



Minutes of the PRIM Real Estate and Timberland Committee Remote Meeting
Wednesday, November 17, 2021

Committee members attending:

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

Committee members not attending:

- Garlan Morse, Jr., CRE
- Peter O'Connell

The PRIM Real Estate and Timberland Committee meeting was called to order at 9:33 a.m. Chair Jill Hatton announced that the meeting was being held by internet and telephone in accordance with the provisions of “An Act Extending Certain COVID-19 Measures Adopted During the State of Emergency” which was signed into law on June 16, 2021. This Act includes an extension, until April 1, 2022, of the remote meeting provisions of the March 12, 2020, Executive Order that allows remote participation by all members of a public body and suspends the requirement that a quorum and the Chair be physically present, provided that the public has access to the meeting through technology that enables the public to clearly follow the proceedings while they are occurring. Accordingly, all members of the Committee participated remotely via telephone and/or internet enabled audio and video conferencing, and public access to the deliberations of the Committee was likewise provided via telephone, with presentation materials made available on PRIM’s website (www.mapension.com). At the start of the meeting the names of the members participating remotely were announced.

I. Approval of the Minutes (Voting Item)

The PRIM Real Estate and Timberland Committee approved (unanimously) by roll call vote the minutes of its August 4, 2021, meeting.

II. Executive Director / Chief Investment Officer Report

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

Mr. Trotsky began by mentioning that he was excited to announce a new program as part of PRIM’s Future Initiative, a new emerging-diverse manager program with a goal of deploying \$1B in capital. With Board approval, PRIM plans to hire five new managers to deploy capital to emerging managers, defined as small managers with shorter track records, who generally have a very tough time getting started in the industry. Additionally, he highlighted new advances in PRIM’s ESG investment research, the research PRIM started last year in cooperation with the MIT Sloan School and other institutional investors from around the globe. He added that the leading-edge research will enable PRIM to be among the first investors in the world to utilize more reliable ESG ratings to design and implement more impactful investment programs. The environmental focus will include an assessment of PRIM’s investment portfolio carbon footprint – past and current – the goal of which is to measure the carbon footprint over time. He noted that he expects to share much more about these exciting new areas in the coming months.

PRIT Fund Performance

Mr. Trotsky began by reporting that the September 2021 quarterly results continue to be strong following a record-setting fiscal year (2021) in which the PRIT Fund was up approximately 30%, and nearly 9% above benchmark. For the September quarter, the PRIT Fund was up 2.4% net of fees despite global markets posting modest losses; domestic and developed international equity market returns in the quarter were essentially flat, but emerging market returns were negative 8% as China fell more than 18% with the prospect of an Evergrande bankruptcy and its possible contagion effects. He told the Committee that a 60/40 mix of global stocks and bonds was down 0.6%, but the PRIT Fund fared better and was up 2.4% net of fees for the first fiscal quarter of 2022, well above benchmark. The PRIT Fund ended with a balance of \$98.5 billion, a new record high, and paid out \$523 million in benefits during the quarter. Consistent with recent quarters, Private Equity again led the way with a return of 13.7% for the quarter. Real Estate was up 6.6% and Value-Added Fixed Income was up 2.8%. He mentioned that he would speak more on PRIT Fund performance and the markets later, but he first wanted to give the Committee an organizational update.

Organizational Update

Mr. Trotsky started by announcing the following promotions in alphabetical order by last name.

Alyssa Fiore has been promoted to Senior Investment Officer on the Private Equity Team reporting to Michael McGirr. Alyssa joined PRIM in 2016 and has had a big positive impact on PRIM's industry-leading private equity program. Alyssa plays a leading role in sourcing new managers and co-investment opportunities for PRIM and she has been intimately involved in designing and executing the team's unique and disciplined investment process and research agenda. Additionally, last year Alyssa was responsible for managing and mentoring private equity's summer intern who joined from Treasurer Goldberg's Women in Finance Fellowship program.

Minching Kao has been promoted to Investment Officer. Minching joined PRIM in 2019 and during the past two years has become a vital member of the Real Estate and Timberland team focusing on investment analysis and modeling, annual performance and budget review, and quarterly valuations. Minching continues to strengthen PRIM's portfolio analytics framework by using her extensive experience in financial modeling, underwriting, and valuation. Her analytical skills are outstanding and the skills she brings to the team are extremely valuable.

