



**PENSION RESERVES INVESTMENT MANAGEMENT BOARD**

**FISCAL YEAR 2023 OPERATING BUDGET**

**As Approved by the PRIM Board**

**May 19, 2022**

*(This page was intentionally left blank.)*

## BUDGET DISCUSSION

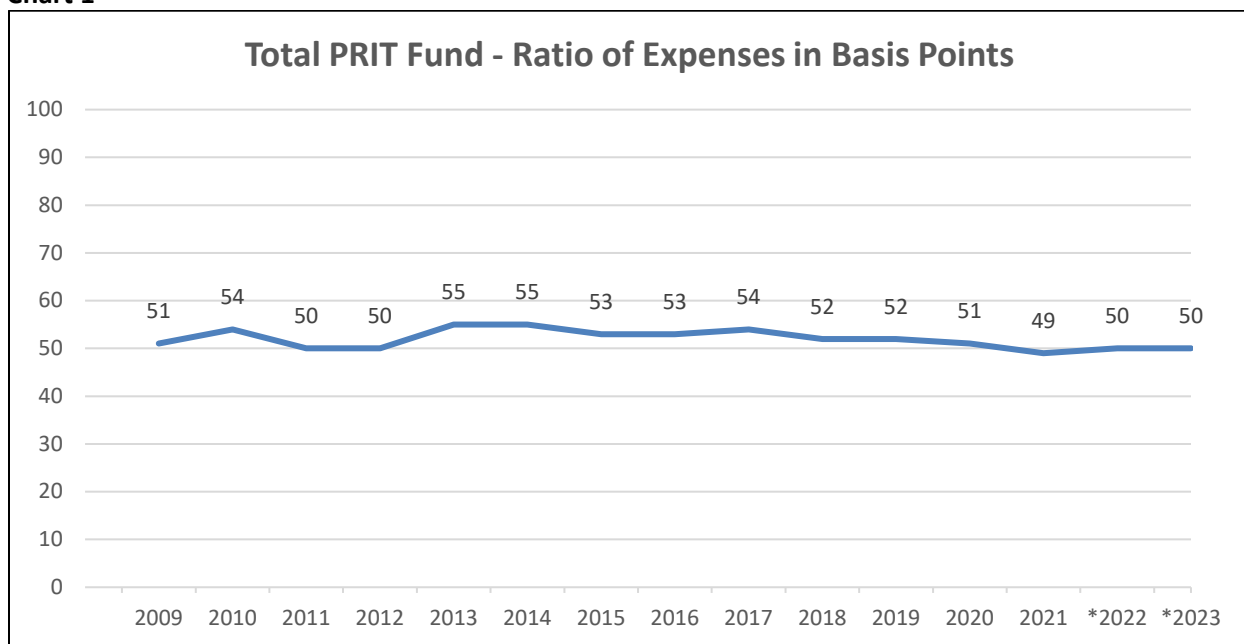
The Pension Reserves Investment Management (PRIM) Board's fiscal year (FY)2023 Operating Budget reflects the investment management, advisory, and operational costs necessary to implement, measure, and monitor the approximated \$103 billion in investments of the Pension Reserves Investment Trust (PRIT) Fund.

### *Budget Highlights*

The projected FY2023 budget of \$518 million is 50 basis points (bps) of projected average PRIT Fund assets (\$103 billion). The expense ratio has remained steady, even while consistently growing the investment program to include more high-performing, higher-fee strategies, and while growing PRIM's internal resources to pursue several innovative, industry-leading key initiatives (Chart 1).

The FY2023 budget includes an increase of \$44.0 million, or 9.3%, from the prior year. As is our custom, budgeted expenses for FY2023 are conservative and foresee continued asset growth. Actual expenses incurred may vary because most expenses are a function of asset levels and investment performance is not predictable.

**Chart 1**

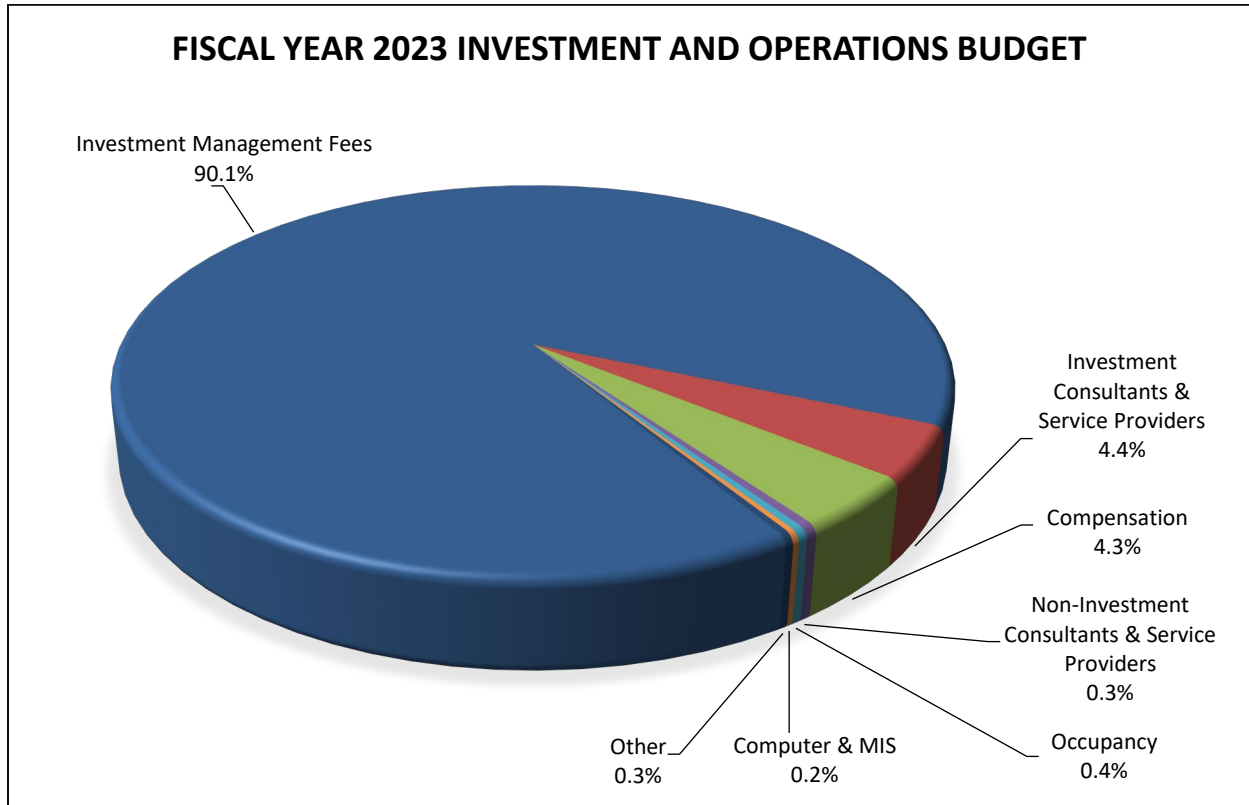


\*Estimate based on preliminary data.

