

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

Minutes of the Board Meeting

Thursday, May 19, 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):

- Francesco Daniele
- Anthony Falzone
- David Gurtz
- Helen Huang
- Minching Kao
- Emily Kowtoniuk
- Renee LeFevre
- Bill Li
- Michael McElroy
- Michael McGirr
- Joy Seth
- Tim Schlitzer
- Michael Trotsky

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

2 A meeting of the Pension Reserves
3 Investment Management Board (PRIM Board) was held
4 remotely on May 19, 2022. The meeting was called
5 to order and convened at 9:31 a.m. Treasurer and
6 Receiver-General Deborah Goldberg chaired the
7 meeting.

8 TREASURER GOLDBERG: I'm opening the
9 MassPRIM Board meeting for Thursday, May 19, 2022.

10 This meeting will be held in accordance
11 with the provisions of Massachusetts Chapter 22 of
12 the Acts of 2022, which was signed into law on
13 February 15, 2022, which includes an extension
14 until July 15, 2022 of the remote meeting
15 provisions of the March 12, 2020 Executive Order
16 suspending certain provisions of the Open Meeting
17 Law.

18 Accordingly, all members of this board
19 will participate today remotely via telephone and/
20 or Internet-enabled audio and videoconferencing,
21 and all votes in today's meeting will be taken by
22 roll call.

23 Public access to the deliberations of
24 the meeting today will likewise be provided via

1 telephone, with all documents referenced at the
2 meeting available to be viewed on PRIM's website,
3 www.mapension.com.

4 All persons speaking at today's meeting
5 are asked first to identify themselves. Also the
6 Open Meeting Law requires anyone wishing to record
7 a meeting to first notify the chair so that the
8 chair can inform the other attendees.

9 Accordingly, I am informing you that
10 stenographer Virginia Dodge from Lexitas is
11 transcribing and also recording this meeting.

12 If anyone else does intend to record
13 today's meeting, please first notify Seth Gitell
14 by email at [sgitell](mailto:sgitell@mapension.com), that is S-G-I-T-E-L-L,
15 [@mapension.com](mailto:sgitell@mapension.com).

16 Additionally, the Attorney General's
17 guidance on holding remote meetings reads as
18 follows. At the start of the meeting, the chair
19 must announce the name of the member or members
20 who are participating remotely.

21 I will now announce the names of all
22 PRIM Board members who are participating in
23 today's meeting. Firstly myself, Treasurer
24 Deborah Goldberg, chair. Robert Brousseau.

1 Is Ruth Ellen in yet?

2 MR. FALZONE: I do not see her yet.

3 TREASURER GOLDBERG: James Hearty is
4 here. Theresa McGoldrick.

5 Peter Monaco in yet? No.

6 MR. FALZONE: I do not see him yet.

7 TREASURER GOLDBERG: All right. Dennis
8 Naughton, and Carly Rose is entering right now,
9 and Paul Shanley.

10 Tony, please do notify me when Ruth
11 Ellen and when Peter Monaco arrive.

12 MR. FALZONE: Will do.

13 TREASURER GOLDBERG: With that, the
14 first item on the agenda is the approval of the
15 board meeting minutes.

16 I seek a motion that the Board approve
17 the minutes of its February 17, 2022 meeting
18 attached as Appendix A of the expanded agenda, and
19 further to authorize the executive director to
20 take all actions necessary to effectuate this
21 vote.

22 Is there a motion?

23 MR. SHANLEY: So moved.

24 MR. BROUSSEAU: So moved.

1 TREASURER GOLDBERG: I want it noted
2 Ruth Ellen Fitch is here, by the way.
3 MS. FITCH: Thank you.
4 TREASURER GOLDBERG: Okay. Do we have a
5 second?
6 MS. FITCH: Second.
7 MR. NAUGHTON: Second.
8 TREASURER GOLDBERG: Roll call vote.
9 Bob?
10 MR. BROUSSEAU: Yes. Ruth Ellen?
11 MS. FITCH: Yes.
12 TREASURER GOLDBERG: Jim?
13 MR. HEARTY: Yes.
14 TREASURER GOLDBERG: Theresa?
15 MS. McGOLDRICK: Yes.
16 TREASURER GOLDBERG: Peter? I think I
17 see Peter.
18 MR. MONACO: Yes.
19 TREASURER GOLDBERG: Peter Monaco is
20 here.
21 Dennis Naughton?
22 MR. NAUGHTON: Yes.
23 TREASURER GOLDBERG: Ooh, I gave you a
24 full name. I don't know why.

1 Carly?

2 MS. ROSE: Yes.

3 TREASURER GOLDBERG: Paul?

4 MR. SHANLEY: Yes.

5 TREASURER GOLDBERG: Myself, yes.

6 Motion carries.

7 Second item on the agenda. Executive
8 director.

9 MR. TROTSKY: Thank you very much,
10 Treasurer. And good morning, everybody. We have
11 everyone in attendance so thank you very much for
12 that.

13 Before we begin today's agenda, I do
14 want to acknowledge, and I think he's on the call
15 today, that Mini Kouame on our research team, his
16 father passed away recently, and we want to extend
17 our deepest condolences to you, Mini, and to your
18 family as well.

19 I know you were very close to your
20 father, and I do remember that when I interviewed
21 you, I always ask a question, "What are you most
22 proud of?"

23 And you looked at me, and you said, "I
24 am most proud that my father is proud of what I've

1 accomplished."

2 So as you mourn the death of your
3 father, I know that he is looking down and still
4 very proud of everything you've done. So best
5 wishes to you and your family.

6 At the February board meeting, obviously
7 we met to discuss PRIM's very strong calendar year
8 2021 performance. That at the time was a
9 20 percent investment gain and record
10 outperformance over our benchmark. That was only
11 a few short months ago. And at the time, we
12 described a very strong global economy and strong
13 financial markets as well.

14 The Russian invasion of Ukraine on
15 February 24 turned our world upside down. The war
16 precipitated a humanitarian catastrophe of
17 historic proportions and also dealt a substantial
18 setback to financial markets and economies around
19 the world.

20 The war, combined with new COVID flare-
21 ups, rising inflation and interest rates and
22 continued supply chain disruptions are expected to
23 cause global economic growth to slow
24 significantly. In late April, the International

1 Monetary Fund reduced its world growth forecast
2 for 2022 to 3.6 percent, and that was down from a
3 projection of 6.1 percent only a few months prior.

4 And the IMF expects U.S. growth to slow
5 from 5.7 percent in 2021 to 3.7 percent in 2022
6 and 2.3 percent in 2023. And I've recently seen
7 some projections not from the IMF but from other
8 sources in the last week that are projecting U.S.
9 GDP growth in 2023 may fall below 2 percent. U.S.
10 GDP growth in fact contracted. It fell
11 1.4 percent in the first three months of 2022.

12 And any projections on growth seem to be
13 a moving target, and this situation is expected to
14 last for years, not weeks or months.

15 In fact, International Monetary Fund
16 managing director Kristalina Georgieva, referring
17 to multilateral efforts to end the war, curtail
18 the pandemic, reduce inflation and secure
19 expensive energy and food supplies for the future
20 said recently, and I quote, "This is the most
21 universally complex policy environment in our
22 lifetime, posing tremendously difficult choices,"
23 end of quote.

24 And I think that quote really does sum

1 up the position we find ourselves in today, only a
2 few months since we last met. We are in very
3 uncertain times for the markets, for economies
4 worldwide and perhaps for the world order itself.

5 Now, the good news, if there is any, is
6 that PRIM is still performing at a very high
7 level. And I'm very grateful to this entire PRIM
8 staff that we work with every day.

9 The environment at PRIM these days can
10 best be described as all hands on deck. As you
11 know, this team is a group of highly trained and
12 talented professionals. And I'd put this team up
13 against any in the industry. I'm extremely proud
14 of them. And we're paying attention to every
15 single detail in the portfolio.

16 In fact, I've asked the team to increase
17 our communications with every investment manager
18 in the portfolio to identify any problem areas.
19 And so far, and I'm knocking wood, so far, I'm
20 pleased to report that we haven't identified any
21 material dislocations.

22 Now, for the most recent performance,
23 for the quarter ending in March, the PRIT Fund was
24 down only 2.1 percent net of fees, 2.1 percent.

1 And for the trailing 12 months, the fund was up
2 12.6 percent, outperforming the benchmark by
3 5.5 percent. And the 2.1 percent decline in the
4 quarter compares very favorably to U.S. stocks,
5 which declined almost 5 percent; developing
6 international stocks, which declined almost
7 6 percent; and emerging market stocks, which
8 declined 7 percent.

9 And bonds were down 6 percent in the
10 quarter, so a 60/40 mix of stocks and bonds, which
11 you know is a common comparison for a diversified
12 portfolio like ours, a 60/40 mix was down almost
13 6 percent for the quarter. So we do believe that
14 the PRIT Fund decline of 2.1 percent is a good
15 outcome for such a turbulent quarter.

16 I'd also like to share some
17 organizational observations. As I've mentioned,
18 this is an all-hands-on-deck situation. We have
19 entered a new investment regime with slowing
20 economic growth worldwide, rising interest rates
21 and high inflation, inflation levels not seen in
22 more than 40 years. Many in our industry and many
23 of our young staff here at PRIM have not managed
24 portfolios in such an environment.

1 And personally, I believe this is the
2 most uncertain and difficult environment that I
3 have witnessed in my entire investing career,
4 which is more than a quarter of a century now.

5 Therefore, I have asked the entire staff
6 to redouble efforts to monitor the portfolio and
7 our managers, and we are responding. I'm very
8 grateful for that. I notice and I'm also very
9 thankful that we have near a hundred percent in-
10 person attendance in our offices. We are meeting
11 frequently with our managers and with our teams,
12 both formally and informally. And there is no
13 staff in the country more dedicated and up for the
14 task than the staff here at PRIM. And again, I
15 applaud everyone's efforts. Thank you.

16 But I've recently also shared an
17 important observation. At a time when we must
18 concentrate our efforts more than ever on the
19 investment program, we have never had so many non-
20 investment initiatives under way. And that does
21 concern me. Some of these initiatives were
22 planned. Many of them were not. All of these are
23 very important.

24 But remember, we are a very lean

1 organization. And although we have been growing
2 our staff by approximately 10 to 20 percent each
3 year, we still find ourselves resource-constrained
4 in nearly every aspect of our business.

5 Approval of the fiscal year 2023 budget
6 is on the agenda today. It was approved
7 unanimously for your consideration by the Admin
8 and Audit Committee, which met two weeks ago. The
9 budget will enable us to responsibly grow PRIM's
10 resources.

11 We've been very successful hiring in
12 this environment. That's 15 new employees alone
13 in the last 14 months. And that was during the
14 COVID pandemic when hiring and on-boarding were
15 more difficult. And now we are nearly 60 people
16 strong.

17 But it is becoming more difficult to
18 hire. The employment market is very tight. And
19 additionally, we are nearly out of office space.

20 Later in today's agenda, Tony Falzone
21 will present the 2023 PRIM budget for your
22 approval. It requests appropriate resources to
23 grow.

24 However, the punchline in the budget

1 remains very positive. Even with the proposed
2 increases in our budget, the expense ratio will
3 remain constant at 50 basis points of assets under
4 management. One half of 1 percent for this
5 industry-leading portfolio, I believe is truly
6 outstanding, especially considering that we have
7 deployed more assets to high-performing, but
8 higher-cost strategies like PRIT private equity,
9 for example, and real estate, over the years.

10 And even with the increases contemplated
11 in the new budget, our expense ratio will remain
12 at an all-time low.

13 As members of the board, you're familiar
14 with the fast pace, the high quality and volume of
15 our investment work in other projects too. Last
16 year alone, PRIM staff deployed more than
17 \$7.6 billion in new investments, and that's a
18 record.

19 We are one of the leanest public pension
20 plans in the country in terms of employees per
21 assets under management. And proudly, we are also
22 one of the highest-performing plans in the country
23 through good times and through bad times.

24 We are one of the most innovative, not

1 only in terms of our investment program, but also
2 our diversity and inclusion efforts, our client
3 service requirements -- remember, we have more
4 than a hundred clients, and that is unique among
5 public pension funds, to have clients who can
6 choose to be with us or not -- and of course our
7 leading ESG initiatives.

8 This PRIM team is absolutely up to all
9 the current tasks before us, but performance is
10 paramount, and the non-investment initiatives,
11 though they are necessary and important, do
12 require more resources.

13 I've recently tried to give you a sense
14 of the unusual volume of non-investment projects
15 under way, which are employing considerable staff
16 resources. And I imagine that some of you on the
17 call aren't really fully aware of the extent of
18 these initiatives.

19 For example, number 1, in addition to
20 regular PRIT and PRIT Fund audits conducted by
21 KPMG, we are currently supporting two additional
22 audits, both from PERAC, the state's pension
23 system regulator -- and I think they're in our
24 offices today or this week -- and the state

1 auditor.

2 These were not anticipated audits, even
3 though they occur fairly frequently -- or
4 regularly, I should say, not frequently -- every
5 couple of years.

6 It is difficult to plan or schedule for
7 them. They usually arrive unannounced, and then
8 we staff a response team with both operations and
9 investment professionals. That's necessary.

10 We don't expect these audits to have any
11 unusual findings, but they do take a lot of time,
12 unanticipated staff time.

13 Number 2, we began a comprehensive IT
14 audit and a simultaneous effort to enhance our own
15 IT security. Both the federal government and the
16 governor have advised all companies to expect more
17 cybersecurity breach attempts. We have worked to
18 ensure the safety of our digital data. And in the
19 aftermath of a couple of breaches at our clients,
20 not at PRIM, but at our clients, we developed and
21 provided trainings as a service to our clients to
22 support their cybersecurity needs.

23 We are also simultaneously evaluating
24 new methods to further enhance our own cash

1 transfer protocols. This is very important in
2 today's world.

3 Number 3, we expect to receive a
4 subpoena in support of the Attorney General's
5 lawsuit against ExxonMobil. PRIM's chief legal
6 officer, Renee LeFevre, and several operations and
7 staff members will be involved. Support of this
8 case will take a lot of time and effort, digging
9 up records, preparing, responding, et cetera.

10 Number 4, similarly, Renee is
11 coordinating the deposition of several current and
12 former PRIM employees in support of a securities
13 class action case on foreign exchange trading.
14 These FX trading problems happened a very long
15 time ago. And the preparation for this will also
16 take a lot of time and effort.

17 Number 5, success and innovation always
18 generate a lot of outside attention. And I
19 suppose that's good, but as a result, we are
20 receiving an unprecedented level of media requests
21 and public information requests for matters
22 related to our investment program, our proxy
23 voting policies, diversity inclusion strategies,
24 ESG matters and very recently, the Russian

1 divestment.

2 Number 6, we continue to build the
3 FUTURE Initiative. That's our effort to deploy
4 more capital to diverse and emerging managers in
5 support of last year's legislation. This program
6 is very sophisticated. It requires substantial
7 partnering, contracting, due diligence, along with
8 new monitoring and a lot of reporting
9 requirements, both to our constituents and to the
10 legislature.

11 Number 7, we're nearing the completion
12 of a draft ESG committee charter and framework in
13 support of the vote last cycle to create the new
14 ESG committee. We're working closely with the
15 Treasurer's Office and with our outside governance
16 consultant. We have made a lot of progress on
17 that. You'll hear from Tony about it later, but
18 there is still much left to do.

19 Number 8, like others across the
20 financial government and diplomatic sectors, we
21 had to assess our Russian exposures in the
22 aftermath of the invasion. We spent approximately
23 six weeks providing technical assistance to the
24 legislature, to the governor and the Treasurer's

1 team in support of the newly passed Russian
2 divestment law.

3 And now that the law has passed, we're
4 busy implementing it. The divestment requirements
5 require associated reporting, contacting managers,
6 and execution. It's no small undertaking.

7 And finally, we are expanding staff as
8 quickly as possible, which is difficult in this
9 current strong employment environment. And we've
10 also begun our search to expand our office space
11 requirements for the expected growth.

