



Real Estate and Timberland Committee Meeting Agenda

Wednesday, August 3, 2022, 9:30 a.m.*

Committee members attending:

- Jill Hatton, CRE, Chair
- Treasurer Deborah Goldberg
- Lydia Chesnick, Esq.
- Robert Gifford
- Anthony Hubbard, Esq.
- Jack Lutz, Ph.D.
- William McCall
- Garlan Morse, Jr., CRE
- Carly Rose

Committee members not attending:

- Peter O'Connell

The PRIM Real Estate and Timberland Committee meeting was called to order at 9:34 a.m. Chair Jill Hatton announced that the meeting was being held by internet and telephone 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 all votes were taken by roll call. 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. Minutes (Voting Item)

The PRIM Real Estate and Timberland Committee approved (unanimously) by roll call vote the minutes of its May 4, 2022, meeting.

II. Executive Director/Chief Investment Officer Report

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

Mr. Trotsky noted that PRIM’s internally developed investment tools have allowed us 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.

Mr. Trotsky noted many of the challenges during the fiscal year were unusual and unexpected. Continuing

COVID flare-ups with new variants worldwide, rising interest rates, inflation at multi-decade highs, the Russian invasion of Ukraine, supply chain disruptions, food and energy shortages, labor constraints, and economies worldwide that, at best are teetering on the edge of recession, provided a backdrop too great for markets to bear. For the one-year period ending in June of 2022, U.S. stocks were down 10.6%, developed international stocks were down 17.7% and emerging markets stocks were down 25.2%, while diversified bonds were down 10.3%. A 60%/40% mix of global stocks and bonds was down 13.5% in FY 2022. The PRIT Fund return of -3.0% (-3.4%, net) for FY 2022 is a strong result in a weak market. We should expect market declines and economic cycles to impact the PRIT Fund periodically, and we remain pleased with the resiliency of the Fund and its performance over all time periods and throughout several different market environments. The PRIT Fund's trailing 3-, 5-, and 10-year returns remain strong and consistently above benchmarks, and above the required actuarial rate of return.

Mr. Trotsky relayed that our diversifying asset classes such as Private Equity, Real Estate, Timberland, and Hedge Funds helped buffer the downturn in the Public Markets, which were down significantly. Private Equity was up more than 27%, Real Estate was up more than 25%, and Timberland was up more than 11%, while Hedge Funds were essentially flat for the fiscal year. In comparison, Global Equities were down more than 16% and Core Fixed Income was down more than 11%.

Mr. Trotsky described the current investment environment as requiring "all hands-on deck" and noted that we have asked each team to examine every strategy in the portfolio and to increase our communications with each manager. We have assembled a group of highly trained and talented professionals and we are extremely proud that they are attentive to every detail in the portfolio. We believe market downturns, while painful, also create opportunities to improve the portfolio and we continue to identify compelling new investment opportunities. In fact, our deployment of \$6.9 billion of capital to new ideas in FY 2022 was a 58% increase over the prior year. Additionally, during times of increased volatility, we adhere to our monthly rebalancing discipline, which enables us to redeploy capital to areas hit hardest, while maintaining our commitment to staying within our long-term strategic allocation, which we believe has and will continue to serve us well.

Mr. Trotsky continued by stating that during the fiscal year, PRIM hired and onboarded eleven new full-time employees, an increase from seven in the prior year, and eight of the new hires are diverse. We promoted four of our highest-performing staff members who are all 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*, a very important step for PRIM and also the investment management industry.

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 continued his report by mentioning that on Environmental, Social and Governance (ESG) issues, following the Treasurer's leadership, PRIM began work on creating the structure and charter of the new and unique ESG advisory committee, which the Board approved in February. This new ESG Committee will advise the Board on ESG-related matters. PRIM voted 11,369 proxy ballots aligned with PRIM's progressive proxy voting guidelines on areas such as board diversity requirements, over-boarded directors, gender pay gaps, labor and human rights, and executive compensation, and adopted a new proxy voting guideline to vote against all directors at companies targeted by the Climate Action 100+. PRIM continues to support the MIT Sloan School of Management's Aggregate Confusion Project (ACP) as its first founding member. The goal of the ACP is to develop tools to address inconsistencies in the measurement of ESG data, which has become widely recognized as a substantial challenge to impactful ESG investing. The ACP welcomed four additional new members: MFS Investment Management, AQR Capital Management, Qontigo, and Asset Management