Qingmei Li has been promoted to Director of Audits and Financial Reporting. Qingmei joined PRIM in 2011 and has been an invaluable member of the Finance team ever since. Mr. Trotsky congratulated her on reaching her 10-year anniversary at PRIM. Qingmei is responsible for the PRIM and PRIT Fund audits, Procurement Process and Benchmarking Agreed Upon Procedures, and the audits of PRIM's separately managed accounts, investment accounts which continue to grow both in size and complexity. She is a trusted resource for the entire Finance team and her responsibilities have increased steadily through her tenure. Qingmei is also responsible each year for PRIM's Annual Comprehensive Financial Report, which has received the GFOA's Certificate of Achievement for Excellence in Financial Reporting for the past 16 years.

Christina Marcarelli, has been promoted, adding to her current title of Senior Investment Officer, Real Estate and Timberland, the role and responsibilities of the Director of Real Estate Debt. She will also assume management responsibility for Minching Kao, mentioned earlier. Christina joined the Real Estate and Timberland team as an Investment Officer in 2016 and has been extremely productive, taking on an ever-expanding list of responsibilities across the Real Estate and Timberland portfolios. Over the past three years, she has led PRIM's strategic and manager research of the \$4.7 trillion commercial real estate

debt market, becoming PRIM's clear subject matter expert in this area. Her efforts have led to the review of more than \$20 billion in real estate debt opportunities and the deployment of \$200 million in capital.

Mr. Trotsky congratulated all four employees and thanked them for their outstanding achievements.

Mr. Trotsky then congratulated **David Gurtz** on taking on a new, but familiar role as Deputy Chief Investment Officer in charge of strategic priorities, projects, and processes. He explained that David is one of his closest advisors helping run the day-to-day business, and he has accumulated much practical experience and has demonstrated good judgement in matters that impact both the investment and finance operations activities at PRIM. As a CPA and a CFA, David brings a unique mix of experience and knowledge from both sides of the business, having formally served as PRIM's Chief Financial Officer and Chief Operating Officer. On the investment side, David was PRIM's very first Director of Risk management before becoming Director of Public Markets and then eventually Deputy Chief Investment Officer. David's role as Deputy Chief Investment Officer has grown substantially over the past few years as PRIM has taken on several new strategic initiatives. David will continue to lead and build out PRIM's FUTURE Initiative, chair the Investment Review Team and Investment Team meetings, coordinate the monthly PRIT Fund rebalancing, provide research and assistance related to communications efforts and requests for information, lead reviews of PRIM's governance documents including the regular review of PRIM's Investment Policy Statement, oversee committee and Board package preparation, help the operations team monitor investment manager guideline compliance, track and monitor legislation that may affect PRIM, participate and help coordinate RFP's and ongoing investment due diligence, and more. Mr. Trotsky explained that this role is a very large and busy assignment encompassing many different areas, and he is delighted that Dave has agreed to take on this role, as he is an invaluable resource to PRIM.

New Employees

Mr. Trotsky then introduced several new employees. He began by mentioning that with David Gurtz's new important assignment he was very excited to announce **Michael McElroy** has joined PRIM as Senior Investment Officer and Director of Public markets reporting directly to Mr. Trotsky. Michael joins PRIM from Wellington Management where he was a Managing Director for both the systematic and fundamental equity investment teams. Prior to that he was Head of Global Equity for Batterymarch Financial Management where he was the lead portfolio manager for the systematic global equity portfolios. And prior to that, Michael was Head of Global Equities for Citigroup Asset Management, based in London, where he was responsible for all developed markets portfolio management. Michael earned a Bachelor of Science degree in Mathematics, a Master of Science degree in Transportation Planning, both from MIT, and his Master of Science in Management from the Sloan School of Management at MIT. PRIM is very happy to have Michael on board, he is an extremely talented individual.

Next, Mr. Trotsky welcomed **Denise Flynn** who joined PRIM as an Executive Assistant supporting David Gurtz and Michael McElroy. Denise comes to PRIM from the New England Center and Home for Veterans where she served as the Executive Administrative Assistant to the President & Chief Executive Officer. Prior to that, Denise was the Quality Coordinator for Karyopharm Therapeutics, Inc. as well as an Executive Administrative Assistant at Pioneer Investments. Denise has an Associate Degree in Commercial/Advertising Photography from the Rhode Island School of Photography. She will report to Deb Coulter, PRIM's Chief Financial and Administrative Officer.

Joseph Kamotho joined PRIM as a Business Systems Analyst on the IT team reporting to David Griswold. He will be working to help support PRIM's IT systems and infrastructure and he will help onboard new technologies. Joseph previously worked at Man Numeric where he was responsible for database design, management, and administration. Joseph holds a Bachelor of Science in Management Information Systems from Northeastern University.

