



Minutes of the PRIM Compensation Committee Remote Meeting
Thursday, November 18, 2021

Committee members attending:

- Treasurer Deborah Goldberg
- Robert Brousseau, Chair
- Patrick Brock

Committee members not attending:

- Michele Whitham, Esq.

The PRIM Compensation Committee meeting was called to order at 11:35 a.m. The Chair was not in attendance and therefore Robert Brousseau chaired the meeting and announced that the meeting was being held by internet and telephone in accordance with the provisions of “An Act Extending Certain COVID-19 Measures Adopted During the State of Emergency” which was signed into law on June 16, 2021. This Act includes an extension, until April 1, 2022, of the remote meeting provisions of the March 12, 2020, Executive Order that allows remote participation by all members of a public body and suspends the requirement that a quorum and the Chair be physically present, provided that the public has access to the meeting through technology that enables the public to clearly follow the proceedings while they are occurring. Accordingly, all members of the Committee participated remotely via telephone and/or internet enabled audio and video conferencing, and public access to the deliberations of the Committee was likewise provided via telephone, with presentation materials made available on PRIM’s website (www.mapension.com). At the start of the meeting the names of the members participating remotely were announced.

I. Approval of the Minutes (Voting Item)

The PRIM Compensation Committee approved (unanimously) by roll call vote the minutes of its November 19, 2020 meeting.

II. Executive Director’s Report

Michael G. Trotsky, CFA, Executive Director and Chief Investment Officer told the Committee that the main agenda item was to review the compensation data and analysis prepared by McLagan, PRIM’s compensation consultant. He reminded the Committee that last year they requested a review to be consistent with the Massachusetts law that requires a review of salary ranges on a regular basis. The law specifies that all state authority compensation committees shall “analyze and assess comparable compensation for positions with similar functions and responsibilities as state agencies and authorities, as well as for profit and not profit private sector employers.” As a quick reminder, current salary ranges are based on 2017 data, and last year at this time we did decide to freeze salaries for the entire PRIM staff for a year due to the COVID pandemic. Staff has not received a raise in two years, and McLagan will review, the employment environment is far different today than it was a year ago. He continued, informing the Committee that economists have described a “great resignation”, and in September alone, 4.4 million employee employees quit their jobs and the quit rate has hit an all time high of 3%.

Mr. Trotsky mentioned that he continues to spend a significant amount of time on retention and recruitment, and it remains one of his primary concerns, but there is still good news in this regard. PRIM has not had any significant problems recruiting and overall, our retention efforts have been successful. He thanked the Treasurer and the Committee for their consistent support along with the PRIM Board and mentioned it was invaluable.

Mr. Trotsky continued, in fiscal year 2021, consistent with Board approved annual plans, we filled seven staff vacancies with top talent, and expressed concern with the loss of Michael Bailey, Director of Private Equity, to the private sector, but the private equity team had a deep bench and Michael McGirr was able to step in immediately with no loss of productivity or focus and has done a great job. The whole PRIM team is staffed with exceptional investment and finance professionals with all PRIM's job postings attracting literally hundreds of talented and well qualified applicants. Mr. Trotsky mentioned that the PRIM team continues to be recognized around the nation for success, both in terms of performance and innovation all while being among the most efficient in the country when compared to our peers, all who have larger staffs. PRIM staff is also among the most productive. Last fiscal year PRIM staff researched and deployed approximately 4.4 billion in new Board approved investments. He reminded the Committee that the PRIM fund returns have been outstanding and innovation in several different areas continues with great productivity during very challenging times. He continued by reminding the Committee that the employment environment in the nation and in the region is very strong, and PRIM staff are sought after, recognizing there are many opportunities for PRIM's employees outside PRIM's four walls.

Mr. Trotsky thanked the Committee for their support and introduced Adam Barnett from McLagan.

III. Presentation of Compensation Data and Analysis (Voting Item)

Mr. Barnett began by mentioning the update reflects the normal/on-going pay governance process that the PRIM Board adopted in 2012. In particular, PRIM is expected to complete a compensation review at least every four years. PRIM's salary ranges were last reviewed in October of 2017.

Mr. Barnett explained that the net result of the update is approximately 1.5% change per annum. He also explained that some housekeeping was done to add new positions and create additional layers to accommodate more delineation between managers and their subordinates and to provide Michael Trotsky with more flexibility to attract and retain talent.

Some additional points Mr. Barnett made were as follows:

- PRIM's performance has been outstanding which increases PRIM's market prominence and exposes PRIM to increased recruiting pressure for its top talent.
- The 2021 labor market are frenetic with quit-rates at record highs, with a strong economy and COVID-inspired feelings of reassessing what is important to employees.
- Job openings are also at record highs as employers of all types seek to attract and retain increasingly scarce talent.
- Employers are responding to these challenges by increasing wage rates.

