

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

Minutes of the Board Meeting

Wednesday, August 17, 2022

commencing at 9:30 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):

- Andre Abouhala
- Francesco Daniele
- Anthony Falzone
- Alyssa Fiore
- David Gurtz
- Minching Kao
- Eleni Klempner
- Emily Kowtoniuk
- Renee LeFevre
- Bill Li
- Christina Marcarelli
- Michael McElroy
- Michael McGirr
- 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 August 17, 2022. The meeting was
5 called to order and convened at 9:30 a.m.
6 Treasurer and Receiver-General Deborah Goldberg
7 chaired the meeting.

8 TREASURER GOLDBERG: Welcome to the
9 board meeting of the MassPRIM board, Wednesday,
10 August 17. This meeting is being held in
11 accordance with the provisions of Massachusetts
12 Chapter 22 of the Acts of 2022, which was signed
13 into law on February 15, 2022 and most recently
14 amended on July 16, 2022, that includes an
15 extension until March 31, 2023 of the remote
16 meeting provisions of the March 12, 2020 executive
17 order suspending certain provisions of the Open
18 Meeting Law.

19 All members of the board will
20 participate remotely via audio, videoconferencing.
21 And public access to the deliberations of the
22 board will likewise be provided via telephone with
23 all documents referenced at the meeting available
24 to be viewed on PRIM's website, which is

1 www.mapension.com.

2 All persons speaking today at the
3 meeting are asked first to identify themselves.

4 Also the Open Meeting Law requires
5 anyone wishing to record a meeting to first notify
6 the chair so that the chair can inform the other
7 attendees. Accordingly, I am informing you that
8 stenographer Virginia Dodge from Lexitas is
9 transcribing and also recording this meeting, and
10 we are joined by Colin Young from State House
11 News, who will be recording most parts of the
12 meeting.

13 If anyone else does intend to record
14 today's meeting, please do notify Seth Gitell by
15 email at 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. And I will now
21 announce the names of all PRIM Board members who
22 are participating remotely in today's meeting.

23 Firstly, myself, Treasurer Deb Goldberg,
24 Bob Brousseau, Ruth Ellen Fitch, Jim Hearty,

1 Theresa McGoldrick, Peter Monaco, Dennis Naughton,
2 Carly Rose and Paul Shanley.

3 Okay. Everybody got that?

4 And so as is always, I will seek a
5 motion to approve the board meeting minutes from
6 May 19, 2022, attached as Appendix A of the
7 expanded agenda, and further to authorize the
8 executive director to take all actions necessary
9 to effectuate this vote.

10 Is there a motion?

11 MR. BROUSSEAU: So moved.

12 MR. NAUGHTON: Moved to approve.

13 TREASURER GOLDBERG: Is there a second?

14 MS. MCGOLDRICK: Second.

15 TREASURER GOLDBERG: Questions?

16 Comments? Changes?

17 Hearing none, we will move forward with
18 a roll call vote.

19 Bob Brousseau?

20 MR. BROUSSEAU: Yes.

21 TREASURER GOLDBERG: Ruth Ellen Fitch?

22 Ruth Ellen Fitch?

23 MS. FITCH: Yes.

24 TREASURER GOLDBERG: Jim Hearty?

1 MR. HEARTY: Yes.

2 TREASURER GOLDBERG: Theresa McGoldrick?

3 MS. MCGOLDRICK: Yes.

4 TREASURER GOLDBERG: Peter Monaco?

5 MR. MONACO: Yes.

6 TREASURER GOLDBERG: Dennis Naughton?

7 MR. NAUGHTON: Yes.

8 TREASURER GOLDBERG: Carly Rose?

9 MS. ROSE: Yes.

10 TREASURER GOLDBERG: Paul Shanley?

11 MR. SHANLEY: Yes.

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

14 Next item of the agenda is the executive
15 director/chief investment officer report, and
16 Michael will first do a summary and organizational
17 updates, followed by PRIT Fund performance.

18 Thank you, Michael.

19 MR. TROTSKY: Thank you, Treasurer, and
20 welcome, everybody. Thank you for making the time
21 in mid-August to be with us today.