12 We take great care in our hiring
13 practice. I believe that if it's done right,
14 hiring and on-boarding new employees is very time-
15 consuming. It's not only time-consuming to find
16 good employees, but to make them productive
17 requires a lot of on-boarding and mentoring.
18 There's a lot to learn here at PRIM. Takes a lot
19 of time and training for new employees to become
20 productive.

21 Again, all of these projects are vitally
22 important and impactful. Some known and planned
23 for; others were somewhat unexpected. And the
24 focus and efforts of our team are nothing short of

1 remarkable under the circumstances that we've been
2 through over the last two and a half years now or
3 longer.

4 We will be successful in meeting the
5 requirements of every one of these important
6 initiatives. We won't let you down. But given
7 the market environment, we are at our limit, and
8 we may be forced to temporarily postpone or
9 prioritize any additional non-core projects until
10 the financial markets stabilize and our resources
11 grow.

12 So I ask for your understanding today
13 and for the coming months. Please realize that we
14 are all working very hard. The markets are
15 unusually demanding right now. And we are
16 currently swamped, for lack of a better word.

17 Please help us conserve PRIM valuable
18 staff resources. And I also ask for your support
19 to increase the PRIM 2023 budget to grow our
20 resources responsibly.

21 Now, moving on to other organizational
22 updates, first, more on the Russian divestment
23 bill. The governor signed it on April 1, and this
24 divestment bill goes beyond the federal sanctions

1 list and includes all companies that are
2 incorporated in Russia. We're in the process of
3 implementing all directives under the law.

4 The value of the investments covered
5 under the law is very difficult to accurately
6 ascertain because at this time, the markets are
7 closed to foreign investors, and there is very
8 little reliable price discovery as a result.

9 It is interesting to note that we own no
10 securities that are on the current U.S. sanctions
11 list, but under the Massachusetts law broader
12 directive, we estimate that our position size at
13 the start of the year was around \$250 million, and
14 on the day after the invasion, on February 25, the
15 positions were valued at approximately
16 140 million.

17 Today, as best as our outside pricing
18 vendors can tell, the positions are worth less
19 than \$10 million. So this is a near to complete
20 writeoff.

21 And subject to market availability, our
22 managers are required to sell 50 percent of the
23 position size within six months and be completely
24 liquidated within one year. We're monitoring

1 this. We're working on this daily. We'll keep
2 you and the legislature updated as we make
3 progress.

4 Next, moving on to new employees since
5 the last time we met. First, Amy MacKay joined us
6 in February as administrative coordinator for the
7 real estate and timberland team, and she'll report
8 directly to Tim Schlitzer.

9 She previously worked in the finance
10 department at Meredith & Grew, which is now
11 Colliers, and at the Downtown Leasing Group at
12 Whittier Partners, now part of CBRE.

13 Amy grew up in Dorchester and is a
14 graduate of Assumption College.

15 Also please join me in congratulating
16 Vivian Liang on her transition from research
17 intern to investment analyst, full-time research,
18 reporting to Maria Garrahan.

19 Vivian joined us as an intern in
20 July 2021, where she worked within multiple areas
21 of research and did an outstanding job. She
22 worked in asset allocation, private equity
23 replication, manager selection tools and much
24 more.

1 In March, Vivian graduated with a
2 master's degree, master's in science, from the
3 computational finance and risk management graduate
4 program, very strong program, at the University of
5 Washington.

6 And next, Tim Doyle started in February
7 as an investment analyst on the private equity
8 team. He'll report directly to Alyssa Fiore. He
9 joins us from Mass. General Brigham, their
10 investment office. He began his career at
11 Cambridge Associates in their pension practice, a
12 lot of great experience, after earning a bachelor
13 of science in finance from BC, Boston College.

14 So welcome to all three of you. You're
15 off to a great start, and we're very, very happy
16 to have you.

17 In terms of recent recognition, I am
18 pleased to share that in late March, MassPRIM
19 became a founding signatory to the CFA Institute,
20 its first-ever Diversity, Equity and Inclusion
21 Code for the investment profession.

22 As I've said to many of you, this is a
23 very proud personal accomplishment for me because
24 I worked very hard as a member of the DEI steering

1 committee for more than two years to help persuade
2 the CFA Institute to develop this important
3 change, this important code for the industry. I
4 also lobbied the 15 other founding signatories to
5 join the effort, and work is still under way to
6 recruit more to join the effort.

7 And this work essentially follows my
8 advocacy many years ago that many of you may
9 remember for the CFA Institute's Asset Manager
10 Code of Conduct, the AMCC. You may remember
11 MassPRIM was also a founding sponsor of the AMCC,
12 and we have always advocated strongly for
13 investment managers to adhere to its core
14 principles.

15 By becoming a founding signatory to the
16 DEI code this time, PRIM really cements our
17 position as an industry-leading advocate for a new
18 and better investment industry that more closely
19 represents the makeup of our entire society. I
20 believe that this commitment to diversity and
21 inclusion, just like ethics, must come from the
22 top.

23 The Treasurer and I share the passion to
24 make a difference in this regard, and many years

1 ago together, we decided to make cultural changes
2 at PRIM to foster a diverse and inclusive
3 environment. We believe an industry that embraces
4 many voices and perspectives will produce better
5 investment outcomes and a more inclusive future
6 for the investment profession.

7 And more importantly, signing this code
8 means that we are committed to embracing its seven
9 core principles, to not only improve our workplace
10 but to improve our industry.

11 And thankfully, MassPRIM's human
12 resources policy already captures these
13 principles, and with the implementation of the
14 FUTURE Initiative following Treasurer Goldberg's
15 advocacy for the investment equity legislation
16 last year, we are positioned to continue to lead
17 in this area. We're proud of our progress, but
18 there is more we can and more we will do.

19 And as a matter of recent recognition in
20 fact, in its February 14, 2022 issue, *Pensions &*
21 *Investments* reported that Mass. PRIM is now ranked
22 seventh, number 7, among the largest 200 funds in
23 the nation for assets managed by diverse managers.

24 This is an indication that our ongoing

1 efforts over the years, combined with our new
2 FUTURE Initiative, is putting us at the very top
3 of the heap in terms of our progress. And many
4 funds that have allocated more are far larger than
5 we are.

6 Dave Gurtz and the entire team is doing
7 a terrific job here, and he'll have an update
8 later in today's agenda.

9 Last, I am pleased to report for the
10 sixth straight year, PRIM was nominated for Public
11 Plan of the Year for Institutional Investor's 19th
12 Annual Hedge Fund Industry Awards ceremony. You
13 may remember that we won the award in 2016 on
14 groundbreaking work related to separately managed
15 accounts, which is now the industry standard.

16 I was a little disappointed to learn
17 that we are runnerup this year at its ceremony on
18 April 27, but in my mind, Bill Li and the entire
19 hedge funds team are still the winners and always
20 will be.

21 Bill, Liu, Eleni and Joy,
22 congratulations on being recognized as one of the
23 best year after year, the only fund in the country
24 to be recognized in each and every year or at

1 least nominated each and every year. Keep up the
2 great work.

3 Now I'll move on to performance. We all
4 know that markets have been challenged. May
5 follows April as being down as fears of recession
6 are mounting. Or worse, fears of stagflation.
7 Stagflation is inflation combined with
8 simultaneous slow growth.

9 Markets were rocked yesterday, as you
10 know, down between 4 and 5 percent after several
11 large retailers posted disappointing results.

12 And now, for the calendar year, the S&P
13 500 U.S. markets are down more than 17 percent for
14 the calendar year. Developed international
15 markets are down more than 14 percent for the
16 year. Emerging markets are down more than
17 15 percent for the year. Diversified bonds down
18 approximately 10 percent for the year. And that
19 puts a 60/40 mix of stocks and bonds down about
20 14 percent for the year.

21 A few other data points that I believe
22 are interesting. All major geographies, the U.S.,
23 Europe and emerging markets, are all weak for the
24 calendar year, like I just mentioned. But for the

1 trailing 12-month period, there is more divergence
2 in performance between geographies, but all
3 geographies have now turned negative for the
4 trailing 12 months.

5 For example, U.S. markets as measured by
6 the S&P 500 are now down 3.6 percent for the
7 trailing 12 months. Developed international
8 markets are down 12.6 percent compared to the
9 U.S., which is down 3.6. So Japan, Europe and
10 other developed international markets combined
11 down 12.6 percent.

12 And emerging markets, which is primarily
13 China, South America and parts of Asia, emerging
14 markets are down 20.7 percent as China alone,
15 which I believe is almost a third of the index, is
16 down 36.8 percent for the trailing 12 months.

17 For sectors within the equity markets,
18 we have also seen very clear winners and losers
19 for the 12-month period through April.

20 For example, the tech heavy, technology
21 heavy, Nasdaq this calendar year to date is down
22 almost 27 percent as we have seen a clear trend
23 away from the growth stocks in favor of value
24 stocks. Commodity stocks are outpacing all

1 others. Commodity stocks are up 41 percent for
2 the calendar year and up 57 percent for the
3 trailing 12 months, while energy stocks are up
4 more than 62 percent for the calendar year so far
5 and up 93 percent, nearly double, for the trailing
6 12 months.

7 Connie Everson, our resident economic
8 and market expert on the Investment Committee,
9 summarized the risks as she sees the market right
10 now, describing conditions in a then versus now
11 context, "then" being the world in mid-February
12 and "now" meaning now that things have
13 dramatically changed.

14 Then, back when we last met in February,
15 we saw decelerating inflation, the economy was
16 just fine and just a few rate hikes by the Fed
17 were expected.

18 Now, chances for a hard landing, meaning
19 recession, are a lot higher. And we outlined
20 three major risks to the market.

21 First, a higher claim on spending power.
22 Price spikes in essential commodities like oil,
23 steel, metals and even fertilizer. We're watching
24 for potential demand destruction. And I was

1 struck this week that the large increase in retail
2 sales of 8.2 percent was viewed as good news, at
3 least two days ago, until yesterday, but it was
4 coupled with a price deflator of 11.1 percent.

5 So 8.2 percent growth but a price
6 deflator, inflation, if you will, of 11.1 percent.
7 And that means that real consumer spending
8 actually declined year on year.

9 That got very little media coverage when
10 it first came out, but it does in essence mean
11 that consumers are spending a lot more but getting
12 less, and we all know this. And companies are
13 receiving more in revenues but actually selling
14 less.

15 In a discussion about this yesterday
16 with Jay Leu, just to see if I was thinking about
17 it correctly, he said yes. In fact, it's, quote,
18 "a monetary illusion," an illusion of growth in
19 this case, as he pointed out, the 8.2 percent
20 growth in sales, but we haven't seen this kind of
21 real decline in the last 30 to 40 years.

22 Connie believes incidentally that
23 inflation is poised to move higher.

24 Food shortages are expected worldwide

1 now that grains and seeds are scarce. Fertilizer,
2 energy and raw material prices are all moving
3 higher.

4 The second condition that we talked
5 about is that borrowing conditions are
6 deteriorating. The economic impact of inflation
7 is putting more strain on consumers. We saw that.
8 This includes higher rates to borrowers. Higher
9 mortgage rates, for example. Higher rates to
10 consumers.

11 And these higher rates happen more
12 quickly than even the Fed moves its own rates.
13 You can notice that your bills and your mortgage
14 rates, car loans, those rates are moving up very
15 quickly, more quickly than the 50-basis-point rate
16 hike that the Fed announced this month.

17 Markets have priced in a total of
18 10 rate hikes or so in response to this inflation
19 with an endpoint nearing 3 percent. And borrowing
20 conditions are expected to deteriorate more.

21 And last, there is a higher potential
22 for liquidity issues. If one bank gets in trouble
23 say with a commodity type of situation, will
24 others be able to jump in and help?

1 And remember, Fed Chairman Powell said
2 that reducing the Fed's balance sheet is an
3 important part of his toolkit to fight inflation.
4 But will it be easy to remove quantitative easing,
5 the fact that the Fed was buying securities to
6 keep yields down? And will it be easy to
7 transition smoothly to quantitative tightening?
8 No longer will the Fed be buying securities.

9 In fact, the Fed disclosed a monetary
10 tightening policy at its May meeting. The policy
11 implementation will start in June. The program
12 will begin by allowing a runoff of \$30 billion in
13 Treasuries per month, 30 billion, and that is
14 expected to grow to a runoff of near 120 billion
15 per month about a year from now. And mortgage-
16 backed securities will similarly be allowed to run
17 off.

18 Keep in mind that the Fed is hiking
19 rates and tightening into a slowing economy. Many
20 of these things are uncertain. How fast will the
21 Fed raise rates? How smooth will the transition
22 to quantitative tightening be? The markets can
23 price risk, but the markets don't like and are
24 unable to price uncertainty.

1 The Fed put, which is known as the Fed
2 jumping in to rescue the economy in a downturn,
3 appears to be off the table for now.

4 So we spent a lot of time both at the IC
5 and Real Estate Committee talking about our risk.
6 Our internal risk team, Jay Leu and Shannon
7 Ericson, are doing a terrific job. They're
8 embedded with our asset class teams to monitor all
9 associated portfolio risks, which Jay detailed
10 with great interest at the Investment Committee
11 meeting.

12 So I'll end there and turn quickly to
13 PRIT Fund performance slides. Tony, if you want
14 to put those up, I'll just walk through these.

15 I'll start with the quarter ending
16 March 31. You can see that most asset classes for
17 the quarter ended March were down. Long duration
18 bonds down the most. U.S. small cap stocks,
19 international stocks also very weak.

20 Real estate and private equity were
21 strong for us, but this is due mostly to a one-
22 quarter lag in those valuations. They'll catch up
23 in June.

24 A 60/40 mix. In the middle, you can see

1 down 5.6, and the PRIT Fund fared far better -- in
2 gold, the PRIT Fund fared better. It was down
3 2.1 percent net.

4 Hedge funds not on a lag. Performed
5 very well. Doing what they should be doing. Up
6 about 1 percent.

7 Next slide. For the year, the picture
8 looks somewhat similar. For the one-year period,
9 you can see emerging markets, U.S. small cap and
10 bonds were weak. Private equity and real estate
11 much stronger. 60/40 mix back then was up
12 2.7 percent. PRIT Fund fared much better; it was
13 up 13 percent.

14 Next slide. Annualized returns as of
15 March 31, for the one-year period, the PRIT Fund
16 up 13 percent gross, 12.6 percent net. This is an
17 investment gain of 11.3 billion, outperforming by
18 5.5 percent or \$5 billion above our benchmark.

19 All asset classes beat or were in line
20 with their respective benchmarks. The three-,
21 five- and ten-year numbers remain strong and above
22 benchmark. And the PRIT Fund ended at
23 \$101.5 billion after essentially no net outflows.

24 I mentioned that we had two big pension

1 obligation bond-related inflows from two of our
2 clients issuing pension obligation bonds and
3 giving the proceeds to us.

4 Next slide. As usual, private equity
5 led the way with a 50 percent gross return. That
6 equates to a 48.3 percent net. That was followed
7 by real estate, up 33 percent gross, 31 percent
8 net of fees. Timberland also very strong, up 12
9 and a half percent. 12 percent net.

10 And on the right, you can see, as you'd
11 expect, bonds were down as interest rates rise,
12 but only down one half of 1 percent for the year.

13 And I'll end with the favorite chart,
14 the quilt chart, in which you can see what really
15 drives the bus here at PRIM is private equity in
16 all time periods, followed by real estate, which
17 is performing very well for us. Timber also a
18 solid performer.

19 And I'll end there and take any
20 questions before turning it over to the rest of
21 the agenda. Thank you.

22 TREASURER GOLDBERG: Michael, unless
23 this is a confidential type of question that can't
24 be answered, I'm curious, what were the two

1 clients that issued pension obligation bonds?