Investment Management Fees and Investment Third-Party Service Providers comprise \$489.5 million, or 94.5%, of the projected total budget. Operations and Non-Investment Third Party Service Providers comprise \$28.5 million, or 5.5%, of the total budget (Chart 2).

Investment Management Fees increased by \$35.7 million, or 8.3%, due primarily to a projected growth in assets. Projected costs for Investment Third-Party Service Providers increase by \$1.8 million, or 8.7%, mainly due to new initiatives and asset growth within managed account platforms. Operations and Non-Investment Third Party Service Providers increases by \$6.4 million, or 29.2%, due primarily to a projected increase in staff size to support the PRIT Fund's growth and PRIM's many new initiatives.

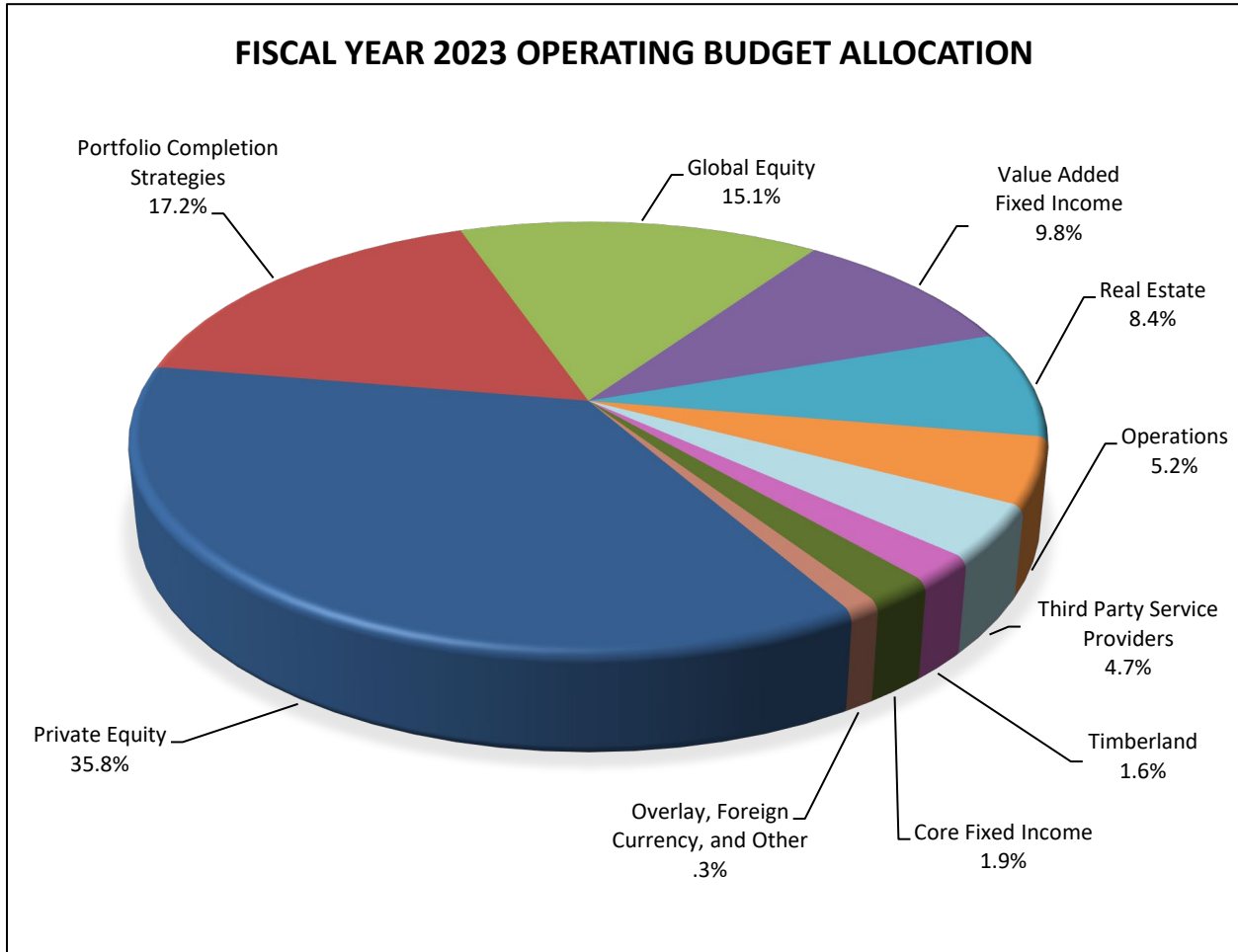
Chart 2



The PRIT Fund’s current target asset allocation ranges, approved in February 2022, are depicted in the table below. The changes were modest: a 1% increase in the range for Private Equity and a corresponding 1% decrease in Global Equity. PRIM’s FY2023 Operating Budget allocation, based on the new ranges is accordingly similar to the allocation of fees in FY2022 (Chart 3).

