



Minutes of the PRIM Investment Committee Remote Meeting
Tuesday, February 1, 2022

Committee members attending:

- Treasurer Deborah Goldberg, Chair
- Joseph Bonfiglio
- C. LaRoy Brantley
- Michael Even
- Ruth Ellen Fitch, Esq. (arrived at 10:00 a.m.)
- James Hearty
- Peter Monaco (arrived at 9:38 a.m.)
- Phillip Perelmuter
- Paul Shanley, Esq.
- Glenn Strehle, CFA

Committee members not present:

- Constance Everson, CFA
- Philip Rotner
- Timothy Vaill

The PRIM Investment Committee meeting was called to order at 9:31 a.m. Chair Treasurer Deborah Goldberg announced that the meeting was being held by internet and telephone in accordance with the provisions of “An Act Extending Certain COVID-19 Measures Adopted During the State of Emergency” which was signed into law on June 16, 2021. This Act includes an extension, until April 1, 2022, of the remote meeting provisions of the March 12, 2020, Executive Order that allows remote participation by all members of a public body and suspends the requirement that a quorum and the Chair be physically present, provided that the public has access to the meeting through technology that enables the public to clearly follow the proceedings while they are occurring. Accordingly, all members of the Committee participated remotely via telephone and/or internet enabled audio and video conferencing, and public access to the deliberations of the Committee was likewise provided via telephone, with presentation materials made available on PRIM’s website (www.mapension.com). At the start of the meeting, the names of the members participating remotely were announced.

I. Approval of the Minutes (Voting Item)

The PRIM Investment Committee approved, by unanimous roll-call vote, the minutes of its November 16, 2021, meeting.

Peter Monaco joined the meeting at 9:38 a.m.

II. Executive Director / Chief Investment Officer Comments

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

Mr. Trotsky began by extending deepest condolences to Treasurer Goldberg on the passing of her father, Avram Goldberg, and wished the Treasurer and her family strength and peace in this difficult time as they celebrate his full life. After a moment of silence, he continued to the agenda.

Market Update

Mr. Trotsky shared the December quarterly results with the PRIT Fund up 5.4% net and 1.4% above benchmark, ended another outstanding and record setting year. For the calendar year ending December 31, 2021, the PRIT Fund was up 20.6% gross or 20.1% net of all fees; the fourth largest return in PRIM’s

entire history. The 2021 return outperformed the benchmark by more than 8% net fees, or \$7 billion, the strongest outperformance in our entire history, surpassing the previous record of 4% outperformance set in 1999. The Fund ended the year at a record \$104 billion. PRIM staff remained very productive during this year, deploying more than \$7.6 billion in new investments, another record.

Mr. Trotsky mentioned that customary for this Board cycle, PRIM staff would be reviewing asset allocation and annual plans. Regarding annual plans, he highlighted a new effort to support the formation of a new ESG committee. Mr. Trotsky stated that PRIM was looking forward to the Administration and Audit Committee taking up the Treasurer's motion to create an ESG Committee during their upcoming meeting. We believe this will build on all the important work PRIM has been doing internally and with our partners in the MIT Sloan School's Aggregate Confusion Project. On asset allocation we are recommending continuing our multi-year effort to gradually increase our allocation to Private Equity, the number one performing asset class over all time periods. We continue to believe that our balanced, well-diversified portfolio will continue to perform well in both strong and weak market environments, therefore we are not making material changes to our long-term strategic asset allocation. He mentioned that Jay Leu, PRIM's Director of Risk would be presenting a scenario analysis characterizing a prolonged period of inflation and higher interest rates.

