

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

Minutes of the Board Meeting
Thursday, February 17, 2022
commencing at 9:31 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.
- Dennis J. Naughton
- Carly Rose
- Paul E. Shanley, Esq.

Other Attendees (partial list):

- Jennifer Appel, NEPC
- Francesco Daniele
- Anthony Falzone
- Alyssa Fiore
- Maria Garrahan
- Minching Kao
- Emily Kowtoniuk
- Renee LeFevre
- Bill Li
- Liu Liu
- Michael McElroy
- Michael McGirr
- Phil Nelson, NEPC
- Tim Schlitzer
- Michael Trotsky
- Liz Zelnick

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 February 17, 2022. The meeting was
5 called to order and convened at 9:31 a.m.
6 Treasurer and Receiver-General Deborah Goldberg
7 chaired the meeting.

8 TREASURER GOLDBERG: Good morning,
9 everyone, and I want to welcome you to the
10 MassPRIM board meeting Thursday, February 17,
11 2022.

12 This meeting will be held by Internet
13 and telephone in accordance with the provisions of
14 "An Act Extending Certain COVID-19 Measures,
15 Adopted During the State of Emergency," which was
16 signed into law on June 16, 2021.

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

1 follow the proceedings while they are occurring.

2 Accordingly, all members of this board
3 will participate today remotely via telephone
4 and/or Internet-enabled audio and
5 videoconferencing, and all votes in today's
6 meeting will be taken by roll call.

7 Public access to the deliberations of
8 the meeting today will likewise be provided via
9 telephone with all documents referenced at the
10 meeting available to be viewed on PRIM's website.
11 That is www.mapension.com.

12 All persons speaking at today's meeting
13 are asked first to identify themselves.

14 Also the Open Meeting Laws requires
15 anyone wishing to record a meeting to first notify
16 the chair so that the chair can inform the other
17 attendees. So accordingly, I am informing you
18 that the stenographer, Virginia Dodge from
19 Lexitas, is transcribing and also recording the
20 meeting.

21 If anyone else does intend to record
22 today's meeting, please first notify Seth Gitell
23 at sgitell, which is S-G-I-T-E-L-L,
24 @mapension.com.

1 Additionally, the Attorney General's
2 guidance on holding remote meetings reads as
3 follows: At the start of the meeting, the chair
4 must announce the name of the member or members
5 who are participating remotely.

6 I will now announce the names of all
7 PRIM Board members who are participating remotely
8 in today's meeting. Myself, Treasurer Deborah
9 Goldberg, Chair. Robert Brousseau, Ruth Ellen
10 Fitch, Jim Hearty, Theresa McGoldrick.

11 Has Peter hopped on yet?

12 MR. FALZONE: Peter is not going to join
13 us today.

14 TREASURER GOLDBERG: Oh, I'm sorry.

15 MR. FALZONE: I think he's the one that
16 had a conflict.

17 MS. MCGOLDRICK: All right. Dennis
18 Naughton, Carly Rose and Paul Shanley.

19 Okay. With that, we will have the first
20 vote of the day, and that is that I would seek a
21 motion that the board approve the minutes of its
22 December 2, 2021 meeting attached as Appendix A of
23 the expanded agenda, and further to authorize the
24 executive director to take all actions necessary

1 to effectuate this vote.

2 Is there a motion?

3 MR. NAUGHTON: So moved.

4 MR. SHANLEY: So moved.

5 TREASURER GOLDBERG: Is there a second?

6 MR. SHANLEY: Second.

7 TREASURER GOLDBERG: Any questions,

8 comments, changes, requests for alterations?

9 Anything?

10 Hearing none, I will move to a roll call

11 vote. Bob Brousseau?

12 MR. BROUSSEAU: Yes.

13 TREASURER GOLDBERG: Ruth Ellen Fitch?

14 I thought I saw Ruth Ellen.

15 MS. FITCH: Yes.

16 MS. MCGOLDRICK: Okay. Jim Hearty?

17 MR. HEARTY: Yes.

18 TREASURER GOLDBERG: Theresa McGoldrick?

19 MS. MCGOLDRICK: Yes.

20 TREASURER GOLDBERG: Dennis Naughton?

21 MR. NAUGHTON: Yes.

22 TREASURER GOLDBERG: Carly Rose?

23 MS. ROSE: Yes.

24 TREASURER GOLDBERG: Paul Shanley?

1 MR. SHANLEY: Yes.

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

4 Next item on the agenda is the executive
5 director/chief investment officer report.

6 Take it away, Michael Trotsky.

7 MR. TROTSKY: Thank you very much,
8 Treasurer. Good morning, everyone. Can everyone
9 hear me okay?

10 MS. FITCH: Yes.

11 MR. TROTSKY: Excellent. I always like
12 to check because sometimes I have gremlins on my
13 computer.

14 TREASURER GOLDBERG: It's just me
15 sneaking in.

16 MR. TROTSKY: I will not be referring to
17 any slides today, you'll be happy to know. We
18 reviewed performance in a lot of detail at the
19 committee meetings two weeks ago.

20 Performance, I'll recap briefly, but it
21 can be found in detail in Appendix B, and also
22 members of the staff will be reviewing their
23 particular asset classes later in the agenda.

24 Excuse me a second. Gremlins.

1 Well, as you know, the December
2 quarterly results, which were up 5.4 percent net
3 and 1.4 percent above benchmark, really capped
4 another outstanding and record-setting year for
5 PRIM. For the calendar year ending in December,
6 the fund was up 20.6 percent gross or 20.1 percent
7 net of all fees. And that was the fourth largest
8 return in PRIM's entire history.

9 The fund ended the year at a record
10 \$104 billion. \$104 billion. And the 2021
11 calendar year return outperformed the benchmark by
12 more than 8 percent. More than 8 percent
13 outperformance equates to a \$7 billion
14 outperformance. \$7 billion.

15 And that was the strongest percentage
16 and dollar outperformance in our entire history,
17 surpassing the previous record of a 4 percent
18 outperformance set in 1999 just before the dot-com
19 bubble burst.

20 Our return for the year was also -- and
21 this is new news -- in the very top decile of our
22 peer group. So we're very proud of that.

23 Private equity, real estate, global
24 equities had very strong returns. Private equity

1 was up 64 percent, real estate up 27 percent,
2 global equities up 18 percent, while fixed income
3 was essentially flat, which we would expect in a
4 rising interest rate environment. All asset
5 classes outperformed their respective benchmarks
6 for the year.

7 And during the year, the PRIM staff
8 remained very productive. It was a challenging
9 year due to the virus and other things, but the
10 staff identified and deployed more than
11 \$7.6 billion, \$7.6 billion, in new investments.
12 And that was another record.

13 The longer term results also
14 strengthened. The 3-, 5- and 10-year PRIT Fund
15 returns of 16.1 percent, 12.4 percent and
16 10.5 percent, 3, 5 and 10; 16, 12 and 10, are well
17 above the benchmark and well above the state's
18 actuarial rate of return, which you know is
19 currently 7 percent.

20 Also, each of these time periods is well
21 above our long-term average returns. These
22 results, all time periods, are also at the very
23 top of our peer group. We're proud, very proud,
24 that over the last 10 years, the investment gain

1 of the fund totaled \$70.6 billion, \$70.6 billion,
2 over the last 10 years and was \$12 billion above a
3 benchmark return.

4 We believe this is an indication that
5 our staff and our managers are adding significant
6 value for the fund's 300,000-plus beneficiaries
7 and for the Massachusetts taxpayers. In fact, we
8 have a saying around here at PRIM that to the
9 extent we're successful, we are the taxpayers'
10 friend, not to mention the retirees' friend.

11 We are proud, very proud, that we've
12 added more than \$70 billion to the pension fund
13 and outperformed our benchmark by more than
14 \$12 billion over the last decade. It's really an
15 extremely gratifying body of work over the last
16 10 years.

17 I want to stop short of making any
18 projections about the future, but I do believe,
19 given the last 10 years and the last one year,
20 that a word of caution is in order because I
21 actually think it's part of my job to set
22 realistic expectations, and I do offer this with
23 the appropriate amount of humility. You have to
24 remember, you've heard me say this many times. We

1 have two fundamental investment philosophies at
2 PRIM. You could probably repeat them, but I'm
3 going to repeat them.

4 Number 1, nobody can predict the future
5 so we don't try. And number 2, nobody can predict
6 with any consistent accuracy the direction of the
7 markets so we don't try.

8 Instead, we engineer a portfolio with
9 components that will perform well in a variety of
10 market environments.

11 Now, that said, in our opinion, it would
12 be unreasonable to assume that returns over the
13 next 10 years can be as impressive as they have
14 been over the last 10 years for two primary
15 reasons. Number 1, markets have appreciated far
16 more quickly than the underlying growth of the
17 economy, and that cannot last indefinitely.

18 And number 2, we are exiting a 30-year
19 investing environment with a dominant backdrop of
20 falling interest rates and loose monetary policy.
21 And we're entering an environment where interest
22 rates and inflation are now rising. Monetary
23 policy, as we've told you, is tightening, and the
24 labor markets and population growth are falling.

1 It seems like a change in environment, but only
2 time can really confirm that.

3 And incidentally, the 10-year consensus
4 return expectations for the portfolio, a portfolio
5 like ours really, is approximately 6 percent
6 return. Of course, we hope to do better than
7 that.

8 More on performance later from each of
9 the asset classes, as I mentioned, but first, a
10 few words on today's other agenda items and also
11 an organizational update.

12 Customary for this board cycle, we'll
13 vote on asset allocation changes and discuss
14 annual plans. That comes shortly.

15 But importantly, in our agenda today, we
16 look forward to the board taking up the
17 Treasurer's plan to create both an ESG committee
18 and to adopt a new climate change-related proxy
19 voting policy. As you know, the Treasurer is
20 passionate about each of these important and
21 timely topics with the goal to keep PRIM out in
22 front of major trends in the industry.

23 And I want to voice my complete support
24 for these initiatives and in particular for

1 setting up the ESG committee. I believe this new
2 committee will build on the important work we've
3 been doing over the past years internally and with
4 our partners in the MIT Sloan School's Aggregate
5 Confusion Project, which we've talked to you about
6 previously.

7 And the goal is to become more
8 impactful, to use the power of PRIM to advocate
9 for important change. Now, my job, and I know the
10 Treasurer shares my view, is to ensure that we
11 become more impactful while also maintaining or
12 improving the fund's historically strong return,
13 risk and cost profile.

14 As we always keep in mind, only a fully
15 funded pension system can guarantee retirement
16 security for our beneficiaries. Their future,
17 their retirements, their golden years really
18 depend on our investment success here. And also I
19 believe the taxpayer of Massachusetts also relies
20 on PRIM's continued investment success.

21 So we'll get to that in a minute. But
22 next, just a word on asset allocation. The
23 Investment Committee supported the staff
24 recommendation to continue our multi-year

1 effort to gradually increase the allocation to our
2 number 1 performing asset class, private equity.
3 And it's number 1 performing over all time
4 periods.

5 We continue to believe that our balanced
6 and well-diversified portfolio will continue to
7 perform well in both strong and weaker markets in
8 a variety of market conditions, so we are not
9 really recommending any major changes to our long-
10 term strategic asset allocation which has served
11 us so well. We're only recommending a 1 percent
12 increase in private equity. We'll get to that
13 later.

14 Next, the organizational update. I'm
15 delighted to announce -- and I believe, Renee,
16 you're on here. Renee LeFevre joined PRIM two
17 weeks ago as our new chief legal officer. Renee's
18 off to a terrific start, and I know by looking at
19 your face you're enjoying it so far, and we're
20 enjoying having you.

