRIM
12 real estate borrows at roughly a BBB level.

13 Internal financing, either securities
14 lending, Treasury repo, futures or total return
15 swaps, in contrast, is a cheap financing source at
16 roughly flat or zero spread to LIBOR.

17 Furthermore, general collateral Treasury
18 securities lending is and will be the lowest cost
19 of financing because it represents a
20 collateralized loan, with the highest quality
21 collateral being U.S. Treasuries.

22 So again, these internal financing
23 options -- repo, futures, total return swaps --
24 will have a lower interest rate cost of over

1 100 basis points per year versus bank loans or
2 private placement notes.

3 And note, all of these additional
4 tools -- this is just an aside -- repo, futures,
5 total return swaps, are short-term financing.
6 These tools can be coupled with interest rate
7 swaps to achieve fixed-rate financing for a term.
8 And we have been and are currently using interest
9 rate swaps for this purpose in the real estate
10 leverage program.

11 In 2017, we combined a LIBOR-based bank
12 loan with an interest rate swap to get four-year
13 fixed-rate debt. So we have also used interest
14 rate swaps in conjunction with securities lending.

15 So while we are adding the short-term
16 financing tools, this does not mean we are turning
17 to short-term borrowing. Those tools can, as I
18 mentioned, be coupled with interest rate swaps, as
19 we have done in the past.

20 Now, in order to expand PRIM's financing
21 options, we are recommending utilizing two of our
22 existing managers. We're not looking to add new
23 managers in this recommendation, but rather expand
24 the tools or financing options of two of our

1 existing managers.

2 ESecLending has managed PRIM's
3 securities lending program since December 2014 and
4 is the largest independent securities lending
5 agent in the market. ESecLending's fee will be
6 approximately 10 basis points.

7 And Parametric has managed PRIM's cash
8 overlay program since October 2013, using futures
9 to equitize PRIM cash. Parametric manages over
10 \$137 billion in notional synthetic exposure for
11 235 institutional investors. Parametric's fee is
12 an extension of their current fee structure, and
13 that would be approximately two to three basis
14 points.

15 So the recommendation, in summary, at
16 the bottom is PRIM staff recommends, number 1,
17 approving eSecLending, which is PRIM's current
18 securities lending manager, to manage general
19 collateral, primarily U.S. Treasury, securities
20 lending program; and two, repo agreements. So
21 expanding their existing mandate for those two
22 options and to do that as needed.

23 And then the second recommendation is
24 PRIM staff also recommends approving Parametric,

1 PRIM's current overlay manager, to manage futures,
2 total return swaps and repo as needed.

3 So with that, I will ask if anyone has
4 any questions.

5 TREASURER GOLDBERG: Are there any
6 additional questions for Jay?

7 Boy, Jay. It had a lot more discussion
8 when we were at the investment committee level,
9 didn't it?

10 MR. LEU: Yes.

11 TREASURER GOLDBERG: I think probably,
12 for people here on the board, though, the
13 questions that we raised were all answered.

14 If there are no more questions, I will
15 move this to a roll call vote.

16 MR. BROUSSEAU: Madam Treasurer, just
17 could I just offer a comment?

18 TREASURER GOLDBERG: Sure.

19 MR. BROUSSEAU: I'm very much in support
20 of this article, but from a personal vantage
21 point, I want to give kudos to the entire group,
22 to Michael especially, for using this as a board
23 educational opportunity on July 13, when we had
24 that special Zoom meeting.

1 I don't know how many -- we all
2 participated in it, but there were a lot of the
3 concepts here that a nonprofessional investor --
4 I'm a board trustee. A lot of these terms that
5 we're using, like repos and swaps and all that,
6 kind of foggy in your mind, but this put it all in
7 very clear perspective.

8 I'm hoping that in the future because of
9 this pandemic we've been in, when we have issues
10 like this, that Michael and the staff could put
11 together some more training sessions, which again,
12 is good board education, which we've been trying
13 to do. The retreats of course have been something
14 probably we have to cut down on because of the
15 pandemic.

16 But kudos to all of them. And I like
17 this kind of a format when we have an issue like
18 this.

19 TREASURER GOLDBERG: Agree.

20 MR. LEU: Thanks.

21 TREASURER GOLDBERG: So any other
22 comments before I do the vote?

23 Okay then. Bob?

24 MR. BROUSSEAU: Yes.

1 TREASURER GOLDBERG: Ruth Ellen?

2 MS. FITCH: Yes.

3 TREASURER GOLDBERG: Jim?

4 MR. HEARTY: Yes.

5 TREASURER GOLDBERG: Theresa?

6 MS. MCGOLDRICK: Yes.

7 TREASURER GOLDBERG: Peter?

8 Peter?

9 MR. MONACO: Yes.

10 TREASURER GOLDBERG: Dennis?

11 MR. NAUGHTON: Yes.

12 TREASURER GOLDBERG: Paul?

13 MR. SHANLEY: Yes.

14 TREASURER GOLDBERG: Myself, yes. The
15 motion carries.

16 Okay. Moving right along, we're going
17 to private equity, and we'll do a quick
18 performance summary, commitment summary, and then
19 we have one, two, three voting items.