2 MR. TROTSKY: I believe -- and,
3 Francesco, you can correct me -- but I think it
4 was Andover and Quincy.

5 TREASURER GOLDBERG: Interesting.

6 Long before I was Treasurer, I developed
7 an expertise, believe it or not, on pension
8 obligation bonds in the volatile markets of the
9 early 2000s. And that was when Worcester and I
10 believe Chelsea were given the authority by the
11 legislature. However, Brookline, AAA-bonded, AAA-
12 rated community, I was not given the authority at
13 that time.

14 But it was something that I found very
15 fascinating, but also in some ways, very risky.

16 MR. HEARTY: Andover sold their bonds at
17 an interest cost of like 2.4 percent. So they
18 replaced a 7.5 percent liability with a
19 2.4 percent liability --

20 TREASURER GOLDBERG: Right.

21 MR. HEARTY: -- which I don't know what
22 that risk is.

23 TREASURER GOLDBERG: No. I'm referring
24 to back when I was looking at it. I was merely

1 looking for the authority to do so, if the
2 opportunity and the numbers made sense.

3 I don't know if every community is now
4 allowed to -- whether there's a general authority
5 to do so.

6 You need authority from the legislature
7 in order to issue pension obligation bonds.

8 MR. HEARTY: I didn't realize that.

9 Well, good for them. I think that was a
10 very --

11 TREASURER GOLDBERG: It became a problem
12 for Worcester and Chelsea. They were the two
13 given the authority then, but --

14 Because I mean think about rates and
15 where things were going at that time. But it's
16 good to know that some people have been able to
17 take advantage of it.

18 So I was just curious. It caught my
19 ear.

20 So any other questions from anyone else
21 for Michael?

22 MR. HEARTY: In retrospect, the
23 Commonwealth should have sold pension obligation
24 bonds at 2.4 percent, given the money to PRIM.

1 TREASURER GOLDBERG: Michael, you
2 wouldn't have minded that, right?

3 MR. TROTSKY: I try not to get involved
4 in municipal finance matters. That's -- there's a
5 whole set of --

6 TREASURER GOLDBERG: Okay, Michael. We
7 get it.

8 MR. TROTSKY: There's a whole set of
9 pros and cons.

10 TREASURER GOLDBERG: All right. With
11 that, does anyone else have any more questions for
12 Michael?

13 MR. BROUSSEAU: Yes, Madam Treasurer.
14 Not so much a question as a comment.

15 I guess advanced age gives me this
16 opportunity to look back historically at what we
17 have done as an organization, having been here
18 since 1987, but also looking at the background of
19 the 20th century and earlier.

20 And I just make a comment, never have I
21 felt more optimistic, as I'm saying, about PRIM
22 and how we are organized to deal with these
23 crises. I feel very confident that we have an
24 executive director who's been here since 2010, the

1 longest tenure of any executive director or even
2 any leadership team that I have seen in the
3 35 years I've been on this board.

4 And I feel very confident that we are
5 structured and organized to take advantage of
6 every opportunity that comes our way with this
7 leadership team and to protect the organization
8 and to protect PRIM's holdings and investments in
9 the best way I think that we can.

10 And I guess I'd like first of all to
11 congratulate Michael and our team for their being
12 in a position and having been led by an executive
13 director who is leading the way during this period
14 of crisis.

15 And I don't try to minimize it at all,
16 but we can go back over a hundred years, and we've
17 had some pretty great crises that threatened
18 international order and brought about financial
19 malaise. I think of the Cuban Missile Crisis, not
20 to mention things in the early 20th century.

21 We've had -- in financial crises, we've
22 seen the one in 2007 and 2018. We've emerged from
23 all of them stronger than before.

24 And I personally believe -- I guess I'm

1 not as negative as some people are. I know
2 Michael is concerned. We all need to be
3 concerned.

4 But I think PRIM is well-positioned to
5 deal with this. I think back historically, as a
6 historian, I guess, looking back to a man that I
7 didn't always -- I wouldn't say I agreed with his
8 social policies, but Andrew Carnegie, one of the
9 great industrialists and business leaders in this
10 country's history of the late 19th century and the
11 early 20th century, who claimed that when times
12 got very bad -- we had some very bad economic
13 crises at that time. He used the opportunity to
14 reorganize, restructure his businesses so that
15 when good times did return, he was positioned to
16 take advantage of this.

17 And he attributed a lot of the reasons
18 for his success to this being organized and to
19 taking advantage of difficult times to advance his
20 business opportunities. And he was very
21 successful at doing it.

22 I also note that yesterday, even Warren
23 Buffett, the sage of Omaha, did not overly react
24 to what was going on with -- I got the impression

1 that, yes, hard times, but things will improve.

2 And it is what it is. And we have to
3 deal with it. And I feel that maybe things are
4 going to get very --

5 As Michael said, the world's turned
6 upside down. But for one, I'm optimistic that it
7 is going to change. And people have come to me,
8 personal friends, said, "Should we get out of the
9 market? Should we get rid of our investments?"

10 I look at them, and I says, "No. Look
11 at the history of the last hundred years and
12 before that. And in the final analysis, we have
13 always returned to a situation where the markets
14 have stabilized, they've improved, and we've moved
15 higher."

16 So I guess I'm one of the confident ones
17 who believes this is going to happen.

18 And Michael, I'm looking to you for your
19 wisdom and your leadership. And I'm very
20 confident in you and our staff.

21 MR. TROTSKY: Thank you very much, Bob.

22 And long term, I am also optimistic for
23 the markets and for our country and for the world
24 order. It just may take some time to get there.

1 So I share your optimism. And it's interesting
2 because Dennis and I had a conversation about this
3 earlier this week.

4 MS. MCGOLDRICK: I don't mean to
5 interrupt, but I want to echo what Bob said. I
6 have been on the board since 2004. I've never
7 felt more confident in the staff or the chair or
8 the board members that I sit with.

9 And I feel for the staff and that
10 they're working harder, and I do fully support and
11 want to say that on the record, fully support the
12 expansion of greater and added staff. I know how
13 difficult, as you said, it is to recruit and
14 retain good staff. You have excellent staff. You
15 need it during these times of crisis.

16 But I actually supported it for a very
17 long time and would like to see a more expanded
18 staff to help during this crisis.

19 But I do think that you will get through
20 it with great leadership at the top and a great
21 staff supporting. So thank you for all you do.

22 MR. TROTSKY: Thank you for your kind
23 words.

24 TREASURER GOLDBERG: Anyone else want to

1 ask any more questions of Michael before we move
2 on?

3 Okay. Hearing none, we will move on to
4 public markets. Correct, Michael?

5 MR. TROTSKY: Yes. And Mike McElroy is
6 next.

7 MR. McELROY: Great. Thank you, Madam
8 Treasurer.

9 Good morning, everyone. This is Michael
10 McElroy. I'll try to keep it quick because Mike
11 Trotsky mentioned a lot of these comments already.
12 I just would reiterate that public markets
13 exposure in the PRIT Fund is about 60 percent, so
14 you should really think of it as the ballast of
15 this fund that we build around. And we believe it
16 should weather most market environments well,
17 given its diversification. And I do want to
18 stress that throughout my comments, just the
19 diversified element of both the equity and fixed
20 income portions of this portfolio.

21 I'll make some comments first for
22 equities and then shift over to the fixed income
23 environment.

24 In the first quarter, we certainly, as

1 we commented, saw reversal from fourth quarter and
2 really over the last year. Developed markets,
3 equities declined by between 5 to 8 percent in the
4 quarter. Emerging markets were similar, but not
5 worse or better. They were down about 6 percent
6 on the quarter.

7 Mike Trotsky commented on Chinese
8 equities. They were down 14 percent on the
9 quarter and down 34 percent so far in this fiscal
10 year through end of March. In the 12 months,
11 however, through March, developed equity markets
12 returns were positive, though emerging markets
13 were negative. Value outperformed growth in all
14 markets in the first quarter. So cheaper stocks
15 outperforming the high-flying stocks. We started
16 to see this shift last year. We expect this will
17 continue and are positioning accordingly for that.

18 Relative to the benchmark, the global
19 equity portfolio did underperform slightly in the
20 first quarter, really due to weak performance in
21 the international portion of our developed
22 international managers, the growth-oriented
23 managers there, very consistent with our
24 expectations with the value growth disparity that

1 we observed.

2 Our U.S. equity managers performed well,
3 in line with their benchmarks, and our emerging
4 markets managers, even though emerging markets
5 were weak on an absolute basis, did a good job
6 outperforming their benchmarks. We saw a similar
7 profile for the full one-year trailing, with the
8 U.S. and emerging market managers ahead and the
9 international managers lagging.

10 So again, even with mixed performance,
11 different styles underperforming or outperforming,
12 diversification kept this overall global equity
13 mix in line with the benchmark returns.

14 Moving over to fixed income, there was a
15 lot of action obviously in the first quarter and
16 there continues to be into the second quarter.
17 Rates were higher across the yield curve. Credit
18 spreads widened, both in comparison to the fourth
19 quarter and to a year ago.

20 On a benchmark basis, our fixed income
21 managers performed well in the first quarter and
22 over the last 12 months, but the absolute returns,
23 as noted, were negative in the first quarter.

24

1 Within our value-added fixed incomes-
2 credit, emerging markets, high yield and other
3 credit opportunities- this continues to perform
4 well both on an absolute and relative basis.

5

6 So that's the portfolio.

7 Just in terms of themes, inflation
8 certainly has been very thematic, as well as the
9 Fed's perceived slow response to it. Longer term,
10 inflation expectations are higher certainly than
11 at our last meeting, but still remain a modest
12 3 percent. This is the long-term expectation,
13 compared with the current spot reading of about
14 8.3 percent.

15 But I would note that a quarter ago, the
16 long-term expectations were two and a quarter
17 percent, so they've risen, but the expectation is
18 that this will dissipate over the next few years
19 certainly as some of the causes of this inflation
20 mitigate.

21 Our inflation-linked and our Treasury-
22 protected, inflation-protected bonds exposures did
23 protect the portfolio to a degree, but concerns
24 about the level and path of interest rate

1 increases definitely spooked the markets, and we
2 did see both fixed income and equity markets
3 decline in the first quarter in response to this.

4 We note it tends to be a rare situation
5 when both equities and fixed income decline in
6 the same quarter. When we've looked back over the
7 past 50 years, it happens less than 10 percent of
8 the time, but obviously it does happen.

9 But I think more importantly and
10 hopefully more comforting is that it rarely
11 happens two quarters consecutively. It did happen
12 during that global financial crisis in 2008, but
13 before that, you had to look back to 1981 when we
14 saw that two consecutive quarters of underperformance
15 for both equity and fixed income.

16 We continue to analyze the portfolio
17 sensitivity to value versus growth effects. We
18 have a good factor balance in the aggregate, but
19 we've been asking about and hearing from managers
20 how they're positioning for a regime change
21 between these two styles. We remain satisfied
22 with the resilience of the portfolio, the global
23 equity portfolio, overall in the first quarter,
24 given these strong factor effects that we

1 observed.

2 And we continue to remain focused on
3 monitoring the portfolio's sensitivity to
4 geopolitical and economic risks. We talked about
5 Russia. Obviously a tragedy there. That's
6 increased volatility in both equity and fixed
7 income markets.

8 And as noted, the removal of Russian
9 securities from the benchmarks, as well as our
10 inability to trade existing positions impacted the
11 portfolio to a small degree.

12 The volatility is unsettling. It
13 certainly can be unsettling. A market with wide
14 dispersion of returns is a good market for our
15 active managers to operate in and add value
16 within. Our managers have noted, they're starting
17 to see attractive valuation in parts of both the
18 equities and the fixed income universes that they
19 operate in based upon this selloff.

20 Because of the diversified nature of the
21 portfolio, the aggregate risk for the overall
22 equity and fixed income components remains low on
23 a benchmark-relative basis.

24 And then finally, let me just provide a

1 few updates on some actions that we took in the
2 first quarter as part of the continuous monitoring
3 that we do of our managers. We decided to
4 terminate one of our international small cap
5 equity managers, TimesSquare Capital Management,
6 and two of our ETI-focused fixed income managers,
7 Community Capital and RBC, due to performance not
8 meeting our expectations.

9 These three managers were the PRIT
10 Fund's smallest allocations within the public
11 markets portfolio. And as a reminder, in
12 December, this committee and the board approved
13 the hiring of two new international small cap
14 managers, Artisan and Driehaus, that were funded
15 in January of this year.

16 And finally, we did extend our public
17 markets consulting arrangement with Callan for one
18 more year and expect to issue an RFP for these
19 services early in the fiscal 2023 year.

20 So with that, happy to take any
21 questions.

22 TREASURER GOLDBERG: Are there
23 questions?

24 MR. TROTSKY: And Chuck LaPosta is next

1 on the voting item.

2 TREASURER GOLDBERG: On the voting item.
3 Would that be the ArrowMark?

4 MR. TROTSKY: Yes.

5 TREASURER GOLDBERG: Chuck. Are you
6 there? I'm still seeing Michael highlighted.

7 MR. LaPOSTA: I am. I'm here. Can you
8 see me and hear me?

9 TREASURER GOLDBERG: All right.
10 Excellent.

11 So we're only going to discuss
12 ArrowMark, and so if that's the case, I would seek
13 a motion and a second. Then I'll turn it over to
14 you. Okay?

15 MR. LaPOSTA: Perfect. Thank you.

16 TREASURER GOLDBERG: All right. Very
17 good.

18 I would seek a motion that the PRIM
19 Board approve the Investment Committee's
20 recommendation of an initial commitment of up to
21 \$200 million to ArrowMark PRIM Fund of One,
22 subject to satisfactory contract negotiations as
23 described in the expanded agenda, and further to
24 authorize the executive director to take all

1 actions necessary to effectuate this vote.

2 Is there a motion?

3 Anyone?

4 I see Bob's hand, but we really need to
5 hear --

6 MS. McGOLDRICK: So moved.

7 MR. HEARTY: So moved. Second.

8 MS. FITCH: Okay. We've got both
9 Theresa and Jim. So thank you.

10 Okay. Take it away, Chuck.

11 MR. LaPOSTA: Thank you.

12 So we are recommending a \$200 million
13 commitment to an evergreen fund of one structure
14 managed by ArrowMark Partners for our other credit
15 opportunities portfolio.

16 ArrowMark is an employee-owned Denver-
17 based manager with 24 billion in assets under
18 management, 3.6 billion of which is in a strategy
19 similar to the one we are recommending and has an
20 inception date of 2010.

21 The strategy is led primarily by Kaelyn
22 Abrell with David Corkins, who are both partners
23 of the firm. Kaelyn and David are also supported
24 by a diverse team of four dedicated analysts who

1 solely focus on the strategy with additional
2 support from the firm's 10-plus-person credit
3 analyst team.

4 Investing with ArrowMark represents a
5 continuation of the progress we are making towards
6 our FUTURE Initiative goals.

7 The strategy focuses on regulatory
8 capital relief trades in the form of significant
9 risk transfers or SRTs as they are called. SRT
10 allows banks to maintain core lending activities
11 with its clients while improving capital
12 efficiency. In an SRT transaction, the bank
13 creates a reference portfolio of loans and sells
14 off a portion of the loss risk to investors,
15 typically between 7 to 12 percent of loan losses.
16 This allows banks to reduce its required capital,
17 which can be redeployed elsewhere and can lead to
18 a higher return for the bank.

19 For its part, investors are typically
20 paid a premium of 8 to 11 percent for bearing this
21 risk over a three- to five-year term.

22 It is important to note that the
23 reference portfolio is made up entirely of
24 performing loans and that the bank also bears some

1 risk directly to these loans by retaining a slice
2 of the SRT transaction.

3 ArrowMark was among the earliest SRT
4 investors in 2010 and has established itself as a
5 leading player in the market. They have a
6 comprehensive sourcing network and maintain
7 regular dialogue with existing and prospective
8 issuers.

9 Most of ArrowMark's SRTs involve
10 corporate loans, where they can combine their
11 internal fundamental credit analysis with the bank
12 underwriting practices and loss experiences to
13 craft a portfolio of loans that meets their risk
14 expectations.