21 She reports directly to me and also
22 serves on the executive management team. She
23 joins us from The Boston Planning and Development
24 Agency, the BPDA, which is made up of the Boston

1 Redevelopment Authority, the Economic Development
2 Industrial Corporation of Boston and the Mayor's
3 Office of Workforce Development.

4 She was with that agency since the year
5 2000 and became general counsel in 2014. At the
6 BPDA, she managed a 10-person legal department and
7 outside counsel too and handled all legal issues,
8 including compliance, Open Meeting Laws, public
9 records requests, ethics, conflicts of interest,
10 disclosures.

11 She was also responsible for legal
12 matters pertaining to development proposals,
13 public hearings, disposition of property,
14 procurement, budget, personnel matters and more.

15 We're looking forward to her expertise
16 and what she can bring to the real estate group.
17 I know they've already been speaking. It's a
18 great addition.

19 Her professional associations include
20 serving as vice president of the board of
21 directors for the Boston Local Development
22 Corporation. She's a member of The Abstract Club,
23 CREW, the Commercial Real Estate Women Network of
24 Boston, and the Boston Bar Association. She's a

1 recipient of the GET Konnected 50 Most Influential
2 Attorneys of Color and the Henry L. Shattuck
3 Public Service Award. Graduate of the University
4 of California at Berkeley and also the Boston
5 College Law School.

6 Welcome to PRIM, Renee. You're off to a
7 great start.

8 Next, this month, Jennifer Cole, PRIM's
9 manager of client reporting and cash management,
10 celebrates 20 years at PRIM. Congratulations.

11 Jennifer joined in 2002 as a staff
12 accountant and over the years has been promoted to
13 financial analyst, senior financial analyst and
14 then the manager of client reporting and cash
15 management.

16 She's responsible for managing all cash
17 needs, and that means contribution and redemption
18 activity for all PRIM clients. She also has a
19 critical role in processing all PRIT Fund
20 investment purchase and sale transactions on the
21 first business day of each month.

22 She helps plan investor conferences and
23 has represented PRIM at many client meetings and
24 conferences throughout the year. I often hear

1 clients and colleagues commending her work ethic,
2 her accuracy, professionalism and dedication.

3 Thank you, Jennifer, for all your hard
4 work. Congratulations again for 20 years.

5 Last, I'd like to acknowledge that Liu
6 Liu, an investment analyst on the portfolio
7 completion strategy team reporting to Bill Li, has
8 recently completed both her CFA and CAIA
9 designations, after passing each of those rigorous
10 multi-year exams and also after accumulating the
11 requisite work experience in order to get
12 designated.

13 In her work at PRIM, she has enhanced
14 our portfolio analytics. She's highly
15 quantitative. She is also responsible for the
16 hedge fund replication program, which has been a
17 consistent outperformer, as well as Chinese
18 equities.

19 She joined in September of 2018 on a
20 permanent basis as an investment analyst after
21 spending 18 months as an intern working on the
22 strategy team. She received her master's degree
23 in finance from Brandeis International Business
24 School and a bachelor's degree in finance from

1 Shanghai Jiao Tong University in China.

2 Congratulations to you, Liu. You're
3 doing a fantastic job.

4 Oh -- go ahead.

5 MS. LIU: Yes. Thank you very much,
6 Michael. Sorry. There is something wrong with my
7 video. I cannot turn it on.

8 MR. TROTSKY: Okay. Also this is late-
9 breaking news. I'm pleased to report the
10 beginning really of a new intern season. It's a
11 little early. It's only February, but this week,
12 we welcomed Charlotte Wang to the PCS team,
13 reporting to Bill Li. She's currently a senior at
14 Brandeis, majoring in mathematics and economics.

15 And interestingly, because of her
16 academic excellence, she's really a very strong
17 student, Brandeis has slotted her into a fast-
18 track master's program at their International
19 Business School.

20 So welcome to PRIM, Charlotte. You will
21 have more intern company in the spring and summer
22 as we normally do, thanks to the good work of
23 Christina Marcarelli and Michelle Witkes, who
24 oversee our intern initiatives.

1 And that's the organizational update.

2 Now, I do want to say a few words about
3 markets and the economy. Obviously with 2021
4 results in the rear view mirror, we all know that
5 volatility has returned, and the returns so far
6 this year in 2022 have been negative. The S&P is
7 down approximately 6 percent for the year so far
8 through yesterday. Developed international
9 markets are down 3 percent. But emerging markets
10 are up slightly, up about 1 percent. Diversified
11 bonds are down more than 4 percent as interest
12 rates continue to rise.

13 Incidentally, the 10-year Treasury bond
14 yielding more than 2 percent, that's a multi-year
15 high. I think you have to go back to the summer
16 of 2019 where it was above 2 percent. So it's at
17 a multi-year high.

18 Markets have struggled with the Omicron
19 surge, labor shortages, supply chain shortages and
20 associated 40-year-high inflation reading of
21 7.5 percent in January. That's the CPI, up
22 7.5 percent. CPI excludes the two things everyone
23 always buys, which are food and energy. So maybe
24 what we're experiencing is even more than

1 7.5 percent inflation, but nevertheless, CPI is
2 7.5 percent, a 40-year high, not to mention
3 continued geopolitical tensions that we read about
4 every day, as well as our own domestic tensions.

5 Market volatility as measured by the VIX
6 surged from 17 at the beginning of the year to an
7 intraday high of 36 in January. That's well above
8 its average.

9 And the Federal Reserve, as you know,
10 left the target range for its federal fund rate
11 unchanged for now at zero to 0.25 percent during
12 its January meeting. However, they did indicate a
13 desire to raise the target range beginning in
14 March as that inflation is currently running well
15 above the 2 percent target that they have, and
16 also because the labor market is very strong. The
17 unemployment rate is around 4 percent recently.

18 And I should mention that more
19 importantly, market futures are indicating that
20 the Fed will raise rates four or five times during
21 the course of 2022. And of course the prospect of
22 an increasingly hawkish Fed, one that raises
23 rates, combined with some mixed economic data
24 lately caused by the Omicron spike is alarming to

1 market participants.

2 At the Investment Committee, we had a
3 healthy discussion on the markets and the economy.
4 I'll highlight some comments from Connie Everson,
5 our economics and strategy expert on the
6 Investment Committee, and also from our director
7 of risk, Jay Leu. I thought it was a very, very
8 interesting Investment Committee meeting two weeks
9 ago.

10 Number 1, in Connie's view, when the Fed
11 gets around to the third rate hike or so later in
12 the year, she believes that conditions won't
13 support it, that key prices will have backed off
14 by then. In other words, this inflation is
15 somewhat transitory. Her view is that the
16 inflation readings will moderate later in the
17 year.

18 She also believes that a critical
19 ingredient of a typical and prolonged bear market
20 is missing. There is no slowdown in demand. We
21 currently are experiencing a supply problem, not a
22 demand problem, and she believes that will resolve
23 itself. Workers who are on the sideline, I think
24 there's nearly 3 and a half or 4 million of them,

1 could return to the workforce. And that would be
2 a positive for consumption spending.

3 And even now, parts of the economy and
4 equity markets are holding up. Things like
5 industrials, energy and materials are holding up.
6 And they could lead the way in any market rebound.

7 Connie does acknowledge that there is a
8 rotation of the Fed governors, and they are more
9 hawkish than their predecessors. And there is a
10 risk that the Fed could overdo the tightening
11 programs, no doubt about it. But in Connie's
12 view, the Fed is not going to be able to put this
13 economy into a recession.

14 Jay Leu, our director of risk, also had
15 some interesting comments through the lens of
16 interpreting market futures and also by examining
17 correlations of asset classes to inflation growth.
18 He also did some scenario analysis, which I think
19 is very interesting.

20 He mentioned, number 1, that the current
21 TIPS breakeven rate of only 2.4 percent, and that
22 sort of is a view into what the market believes
23 will be future inflation, indicates that the
24 markets are less concerned about inflation really

1 and more concerned with rising rates. The equity
2 markets are worried that the Fed is too aggressive
3 and will choke off expansion. That's what that
4 indicates.

5 In other words, the Fed is concerned
6 about inflation, as I mentioned, but the stock
7 market is really concerned about the Fed's
8 actions, an interesting predicament.

9 Jay, and many others also, are worried
10 more about inflation taking hold and a possible
11 wage-price spiral.

12 As I mentioned, he also did some
13 sensitivity scenario analysis of the PRIT Fund in
14 a rising interest rate environment. And again, to
15 set expectations, a few interesting points.

16 First, the PRIT Fund has a beta of 2 to
17 GDP growth. This means that the fund generally
18 performs well in growth environments. This is
19 intuitive to most of us. Equities, private
20 equity, hedge funds and even real estate do well
21 when the economy grows.

22 And interestingly, I thought, his
23 analysis does show that real estate has very
24 little beta to inflation. Maybe it's because in

1 inflationary environments, rents and property
2 values rise enough to at least partially offset
3 the increased capital cost, the increased cost of
4 borrowing to buy real estate.

5 Commodities do best in high inflation
6 environments. Remember, we have one of the
7 world's largest timberland investment programs,
8 and it is really a great commodity exposure in a
9 high inflation environment.

10 Bonds do best in low inflation and low
11 growth environments. That's our insurance policy
12 against challenging economic times.

13 And his scenario predicts that our core
14 fixed income portfolio would be down approximately
15 8 percent with a one-time shock of an increase in
16 inflation of 1 percent, nominal yields up
17 1 percent and short-term interest rates up
18 1 percent.

19 At 15 percent of the PRIT Fund, this
20 would equate to a hit on the PRIT Fund of
21 approximately 1 percent. If all those things
22 happened simultaneously in a shock, 1 percent
23 increase in rates and inflation. But presumably,
24 if that happens, other asset classes with a

1 positive or neutral beta to growth would more than
2 offset this decline. After all, growth is often
3 accompanied by higher inflation readings.

4 So this sensitivity analysis really
5 gives us confidence that our portfolio is well-
6 balanced. It is well-diversified. And it does
7 have components that will do well in both strong
8 and weaker environments. It will have components
9 that perform well in inflationary environments.

10 So I'll stop there and take any
11 questions you might have on anything I've
12 discussed so far. Otherwise, our next agenda item
13 is to quickly review the annual plans.

14 TREASURER GOLDBERG: I am not hearing
15 any questions. Michael, your explanations were
16 ideal.

17 MR. TROTSKY: Excellent. Thank you.

18 Okay. Quickly, annual plans. Our
19 governance documents do require that I approve
20 divisional business plans. And accordingly, as we
21 do each year, I'll share them with you for your
22 input. They are in your packets and in the
23 expanded agenda.

24 We have incorporated feedback, where

1 appropriate, received from all committee members
2 in preparation for this board meeting. And I'm
3 happy to take any additional feedback, either here
4 or you can call me over the coming days and weeks.

5 The annual plans are attached in
6 Appendix D. And they are essentially a
7 continuation of the work we've been doing for
8 quite some time, but I will highlight just a few
9 new initiatives concerning the PRIM investment
10 program, and then I'll turn it over to Tony, who
11 will highlight some new initiatives on the finance
12 and operations side.

13 So first, of course it's new, is to
14 implement the new FUTURE Initiative to comply with
15 the investment equity law passed last year and
16 championed by the Treasurer. We'll continue to
17 reduce barriers for diverse investment managers
18 and vendors. We'll improve sourcing and pipeline
19 of diverse managers. We'll enhance diversity and
20 inclusion reporting. And very importantly, we'll
21 implement the new \$1 billion emerging-diverse
22 manager program which you approved at the last
23 board cycle.

24 Secondly, we're going to support the

1 establishment of the new ESG committee, which will
2 be introduced today. We'll continue to
3 collaborate with members of the Aggregate
4 Confusion Project, an ESG research consortium,
5 together with MIT Sloan School. And we'll
6 continue to enhance existing environmental data.