20 MR. MCGIRR: Thank you, Madam Treasurer.
21 This is Michael McGirr, director of private
22 equity.

23 First off, I'd like to welcome Helen
24 Huang to the private equity team. We're thrilled

1 to have her join. She's hit the ground running.

2 I'll just have a few comments on the
3 private equity market before moving to performance
4 and opening up for questions and comments before
5 moving into our voting items today.

6 In short, the private equity market is
7 on fire. Private equity industry is on pace to
8 set records in 2021, across deal activity, exits,
9 fundraising. And this is all driven by government
10 stimulus, rebounding economy and the strong public
11 equity markets.

12 Global M&A in the first half topped
13 \$2.8 trillion, which is an all-time record.
14 Buyout deal volume's on pace to pass records set
15 from the boom years of 2006 and 2007.

16 There's been a resurgence in IPO
17 activity, and that continued throughout Q2. For
18 example, there are 410 companies that went public
19 on the Nasdaq in the first half of 2021, which is
20 an all-time record.

21 Venture capital has certainly been a
22 beneficiary of the strong IPO activity, hitting
23 all-time records in the first half for venture
24 capital invested, exits and IPO. Very strong

1 performance in that asset class.

2 Private equity evaluations remain
3 elevated. U.S., median, EV to EBITDA multiples
4 for 2020 and into 2021 are topping 14 times. And
5 those high valuations continue to be supported by
6 accommodating debt markets.

7 Fundraising activity in our markets
8 continue at a very robust pace. Currently there's
9 over 5,000 private equity and venture capital
10 funds in the market that are raising new equity,
11 which is an all-time record.

12 So with that as a market backdrop, some
13 quick comments on performance. Private equity had
14 a very strong quarter. We're up 14.8 percent
15 gross, 14.5 percent net. And that brought our one-
16 year number up to 72.7 percent gross or the
17 70 percent net that Michael had mentioned earlier
18 in the meeting.

19 And that 70 percent compares very
20 favorably to the public market over comparable
21 periods of time. The Russell 3, up 63 percent.
22 MSCI Europe up 48 percent for similar time
23 periods.

24 So that very strong one-year number, it

1 helped drag up our 3-, our 5- and our 10-year
2 numbers to 29, 26 and 21 percent, respectively,
3 all gross numbers.

4 Venture capital had an extremely strong
5 quarter, up 35 percent for the quarter. And a
6 very strong year, up 96 percent. So that
7 performance essentially doubled the size of PRIM's
8 venture capital program. Don't get to say that
9 very often.

10 Our entire PE program's assets have
11 increased to 13.8 billion. That's the biggest
12 it's ever been. As a percent of PRIT, we're
13 14.5 percent, also a new high watermark for
14 private equity.

15 Now, the increase in value has been
16 driven by valuations, but it's also been driven in
17 large part by realizations. Year to date 2021,
18 the PE program has received back \$1.7 billion in
19 distributions. So the portfolio continues to
20 grow, but we're getting cash back on that
21 treadmill that we've described before.

22 However, we're on pace to meet the goals
23 that we set in our February meeting in terms of
24 commitment. To date, we've committed roughly

1 \$2.3 billion to new funds and new co-investments.

2 And importantly, I'd like to join
3 Michael in congratulating the board and the entire
4 PRIM team on our strong 10-year performance,
5 recognized by the American Investment Council.
6 PRIM's private equity portfolio landed in the 98th
7 percentile for the 10-year net performance number
8 as of 6/30/2020.

9 So as a reminder, this is 6/30/2020.
10 It's about a year lag. So it doesn't include our
11 70 percent rate of return that I just mentioned.
12 So, excited to see how we land next year, for
13 sure.

14 I'm going to stop my comments on
15 performance there, open up to comments, questions
16 on the portfolio or the market in general before
17 moving to our voting items today.

18 TREASURER GOLDBERG: Any questions on
19 all of this?

20 Okay. Mike, why don't you move along?

21 MS. FITCH: Just a comment. Fabulous
22 work.

23 MR. MCGIRR: Thank you.

24 TREASURER GOLDBERG: Ruth Ellen, I think

1 actually you should make some signs.

2 MS. FITCH: Okay.

3 TREASURER GOLDBERG: "Fabulous work.

4 Innovation. Great team. Right on."

5 MS. FITCH: And don't forget, "Rah-rah."

6 TREASURER GOLDBERG: I'll get the

7 pompoms. I'll send them out to everyone. We need

8 team colors here. Any votes?