Organizational Update

Mr. Trotsky announced that Renee LeFevre joined PRIM in January as its new Chief Legal Officer, reporting directly to him and would also be joining PRIM's executive management team. Ms. LeFevre joined PRIM from the Boston Planning and Development Agency (BPDA), which is made up of the Boston Redevelopment Authority, Economic Development Industrial Corporation of Boston, and the Mayor's Office of Workforce Development. Ms. LeFevre was with the agency since 2000 and became General Counsel in December 2014. At BPDA, she managed a 10-person legal department along with outside counsel handling all legal issues including compliance on open meeting laws, public records requests, ethics, conflicts of interest and disclosures under Massachusetts General Laws. She also was responsible for legal matters pertaining to development proposals, public hearings, disposition of property, procurement, budget, personnel matters, and more. Ms. LeFevre serves as Vice President on the Board of Directors for the Boston Local Development Corporation (BLDC), is a member of The Abstract Club, CREW (Commercial Real Estate Women Network Boston), and the Boston Bar Association. Ms. LeFevre is a recipient of GET Konnected 50 Most Influential Attorneys of Color and the Henry L. Shattuck Public Service Award. Ms. LeFevre is a graduate of the University of California at Berkeley and Boston College Law School. Mr. Trotsky welcomed Ms. LeFevre to PRIM.

Mr. Trotsky then acknowledged a special PRIM anniversary. Jennifer Cole, PRIM's Manager of Client Reporting and Cash Management, was celebrating 20 years at PRIM this February. He added that Ms. Cole joined PRIM in 2002 as a Staff Accountant and over the years was promoted to Financial Analyst, Senior Financial Analyst and then Manager of Client Reporting and Cash Management, responsible for managing all cash needs for all PRIM clients. This includes all contribution and redemption activity, playing a critical role in processing all PRIT Fund purchase and sale transactions on the first business day of each month. Mr. Trotsky mentioned Ms. Cole always delivers the highest level of customer service to PRIM's clients, the Operations team, and the entire organization, and congratulated her on 20 years at PRIM.

PRIT Fund Performance Summary

Mr. Trotsky then discussed the markets and economy mentioning that with 2021 results in the rear-view mirror, 2022 started with a very volatile January. Markets have struggled with the Omicron surge, labor shortages, supply chain shortages, and an associated 40-year high inflation reading of 7% in December, not to mention continued geopolitical tensions as well as domestic tensions. In January, market volatility as measured by the VIX surged from 17.2 to 32 as the S&P was down 5.2%, while the tech heavy NASDAQ