7 Next in risk, in Jay's area, we'll
8 continue the comprehensive benchmark review we
9 started. We'll continue that in 2022. In that
10 group, risk in particular -- and Jay's really a
11 great utility infielder. He gets involved in a
12 lot. His group will continue to collaborate on
13 strategic initiatives with other asset class
14 groups. For example, in PCS, PCS, run by Bill Li,
15 will complete a comprehensive review of real
16 assets investments. And also they'll complete a
17 comprehensive review of hedge funds, including the
18 rationale and required risk impact from both of
19 those sleeves.

20 In public markets, they'll continue to
21 source and allocate to diverse investment
22 managers, consistent with the FUTURE Initiative.
23 They'll implement PRIM's emerging-diverse manager
24 program through our partners, also consistent with

1 the FUTURE Initiative. Research and identify
2 value managers, and develop international and
3 domestic equity markets. And they'll continue to
4 identify new other credit opportunity investments,
5 including co-investment opportunities.

6 In private equity, I mentioned that
7 we'll be increasing the allocation to private
8 equity, our number 1 performing asset class. And
9 this one is really incredible. They need to
10 execute a commitment goal of 2.7 to \$3.3 billion
11 and also to fund co-investments.

12 Remember, we get a ton of cash back in
13 private equity, so it's kind of like running up a
14 down escalator. We're getting all this cash back,
15 but we still need to increase the allocation. So
16 that's a lot of work for Mike McGirr and his team.
17 2.7 billion to 3.3 billion is the target
18 commitment goal.

19 We're raising the co-investment capacity
20 to 40 percent of total '22 fund commitments.
21 Continuing to scale and improve the co-investment
22 program. It's very important. Comes at lower
23 fees to the main bucket.

24 And we're further refining and

1 accelerating our venture capital strategy. I
2 think you're going to like what you hear on that
3 later in the year.

4 In real estate, continue to source and
5 allocate to diverse investment managers,
6 collaborate with the risk team, as I said, on ESG
7 and climate impact research, particularly in
8 timberland. Form a strategic working group to
9 review the existing real estate portfolio and
10 identify strategic investment opportunities. I
11 think we have some unique opportunities in real
12 estate.

13 So I'll end there, and I'll turn it over
14 to Tony, but those are some of the new things
15 we're doing on the investment side.

16 MR. FALZONE: Thank you, Michael.

17 My name is Tony Falzone. I am PRIM's
18 deputy executive director/chief operating
19 officer. I'm going to echo Michael a little bit on
20 the 2022 annual plans. Similar to the investment
21 side, our activities don't change much from year
22 to year. We work in tandem with the investment
23 team, supporting their initiatives, so any
24 initiative that comes out of the investment

1 team normally needs to be executed and implemented
2 by someone in Matt Liposky's team or Deb Coulter's
3 team.

4 So I'm not going to focus on the
5 recurring tasks such as annual audits, reports,
6 GIPS reviews, IT security reviews and audits. I'm
7 just going to highlight some of the additional
8 projects that we're going to be doing this year.
9 And some of them will sound familiar from
10 Michael's comments.

11 Obviously we have some governance work
12 to do after today's vote, supporting the formation
13 of the ESG committee, its charter.

14 We'll also be issuing an RFP for board
15 governance and fiduciary educational services.
16 That will be coming at the beginning part of this
17 year.

18 Again, we want to work on continuing to
19 improve access for our diverse vendors and then
20 develop enhanced diverse vendor and contract
21 tracking. So that way, we can get a better idea
22 of how we can do reach-out to increase our diverse
23 vendors.

24 We've been planning for a few months now

1 several educational Webinars for our clients. The
2 first one I think is going to cover cash
3 processing policies and controls, best practices.

4 And second, we'll be doing a
5 cybersecurity awareness primer and best practice
6 review. At a time when cybersecurity threats are
7 more and more prevalent and regularly in the news,
8 our IT security program I think can be a resource
9 for the local retirement systems. And it would
10 be helpful for us to share some of our insights
11 and thoughts we used in developing our IT security
12 program. And I think they'll get a big benefit
13 out of that. I'm very proud of the program we've
14 established.

15 So speaking of technology, we're going
16 to plan to take a closer look at our current
17 disaster recovery and business continuity
18 solution. The current plan has served us well,
19 but I still want to look at it, maybe modernize
20 it a little bit, increase security and perhaps
21 reduce some costs in that area.

22 And then I mentioned we have annual
23 audits. We have separate account calendar year
24 audits. Those are annual exercises, but we have
a

1 few other audits taking place that I want to talk
2 about. The State Auditor's office is performing
3 an audit. And then this week, we were notified of
4 PERAC performing an audit. So that's going to be
5 four audits going on in one year. Qingmei is up
6 to the task, though, and she's fantastic.

7 And I guess I'll mention with all these
8 great initiatives, we're continuing to grow.
9 We've been hiring six to eight people at a clip
10 over the last few years, and I don't expect that
11 growth to slow down. In fact, I expect it to
12 potentially increase with all these new
13 initiatives. So we're going to need to evaluate
14 our long-term office space needs as we begin
15 developing the fiscal year 2023 budget, which will
16 be brought forward the next cycle.

17 So I think I'll stop there. If there
18 are any questions or anything on our annual plans,
19 happy to answer them.

20 MR. TROTSKY: And we can take questions
21 on anything at this point. The next agenda item
22 is Maria on asset allocation.

23 MS. GARRAHAN: Great. Good morning.
24 I'm Maria Garrahan. I'm PRIM's director of

1 research.

2 The 2022 asset allocation recommendation
3 represents no major changes to our prior year
4 recommendation.

5 Our recommendation includes a 1 percent
6 increase in the private equity target range,
7 formerly 11 to 17 percent to 12 to 18 percent, and
8 a 1 percent decrease in the global equities target
9 range, formerly 34 to 44 percent to 33 to
10 43 percent. The recommendation maintains
11 continued alignment with our strategic initiative
12 to slowly grow our private market allocation.

13 Please refer to Appendix E for the PRIM
14 research team materials. NEPC, our asset
15 allocation consultant, has included their capital
16 market assumptions within Appendix F.

17 On slide 2 of the Appendix E, this shows
18 our exposure as of the end of December 2021. All
19 asset classes are within their respective ranges.
20 Actual exposure of private equity is 16.6 percent,
21 where we are now running at the higher end of the
22 target range approved in 2021.

23 Our 2022 recommendation puts forth only
24 a minor change to these ranges, shifting out the

1 private equity target range by one and shifting
2 down global equity by one.

3 Moving to slide 3 of Appendix E, as many
4 of you are aware, our asset allocation framework
5 uses a probabilistic-based approach to maximize
6 the likelihood of achieving the dual objective.
7 On the left-hand side, our return objective is
8 defined as the probability to achieve 7 percent
9 annualized across the next 10 years.
10 Additionally, we define a measure of downside
11 protection as no cumulative drawdown greater than
12 20 percent within the next three years. Our asset
13 allocation process maximizes the probability of
14 achieving our dual objective.

15 Jumping to slide 10, this shows the
16 probability of achieving the dual objective, using
17 both the asset allocation 2021 recommendation, as
18 well as today's asset allocation recommendation.
19 The 2022 recommendation shows a very slight
20 increase in the probability of achieving the dual
21 objective. Once again, today's proposed
22 recommendation is only a minor change, stemming
23 from the asset allocation research findings.

24 Ending with slide 11 on Appendix E, this

1 shows the approved ranges for 2020, 2021, as well
2 as today's recommendation, which is to maintain
3 course and slowly increasing our exposure to
4 private assets. The recommendation includes a
5 1 percent shift in the private equity target range
6 upwards to 12 to 18 percent and a downward shift
7 in global equities range to 33 to 43 percent.

8 And I can open it up for any questions
9 that you may have on PRIM's research team slides,
10 as well as if you have any questions for Jen Appel
11 and Phil Nelson of NEPC regarding the capital
12 market assumptions.

13 TREASURER GOLDBERG: Does anyone have
14 questions? This will be a voting item. But I'll
15 hold off on the motion and the second until all
16 questions are answered.

17 I don't hear any.

18 Maria, do you hear any?

19 MS. GARRAHAN: It's quiet. Very quiet.

20 TREASURER GOLDBERG: Then why don't I
21 request a motion that the PRIM Board approve the
22 Investment Committee's recommendation to adopt the
23 2022 asset allocation as described in Appendices E
24 and F of the expanded agenda, and further to

1 authorize the executive director to take all
2 actions necessary to effectuate this vote.

3 Is there a motion?

4 MR. BROUSSEAU: So moved.

5 TREASURER GOLDBERG: Is there a second?

6 MS. FITCH: Second.

7 TREASURER GOLDBERG: Again, any other
8 questions? I mean this obviously is not the first
9 time we've gone over this, but I think that given
10 Michael's introduction and what we have viewed of
11 what's going on through our board meetings and the
12 world, this makes very much sense to me and
13 obviously does to everyone else.

14 So hearing --

15 MS. GARRAHAN: Thank you.

16 TREASURER GOLDBERG: Hearing nothing
17 else, I will move for the vote.

18 Bob?

19 MR. BROUSSEAU: Yes.

20 TREASURER GOLDBERG: Ruth Ellen?

21 MS. FITCH: Yes.

22 TREASURER GOLDBERG: Jim?

23 MR. HEARTY: Yes.

24 TREASURER GOLDBERG: Theresa?

1 MS. McGOLDRICK: Yes.

2 TREASURER GOLDBERG: Dennis?

3 MR. NAUGHTON: Yes.

4 TREASURER GOLDBERG: Carly?

5 MS. ROSE: Yes.

6 TREASURER GOLDBERG: Paul?

7 MR. SHANLEY: Yes.

8 TREASURER GOLDBERG: Myself, yes. The
9 motion carries. Thank you.

10 MR. BROUSSEAU: Madam Treasurer, just a
11 comment.

12 TREASURER GOLDBERG: Sure.

13 MR. BROUSSEAU: Sometimes we do these
14 motions -- I know I've said it before when we
15 vote. For the participants who are watching the
16 screen, and I know usually there are many of them,
17 you have to realize that all of these issues have
18 been thoroughly vetted by board members through
19 our materials, but also most of us attended the
20 Investment Committee meeting. And our questions
21 of course and our concerns were raised then when
22 we did an in-depth study of this and all of these
23 issues coming before us.

24 So probably the lack of questions is not

1 that we don't know what we're doing, as much as
2 we've been through this two or three times, and
3 we're ready to vote on it.

4 TREASURER GOLDBERG: Yes, Bob. That is
5 why I mentioned that we have been through the
6 materials.

7 Like myself, I attend all the committee
8 meetings. So that's why we always joke that if
9 Michael ever needs me to jump in and do the
10 executive director's report, I am very capable of
11 doing so.

12 Right, Michael?

13 MR. BROUSSEAU: Whoa.

14 MR. TROTSKY: Definitely. I almost put
15 you on the spot to tell everyone about the core
16 philosophies. I almost did. I was tempted.

17 TREASURER GOLDBERG: You don't want to
18 abuse me right now, right?

19 Anyway, so we have now finished that
20 report. We've had the asset allocation
21 recommendation. Shall we move on to public
22 markets?

23 MR. McELROY: Great. Thank you.

24 Good morning, everyone. This is Michael

1 McElroy.

2 TREASURER GOLDBERG: Yes. For those who
3 don't know, we have yet another Michael.

4 MR. McELROY: Yes. Several Michaels.

5 TREASURER GOLDBERG: So, Michael, when
6 we tease Michael, please know it's not you we're
7 teasing.

8 MR. McELROY: Noted. Yes.

9 So good morning. Just let me make a few
10 observations on the public market returns, as well
11 as the PRIT results. We've talked a little bit
12 about this this morning. As you know, public
13 markets exposure represents about two thirds of
14 the PRIT Fund. I'll make comments first on
15 equities and then shift over to the fixed income
16 environment.