22 We have a full --

23 TREASURER GOLDBERG: Michael, we
24 wouldn't miss it.

1 MR. TROTSKY: -- full slate. Everyone
2 made it, so thank you very much for that.

3 Good morning. You know, we are very
4 proud this quarter that our internally developed
5 investment tools really have allowed us to
6 construct a portfolio that performs well in both
7 strong and weaker markets. Obviously the
8 heightened volatility of the markets over the last
9 two years has really provided an extraordinary
10 test of those tools and our processes here.

11 If you remember, last year, in the
12 strong markets of fiscal year 2021, the PRIT Fund
13 recorded its best-ever, best in history,
14 performance with a return of 30 percent. That was
15 29 and a half percent net and was at the very top
16 of our peer group. The fund last year also
17 outperformed its benchmark by a record-setting
18 9 percent. That was astounding.

19 And this year, we are pleased to report
20 that in fiscal year 2022, the fiscal year that
21 we're presenting today which ended at the end of
22 June, during the weakest market since the world
23 financial crisis more than 13 years ago, the PRIT
24 Fund also performed very strongly and was down

1 only 3 percent. That's 3.4 percent net of all
2 fees, outperforming broad market indices by a very
3 wide margin and its benchmark by 1.5 percent.

4 You know, we believe that performing
5 strongly in both up and down markets is really the
6 hallmark of a well-constructed portfolio with
7 proven, skillful managers.

8 You all know that the challenges during
9 the fiscal year were unusual and unexpected.
10 Continuing COVID flare-ups with new variants
11 worldwide, rising interest rates, inflation at
12 multi-decade highs, the Russian invasion of
13 Ukraine, supply chain disruptions, food and energy
14 shortages, labor constraints and economies
15 worldwide that, at best, are teetering on the edge
16 of recession, provided really a backdrop that was
17 too much for the market to bear.

18 For the one-year period ending in June
19 of 2022, U.S. stocks were down 10.6 percent,
20 developed international stocks were down
21 17.7 percent, and emerging markets stocks were
22 down 25 percent, while diversified bonds were down
23 10.3 percent as interest rates rose.

24 A common benchmark that the industry

1 uses is a 60/40 mix of global stocks and bonds.
2 That was down 13 and a half percent, 13 and a half
3 percent, in fiscal year 2022. And the PRIT Fund
4 fared better. Its return of negative 3 percent,
5 negative 3.4 percent net, for fiscal year 2022 is
6 a strong result in a weak market.

7 And we should expect market declines and
8 economic cycles to impact the PRIT Fund
9 periodically. And we remain pleased with the
10 resiliency of the fund and its performance over
11 all time periods and throughout several different
12 market environments.

13 The PRIT Fund's trailing 3-, 5- and 10-
14 year returns remain very strong and consistently
15 above the benchmarks, above the required actuarial
16 rate of return, which is now 7 percent, and at the
17 top of our peer group.

18 In fiscal 2022, our diversifying asset
19 classes such as private equity, real estate and
20 timberland and also hedge funds helped buffer the
21 downturn in our public markets portfolios, which
22 were down significantly, as you might expect.

23 But private equity was up more than
24 27 percent. Real estate was up more than

1 25 percent, and timberland was up more than
2 11 percent for the fiscal year, while hedge funds
3 were essentially flat. In comparison, global
4 equities were down more than 16 percent, and core
5 fixed income, bonds, was down more than
6 11 percent.

7 We'll have more detail later in the
8 agenda from our asset class heads on each of those
9 asset classes.

10 We have recently described the current
11 investment environment as requiring all hands on
12 deck here at PRIM. We have asked each team to
13 examine every strategy in the portfolio and to
14 increase our communications with each investment
15 manager. Our risk team, Jay Leu and Shannon
16 Ericson, have been deeply embedded within our
17 asset class teams all year long. We are a group
18 of highly trained and talented professionals, and
19 we're lucky that they are attentive to every
20 detail in the portfolio.