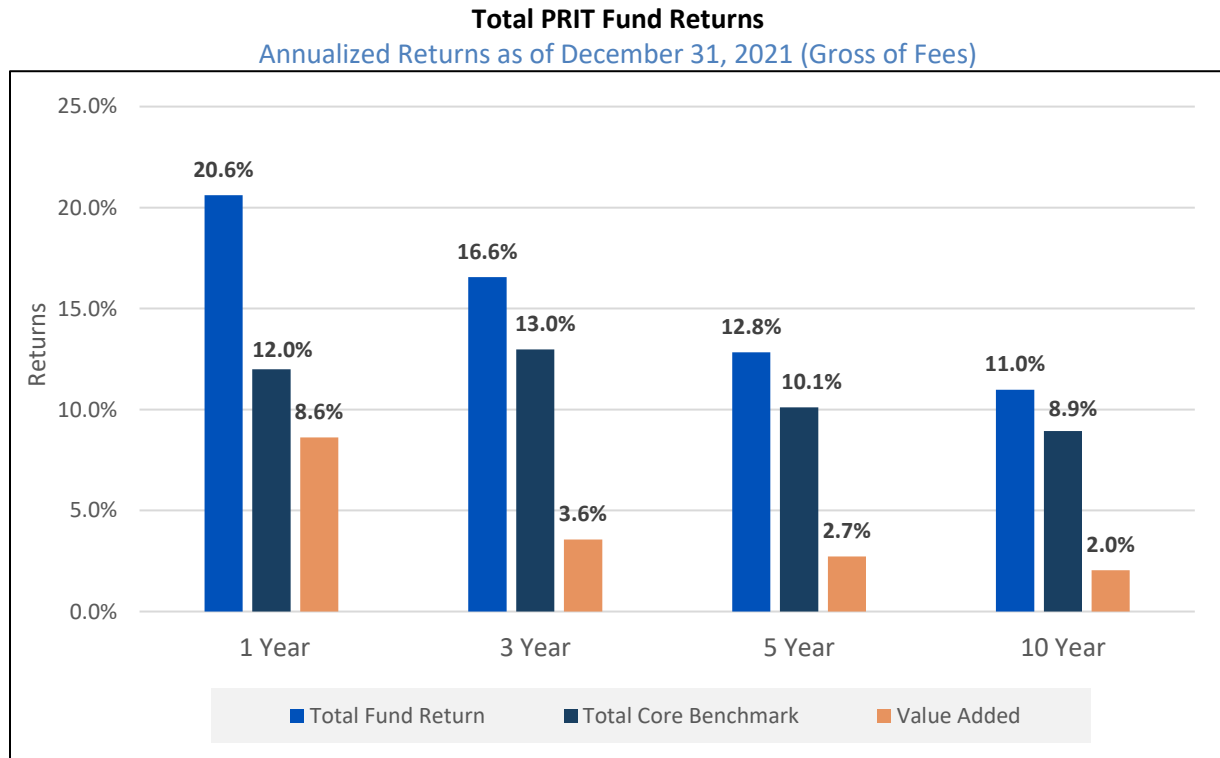
was down almost 10%. Developed international markets were down 4.8%, and emerging markets were down 1.9, while diversified bonds were down approximately 2%. The Federal Reserve left the target range for its federal funds rate unchanged at 0-0.25% during its January meeting. However, they indicated a desire to raise the target range beginning in March as inflation is currently running well above 2.0% and the labor market is very strong; the unemployment rate was reported at a mere 3.9% recently. And more importantly, market futures are indicating that the Fed will raise rates four or five times in 2022. The prospect of an increasingly hawkish Fed, combined with some mixed economic data likely caused by the Omicron spike, and some softening of corporate earnings is alarming to market participants.

Mr. Trotsky noted several points that Connie Everson, Investment Committee member, made to him prior to the meeting. They were as follows:

1. When the Fed gets around to the 3rd rate hike or so later in the year, conditions won't support it, key prices will be back off. Inflation readings will moderate later in the year.
2. The critical ingredient of a typical bear market is missing – there is no slowdown in demand. We are experiencing a supply problem, not a demand problem, which will also resolve itself. Workers who are on the sidelines could return to the work force, and that would be a positive.
3. Even now, parts of the equity market are holding up – like industrials, energy, materials. They could lead the way in any market rebound.
4. She acknowledges that there is a rotation of Fed Governors, and they are more hawkish than their predecessors, and there is a risk that the Fed could overdo the tightening programs, no doubt, but Fed is not going to be able to put this economy into a recession.