17 As noted, it was a strong fourth quarter
18 for U.S. equities, and developed markets returns
19 ranged between 2 and 11 percent. Emerging
20 markets, a bit weak in the fourth quarter, just
21 down over 1 percent. And this was really China, a
22 continuation of what we saw in the third quarter.
23 China was down 6 percent in the fourth quarter and
24 down about 18 percent last quarter.

1 For the full year, developed and
2 emerging returns were positive. U.S. the
3 strongest, emerging markets the weakest, but we
4 did see positive returns across the equity suite.

5 Aggregate global equity was up over
6 19 percent for the year. We saw in many markets
7 that value style outperformed growth in the fourth
8 quarter and for the full year. And we expect this
9 shift may continue into 2022 and beyond.

10 On a benchmark relative basis, our
11 global equity portfolio outperformed in the fourth
12 quarter, really driven by strong results from our
13 U.S. active equity managers in the small cap and
14 microcap areas.

15 International developed equities lagged
16 slightly, and emerging markets performed in line.
17 And for the full calendar year, we saw a similar
18 profile. U.S. and emerging markets managers
19 ahead; international managers lagged slightly.
20 And the overall global equity performance exceeded
21 our benchmark returns.

22 Not much change in the fixed income and
23 credit markets in the fourth quarter. Long rates
24 slightly lower and credit spreads slightly tighter

1 than in the third quarter, but over the full year,
2 we did see an increase in the long rates, but a
3 decrease in the credit spreads relative to the
4 beginning of the year.

5 And on a performance basis, the fixed
6 income holdings performed in line in the fourth
7 quarter, but outperformed for the full calendar
8 year, mostly driven by our value added fixed
9 income so the high yield, the emerging debt and
10 our other credit opportunities.

11 Inflation, we've talked a bit about
12 that. And the Fed's response to it certainly
13 continues to be a major theme that we're thinking
14 about. Long-term inflation expectations are up,
15 but as Michael Trotsky noted, still remain fairly
16 modest, kind of a 2.5 percent range, compared to
17 this current reading that we're seeing at about
18 7.5 percent.

19 The inflation link and the TIPS
20 exposures that we have in our fixed income
21 portfolio have benefited actually from these
22 recent inflation expectations and increases.
23 Credit conditions improve.

24 But the higher rates have certainly been

1 a drag on the U.S. equity market performance early
2 this year. The rest of the world impacted less
3 than in the U.S.

4 So we continue to analyze the
5 portfolio's sensitivity to this value versus
6 growth theme that I mentioned. We have good
7 factor balance in the aggregate equity portfolio,
8 but we've been asking our managers and hearing
9 from them as to how they're positioning for this
10 regime change that we're witnessing between these
11 two styles.

12 We were certainly satisfied with the
13 resilience of the global equity portfolio in
14 January as these factor currents were swirling
15 around.

16 And then just finally to reiterate,
17 we're monitoring the portfolio's sensitivity to
18 these geopolitical and economic risks that are out
19 there. Volatility is rising in both equities and
20 fixed income, but this actually should create a
21 good environment for active managers in the equity
22 and fixed income space to operate in and to add
23 value in because when there's dispersion, there's
24 opportunity.

1 With the selloff we've seen in China,
2 we're hearing from some of our managers that
3 they're starting to actually see some good
4 opportunities arise there with the lower prices.

5 Because of the diversified nature of
6 this public markets portfolio, the aggregate risk
7 for the overall equity and fixed income exposures
8 remains low on a benchmark relative basis.

9 So with that, I'd be happy to take any
10 questions from any of the board.

11 TREASURER GOLDBERG: Questions for
12 Michael?

13 Again, very thorough. And again, as Bob
14 said, we have heard this before, and so I think
15 everyone is on board and understands what we are
16 hearing today.

17 If there are no other questions, we can
18 move on to PCS, portfolio completion strategies.

19 Is Eric joining us?

20 MR. TROTSKY: It's Bill. Bill will be
21 handling that.

22 TREASURER GOLDBERG: Bill will.

23 Thank you, Bill.

24 MR. LI: Thank you, Treasurer. Thank

1 you, Michael. And good morning, everyone.

2 My name is Bill Li. I am director of
3 portfolio completion strategies, or PCS, which is
4 now a team of four.

5 Firstly, I want to welcome again
6 Charlotte Wang. Welcome to the team. I hope you
7 will enjoy the internship at PRIM, and we look
8 forward to working with you more.

9 Also want to congratulate Liu here.
10 Again, congratulations on your new CAIA and CFA
11 designations.

12 Liu is our investment analyst on the
13 team. She joined in 2017, first as an intern,
14 before transitioning to a full-time position one
15 half a year later. Liu regularly conducts
16 portfolio analytics, and her investment coverage
17 includes the replication program, which has been a
18 consistent outperformer, as well as China
19 equities.

20 We also have Joy Seth, who joined from
21 Texas ERS as an investment officer. I still
22 vividly remember his first day, partly because
23 that was the first day of 2020 lockdown, a tricky
24 time, but Joy managed to integrate himself

1 perfectly to the team.

2 Joy has accomplished tremendously within
3 two years. He built PRIM's proprietary, web-based
4 platform for liquid fund selection. He oversees
5 the 1 billion enhanced equity put spread collar
6 strategy. Joy also covers all hedge fund
7 relationships pertaining to macro relative value.

8 Last, but not the least, Eleni Klemptner
9 handles real assets. Eleni joined two years ago
10 as well. She brings rich experience in real asset
11 as well as in mortgage credit. Since then, she
12 has demonstrated strong business acumen. And also
13 since this year, she just starts helping cover
14 some of the credit hedge funds. This year, we are
15 together making it a major focus to thoroughly
16 review PRIM's real assets program.

17 I am honored to work with this
18 intelligent, passionate and collaborative squad.
19 The plan is to increase the team's bandwidth,
20 possibly with another full-time hire this year.
21 This year and forward, you will directly hear more
22 from each of the portfolio completion team members
23 on their projects.

24 And speaking of plans and projects in

1 2022, we're working with the risk and operation
2 teams in reviewing hedge fund benchmark. And
3 along with that, we're interviewing peer
4 allocators, including pensions and endowments and
5 foundations on the evolving practice of hedge fund
6 investing. We hope to continue informing our work
7 here at PRIM with those intelligence. And also
8 the findings will be shared with the board.

9 In parallel, touching on the
10 intersection of multi-asset classes here, the
11 portfolio completion team will continue
12 collaboration with our dear colleagues on various
13 topics, ranging from crossover to healthcare
14 investments, as well as to India funds and such.

15 Now, back to 2021 performance, last
16 year's performance. Portfolio completion finished
17 the year with an 8.8 percent return, slightly
18 outperforming its benchmark. The portfolio is
19 largely comprised of hedge fund partnerships, and
20 PRIT hedge funds all together returned
21 9.6 percent, outpacing benchmark by 56 bps.

22 In terms of the risk-adjusted return, we
23 realized a Sharpe ratio of 2.8. That is
24 noticeably higher than general equity market and

1 higher than core bond indices, meaning we managed
2 to deliver larger return for each unit of risk
3 taken.

4 And looking into the hedge fund
5 universe, not surprisingly, last year was
6 characterized with riskier strategies performing
7 better. Whoever took more risk, they tended to
8 deliver the higher return.

9 Accordingly, within our program, the
10 directional funds, which are focused on security
11 selection and thus exhibited moderate beta
12 exposure, had a greater performance of
13 15.3 percent. Whereas stable value funds are
14 inherently of lower beta, either because those
15 managers make more budget for hedging or because
16 the relative value strategies and the like don't
17 own as much equity to start with, this category of
18 stabler funds still delivered a decent 8.3 percent
19 return.

20 And to switch gears from PCS to enhanced
21 domestic equity or put spread collar program,
22 which is now under public equity, reported under
23 public equity, the program returned 29 percent
24 trailing one year, and that well exceeded

1 expectation, outperforming benchmark by over
2 600 bps.

3 Joy Seth, which is one of our investment
4 officers on the team, closely monitors positions,
5 and he aggregates the risks on a daily basis. And
6 from a risk angle, the enhanced equity program's
7 9 percent volatility was significantly lower than
8 general equity market, meaning again that is a
9 greater return for each unit of risk taken.

10 So with that, happy to take any
11 questions you may have.

12 TREASURER GOLDBERG: Are there questions
13 for Bill?

14 Hearing none, Bill, thank you very much.

15 MR. LI: Thank you, Treasurer.

16 TREASURER GOLDBERG: And we can move on
17 to Mike McGirr and private equity.

18 MR. MCGIRR: Thank you, Madam Treasurer.

19 I'm going to jump into some comments on
20 performance before we move into our investment
21 recommendations and voting items today.

22 Private equity had another strong
23 quarter. We're up 10 percent gross, or 9.7
24 percent net, as Michael had mentioned. And

1 that brought our one-year number up to 66 percent
2 or 64 percent gross, outperforming public and
3 private benchmarks.

4 The very strong one-year number helped
5 drag up our three-, our five- and our 10-year
6 numbers to 33, 30 and 23 percent, respectively.

7 And for the quarter, we saw some similar
8 themes by strategy that we saw last quarter, with
9 venture, growth and buyouts all doing well.

10 Buyouts for the quarter performed
11 between 7 and 8 percent and for the trailing one
12 year, about 50 percent. Growth-oriented assets
13 also appreciated with the growth equity portfolio
14 up 9 percent for the quarter and up 65 percent for
15 the year.

16 Venture capital had another tremendous
17 quarter, up 19 percent, which was the same as we
18 reported last quarter. That brought the trailing
19 one-year return for venture capital up over
20 120 percent, which is actually higher than the
21 trailing one year that we reported last quarter,
22 which I thought we would never beat.

23 The entire PE program's assets has
24 increased to \$17.1 billion or 16.6 percent of the

1 PRIT Fund. And as a reminder, that portfolio is
2 built up of 345 active partnerships across funds
3 and co-investments.

4 For the one-year period, we had a
5 \$6.8 billion net value gain. A lot of that was
6 paper. But as Michael mentioned, we received a
7 lot of that back in distributions with over
8 \$4.1 billion in distributions for the calendar
9 year '21 and over \$1.3 billion in the fourth
10 quarter alone, which are records for PRIM.

11 For the year ahead, we're going to work
12 hard to increase private equity as a percent of
13 total with your recent vote to increase the
14 allocation to 12 to 18 percent. As Michael
15 mentioned, that translates to roughly 2.7 to
16 \$3.3 billion in the commitment target.

17 I'm excited about our venture capital
18 research. I want to thank Phil Rotner, a member
19 of our Investment Committee, for all of his
20 guidance and direction so far on this internal
21 effort that's being led by Helen, with a lot of
22 contribution from the rest of the private equity
23 team as well as across PRIM. So, excited to share
24 more of that exciting work in future meetings.

1 And finally, we look to add to the team
2 in 2022. We're happy to report that we will have
3 a new team member join us next week. We'll look
4 forward to introducing you all to him at our next
5 IC and board cycle.

6 With that, I will pause and take any
7 questions on performance, the portfolio or the
8 market before moving to our voting items today.

9 MR. SHANLEY: I have just a general
10 question, Michael. With how well private equity
11 has done in the last few years, obviously more and
12 more are getting into the program, so to speak.