Vincent Li joined the Investment Operations team as an Investment Operations Analyst reporting to George Tsipakis. Vincent comes to PRIM from the Massachusetts Department of Children & Families (DCF), where he was serving as a Management Analyst. Prior to DCF, he was a Rates Analyst at KPN iBasis. Vincent has a Bachelor of Arts in Economics from the University of California San Diego and is currently a Level II candidate in the CFA® program.

Melissa Ng joined the Investment Operations team as Manager of Real Estate and Timberland, Accounting and Reporting also reporting to George Tsipakis. Melissa comes to PRIM from Hancock Natural Resource Group, (HNRG) as a Senior Financial Accountant – Client Reporting. Prior to Hancock, she was a Senior Fund Accountant at GMO Renewable Resources. Melissa has a Bachelor's degree in Business Administration from the University of Massachusetts, Isenberg School of Management, with a major in Finance and Operations and is currently pursuing a Master of Business Administration at Endicott College, Van Loan School.

Mr. Trotsky concluded his introductions by welcoming these new employees to PRIM.

Recent Recognition

Mr. Trotsky quickly highlighted two employees who had recently received recognition. **Matt Liposky**, PRIM's Chief Investment Operations Officer, was recently selected to the CFA Institute's GIPS Standards Asset Owner Subcommittee. That is a great honor and testimony to his expertise in his field.

Additionally, **Matt Liposky** and **Deb Coulter**, PRIM's Chief Financial Officer and Chief Administration Officer were recently selected by the Treasurer as recipients for this year's performance recognition program. Each of them was awarded a citation for outstanding performance by the Treasurer in a recent ceremony, recognized for their great work in their respective areas. Mr. Trotsky expressed his congratulations and thanked the Treasurer for acknowledging their contributions.

Market Update

Mr. Trotsky began by mentioning markets have continued to be strong in October and so far in November. In October, the S&P500 was up 7%, developed international markets up 2.5%, and emerging markets up 1%. Diversified bonds were flat and long bonds were up 3.9%. The trend of positive returns is continuing into November. This while GDP growth of 2% in Q3 missed expectations, the Federal Reserve announced their intention to reduce the monthly pace of net asset purchases, and consumer prices, a measure of inflation, surged 6.2% in October, the highest rate in three decades. He reiterated that this usually isn't good for markets. Employment news was somewhat encouraging as the unemployment rate fell to 4.6% in October, the number of unemployed people declined 255K to 7.4 million, and unemployment claims fell to 267K, the lowest level since the pandemic hit. He added that 7.4 million people still unemployed is a lot, and curiously the number of unemployed per job opening is at the highest levels since the 1960s. Moreover, with 4.4 million employees quitting in September alone, the job quit rate rose to a record 3%, leading economists to call it "The Great Resignation." Also, consumer confidence posted an unexpectedly large drop in early November, US Industrial production fell in September as did housing starts, while manufacturing PMI edged downward. Mr. Trotsky said these are some signals to think about, but there is an old saying that sometimes the markets climb the proverbial wall of worry. He mentioned that at the Investment Committee meeting earlier in the week, the lack of consensus on the direction of inflation was in plain sight. He talked about the healthy discussion on both sides of the topic. Connie Everson, PRIM's resident economist and strategist on the Investment Committee, asserted that this is not the inflation environment of the 1970s – in a real prolonged inflation environment, prices don't back off and manufacturing doesn't back off either – she pointed out that the bond market is not indicating prolonged high inflation as the curve has flattened and the 10-year Treasury yield has backed off. Furthermore, the flood of liquidity that hit the market during and immediately after the pandemic has been worked down

to the point where the Fed now has needed to provide additional liquidity to the REPO market due to collateral being in short supply. In other words, liquidity is not flowing rapidly, which is not overly inflationary. Last, she expressed a belief that we don't necessarily need to be afraid of a taper, in a sense with the end of the large COVID stimulus programs already in run-off, the markets are already digesting a taper, not one directly managed by the Fed, but a taper nevertheless – and the markets are strong. The Investment Committee agreed, however, that a policy mistake is what to worry about here. Mr. Trotsky expressed that we are walking a fine line – the Fed response to inflation or lack of response in a timely way, will probably impact markets. If they get it right the markets will be strong, miss and the markets might suffer. It is hard to know what the right path is and harder to know if the responses will be timely.