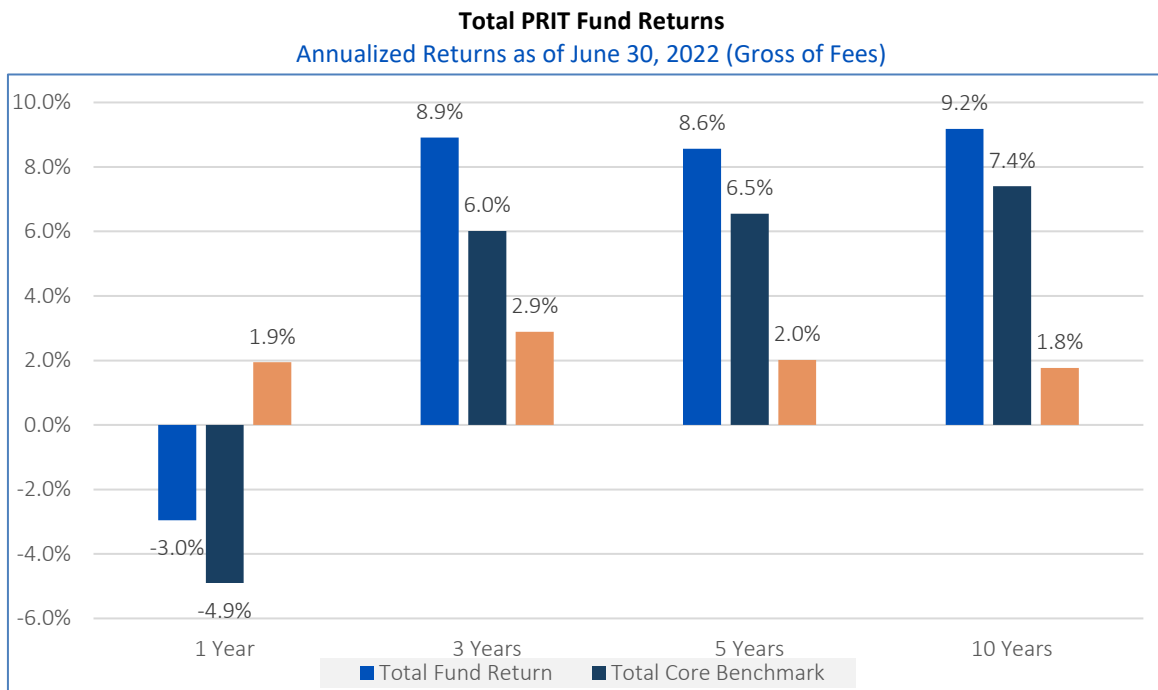
One. These new members represent a range of geographic and professional perspectives in the investment world.

Lastly, PRIM launched a new series of educational seminars during the year, 13 in total, on subjects including: PRIT Fund Leverage Finance Options, Public and Private Crossover Funds, Venture Capital Investing, ESG Landscape, Climate Finance, Cash Transaction Processes and Procedures, Cyber Security, Private Equity Replication, a primer on the Blockchain Ecosystem, a primer on Insider Trading, and a training on external communications protocols. These seminars were provided to PRIM Board and Committee members, staff, and clients.

PRIT Fund Performance Summary

Mr. Trotsky noted the markets were challenged last fiscal year with a confluence of world-wide issues that led to rising inflation, higher interest rates, and slowing growth. After a significant near 20% correction in world-wide equity markets during the first half of the calendar year (the worst first half in more than 50 years), markets thankfully rebounded strongly in the month of July. The rebound in July coincides with an apparent peak in bond yields and some encouraging signs that, just possibly, inflation, recently at 9.1%, has begun to moderate, too. The main risks going forward sound very familiar: in our opinion the risks are that inflation fails to moderate, consumer and business spending falters, and corporate earnings weaken more than anticipated.