13 Is the opportunity market shrinking at
14 all?

15 MR. McGIRR: Thanks, Paul. That's a
16 great question.

17 We talk about that a lot around our
18 table. The markets have grown considerably.
19 There's more private equity firms than ever
20 raising more funds than ever so I think there's
21 definitely new entrants into the marketplace.

22 One thing that I'm encouraged by with
23 our portfolio is we have a very large, high-
24 performing, existing portfolio where many of our

1 funds are very difficult to access. And if you
2 are able to access them, it's hard to access them
3 in scale. So I think that gives us a big
4 benefit.

5 Our proposed recommendations today, are
6 all with existing managers so although we're growing
7 the portfolio, we're doing it with a combination
8 of growing with our existing managers and finding
9 one, maybe two managers over any
10 12-month period. So I think that really helps
11 with taking the pressure off.

12 And then the other thing it makes me
13 think of is in the private markets, venture
14 capital growth and buyouts in particular, you see
15 very large degrees of dispersion between the best
16 and worst managers. So manager selection is
17 still absolutely critical. And I think what we
18 have seen is a continued ability for the most
19 talented managers to really outperform. So hopefully
20 that gives you a little color on how we operate around our table.

21 MR. SHANLEY: That's great. Thank you, Michael.

22 TREASURER GOLDBERG: Any other
23 questions for Michael? We do have voting items.

24

1 Okay then. I think what we'll -- now,
2 we are doing the follow-on investment
3 recommendations that Michael is referring to. And
4 they are all on one vote, correct?

5 MR. McGIRR: That's right. So we have
6 nine fund recommendations totaling \$1.2 billion --

7 TREASURER GOLDBERG: So, Michael, I'll
8 seek the motion and the second, and then you can
9 do a quick explanation. How does that sound?

10 MR. McGIRR: That sounds perfect.

11 TREASURER GOLDBERG: So I would seek a
12 motion for our private equity follow-on investment
13 recommendations that the PRIM Board approve the
14 Investment Committee's recommendations for the
15 following follow-on commitments as described in
16 the expanded agenda. Get ready. It's a long
17 list.

18 Up to \$275 million to Thoma Bravo
19 Fund XV, L.P. Up to \$150 million to Thoma Bravo
20 Discover Fund IV, L.P. Up to \$150 million to
21 Thoma Bravo Explore Fund II, L.P. Up to
22 80 million euros to Chequers Capital XVIII, SLP.
23 Up to \$40 million to Polaris Growth Fund II, L.P.
24 Up to \$100 million to JMI Equity Fund XI, L.P. Up

1 to \$350 million to Advent International GPE X,
2 L.P. And up to \$22 million to USV 2022 L.P. and
3 up to \$32 million to USV Opportunity 2022, L.P.

4 And further to authorize the executive
5 director to take all actions necessary to
6 effectuate this vote.

7 Is there a motion?

8 MR. NAUGHTON: So moved, Dennis
9 Naughton.

10 TREASURER GOLDBERG: Is there a second?

11 MR. SHANLEY: Second.

12 TREASURER GOLDBERG: Okay. I challenge
13 anyone to repeat that whole thing without looking
14 at the paper.

15 MR. McGIRR: It's a big list, and the
16 list is going to continue to be large as we try to
17 grow this private equity allocation. But as a
18 reminder, all of these nine funds are with high
19 conviction existing managers. These re-ups will
20 allow us to continue to invest with these high-
21 performing incumbents.

22 So I'm going to rattle through each of
23 the opportunities quickly, and then the team and I
24 will take any questions or

1 comments.

2 So starting with Thoma Bravo, we're
3 recommending three funds. They're a leading
4 software buyout firm. Their performance has been
5 absolutely fantastic, compounding capital for PRIM
6 at nearly 37 percent.

7 Thoma Bravo is going to execute the same
8 strategy of control, investing in software,
9 primarily in North America, across applications,
10 cybersecurity and infrastructure.

11 We're recommending three fund series:
12 the flagship, which will target large companies;
13 Discover, their mid-cap fund series; and Explore,
14 their small cap fund series.

15 Chequers. Chequers is a Paris, France-
16 based middle market buyout firm. We have invested
17 in three prior funds with Chequers, going back to
18 2006. They'll target buyouts in France, Italy and
19 Germany within the B2B services and asset light
20 industrial service sectors. They're going to
21 target small companies.

22 The firm has a tremendous reputation,
23 one of the oldest private equity firms in France.
24 We're recommending 80 million euros to Chequers

1 XVIII.

2 Polaris Growth. We're recommending
3 \$40 million to Fund II. PRIM was a cornerstone
4 investor in their first fund in 2018, which so far
5 is meaningfully exceeding our expectations.

6 The manager has a dedicated strategy of
7 buying software in tech leaders in very
8 specialized subsectors that have fairly small
9 markets.

10 JMI. JMI, we're recommending our third
11 investment with this group. They invest in
12 bootstrapped B2B software and technology service
13 companies in North America and seek to be the
14 first institutional capital in a company.

15 JMI fits in our growth equity portfolio.
16 We have invested in two funds and one co-
17 investment. We're recommending \$100 million to
18 JMI XI.

19 And Advent. PRIM's been investing with
20 Advent going back to the 1980s across eight funds
21 and one co-investment with this diversified global
22 private equity manager.

23 Their performance has been tremendous,
24 and they've generated a tremendous amount of

1 profits for us over many decades. We're
2 recommending \$350 million into their newest
3 flagship fund, which fits in our mega-large
4 portion of our portfolio, Advent GPE X.

5 And finally, USV. USV is raising two
6 funds. They're one of our best-performing venture
7 capital managers. They'll target early-stage
8 investments in web services, information
9 technology, software and mobile communications.
10 They'll also invest in blockchain technology
11 infrastructure and cryptocurrency assets.

12 USV is raising their 2022 core flagship
13 fund and their opportunity fund, which will invest
14 in slightly later stage opportunities.

15 Their performance has been world-class.
16 We're recommending a \$22 million investment to the
17 core fund and \$32 million to the opportunity fund.

18 I'll stop with my comments there, and as
19 I mentioned, the team and I are happy to take any
20 questions.

21 TREASURER GOLDBERG: Are there
22 questions?

23 MR. BROUSSEAU: Madam Treasurer, I just
24 have two very -- not questions, but probably for

1 my own education.

2 Michael, on the Chequers, what are B2B
3 services and distribution?

4 MS. FIORE: Hi, Bob. I'm happy to take
5 that one on Chequers.

6 So B2B is business-to-business services
7 and distributions. So I think a great example for
8 that with Chequers is they typically are finding
9 companies where they're selling into broader
10 organizations. So one example I can give that's
11 easy to understand is they have a business that
12 makes zippers. So they're selling into all the
13 Italian and European luxury goods market. So that
14 would be an example of selling to other businesses
15 and distributing their products throughout the
16 European luxury good value chain.

17 MR. BROUSSEAU: Okay. Thank you. That
18 explains it.

19 And one more, Madam Treasurer. On the
20 top of page 19, in USV, Michael mentioned in his
21 presentation the investment in USV with blockchain
22 technology infrastructure and cryptocurrency
23 assets.

24 Is this sort of a first for us in this

1 area, or do we have other investments in private
2 equity that mirror the same thing? I don't know.
3 It seems to me I haven't seen this before.

4 MR. McGIRR: Yes. That's a great
5 question, Bob.

6 Some of our prior investments with USV
7 have also targeted this opportunity set, but
8 certainly as you're reading about blockchain and
9 crypto, it is a very, very quickly evolving space.

10 One of the notable investments they've
11 made, I'll describe it as more of the blockchain
12 infrastructure, was the recent IPO of Coinbase.
13 Union Square was an early-stage investor in that
14 company.

15 And you can think about that being kind
16 of supporting and building the infrastructure to
17 support the cryptocurrency and blockchain
18 ecosystem as Coinbase is really like a brokerage.
19 They allow the trading of cryptocurrency assets.

20 So that's an example of one notable
21 investment that they've made so far.

22 MR. TROTSKY: Bob and the rest of the
23 group, I should mention that we are spending more
24 time on blockchain and crypto environment and

1 opportunity set. Maria and her group have really
2 spearheaded the initiative there, along with
3 Investment Committee member Phil Perelmuter, who
4 has a great deal of interest in it.

5 I want to thank Maria, Bill, Mini Kouame
6 and Joy Seth, who previewed with me a crypto and
7 blockchain primer, if you will, to get us launched
8 towards understanding that marketplace better.
9 It's something we're going to do in a series of
10 internal PRIM University educational seminars, and
11 we'll think about --

12 TREASURER GOLDBERG: I'm signing up.

13 MR. TROTSKY: I was going to say we'll
14 think about if there's enough interest to open it
15 up to board and committee members as well.

16 It's great. I went through it last
17 week. I learned a ton. Just as it's a very large
18 and complex emerging marketplace, and just to
19 throw out a little praise to Phil Perelmuter, he
20 tells me that in his retirement, he spends between
21 two and three hours every single day reading and
22 learning about crypto and blockchain. So it's
23 very deep, and there's a lot to learn. And we're
24 really thankful we have the staff internally who

1 have expressed an interest in helping us learn.

2 Really what Phil and I did was we cast a
3 net to every single -- and I should mention Mike
4 McGirr through USV is also very interested, but I
5 cast a very wide net across the entire PRIM staff
6 to see who was really kind of interested in this
7 because I believe that interest leads to success,
8 and if you're interested in something, then you're
9 going to learn about it. And we have a number of
10 employees who are really quietly interested in
11 this topic.

12 MR. BROUSSEAU: Thank you, Michael. I
13 raise it because I think that's an excellent idea
14 you just threw out.

15 Myself, I know I'm reading everything
16 that I can find, especially what comes through
17 *Pensions and Investments*, the periodical that we
18 subscribe to that I get. And in many instances,
19 as far as I'm concerned, not being into this, it
20 raises more issues and concerns than the material
21 actually satisfies.

22 So I think if you're going to do this, I
23 think board members who would be interested in it
24 probably should join these workshops.

1 TREASURER GOLDBERG: And I've also asked
2 them at NAST, at the national association level,
3 at the educational meetings that we have, to begin
4 to have more and more information on and experts
5 presenting in this space because it's going on,
6 and we have to pay attention to it and really
7 understand it. I mean this intangible thing is
8 really strange.

9 So if anyone doesn't know what I'm
10 referring to, like you could have an intangible
11 little thing that represents a work of art. And
12 then all of a sudden, there's a market in that.

13 Maria's laughing as I'm describing. Am
14 I close, Maria? Like these intangible invest --

15 MS. GARRAHAN: I'm not laughing. I'm
16 just smiling because I love being here.

17 MR. TROTSKY: I'm laughing. Just as
18 part --

19 TREASURER GOLDBERG: This is going on.
20 There are people trading in these intangibles
21 right now.

22 MR. TROTSKY: I have to -- I think
23 you're referring to NFTs, non-fungible tokens.

24 TREASURER GOLDBERG: Yes.

1 MR. TROTSKY: And I have to say that as
2 part of my indoctrination, Phil Perelmuter brought
3 me to an NFT art exhibit, and it was eye-opening.

4 TREASURER GOLDBERG: It's really
5 something.

6 Okay. So we need to have the roll call
7 vote.

8 MR. TROTSKY: That's right. I think
9 that's where we are.

10 TREASURER GOLDBERG: I'm like wait a
11 minute. We got off on -- see what happens when
12 you think about all these esoteric things?