21 Now, we do believe that market
22 downturns, while they are painful, also create
23 opportunities to improve the portfolio. And the
24 team continues to identify compelling new

1 investment opportunities in the weaker market. In
2 fact, our deployment of capital to new ideas of
3 6.9 billion in fiscal year 2022, 6.9 billion,
4 almost \$7 billion in one year, that was a
5 58 percent increase over last year.

6 Additionally, during times of increased
7 volatility like we've been through, we closely
8 adhere to our monthly rebalancing discipline,
9 which enables us to redeploy capital to areas hit
10 hardest, while also maintaining our commitment to
11 staying within our long-term strategic asset
12 allocation bands, which we believe have and will
13 continue to serve us well. And our rebalancing
14 trades during the year were large. We exceeded
15 \$8 billion in rebalancing trades during the year.

16 Operationally, even while navigating the
17 difficult investment environment, we had an
18 extremely productive year. We hired and on-
19 boarded 11 new full-time employees. That's an
20 increase from seven last year. And eight of the
21 11 are diverse. We promoted four of our highest
22 performing staff members, and all of those
23 promotions are females. And we sponsored
24 10 interns, all of whom are diverse.

1 PRIM also became a founding signatory to
2 the new CFA Institute's Diversity, Equity and
3 Inclusion Code for the Investment Profession.
4 That's a very important step for us and also for
5 the investment management profession in general.
6 It was something, as you know, that I personally
7 worked on with the CFA Institute from its very
8 inception several years ago. And we are big
9 promoters of that.

10 We successfully launched the FUTURE
11 Initiative. That's the plan to increase the
12 diversity of PRIM's investment managers and
13 vendors to at least 20 percent by increasing
14 access for minorities, women, and disabled
15 investment managers and business partners.

16 And we are very proud, extremely proud,
17 of our fast progress with the FUTURE Initiative.
18 During 2022, fiscal 2022, PRIM invested
19 approximately \$3.4 billion with diverse managers
20 over five different asset classes. Additionally,
21 PRIM committed \$1 billion to a new emerging-
22 diverse manager program, which utilizes five new
23 expert advisors, and more than \$200 million has
24 already been deployed to that program.

1 The PRIT Fund currently invests more
2 than \$7.7 billion, more than 8 percent of the PRIT
3 Fund, with diverse investment managers. And
4 according to the publication *Pensions and*
5 *Investments*, PRIM is ranked seventh, number 7,
6 among the largest 200 funds for the U.S. for
7 assets managed by diverse managers. This is far
8 above our rank in size.

9 We also filed our first annual progress
10 report to the Massachusetts legislature as
11 required under the law. And later in today's
12 agenda, you will be voting on an additional
13 \$750 million to three diverse investment managers.

14 On ESG, environmental, social and
15 governance issues, following the Treasurer's very
16 strong lead, something she and I are passionate
17 about, we began work on creating the structure and
18 charter of the new and unique ESG advisory
19 committee, which the board approved in February,
20 and you will vote today to finalize the charter.

21 PRIM voted -- and I had this wrong
22 during the Investment Committee. I read the wrong
23 column. PRIM voted 11,369 proxy ballots. I said
24 two weeks ago it was a little over 8,000. Still

1 huge numbers, but 11,369 proxy ballots aligned
2 with PRIM's progressive proxy voting guidelines on
3 areas such as board diversity requirements,
4 overboarded directors, gender pay gaps, labor and
5 human rights, and executive compensation. And we
6 also adopted a new proxy voting guideline to vote
7 against all directors at companies targeted by the
8 group Climate Action 100+.

9 PRIM continues to support the MIT Sloan
10 School of Management Aggregate Confusion Project
11 as its first founding member. Remember, the goal
12 of that project is to develop tools to address
13 inconsistencies in the measurement of ESG data,
14 which has become widely recognized as a
15 substantial challenge to impactful ESG investing.

16 In fact, just two weeks ago, the *Harvard*
17 *Business Review* published an article on the
18 subject. And even more recently, *The Economist*
19 magazine had an entire issue dedicated to ESG, and
20 in the issue, the MIT Aggregate Confusion Project,
21 which illuminated data quality issues, was
22 prominently featured.