Asset Class	Range
Global Equity	33 - 43%
Core Fixed Income	12 - 18%
Value Added Fixed Income	5 - 11%
Private Equity	12 - 18%
Real Estate	7 - 13%
Timberland	1 - 7%
Portfolio Completion Strategies	7 - 13%

Chart 3



*(The remainder of this page was intentionally left blank.)*

**PENSION RESERVES INVESTMENT MANAGEMENT BOARD**

**Fiscal Year 2023 Budget Summary**

	<u>FY23</u> <u>(bps)#</u>	<u>FY22</u> <u>(bps)#</u>	<u>FY 2023</u>	<u>FY 2022</u>
<b><u>Investment Management Fees ^</u></b>				
Global Equities	18.9	18.8	78,370,000	73,810,000
Core Fixed Income	6.3	5.5	9,762,000	7,770,000
Value Added Fixed Income	73.4	73.9	50,700,000	48,140,000
Real Estate	46.7	51.5	43,635,000	38,865,000
Timberland	27.8	27.4	8,250,000	7,900,000
Private Equity	106.4	149.6	185,600,000	165,825,000
Portfolio Completion Strategies (PCS)	107.1	107.6	89,018,000	87,532,000
Overlay, Foreign Currency, and Other	11.5	18.9	1,205,000	985,000
	<b>45.3</b>	<b>47.9</b>	<b>466,540,000</b>	<b>430,827,000</b>
<b><u>Third-Party Service Providers</u></b>				
Custodian	0.1	0.1	935,000	935,000
General	0.2	0.2	2,512,500	2,050,000
Real Estate & Timberland	2.4	2.3	2,900,000	2,450,000
Public Markets	0.4	0.3	2,650,000	1,650,000
Private Equity	1.1	1.7	1,900,000	1,900,000
Portfolio Completion Strategies	10.8	10.9	8,955,000	8,830,000
Research	0.1	0.2	1,500,000	1,800,000
Audit & Tax	0.0	0.1	481,000	472,000
Legal	0.0	0.1	475,000	475,000
Governance	0.0	0.0	340,000	315,000
Risk Measurement and Investment Analytics	0.2	0.2	1,800,000	1,625,000
	<b>2.4</b>	<b>2.5</b>	<b>24,448,500</b>	<b>22,502,000</b>
<b><u>Operations</u></b>				
Compensation & Employee Benefits	2.2	1.9	22,500,000	17,219,000
Occupancy	0.2	0.1	1,830,000	1,300,000
Insurance	0.1	0.1	515,000	495,000
General Office Expenses	0.0	0.0	380,000	330,000
Computer & MIS Expenses	0.1	0.1	1,170,000	945,000
Travel, Prof. Develop, Dues & Subscriptions	0.0	0.0	467,000	335,000
Client Service	0.0	0.0	55,000	47,000
PRIM Board Elections	0.0	0.0	85,000	-
	<b>2.6</b>	<b>2.3</b>	<b>27,002,000</b>	<b>20,671,000</b>
<b>Total Operating Budget</b>	<b>50.3</b>	<b>52.7</b>	<b>517,990,500</b>	<b>474,000,000</b>

# Basis points (bps) for Investment Management Fees are calculated by dividing the budgeted fees by the estimated assets under management (AUM) for each asset class. Basis points for Third-Party Service Providers for Real Estate & Timberland, Public Markets, Private Equity, and PCS are also calculated based upon each asset classes estimated AUM. For all other expenses, the bps are calculated based upon the total PRIT Fund AUM, which is estimated to be \$103 billion and \$90 billion for FY23 and FY22 respectively.

^ No investment performance, incentive, or carried interest fees are budgeted.

Pension Reserves Investment Management Board  
Fiscal Year 2023 Operating Budget

**Global Equities**

<b><u>Domestic Equity</u></b>	<b><u>FY 2023</u></b>	<b><u>FY 2022</u></b>
SSgA (S&P 500 Index)	850,000	1,500,000
Rhumblin (S&P 500 Index)	100,000	-
SSgA (Russell 2500 Index)	100,000	130,000
Frontier	2,500,000	2,220,000
Riverbridge	3,000,000	3,180,000
Summit Creek	4,700,000	4,760,000
GSAM – Domestic Enhanced Equity	4,800,000	4,230,000
Acadian	450,000	370,000
Brandywine	1,500,000	1,500,000
Lord Abbett	1,400,000	1,910,000
Driehaus	1,600,000	1,700,000
	<b>21,000,000</b>	<b>21,500,000</b>
<b><u>International Equity</u></b>		
SSgA (World Ex-US Index)	370,000	220,000
SSgA (Small Cap)	100,000	220,000
Marathon	8,600,000	8,360,000
Baillie Gifford	5,500,000	7,720,000
Mondrian Investment	3,900,000	3,600,000
Xponance	1,860,000	1,910,000
ARGA	1,700,000	-
Acadian	1,990,000	1,590,000
AQR	1,700,000	1,270,000
TimesSquare	-	1,270,000
Driehaus	1,150,000	-
Artisan	1,500,000	-
	<b>28,370,000</b>	<b>26,160,000</b>
<b><u>Emerging Markets Equity</u></b>		
Baillie Gifford	5,500,000	6,140,000
Driehaus	4,400,000	4,340,000
Pzena	8,200,000	6,030,000
AQR (Performance Fees Only)^	-	-
T. Rowe Price	2,900,000	3,920,000
Acadian	4,400,000	3,280,000
Wasatch	2,300,000	2,440,000
	<b>27,700,000</b>	<b>26,150,000</b>

*Pension Reserves Investment Management Board  
Fiscal Year 2023 Operating Budget*

---

<b><u>FUTURE Initiative – Emerging - Diverse Managers Program</u></b>	<b><u>FY 2023</u></b>	<b><u>FY 2022</u></b>
Xponance	600,000	-
Various Emerging – Diverse Managers	700,000	-
	<b><u>1,300,000</u></b>	<b><u>-</u></b>
<b><u>Total Global Equities</u></b>	<b><u>78,370,000</u></b>	<b><u>73,810,000</u></b>

^ No investment performance, incentive, or carried interest fees are budgeted.