13 Let's get back to the real good stuff.
14 Private equity.

15 So with that, I'm going to go through
16 the -- we have a motion. We have a second. Get
17 ready to rock and roll.

18 Bob?

19 MR. BROUSSEAU: Yes.

20 TREASURER GOLDBERG: Ruth Ellen?

21 MS. FITCH: Yes.

22 TREASURER GOLDBERG: Jim?

23 MR. HEARTY: Yes.

24 TREASURER GOLDBERG: Theresa?

1 MS. McGOLDRICK: Sorry. Yes.

2 TREASURER GOLDBERG: Okay. Dennis?

3 MR. NAUGHTON: Yes.

4 MS. McGOLDRICK: Carly?

5 MS. ROSE: Yes.

6 TREASURER GOLDBERG: Paul?

7 MR. SHANLEY: Yes.

8 TREASURER GOLDBERG: Myself, yes. The
9 motion carries. Thank you.

10 Okay. Next on the agenda. Hang on.

11 Give me one second.

12 MR. TROTSKY: Real estate. Tim.

13 TREASURER GOLDBERG: Yes. I'm there.

14 Hi, Tim.

15 MR. SCHLITZER: Good morning. We
16 haven't bought any properties in the
17 metaverse quite yet, but we're working on it
18 (humor noted). I'll talk about real properties today.

19 MR. BROUSSEAU: Not with cryptocurrency,
20 I hope.

21 MR. SCHLITZER: That's right, Bob.

22 TREASURER GOLDBERG: Those are our new
23 partners are the metaverse. Non-fungible, non-
24 tangibles are our new investment partners in real

1 estate.

2 MR. SCHLITZER: That's right.

3 Just for the record, I'm Tim
4 Schlitzer, Director of Real Estate and
5 Timberland. I'm not going to refer specifically to
6 any written materials today, but let me just make
7 a few comments on the portfolio, and then Minching
8 will present a voting item.

9 So first, I just want to thank the team
10 for a great year in 2021. John, Christina,
11 Minching and many of our other colleagues. I
12 really think the team had a great year, and I
13 thank them for all of their efforts.

14 They worked on \$2 billion in transaction
15 activity. That's 20 investments. That equates to
16 \$560 million in net invested capital. The team
17 also refinanced a \$500 million real estate debt
18 position within our capital structure, saving
19 approximately \$5 million a year in interest costs.

20 The team traveled a lot. 14 trips to
21 visit acquisition opportunities and existing
22 properties and industry conferences. I know for a
23 fact that many of our peers outside of PRIM, who I
24 love dearly, haven't been on a plane in two years

1 so I'm very proud of our team for getting back out
2 on the road.

3 All of this was against a much more
4 active capital market and fundamental backdrop
5 than we saw in 2020. The commercial real estate
6 capital markets had a record year, \$800 billion in
7 transactions, which led to a strong upward
8 revaluation of assets.

9 We saw much further institutionalization
10 of nontraditional property types. So things like
11 self-storage, life science some of which we're now
12 invested in. Single-family rental, datacenters.
13 So the market is changing a bit there in terms of
14 the sector makeup.

15 Housing starts ended the year pacing at
16 1.7 million units, surpassing pre-COVID levels and
17 well above the 940,000-unit trough in April of
18 2020. And this was a big part of timber prices
19 increasing by 10 to 20 percent across a variety of
20 product types.

21 Total real estate returned 28.1 percent
22 for the year versus the benchmark at 15.2 percent.
23 So really strong absolute and relative
24 performance. And I know this is a bit

1 unintuitive, coming out of 2020. I thought that I
2 would mention that 67 percent of PRIM's real
3 estate portfolio is invested in property types
4 other than office and retail, which as you know
5 have struggled more through the pandemic.

6 The overweights that we have to
7 industrial, multi-family, medical office and life
8 science all served the fund very well because
9 there has been very strong capital and tenant
10 demand in these areas.

11 Portfolio debt, our capital structure,
12 which continues to be very low leverage at about
13 25 percent, added over 500 basis points of
14 additional core performance. And the REIT market
15 had a good year as well, up 27 percent.

16 Timber returns were also strong for the
17 year at 11.6 percent against the benchmark at
18 5 percent.

19 We saw fairly steep discount rate drops,
20 somewhat being dragged down by lower market
21 interest rates overall, but also driven by strong
22 housing market demand and the starts number that I
23 just mentioned. And also ESG considerations,
24 which we believe are now being priced in by

1 investors.

2 Returns in the Pacific Northwest and
3 Australia/New Zealand did outperform our southern
4 assets, which are an underweight in the portfolio
5 and have been for a while.

6 But we saw some improvement in the
7 southern portfolio, which was up 6.7 percent for
8 the year versus flat performance in 2020. So
9 we're beginning to see some timber price
10 appreciation in that region, again, based on
11 strong housing demand, particularly in the south
12 and really in the southeast and strong
13 construction in that area. So a great sign there.

14 Overall, I think the report in both real
15 estate and timberland, very positive, but I'm
16 happy to answer any questions. That's all I had
17 in terms of prepared remarks.

18 TREASURER GOLDBERG: Any questions at
19 all for Tim?

20 I think here, the only voting item we
21 have, Tim, is the real estate appraisal services.

22 MR. SCHLITZER: That's right, Treasurer.
23 And I was going to let Minching handle that, if we
24 can promote her or --

1 TREASURER GOLDBERG: Okay. So what
2 we'll do is why don't you promote her. I'll seek
3 the motion and the second while you're promoting
4 her. And then she can then do the explanation for
5 us. How does that sound?

6 MR. SCHLITZER: That's perfect. Thank
7 you.

8 TREASURER GOLDBERG: All right. So I
9 would seek a motion that the PRIM Board approve
10 the Real Estate and Timberland Committee's
11 recommendation to issue an RFP for real estate
12 appraisal services as described in the expanded
13 agenda, and further to authorize the executive
14 director to take all actions necessary to
15 effectuate this vote.

16 Is there a motion?

17 MS. FITCH: So moved.

18 TREASURER GOLDBERG: Is there a second?

19 MR. HEARTY: Second. Jim Hearty.

20 TREASURER GOLDBERG: Thank you, Jim.

21 All right then. Minching.

22 MS. KAO: Thank you, Madam Treasurer.

23 My name is Minching Kao.

24 PRIM engages an independent appraisal

1 firm to provide valuation services for PRIM's
2 properties. As a reminder, each property is
3 appraised annually with approximately 25 percent
4 of the portfolio appraised each quarter.

5 Altus is the incumbent appraisal firm,
6 and the current engagement expires at the end of
7 the 2022 calendar year.

8 This request is procedural in nature.
9 With your approval today, we would expect to issue
10 the RFP around second quarter of this year.

11 Please let me know if you have any
12 questions.

13 TREASURER GOLDBERG: Are there any
14 questions at all?

15 Hearing none, let's proceed to a roll
16 call vote. Bob?

17 MR. BROUSSEAU: Yes.

18 TREASURER GOLDBERG: Ruth Ellen?

19 MS. FITCH: Yes.

20 TREASURER GOLDBERG: Jim?

21 MR. HEARTY: Yes.

22 TREASURER GOLDBERG: Theresa?

23 MS. MCGOLDRICK: Yes.

24 TREASURER GOLDBERG: Dennis?

1 MR. NAUGHTON: Yes.

2 TREASURER GOLDBERG: Carly?

3 MS. ROSE: Yes.

4 TREASURER GOLDBERG: Paul?

5 MR. SHANLEY: Yes.

6 TREASURER GOLDBERG: Myself, yes. The

7 motion carries.

8 Thank you very much, Minching.

9 Okay. Next, timberland.

10 MR. TROTSKY: There's probably a motion

11 for request for qualification.

12 TREASURER GOLDBERG: Right. I'm just

13 pulling up the vote. I have a couple of pieces of

14 paper here.

15 Okay. So I'm going to seek a motion of

16 an approval for a request for qualifications for

17 timberland appraisal services. I seek a motion

18 that the PRIM Board approve the Real Estate and

19 Timberland Committee's recommendation to issue an

20 RFQ for timberland appraisal services as described

21 in the expanded agenda, and further to authorize

22 the executive director to take all actions

23 necessary to effectuate this vote.

24 Is there a motion?

1 MR. NAUGHTON: So moved, Dennis
2 Naughton.

3 MR. BROUSSEAU: So moved.

4 TREASURER GOLDBERG: Boy, a lot of
5 people. Okay then.

6 Second?

7 MR. BROUSSEAU: Bob Brousseau.

8 TREASURER GOLDBERG: Okay then. And is
9 Minching going to also give us the background on
10 this?

11 MS. KAO: Yes.

12 TREASURER GOLDBERG: Okay. Thank you.
13 Go ahead.

14 MS. KAO: Thank you.

15 PRIM's timberland properties are
16 appraised annually in the fourth quarter. We use
17 a request for qualifications process to establish
18 a group of qualified timber appraisers.
19 Individual property appraisal assignments are
20 awarded through a bid process.

21 Current assignments expired upon the
22 finalization of the 4Q21 appraisals. In order to
23 reestablish the qualified appraisal list, with
24 your approval, we would expect to issue the RFQ

1 later this year around the second quarter to have
2 the process finalized in advance of the 4Q22
3 appraisal process. We will also utilize our
4 timber consultants, IWC, to assist us in this
5 process.

6 Like real estate, this is procedural in
7 nature. And again, please let me know if you have
8 any questions.

9 TREASURER GOLDBERG: Any questions at
10 all?

11 Hearing none, we'll proceed to the vote.

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: Dennis?

21 MR. NAUGHTON: Yes.

22 TREASURER GOLDBERG: Carly?

23 MS. ROSE: Yes.

24 TREASURER GOLDBERG: Paul?

1 MR. SHANLEY: Yes.

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

4 MR. TROTSKY: Thank you, Treasurer.

5 And promotion I guess has dual meaning
6 in our Zoom environment, where you can be promoted
7 to be a presenter. But I'll also remind the board
8 that Minching herself was actually really promoted
9 at the end of last year to investment officer.
10 You may remember I announced that.

11 Congratulations. You're doing a great
12 job, Minching.

13 And just as a reminder, Minching really
14 focuses on investment analysis and modeling.
15 She's terrific at it. And also part of that
16 modeling is handling the quarterly valuations, and
17 that's why she's presenting today.

18 So congratulations. You got two
19 promotions in the last little while.

20 TREASURER GOLDBERG: All right.

21 MS. KAO: Thank you, Michael.

22 TREASURER GOLDBERG: Thank you,
23 Minching.

24 With that, we are moving along to the

1 adoption of the 2022 proxy voting guidelines.

2 MR. FALZONE: So, Treasurer, do you want
3 to read the motion, and then I can present?

4 TREASURER GOLDBERG: I shall. I shall
5 do so.

6 I would seek a motion that the PRIM
7 Board approve the Admin and Audit Committee's
8 recommendation to adopt the enhancements to PRIM's
9 custom proxy voting guidelines attached as
10 Appendix I of 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 TREASURER GOLDBERG: Okay then. Go
18 ahead, Tony.

19 MR. FALZONE: Thank you.

20 So at the Administration and Audit
21 Committee meeting earlier this month, ISS, who is
22 our proxy voting vendor, highlighted some changes
23 to the broader benchmark proxy voting policy.
24 That's at Appendix H.

1 And then some of those changes have an
2 impact on our custom policy for 2022, which, as
3 the Treasurer mentioned in the motion, is at
4 Appendix I. Because those changes are basically
5 a carryover from the benchmark policy and more for
6 informational purposes, I wasn't going to go over
7 those.

8 I do want to direct your attention to
9 the global climate change proxy voting guideline
10 proposed by Treasurer Goldberg on page 19 of the
11 expanded agenda.

12 So during the last meeting cycle, we
13 provided a sneak preview to both the
14 Administration and Audit Committee and the board
15 of the draft language for our climate change proxy
16 voting guideline. We also provided this language
17 to ISS so they could plan the implementation and
18 help us figure out the best way and most impactful
19 way to do that.