23 I really believe that PRIM is ahead of
24 the curve on identifying these challenges. We

1 have been with our partnership with MIT Professors
2 Roberto Rigobon and Jason Jay, and we expect to
3 launch strategies based on the advancements,
4 mainly better data, over the course of the next
5 year.

6 The Aggregate Confusion Project also
7 welcomed four new additional members. And they
8 are MFS Investment Management, here in Boston; AQR
9 Capital Management down in Greenwich, Connecticut;
10 Qontigo in Europe, and Asset Management One out of
11 Japan. These members represent a range of
12 geographic and professional perspectives in the
13 investment world.

14 And that's it. The membership is now
15 closed to new members. The project has accepted
16 all the partners it will have. And I believe we
17 all have complementary skill sets and resources we
18 need to be efficient and successful. We're
19 already working well together. In fact, we met in
20 person recently at MIT in Cambridge, and it was
21 very productive and exciting.

22 And last, here at PRIM, we launched a
23 new series of educational seminars during the
24 fiscal year. That is something we heard from you,

1 the board, in your feedback surveys. We had
2 13 seminars in total last year on subjects
3 including PRIT Fund leverage, public/private
4 crossover funds, venture capital investing, ESG
5 landscape, climate finance, cash transaction
6 processes and procedures, cybersecurity, private
7 equity replication, and even a primer on the
8 blockchain ecosystem. We had a primer on insider
9 trading and a training on external communication
10 protocols.

11 And those seminars were provided not
12 only to PRIM Board and committee members, but to
13 staff and clients as well. And they were very,
14 very well-received.

15 Now, I did mention at the last board
16 meeting that the list of non-investment projects
17 is longer than usual. And in fact, many of the
18 new projects during the fiscal year were
19 unexpected and unavoidable. These diversions of
20 resources came at a time obviously when the
21 markets were exceedingly turbulent. For example,
22 we spent approximately six weeks providing
23 technical assistance to the legislature, the
24 governor and the Treasurer's team in support of

1 the newly passed Russian divestment law.

2 Other resource-intensive and unexpected
3 projects include a PERAC audit, a state auditor's
4 audit. Those are in addition to our normal KPMG
5 audits of the PRIT Fund and PRIT and PRIM.

6 We had a comprehensive IT security
7 review in light of the recent global uptick in
8 nefarious activities, support of the Attorney
9 General's lawsuit against ExxonMobil, support of
10 securities class action lawsuits on foreign
11 exchange trading, and support and response to
12 really what was an unprecedented level of media
13 requests and public information requests for
14 matters related to our investment program, proxy
15 voting policies, diversity, inclusion and ESG-
16 related matters.

17 And really, I'm proud of this team. The
18 focus and efforts of this team were nothing short
19 of remarkable under the unique circumstances of
20 the year. And we all must realize, and I've said
21 this before for a few board cycles now, that PRIM
22 is currently resource-constrained. We'll continue
23 to recruit talent as approved by the board and
24 encouraged by the board. And we will grow the

1 team as quickly and as responsibly as possible.
2 11 people last year. That's a lot. But it's no
3 small feat really in today's very challenging
4 employment environment.

5 So I couldn't be prouder of this team,
6 how we responded during what seemed like crisis
7 after crisis over the last years. And how we
8 overcame the challenges not only to deliver strong
9 investment performance in a difficult year, but
10 also extraordinary -- I believe extraordinary non-
11 investment innovation and responsiveness.

12 So I'm thankful to the entire PRIM staff
13 and to you, our board and committee members, for
14 your support, dedication and hard work over what
15 was a challenging year.

16 Now, moving on to other organizational
17 updates. First, some late-breaking news that you
18 haven't heard. I just mentioned the PERAC audit,
19 and we just received word from PERAC that their
20 audit of PRIM is complete, and there were no,
21 zero, findings. It was a clean audit.

22 The last sentence of the transmittal
23 letter said, quote, "We commend the PRIM Board for
24 its exemplary operation."