9 Just a little lightheartedness two hours

10 into our meeting.

11 Okay then. We should move on to the

12 voting items. So let me pull that up. Give me

13 one second. I like to check off everything we've

14 completed.

15 MR. MCGIRR: Sure. And our first voting

16 item is going to be presented by Alyssa Fiore with

17 regards to Stone Point.

18 TREASURER GOLDBERG: I will do the

19 motion and the second. And then, Alyssa, you can

20 take over.

21 I seek a motion that the PRIM Board

22 approve the Investment Committee's recommendation

23 to approve the commitment of up to \$150 million to

24 Stone Point Trident IX LP, as described in the

1 expanded agenda, and further to authorize the
2 executive director to take all actions necessary
3 to effectuate this vote.

4 Is there a motion?

5 MR. BROUSSEAU: So moved.

6 TREASURER GOLDBERG: Second?

7 MR. SHANLEY: Second.

8 MS. FITCH: Second.

9 TREASURER GOLDBERG: Okay. Go ahead,
10 Alyssa.

11 MS. FIORE: Thank you, Madam Treasurer.

12 So just to remind everyone, at the last
13 board meeting, we tried a new format to spend less
14 time on our high conviction re-ups to free up time
15 to focus on new managers as well as initiatives on
16 the private equity team.

17 We received positive feedback from you
18 all, so we're going to try that format again
19 today. But please let us know of any questions or
20 additional feedback.

21 So turning to Stone Point. Stone Point
22 is an existing manager, and PRIM has made two fund
23 investments since 2017, as well as completed four
24 co-investments. All these investments are

1 performing well, and this is a great example of
2 how we've been able to scale a relatively new
3 relationship over a short period of time.

4 Stone Point is a leading private equity
5 firm that has been investing in financial services
6 for over 20 years. Trident IX will make
7 investments in large and middle market companies
8 in North America and seeks to partner with best-in-
9 class management teams.

10 Stone Point is raising seven and a half
11 billion for Trident IX, but we are recommending a
12 commitment of up to 150 million.

13 I'll now open the floor for any Q&A.

14 TREASURER GOLDBERG: Any Q&A?

15 We have none. So with that, we will do
16 the vote.

17 Bob?

18 MR. BROUSSEAU: Yes.

19 TREASURER GOLDBERG: Ruth Ellen?

20 MS. FITCH: Yes.

21 TREASURER GOLDBERG: Jim?

22 MR. HEARTY: Yes.

23 TREASURER GOLDBERG: Theresa?

24 MS. MCGOLDRICK: Yes.

1 TREASURER GOLDBERG: Peter?

2 I think we lost Peter.

3 I'll try Dennis.

4 MR. NAUGHTON: Yes.

5 TREASURER GOLDBERG: Paul?

6 MR. SHANLEY: Yes.

7 TREASURER GOLDBERG: Myself, yes. The
8 motion carries.

9 Okay. Next item.

10 MR. McGIRR: The next item is Tidemark.

11 TREASURER GOLDBERG: Right.

12 MR. McGIRR: And we have a fund
13 recommendation as well as a voting item to add
14 Tidemark --

15 TREASURER GOLDBERG: The co-investment
16 bench. Right.

17 So I'm going to take each one by itself.
18 So I'm going to seek a motion that the PRIM Board
19 approve the Investment Committee's recommendation
20 to approve the commitment of up to \$75 million to
21 Tidemark Fund I LP as described in the expanded
22 agenda, and to further to authorize the executive
23 director to take all actions necessary to
24 effectuate this vote.

1 Is there a motion?

2 MR. NAUGHTON: So moved.

3 MR. BROUSSEAU: Second.

4 TREASURER GOLDBERG: Okay. Go ahead.

5 MR. MCGIRR: Thank you, Madam Treasurer.

6 I'm going to be presenting this
7 investment recommendation for Tidemark, which is a
8 first-time fund that we're recommending
9 \$75 million.

10 Tidemark is led by Dave Yuan, who is a
11 former general partner at Technology Crossover
12 Ventures, TCV, with whom PRIM has invested with
13 since 2006.

14 We first learned of Dave leaving TCV in
15 the fall of 2020. And in January of this year,
16 2021, Dave founded Tidemark Capital, a San
17 Francisco-based private equity firm. Tidemark is
18 a diverse and emerging manager.

19 And Dave spent the last 15 years at TCV.
20 I've gotten to know Dave over that period of time,
21 covering our positions with Technology Crossover
22 Ventures.

23 And because we've been invested with TCV
24 and we've known Dave, we're able to diligence his

1 body of work fairly easily. And what we found is
2 he's an incredibly hard worker. He's built up an
3 exceptional network, has the skills to source
4 attractive, hard-to-access investment
5 opportunities and has extremely sound investment
6 judgment.