*(The remainder of this page was intentionally left blank.)*



Pension Reserves Investment Management Board  
Fiscal Year 2023 Operating Budget

---

	<b><u>Core Fixed Income</u></b>	
	<b><u>FY 2023</u></b>	<b><u>FY 2022</u></b>
Blackrock (Agg Index)	170,000	120,000
Blackrock (TIPS Index)	280,000	260,000
Blackrock (ILB)	1,325,000	1,200,000
Blackrock (STRIPS Index)	272,000	260,000
Blackrock Short Term FI	95,000	170,000
PIMCO	1,700,000	1,600,000
Loomis Sayles	2,300,000	2,000,000
Community Capital	-	135,000
AFL-CIO*	150,000	175,000
Access Capital	-	360,000
Longfellow	965,000	540,000
New Century	935,000	350,000
Pugh	1,020,000	600,000
FUTURE Initiative – Bivium Core FI	250,000	-
FUTURE Initiative – Various Emerging-Diverse Managers	300,000	-
<b><u>Total Core Fixed Income</u></b>	<b><u>9,762,000</u></b>	<b><u>7,770,000</u></b>

	<b><u>Value-Added Fixed Income</u></b>	
Fidelity	1,600,000	1,590,000
Loomis Sayles	2,020,000	2,220,000
Shenkman	1,630,000	1,700,000
Eaton Vance*	4,100,000	3,920,000
Voya*	3,400,000	3,180,000
PIMCO	1,500,000	1,590,000
Ashmore*	3,500,000	3,280,000
Private Debt – Various Managers*	16,400,000	20,090,000
Other Credit Strategies – Various Managers*	16,000,000	10,570,000
FUTURE Initiative – Bivium Value Added FI	250,000	-
FUTURE Initiative – Various Emerging -Diverse Managers	300,000	-
<b><u>Total Value-Added Fixed Income</u></b>	<b><u>50,700,000</u></b>	<b><u>48,140,000</u></b>

\* Investments are in investment structures (commingled funds, partnerships, etc.) where management fees are not directly paid to the investment managers by PRIM, but rather fees are indirectly paid via a reduction of PRIM's investment.

Pension Reserves Investment Management Board  
 Fiscal Year 2023 Operating Budget

<u>Real Estate</u>		
<u>REITs</u>	<u>FY 2023</u>	<u>FY 2022</u>
CenterSquare	3,200,000	3,000,000
Brookfield	2,900,000	2,700,000
	<b>6,100,000</b>	<b>5,700,000</b>
<u>Core Strategy</u>		
AEW*	7,100,000	7,000,000
INVESCO*	9,800,000	9,750,000
LaSalle*	7,400,000	6,400,000
CBRE Global Investors*	1,700,000	1,500,000
Stockbridge Advisors*	1,500,000	1,500,000
DivcoWest Core*	1,000,000	1,000,000
	<b>28,500,000</b>	<b>27,150,000</b>
<u>Non - Core Strategy</u>		
Various Managers*	7,035,000	6,015,000
	<b>7,035,000</b>	<b>6,015,000</b>
<u>FUTURE Initiative - Emerging- Diverse Managers Program</u>		
Cambridge Associates	700,000	-
Various Emerging - Diverse Managers	1,300,000	-
	<b>2,000,000</b>	-
<u>Total Real Estate</u>		
	<b>43,635,000</b>	<b>38,865,000</b>

\*Investments are in investment structures (commingled funds, partnerships, etc.) where management fees are not directly paid to the investment managers by PRIM, but rather fees are indirectly paid via a reduction of PRIM's investment.

Pension Reserves Investment Management Board  
 Fiscal Year 2023 Operating Budget

**Timberland**

	<b><u>FY 2023</u></b>	<b><u>FY 2022</u></b>
Forest Investment Associates*	3,000,000	2,900,000
Campbell Group*	5,250,000	5,000,000
<b><u>Total Timberland</u></b>	<b><u>8,250,000</u></b>	<b><u>7,900,000</u></b>

**Private Equity**

**Private Equity Managers**

Various Managers*	183,000,000	165,825,000
	<b><u>183,000,000</u></b>	<b><u>165,825,000</u></b>

**FUTURE Initiative – Emerging – Diverse Managers Program**

Hamilton Lane	600,000	-
Various Emerging - Diverse Managers*	2,000,000	-
	<b><u>2,600,000</u></b>	<b><u>-</u></b>

**Total Private Equity**

<b><u>185,600,000</u></b>	<b><u>165,825,000</u></b>
---------------------------	---------------------------

\* Investments are in investment structures (commingled funds, partnerships, etc.) where management fees are not directly paid to the investment managers by PRIM, but rather fees are indirectly paid via a reduction of PRIM's investment.

*(The remainder of this page was intentionally left blank.)*

**Portfolio Completion Strategies (PCS)**

	<b><u>FY 2023</u></b>	<b><u>FY 2022</u></b>
Replication Strategies	168,000	162,000
PAAMCO – Hedge Fund-of-Funds*<	6,500,000	5,850,000
Direct Hedge Funds*	66,000,000	64,230,000
Emerging Manager Program	5,020,000	5,290,000
Real Assets*	11,330,000	12,000,000
<b><u>Total PCS</u></b>	<b><u>89,018,000</u></b>	<b><u>87,532,000</u></b>

**Overlay, Foreign Currency and Other**

Parametric (Overlay)	565,000	370,000
Russell (Foreign Currency)	640,000	575,000
Private Natural Resources Wind-Down*	-	40,000
<b><u>Total Overlay, Foreign Currency and Other</u></b>	<b><u>1,205,000</u></b>	<b><u>985,000</u></b>

\* Investments are in investment structures (commingled funds, partnerships, etc.) where management fees are not directly paid to the investment managers by PRIM, but rather fees are indirectly paid via a reduction of PRIM's investment.

< Excludes costs of underlying hedge funds, which charge average fees ranging from 1% to 2% of net assets under management, plus performance fees of up to 20% of excess returns. These costs are embedded in net hedge fund performance and grow in proportion to the assets under management.

*(The remainder of this page was intentionally left blank.)*

Pension Reserves Investment Management Board  
 Fiscal Year 2023 Operating Budget

**Third-Party Service Providers**

<b><u>Custody</u></b>	<b><u>FY 2023</u></b>	<b><u>FY 2022</u></b>
Master Custody Services	935,000	935,000
	<b>935,000</b>	<b>935,000</b>
<b><u>General</u></b>		
Asset Allocation	230,000	230,000
Benchmarking Advisory Services	122,500	115,000
Operational Due Diligence	515,000	415,000
Information Technology	500,000	400,000
Legislative Restrictions & Benchmarking	200,000	175,000
Communications	125,000	125,000
Compensation and Human Resources	120,000	140,000
Compliance	100,000	100,000
Investment Equity Diversity Program	250,000	250,000
Miscellaneous Service Providers and Other Initiatives	350,000	100,000
	<b>2,512,500</b>	<b>2,050,000</b>
<b><u>Real Estate and Timberland</u></b>		
Real Estate and Timberland Advisors	1,000,000	1,000,000
Debt Compliance and Reporting	800,000	350,000
Direct Investment Advisory & Other Advisory Projects	1,100,000	1,100,000
	<b>2,900,000</b>	<b>2,450,000</b>
<b><u>Public Markets</u></b>		
Public Markets Advisors	550,000	350,000
Managed Account Platform Providers-OCO	1,500,000	1,000,000
Public Markets – Other	600,000	300,000
	<b>2,650,000</b>	<b>1,650,000</b>
<b><u>Private Equity</u></b>		
Private Equity Advisor	1,500,000	1,500,000
Private Equity – Other	400,000	400,000
	<b>1,900,000</b>	<b>1,900,000</b>