15 Specifically, ArrowMark tests each
16 transaction for its ability to withstand a
17 prolonged repeat of the default rates from the
18 global financial crisis, coupled with a bank's
19 lowest historical recovery rates.

20 In addition to this credit risk, other
21 key risks include interest rate risk, which is
22 mostly floating rate in this instance; currency
23 risk, which is hedged back to U.S. dollar;
24 counterparty risk, which is mitigated through

1 diversification and ArrowMark's bank underwriting
2 process; and liquidity risk, which is managed
3 through fund terms but can also be accessed
4 through secondary trading in some instances.

5 And with that, I'll take any questions.

6 TREASURER GOLDBERG: Are there any
7 questions at all?

8 MR. NAUGHTON: I have just one question,
9 Chuck. Could you just give an example of what
10 would be contained in the -- what is behind the
11 securities?

12 MR. LaPOSTA: Yes. So as I mentioned,
13 it is a bank's loan portfolio. So if a bank makes
14 a loan to a large corporation, and the example
15 we've used throughout this process is Coca-Cola.
16 So if they make a loan to Coca-Cola, and typically
17 it's a revolving loan, so say they make a
18 \$500 million revolving line of credit to Coca-Cola
19 that may or may not be drawn, that is one of many
20 loans that may be in this portfolio.

21 The portfolio that we're exposed to
22 could have hundreds or even thousands of loans.
23 And then we would get exposure to the first 7 to
24 12 percent of losses experienced in that

1 portfolio. So it can be large corporations, names
2 you've heard of.

3 MR. NAUGHTON: So it also mentions in
4 the materials "other consumer-related loans."
5 Does that not mean like consumers like you and I?
6 This means corporate consumers?

7 MR. LaPOSTA: No. So the large portion
8 of their portfolio would be these corporate loans.
9 Then they will have another piece that is small to
10 medium enterprise corporate loans as well, but
11 less well-known names. And then the even
12 smallest, up to 10 percent typically, could be in
13 consumer loans such as loans to you and I and auto
14 loans and some real estate-backed loans.

15 MR. NAUGHTON: But only up to
16 10 percent?

17 MR. LaPOSTA: Around 10 percent is the
18 target for the portfolio. There may be latitude
19 to add more than that.

20 That's one of the benefits of our
21 separate fund of one structure is that we can
22 customize these allocation targets to control risk
23 to areas of the exposure that may be less
24 favorable.

1 MR. NAUGHTON: Thank you for clarifying
2 that, Chuck. I appreciate it.

3 MR. LaPOSTA: Happy to help.

4 TREASURER GOLDBERG: Any other questions
5 for Chuck?

6 Hearing none, we have a motion, and we
7 have a second. We will proceed with the roll call
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: Peter?

17 MR. MONACO: Yes, Madam Treasurer.

18 TREASURER GOLDBERG: Thank you.

19 Dennis?

20 MR. NAUGHTON: Yes.

21 TREASURER GOLDBERG: Carly?

22 MS. ROSE: Yes.

23 TREASURER GOLDBERG: Paul?

24 MR. SHANLEY: Yes.

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

3 Thank you very much.

4 Next item is --

5 By the way, I will say that in the
6 expanded agenda, the explanations are truly
7 outstanding so if anyone has any extra questions,
8 then it really is helpful because it's included.

9 Okay. Next item on the agenda appears --
10 I think, Michael, you can help me out here --
11 private equity?

12 MR. TROTSKY: No. Portfolio completion
13 strategies, and it will be Bill Li.

14 TREASURER GOLDBERG: That's what I
15 thought from the vote, but I'm having trouble
16 finding it after I just --

17 Oh, there it is in the expanded agenda
18 at the very bottom of the page, page 9.

19 MR. TROTSKY: We're sorry, Bill. We
20 didn't mean to --

21 TREASURER GOLDBERG: Not at all, Bill.
22 I thought you were next, and I knew it from the
23 vote, but I couldn't find it in the expanded
24 agenda that I just raved about. Very bottom of

1 page 9 on the expanded agenda.

2 Okay, Bill. Please --

3 I will seek a motion -- or no. Do you
4 want to do performance first, Michael? Or do you
5 want to do the new investment?

6 You're on mute, Michael.

7 MR. TROTSKY: Bill will do performance,
8 and then Joy Seth will have the recommendation for
9 North Peak.

10 TREASURER GOLDBERG: Okay. Very good.

11 MR. LI: That's right. Thank you,
12 Michael. Thank you, Madam Treasurer.

13 My name is Bill Li. I'm senior
14 investment officer and director of the PCS team.

15 So performance first. Q1 was a solid
16 quarter for portfolio completion strategies or
17 PCS. We delivered a positive .85 percent versus
18 the benchmark's .5 percent.

19 Stable value funds account for slightly
20 more than half of PCS. Stable value in general
21 returned a positive 2.3 percent, well-serving its
22 purpose of being a diversifier and a volatility
23 dampener.

24 Directional funds, on the other hand,

1 understandably had a negative quarter, but its
2 minus 1.5 percent still outpaced the benchmark by
3 over 100 bps.

4 Last but not least, real assets. They
5 are roughly 10 percent of PCS. Despite a somewhat
6 positive quarter, relative performance continued
7 to drag here. It's our priority to reevaluate
8 and rethink real assets, and we will bring updates
9 to you next quarter about our reflection and our
10 plans.

11 We are happy about hedge fund's overall
12 positive return in Q1 in such a down market. If
13 you talk to other public allocators, most of their
14 hedge fund programs had a decent quarter too, and
15 there's sentiment to deploy incremental capital
16 here.

17 However, it's worth pointing out to the
18 dispersed philosophy across pension investors.
19 Generally speaking, hedge fund allocators can
20 obtain alpha via three channels.

21 Firstly, tactical trading alpha,
22 especially those trading price actions; secondly,
23 security selection alpha selecting assets at
24 intriguing price; thirdly, structural alpha,

1 via optimal operation setups such as discounted
2 fees.

3 Most pension allocators are currently
4 optimistic about hedge funds. They are
5 emphasizing the first source of alpha, or tactical
6 trading alpha. On that front, CTA and macro
7 traders returned handsomely last quarter.
8 Notably, commodity traders benefited from tactical
9 longs in energy and agricultural markets. That
10 was example of a trading alpha.

11 In comparison, PRIM hedge fund's
12 performance mostly came from security selection
13 and structural alpha. We believe these return
14 sources should be more persistent.

15 And PRIM's best performers on the book
16 were more relative value and event-driven in
17 nature. In other words, more security selection
18 in nature.

19 Thanks to Matt Liposky's operation team
20 and now also plus Renee LeFevre's legal help, we
21 have been able to optimize structural alpha as
22 well.

23 In terms of work plan, the PCS team is
24 very focused on existing partnerships, staying on

1 top of their mind to ensure that investments are
2 right and manager's decision-making continues to
3 be sound.

4 As Michael mentioned earlier, in light
5 of the macro uncertainties, we're examining and
6 reexamining all mandates in the portfolio.

7 Specifically, we started in February a
8 comprehensive review of real assets, starting with
9 agricultural assets. Multiple teams, including
10 real estate and risk, are lending hands here.

11 By next quarter, as mentioned, we're
12 bringing updates to you. And on the hedge fund
13 front, a lot of blocking and tackling are taking
14 place, including more frequent check-ins with
15 investment partners.

16 So, despite not many new items we're
17 planning to bring to you this calendar year,
18 there is still a lot of hard work by the team,
19 Liu, Joy, Eleni and me. And there's more frequent
20 check-ins with the manager. And I just want to
21 highlight that because that's no easier work
22 versus on-boarding new mandates.

23

24 With that, happy to answer any

1 questions you may have.

2 TREASURER GOLDBERG: Do we have
3 questions for Bill? Any at all?

4 Okay then. Thank you, Bill.

5 MR. LI: Thank you, Treasurer.

6 MR. TROTSKY: Joy Seth is next.

7 TREASURER GOLDBERG: I will seek a
8 motion that the PRIM Board approve the Investment
9 Committee's recommendation of an initial
10 allocation of up to \$175 million to North Peak
11 Capital to be invested through a PRIM separately
12 managed account 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 MR. NAUGHTON: So moved.

18 MR. BROUSSEAU: So moved.

19 TREASURER GOLDBERG: Second?

20 MS. FITCH: Second.

21 TREASURER GOLDBERG: Thank you.

22 Okay. Go ahead.

23 MR. SETH: Thank you, Madam Treasurer.

24 Good morning, everyone. My name is Joy

1 Seth, investment officer on the portfolio
2 completion strategies team.

3 Today, we are recommending an initial
4 allocation of up to \$175 million to North Peak
5 Capital to be invested through a PRIM-managed
6 account.

7 Special thanks to Mike McElroy, Jay Leu,
8 Shannon Ericson and Matt Liposky for helping
9 underwrite this investment.

10 North Peak is a global long/short equity
11 manager based out of New York. The strategy uses
12 a growth-at-reasonable-price approach and
13 predominantly invests in common equities targeting
14 the 1 billion to 10 billion market cap range. The
15 manager uses a private equity approach to public
16 markets stock-picking.

17 The fund was founded in 2015 by two
18 brothers, Michael Kahan and Jeremy Kahan. As of
19 March 2022, the fund has about \$1.17 billion
20 assets under management. The managers draw their
21 expertise from their prior backgrounds in the
22 private equity and consulting business. This has
23 enabled them to develop a rigorous approach in
24 diligencing conviction ideas.

1 The manager believes in the checklist
2 manifesto as a guide to their extensive company
3 and industry research, and avails that to find a
4 handful of best ideas that has the potential to
5 return 3X over 5 years period. Over the live
6 track record, that has translated into a 20 to
7 25 percent net IRR.

8 While it is a global mandate, this
9 strategy primarily focuses on U.S. companies.
10 Emphasizing on depth of research, the manager runs
11 a concentrated long-biased portfolio with 10 to
12 12 longs and six to 10 shorts and targets a
13 75 percent net exposure.

14 We also like the strong alignment of
15 interest. The fund was founded upon the primary
16 goal of compounding the Kahan family's capital.
17 The two founders, who are also the PMs, each has
18 most of their liquid net worth invested into the
19 fund. The PMs need to reach the same level of
20 conviction before agreeing to put a position in
21 the portfolio.

22 The manager has exhibited strong stock
23 selection skills and has been consistently in the
24 top quartile across the peer groups. Since

1 inception, North Peak has delivered 22.6 percent
2 in annualized returns, with a decent Sharpe ratio
3 of 1X.

4 This talent and return profile fits into
5 PRIM's directional hedge fund book, which had been
6 our sourcing focus since the 2020 board approval.

7 Overall, we find the manager to be great
8 stock pickers who are tremendously diligent,
9 intellectually curious and honest, and we believe
10 this partnership will offer good alignment of
11 interest.

12 And with that, I can take any questions.

13 TREASURER GOLDBERG: Any questions?

14 Okay. Hearing none, then I will proceed
15 with the vote.

16 Bob?

17 Bob Brousseau, are you here?

18 MR. BROUSSEAU: Yes, I am. I vote yes.

19 TREASURER GOLDBERG: Thank you.

20 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: Peter?

3 MR. MONACO: Yes.

4 TREASURER GOLDBERG: Dennis?

5 MR. NAUGHTON: Yes.

6 TREASURER GOLDBERG: Carly?

7 MS. ROSE: Yes.

8 TREASURER GOLDBERG: Paul?

9 MR. SHANLEY: Yes.

10 TREASURER GOLDBERG: Myself, yes. The

11 motion carries.

12 Thank you.

13 MR. TROTSKY: Okay. Now private equity,

14 starting with Mike McGirr.

15 Just trying to help.

16 TREASURER GOLDBERG: I appreciate that.

17 MR. MCGIRR: Thank you.

18 Some comments on private equity

19 performance. And as Michael had mentioned, all of

20 our numbers are lagged, so we're talking about

21 3/31 numbers, which for us are really 12/31, which

22 feels a bit like ancient history at this point,

23 given how quickly these markets are moving.

24 But for our quarter, we were up

1 4.1 percent gross, 3.9 percent net, bringing the
2 one-year number to 49.9 percent, 50 percent gross
3 or 48 percent net.

4 Some additional color on the portfolio,
5 buyouts were up between 5 and 6 percent for the
6 quarter. And that leads them to about 40 percent
7 for the trailing one-year.

8 Growth equity had a modest quarter, up
9 2 percent, bringing it to 42 percent for the year.
10 And venture flat with the trailing one-year still
11 high at 84 percent. As we talked about the
12 changes between growth and value, those numbers
13 are changing quickly.

14 So looking ahead to Q2, we think it's
15 prudent to reset expectations for PE performance.
16 2021 was a fantastic year for us, but we do expect
17 the events of this quarter to ripple through the
18 private markets not only for our upcoming June 30
19 quarter, but likely into the September 30 quarter.

20 Finally, just a quick check-in on our
21 commitment pace for the rest of the year.
22 Including our recommendations today, we'll have
23 committed roughly \$2 billion to funds in co-
24 investments. That puts us on our pace of our

1 targeted goal for 2022 of between 2.7 and
2 3.3 billion that we outlined at the beginning of
3 the calendar year.

4 I'm going to keep my comments brief, but
5 happy to take any questions on performance or the
6 market in general before we move into our voting
7 items today.

8 MR. TROTSKY: And the first voting item
9 is venture capital, and Helen Huang will handle
10 that one. Actually the next two.

11 TREASURER GOLDBERG: Okay. I am going
12 to seek a motion on the approval process. I would
13 seek a motion -- different wording than usual.

14 Sorry about the ringing in the
15 background.

16 I seek a motion that the PRIM staff and
17 the Investment Committee recommended unanimously
18 to the PRIM Board that the board approve the
19 enhanced venture capital investment approval
20 process, which authorizes PRIM's CIO to approve
21 certain new venture capital commitments not to
22 exceed 20 percent, the forecasted private equity
23 annual investment plan.

24 Top-performing venture capital managers

1 are able to have compressed fundraising windows
2 due to small fund sizes --

3 MR. TROTSKY: I'm not sure that's the
4 right vote. Are you reading the agenda or the
5 motion?

6 TREASURER GOLDBERG: You're right. I
7 said to you the wording looks weird.

8 I've got to figure out how to keep all
9 these papers unshuffled.

10 You know what, though? I'm cool with it
11 if somebody wants to jump in and tell me, "You're
12 reading the wrong thing."

13 Okay. I would seek a motion that the
14 PRIM Board approve the Investment Committee's
15 recommendation to approve the enhanced venture
16 capital investment approval process as described
17 in Appendix D of the expanded agenda, and further
18 to authorize the executive director to take all
19 actions necessary to effectuate this vote.

20 Is there a motion?

21 And is there a cup of coffee somewhere?

22 MR. BROUSSEAU: So moved.

23 MS. MCGOLDRICK: So moved.

24 MR. SHANLEY: Second.

1 TREASURER GOLDBERG: And a second?

2 MR. SHANLEY: Second.

3 MS. McGOLDRICK: Second.

4 TREASURER GOLDBERG: And where's that
5 Starbucks coffee?

6 So go ahead.

7 MR. McGIRR: Thank you.

8 Helen and I are going to be presenting
9 this together.

10 Tony, maybe you could pull up the
11 presentation for us.

12 But this is really reminiscent of, Bob,
13 your comments about Carnegie. What we're trying
14 to do here is get organized for the right
15 opportunity when it presents itself. And really
16 what I'd like to leave you with today --

17 And Tony, could you please turn to the
18 next page?

19 Just some key takeaways and really some
20 observations of just our venture capital portfolio
21 over the years.

22 So starting with, one, venture capital
23 for PRIM is not new. We've been investing in
24 venture capital since 1986. We have \$2.7 billion

1 of NAV. It's about 16 percent of the PE
2 portfolio.

3 And venture capital is an attractive
4 asset class with very unique characteristics. It
5 shows and demonstrates attractive returns. It's
6 less correlated. It has different risk profile
7 than other areas of private equity and other areas
8 of investing more broadly.