7 Dave will employ the same investment
8 strategy at Tidemark that he's refined throughout
9 his career. He and his team will focus on
10 investing in small, growing, category-leading tech
11 businesses located primarily in New York.

12 Tidemark will target SaaS companies,
13 software as a service, dedicated to specific
14 industry verticals that provide small businesses
15 with a system of record. Tidemark likes these
16 businesses because they have the opportunity to
17 combine enterprise software, data, consumer
18 marketplaces and fin tech together to create
19 strategically important and fundamentally sound
20 businesses.

21 An example of this type of business
22 model is the company Toast. And many of you all
23 will recognize that company, either through the
24 point of sale at restaurants or through the app on

1 your phone.

2 Tidemark Fund I will make between 10 and
3 20 minority growth equity investments in companies
4 with revenues greater than \$10 million.

5 We're recommending a \$75 million
6 commitment to Tidemark Fund I. And we'd also like
7 to add them to the co-investment bench.

8 I'll stop my comments there. Happy to
9 take any questions or comments.

10 TREASURER GOLDBERG: Any questions?
11 Comments?

12 Hearing none, we will proceed to a vote.

13 Bob?

14 MR. BROUSSEAU: Yes.

15 TREASURER GOLDBERG: Ruth Ellen?

16 MS. FITCH: Yes.

17 TREASURER GOLDBERG: Jim?

18 MR. HEARTY: Yes.

19 TREASURER GOLDBERG: Theresa?

20 MS. MCGOLDRICK: Yes.

21 TREASURER GOLDBERG: Did we get Peter
22 back? It's not lit up. I wonder if something
23 happened with his phone?

24 Okay. Dennis?

1 MR. NAUGHTON: Yes.

2 TREASURER GOLDBERG: Paul?

3 MR. SHANLEY: Yes.

4 TREASURER GOLDBERG: Myself, yes. The
5 motion carries.

6 Next motion, I seek a motion that the
7 PRIM Board approve the Investment Committee's
8 recommendation to add Tidemark Capital to the
9 board-approved co-investment manager bench as
10 described in the expanded agenda, and further to
11 authorize the executive director to take all
12 actions necessary to effectuate this vote.

13 Is there a motion?

14 MR. BROUSSEAU: So moved.

15 TREASURER GOLDBERG: Second?

16 MS. FITCH: Second.

17 MS. MCGOLDRICK: Second.

18 TREASURER GOLDBERG: Okay. Mike, quick.

19 MR. MCGIRR: We're adding Tidemark to
20 the bench. We're hopeful to work on co-investment
21 opportunities with them.

22 The overall co-investment program
23 continues to perform. We're excited about it.

24 And we're excited to share more details in

1 upcoming IC and board meetings on the
2 co-investment program in general.

3 TREASURER GOLDBERG: Great. Thank you.
4 So any further questions on that? If
5 not, I'll proceed to a vote.

6 All right. Ready?

7 Bob?

8 MR. BROUSSEAU: Yes.

9 TREASURER GOLDBERG: Ruth Ellen?

10 MS. FITCH: Yes.

11 TREASURER GOLDBERG: Jim?

12 MR. HEARTY: Yes.

13 TREASURER GOLDBERG: Theresa?

14 MS. MCGOLDRICK: Yes.

15 TREASURER GOLDBERG: Yes, I know. I'm
16 just trying -- but Peter --

17 MS. MCGOLDRICK: I didn't think you
18 heard me.

19 TREASURER GOLDBERG: Yes.

20 Dennis?

21 MR. NAUGHTON: Yes.

22 TREASURER GOLDBERG: Paul?

23 MR. SHANLEY: Yes.

24 TREASURER GOLDBERG: Myself, yes. The

1 motion carries.

2 I think that's all for private equity.

3 MR. MCGIRR: Thank you.

4 TREASURER GOLDBERG: It is. We're
5 moving on. Moving along, everyone, to real estate
6 and timberland. Tim.

7 MR. SCHLITZER: Good morning, everybody.
8 We've got a couple of items today --

9 TREASURER GOLDBERG: Hang on. You're
10 going to do performance, and then we've got one
11 voting item.

12 MR. SCHLITZER: That's right.

13 TREASURER GOLDBERG: Okay.

14 MR. SCHLITZER: So just for the record,
15 I'm Tim Schlitzer. I'm director of real estate
16 and timberland. I'm not going to be referring to
17 any written materials today.

18 I just want to start off by thanking the
19 team. In the office, five days a week for the
20 entire fiscal year, really working hard. Have
21 been traveling a lot during 2021. Multiple trips
22 to the West Coast, the South, the mid-Atlantic
23 during this year to tour acquisition opportunities
24 and current holdings.

1 It's a really hands-on asset class, and
2 you know, we've been encouraged by the Real Estate
3 Committee and very much agree with them that we
4 should be out there seeing the assets. So we've
5 been doing that.