20 So due to some disclosure limitations
21 and also taking into account current best
22 practices, they recommended using the Climate
23 Action 100 to implement the climate change
24 guideline. And this process is consistent with

1 many of our peers implementing similar guidelines
2 and the recommendation unanimously approved by the
3 Administration and Audit Committee.

4 So this language is just slightly
5 different than the language provided last cycle,
6 with the inclusion of the Climate Action 100.

7 I will say a few words on the Climate
8 Action 100. There's more information available on
9 page 20 of the expanded agenda. And this is more
10 for your reference.

11 So the Climate Action 100 initiative was
12 initially formed in the wake of the 2015 Paris
13 Agreement, which is a global accord signed by
14 nearly 200 countries and ratified by over 170 of
15 them. And they're aiming to keep the increase in
16 global average temperatures to well below 2
17 degrees Celsius above preindustrial levels and
18 pursuing efforts to limit warming further to 1.5
19 degrees Celsius.

20 The investor signatories of Climate
21 Action 100 believe that engaging and working with
22 these companies in which they invest to secure
23 greater disclosure of climate change risk and
24 create robust company emissions reduction

1 strategies is consistent with fiduciary duty and
2 essential to achieve the goals of the Paris
3 Agreement.

4 So again, the Climate Action 100 is
5 overseen by a global steering committee. There
6 are many signatories that are public funds:
7 CalPERS, CalSTRS, Connecticut, Minnesota, the New
8 York Common Fund, the Harvard endowment, MIT
9 Investment Management Company.

10 And then on the private side, Goldman,
11 JPMorgan, GMO, Lewis, PIMCO, all the big heavy
12 hitters, SSGA, Wellington, MFS.

13 So I think this is the most impactful
14 way to implement the proxy voting guidelines
15 suggested by ISS. ISS is here to answer any
16 questions, if you have any.

17 And with that, I'll open it up. I
18 don't know if the Treasurer has some comments
19 she'd like to make, but I think that's all I have
20 for this.

21 TREASURER GOLDBERG: The good news of us
22 having these conversations ahead of time earlier
23 in our meetings is that we've gotten a chance to
24 have a lot of conversation about this. In

1 particular, what's been going on is that there has
2 been an extraordinary move and recognition of the
3 business risks associated with climate change.

4 And what's made it more and more evident
5 are the wild swings and the incredible impacts on
6 doing business in so many parts of the country in
7 many various climate disruptions.

8 And so consequently, the thinking around
9 this is -- and as you noted, Tony, just about
10 everybody who is looking at this feels strongly
11 that not addressing these climate issues have long-
12 term impacts for investors. And so it's fully
13 appropriate for us to be joining in with others in
14 our expectations that companies address these
15 issues themselves ahead of time.

16 And the best way to do so is through
17 shareholder activism and voting with others in
18 order to effectuate productive, internally driven
19 change within a business model.

20 And so that's the only thing I want to
21 add in terms of this. I fully support the change
22 in the language. I think it's excellent.

23 And consequently, I want to open it up
24 for any questions anyone may have, or we can

1 proceed to the vote, whichever is the pleasure of
2 the board.

3 Theresa?

4 MS. McGOLDRICK: Sorry about that. I
5 was muted.

6 I just want to voice again my position
7 on this, which I did at the Admin and Audit
8 Committee. And I am very much in favor of it and
9 have been supportive of all of the proxy voting
10 progressive updates that we've made over the
11 years. And this one in particular, I believe is
12 something that we have to do.

13 I think Michael spoke very eloquently
14 about his support. I know the Treasurer and her
15 work has been extremely important in making all of
16 this happen. Her passion and energy at the
17 national treasurers level across the country and
18 here at PRIM have really influenced how
19 progressively we've moved.

20 And not only has it benefited all the
21 efforts that we've addressed within our proxy
22 change moves like diversity and other issues,
23 including now climate change, it has benefited our
24 fund as well and our beneficiaries as a whole by,

1 as you can see, increasing our fund's value.

2 It's a win-win situation where we're not
3 only doing our job as fiduciaries in making sure
4 that our fund is more secure and investing in safe
5 investments, but also fighting climate change and
6 a win for our future.

7 So I just want to basically reiterate my
8 support from the Admin and Audit Committee meeting
9 where we first discussed this.

10 Thank you.

11 MR. NAUGHTON: Madam Treasurer?

12 TREASURER GOLDBERG: Yes.

13 MR. NAUGHTON: Just as a member of the
14 Administration and Audit Committee, I really want
15 to thank Theresa for those comments, which she did
16 make also at our meeting. And I hope that my
17 fellow board members will support this most
18 important motion.

19 TREASURER GOLDBERG: Thank you, Dennis.

20 MR. BROUSSEAU: One more comment,
21 please, Madam Treasurer.

22 I'd like to join with Dennis and Theresa
23 in strongly supporting this item. Several years
24 back -- I know Dennis can recall -- many of us who

1 are elected members of the board were -- I would
2 say lobbied or spoken to about divestment and came
3 to realize quite soon of course that within the
4 last two or three years, that divestment does not
5 equate to engagement.

6 It may satisfy a desire to deal with, I
7 think, issues around this whole thing of climate
8 change, probably in a fashion that people thought
9 would work.

10 But undoubtedly we have found that in
11 the last two years, through PRIM's involvement and
12 the work that Maria has done with MIT and
13 engagement, we're finding that this is far more a
14 productive enterprise than simply divesting our
15 investments.

16 And I think the Treasurer probably --
17 you also spoke about this issue very eloquently in
18 terms of divestment.

19 So I'm very pleased that we're moving in
20 this direction. I know I've had comments and
21 quite a few emails from our membership, say the
22 teacher membership, on this issue in support of
23 this voting our proxies in favor of what we have
24 seen here would be Paris Climate Agreement.

1 And I strongly support this issue.

2 TREASURER GOLDBERG: Thank you, Bob.

3 And I think what's happening is that out
4 of extreme frustration, there has -- and there are
5 those who will continue to want divestment.
6 However, it's becoming more and more evident that
7 engagement potentially has a great deal more
8 impact.

9 One example of that is the investors
10 Engine 1, who have now won three seats on the
11 Exxon board. Exxon is about one of the biggest
12 players in the fossil fuel industry. And believe
13 me, their presence on the board can effectuate far
14 better change than a city or a town or a state
15 divesting and having those shares being bought up
16 by somebody else.

17 So the trend -- you know, a wise
18 philosopher once said to me, "The trend is your
19 friend." And the trend is for engagement these
20 days.

21 Tony, you thought that was funny?

22 MR. FALZONE: I'm going to steal that.

23 TREASURER GOLDBERG: It happened to have
24 been my husband. A wise philosopher. I've never

1 called him that before, so don't anyone let him
2 know I said that.

3 And so I'm happy that we're joining this
4 movement literally, and it gives me hope for the
5 future of our business success and the world's
6 success.

7 So with that, I will proceed to our
8 vote. 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: Dennis?

17 MR. NAUGHTON: Yes.

18 TREASURER GOLDBERG: Carly?

19 MS. ROSE: Yes.

20 TREASURER GOLDBERG: Paul?

21 MR. SHANLEY: Yes.

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

24 And next item on the agenda is the

1 establishment of an ESG committee and engage with
2 Funston Advisory Services LLC, that the PRIM Board
3 approve the Admin and Audit Committee's
4 recommendation to establish an environmental,
5 social and governance committee for the purpose of
6 advising the board on ESG-related matters, and to
7 engage Funston Advisory Services LLC to assist
8 with developing a proposal for the ESG committee
9 structure and charter, and further to authorize
10 the executive director to take all actions
11 necessary to effectuate this vote.

12 Is there a motion?

13 MR. BROUSSEAU: So moved.

14 TREASURER GOLDBERG: Second?

15 MS. FITCH: Second.

16 TREASURER GOLDBERG: Okay. Tony, go
17 ahead.

18 MR. FALZONE: Thank you.

19 So this is another item that was
20 mentioned during the last meeting cycle, and folks
21 over here at PRIM have been working very hard with
22 the Treasurer, her staff, and I appreciate all the
23 help they've been giving me on some of these
24 issues, talking about creating an ESG committee

1 that would advise the board on ESG-related matters
2 and being mindful of PRIM's existing charters and
3 governance policies, past, along with best practice.

4 The proposal before you today is the
5 Administration and Audit Committee's
6 recommendation that the PRIM Board establish an
7 ESG committee to advise the board on ESG-related
8 matters.

9 We also are proposing we engage with
10 Funston on a very limited, narrow-scope engagement
11 to develop a proposal for the ESG committee
12 structure and charter.

13 So a brief description of Funston is on
14 page 20 of the expanded agenda. I'll just say a
15 few words on them, for those that aren't familiar
16 with them. They have over 40 years of experience
17 and are nationally recognized for providing these
18 types of services, including experience working
19 with funds on ESG matters. They have a knowledge
20 base of over 80 public retirement system charters
21 and policies for reference. They work with many
22 of our larger public pension fund peers.

23 And I have talked to Funston in the past
24 over the years because they're such a big player

1 in the space.

2 I've talked to a lot of our peers at
3 CalPERS, CalSTRS, and Texas Teachers, Florida,
4 Ohio, Pennsylvania. They're very well-known.
5 They work with a lot of the bigger funds. And
6 ultimately, most of our peers are very happy with
7 the results, the ones that I've talked to.

8 So I performed what I would refer to as
9 like a mini procurement because it's such a small
10 engagement. And I spoke with different
11 consultants at peer funds, compared costs between
12 some firms and even with our own governance
13 consultant, Cortex. As you know, they're winding
14 down their governance practice. And we're going
15 to be running an RFP, now that I have a general
16 counsel, or that we have a general counsel in place.

17 But Funston was the firm that was most
18 prominent when I was discussing these issues with
19 our peers. And I mentioned the engagement with
20 Funston will be very small, with a narrow scope of
21 services. And we do plan to issue that RFP very
22 soon, and that will be for a more full governance
23 manual and charter review later this year.

24 So this vote I think is an important

1 first step that allows us to begin to work with
2 one of the leading public pension fund governance
3 advisors. And it's a very small engagement. I
4 feel strongly about working with a governance
5 consultant expert to ensure -- this is a super
6 important initiative, and I want to make sure it's
7 handled correctly.

8 So that's all I have. I'm sure the
9 Treasurer has some comments too.

10 TREASURER GOLDBERG: What makes you
11 think so?

12 So this is exciting because Maria has
13 done such outstanding work with MIT, and we're
14 developing data points and an understanding about
15 how to look at ESG investments.

16 And I think back to so many of the
17 meetings I've attended over the years and the
18 discussions around ESG, and I profoundly remember
19 a retreat meeting that we had as a board where we
20 started right off with Michael saying there are so
21 many definitions of ESG, it's mind-boggling.

22 Do you remember that, Michael?

23 But Maria and the work that she is doing
24 is on the cutting edge of defining data-driven

1 analysis that will support not just PRIM, but
2 others throughout the country are already
3 interested in hearing what the outcome is of the
4 work that we are doing, which is exciting to me.

5 And so this subcommittee will be
6 terrifically made up with a range -- you know, the
7 same kind of way in which we evaluate and
8 recommend from other subcommittees and will
9 support the work that so many and Maria is
10 aggregating without confusion. I'm going to call
11 it "without confusion," that the -- it will be
12 leveraging off of that work in order to effectuate
13 change and execute a model that will really be
14 significant.

15 And so I'm very, very excited about
16 this. And I think that, Tony, the way in which
17 you've done the research and identifying Funston
18 and doing -- you know, we're doing this the right
19 way. We're not just dreaming up a committee.
20 We're using expertise, and that is the goal in
21 everything that we do, to have expertise and an
22 understanding so that we are effective. Being
23 effective is what our mantra is at PRIM.