9 There's a high dispersion of returns,
10 and these returns follow a power law distribution,
11 which is quite unique.

12 And access is critically important to
13 this asset class.

14 Venture capital also has some
15 challenges. The risk of loss is high. The
16 velocity of decision-making is high. And with
17 small fund sizes and very quick fundraisings, it
18 presents a challenge to a small team like PRIM.

19 So we're recommending enhancements to
20 PRIM's approval process, which will better align
21 our decision-making with our strategy and program
22 objectives, which Helen's going to discuss in
23 greater detail.

24 MS. HUANG: Thank you, Michael.

1 Good morning, Madam Treasurer and board
2 members. My name is Helen Huang, senior
3 investment officer on the PE team.

4 And, Tony, maybe we can turn to the next
5 page.

6 To elaborate on Michael's summary, first
7 and foremost, I think key to our program objective
8 is to generate attractive risk-adjusted returns
9 consistent with our guiding principles at
10 MassPRIM.

11 It is also important to recognize that
12 we're not starting from scratch. We have a
13 venture book currently, and therefore, we shall
14 leverage PRIM's competitive advantage and find
15 interest alignment with the managers that we hire
16 going forward.

17 This means we'll be very focused on
18 what's core to our strategy, and this also
19 includes being able to differentiate PRIM as a
20 competitive LP organization that's in the position
21 to grow VC on location and staying disciplined in
22 selecting the best managers.

23 For portfolio construction, we believe
24 in a core plus satellite approach as illustrated

1 in the three following prongs.

2 Firstly, continue to scale with our
3 existing core VC managers who've proven to be
4 skillful investors.

5 Second, proactively try and gain access
6 to highly respected new GPs to add to our core
7 portfolio. This is grounded in our belief that
8 successful VCs tend to perpetuate success due to
9 advantageous access to the best founders and
10 companies. Also these managers may be more mature
11 platforms for which we can size ourselves better
12 and build up exposure faster.

13 And thirdly, build an emerging manager
14 portfolio, including FUTURE Initiative, as a
15 satellite program to help provide optionality
16 through a number of smaller and diversified
17 investments.

18 Managers tend to outperform in early
19 fund cycles, and this part of the program will
20 also allow PRIM to access these managers early on
21 and grow our allocations and hopefully concentrate
22 with some of these managers over time.

23 Next page, please.

24 As Michael mentioned, VC has the

1 distinct strategy. Managers fundraise quickly.
2 Their small fund size often means that the most
3 desirable managers and funds are capacity-
4 constrained.

5 So in order to become compatible, we
6 think we need to build more agility in our
7 processing and decision-making to align with these
8 characteristics. And as we adapt to become more
9 competitive and more informed in the venture
10 market, we will be rewarded with better access to
11 top managers, which we've heard over and over
12 value its LPs' industry knowledge, durability and
13 longevity of its investment team.

14 So what are the proposed changes to the
15 VC fund approval process?

16 Next page.

17 And I should say that is the goal is to
18 supplement our existing governance to facilitate
19 new commitments in competitive situations.

20 First is all new VC investments must be
21 congruent with our investment thesis, strategy and
22 program objectives. We're a small team and
23 therefore intend to stay very focused.

24 To support our unique VC distinct strategy, we recommend

1 adding delegated authority to our CIO to approve
2 new VC commitments with notifications to the IC
3 and board on a quarterly basis, similar to our co-
4 investment process.

5 All re-ups with existing core VC
6 managers will continue to follow the regular board
7 and commitment cycles, as well as the interim fund
8 approval process.

9 Additionally, a few finer details
10 surrounding this proposed governance are also
11 included as follows.

12 New VC commitments will not exceed
13 20 percent of PE annual commitment budget, which
14 we think is plenty of room. The delegated
15 approval process is subject to a cap of
16 \$75 million in any single VC fund investment.

17 And lastly, this applies to fund
18 commitments only, as we don't allow VC co-
19 investments in our current policy.

20 That concludes my presentation. And
21 Michael and I will be happy to take your
22 questions.

23 TREASURER GOLDBERG: Are there questions
24 at all?

1 MR. NAUGHTON: I have a question, if I
2 may --

3 TREASURER GOLDBERG: Absolutely.

4 MR. NAUGHTON: -- Madam Chair.

5 I want to make sure I heard correctly
6 that 16 percent of our investment is in VC?

7 MS. HUANG: That's right, Dennis.

8 MR. NAUGHTON: And what percentage of
9 that is in China?

10 MS. HUANG: Extremely low. It's
11 miniscule. It's probably less than 1 percent.

12 MR. NAUGHTON: Okay. And the -- okay.
13 Thank you.

14 TREASURER GOLDBERG: Any other questions
15 from anyone? At all?

16 MR. BROUSSEAU: Just a comment. I think
17 this approach -- I think we do something similar
18 to this in our real estate investments, don't we,
19 Michael? In terms of giving the authority in
20 terms of how much we invest in a single investment
21 property, how much you can invest in one property,
22 and it gives you some parameters. Am I correct?

23 MR. TROTSKY: Yes. There are several
24 areas where we have some leeway. Co-investments

1 is another. So it's not unique in that sense. It
2 kind of follows the private equity co-investment
3 and real estate direct model. Yes. So you're
4 correct.

5 MR. BROUSSEAU: And I think this is an
6 example of how being prepared to take advantage of
7 opportunities when they arise, and in this
8 environment, I think this is a very good process
9 to use.

10 TREASURER GOLDBERG: Any other comments
11 or questions? Or should we proceed to the vote?

12 Okay then. Get ready. Bob, you were
13 right on there so you should be able to vote right
14 away.

15 MR. BROUSSEAU: Yes.

16 TREASURER GOLDBERG: Ruth Ellen?

17 MS. FITCH: Yes.

18 TREASURER GOLDBERG: Jim?

19 MR. HEARTY: Yes.

20 TREASURER GOLDBERG: Theresa?

21 MS. MCGOLDRICK: Yes.

22 TREASURER GOLDBERG: Peter?

23 MR. MONACO: 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: And myself, yes.

7 The motion carries.

8 Okay then. Now --

9 MR. McGIRR: Up next, speaking of China,
10 Helen is going to take us through an investment
11 recommendation with Sequoia China. Madam
12 Treasurer, if you could please read the motion.

13 TREASURER GOLDBERG: Yes. Thank you,
14 Michael.

15 I seek a motion that the PRIM Board
16 approve the Investment Committee's recommendation
17 to approve a total commitment of up to
18 \$150 million to be split into the following: Up
19 to \$8.2 million to Sequoia Capital China Seed III,
20 LP; up to \$18.8 million to Sequoia Capital China
21 Venture IX, LP; up to \$61.5 million to Sequoia
22 Capital China Growth VII, LP; up to \$61.5 million
23 to Sequoia Capital China Expansion I, LP as
24 described in the expanded agenda, subject to the

1 successful completion of operational due
2 diligence, and further to authorize the executive
3 director to take all actions necessary to
4 effectuate this vote.

5 Is there a motion?

6 MR. SHANLEY: So moved.

7 TREASURER GOLDBERG: Second?

8 MR. BROUSSEAU: Second.

9 TREASURER GOLDBERG: Okay then.

10 MS. HUANG: Great. Thank you.

11 So in light of sort of the direction of
12 our future venture program as outlined in the
13 prior discussion, the PE team is recommending
14 Sequoia China as the new manager that fits very
15 well in the second prong of our VC portfolio
16 construction as a new core manager.

17 And I think it's important to mention
18 that this opportunity came through proactive
19 sourcing after positioning PRIM as a competitive
20 LP organization.

21 Sequoia China started in 2005 within
22 Sequoia Capital and has grown to a large franchise
23 for Sequoia in terms of total investment capital
24 and profit generation.

1 Sequoia Capital, as many of you have
2 known, is widely perceived as one of the earliest
3 and most successful VCs globally.

4 Central to Sequoia China's success is
5 Neil Shen, who is the founder and managing partner
6 and one of the three global leaders at Sequoia
7 since 2012. He's also a prominent venture
8 capitalist who's received consecutive number 1
9 ranks in Forbes Midas list. Last month, Sequoia
10 publicly announced a new global leader, which was
11 expected news, while affirming Neil's leadership
12 at Sequoia China.

13 We're recommending \$150 million in total
14 across four funds, spanning seed, venture, growth
15 and expansion stages. And given the size of
16 Sequoia China and their strategy of making broad
17 and diversified investments across technology,
18 healthcare and consumer industries, we think it's
19 an attractive opportunity for PRIM to effectively
20 gain exposure to China venture in one shot via a
21 category-leading manager.

22 We recognize that recent global events
23 and China's regulatory changes will likely have
24 lasting impact on its private markets. While it

1 remains a risk, we're constructive on China being
2 a part of our venture portfolio construction as a
3 top economy and a key vital venture market
4 globally.

5 Additionally, the work from other parts
6 of our investment office also lent a positive lens
7 to China VC portfolio diversification benefits due
8 to our PE portfolio's meaningful underweight to
9 Asia.

10 With that, I'd be happy to take your
11 comments or questions.

12 MR. TROTSKY: I would just add that
13 Helen and Mike are very modest, but this was a
14 major win in my mind for PRIM to even get in the
15 door at Sequoia. It's one of the top firms in the
16 world, who has traditionally been closed to public
17 pension plans, and I think through Helen's
18 relationships with Sequoia and Mike supporting
19 those efforts, we were able to develop the
20 relationship that should prove to be very
21 valuable. So thank you, Helen.

22 TREASURER GOLDBERG: That's good to
23 know.

24 MS. FITCH: Can I just ask a question?

1 Why not wanting to be a part of pension plans? I
2 mean --

3 MS. HUANG: Sure. Happy to take that.

4 So historically, Sequoia has a firm
5 have prioritized certain LP organizations such as
6 endowment foundations and charitable
7 organizations.

8 I think when it comes to competing for
9 access in venture, historically, pension funds'
10 disclosure requirement is sort of viewed as a
11 competitive disadvantage to some of the top GPs in
12 venture.

13 I think with Sequoia's firm development
14 as they are scaling their fund sizes, they were
15 opening up to certain pension organizations that
16 have a longstanding history in venture with a
17 durable and committed investment team. And that
18 sort of goes to upselling our competitive
19 advantage as an LP organization.

20 And I do think PRIM is an influential LP
21 in Greater Boston as well as in the country, and
22 so that carries a lot of credibility and weight in
23 this process.

24 MS. FITCH: Thank you.

1 MR. TROTSKY: That's a terrific answer,
2 Helen. Couldn't have said it better.

3 MS. FITCH: And it's very helpful.

4 Thank you.

5 MR. TROTSKY: And I would say it kind of
6 leads to Bob's -- it's indicative of one of the
7 key benefits to having a stable organization is
8 that the best investment companies in the world
9 would like to do business with stable
10 organizations so that they can count on us, count
11 on working with the same people.

12 I mean these are labor-intensive,
13 relationship-intensive arrangements, and they like
14 to see stability.

15 MS. FITCH: Okay. Thanks.

16 MR. SHANLEY: I have a question. Will
17 we be able to secure all the money we've committed
18 to them? Will they accept it, or are we hoping to
19 get that?

20 MS. HUANG: Yes, Paul. So we're hoping
21 to get this sort of allocation. And we're working
22 with them closely.

23 I think because the fund won't close for
24 a couple more months, they're sort of in the mid-

1 stages of figuring out capacity and also
2 allocation.

3 But we're hopeful we're going to get
4 there.

5 MR. SHANLEY: Thank you.

6 MR. BROUSSEAU: Question, Madam Chair,
7 through you to Helen, please. I strongly support
8 the recommendation. I think it's an excellent
9 investment. But my question is a little more
10 specific.

11 In terms of risks, how do we at PRIM
12 assess geopolitical risk when we're talking about
13 China? I know that has been in the headlines a
14 great deal over the last year or so. And I'm just
15 concerned how we as an organization approach
16 geopolitical risk, and how much on top of this are
17 we when it does occur?

18 MS. HUANG: Sure.

19 MR. TROTSKY: I can take the --

20 Okay. Go ahead, Helen.

21 MS. HUANG: Sure. I can probably
22 discuss in the context of Sequoia and China VC.

23 So I think, Bob, that's an excellent
24 point. Certainly dynamics are changing in light

1 of the recent regulations. Some were expected;
2 others evolving.

3 I think some of the key questions we ask
4 ourselves, at least on the PE team, are, one, will
5 these changes make China venture uninvestable from
6 a fundamental standpoint? And, two, do changes
7 put U.S. investors at a major disadvantage or
8 impact the repatriation of capital?

9 And we put a lot of thought behind these
10 issues. And so far, I think the answer is no.

11 And while it's true, I think, in the
12 context of China venture, the road will get
13 bumpier, and returns may come down in the near
14 term, what's also clear to us is China is not
15 going to decouple its markets from global markets,
16 which is why I think we're seeing -- they're
17 easing back on many of the crackdowns from last
18 year.

19 And we also believe as private investors
20 that there is going to be strong returns to be
21 generated in China venture, and that will continue
22 as driven by the key fundamentals that remain the
23 same, and China's dependency on U.S. VC investors
24 funding the growth of its economy.

1 And lastly, I would also say that in
2 light of the shifting landscape, we do think it
3 bodes well for a manager like Sequoia China, who
4 is highly experienced, who is very local and well-
5 networked.

6 And I believe they have effectively
7 navigated various reforms in the past. So all
8 else equal, I think they are the ones more
9 effective in deciphering the signals from
10 policymaking and regulations.

11 And I will stop there and invite others
12 to chime in.

13 MR. TROTSKY: Again, a terrific
14 explanation, Helen.

15 TREASURER GOLDBERG: Superlative. Can I
16 use the word "superlative"?

17 MS. FITCH: Yes. I agree.

18 MR. TROTSKY: I would only add that from
19 a portfolio standpoint, for a higher level
20 standpoint, it was mentioned that right now, we
21 are underweight China and China venture in
22 particular. So when we're thinking about
23 geopolitical risk around the globe and our
24 investments, we first look at the overall

1 weighting.

2 And in this case, number 2, we
3 acknowledge the risks, which I think you can see
4 that Helen and team have thought about them very
5 completely. And we size it appropriately to the
6 risk. So we're not making a gigantic bet. We're
7 mindful of the underlying benchmark, if you will.

8 And then Helen already said it, but
9 we're picking a manager that is second to none in
10 their ability to navigate a changing environment,
11 if there is one, in China.

12 MR. BROUSSEAU: Thank you.

13 MR. NAUGHTON: I have a question and a
14 comment, Madam Chair, through you.

15 TREASURER GOLDBERG: Absolutely.

16 MR. NAUGHTON: My question is just an
17 estimate of what is the total dollar investment
18 that we have in China now?

19 MR. MCGIRR: Dennis, is that across all
20 of PRIT? All of PRIM?

21 MR. NAUGHTON: That's my question. Yes.
22 Thank you.

23 MR. TROTSKY: That might take us a
24 little longer to calculate. We do have public

1 markets in emerging markets. I did mention
2 before, it's about a third. The benchmark is
3 about a third of the emerging markets, public
4 markets index. We have no real estate exposure.
5 We probably have some hedge fund exposure.

6 We'll have to get back to you, but it's
7 not a very large allocation in the context of
8 \$100 billion.

9 MR. NAUGHTON: Okay. So my concerns, I
10 think I had mentioned before, and you people have
11 mentioned, certainly are cognizant of it, that the
12 Chinese government -- from the standpoint of the
13 way our system operates, the Chinese government
14 can be rapidly and deeply affectant upon the
15 economy there, and we have seen that in some of
16 the actions that the central government has taken.
17 Probably the best example is how they can quickly
18 zoom in and just eliminate aspects of use of
19 social media, that kind of thing with its
20 concomitant effects.