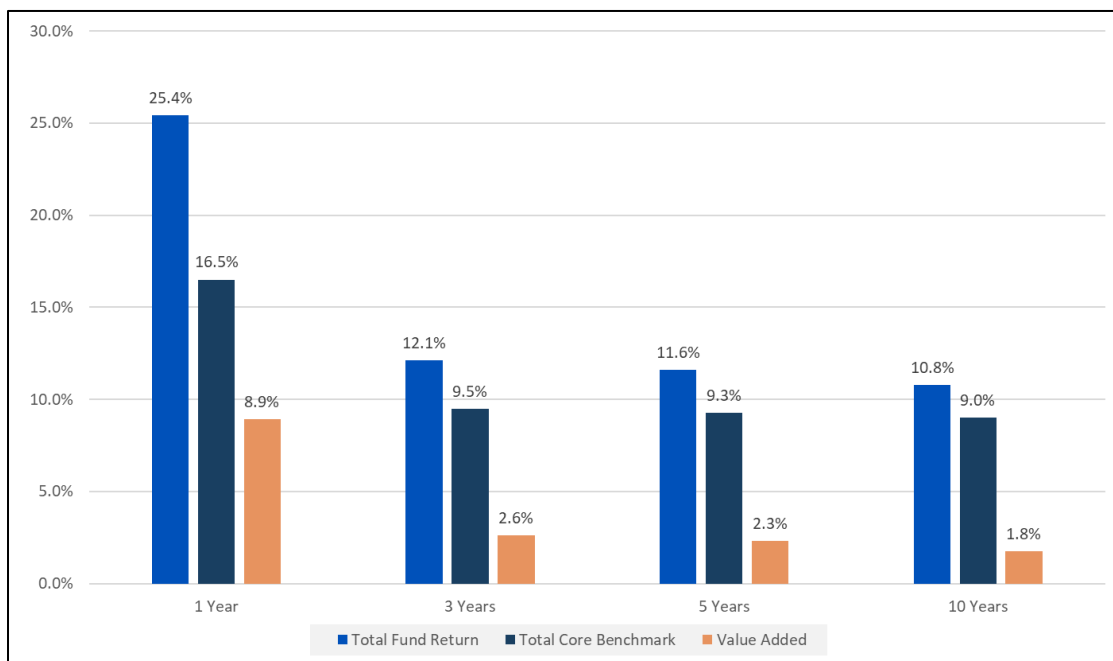
Mr. Trotsky explained that the market has bifurcated into two camps and there is not current consensus on the matter:

1. Those that believe inflation is transitory because of COVID and temporary supply shortages.
2. And those who believe that inflation may spiral out of control because of wage price escalation.

Mr. Trotsky stated that in the meantime, PRIM will stay the course with our long-term, all-weather portfolio with components designed to perform well whatever happens.

Mr. Trotsky referenced the following charts and graphs:

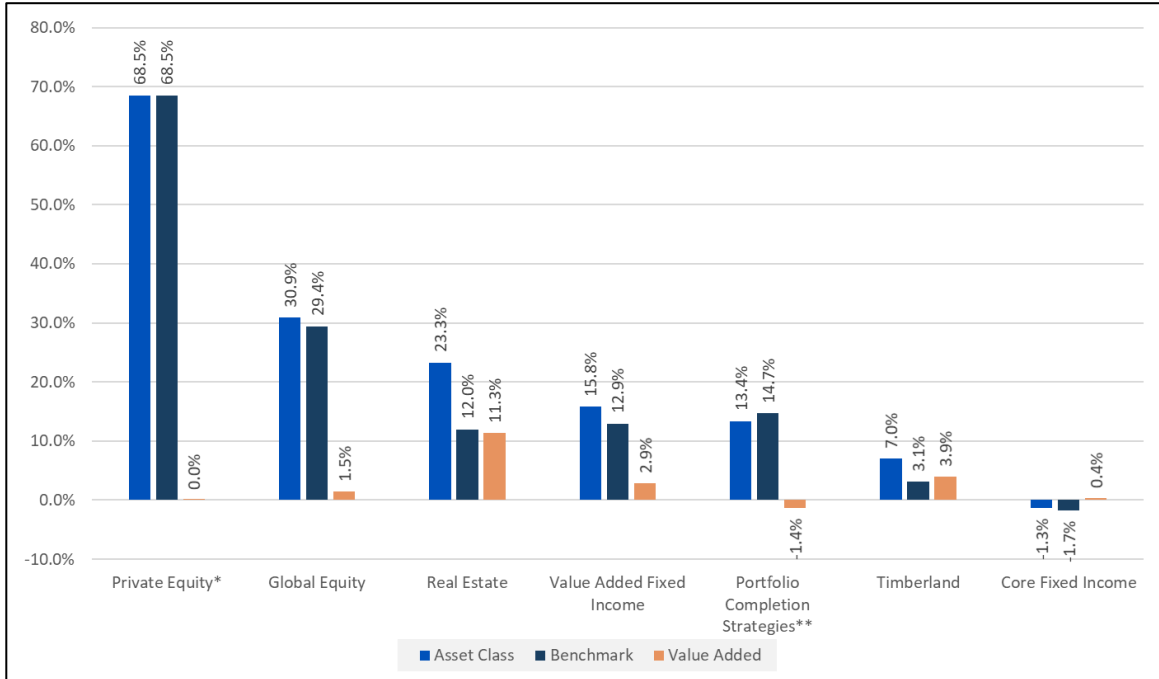
Total PRIT Fund Returns
(Gross of Fees) Annualized Returns as of September 30, 2021