24 So I'm happy to entertain any other

1 questions about this or, given that we've had,
2 again -- and I think we -- I mean we've been
3 talking about this issue now for probably almost
4 six months. Unless there are other questions, I'm
5 happy to proceed to the vote.

6 MR. NAUGHTON: Just quickly, Madam
7 Treasurer, if I may, I want to thank Tony. Again
8 as a member of the A&A committee, I was very
9 reassured by the comprehensive background look he
10 did into this proposal.

11 And once again, I hope that my fellow
12 board members will support it. Thank you.

13 MR. BROUSSEAU: Another comment, Madam
14 Treasurer. This has been a difficult process to
15 put this together in a way that will be
16 comprehensive and I think very helpful for the
17 board.

18 But I think probably the next board
19 cycle, if we -- I know we had a report last year
20 from Maria on MIT's work and how this is
21 dovetailing with what we are doing. It might be
22 helpful to the board and also too, as we establish
23 this committee in the future.

24 And enough said. I support it as I said

1 at the Administration and Audit Committee meeting.

2 TREASURER GOLDBERG: Thank you, Bob.

3 Any other comments or questions?

4 MS. FITCH: Yes. This is Ruth Ellen. I
5 do have just a thought.

6 As we progress with instituting of the
7 committee and getting it up and running, I think
8 it would be helpful to have kind of interim status
9 reports rather than waiting until three months has
10 gone by for another either committee or board
11 meeting.

12 I think it helps us as members to know
13 kind of what's going on in the timeline of it as
14 opposed to just being told it's done.

15 TREASURER GOLDBERG: Okay. I'm sure
16 Tony will be happy to work with us on that.

17 MR. FALZONE: Once the vote happens
18 today, I'll be working on an engagement letter.
19 Like I said, the scope is so narrow, I don't
20 expect it to be that complex, but I'll have a
21 better sense of the process, which I kind of have
22 a 30,000-foot view of, but --

23 MS. FITCH: Right.

24 MR. FALZONE: The reason why we're not

1 waiting for the RFP, Ruth Ellen, is because I feel
2 this is important enough where we can work outside
3 that on a very limited scope to fast-track it. So
4 that's my goal.

5 MS. FITCH: I absolutely agree. But if
6 we, being board members, can just be kept abreast
7 of the process and how it's going, et cetera, on
8 the actual time basis as opposed to being told
9 after the fact.

10 MR. FALZONE: Sure. I anticipate some
11 involvement because I think part of that process
12 is understanding how each of the board members
13 view ESG and its role within the fund. So I
14 assume you'll have an opportunity to even
15 participate at some level.

16 MS. FITCH: Good, good. Thank you.

17 MR. FALZONE: You're welcome.

18 TREASURER GOLDBERG: Okay. With that,
19 we have a motion, we have a second. I'll proceed
20 to a vote.

21 Bob?

22 MR. BROUSSEAU: Yes.

23 TREASURER GOLDBERG: Ruth Ellen?

24 MS. FITCH: Yes.

1 TREASURER GOLDBERG: Jim?

2 MR. HEARTY: Yes.

3 TREASURER GOLDBERG: Theresa?

4 MS. McGOLDRICK: Yes.

5 TREASURER GOLDBERG: Dennis?

6 MR. NAUGHTON: Yes.

7 TREASURER GOLDBERG: Carly?

8 MS. ROSE: Yes.

9 TREASURER GOLDBERG: Paul?

10 MR. SHANLEY: Yes.

11 TREASURER GOLDBERG: Myself, yes. The
12 motion carries. Thank you --

13 Oh, wait. Theresa -- I just got a
14 message that you had your hand up, Theresa. I
15 didn't see it.

16 MS. McGOLDRICK: I just wanted to really
17 echo what Dennis had said in our joint support for
18 ESG. I'm really proud of PRIM and the action
19 taken by the staff, led by the Treasurer, Michael
20 and Maria in ESG.

21 It's to me very important and a follow-
22 up in all of our efforts with proxy voting to be
23 looking at these issues that not only benefit our
24 fund, but benefit the world, our earth and the

1 people, as well as our beneficiaries.

2 So to me, the two are tied together very
3 integrally, and I think that it's extremely
4 cutting-edge stuff and very important that we're
5 studying these issues and how they affect the
6 fund. And so I'm very excited for this committee.

7 Thank you.

8 TREASURER GOLDBERG: Sorry, Theresa. I
9 apologize for having missed --

10 MS. McGOLDRICK: No problem.

11 TREASURER GOLDBERG: Okay. Well, we've
12 had the vote. So that actually takes us through
13 the agenda except for our legislative update.

14 Is Emily on?

15 MR. FALZONE: I think we are promoting
16 her and maybe Liz as well.

17 MS. McGOLDRICK: Liz Zelnick. Okay.

18 MR. GRISWOLD: She should be on in just
19 a second. It takes a moment for the promotion to
20 happen.

21 MR. FALZONE: I should say her full
22 name, Treasurer. You're right. We're just such
23 good friends now, that I just --

24 TREASURER GOLDBERG: Elizabeth Zelnick

1 and Emily Kowtoniuk.

2 MR. FALZONE: Thank you.

3 TREASURER GOLDBERG: Policy team.

4 MS. KOWTONIUK: Hi. So I'm Emily
5 Kowtoniuk, and I will give a quick legislative
6 update.

7 We are now in the second year of the two-
8 year legislative session. And we're through joint
9 rule 10-day, which is the deadline by which all
10 committees of first impression need to report the
11 bills before them.

12 We now have all of the paperwork
13 processed, and we can report on the three buckets
14 of bills that we've been tracking for PRIM.

15 So the first sort of line of effort is
16 divestment bills, and we did see all of the
17 divestment bills go to study this session.

18 There's also a new line of effort
19 looking at, on point, the intersection of ESG and
20 fiduciary duty. This is a new initiative, and
21 those bills actually went to study as well this
22 session.

23 The only bills relative to PRIM that we
24 saw receive a favorable report are the PRIM

1 membership bills. And this is the same initiative
2 that we saw last session that would require the
3 governor to appoint from a panel of three selected
4 of the public safety appointee.

5 Similar to last session, this bill did
6 receive a favorable report, and it will go now to
7 house rules, where we'll continue to watch it.

8 We could see this measure come up during
9 budget debate, and we're now discussing the FY '23
10 budget. The governor has proposed his budget.
11 And similar to last fiscal year, he's proposed a
12 \$250 million supplemental transfer to the PRIT
13 Fund, which the Treasurer spoke in support of at
14 the joint ways and means hearing just last week.

15 In the last update, we did see the
16 governor sign the COVID supplemental budget, which
17 does include an extension of the emergency Open
18 Meeting Law provisions, which were set to expire
19 in April, and they're now extended through
20 July 15.

21 So happy to answer any questions.

22 MR. BROUSSEAU: Fast, fast question,
23 Emily. Which particular bills you mentioned were
24 sent to study?

1 MS. KOWTONIUK: So all of the divestment
2 bills, and then there was a new bill filed by
3 Representative Domb that looked at ESG and climate
4 investing specifically. And that was also sent to
5 study.

6 MR. BROUSSEAU: Sometimes study can be
7 fast. Sometimes it can be prolonged and extended.

8 Do you have any idea whether or not
9 these will come through the committees and be
10 brought back during this legislative session?

11 MS. KOWTONIUK: Not during this
12 legislative session. I mean they could pop up
13 during budget debate, but these are sort of
14 perennially filed and perennially sent to study,
15 on the divestment side especially.

16 So I'd expect that we would see similar
17 initiatives next session, but that won't be until
18 next year. So for this session, I think we're
19 done.

20 MR. BROUSSEAU: Could you please just
21 elaborate a little bit on the changes to the
22 membership of PRIM Board, that one position?

23 MS. KOWTONIUK: Sure. So this is the
24 bill that was filed by Senator Keenan on the

1 senate side and then actually by both
2 Representatives Peisch and Cusack on the house
3 side.

4 And this amends PRIM's statute to
5 require that the governor appoint the public
6 safety representative from a list of three
7 nominees submitted by the Massachusetts
8 Association of Contributory Retirement Systems.

9 MR. BROUSSEAU: Okay. Thank you.

10 MR. NAUGHTON: Madam Treasurer --

11 TREASURER GOLDBERG: Yes.

12 MR. NAUGHTON: -- through you to Emily.

13 Emily, just a quick question on the
14 other bill regarding ESG and fiduciary
15 responsibility.

16 Could you just put a little finer point
17 on that for me, what that bill intends?

18 MS. KOWTONIUK: I'm actually going to
19 turn it over to Liz on this one because she's been
20 working closest with the representative's office.

21 MS. ZELNICK: Hi, everyone. I'm Liz
22 Zelnick, deputy director for policy and
23 legislative affairs.

24 So with this particular bill,

1 Representative Domb presented an idea to create
2 essentially an outside agency to monitor PRIM's
3 progress in reaching sort of the net zero goals
4 laid out by the climate bill that passed last
5 year.

6 So obviously that got sent to study.
7 And our team really thinks that the ESG committee
8 that you guys just created really achieves the
9 same goals without so much red tape. And working
10 internally with the staff in the capacity that you
11 guys already have.

12 MR. NAUGHTON: Thanks very much for
13 that.

14 MS. ZELNICK: Absolutely.

15 TREASURER GOLDBERG: Any other
16 questions?

17 Hearing none, that is actually the end
18 of our agenda. Unless I'm missing a page.

19 MS. FITCH: Nope.

20 MR. FALZONE: I don't know if any --
21 just a few words on client service, if I may.

22 TREASURER GOLDBERG: Please do.

23 MR. FALZONE: So we talked about the two
24 educational Webinars the client service team is

1 putting together for our clients.

2 I also would be remiss if I didn't
3 congratulate Jennifer Cole, who's on the client
4 service team, for her 20 years.

5 I remember when Jennifer first started,
6 and I've been working with her ever since, and
7 it's been a pleasure. And I'm excited and look
8 forward to working with her in the future as well.

9 And then secondarily to that, we do have
10 an investor advisory council meeting that's on the
11 books for March, which is a meeting we put
12 together so that some of our retirement systems
13 can come, normally they can meet with us, and we
14 can talk a little bit more about what's going on
15 so that our retirement systems have a little more
16 insight.

17 And Francesco is here to answer any
18 questions, if you have any.

19 TREASURER GOLDBERG: Any questions for
20 Francesco?

21 Hearing none, I believe we are now at
22 the end of our agenda.

23 I want to congratulate us all. We have
24 been having some rather marathon meetings for

1 quite some time, so we are very efficient today.
2 And I think that's due to the success of our
3 subcommittee meetings.

4 MS. FITCH: Yes. Agreed.

5 TREASURER GOLDBERG: With that, I will
6 seek a motion to adjourn. Is there a motion?

7 MR. BROUSSEAU: So moved.

8 MR. SHANLEY: So moved.

9 TREASURER GOLDBERG: Is there a second?

10 MS. McGOLDRICK: Second.

11 MS. FITCH: Second.

12 TREASURER GOLDBERG: Roll call 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: Dennis?

22 MR. NAUGHTON: Yes.

23 TREASURER GOLDBERG: Carly?

24 MS. ROSE: Yes.

1 TREASURER GOLDBERG: Paul?

2 MR. SHANLEY: Yes.

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

5 I want to thank everyone for their
6 excellent attendance. And I always want to thank
7 the PRIM staff for the outstanding job that you
8 do.

9 MR. TROTSKY: Thank you very much.

10 (Meeting adjourned at 11:29 a.m.)

11

12

13

14

15

16

17

18

19

20

21

22

23

24