21 So I understand that, but I'm thinking
22 now of what we're going through with Russia and
23 having to deal with the sanctions. It's
24 absolutely conceivable that the time will come,

1 whether it's triggered by contest over the South
2 China Sea and access to the South China Sea,
3 whether it's triggered by aspects of relations
4 over Taiwan, whether it's triggered by aspects of
5 the arms race that the U.S. and China are
6 obviously in, whether it's triggered by human
7 rights violations, most obviously in relation to
8 the Uyghurs in Xinjiang, whether it's triggered by
9 the relationship with China and Russia over
10 Ukraine or some combination of all those things.

11 I just hope that -- and I know it's a
12 tough job. I just hope all of those and more are
13 factored into the considerations of what we should
14 do in our investments.

15 And I'm not opposed to this investment.
16 Just worried about it.

17 MR. TROTSKY: Yes. All of those are
18 really great concerns, and we think about them
19 seriously in every investment we make.

20 It is incredibly difficult to predict
21 the future of geopolitical events and even more
22 difficult to predict their impact on financial
23 markets. So while I share your concern about the
24 future, the effect on the markets and predicting

1 with any accuracy the outcomes is fraught with
2 inaccuracies.

3 So I hope China, and the rest of the
4 world, for that matter, remains a good world
5 citizen and learns from some of the events that
6 have happened recently with regard to Russia.

7 But there obviously is no guarantee,
8 Dennis.

9 MR. NAUGHTON: No. I understand that.

10 And I want to take this opportunity to
11 say that my hat is off to the staff and to you,
12 Michael, for having to -- this is just one example
13 of the kind of stuff you guys have to wrestle
14 with.

15 So nothing about what I'm saying is
16 critical or is critical of what you guys are
17 doing. It's simply voicing -- I'm putting out my
18 concerns out loud. That's all. And I'm sure that
19 you have those and more.

20 But again, I'm supportive of this, and I
21 want to thank everybody for everything you're
22 having to go through right now.

23 MR. TROTSKY: Thank you.

24 And we have wrestled with this

1 internally. So you can rest assured that we've
2 done that.

3 MR. NAUGHTON: Thank you.

4 MS. FITCH: Thanks.

5 TREASURER GOLDBERG: Is there anyone
6 else who wants to say anything?

7 Okay. I think having these
8 conversations are critical, but I do want to
9 remind us all that, number 1, unlike a lot of
10 public pension funds, we do an enormous amount of
11 risk assessment, and this is something that Jay
12 Leu and Connie are very, very focused on on our
13 behalf a great deal.

14 And that obviously we all have an acute
15 focus on risk, given everything going on in the
16 world. And I think that that's the complete focus
17 of all of the staff at PRIM.

18 But we are building the portfolio and
19 have built the portfolio to move through the ups
20 and downs of the market over the long term.
21 However, they're not being blind to what's going
22 on in the world and will proceed cautiously as we
23 see how things play out.

24 And, Michael, wouldn't you say that's a

1 good explanation of the strategy of managing
2 risk --

3 MR. TROTSKY: Yes.

4 TREASURER GOLDBERG: -- that we've
5 taken?

6 MR. TROTSKY: Yes. Definitely. I mean
7 every investment has its risks. And when risks
8 are high, you expect more return in general.

9 We've assessed these risks. Be mindful
10 of the fact that the Chinese markets, as we
11 mentioned earlier, have sold off a lot, and
12 they're undergoing some near-term pain. That can
13 also be viewed as an opportunity for a manager
14 like Sequoia who may be able to buy private
15 companies at an attractive price.

16 So every investment has a risk, and
17 every investment has an appropriate time to buy
18 that risk, and it may just be, to put my optimist
19 hat on, Dennis, that we're at actually a pretty
20 good time to be looking at this opportunity.

21 TREASURER GOLDBERG: I think you're
22 optimistic, and you are also cautious. I'll give
23 you that.

24 Any other comments with respect to this?

1 Actually, I use the phrase frequently
2 "cautiously optimistic."

3 Okay then. All right. Don't we have a
4 motion and a second on this, Sequoia?

5 MS. FITCH: We do.

6 TREASURER GOLDBERG: Let's proceed with
7 the vote. Bob?

8 MR. BROUSSEAU: Yes.

9 TREASURER GOLDBERG: Ruth Ellen?

10 MS. FITCH: Yes.

11 TREASURER GOLDBERG: Jim?

12 MR. HEARTY: Yes.

13 TREASURER GOLDBERG: Theresa?

14 MS. McGOLDRICK: Yes.

15 TREASURER GOLDBERG: Peter?

16 MR. MONACO: Yes.

17 TREASURER GOLDBERG: Dennis?

18 MR. NAUGHTON: Yes.

19 TREASURER GOLDBERG: Carly?

20 MS. ROSE: Yes.

21 TREASURER GOLDBERG: Paul?

22 MR. SHANLEY: Yes.

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

1 Okay.

2 MR. McGIRR: Next up for us is
3 recommendation with Insight Partners Vision Fund,
4 Vision Capital Fund II.

5 And as Helen had just mentioned with our
6 three-pronged approach for venture capital,
7 Sequoia fits clearly in the second prong. Now
8 we're going to be talking about the third prong.

9 It's a voting item, and Dave Gurtz is
10 going to walk us through the recommendation.

11 TREASURER GOLDBERG: All right. So I
12 would seek a motion that the PRIM Board approve
13 the Investment Committee's recommendation to
14 approve a commitment of up to \$50 million to
15 Insight Partners Vision Capital II, LP, as
16 described in the expanded agenda, and further to
17 authorize the executive director to take all
18 actions necessary to effectuate this vote.

19 Is there a motion?

20 MR. SHANLEY: So moved.

21 MR. BROUSSEAU: So moved.

22 MS. McGOLDRICK: Second.

23 MS. FITCH: Second.

24 TREASURER GOLDBERG: Okay. Go ahead,

1 Dave.

2 MR. TROTSKY: Before you begin, Dave,
3 just to clarify, remind, the third prong really
4 focuses on emerging-diverse managers. And that's
5 what this investment is all about. We're very,
6 very excited about it. It's groundbreaking.

7 And the private equity team and David
8 Gurtz, who heads up the FUTURE Initiative, as you
9 know, have been very involved in this. And Dave
10 Gurtz will be presenting it today.

11 MR. GURTZ: So yes. I get to join the
12 PE team this morning. Eliza Haynes, who really
13 kind of led this investment recommendation, is out
14 traveling today. So I'm thrilled to be presenting
15 on her behalf.

16 But before I get into this
17 recommendation, a very brief update on our FUTURE
18 Initiative. Since the December board meeting
19 where this board approved the \$1 billion program
20 to invest in emerging-diverse managers, I'm happy
21 to report that after a lot of hard work, PRIM
22 staff has finalized contracts and processes with
23 each of our five manager of managers. And just as
24 a reminder, those five firms are Xponance for

1 global equities, Bivium for fixed income, Hamilton
2 Lane for private equity, Cambridge Associates for
3 real estate, and PAAMCO will continue for hedge
4 funds.

5 And this new program required a lot of
6 work and support by every asset class team, as
7 well as all our work by our operations team to get
8 this program up and running. And it is running
9 now. I am proud to report that capital is
10 beginning to be allocated to emerging-diverse
managers.

12 Earlier this month, Xponance allocated
13 the program's first dollars. Xponance identified
14 and invested \$100 million into four emerging-
15 diverse global equity managers, allocating
16 \$25 million each to them.

17 Additionally, Bivium and Hamilton Lane
18 have identified their first emerging-diverse
19 managers. And we are planning for them to be
20 funded on June 1.

21 So all five of our manager of managers
22 have strong pipelines so we expect capital will
23 continue to be deployed by them over the course of
24 the year. So it's a very exciting new program of

1 PRIM that seems to have caught the attention of
2 many in the industry. And so we should all be
3 very proud of that.

4 So now turning to this new
5 recommendation for Insight Partners Vision Capital
6 II, which follows our commitment to investing in
7 emerging-diverse managers. This is a new strategy
8 for Insight Partners, who is one of PRIM's core
9 private equity managers. PRIM has been investing
10 in Insight since 2005.

11 And just like our FUTURE Initiative,
12 Insight Partners has been working to address the
13 industry's pipeline problem by providing capital
14 to diverse managers as an effective action to help
15 close the industry's diversity gap.

16 In 2020, Insight Partners raised and
17 deployed \$15 million Vision Capital Fund to invest
18 in diverse-led early-stage funds. The \$15 million
19 was raised entirely through capital commitments
20 from senior partners of Insight.

21 Today, Insight is raising approximately
22 \$100 million Vision Capital Fund II and for the
23 first time, opening this fund up to their limited
24 partners to participate in, alongside Insight

1 employees.

2 Vision Capital II is a fund of funds and
3 will invest in 20 to 40 emerging-diverse venture
4 capital funds, thus providing capital to
5 underrepresented individuals who typically face
6 barriers to venture capital funding.

7 Insight is deeply embedded in the early-
8 stage ecosystem and will leverage the firm's
9 collective network to select and invest in the
10 best talent with their primary goal to earn top
11 quartile performance.

12 Insight believes that diverse venture
13 capital managers are uniquely positioned to
14 generate strong performance, as they possess
15 differentiated networks, access and greater
16 alignment with general consumer demographics.

17 Vision Capital was not broadly marketed
18 by Insight. Rather, they selectively reached out
19 to their important relationships, given the small
20 fund size. And because of our longstanding
21 partnership together and our shared goals of
22 earning top quartile performance and reducing
23 barriers for emerging-diverse managers, PRIM will
24 be one of the largest LPs, if not the largest LP,

1 in this fund.

2 And with this commitment, PRIM will
3 expand our partnership with Insight, one of PRIM's
4 core private equity managers. PRIM will be able
5 to leverage Insight's unique network and ecosystem
6 to source and invest in a pipeline of high quality
7 talent and secure the option to invest and grow
8 with successful funds in the future as part of the
9 VC core satellite philosophy Helen and Michael
10 just described.

11 And lastly, PRIM will be getting all of
12 this for no fees to Insight. That's no management
13 or performance fees to Insight.

14 So all in all, just a great deal for us.

15 So I'll stop there and see if there's
16 any questions.

17 TREASURER GOLDBERG: Are there questions
18 for David?

19 Hearing none, then we --

20 MR. BROUSSEAU: One question --

21 TREASURER GOLDBERG: Go ahead.

22 MR. BROUSSEAU: Just one question. I
23 think probably I know the answer to it.

24 The fund will be \$100 million, and our

1 share could be up to 50 million. What you've
2 said, David, I would assume that it's going to be
3 far less than the \$50 million, the "up to" figure.
4 Am I right?

5 MR. GURTZ: Potentially. Or they might
6 draw the fund a little bit over a hundred million
7 dollars. They're still kind of working, and final
8 close isn't scheduled for a few more weeks.

9 MR. MCGIRR: That's right. These are
10 active dialogues. These details are moving
11 quickly also.

12 TREASURER GOLDBERG: Any other
13 questions?

14 Hearing none, Bob?

15 MR. BROUSSEAU: Yes.

16 TREASURER GOLDBERG: Ruth Ellen?

17 MS. FITCH: Yes.

18 TREASURER GOLDBERG: Jim?

19 MR. HEARTY: Yes.

20 TREASURER GOLDBERG: Theresa?

21 MS. MCGOLDRICK: Yes.

22 TREASURER GOLDBERG: Peter?

23 MR. MONACO: Yes.

24 TREASURER GOLDBERG: Dennis?

1 Did we lose Dennis?

2 MR. NAUGHTON: Yes.

3 TREASURER GOLDBERG: Was that Dennis?

4 MR. NAUGHTON: I vote yes, Madam
5 Treasurer.

6 TREASURER GOLDBERG: Thank you.

7 Carly?

8 MS. ROSE: Yes.

9 TREASURER GOLDBERG: Paul?

10 MR. SHANLEY: Yes.

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

13 MR. TROTSKY: Treasurer, I have a brief
14 update to answer a previous question.

15 TREASURER GOLDBERG: Okay.

16 MR. TROTSKY: There was a question about
17 our China exposure. And in the interest of
18 getting this off everyone's desk and answering it
19 now rather than later, we have about one and a
20 half billion dollars invested in China right now.
21 Approximately one billion in global equity,
22 390 million in hedge funds and emerging debt
23 position of about 36 million.

24 That equates to about a percent and a

1 half total exposure to China. 1.5 percent or less
2 we feel is a pretty small exposure to China and
3 also adequately reflects some of the risks that we
4 described.

5 TREASURER GOLDBERG: Thank you, Michael.

6 MR. McGIRR: Next up, Madam Treasurer,
7 is our three re-up recommendations, follow-on
8 investment recommendations with three incumbent
9 managers.

10 So I think in the interest of time and
11 to try to catch up -- we want to leave plenty of
12 time for our colleagues in real estate and on
13 operations -- we batched these three votes
14 together. I'll provide a very brief description.

15 TREASURER GOLDBERG: So I'm going to
16 seek a motion in a second that the PRIM Board
17 approve the Investment Committee's recommendation
18 to approve the following follow-on commitments:
19 up to \$20 million to Insight Partners Fund XI
20 Follow-On Fund, LP; up to 40 million euro to
21 Medicxi IV, LP; up to \$200 million to Technology
22 Crossover Ventures XII, LP, as described in the
23 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. BROUSSEAU: So moved.

4 MR. SHANLEY: So moved.

5 TREASURER GOLDBERG: Second?

6 MS. FITCH: Second.

7 MS. McGOLDRICK: Second.

8 TREASURER GOLDBERG: Okay. Go ahead.

9 MR. McGIRR: Thank you, Madam Treasurer.

10 Our first fund, Insight Fund XI Follow-
11 On Fund, we talked about Insight. They're raising
12 a follow-on fund, which is similar to the
13 opportunity we looked at last year.

14 Follow-on investments are critical to
15 Insight's strategy, and many of their performing
16 investments started out as small equity checks.
17 We're recommending \$20 million to their Fund XI
18 follow-on fund.

19 Medicxi IV is raising 400 million for
20 its fourth life science-focused venture fund.
21 This is a core early stage existing manager. So
22 back to those prongs that we've outlined, this
23 would be in the first prong.

24 PRIM's been invested with this group

1 since 2012 across five early-stage life science-
2 focused venture capital funds. The team is
3 comprised of seasoned scientists and collectively
4 has a strong network of entrepreneurs, healthcare
5 systems and academic institutions that allow
6 Medicxi to access promising early-stage scientific
7 ideas.

8 We're recommending up to 40 million
9 euros to Medicxi Fund IV.

10 And then lastly, Technology Crossover,
11 TCV. PRIM has been invested with them since 2006
12 across six funds and in three co-investments.
13 TCV's honed a dedicated strategy of backing
14 category-leading U.S. and European tech firms,
15 both before and after IPO. They have
16 differentiated itself to high growth tech
17 companies through its thematic approach and
18 developed multi-year relationships with company
19 leaders prior to investment.

20 We're recommending up to \$200 million to
21 their most recent fund, Fund XII.

22 I'll pause there. The team and I are
23 happy to answer any questions on these three high
24 conviction existing managers.

1 TREASURER GOLDBERG: Any questions? At
2 all?
3 Hearing none, we'll proceed with the
4 vote.
5 Bob?
6 MR. BROUSSEAU: Yes.
7 TREASURER GOLDBERG: Ruth Ellen?
8 MS. FITCH: Yes.
9 TREASURER GOLDBERG: Jim?
10 MR. HEARTY: Yes.
11 TREASURER GOLDBERG: Theresa?
12 MS. McGOLDRICK: Yes.
13 TREASURER GOLDBERG: Peter?
14 MR. MONACO: Yes.
15 TREASURER GOLDBERG: Dennis?
16 MR. NAUGHTON: Yes.
17 TREASURER GOLDBERG: Carly?
18 MS. ROSE: Yes.
19 TREASURER GOLDBERG: Paul?
20 MR. SHANLEY: Yes.
21 TREASURER GOLDBERG: Myself, yes. The
22 motion carries.
23 Okay. Well, as wished for, we are
24 moving on to timberland and real estate. Correct?