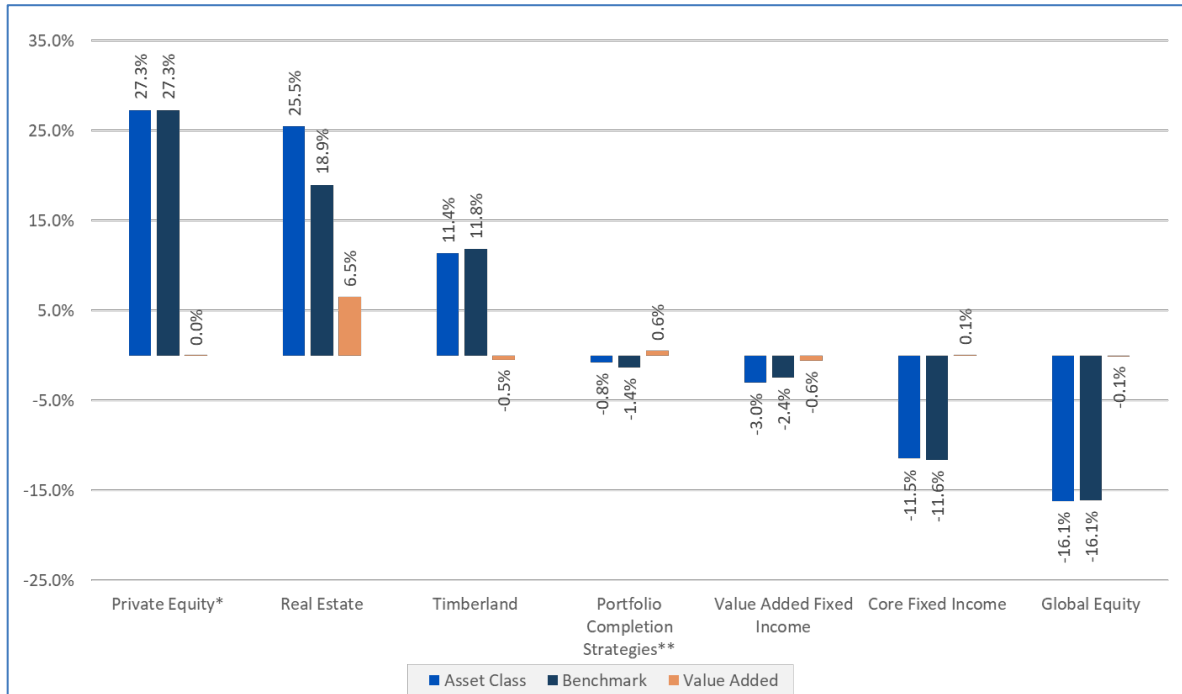
Mr. Trotsky referenced the following charts and graphs:



Source: BNY Mellon. Totals may not add due to rounding. Total Core Benchmark includes private equity benchmark.

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

PRIT Asset Class Performance Summary
One-Year Ended June 30, 2022 (Gross of Fees)



Source: BNY Mellon. Totals may not add due to rounding. *Benchmark is actual performance. **Hedge Fund returns are net of fees.

PRIT Fund Annualized Returns By Asset Class
As of June 30, 2022 (Gross of Fees)

1 Year	3 Year	5 Year	10 Year
PRIVATE EQUITY 27.3%	PRIVATE EQUITY 31.9%	PRIVATE EQUITY 27.1%	PRIVATE EQUITY 22.4%
REAL ESTATE 25.5%	REAL ESTATE 14.1%	REAL ESTATE 11.5%	REAL ESTATE 11.5%
TIMBER 11.4%	GBALEQUITY 6.3%	GBALEQUITY 7.0%	GBALEQUITY 9.1%
PORTFOLIO COMPLETION STRATEGIES (0.8%)	TIMBER 5.8%	TIMBER 5.4%	TIMBER 6.4%
VALUE-ADDED FIXED INCOME (3.0%)	VALUE-ADDED FIXED INCOME 3.6%	VALUE-ADDED FIXED INCOME 4.2%	VALUE-ADDED FIXED INCOME 4.7%
CORE FIXED INCOME (11.5%)	PORTFOLIO COMPLETION STRATEGIES 2.9%	PORTFOLIO COMPLETION STRATEGIES 3.5%	PORTFOLIO COMPLETION STRATEGIES 4.6%
GBALEQUITY (16.1%)	CORE FIXED INCOME 0.0%	CORE FIXED INCOME 1.9%	CORE FIXED INCOME 2.9%

Source: BNY Mellon.