Source: BNY Mellon. Totals may not add due to rounding. Total Core Benchmark includes private equity benchmark.

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



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

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

1 Year	3 Year	5 Year	10 Year
PRIVATE EQUITY 68.5%	PRIVATE EQUITY 31.0%	PRIVATE EQUITY 28.1%	PRIVATE EQUITY 21.9%
GLOBAL EQUITY 30.9%	GLOBAL EQUITY 12.7%	GLOBAL EQUITY 13.5%	GLOBAL EQUITY 12.4%
REAL ESTATE 23.3%	REAL ESTATE 9.6%	REAL ESTATE 8.8%	REAL ESTATE 10.9%
VALUE-ADDED FIXED INCOME 15.8%	CORE FIXED INCOME 7.6%	VALUE-ADDED FIXED INCOME 6.8%	VALUE-ADDED FIXED INCOME 6.0%
PORTFOLIO COMPLETION STRATEGIES 13.4%	VALUE-ADDED FIXED INCOME 7.3%	PORTFOLIO COMPLETION STRATEGIES 4.8%	PORTFOLIO COMPLETION STRATEGIES 5.1%
TIMBER 7.0%	PORTFOLIO COMPLETION STRATEGIES 3.1%	TIMBER 4.5%	TIMBER 4.9%
CORE FIXED INCOME (1.3%)	TIMBER 2.4%	CORE FIXED INCOME 3.4%	CORE FIXED INCOME 4.8%

Source: BNY Mellon.

III. Performance Review and Market Summary

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

Real Estate

The real estate portfolio ended the period at 8.2% of the PRIT Fund, below the 10% mid-point. The ending net asset value (NAV) rose to \$8.1 billion. Mr. Schlitzer commented that there were no material changes to the real estate strategic weights during the quarter.

For the one-year period ended September 30, 2021, total real estate returned 23.3% for the year, 1,134 basis points above the benchmark. All of PRIM's private and public real estate separate account managers added absolute and relative value during the year. Private real estate returned 21.1% for the year, 1,373 basis points over the benchmark.

Mr. Schlitzer noted that PRIM's private real estate managers have continued to add exposure to non-traditional property types during 2021, with new investments in data centers and medical office properties, driven by recent secular trends and less sensitive to U.S. GDP (Gross Domestic Product) growth.

Timberland

The timberland portfolio was valued at \$2.8 billion at year-end, with no changes during the third quarter. Timberland represents 2.8% of PRIT versus the 4% midpoint. Total timberland returned 7% during the prior year, 393 basis points above PRIM's benchmark. There were no acquisitions completed in the timberland portfolio in 2021 but small tract land sale activity has increased with strong premiums being realized.

IV. FUTURE Initiative – Emerging Diverse Manager Program (Voting Item)

David Gurtz, CPA, CFA, Deputy Chief Investment Officer, provided the Committee with an update on the FUTURE Initiative. Mr. Gurtz noted that in May, PRIM launched the FUTURE Initiative, the strategic plan to accomplish the goals set forth in Investment Equity legislation that passed in January 2021. The FUTURE Initiative identifies 4 keys to success and he noted that for each one, PRIM had made meaningful progress during the year.