6 You just heard about the great work
7 being done to improve an already strong balance
8 sheet within the real estate LLC. John La Cara
9 leading that effort from our team. But as Bob and
10 others have said, a really collaborative effort
11 and a great effort. And you'll be hearing from
12 Christina in a moment on an opportunity that she
13 is leading that we have very strong conviction in.

14 So just a few words on the markets. The
15 capital markets in commercial real estate are
16 robust with significant capital-seeking
17 opportunities these days. I'm somewhat echoing I
18 think what Mike McGirr said as well.

19 At 250 billion in year-to-date volume in
20 the U.S., the equity capital markets are tracking
21 toward what would be a top-five year within the
22 last 20 in terms of transaction volume.

23 Commercial real estate continues to be
24 inexpensive compared to traditional fixed income

1 metrics. And this is important in a world with
2 potentially increasing inflation. I think we're
3 seeing that now. Less certain in terms of how
4 consistent that will be in the future.

5 But as demand recovers to varying
6 degrees in real estate, this is providing a lot of
7 comfort to investors, whether that inflation
8 continues or not.

9 So at this point in the calendar year,
10 we're closed or pending closed on 10 new
11 investments for approximately \$750 million in
12 total. And that's not including the
13 recommendation today from Christina.

14 That said, we think that we could
15 receive at least that much back in proceeds from
16 dispositions, so we continue to look for high
17 quality investments with scale. We do think that
18 the Berkshire investment fits the bill there.
19 You'll hear more on that.

20 Market fundamentals are strong.
21 Although still differentiated by property type,
22 PRIM did collect 96 percent of rents in the second
23 quarter, with no segment below 89 percent. And
24 that being retail, where we do remain underweight

1 and primarily holding grocery-anchored centers,
2 which have held up fairly well.

3 I'll just make a few points on
4 performance. So total real estate for the year
5 returned 17 percent. That's 847 basis points
6 above benchmark. Both the private and the public
7 strategies had strong performance. All managers
8 outperformed their benchmarks for the year, which
9 we were very glad to see.

10 On the private side, we did 12.5 percent
11 return. That's 511 basis points over the unlagged
12 benchmark. So that's the actual June benchmark.
13 The lagged performance was quite a bit in excess
14 of that, but I think this is the appropriate
15 apples-to-apples comparison. So good
16 outperformance, really driven by our overweights
17 to apartment and industrial use assets.

18 Portfolio leverage worked this year,
19 adding 204 basis points to the core return.

20 And then on the public side, the REIT
21 portfolio had a 38 percent return, more in line
22 with public markets. And our managers did
23 outperform in aggregate by 339 basis points. All
24 sectors in global regions had strong performance

1 during the year.

2 And then I'll just echo what Michael
3 said earlier, which is particularly in real
4 estate, although across all asset classes, our
5 gross-to-net spread for the year was 60 basis
6 points. So that's our cost. And that includes
7 all of the corporate costs. So extremely
8 efficient for a private market portfolio.

9 Just moving to timberland, U.S. housing
10 starts do remain strong at 1.6 million units.
11 That's annualized. That was the June number. Up
12 6 percent month over month and up 29 percent for
13 the year.

14 Permits have been off a little bit.
15 They were off in June, but lumber prices have
16 fallen back to levels that are really much more
17 within a normal historical range, which I think
18 should support construction going forward.

19 You know, no doubt that you've read
20 about the forest fire activity in British
21 Columbia, in Oregon. Significant activity there.
22 I did want to point out that PRIM has no exposure
23 to these fires.

24 Containment has improved substantially

1 across the board. And I just saw that the big one
2 in Oregon, which was over 400,000 acres, was
3 actually 100 percent contained as of today, so
4 good news there, relatively speaking.

5 And while we'd obviously never wish for
6 it, these fires will take timber offline longer
7 term, which will likely increase timber prices
8 across certain segments going forward.

9 The capital markets in timberland have
10 picked up recently as housing strengthens, as I
11 mentioned, and investors do focus more on
12 inflation. We're also seeing real evidence of
13 timberland demand driven by ESG considerations.
14 And that's expectations for an increased need for
15 carbon offsets by investors, corporations,
16 governments.

17 I'll mention -- this is public
18 information -- that one of PRIM's managers is
19 being acquired by a large New York-based asset
20 manager for this exact reason. So it's
21 interesting to see this playing out.

22 Just a few points on performance in
23 timberland. Total timberland for the year
24 returned 8 percent. That's 489 basis points above

1 the, again, unlagged benchmark. So that's the
2 actual June number. Positive performance was
3 driven by our Pacific Northwest and our
4 Australasian portfolios, which returned
5 14.6 percent.

6 These regions have benefited from strong
7 Asian export markets as well as domestic markets
8 in Australia and New Zealand and a lower supply
9 overhang than the southern U.S.