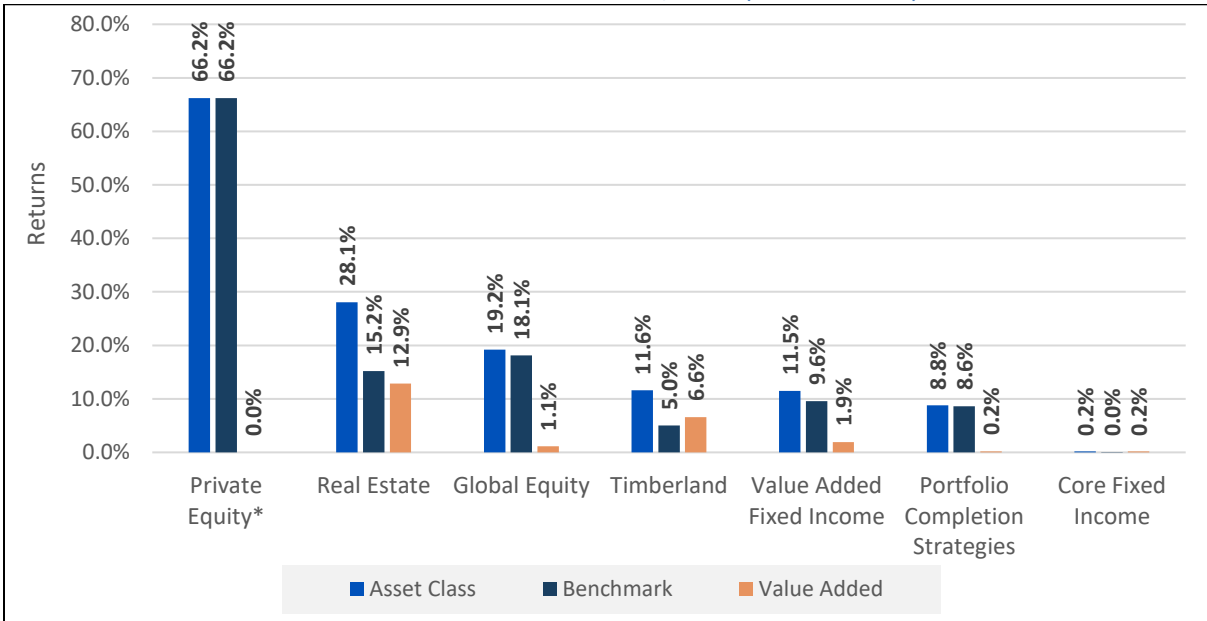
Ruth Ellen Fitch, Esq. joined the meeting at 10:00 a.m.

Mr. Trotsky referenced the following charts and graphs:



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

PRIT Asset Class Performance Summary
One Year ended December 31, 2021 (Gross of Fees)



Source: BNY Mellon. Totals may not add due to rounding. *Benchmark is actual performance.

PRIT Fund Annualized Returns By Asset Class
(December 31, 2021 - Gross of Fees)

1 Year	3 Year	5 Year	10 Year
PRIVATE EQUITY 66.2%	PRIVATE EQUITY 33.2%	PRIVATE EQUITY 29.6%	PRIVATE EQUITY 23.4%
REAL ESTATE 28.1%	GLOBAL EQUITY 20.7%	GLOBAL EQUITY 14.7%	GLOBAL EQUITY 12.3%
GLOBAL EQUITY 19.2%	REAL ESTATE 12.9%	REAL ESTATE 10.6%	REAL ESTATE 11.2%
TIMBER 11.6%	VALUE-ADDED FIXED INCOME 8.5%	VALUE-ADDED FIXED INCOME 7.2%	VALUE-ADDED FIXED INCOME 6.2%
VALUE-ADDED FIXED INCOME 11.5%	CORE FIXED INCOME 7.7%	CORE FIXED INCOME 5.5%	TIMBER 6.0%
PCS 8.8%	PCS 5.7%	TIMBER 5.3%	PCS 5.1%
CORE FIXED INCOME 0.2%	TIMBER 5.2%	PCS 4.6%	CORE FIXED INCOME 4.7%

Summary of 2022 Annual Plans

Mr. Trotsky explained on an annual basis, each senior staff member and each asset class head prepares an annual plan for 2022. Mr. Trotsky noted the PRIM's investment Team's Annual Plans were attached as **Appendix D**, and are a continuation of the work the staff has been doing, with additional focus on the continued implementation of the FUTURE Initiative and supporting the establishment of an ESG Committee. PRIM staff would revise the plans as appropriate to incorporate feedback received from the Board and Committees.

III. Risk – PRIT Fund Risk Update

James Leu, CFA, FRM, Senior Investment Officer – Director of Risk Management provided the Risk update and gave several different risk perspectives on the impact of inflation of the PRIT Fund through a growth/inflation framework.

Mr. Leu presented a scenario analysis of the impact of inflation on the PRIT Fund by understanding each asset class's sensitivity to inflation surprises (inflation beta) and growth surprises (growth beta). For this scenario analysis, PRIM used analysis from one of our investment managers, PIMCO, utilizing data back to June 30, 1970.