1 So thank you. Congratulations to the
2 entire team for this outcome, but especially
3 Qingmei Li, our director of audits and financial
4 reporting; Deb Coulter, our CFO; and of course
5 deputy executive director and COO Tony Falzone for
6 his leadership of the entire finance and
7 operations team. We all know that you're the best
8 in the business.

9 In the area of recognition, in June,
10 PRIM's private equity portfolio was ranked
11 number 3 among 176 U.S. public pension funds based
12 on 10-year performance by the American Investment
13 Council public pension study. And PRIM is the
14 only fund that has been in the top five every
15 single year this study's been conducted, including
16 number 1 rankings in 2019, 2018, 2015 and 2013.
17 Congratulations to Mike McGirr and your team on
18 that.

19 In July, *Institutional Investor*
20 nominated PRIM as a finalist in the fifth annual
21 allocator's choice award in the partnership of the
22 year category. And this is for the MIT Sloan
23 Sustainability Initiative's Aggregate Confusion
24 Project, which I just mentioned. And we're

1 nominated along with MIT, MFS, AQR and Asset
2 Management One. Those are our partners. And this
3 is for, quote, "working to reduce the level of
4 noise in ESG measurement by improving data
5 available to managers and allocators."

6 Congratulations, Maria Garrahan and
7 everyone else working on ESG initiatives. I hope
8 we win that award later in the fall.

9 Next PRIM was awarded the Government
10 Finance Officer Association Certificate of
11 Achievement for Excellence in Financial Reporting
12 for the 17th consecutive year. That's a strong
13 testimony to the timeliness and transparency of
14 our financial reporting. Another shout-out to the
15 excellent work of Qingmei and Deb Coulter.
16 Congratulations.

17 And then last month, in a reception in
18 New York City, very fun reception, I was honored
19 by the National Association of Investment
20 Companies, the NAIC, as an honorary co-chair of
21 the NAIC midsummer VIP reception.

22 This organization serves the broader
23 community of diverse alternative asset managers,
24 and we've been involved with them for several

1 years now.

2 This year's celebration, in the words of
3 its founder Robert Greene, quote, "was full of
4 champions and leaders who genuinely embrace the
5 ideals of inclusion, raising awareness of high-
6 performing diverse managers, or otherwise serving
7 as examples of remarkable level of diverse talent
8 in the industry," unquote.

9 So it was a very fun and heartwarming
10 night. We also picked up lots of FUTURE
11 Initiative leads.

12 No new employees since the last time we
13 met, but we have welcomed six new interns who are
14 different affinity groups such as the Treasurer's
15 Women in Finance Fellowship, Girls Who Invest, the
16 CFA Women in Investment Management Internship
17 Program as well.

18 All interns are diverse. Five of the
19 six are female. And it's really a great class of
20 interns this year. Christina Marcarelli, senior
21 investment officer and director of real estate
22 debt, helps run the program with our director of
23 human resources, Michelle Witkes.

24 Christina and I had lunch with this

1 class in the boardroom just a couple of weeks ago.
2 It was a ton of fun. They're energetic, bright,
3 ambitious, and I think they've had a great summer
4 here. We've certainly enjoyed having them. It's
5 been very productive.

6 And last, another bit of new news since
7 the last time we met, Ellen Hennessy, our
8 compliance analyst responsible for all of our
9 proxy voting and also all of Public Records Act
10 requests, has announced her retirement starting in
11 September after 10 years at PRIM.

12 We congratulate you, Ellen, and we thank
13 you for your hard work and dedication to really an
14 ever-growing and more complex set of proxy votes
15 and also an ever-growing set of information
16 requests. We wish you a very happy, healthy and
17 enjoyable retirement. You deserve it.

18 Now, on to markets and PRIT Fund
19 performance. As you know, the markets were
20 challenged last fiscal year with a confluence of
21 worldwide issues that led to rising inflation,
22 higher interest rates and slowing growth.

23 But after a significant near 20 percent
24 correction in worldwide equity markets during the

1 first half of the calendar year -- and by the way,
2 that was the worst first half in more than
3 50 years -- markets thankfully rebounded strongly
4 in the month of July and now into the third week
5 of August.