10 And then lastly, I'll just mention
11 similar real estate. Very low gross-to-net spread
12 so our costs for the year just below 50 basis
13 points so also extremely efficient for a private
14 international portfolio.

15 So that is my report. I'm happy to take
16 any questions. Otherwise, I will hand it over to
17 Christina.

18 TREASURER GOLDBERG: Any questions for
19 Tim?

20 Is Christina going to be -- should I do
21 the motion? Is this on the vote?

22 MR. SCHLITZER: Yes. I think that would
23 be appropriate at this time for Berkshire.

24 TREASURER GOLDBERG: Okay. So I am

1 going to seek a motion that the PRIM Board approve
2 the Real Estate and Timberland Committee's
3 recommendation to approve the following: One,
4 commitment of up to \$25 million to Berkshire
5 Multifamily Value Fund V; two, investment of up to
6 \$75 million in the Multifamily Co-Investment
7 Opportunity, and three, up to \$100 million to be
8 invested in potential future co-investment
9 opportunities to be deployed at staff discretion,
10 subject to criteria as described in the expanded
11 agenda, and further to authorize the executive
12 director to take all actions necessary to
13 effectuate this vote.

14 Is there a motion?

15 MR. BROUSSEAU: So moved.

16 TREASURER GOLDBERG: Is there a second?

17 MR. SHANLEY: Second.

18 TREASURER GOLDBERG: Okay then.

19 Christina.

20 MS. MARCARELLI: Thank you, everyone.

21 Good morning.

22 We're recommending an investment of up
23 to \$200 million to the Berkshire Group, and it
24 will be held in PRIM's non-core real estate

1 officer with notification to the Real Estate and
2 Timberland Committee. Each investment would be
3 required to meet certain criteria, including
4 proper alignment and control and a strategic fit
5 within Berkshire's skill set.

6 These opportunities are attractive for
7 several reasons, including Berkshire is a
8 multifamily specialist. They self-manage all
9 their properties through their property management
10 arm. We would be expanding a relationship with an
11 existing manager into a strategy that they have
12 been successfully executing for many years.

13 We're able to immediately deploy
14 significant co-investment dollars alongside the
15 fund investment. And lastly, PRIM recently closed
16 on the sale of an existing multifamily asset that
17 was very large, it was a single-property
18 investment highly concentrated.

19 So we're able to redeploy some of that
20 capital into a more diversified portfolio in
21 markets where PRIM currently has little exposure.

22 So with that, I will open it up to any
23 questions or comments.

24 TREASURER GOLDBERG: Any questions or

1 comments for Christina?

2 Hearing none, we're ready for the vote
3 then.

4 Bob?

5 MR. BROUSSEAU: Yes. I had to unmute
6 myself.

7 TREASURER GOLDBERG: Okay. Ruth Ellen?

8 MS. FITCH: Yes.

9 TREASURER GOLDBERG: Jim?

10 MR. HEARTY: Yes.

11 TREASURER GOLDBERG: Theresa?

12 MS. MCGOLDRICK: Yes.

13 TREASURER GOLDBERG: Peter?

14 MR. MONACO: Yes.

15 TREASURER GOLDBERG: Dennis?

16 MR. NAUGHTON: Yes.

17 TREASURER GOLDBERG: Paul?

18 MR. SHANLEY: Yes.

19 TREASURER GOLDBERG: Myself, yes. The
20 motion carries.

21 Thank you.

22 Okay. I think that might be it for real
23 estate and timberland. It is.

24 And we go to finance and administration.

1 And we have one, two voting items.

2 We're getting close, everybody. I just
3 wanted to give you a heads-up.

4 And I'll bet anything that Tony's going
5 to jump in.

6 MR. FALZONE: That's correct. Would you
7 feel comfortable doing the motion first and then
8 having me go ahead or --

9 TREASURER GOLDBERG: Yes. I'm going to
10 do the motion.

11 MR. FALZONE: Okay.

12 TREASURER GOLDBERG: All right. I would
13 seek a motion that the PRIM Board approve the
14 Admin and Audit's recommendation to approve the
15 issuance of a request for proposals for board
16 governance, consulting and fiduciary education
17 services as described in the expanded agenda, and
18 further to authorize the executive director to
19 take all actions necessary to effectuate this
20 vote.

21 Is there a motion?

22 MR. NAUGHTON: So moved.

23 MR. SHANLEY: So moved.

24 TREASURER GOLDBERG: And is there a

1 second?

2 MS. MCGOLDRICK: Second.

3 MS. FITCH: Second.

4 MR. FALZONE: Great. Thank you, Madam
5 Treasurer.

6 Good morning, everyone. I can sneak the
7 "morning" in. We're still not at lunchtime quite
8 yet.

9 I'm Tony Falzone, deputy executive
10 director and chief operating officer.

11 We're on page 26 of the expanded agenda.
12 These two voting items shouldn't require much
13 discussion so I just wanted to take a quick moment
14 and acknowledge my team if I could. Welcome Joe
15 Kamotho to my team. Very excited to have him on
16 board.