Mr. Barnett explained that he wanted to resist engaging in hyperbole, but said, "the salary story now is crazy town." He continued, private sector firms usually looking at 3% merit budgets are now looking at 6-7% merit budgets. He concluded by saying that openings are at staggering highs, and this is especially true in the sector of the populations PRIM is most interested in, technology, financial services, etc, and the job market has never been this competitive.

Treasurer Goldberg mentioned that she is seeing something similar in the drop of in the number and quality of applicants for the openings that exist in Treasury including the technology space where salaries for entry level employees can reach six figures.

The Compensation Committee voted (unanimously) by roll call vote to recommend to the PRIM Board that the Board approve the Fiscal Year 2022 Compensation Range Update as set forth on Page 3 of Appendix B, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

IV. Administration and Audit Committee Chair's Report on the Executive Director's Fiscal Year 2021 Performance Evaluation

Administration and Audit Committee Chair Robert Brousseau presented to the Committee a summary of the Board's August 17, 2021, evaluation of the Executive Director. Mr. Brousseau told the Committee that the overall performance was characterized by the Board as "outstanding". Mr. Brousseau referred to the transcribed evaluation contained in the draft Board meeting minutes and made note in particular of the following comments from the draft minutes:

- *"This year's evaluation is no different than the ones we have heard for the last 10 years. In fact, they get better each year. And of course, this year is no exception. Michael is highly respected and received outstanding reviews by all of the evaluations that I received. There was no criticism, not one criticism, in any of the evaluations that I received."*
- *"In this pandemic year with all of its volatility, the results speak for themselves. Here we see a 95 plus billion-dollar fund gained over 22.2 billion over the last fiscal year, which is phenomenal."*
- *"He guided PRIM through the COVID environment with barely an issue. He continued to drive the team to excel and innovate, and he continued to hire and develop exceptional people. Thanks to a large degree to Mike, PRIM remains a thought leader, a highly respected organization and a huge contributor to the wellbeing of the state and the state's retirees."*
- *"This has been another extraordinary, challenging year for PRIM. Michael again had to face the combined challenges of COVID and a volatile market, and I believe that he has once again met these challenges superbly."*
- *"Michael's performance is outstanding. He consistently displays excellent leadership and management of the PRIM team, and the extraordinary investment results as well as the strength of the team are evident in this assessment. Michael is an excellent communicator and consistently articulates clear principles, expectations, information that keeps staff, committee and board members informed of the team's investment activity and results."*
- *"Michael is a leader in embracing D&I, diversity and inclusion, both in the organization and throughout the manager line-up."*
- *"The work he and the PRIM staff have done under his guidance is magnificent for the fiscal year and almost unbelievable. I agree Michael deserves the very highest marks and congrats for the 2021 results."*
- *"I've said it before, and I repeat it again. Michael is perhaps PRIM's greatest asset and clearly its most valuable employee."*

V. Executive Director's Fiscal Year 2021 Individual Performance Component (Voting Item)

Mr. Brousseau explained the Committee's responsibility to recommend to the Board the Executive Director/Chief Investment Officer's Individual Performance Incentive Multiplier for Fiscal Year 2021, based upon the evaluation by the Board at its August 17, 2021, meeting.

Mr. Brousseau reminded the Compensation Committee that they recommended, and the Board approved, that the Executive Director receive a "1.00" Performance Multiplier for Fiscal Years 2020, 2019, 2018, 2017, 2016, 2015, and 2014, and that Fiscal Year 2014 was the first year that the current Incentive Compensation Plan was in place.

Mr. Brousseau made a motion to set Mr. Trotsky's Individual Performance Incentive Multiplier at 1.0 for the fiscal year ended June 30, 2021, based on the Board's evaluation of his performance as "outstanding."

The Compensation Committee voted (unanimously) by roll call vote to make a recommendation to the PRIM Board to set the Executive Director/Chief Investment Officer's Individual Performance Multiplier at 1.0.

VI. Executive Director's Salary Adjustment (Voting Item)

Mr. Brousseau explained the Committee's responsibility to recommend to the Board the Executive Director/Chief Investment Officer's compensation.

After discussion amongst the Committee members the unanimous recommendation was to increase the Executive Director salary by \$10,000 (1.9%) to \$530,000.

The PRIM Compensation Committee meeting adjourned at 12:18 p. m.

List of documents and exhibits used during the meeting:

- *Minutes of the PRIM Compensation Committee Meeting of November 19, 2020*
- *McLagan Presentation - Compensation Data and Analysis*
- *Draft Minutes of the Board's Fiscal Year 2021 Performance Evaluation of the Executive Director*