1. Reduce Barriers for Diverse managers
2. Enhance DEI Reporting
3. Improve the Sourcing of Diverse Investment managers
4. Allocating capital to and graduating diverse managers

One of the goals of the legislation is for PRIM to reduce barriers for diverse managers. To reduce barriers, PRIM is recommending the creation of the Emerging-Diverse Manager Program, which provides a clear path for diverse managers, regardless of size or track record, to potentially manage assets for PRIM. This Program will utilize manager-of-managers as an extension of PRIM staff to help PRIM source, conduct due diligence, have full discretion to select and monitor a portfolio of emerging-diverse managers.

PRIM staff recommended an initial allocation of up to \$1 billion dollars to this Emerging-Diverse Manager Program, to be invested over the next 2 years, which would give the manager-of-managers sufficient time to source, conduct due diligence, and select the best managers. Additionally, the following firms were recommended to manage the Emerging-Diverse Manager program:

- Bivium Capital for Fixed Income

- Cambridge Associates for Real Estate
- Hamilton Lane For Private Equity
- Xponance for Global Equities
- And PAAMCO – to continue to invest in emerging-diverse Hedge fund managers for PRIM.

Mr. Gurtz explained that today’s specific recommendation to the Real Estate and Timberland Committee will be for the utilization of Cambridge Associates for Real Estate.

Mr. Gurtz detailed the goals of the program as follows:

PRIM expects the program to enhance the risk adjusted returns of the PRIT Fund. PRIM will closely monitor these portfolios and be fully transparent about their performance and risks.

PRIM is searching for the next generation of managers that can graduate to manage more significant amounts capital for PRIM. Mr. Gurtz explained that “graduation” is a common term in the manager-of-manager space used to describe the promotion of a high-performing manager out of a manager-of-manager portfolio to manage more capital directly for the fund.

The program is designed to reduce barriers for diverse- emerging managers.

Mr. Gurtz noted that PRIM expects higher turnover in this program relative to the existing portfolio. PRIM staff will work with these five manager-of-managers to identify and graduate the best managers out of the program. PRIM expects to recycle capital within the program - away from underperforming managers into new managers. PRIM expects that each of these 5 firms will invest in 8-12 emerging-diverse managers over the next 2 years, with each emerging-diverse manager managing approximately \$10-\$25 million each.

Cambridge Associates presented a brief overview of their capabilities in the Emerging-Diverse area.

The Real Estate and Timberland Committee approved (unanimously) by roll call vote that it make a recommendation to the PRIM Board to approve Cambridge Associates to manage the Emerging-Diverse Manager Program for Real Estate as described in Appendix E of the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

V. Risk – Benchmark Recommendation (Voting Item)

Jay Leu, Director of Risk, presented a benchmark recommendation for Real Estate. PRIM staff and Verus Investments, PRIM’s benchmark consultant, recommended that the Real Estate Committee make a recommendation to the PRIM Board to change the PRIT Total Private Real Estate benchmark from the NCREIF Property Index (NPI) to the NCREIF Fund Index - Open End Diversified Core Equity Net Index (ODCE). The ODCE benchmark is more representative of PRIM’s private portfolio risk and leverage profile.

Additionally, Mr. Leu presented the recommendation that the Real Estate Committee make a recommendation to the PRIM Board to change the weighting scheme of the Total Real Estate Benchmark from 80% fixed (Total Private Real Estate) / 20% fixed (Total REIT) to the corresponding floating weights of the Total Private Real Estate and Total REIT portfolios. This approach is consistent with PRIM’s philosophy on private versus public weighting schemes where managing to a fixed target is infeasible.

The Real Estate and Timberland Committee approved (unanimously) by roll call vote that it make a recommendation to the PRIM Board that the Board:

- 1) Change the PRIT Total Private Real Estate benchmark to the NCREIF Fund Index - Open End Diversified Core Equity Net Index (ODCE) and;
- 2) Change the weighting scheme of the Total Real Estate Benchmark to the corresponding floating weights of the Total Private Real Estate and Total REIT portfolios, as described in Appendix F of the

Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

VI. Real Estate Portfolio Debt Update

PRIM staff provided brief updates on the internal real estate debt financing platform presented at the August 4, 2021, meeting and a pending real estate portfolio debt maturity.

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

List of documents and exhibits used during the meeting:

- *Minutes of the PRIM Real Estate and Timberland Committee Meeting of August 4, 2021*
- *PRIT Fund Performance Report*
- *BNY Mellon Gross of Fees Performance Report*
- *Real Estate and Timberland Performance Charts*
- *FUTURE Initiative – Emerging-Diverse Manager Program Presentation*
- *PRIM Benchmark Review Presentation*
- *Verus Benchmark Recommendation Memorandum*