17 And I won't talk as long as I did at the
18 Admin and Audit Committee meeting about my team
19 and their contribution to our success.

20 You all know the operations team
21 leaders, Deb Coulter, our CFO; Matt Liposky, our
22 chief investment officer; and Michelle Witkes, our
23 director of human resources; David Griswold, our
24 IT director; and then Francesco Daniele, who is

1 our director of client service. You know about
2 them. You know the great work they do. They
3 present often at some of these meetings.

4 But there are also many team members
5 behind the scenes that work very hard and still
6 play a critical role in PRIM's success. Most of
7 them are listening in today. And these folks
8 ensure that the PRIM Board and the PRIT Fund's
9 reporting, it's timely, it's accurate, remains
10 award-winning. They make sure our clients are
11 well-serviced. They make sure our complex
12 investment program is implemented and executed
13 contractually.

14 I guess I just wanted to spend a minute
15 and thank those folks. I'm not going to call any
16 of them out because they get embarrassed so I
17 won't do that. But I do want to thank them for
18 the incredible job they do every year, and
19 especially this year in what was a very difficult
20 time.

21 So I just wanted to say that before we
22 got into the voting item. So thank you for that.

23 So as you know, this item, routine RFP.
24 PRIM's current governance consultant, Cortex

1 Applied Research, they're in the process of
2 winding down their governance practice. They
3 expect to have it wound down by the end of the
4 year. So we're going to be issuing an RFP, and
5 our RFP process is pretty standard.

6 So I have nothing else to add unless
7 there are any questions.

8 TREASURER GOLDBERG: Are there any
9 questions?

10 Hearing none, I'm going to proceed to
11 the vote then.

12 Bob?

13 MR. BROUSSEAU: Yes.

14 TREASURER GOLDBERG: Ruth Ellen?

15 MS. FITCH: Yes.

16 TREASURER GOLDBERG: Jim?

17 MR. HEARTY: Yes.

18 TREASURER GOLDBERG: Theresa?

19 MS. MCGOLDRICK: Yes.

20 TREASURER GOLDBERG: Peter?

21 MR. MONACO: Yes.

22 TREASURER GOLDBERG: Dennis?

23 MR. NAUGHTON: Yes.

24 TREASURER GOLDBERG: Paul?

1 MR. SHANLEY: Yes.

2 TREASURER GOLDBERG: Myself, yes. The
3 motion carries.

4 Okay. Seek a motion that the PRIM Board
5 approve the Administration and Audit Committee's
6 recommendation to approve the issuance of a
7 request for proposals for information technology
8 consulting and support services as described in
9 the expanded agenda, and further to authorize the
10 executive director to take all actions necessary
11 to effectuate this vote.

12 Is there a motion?

13 MR. BROUSSEAU: So moved.

14 TREASURER GOLDBERG: Is there a second?

15 MR. NAUGHTON: Second.

16 TREASURER GOLDBERG: Okay.

17 MR. FALZONE: Great. Thank you.

18 So this is another routine item. The
19 contract extension for our current information
20 technology consultant, Edge-Tech, expires on
21 December 31, 2021. So we'll be issuing an RFP, as
22 well as looking at the current approved vendor
23 list for any options we may have there as well.

24 TREASURER GOLDBERG: Any questions for

1 Tony on that?

2 Hearing none, drumroll. This is our
3 lost roll call of the day.

4 MR. BROUSSEAU: Yes.

5 TREASURER GOLDBERG: Ruth Ellen?

6 MS. FITCH: Yes.

7 TREASURER GOLDBERG: Jim?

8 MR. HEARTY: Yes.

9 TREASURER GOLDBERG: Theresa?

10 MS. McGOLDRICK: Yes.

11 TREASURER GOLDBERG: Peter?

12 MR. MONACO: Yes.

13 TREASURER GOLDBERG: Dennis?

14 MR. NAUGHTON: Yes.

15 TREASURER GOLDBERG: Paul?

16 MR. SHANLEY: Yes.

17 TREASURER GOLDBERG: Myself, yes. The
18 motion carries.

19 Okay then. Proposed 2022 PRIM Board and
20 committee meeting schedule. Has everyone received
21 it?

22 MR. FALZONE: This is a meeting early.

23 I just like to get out in front of it. Just let
24 me know if there are any conflicts, and I'll do

1 what I can to accommodate as many people as I can.

2 Thank you.

3 No vote. Just easy stuff.

4 TREASURER GOLDBERG: So legislative
5 update. I don't believe that Emily Kowtoniuk is
6 on. She's on vacation this week.