Mr. Leu noted the PRIT Fund performs best in a low inflation/high growth scenario due to the overall negative inflation beta (1.7) and positive growth beta (2.0). The PRIT Fund returns 9.0% in this scenario versus 5.3% in a base scenario. The PRIT Fund performs worst in the high inflation/low growth or stagflation environment.

Mr. Leu presented how PRIM's fixed income portfolios might behave with an inflation shock. The Core Fixed Income portfolio would fall by 8.2% while the Public Value-Added Fixed Income sleeve would fall 2.6% when nominal yields rise 1% and real yields and credit spreads are unchanged. The long duration STRIPS portfolio would be impacted the most, dropping by about 26% due to their 26-year duration. TIPS, in contrast, performed the best. TIPS and Inflation linked bonds react to changes in real yields so there is no price change, but TIPS increase 1% with the 1% increase in inflation.

Mr. Leu noted equity valuations depend on earnings, real yields, and earnings growth. We entered 2022 at stretched equity valuations due to low real yields and strong growth. P/E multiples were in the 90th percentile. The spread between growth and value multiples was also in the 90th percentile. The rise in real yields coupled with the threat of moderating earnings growth caused by the Fed has caused growth stocks which are long duration assets to revalue sharply. Small cap stocks also revalued sharply. Mr. Leu noted the risk factors of the PRIT Global Equity sleeve are well balanced. The risks are balanced, and the alpha or outperformance, comes mainly from stock selection.

IV. Research – Asset Allocation Recommendation (Voting Item)

Maria Garrahan, Senior Investment Officer - Director of Research presented the staff's 2022 Asset Allocation recommendation along with representatives from NEPC.

Ms. Garrahan noted the 2022 Asset Allocation recommendation represents no major changes to the prior year recommendation. The recommendation includes a 1% increase in the Private Equity target range (formerly 11-17% to 12-18%) and a 1% decrease in the Global Equities target range (formerly 34%- 44% to 33%-43%). The recommendation maintains continued alignment with PRIM's strategic initiative to slowly grow our private market allocation.

Ms. Garrahan explained that PRIM's actual exposure to Private Equity is currently 16.6% and at the higher end of the target range approved in 2021. The 2022 recommendation puts forth only a minor change to

the ranges shifting up Private Equity target range by 1% and shifting down Global Equity by 1% thus providing some additional space to operate within.

PRIM's asset allocation framework, Ms. Garrahan continued, uses a probabilistic based approach to maximize the likelihood of achieving the dual objective. PRIM's return objective is defined as the probability of achieving 7% annualized return across the next 10 years. Additionally, PRIM has defined a measure of downside protection as no cumulative drawdown greater than 20% within the next three years. Our asset allocation process maximizes the probability of achieving this dual objective.

Philip Nelson, CFA, Partner, Director of Asset Allocation, and Jennifer Appel, CFA, Research Consultant from NEPC, presented to the Committee a summary of NEPC's 2022 asset class overview and NEPC's asset class return assumptions.

The PRIM Investment Committee voted, by unanimous roll-call vote, to approve a recommendation to the PRIM Board to approve the 2022 Asset Allocation Recommendation as described in Appendices F and G of the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

V. Public Markets Performance Summary

Michael McElroy, Senior Investment Officer - Director of Public Markets provided an update on Public Markets Performance. Mr. McElroy noted public markets exposure represents almost two-thirds of the PRIT Fund.

Mr. McElroy noted it was a strong Q4 for US equities, while emerging markets were down just over 1%. For calendar year 2021, both developed and emerging equity market returns were positive, with US the strongest and emerging markets the weakest of the group. PRIM's Global Equity was up over 19% for the year. Value outperformed growth in many markets in Q4, and this shift may continue into 2022. On a benchmark-relative performance basis, PRIM's Global Equity portfolio outperformed in Q4, driven by strong performance from US active managers in the small and micro-cap space. Developed International equities lagged slightly, and Emerging Markets performed in-line with benchmark. For the full calendar year, we saw a similar profile, US and Emerging Markets managers ahead, and Developed International managers lagging slightly. The overall Global Equity performance exceeded benchmark returns.