6 At the Investment Committee meeting two
7 weeks ago, we spoke at length about the rebound
8 coinciding with a peak in bond yields and some
9 encouraging signs that inflation, though still
10 very high, has begun to moderate. The main risks
11 going forward are very similar and familiar. The
12 risks are that inflation remains too high.
13 Consumer and business spending may falter, and
14 corporate earnings may weaken more than currently
15 anticipated.

16 Reviewing the numbers, it's interesting.
17 I mention the fiscal year 2022 ending in June.
18 For that fiscal year, the 12-month period, the S&P
19 was down 10.6 percent. Now, in July and August
20 alone, the S&P is up 13.9 percent. So it's
21 already reversed.

22 Developed international markets, that's
23 mainly Europe and Japan, were down 17.7 percent in
24 the fiscal year 2022. And they've reversed, and

1 they're up 6.4 percent for the first two months,
2 July and August.

3 Emerging markets, that's predominantly
4 China, Southeast Asian and Latin America, down
5 25 percent for the fiscal year. They've reversed
6 a little, and they're up 2 percent in July and
7 August.

8 Diversified bonds, down 10 percent last
9 year, are up almost 2 percent this year. And a
10 60/40 mix, which I mentioned, was down 13 and a
11 half percent last year, fiscal year, is up
12 7.2 percent in the first two months of the new
13 fiscal year.

14 Now, before reviewing performance, just
15 a quick review of recent economic data. As we
16 indicated at the board and during the last cycle,
17 the main -- at the committee meetings, I mean --
18 the main concern around the globe is still
19 economic growth. Global GDP growth has been
20 mixed, and all signs still point to lower growth
21 moving forward. The U.S. contracted in the most
22 recent period, while China, Japan and Europe
23 actually expanded a little.

24 Inflation is accelerating or remains

1 elevated across the globe. The U.S. Fed and the
2 European Central Bank are the most aggressive in
3 raising rates to stem inflation, while China and
4 Japan remain more accommodative.

5 Focusing a little on the U.S., as you
6 know, U.S. GDP declined and annualized 0.9 percent
7 in Q2, and that follows a 1.6 percent drop in Q1.
8 Two straight quarters of decline. And economists
9 had expected the GDP to increase slightly in Q2,
10 so that was a disappointment.

11 U.S. Consumer Price Index, inflation
12 really, a common measure of inflation, fell
13 slightly to 8 and a half percent in July from its
14 peak in June of 9.1 percent. So that's good.
15 It's off its peak at least, but still it remains
16 very, very high.

17 The employment picture remains steady.
18 The U.S. employment rate fell to 3.5 percent in
19 July.

20 And of course, you know at its July
21 meeting, the Federal Reserve raised its federal
22 funds rate by 75 basis points. That was the
23 fourth consecutive rate hike here in the U.S. And
24 Chair Powell said that the next decisions will be

1 more data-dependent. So waiting to see on that.

2 Manufacturing and retail spending are
3 holding in there okay. They're not terrible, but
4 housing has weakened recently with rising prices
5 of housing and obviously higher mortgage rates.

6 With that as an economic backdrop, at
7 the Investment Committee meeting two weeks ago,
8 both Jay Leu, our director of risk, and Connie
9 Everson, our Investment Committee member, spoke
10 about the current market environments.

11 And Jay pointed to several inflection
12 points since June. The elevated equity and bond
13 market volatility as measured by the VIX and the
14 MOVE. They both moderated in July. Credit
15 spreads, both investment grade and high yield,
16 widened in the first half, but have since been
17 tightening. Sharply rising interest rates have
18 been falling a little since mid-June, and
19 inflation expectations as seen by the 10-year
20 breakeven fell 50 basis points in the second
21 quarter.

22 Jay and Shannon also on the risk team
23 are well-embedded within each asset class team to
24 help assess portfolio risk. They attend the

1 investment manager due diligence meetings
2 regularly. And fortunately, they haven't
3 uncovered any material problems at this point with
4 our managers.