7 Is anyone else going to step in? Sarah
8 Kim, are you?

9 MS. KOWTONIUK: I'm here.

10 MR. FALZONE: Emily is on the phone.

11 MS. KOWTONIUK: I'm back.

12 TREASURER GOLDBERG: Oh, I thought you
13 were away. The picture you sent last night was at
14 a beach.

15 MS. KOWTONIUK: I was reminiscing. That
16 was last week.

17 TREASURER GOLDBERG: Sorry about that,
18 Emily.

19 MR. FALZONE: Thank you, Emily, for
20 joining us.

21 MS. KOWTONIUK: Yes. Thank you. And I
22 will be very brief.

23 So the legislature is on their August
24 recess, and prior to recess, they did wrap up the

1 FY '22 budget process.

2 Of note to PRIM, the final budget did
3 not include language altering the PRIM Board's
4 composition, but it did include an extra infusion
5 of cash into the PRIT Fund of \$250 million. So
6 the comptroller's currently working on a schedule
7 for that transfer, and we could see additional
8 transfers in either the FY '21 closeout stuff or
9 in an ARPA budget this fall. So we expect an
10 active fall and will continue to monitor as
11 needed.

12 TREASURER GOLDBERG: And the only thing
13 that I would like to add to that, and we've been
14 sharing this with Tony and with Michael and others
15 internally, that we have quite a number of
16 activist legislators who are filing lots of bills,
17 many of which can impact PRIM. So we are
18 following a lot of them very carefully and keeping
19 Michael and Tony and others in the loop on what we
20 hear and see.

21 Would you say that's a fair assessment,
22 Emily?

23 MS. KOWTONIUK: Yes. Absolutely.

24 TREASURER GOLDBERG: Lots of interesting

1 things. And Michael noted that too, that you have
2 never seen quite as many things going on in the
3 legislature.

4 For those who aren't familiar with Seth
5 Gitell, beyond being an incredible professional,
6 he will be really terrific eyes and ears for --
7 and the timing of his arrival is really ideal.
8 He's highly experienced. He really knows the
9 building. And yet he is a very quiet, low key
10 kind of guy. Perfect for this role.

11 So are there any other matters?

12 Yes, Bob?

13 MR. BROUSSEAU: Madam Treasurer, I
14 mentioned it at the admin meeting. I just, once
15 again, for the entire board's knowledge, I'd like
16 to congratulate Tony. As you look at the
17 financials for the end of the year for the 325-
18 plus million dollar budget, they came and that
19 budget was 0.6 percent of hitting the expenses,
20 with the appropriation right on target.

21 Tony, you'd better be a genius to figure
22 this out.

23 MR. FALZONE: Deb Coulter is the genius,
24 not me, for sure. A lot of that is her work. So

1 I'll pass that on. She's on vacation this week,
2 but I'll pass that on to her. Thank you.

3 TREASURER GOLDBERG: A well-deserved
4 vacation, I might add.

5 MR. FALZONE: Oh, for sure. For sure.

6 TREASURER GOLDBERG: Anyway. Of course
7 a woman achieved that.

8 MR. TROTSKY: I think that ends our
9 agenda. I just want to thank everybody again for
10 your confidence in me and the entire PRIM team.
11 It was a great year, but we're looking forward to
12 continued success next year.

13 And again, your encouragement, your
14 support, your recognition means the world to me
15 and the entire PRIM team. So thank you.

16 TREASURER GOLDBERG: Well, it's a
17 pleasure, Michael.

18 MS. FITCH: Thank you.

19 TREASURER GOLDBERG: And for your next
20 act, we expect you to break this year's record.
21 Just saying.

22 Anyway, all right, everybody. If
23 there's no further discussion, I would seek a
24 motion to adjourn.

1 MR. BROUSSEAU: So moved.

2 MR. NAUGHTON: So moved.

3 TREASURER GOLDBERG: A second?

4 MS. FITCH: Second.

5 MS. MCGOLDRICK: Second.

6 TREASURER GOLDBERG: All right then.

7 It's still a roll call.

8 So Bob?

9 MR. BROUSSEAU: Yes.

10 TREASURER GOLDBERG: Ruth Ellen?

11 MS. FITCH: Yes.

12 TREASURER GOLDBERG: Jim?

13 MR. HEARTY: Yes.

14 TREASURER GOLDBERG: Theresa?

15 MS. MCGOLDRICK: Yes.

16 TREASURER GOLDBERG: Peter?

17 MR. MONACO: Yes.

18 TREASURER GOLDBERG: Dennis?

19 MR. NAUGHTON: Yes.

20 TREASURER GOLDBERG: Paul?

21 MR. SHANLEY: Yes.

22 TREASURER GOLDBERG: Myself, yes. The
23 motion carries. Thank you, everyone.

24 (Meeting adjourned at 11:58 a.m.)