



Minutes of the PRIM Administration and Audit Committee
Thursday, August 4, 2022

Committee members present:

- Robert Brousseau, Chair
- Emily Kowtoniuk, Treasurer Deborah Goldberg’s designee
- Patrick Brock
- James Hearty

Committee members not present:

- Karen Gershman, CPA
- Michele Whitham, Esq.
- Dennis Naughton
- Theresa McGoldrick, Esq.

The PRIM Administration and Audit Committee meeting was called to order at 10:09 a.m. Chair Robert Brousseau announced that the meeting was being held in accordance with the provisions of Massachusetts, “Chapter 22 of the Acts of 2022” which was signed into law on February 15, 2022, and most recently amended on July 16, 2022, that includes an extension, until March 31, 2023, of the remote meeting provisions of the March 12, 2020, Executive Order “Suspending Certain Provisions of the Open Meeting Law”. Accordingly, all members of the Committee participated remotely via telephone and/or internet enabled audio and video conferencing, and public access to the deliberations of the Committee was likewise provided via telephone, with presentation materials made available on PRIM’s website (www.mapension.com). At the start of the meeting the names of the members participating remotely were announced.

The meeting was properly noticed as an open meeting but was without a full quorum.

I. Approval of the Minutes

The approval of the minutes of the May 5, 2022, Administration and Audit Committee meeting and the July 19, 2022, Administration and Audit Committee meeting were postponed due to the lack of a quorum.

II. Executive Director / Chief Investment Officer Comments

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

Markets and Performance

Mr. Trotsky began by acknowledging that the Committee members in attendance virtually had also attended the Investment and Real Estate Committee meetings earlier in the week and had heard his report multiple times, so he planned to provide a shortened version of his comments at this meeting.

Mr. Trotsky mentioned that PRIM’s internally-developed investment tools have allowed staff to construct a portfolio that performs well in both strong and weak markets, and the heightened volatility of the markets over the last two fiscal years has provided an extraordinary test. Last year, in the strong markets of fiscal year 2021, the PRIT Fund recorded its best performance in PRIM’s entire history with a return of 30% (29.5%, net) and was at the top of PRIM’s peer group. The Fund also outperformed its benchmark by a record-setting 8.9%. This year, in fiscal year 2022 (FY 2022), during the weakest market since the Global Financial Crisis (GFC) more than thirteen years ago, the PRIT Fund also performed very strongly and was down only 3% (-3.4%, net), outperforming broad market indices by a wide margin and its benchmark by 1.5% (net). Mr. Trotsky believed that the PRIT Fund results for FY 2022 will similarly rank PRIM at the

top of the peer group. Performing strongly in both up and down markets is the hallmark of a well-constructed portfolio with proven, skillful managers.

Organizational Update

Mr. Trotsky mentioned that operationally, even while navigating the difficult investment environment, PRIM had an extremely productive year. PRIM hired and onboarded eleven new full-time employees, an increase from seven the prior year, and eight are diverse; promoted four of our highest-performing staff members (five last year), and all are female; and sponsored ten interns, all of whom are diverse. PRIM also became a founding signatory to the new CFA Institute Diversity, Equity, and Inclusion (DEI) Code for the Investment Profession.

PRIM successfully launched the FUTURE Initiative, a plan to increase the diversity of PRIM's investment managers and vendors to at least 20% by increasing access for minorities, women, disabled investment managers, and business partners. He mentioned the organization is proud of its fast progress. PRIM invested approximately \$3.4 billion with diverse managers over five asset classes during the fiscal year, and an additional \$1 billion to a new Emerging-Diverse Manager Program utilizing five new expert advisors.

Mr. Trotsky concluded his report by mentioning that on Environmental, Social and Governance (ESG) issues, PRIM began work on creating the structure and charter of the new and unique ESG advisory committee. This new ESG Committee will advise the Board on ESG-related matters.

III. Executive Director's Fiscal Year 2023 goals and Objectives (Voting Item)

Robert Brousseau, Chair, noted that the Administration and Audit Committee, pursuant to the PRIM Charters, is tasked with reviewing and potentially revising the Executive Director's proposed goals and objectives, and recommending them to the PRIM Board for approval. Mr. Trotsky noted that his fiscal year 2023 Goals and Objectives are largely consistent with prior years. Mr. Trotsky highlighted a few of his new fiscal year 2023 goals and objectives, including the support of the newly formed ESG Committee, continued implementation of the FUTURE Initiative and a Pay Equity Study.

The Administration and Audit Committee by consensus of those in attendance agreed to recommend to the PRIM Board that the Board approve the Executive Director's Fiscal Year 2023 Goals and Objectives, as set forth at Appendix D of the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

IV. Proposed 2023 PRIM Board and Committee Meeting Schedule

Anthony Falzone, PRIM's Deputy Executive Director and Chief Operating Officer, mentioned to the Committee that the proposed 2023 PRIM Board and committee meeting schedule was not a voting item and that a final draft would be included in the November Administration and Audit Committee meeting materials for a recommendation to the Board at its December meeting.

V. Legislative Update

Emily Kowtoniuk, Treasury's Director of Policy & Legislative Affairs, provided a legislative update to the Committee. Ms. Kowtoniuk told the Committee that the language in the budget amendment that would alter the composition of the PRIM Board by having the public safety seat chosen by the Governor from a list of three candidates nominated by MACRS had been returned by the Governor to the legislature removing the MACRS designation and the House rejected the language and approved alternate language that the Senate would need to agree to before going before the Governor. She concluded her remarks by explaining there was uncertainty if the legislature would come back for a formal session in the fall.

VI. Other Matters:

The Committee members briefly discussed the following topics:

- a. June 2022 PRIM budget
- b. Travel
- c. Client Service

The PRIM Administration and Audit Committee meeting adjourned at 10:33 a.m.

List of documents and exhibits used during the meeting:

- Minutes of the PRIM Administration and Audit Committee Meeting of May 5, 2022
- Minutes of the PRIM Administration and Audit Committee Meeting of July 19, 2022
- PRIT Fund Performance Report (June 30, 2022)
- BNY Mellon Gross of Fees Performance Report (June 30, 2022)
- Executive Director and Chief Investment Officer's Draft Fiscal Year 2023 Goals and Objectives
- Proposed 2023 PRIM Board and Committee Meeting Schedule
- June 2022 PRIM Operating Budget
- Travel Report