**Third-Party Service Providers (continued)**

	<b><u>FY 2023</u></b>	<b><u>FY 2022</u></b>
<b><u>Portfolio Completion Strategies</u></b>		
Portfolio Completion Strategies Advisors	1,500,000	1,375,000
Managed Account Platform Provider	7,075,000	7,075,000
PCS - Other	380,000	380,000
	<b><u>8,955,000</u></b>	<b><u>8,830,000</u></b>
<b><u>Research</u></b>		
Research Tools	1,500,000	1,800,000
	<b><u>1,500,000</u></b>	<b><u>1,800,000</u></b>
<b><u>Audit and Tax</u></b>		
Annual Financial Statement Audits^	293,000	285,000
Agreed-Upon Procedures	63,000	62,000
Tax Services & Other	125,000	125,000
	<b><u>481,000</u></b>	<b><u>472,000</u></b>
<b><u>Legal</u></b>		
Outside Counsel	475,000	475,000
	<b><u>475,000</u></b>	<b><u>475,000</u></b>
<b><u>Governance</u></b>		
Proxy Voting Services	210,000	210,000
Council of Institutional Investors	35,000	35,000
Board Education	20,000	20,000
Advisory Services and Other	75,000	50,000
	<b><u>340,000</u></b>	<b><u>315,000</u></b>
<b><u>Risk Measurement and Analytics</u></b>		
Risk Measurement Systems	900,000	850,000
Investment Tools and Analytics	900,000	775,000
	<b><u>1,800,000</u></b>	<b><u>1,625,000</u></b>
<b><u>Total Third-Party Service Providers</u></b>	<b><u>24,448,500</u></b>	<b><u>22,502,000</u></b>

^ Additional audit fees are incurred and are charged directly to the investments.

Pension Reserves Investment Management Board  
 Fiscal Year 2023 Operating Budget

**Operations**

**Compensation & Employee Benefits**

	<b><u>FY 2023</u></b>	<b><u>FY 2022</u></b>
Full-Time Staff (including vacant positions)	22,000,000	16,800,000
Benefits, Taxes, and Miscellaneous	500,000	419,000
	<b><u>22,500,000</u></b>	<b><u>17,219,000</u></b>

**Occupancy**

Lease	1,750,000	1,220,000
Utilities	60,000	60,000
Leasehold Improvements and Other	20,000	20,000
	<b><u>1,830,000</u></b>	<b><u>1,300,000</u></b>

**Insurance**

Fiduciary	350,000	335,000
Business Insurance Policies	45,000	40,000
Workers Compensation	20,000	20,000
Other	100,000	100,000
	<b><u>515,000</u></b>	<b><u>495,000</u></b>

**General Office Expenses**

Printing, Postage, and Courier	65,000	65,000
Payroll / Employee Timesheets / HRIS	70,000	65,000
Meeting Expenses and Stenographer	25,000	20,000
Records Storage	50,000	30,000
Office Supplies, Equipment, and Other	120,000	100,000
Temporary Labor	50,000	50,000
	<b><u>380,000</u></b>	<b><u>330,000</u></b>

**Computer & MIS Expenses**

Hardware & Software	680,000	510,000
Support and Development	365,000	310,000
MIS Other / ISP & Remote Access	125,000	125,000
	<b><u>1,170,000</u></b>	<b><u>945,000</u></b>

*(The remainder of this page was intentionally left blank.)*

*Pension Reserves Investment Management Board  
Fiscal Year 2023 Operating Budget*

---

**Operations (continued)**

**Travel, Prof. Development & Dues and Subscriptions**

	<b><u>FY 2023</u></b>	<b><u>FY 2022</u></b>
Due Diligence Travel	215,000	150,000
Professional Development	132,000	75,000
Professional Dues and Subscriptions	120,000	110,000
	<b><u>467,000</u></b>	<b><u>335,000</u></b>

**Client Service**

Meetings and Conferences	20,000	15,000
Auto Mileage & Parking	15,000	12,000
Printing	20,000	20,000
	<b><u>55,000</u></b>	<b><u>47,000</u></b>

**Board Elections**

PRIM Board Members' Elections	85,000	-
	<b><u>85,000</u></b>	<b><u>-</u></b>

**Total Operations**

	<b><u>27,002,000</u></b>	<b><u>20,671,000</u></b>
--	--------------------------	--------------------------

*(The remainder of this page was intentionally left blank.)*



### **Operating Budget Narrative**

The Fiscal Year (FY) 2023 Operating Budget is presented in three broad expense categories:

- Investment Management Fees
- Third-Party Service Providers
- Operations

#### **Investment Management Fees:**

PRIM employs professional investment managers and gives them discretion, consistent with specified objectives and guidelines, to manage the PRIT Fund's assets. Investment management fees are the fees paid to these investment managers for their services. Each investment manager operates under a contract (generally an investment management agreement or a partnership agreement) that delineates its responsibilities and appropriate performance expectations. Budget projections for investment management fees are based on the following factors and year-to-year budget fluctuations reflect changes to one or more of these factors:

- The PRIT Fund asset allocation
- Assets under management (AUM)
- Contractual fee schedules
- Capital commitments

No performance fees, incentive fees, or carried interest are included in this budget due to the difficulty in estimating these fees in advance.

#### **Third Party Service Providers:**

PRIM employs third-party service providers to support the PRIM Board, committees and staff to manage the PRIT Fund. Budget projections for third-party service providers are generally estimated based upon current service contracts and estimated future potential services.

#### **Operations:**

Operations expenses are projected based on current expenses and strategic initiatives that are deemed to be both probable and estimable.

*(The remainder of this page was intentionally left blank.)*

**Investment Management Fees**

**Global Equities**

Global Equities is comprised of Domestic Equity, International Equity and Emerging Markets Equity.

*Domestic Equity*

The total Domestic Equity fee budget of \$21.0 million, decreases \$.5 million, or (2.3)%, in FY2023 due primarily to projected fee savings.