5 And in a bold conversation, you may
6 remember at the Investment Committee meeting,
7 Connie Everson, who is really our resident
8 economist and strategist, she made the case that
9 the bottom in the markets is already in. And I
10 believe that is a very strong and very interesting
11 nonconsensus view.

12 She highlighted that Chair Powell's
13 comments at the Fed, at the meeting last month,
14 were what Connie described as a game changer, as
15 the Fed now believes we are near the neutral
16 interest rate level necessary to tame inflation.

17 She suggested that the bond market has
18 peaked and has stopped paying attention to the Fed
19 and has started to pay more attention to the
20 economy, and so far, in her words, the economy
21 remains relatively stable.

22 Remember, the last time we met, the
23 biggest fear was that the Fed would overshoot.
24 Now the bond market is measured by bond futures as

1 pricing in just a few more small rate hikes. And
2 then next year, the market is actually pricing in
3 rate cuts.

4 So Connie acknowledged that the economic
5 downturn is already upon us, but she believes that
6 the slowdown actually doesn't matter, that Q3 GDP
7 print won't matter that much. She asserted that a
8 credible peak in bond yields is now in, with a
9 slowdown already under way. Commodity prices such
10 as oil and wheat have backed off. The dollar has
11 stopped rising, and the repo market is still
12 functioning well. That's an indication that
13 dollar liquidity, liquidity in general, is not a
14 problem.

15 All of those things Connie believes
16 creates a much better outlook for the markets,
17 again a very positive outlook.

18 Now, I speak to Connie frequently. And
19 I first spoke to her about this nonconsensus view
20 in early June, well before the move in the
21 markets. And really I remain impressed that the
22 market rebound in July and so far in August have
23 confirmed her predictions that she made in early
24 June.

1 Of course the main risk is that
2 inflation spikes again or remains very high. Q3
3 growth and corporate earnings could be much worse
4 than expected. Let's hope not.

5 But please be assured that we don't
6 trade and we don't adjust the portfolio on any
7 projections of the future. You're well-aware of
8 our philosophy. I've said it many times. Many of
9 you could probably repeat it.

10 But it's still nice to hear an
11 optimistic view from a very credible source of
12 ours with a very strong track record too. I hope
13 she's right, but as I mentioned at the outset in
14 my remarks, no matter how the future unfolds, I'm
15 confident that the PRIT Fund will perform well.
16 It's carefully constructed to perform well in a
17 variety of different market conditions as we've
18 proven in the last two years and over longer
19 history too.

20 I'll stop there, take any questions
21 before quickly going through the performance
22 slides.

23 Any questions?

24 TREASURER GOLDBERG: Are there any

1 questions for Michael?

2 As usual, Michael, you were very
3 thorough.

4 MR. TROTSKY: I can go through the
5 performance slides, just to get it on the record.

6 TREASURER GOLDBERG: Yes. Please do
7 since we do have some --

8 MR. TROTSKY: Tony, do you want to pull
9 those up? Next page.

10 So this shows our annual returns as of
11 June 30. The PRIT Fund was down 3 percent for the
12 fiscal year, as I mentioned. That's down
13 3.4 percent net of all fees and now stands at
14 \$92.4 billion. That was an investment loss of
15 3.2 billion, but an outperformance of 1.5 percent
16 or 1.4 billion above a benchmark return.

17 Net outflows were somewhat unusual this
18 year. We only had net outflows of \$30 million for
19 the year. Usually they're between one and one and
20 a half billion dollars. I mentioned before, that
21 was primarily a result of a couple of pension bond
22 issuances by our clients. And we receive those
23 pension bond proceeds which offset net outflows.

24 You can also see that the 3-, 5- and 10-

1 year numbers were all very strong and above
2 benchmark.

3 Next slide. As I mentioned, private
4 equity, real estate and timberland led the way,
5 very strong performance. Up in the twenties for
6 real estate and private equity, and over
7 11 percent for timberland. Global equities and
8 fixed income on the right, the weakest asset
9 classes, as I mentioned.

10 All asset classes either outperformed or
11 were in line with their benchmarks.

12 Next slide. A little more detail for
13 the year. On the left, you can see what did well,
14 private equity, real estate, timberland.