III. Performance Review and Market Summary

Timothy V. Schlitzer, CFA, CRE, Director of Real Estate, updated the Committee on performance and markets.

Real Estate

Mr. Schlitzer summarized Real Estate performance. At the end of fiscal year 2022, the Real Estate Portfolio was valued at \$9.8 billion or 10.6% of the PRIT Fund compared to 8.3% at the end of fiscal year 2021, an increase of \$1.9 billion. There were 17 transactions completed during the year, totaling \$1.3 billion, including two dispositions for \$543 million, resulting in net acquisitions of \$731 million. Mr. Schlitzer went on to say that Total Real Estate returned 25.5% for the year, significantly above the long-term private index average of approximately 9%, and unsustainable going forward. PRIM's portfolio return was driven by Private Real Estate at 34.4% (levered), outperforming the NCREIF Open End Diversified Core Equity (ODCE) Index at 28.3%. PRIM's portfolio leverage was accretive during the year, adding 670 basis points of additional return with a conservative loan-to-value (LTV) ratio of 19%. PRIM's REIT Portfolio was down 11.3% for the year, more closely in line with the public markets, but outperforming the REIT benchmark by 150 basis points. There have been no major changes to PRIM's positioning with respect to risk bucketing, sector or geographic exposure. Sector weightings are generally in line with ODCE, with overweights to multi-family and industrial properties, offset by retail and office.

Christina Marcarelli, CAIA, Senior Investment Officer and Director of Real Estate Debt described a recent property acquisition. In late June, PRIM closed on a newly constructed industrial building in the Red Hook area of New York City. The building is leased to Amazon who will use the building for last-mile distribution in Brooklyn. This property is owned in a joint venture with CBRE's Industrial Logistics Fund.

Timberland

Mr. Schlitzer continued with a Timberland Portfolio update. The Timberland Portfolio represents 3.2% of the PRIT Fund compared to 3% at the end of Fiscal Year 2021, an increase in net asset value of approximately \$100 million. Fiscal year performance was strong at 11.4% but slightly below PRIM's benchmark. Timber prices continue to be stronger in the Pacific Northwest than the South due to export optionality and lower overall supply levels. The Southern Portfolio has been negatively impacted by recent weather, mill closures, and heightened labor and trucking costs. Slowing home construction and renovation activity is expected to impact future timber demand.

IV. Real Estate Appraisal Request for Proposals (RFP) Recommendation (Voting Item)

Minching Kao, Investment Officer, provided an overview of the RFP process, including the timeline, selection criteria, and number of responses.

Ms. Kao noted that as one of the largest appraisal services providers, Altus has significant experience servicing institutional investors and investment managers. As PRIM's incumbent appraiser, Altus has demonstrated an in-depth knowledge of valuation and provided high-quality, timely appraisal reports at competitive pricing. Altus' technology capabilities would further allow the PRIM staff to manage the valuation process, analyze appraisal metrics across the portfolio, and use the data to explain property-level drivers of portfolio performance.

The PRIM Real Estate and Timberland Committee unanimously agreed by roll-call vote to make a recommendation to the PRIM Board to approve Altus for Real Estate Appraisal Services.

The PRIM Real Estate and Timberland Committee meeting adjourned at 10:39 a.m.

List of documents and exhibits used during the meeting:

- *Minutes of the PRIM Real Estate and Timberland Committee Meeting of May 4, 2022*
- *PRIT Fund Performance Report*
- *BNY Mellon Gross of Fees Performance Report*
- *Real Estate and Timberland Performance Charts*
- *RFP Recommendation - Real Estate Appraisal Services*

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