Manager	Mandate*	Active/ Passive	Fee Type
SSgA	S&P 500 Index	Passive	Net Asset Value (NAV)
Rhumbline	S&P 500 Index	Passive	NAV
SSgA	Russell 2500 Index	Passive	NAV
Frontier	Russell 2000 Value	Active	NAV
Riverbridge	Russell 2500 Growth	Active	NAV
Summit Creek	Russell 2000 Growth	Active	NAV
GSAM	HedgedS&P500Index	Active	NAV
Acadian	Russell Microcap	Active	NAV and Performance
Brandywine	Russell Microcap	Active	NAV
Lord Abbett	Russell Microcap	Active	NAV
Driehaus	Russell Microcap	Active	NAV

\*All mandates are customized to exclude legislatively mandated restricted securities.

*International Equity*

The total International Equity fee budget of \$28.4 million, increases by \$2.2 million, or 8.4%, in FY2023. This is mainly due to a projected increase in NAV.

Manager	Mandate*	Active/ Passive	Fee Type
SSgA	World Ex-US	Passive	NAV
SSgA	World Ex-US Small Cap	Passive	NAV
Marathon	MSCI World Ex-US	Active	NAV
Baillie Gifford	MSCI World Ex-US	Active	NAV
Mondrian	MSCI World Ex-US	Active	NAV
Xponance	MSCI World Ex-US	Active	NAV
ARGA	MSCI World Ex-US	Active	NAV
Acadian	MSCI World Ex-US Small Cap	Active	NAV
AQR	MSCI World Ex-US Small Cap	Active	NAV
Driehaus	MSCI World Ex-US Small Cap	Active	NAV
Artisan	MSCI World Ex-US Small Cap	Active	NAV

\*All mandates are customized to exclude legislatively mandated restricted securities.

*Emerging Markets Equity*

The total Emerging Markets Equity fee budget of \$27.7 million, increases \$1.5 million, or 5.9%, in FY2023. This is mainly due to a projected increase in NAV.

Manager	Mandate*	Active/ Passive	Fee Type
<b>Baillie Gifford</b>	MSCI Emerging Markets	Active	NAV
<b>Driehaus</b>	MSCI Emerging Markets	Active	NAV
<b>Pzena</b>	MSCI Emerging Markets	Active	NAV
<b>AQR</b>	MSCI Emerging Markets	Active	Performance
<b>T. Rowe Price</b>	MSCI Emerging Markets	Active	NAV
<b>Acadian</b>	MSCI EM Small Cap	Active	NAV
<b>Wasatch</b>	MSCI EM Small Cap	Active	NAV

\*All mandates are customized to exclude legislatively mandated restricted securities.

*FUTURE Initiative – Emerging - Diverse Managers Program*

The total FUTURE Initiative – Emerging - Diverse Managers Program for Global Equities fee budget is \$1.3 million.

Manager	Mandate	Active/ Passive	Fee Type
<b>Xponance</b>	Various	Active	NAV
<b>Various Emerging – Diverse Managers</b>	Various	Active	NAV

***Core Fixed Income***

The total Core Fixed Income fee budget of \$9.8 million, increases \$2.0 million, or 25.6%, in FY2023. This is mainly due to a projected increase in NAV as well as growing assets through the FUTURE Initiative.

Manager	Mandate	Active/ Passive	Fee Type
<b>BlackRock</b>	US Aggregate Index	Passive	NAV
<b>BlackRock</b>	TIPS Index	Passive	NAV
<b>BlackRock</b>	ILB	Active	NAV
<b>BlackRock</b>	STRIPS 20+Year Index	Passive	NAV
<b>BlackRock</b>	Treasury 1-3 Year	Passive	NAV
<b>PIMCO</b>	US Aggregate FI	Active	Funded and Performance
<b>Loomis Sayles</b>	US Aggregate FI	Active	NAV
<b>AFL-CIO</b>	US Aggregate FI-ETI	Active	Commingled Fund – NAV
<b>Longfellow</b>	US Aggregate FI	Active	NAV
<b>New Century</b>	US Aggregate FI	Active	NAV
<b>Pugh</b>	US Aggregate FI	Active	NAV
<b>FUTURE Initiative - Bivium</b>	Various	Active	NAV
<b>FUTURE Initiative - Various Emerging-Diverse Managers</b>	Various	Active	NAV

**Value-Added Fixed Income**

The total Value-Added Fixed Income fee budget of \$50.7 million, increases by \$2.6 million, or 5.3%, in FY2023. This is mainly due a projected increase in NAV and an increase in assets to the Other Credit Opportunities mandate, as well as the FUTURE Initiative.

Manager	Mandate	Active/ Passive	Fee Type
<b>Fidelity</b>	High Yield Bonds	Active	NAV
<b>Loomis Sayles</b>	High Yield Bonds	Active	NAV
<b>Shenkman</b>	High Yield Bonds	Active	NAV
<b>Eaton Vance</b>	Bank Loans	Active	Commingled Fund – NAV
<b>Voya</b>	Bank Loans	Active	Commingled Fund – NAV
<b>PIMCO</b>	EM Debt Hard Currency	Active	NAV
<b>Ashmore</b>	EM Debt Hard Currency	Active	Commingled Fund – NAV
<b>Various Managers</b>	Private Debt	Active	Commingled Funds – Committed Capital
<b>Various Managers</b>	Other Credit Strategies	Active	Commingled Funds – Committed Capital
<b>FUTURE Initiative - Bivium</b>	Various	Active	NAV
<b>FUTURE Initiative – Various Emerging -Diverse Managers</b>	Various	Active	NAV

**Real Estate**

*Real Estate Investment Trusts (REITs)*

The total REITs fee budget of \$6.1 million, increases by \$.4 million, or 7.0%, in FY2023. This change is mainly due to a projected increase in NAV.

Manager	Mandate	Active/ Passive	Fee Type
<b>CenterSquare</b>	Global REITs	Active	NAV
<b>Brookfield</b>	Global REITs	Active	NAV

*Core Strategy*

The total Core Strategy fee budget of \$28.5 million, increases by \$1.4 million, or 5.0%, in FY2023. This change is mainly due to a projected increase in contributed capital.