1 MR. SCHLITZER: Good morning, Treasurer.
2 Can you hear me okay?

3 TREASURER GOLDBERG: I can, Tim. Thank
4 you.

5 MR. SCHLITZER: Good. Good to see
6 everyone.

7 I'm just going to make a few comments on
8 performance, and then we'll hand it over to
9 Minching for a voting item.

10 TREASURER GOLDBERG: Okay. Thank you.

11 MR. SCHLITZER: And for Virginia, I'm
12 Tim Schlitzer, director of real estate.

13 There are some materials in Appendices E
14 and F, and page 19 of the package, but I'm not
15 going to be referencing any of these specifically.

16 So just starting with performance and
17 real estate, as Michael mentioned, we did have a
18 very strong prior year at 33 percent versus the
19 benchmark at 19 percent. Returns really were
20 driven by the private portfolio at 37 percent.

21 And I'd say no significant changes in
22 the themes here. Our above-benchmark exposure to
23 industrial, particularly our concentration in Los
24 Angeles and our multifamily

1 portfolio, life science, medical office were all
2 additive to relative returns for the year. Our
3 leverage, our capital structure, also added about
4 700 basis points of additional return.

5 Our asset allocation position within the
6 fund has increased meaningfully, moving from
7 8.2 percent to just under 10 percent over the past
8 six months. The NAV has grown by about
9 \$1.7 billion during that time. So much of the
10 change is due to appreciation, but also the
11 denominator more recently has been a key variable
12 as well.

13 Transaction activity year to date has
14 been somewhat minimal. We've purchased two assets
15 in real estate for approximately \$75 million. We
16 do have another \$300 million or so in net
17 acquisitions pending over the coming months.

18 Just a few general comments on the
19 capital markets. They are changing, as you would
20 expect and as my colleagues have mentioned.
21 Benchmark Treasury rates and credit spreads have
22 risen over 200 basis points, and we're seeing it
23 in borrowing rates and equity yields within the
24 real estate market.

1 Debt costs in many cases are actually
2 above the entry yields on the real estate, which
3 is well outside of a normal relationship for these
4 two numbers.

5 So really, investors are looking to rent
6 growth to achieve their required returns. And
7 while rent growth has been significant and it is
8 part of the broader price inflation that we're
9 seeing, it also puts pressure on the cost side and
10 lowers margins overall, and we're acutely
11 sensitive to this.

12 So while fundamentals and capital flows
13 do remain strong, we're very much sensitive to the
14 increased risks in the economy and the drop in
15 asset pricing across other segments of the market.

16 I did want to reiterate for everyone,
17 and I've said this many times before, that our
18 real estate and, for that matter, our timber
19 portfolios are very much built for resilience.
20 We're primarily buying quality core assets, great
21 locations, and we've got laddered lease and
22 harvesting schedules. Very low, flexible
23 leverage. We're 92 percent fixed in real estate
24 and have virtually no timberland debt. And we
 have full control via

1 our separate accounts.

2 So I think all of you can have a lot of
3 comfort in this less certain environment about how
4 this sort of machine is built, so to speak.

5 Let me just make a few comments on
6 timber. So timber returned 12.5 percent for the
7 year versus the index at 9.2 percent. The asset
8 class ended the quarter at 2.9 percent of the
9 fund.

10 And we haven't had any transaction
11 activity so far this year. As you know, it's a
12 very illiquid asset class, and transactions are
13 fairly infrequent.

14 We did see strong timber pricing across
15 all of the major regions in the first quarter and
16 throughout the past year. Real discount rates
17 have come down, leading to higher asset pricing.
18 I mentioned that in February, and that has
19 continued. This does reflect higher timber price
20 expectations, as well as demand from buyers that
21 are looking for carbon-offsetting assets, also
22 something I've mentioned before.

23 Supply chain issues do still exist but
24 I'd say are less pronounced at this point in terms

1 of those logging and transportation inputs that
2 are so key to the cash flows of these assets.

3 But unfortunately, as you may have
4 guessed, demand has also slowed recently as well.
5 Building permits are ahead of where they were a
6 year ago but did drop about 3 percent last month,
7 which brings us back to November levels. This is
8 virtually all within the single-family segment.
9 So that's really where I think that there's more
10 nervousness across the homebuilders.

11 We do continue to feel that the U.S. has
12 a housing shortage which needs to be fixed. And
13 we think that this should bode well for the asset
14 class long term.

15 In the near term, though, higher
16 mortgage rates, continuing supply chain issues and
17 inflation are creating friction on the demand
18 side. So again, we're very sensitive to this, and
19 we'll continue to monitor it.

20 Those are my comments. I'm happy to
21 answer any questions, if there are any.

22 TREASURER GOLDBERG: Are there questions
23 for Tim?

24 I just want to comment that although

1 this may not impact us because of our strategies,
2 there's a lot, a lot of talk out there about real
3 estate, both residential and office, and there's
4 just a lot of concern and buzz, which we totally
5 comprehend.

6 And again, as we talk about risk, this
7 is something that we look at all the time. And I
8 don't even think that we have spent enough time to
9 have a definitive understanding of what the future
10 of office space is because at first, people were
11 looking at will remote be the way of the world
12 permanently? And now there are people coming back
13 and saying no, it's really clear that people need
14 to be together to maximize creativity, maybe not
15 100 percent of the time, but that offices need to
16 be open, and people can flex at different times.

17 And so I just want to acknowledge
18 publicly that this is not something that we're
19 ignoring, and we're also watching the residential
20 markets carefully with the impact of interest
21 rates. I know in the Greater Boston area, the
22 changes in interest rates don't really seem to
23 be -- strangely, it's still a seller's market in
24 Massachusetts, big time.

1 But I just wanted to comment overall on
2 what we're seeing and what -- again, what PRIM
3 continues to do in terms of looking at risk.

4 With that, are there any other questions
5 for Tim? Or we can move on to the voting item.

6 Okay. We can move on.

7 MR. TROTSKY: Minching will be
8 presenting the timberland appraisal voting
9 recommendation.

10 TREASURER GOLDBERG: Okay. So I am
11 going to seek a motion, and then we will hear.

12 I seek a motion that the PRIM Board
13 approve the Real Estate and Timberland Committee's
14 recommendation to approve the selection of
15 American Forest Management, Forest Resource
16 Consultants, Legacy Appraisal Services, Mason,
17 Bruce & Girard, Margules Groome Consulting
18 Limited, Sewall Forestry & Natural Resources
19 Consulting, Sizemore & Sizemore, The Healey
20 Company, Timberland Appraisal, Inc. for placement
21 on PRIM's list of approved timberland appraisers
22 as described in Appendix F of the expanded agenda,
23 and to further authorize the executive director to
24 take all actions necessary to effectuate this

1 vote.

2 Is there a motion?

3 MR. BROUSSEAU: So moved.

4 TREASURER GOLDBERG: Second?

5 MS. MCGOLDRICK: Second.

6 TREASURER GOLDBERG: Okay then,

7 Minching.

8 MS. KAO: Thank you, Madam Treasurer.

9 My name is Minching Kao. I will be
10 speaking to Appendix F. PRIM issued a request for
11 qualifications for timberland appraisal services
12 on March 28. This is a standard process PRIM runs
13 every three years. This year, we received nine
14 responses. We formed a search committee that
15 consisted of Tim Schlitzer, John LaCara, Christina
16 Marcarelli, George Tsipakis and myself.

17 The search committee thoroughly reviewed
18 all respondents, based on qualifications and
19 experience, knowledge of timberland valuations and
20 appraisals, quality of their responses, proposed
21 team and references.

22 We also interviewed three new
23 respondents with whom PRIM doesn't currently have
24 a business relationship. Additionally, PRIM's

1 timberland consultants IWC has also reviewed and
2 confirmed the qualifications of each respondent.

3 Accordingly, the search committee is
4 recommending all nine respondents be placed on
5 PRIM's list of approved timberland appraisers.
6 The nine firms are as follows: American Forest
7 Management, Forest Resource Consultants, Legacy
8 Appraisal Services, Mason, Bruce & Girard,
9 Margules Groome Consulting Limited, Sewall
10 Forestry & Natural Resources Consulting,
11 Sizemore & Sizemore, The Healey Company and
12 Timberland Appraisal, Inc.

13 With that, we will be happy to answer
14 any questions that you might have.

15 TREASURER GOLDBERG: Any questions?

16 Okay. Then we will proceed with the
17 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: Peter?

3 MR. MONACO: Yes.

4 TREASURER GOLDBERG: Dennis?

5 MR. NAUGHTON: Yes.

6 TREASURER GOLDBERG: Carly?

7 MS. ROSE: Yes.

8 TREASURER GOLDBERG: Paul?

9 MR. SHANLEY: Yes.

10 TREASURER GOLDBERG: Myself, yes. The
11 motion carries.

12 Thank you. Okay, I think that we are
13 moving on to Tony.

14 MR. FALZONE: Thank you. Hello,
15 everyone.

16 For Virginia, my name is Anthony
17 Falzone, deputy executive director and chief
18 operating officer.

19 So my first agenda item is the ESG
20 committee status update. A few months ago, during
21 the last meeting cycle, the board voted to
22 establish an environmental, social and governance
23 committee, ESG, for the purpose of advising the
24 board on ESG-related matters and also to engage

1 with Funston to assist in developing a proposal
2 for the ESG committee structure and charter.

3 At the time of the vote, I committed to
4 keeping the board up to date on the process, start
5 to finish, our progress in terms of what has been
6 completed and, even more importantly, what is left
7 to be done and in what time frame.

8 So on page 19 and 20 of the expanded
9 agenda, there's an outline that gives transparency
10 to the process. It shows our progress.

11 And even since these materials went out,
12 we've now sent out a save the date for the ESG
13 landscape educational Webinar, which is on June 1.
14 You probably should have received that a few days
15 ago, I believe.

16 So we continue to make progress.

17 I know that there has been feedback from
18 board members of them wanting to provide feedback
19 so you'll all have an opportunity to provide
20 comment and feedback on a draft charter before
21 you're asked for approval.

22 And that's all I have for prepared
23 comments. Happy to answer any questions.

24 TREASURER GOLDBERG: Any questions for

1 Tony?

2 Okay then. So the next item is the
3 voting item.

4 MR. FALZONE: Correct.

5 TREASURER GOLDBERG: So what I'm going
6 to do is I'm going to seek a motion. I seek that
7 the PRIM Board approve the Administration and
8 Audit Committee's recommendation to approve the
9 draft fiscal year 2023 PRIM operating budget
10 attached as Appendix G of the expanded agenda, and
11 further to authorize the executive director to
12 take all actions necessary to effectuate this
13 vote.

14 Is there a motion?

15 MR. SHANLEY: So moved.

16 MR. BROUSSEAU: So moved.

17 TREASURER GOLDBERG: Second?

18 MS. FITCH: Second.

19 TREASURER GOLDBERG: Okay then. Go
20 ahead, Tony.

21 MR. FALZONE: Thank you.

22 Deb Coulter, PRIM's chief financial
23 officer and chief administration officer, usually
24 helps me with this presentation. She's out sick

1 today, so I'm going to do the overview and detail.

2 I'll try to move fast. I know five of
3 the nine board members are on our Administration
4 and Audit Committee, and they've already heard
5 this, but I do think it's important to go through
6 some of the detail.

7 I'll start by mentioning, as I always
8 do, this is a significant undertaking, and it
9 touches all areas of the organization. Deb, Dan
10 Eckman, our director of finance and
11 administration; Sara Coelho, our senior corporate
12 accountant, and other members on the finance team
13 work very hard to ensure the board has a budget
14 that's transparent and informative, provides a
15 fairly good estimate of our expenses in the
16 upcoming fiscal year, 2023.

17 As a reminder, we don't operate inside
18 the state budget. We're outside the state budget.
19 And we're relying on investment returns to support
20 our operations.

21 And I also want to thank members on the
22 investment team that supported the venture, and I
23 hope you're okay with what we present today.

24 So I'm going to start. The budget's at

1 Appendix G, and I will start on page 3 of the
2 budget.

3 And I'll start by saying the total
4 fiscal year of 2023 budget is projected to be
5 \$518 million or 50 basis points. As Michael
6 pointed out, we've added a few new charts in the
7 budget this year for better transparency. One of
8 them is the history of our expense ratio. And I
9 think it's pretty impressive that our expense
10 ratios remained consistent, even though we
11 continue to move to more complex and expensive
12 asset classes.

13 That fee basis point is projected over
14 PRIT Fund assets of 103 billion. And as you know,
15 most of these fees relate directly to our assets.
16 Higher asset values and higher allocation to
17 higher-performing, higher cost assets result in
18 higher fees overall.

19 So with this in mind, along with the
20 anticipated growth Michael mentioned during his
21 remarks, the fiscal year 2023 budget is
22 9.3 percent or \$43.9 million larger year-over-year
23 than fiscal year 2022's budget.

24 So while the budget increased, again, I

1 can't repeat it enough. Our expense ratios
2 continue to remain flat. We are constantly
3 looking for ways to save money, and the fiscal
4 year '23 budget reflects many of the cost-saving
5 measures we've implemented over the past few
6 years.

7 No-fee private equity co-investments.
8 Direct real estate investments. Separately
9 managed PCS accounts. And lower negotiated fees
10 in public markets.

11 So moving on to page 4, we can see
12 looking at chart 2 that 95 percent of the budget
13 covers investment management fees or investment-
14 related third-party service providers or
15 consultants.

16 We'll continue to look for ways to
17 present information in a way that's transparent
18 and will help us communicate where we're
19 allocating budget. This also helps us to perform
20 analytics that can aid us in measuring where we
21 spend.

22 Moving to page 5, this chart breaks out
23 the budget allocation, including asset classes.
24 So the PRIT Fund's asset allocation drives our

1 investment management budgeted fee levels. And I
2 say it every year. The size of an asset
3 allocation doesn't directly relate to the size of
4 the expense.

5 And my example every year is global
6 equities as it relates to our highest allocation,
7 but private equity is our most expensive
8 allocation. And the reason for that is private
9 equity, remember, is our highest-returning asset
10 class. It's consistently one of the highest-
11 performing private equity portfolios among peers,
12 and there is no passive way to replicate that
13 strategy and its result.

14 So with that, I'm going to move over to
15 page 6, which is the budget summary, and I'll give
16 you some more detail on some of the changes that
17 have taken place.

18 So these costs are typically based on
19 the value of our investments. So if our
20 investment values rise or they fall, our trends
21 rise or fall, our transition from passive to more
22 active strategies, our costs are going to go up or
23 down. They'll increase or decrease.

24 Our point of view is that if investment

1 management fees in dollar terms are above budget,
2 that's a good thing because that means our
3 investments are growing.

4 You'll see that the investment
5 management fees are increasing by approximately
6 36 million, and this represents 82 percent of the
7 total budget increase this year.

8 This budget is based on a projected
9 increase in assets and the impact of the asset
10 allocation plan that was approved in February.

11 So the main driver of this increase in
12 terms of dollars is private equity, which is
13 increasing by approximately 20 million due to
14 projected new investments and the increased
15 allocation to the asset class over the past two
16 years.

17 Additionally, this year's budget
18 includes an allocation of 7 million for the
19 FUTURE Initiative, which is the emerging-diverse
20 manager program, and that is spread across the
21 different asset classes. And as you know, this is
22 related to the investment equity legislation that
23 was championed by the Treasurer and signed into
24 law at

1 the beginning of last year. And we're continuing
2 to make great progress toward the goals outlined
3 in the law, and these new allocations in the
4 budget are an important way to support that.

5 The budget is based on continued asset
6 growth using NEPC's 10-year growth assumption of
7 5.7 percent. However, I remind you every year
8 future performance isn't predictable so our fees
9 will vary.

10 I also mention every year that there are
11 no performance fees, incentive fees or carried
12 interest projected in the budget as it's
13 difficult, if not impossible, to estimate future
14 performance.