Mr. McElroy noted Public Markets will continue to analyze PRIM's portfolio sensitivity to value versus growth. We have good factor balance in the aggregate equity portfolio but have been asking about and hearing from managers as to how they are positioning for regime changes in these two styles. We were satisfied with the resilience of the Global Equity portfolio in January when these factor currents were swirling.

Finally, we are monitoring portfolio sensitivity to geopolitical and economic risks. Volatility is rising in both equity and fixed income markets, and this should create a good environment for our active managers to operate and add value in. With the sell-off we have seen in China, some of our managers are starting to see good opportunities arise. Because of the diversified nature of our public market's portfolio, the aggregate risk for the overall equity and fixed income exposures remains low on a benchmark-relative basis.

VI. Portfolio Completion Strategies Performance Summary

Bill Li, CFA, CAIA, Senior Investment Officer – Director of Completion Strategies, congratulated team member Liu Liu, who recently passed the CAIA exam, and noted the strong work being done by team members Joy Seth and Eleni Klempner. Mr. Li mentioned his plan to increase the team's capacity, possibly with another full-time hire.

Mr. Li noted that in 2022 his team began working with the Risk and Operation teams in reviewing the Hedge Funds benchmark. Additionally, the team began interviewing peer allocators, including pensions, endowments, and foundations, on the evolving practice of hedge funds investing, as a continued effort to evolve the PCS team's work. The findings will be shared with the Investment Committee.

Regarding performance, Mr. Li noted Portfolio Completion Strategies finished the year with an 8.8% return, slightly outperforming its benchmark. The portfolio is largely comprised of Hedge Funds. PRIT Hedge Funds returned +9.6%, outperforming the benchmark by 56 basis points. In terms of risk-adjusted returns, Hedge Fund's realized a 2.8X Sharpe Ratio, higher than the equity and core fixed income indices.

Mr. Li noted PRIM's Directional Funds, which are focused on security selection and exhibit moderate beta exposure, had a greater performance of 15.3% for 2021. PRIM's Stable Value Funds are inherently of lower beta delivered an 8.3% return for 2021.

Mr. Li noted the Enhanced Domestic Equity or Put Spread Collar Equity Hedge, returned 29% for the calendar year outperforming the benchmark by over 600 basis points. The Enhanced Domestic Equity portfolio's 9% volatility was noticeably lower than the S&P 500's 11%, which means a greater return for each unit of risk taken.

VII. Private Equity Performance

Michael McGirr, Senior Investment Officer - Director of Private Equity provided an update on Private Equity performance. Mr. McGirr mentioned the private equity industry set records in 2021 across private equity deal activity, exits and fundraising. Global mergers and acquisitions surpassed previous annual records while private equity deal making hit an all-time high. Leveraged loans and corporate high yield issuance hit record levels which enabled buyouts, debt refinancing's and dividend recapitalizations. Venture capital had a banner year in terms of capital investments and IPOs.

Mr. McGirr noted the entire Private Equity program's assets increased to \$17.1 billion (16.6% of PRIT Fund), invested in 345 active partnerships across funds and co-investments. For the calendar year 2021, PRIM's Private Equity returned 66.2%, helping increase the 3, 5 and 10-year returns to 33%, 30% and 23%, respectively (gross). PRIM received a record \$4.1 billion in distributions in 2021.

Mr. McGirr noted that the increased target range for Private Equity to 12-18% will translate into a commitment goal of roughly \$2.7B to \$3.3B for the 2022 calendar year.

The PRIM Investment Committee meeting adjourned at 11:29 a.m.

List of documents and exhibits used during the meeting:

- *Minutes of the PRIM Investment Committee Meeting on November 16, 2021*
- *PRIT Fund Performance Report (December 31, 2021)*
- *BNY Mellon Gross of Fees Performance Report (December 31, 2021)*
- *2022 PRIM Staff Annual Plans*
- *PRIT Fund Asset Allocation Presentation*
- *2022 NEPC Asset Allocation Presentation*