Manager	Mandate	Active/ Passive	Fee Type
<b>AEW</b>	Core Real Estate	Active	Funded and Performance
<b>INVESCO</b>	Core Real Estate	Active	Funded and Performance
<b>LaSalle</b>	Core Real Estate	Active	Funded and Performance
<b>CBRE Global Investors</b>	Core Real Estate	Active	NAV and Performance
<b>Stockbridge Advisors</b>	Core Real Estate	Active	NAV and Performance
<b>DivcoWest Core</b>	Core Real Estate	Active	NAV and Performance

*Non – Core Strategy*

The total Non - Core Strategy fee budget of \$7 million, increases by \$1.0 million, or 17.0%, in FY2023. This change is mainly due to new fund investments.

Manager	Mandate	Active/ Passive	Fee Type
<b>Various Managers</b>	Non-Core	Active	Generally - Committed Capital

*FUTURE Initiative – Emerging - Diverse Manager Program*

The total FUTURE Initiative – Emerging - Diverse Manager Program for Real Estate is \$2 million in FY2023.

Manager	Mandate	Active/ Passive	Fee Type
<b>Cambridge Associates</b>	Various	Active	Various
<b>Various Emerging-Diverse Managers</b>	Various	Active	Various

**Timberland**

The total Timberland fee budget of \$8.3 million, increases by \$.4 million, or 4.4%, in FY2023 due to increased contributed capital.

Manager	Mandate	Active/ Passive	Fee Type
<b>Forest Invest Associates</b>	Timberland	Active	Funded and Performance
<b>Campbell Global</b>	Timberland	Active	Funded and Performance

**Private Equity**

The total Private Equity fee budget of \$183.0 million, increases by \$17.1 million, or 10.4%, in FY2023 due to a projected increase in committed capital. As well as growing assets through FUTURE Initiative. Private Equity management fees are typically 1.0% to 2.5% of committed capital during the active investment period, and become a percentage of cost of remaining investments later in the life of the partnership.

Manager	Mandate	Active/ Passive	Fee Type
<b>Various Managers</b>	Private Equity	Active	Generally Committed Capital
<b>FUTURE Initiative – Hamilton Lane</b>	Private Equity	Active	Generally Committed Capital
<b>FUTURE Initiative–Various Emerging – Diverse Managers</b>	Private Equity	Active	Generally Committed Capital

**Portfolio Completion Strategies (PCS)**

The total Portfolio Completion Strategies fee budget of \$89.0 million, increases by \$1.5 million, or 1.7%, in FY2023, due primarily to a projected increase in NAV. PCS and Hedge Fund management fees are typically 1.0% to 2.0% of the NAV of the partnership.

Manager	Mandate	Active/ Passive	Fee Type
Various Managers	PCS and Hedge Funds	Active	Generally NAV

**Overlay, Foreign Currency and Other**

The total Overlay, Foreign Currency and Other fee budget of \$1.2 million, increases by \$.2 million, or 22.3%, in FY2023 due to the increasing AUM in liquidating portfolios.

Manager	Mandate	Active/ Passive	Fee Type
Parametric	Overlay	Active	NAV
Russell	Foreign Currency Trading	Active	NAV
Various Managers	Private Natural Resources Wind-Down	Active	Cost of Remaining Investments

*(The remainder of this page was intentionally left blank.)*

### **Investment Third-Party Service Provider Fees**

The FY2023 budget for Investment Third-Party Service Provider Fees (including Custody and Advisors as well as Research, Audit & Tax, Legal, and Risk Measurement & Investment Analytics) of \$23.0 million increases by \$1.8 million, or 8.7%. The increase is driven by the growth of Managed Account Platform Provider programs. Costs in this category are the result of competitively bid contracts.

#### **Custody**

BNY Mellon currently provides the PRIT Fund with global custody, accounting and performance measurement services. BNY Mellon provides custody for PRIT assets, records all investment transactions for the PRIT Fund, and provides recordkeeping for all participant activity for member retirement systems, including participant performance analysis.

#### **General**

PRIM employs several professional advisors to provide comprehensive advisory services to staff and the Board including recommendations on asset allocation, benchmarking and operational due diligence.

#### **Real Estate & Timberland**

The FY2023 budget reflects the advisory fees for a bench of professional real estate advisors and PRIT's timberland advisor, International Woodland Company, financial reporting costs associated with the real estate leverage program, eSecLending expenses, expenses related to potential direct investments, data tools and other consulting costs.

#### **Public Markets**

The FY2023 budget reflects contractual fees for Callan, Aberdeen and HedgeMark. Callan and Aberdeen are PRIT's Public Market's advisors. HedgeMark is PRIT's managed account platform service provider. It also includes fees related to operational due diligence and other consulting costs.

#### **Private Equity**

The FY2023 budget reflects the fees for Hamilton Lane, that include private equity advisory, legal services monthly accounting, and detailed performance reporting for the PRIT Fund's Private Equity program. The budget also includes projected fees for data tools and other consulting costs.

#### **Portfolio Completion Strategies**

The FY2023 budget reflects the contractual fees for Aberdeen, New Alpha, HedgeMark and Innocap. Aberdeen and New Alpha are PRIT's PCS advisors. HedgeMark and Innocap are PRIT's managed account platform service providers. The budget also includes projected fees for data tools and other consulting costs.

#### **Research**

The FY2023 budget reflects projected fees for data infrastructure, research tools, consultants and other research initiatives, including the MIT aggregate confusion project.

#### **Audit & Tax**

KPMG provides the annual financial statement audits for the PRIT Fund. KPMG also performs an annual examination of the internal controls surrounding PRIM's procurement of investment managers and other third-party service providers and reviews the PRIT Fund's benchmark and performance calculations in

accordance with the guidance contained in the AICPA Statement on Standards for Attestation Engagements.

KPMG also provides audit services for PRIT's Real Estate, Timberland, and certain PCS investments. The audit fees for this work are charged to the underlying investments and are not included in the PRIM budget.

Deloitte provides PRIT with tax advisory services. Real Estate and Timberland property level tax return preparation fees and tax advisory fees are charged to the underlying properties and, as such, are not a part of the PRIM budget. However, the general tax advisory work is paid directly by PRIM.

**Legal**

PRIM retains outside counsel as necessary to provide legal services to PRIT. Outside legal expenditures can be difficult to predict and have historically fluctuated significantly based on the nature of activities of the PRIT Fund.