15 Moving on to the second section, third-
16 party service providers. These are projected fees
17 we pay to all our advisors, consultants,
18 custodian, audit, tax, legal, risk, our investment
19 analytical tools. These fees sum up to
20 24.4 million or 4.7 percent of the total budget.
21 These fees are increasing by approximately
22 2 million or 8.7 percent, driven mainly by an
23 increase to public market service providers, and
24 the majority of the year-over-year change relates

1 to an increase in platform provider and
2 consulting fees for OCO, which is other credit
3 opportunities strategy.

4 And also our general consulting
5 category has an increase in it due to potential
6 costs for new initiatives and then additional
7 increases in operational due diligence and IT.

8 And finally, the last section is PRIM's
9 operations expenses. And this includes PRIM
10 staff compensation, benefits, rent, insurance,
11 computers, technology and other miscellaneous
12 expenses necessary to run PRIM.

13 So the operations budget fees sum to
14 about 27 million or 5.3 percent of the total
15 budget. This number is very conservative as it
16 assumes all incentive hurdles will be met.

17 The operations budget is increasing by
18 \$6.3 million with the majority of this change, 5.8
19 million of it, related to compensation and
20 occupancy costs.

21 So as Michael mentioned in his
22 comments, in order to support the PRIT Fund's
23 growth, the many new initiatives, the budget
24 anticipates adding additional resources to every
team here at PRIM. The compensation line item
contemplates a

1 more than 20 percent increase in positions.

2 So Michael spoke about the many
3 different initiatives that we're working on
4 requiring resources. At past meetings, we've
5 also talked about succession planning and how lean
6 we are, PRIM is adding to each of the teams. It's
7 something we talk about during those annual plan
8 discussions. We need more resources. The budget
9 provides them.

10 And with more resources and more head
11 count requires more office space to support that
12 growth. So we've added office space as it's becomes
13 available, spreading staff over several floors.

14 We've worked with DCAM in the past. We've
15 already been in contact with DCAM again. And in
16 the past, they communicated with us that with
17 regard to office space needs, their feedback is
18 one floor would be more economical.

19 So sorting out office space needs takes
20 time. We need to start thinking about it now
21 because we are almost out of space. The budget
22 contemplates this and provides us with resources
23 for the acquisition of additional space or even a
24 potential move to more suitable office space.

1 So also embedded in this number are
2 potential promotions and pay increases to move
3 current employees into their board-approved salary
4 ranges. This is the continuation of a multi-year
5 effort to ensure that all employees are properly
6 placed within their appropriate bands. Also
7 embedded in the numbers are those promotional
8 items that I talked about before.

9 I'll stop there and take any questions
10 you may have. And if I have to phone a friend, I
11 will, but I think I have most detail here in my
12 notes, so --

13 TREASURER GOLDBERG: Phone a friend.

14 Are there questions for Tony?

15 We had the friend at the Admin and Audit
16 Committee meeting. I would say you did a very
17 good job.

18 MR. FALZONE: Thank you. I appreciate
19 it.

20 TREASURER GOLDBERG: Even though we know
21 Debs are really good friends to have.

22 MR. FALZONE: Absolutely.

23 TREASURER GOLDBERG: Okay. Any
24 questions --

1 MR. BROUSSEAU: Just a comment. As
2 chair of the committee, I would just like to echo
3 what you have said. I'm amazed every year how
4 we've improved on not only the presentation but on
5 the construction of this budget every year, and I
6 think this is in no small measure due to the
7 fantastic staff that Tony has assembled up there.

8 And what I'm amazed at as I look at this
9 budget, and Michael mentioned earlier of course,
10 50 basis points is one half of 1 percent.

11 I look at the amount that we have under
12 compensation with a staff that is growing over 60,
13 4.3 percent or 2.2 basis points. It's amazing.

14 And as a member a long time, since its
15 inception, of the Compensation Committee, when we
16 look at compensation, we want our compensation to
17 be competitive. And that is a key ingredient if
18 we're going to -- in this environment right now,
19 if we're going to maintain the quality of our
20 staff which we have and to expand the staff during
21 this time of crisis, I think it's almost essential
22 that this budget amount here for comp has
23 increased.

24 But 2.2 basis points to me is

1 unbelievable. I do not know how we can do that on
2 such a small amount.

3 But yes. Michael and I know Tony are
4 convinced that this budget does just that, but I
5 like the way Tony has constructed it. We have
6 every item has a basis point cost. And I think it
7 helps us to put this in perspective.

8 So, Tony, again, and your entire staff,
9 congratulations.

10 And Michael, I know you're going to
11 operate within this budget, especially when it
12 comes to compensation, but I know it will proceed
13 very well. And thank you very much for all you
14 do.

15 MR. FALZONE: Thank you, Bob. I'm up
16 here presenting it, but there was a lot of work
17 behind the scenes that the board and committees
18 don't get to see, and I'll thank them again
19 because they do all the heavy lifting. I just
20 come up here and present it. So thank you.

21 TREASURER GOLDBERG: So any other
22 comments from members of the board, or should I
23 proceed with the vote?

24 I will proceed with the vote.

1 Bob?

2 MR. BROUSSEAU: Yes.

3 TREASURER GOLDBERG: Ruth Ellen?

4 MS. FITCH: Yes.

5 TREASURER GOLDBERG: Jim?

6 MR. HEARTY: Yes.

7 TREASURER GOLDBERG: Theresa?

8 MS. McGOLDRICK: Yes.

9 TREASURER GOLDBERG: Peter?

10 MR. MONACO: Yes.

11 TREASURER GOLDBERG: Dennis?

12 MR. NAUGHTON: Yes.

13 TREASURER GOLDBERG: Carly?

14 MS. ROSE: Yes.

15 TREASURER GOLDBERG: Paul?

16 MR. SHANLEY: Yes.

17 TREASURER GOLDBERG: Myself, yes. The

18 motion carries.

19 Okay then. We have an RFQ for legal.

20 MR. FALZONE: Our chief legal officer

21 will present that, Renee LeFevre.

22 TREASURER GOLDBERG: Okay. Before you

23 do that, I will seek a motion and a second.

24 I seek a motion that the PRIM Board

1 approve the Administration and Audit Committee's
2 recommendation to approve the issuance of an RFQ
3 for investment legal services as described in the
4 expanded agenda, and further to authorize the
5 executive director to take all actions necessary
6 to effectuate this vote.

7 Is there a motion?

8 MR. NAUGHTON: So moved.

9 MR. BROUSSEAU: So moved.

10 TREASURER GOLDBERG: Second?

11 MS. FITCH: Second.

12 TREASURER GOLDBERG: Okay then. Renee?

13 MR. FALZONE: You're on mute.

14 MS. LeFEVRE: Sorry about that.

15 Thank you, Madam Treasurer.

16 For presenting, I'm Renee LeFevre, PRIM
17 chief legal officer.

18 I actually have two matters to present
19 today. The first is the voting matter on the
20 request for qualifications, and the second is an
21 update regarding PRIM's past executive session
22 meeting minutes. So I'll start first with the
23 voting matter. Thank you.

24 The board last approved a roster of law

1 firms with a variety of legal specialties in April
2 and June of 2016. This RFQ for legal services
3 will focus on investment services only, as PRIM
4 has a smaller roster of legal services provided
5 for investment to choose from.

6 Currently PRIM is well-served for other
7 legal services, including securities litigation,
8 governance, and labor and human resources matters.
9 Comparatively, there is a need to build the roster
10 of law firms for investment legal services as the
11 ones that PRIM uses now are full and working at
12 capacity.

13 The goal of this RFQ is to attract law
14 firms of all sizes that specialize in investment
15 legal services as well as increase our roster of
16 current PRIM providers. This RFQ will not replace
17 the current legal services providers but will add
18 to it.

19 So I'm happy to answer any other
20 questions on this matter.

21 TREASURER GOLDBERG: Are there any
22 questions for Renee? It's pretty straightforward.

23 Seeing none, we will proceed with the
24 vote.

1 Bob?

2 MR. BROUSSEAU: Yes.

3 TREASURER GOLDBERG: Ruth Ellen?

4 MS. FITCH: Yes.

5 TREASURER GOLDBERG: Jim?

6 MR. HEARTY: Yes.

7 TREASURER GOLDBERG: Theresa?

8 MS. McGOLDRICK: Yes.

9 TREASURER GOLDBERG: Peter?

10 MR. MONACO: Yes.

11 TREASURER GOLDBERG: Dennis?

12 MR. NAUGHTON: Yes.

13 TREASURER GOLDBERG: Carly?

14 MS. ROSE: Yes.

15 TREASURER GOLDBERG: Paul?

16 MR. SHANLEY: Yes.

17 TREASURER GOLDBERG: Myself, yes. The

18 motion carries.

19 MS. LeFEVRE: Thank you.

20 And if I may move on to the second

21 update, it's not as straightforward as the last.

22 The second matter involves compliance

23 with the Open Meeting Law as it relates to past

24 executive session meeting minutes. The Open

1 Meeting Law provides that executive session
2 minutes of a public body are exempt from
3 disclosure unless and until the purpose for which
4 they are exempt is no longer jeopardized by such
5 disclosure.

6 The law requires that a public body at
7 reasonable intervals review the minutes of its
8 executive sessions to determine if such minutes
9 warrant continued nondisclosure.

10 PRIM seldom uses executive sessions so
11 we interpret "reasonable intervals" to mean when
12 such minutes are requested for disclosure.

13 PRIM staff has been working with the
14 state auditor's office and PERAC on two separate
15 audits. As part of those audits, each entity
16 requested review of PRIM's last five executive
17 session meeting minutes. Those minutes were from
18 2014 through 2016.

19 In connection with the request and as
20 required by the Open Meeting Law, a determination
21 has been made that four of those executive session
22 meeting minutes continue to be exempt from public
23 disclosure. And as a result and in accordance
24 with the law, I am just letting the board know of

1 those determinations.

2 And please let me know if you have any
3 questions regarding this update.

4 MR. NAUGHTON: I have one question for
5 you, Madam Treasurer. So I just want to be clear.
6 Does that mean they don't get shared with the
7 state auditor's office and PERAC auditors?

8 MS. LeFEVRE: So in this instance, we
9 actually did share all of the executive session
10 meeting minutes.

11 And in one instance, we entered into a
12 confidentiality agreement with the state auditors.
13 And with the PERAC, they did come in to review the
14 minutes, but they did not take them. And they
15 understand and are treating them, to the extent
16 required, that they would remain confidential.

17 MR. NAUGHTON: Well, thank you.

18 TREASURER GOLDBERG: That's very
19 helpful.

20 Any additional questions?

21 Okay then. Next is legislative update.
22 Renee, are you or is Emily doing this?

23 MS. LeFEVRE: I believe Emily.

24 MR. FALZONE: I had asked Emily if she

1 would be gracious enough to help us out here.

2 TREASURER GOLDBERG: She is our in-house
3 expert on such matters.

4 MS. KOWTONIUK: For better or worse.

5 TREASURER GOLDBERG: For better, Emily.

6 MR. FALZONE: Only better. Only better.

7 MS. KOWTONIUK: So I'm Emily Kowtoniuk,
8 and I'm the Treasurer's director of policy and
9 legislative affairs. And I promise I have a very
10 quick legislative update.

11 We are nearing the effective end of the
12 two-year legislative session. And the house
13 budget or the budget process is well under way for
14 FY '23.

15 The house has already completed their
16 budget process. They did not include the
17 supplemental transfer of \$250 million that was
18 proposed by the governor and was actually included
19 in the FY '22 budget. The house did not include
20 that in the FY '23 budget this year.

21 They did however include a COLA increase
22 of up to 5 percent, increasing it from the
23 originally proposed 3 percent COLA.

24 And the house did include, by way of

1 amendment, language changing the composition of
2 the PRIM Board. And this is the language from
3 MACRS that we've seen in sessions past.

4 The senate budget will be debated next
5 week. In the senate budget, it also does not
6 include a supplemental transfer to the pension
7 fund. They are considering an increase to the
8 COLA, both in terms of the percentage and in terms
9 of the COLA base. And they're also considering an
10 amendment relative to the PRIM Board.

11 So those are all items that we'll be
12 watching closely, and we're happy to report to the
13 board.

14 We're also watching changes to the Open
15 Meeting Law. As you all know, the pandemic
16 changes, the emergency exceptions to the Open
17 Meeting Law are set to expire in July on the 15th.
18 There are a couple of bills pending in the state
19 administration committee that would make permanent
20 extensions or permanent changes to the Open
21 Meeting Law. There's also consideration of
22 kicking out the expiration date through the end of
23 the year.

24 So we'll make sure to watch that closely

1 as well and happy to report back.

2 TREASURER GOLDBERG: Any questions for
3 Emily on any of the things that she raised?

4 Hearing none, thank you, Emily.

5 So other matters? Tony, any other
6 matters?

7 MR. FALZONE: Would the board like to
8 hear from client services on some of our goings-
9 on? Or I can real briefly cover it if you like.
10 It's up to the board.

11 TREASURER GOLDBERG: Given that when we
12 do the board survey, questions about client
13 services are always highlighted on the survey, I
14 think you should.

15 And we caught up on our time. So
16 briefly, I do think you should give an overview.

17 MR. FALZONE: Great. Thank you.

18 I think Francesco was here to -- if I
19 can find his square. It's like *Hollywood Squares*
20 here. Let me see if I can find him.

21 TREASURER GOLDBERG: I call it the Brady
22 Bunch.

23 MR. FALZONE: Francesco -- I see him
24 there -- if you want to give a quick update on

1 client service.

2 MR. DANIELE: Sure. Thanks, Tony.

3 Good day, Treasurer and board members.

4 Can you hear me?

5 TREASURER GOLDBERG: Yes.

6 MS. FITCH: Yes.

7 MR. DANIELE: Great.

8 For Virginia, my name is Francesco

9 Daniele, director of client services.

10 I want to thank, first off, the many
11 clients that are participating remotely in this
12 meeting. Thank you for your attendance.

13 The client services team is very busy.
14 We currently have 32 meetings on the calendar,
15 both in person and virtually. And I want to thank
16 Emily Green and Laura Strickland for their
17 efforts.

18 We will also be attending the MACRS
19 conference and the MCTA that's upcoming.

20 Recently -- we covered this in the past --
21 we planned and we did host several informational
22 Webinars, which we completed successfully with
23 strong participation.

24 The first Webinar reviewed PRIM's cash

1 transaction processes and procedures. That
2 featured Jennifer Cole, PRIM's manager of client
3 reporting and cash management.

4 And second, we reviewed an additional
5 Webinar, which was led by Dave Griswold, PRIM's
6 director of information technology. And in that
7 session, we covered PRIM's cyber and technology
8 security.

9 I wanted to thank Dave and Jennifer,
10 being speakers for those Webinars, as well as
11 Emily, Laura and Deb for the success in these
12 Webinars. They had great attendance, and we
13 received great feedback.

14 That completes my client services
15 update. I can take questions if any come up.

16 TREASURER GOLDBERG: Any questions?

17 Thank you, Francesco.

18 MR. DANIELE: Thank you.

19 TREASURER GOLDBERG: All right then.

20 Tony?

21 MR. FALZONE: That's a wrap.

22 TREASURER GOLDBERG: Anybody have
23 anything else they want to say? If not, I'm going
24 to seek a motion to adjourn. Is there a motion?

1 MR. BROUSSEAU: So moved.

2 TREASURER GOLDBERG: Is there a second?

3 MS. FITCH: Second.

4 MR. NAUGHTON: Second.

5 TREASURER GOLDBERG: Okay. Get ready.

6 Bob?

7 MR. BROUSSEAU: Yes.

8 TREASURER GOLDBERG: Ruth Ellen?

9 MS. FITCH: Yes.

10 TREASURER GOLDBERG: Jim?

11 MR. HEARTY: Yes.

12 TREASURER GOLDBERG: Theresa?

13 MS. McGOLDRICK: Yes.

14 TREASURER GOLDBERG: Peter?

15 MR. MONACO: 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.

24 Thank you, everyone, both board members

1 and members of the PRIM team.

2 (Meeting adjourned at 12:12 p.m.)

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