**Risk Measurement and Investment Analytics**

PRIT utilizes MSCI's BarraOne, a single platform multi-asset class investment risk measurement tool. Other investment analytical tools include FactSet, eVestment, Bloomberg, and others.

**Non-Investment Third-Party Service Provider Fees**

The FY2023 budget for Non-Investment Third-Party Service Provider Fees (Including Audit & Tax, Legal and Governance) of \$1.5 million increases by \$.1 million, or 7.8%. The increase is driven by growth in Computer and MIS to account for increased staff and new initiatives. Costs in this category are the result of competitively bid contracts.

**General**

PRIM employs several professional advisors to provide comprehensive advisory services to staff and the Board related to communications, information technology, compliance, human resources, compensation and other policies.

**Audit & Tax**

KPMG provides annual financial statement audits for PRIM and Deloitte provides PRIM with tax advisory services.

**Legal**

PRIM retains outside counsel as necessary to provide legal services to PRIM. Outside legal expenditures can be difficult to predict and have historically fluctuated significantly based on the nature of activities of PRIM.

**Governance**

Institutional Shareholder Services (ISS) provides a comprehensive analysis of proxy issues and vote recommendations for the PRIT Fund's domestic and international securities in accordance with PRIM's custom proxy guidelines. The governance budget also includes fees for Board self-evaluation and governance manual updates. As well as annual membership fees associated with participation in the Council of Institutional Investors and anticipated costs for hosting PRIM Board Education sessions.



### **Operations**

The FY2023 Operations budget of \$27.0 million increases \$6.3 million or, 30.6%, reflecting the projected continued growth of PRIM’s internal resources to pursue several innovative, industry-leading key initiatives.

### **Compensation & Employee Benefits**

The FY2023 Compensation budget includes allocations for new positions and additional resources to support the PRIT Fund’s growth and PRIM’s many new initiatives, as well as potential increases for existing staff based on the Board approved salary bands.

Per PRIM’s Compensation Philosophy, to ensure PRIM remains competitive with market trends, a comprehensive compensation level analysis was conducted in 2021 by PRIM’s compensation consultant, McLagan. To continue to make incremental progress within these Board approved salary bands we have included amounts in the FY2023 budget for potential base salary increases and for potential promotions. The budget for employee benefits consists primarily of dental, vision, and disability costs for employees as well as a contingency to cover potential unemployment claims since PRIM does not participate in the state’s unemployment insurance pool. The budget also includes estimated Medicare taxes and Massachusetts Paid Family Medical Leave for all employees.

FY2023 Budget Compensation	\$22,500,000
FY2022 Budget Compensation	\$17,219,000
Year-over-year change	\$5,281,000
<hr/>	
New positions and benefits/tax increases	\$4,862,000
Potential compensation increases	\$419,000
Year-over-year change	\$5,281,000

### **Occupancy**

The occupancy budget includes expenses associated with office space, including rent, maintenance charges, and utilities.

In order to accommodate the short and long-term growth needed to support the PRIT Fund’s growth and PRIM’s many new initiatives, PRIM’s FY2023 occupancy budget contemplates a review of the suitability of the existing office space and the acquisition of additional office space or a potential move to more suitable office space.

**Insurance**

The budget includes insurance premium costs for various business and liability policies. PRIM's current insurance policies are summarized in the following table:

Policy Type	Coverage	Deductible
<b>Fiduciary Liability</b>	\$15,000,000	\$ 250,000
<b>Commercial Crime</b>	\$10,000,000	\$ 100,000
<b>Employment Practices Liability</b>	\$ 1,000,000	\$ 100,000
<b>Workers Compensation</b>	\$ 1,000,000	N/A
<b>Commercial General Liability</b>	\$ 1,000,000	N/A
<b>Commercial Property</b>	\$ 958,400	\$ 250
<b>Umbrella Liability</b>	\$ 4,000,000	\$ 10,000
<b>Hired Auto</b>	\$ 1,000,000	N/A

**General Office Expenses**

This budget category includes expenses relating to office operations including postage, office supplies, copying, printing, telephone expenses, temporary labor and office infrastructure.

**Computer and MIS Expenses**

The budget for Computer and MIS Expenses shows an increase due to the expected enhancement of PRIM's infrastructure required for the increased use of quantitative tools. This category also includes telecom, internet service providers, hardware, software and support agreements, offsite data storage, and equipment for the expected growth of staff.

**Travel, Professional Development & Dues and Subscriptions**

This budget category represents costs associated with due diligence travel, ongoing professional education of PRIM Board members and staff, including related travel expenses and dues & subscriptions, which includes membership dues in professional associations and subscription costs for professional journals, investment industry publications, and newspaper subscriptions. The budget includes tuition reimbursement charges (e.g., for approved CFA and higher education courses), required continuing education costs for maintaining professional licenses (e.g., CPA license), and attendance at professional conferences and seminars. PRIM is committed to supporting its Board members and staff in their pursuit of professional development.

**Client Service**

Currently, 99 of the Commonwealth's 104 retirement systems invest in the PRIT Fund. The client service budget allows for PRIM-sponsored client conferences and on-site client meetings. This budget includes the cost of traveling to client meetings, conferences, and related activities. Additionally, the costs associated with printing and binding the PRIT Fund's Annual Comprehensive Financial Report is included in this budget.

### **Key Assumptions**

#### **Estimated Assets Under Management and Asset Allocation in FY2023**

Many of the budgeted expenses for FY2023 are based upon the estimated average assets under management and the estimated average actual asset allocation.

The estimated average assets under management for FY2023 is \$103 billion. To estimate PRIM's FY2023 average assets under management, the beginning AUM of FY2023 (July 1, 2022) was estimated to equal the PRIT Fund assets under management as of February 28, 2022, the most current and available information when creating this budget. The ending AUM of FY2023 (June 30, 2023) was estimated to increase by NEPC's expected 10 year return forecast of 5.7%. The estimated average AUM of FY2023 is the average of the estimated beginning and ending AUM, which is approximately \$103 billion. Please note that future investment performance is not predictable and actual performance will vary.

The estimated asset allocation in FY2023 is based on the current actual asset allocation of the PRIT Fund and projected future allocation changes.

#### **Performance, Incentive, or Carried Interest Fees**

No investment performance, incentive, or carried interest fees are budgeted in FY2023. These fees vary dramatically from year-to-year and are not predictable.

*(The remainder of this page was intentionally left blank.)*