15 On the right, bonds, equities in
16 general. Emerging market debt is the farthest on
17 the right. Emerging markets equities hit very
18 hard. Interestingly, a 60/40 mix of stocks and
19 bond down 13 and a half percent.

20 And the PRIT Fund fared better. In the
21 middle in orange, you can see it was down
22 3 percent.

23 And the favorite slide of mine, the
24 quilt chart, you can see what drives the bus here

1 at PRIM. Private equity leads the way over all
2 time periods. Real estate, a very strong
3 performer. Global equities more volatile. In
4 this year, portfolio completion strategies, which
5 is mostly hedge funds, really helped buffer the
6 volatility in the equity markets and bond markets.

7 So that's the performance. Happy to
8 take any questions before moving to the next
9 agenda item.

10 TREASURER GOLDBERG: Again, any
11 questions for Michael?

12 Hearing none, Michael, we might as well
13 go on to the executive director fiscal year 2022
14 performance evaluation and fiscal year 2023 goals
15 and objectives.

16 This is where I turn it over -- it is a
17 voting item. However, I turn it over to my good
18 friend Bob Brousseau.

19 Bob, you need to unmute, though, because
20 we know you have terrific things to say. And then
21 I'll plan on adding to that when you're done.

22 MR. BROUSSEAU: Okay. Thank you, Madam
23 Chair.

24 Fortunately, I guess, Michael did a lot

1 of what I'm probably going to repeat today in
2 terms of the evaluation of the executive director
3 that we do annually and of course which is
4 required.

5 But first of all, let me say, as the
6 Treasurer has said many times, this is perhaps
7 Michael's least favorite day. And I would say
8 that after 12 years --

9 TREASURER GOLDBERG: Actually also the
10 day that we do executive compensation is -- that's
11 his least favorite. This is his second-to-least
12 favorite.

13 MR. BROUSSEAU: Okay. Second. Okay.

14 Well, after 12 years, Michael, I'm sure
15 you are now used to the whole process and what
16 we're doing. So I will just I guess ask you to
17 sit back, relax and enjoy it because certainly
18 there are not going to be any surprises here
19 today. And I'm sure that everything we heard
20 today is a far cry from what you were hearing
21 earlier in the year.

22 But anyway, just a little bit about the
23 process. As you probably know, we get new people
24 serving on committees. The board people have been

1 around for quite a while, but the annual
2 evaluation is an open session. State law requires
3 that our evaluation of the executive director be
4 held in open session.

5 My role as a board person, as chairman
6 of the Admin and Audit Committee, is simply to
7 coordinate the process and present a report to the
8 board. I do not evaluate the executive director.
9 Mine is one of nine trustees who do this. But I
10 must coordinate and present something to you so
11 you can either agree or you can further meet with
12 Michael. Your participation in this is certainly
13 encouraged and appreciated.

14 Michael's self-evaluation was sent to
15 the board and to the committee members on August
16 the 2nd. And it was sent for your information and
17 hopefully your participation.

18 Your participation is certainly
19 optional. There is no rule that says you had to
20 fill out a form, either the form that is used as a
21 discussion guide, or you did not have to contact
22 me. You could wait until today to do this
23 evaluation verbally at the end of my report, or
24 you could participate in it.

1 We encourage people to participate in it
2 because at least it gives me something to tell you
3 about Michael and also to lead this discussion, if
4 there is a discussion at the end of the report.

5 So I encourage board members to further
6 comment at the conclusion of this report.

7 So all evaluations serve, as we know, to
8 improve performance. And that should be the goal
9 of all performance is to improve performance. I
10 know probably some would say can we do better than
11 we have been doing now because we are near total
12 perfection from what I can hear the reports that
13 Michael has given us.

14 But first of all, I'd like to thank the
15 board and committee members for their part in this
16 process. Thirteen people participated in
17 Michael's evaluation, five board members and eight
18 committee members. And I believe that is the same
19 number who participated in this process last year.

20 This evaluation is used later this year
21 in November by the Compensation Committee to
22 recommend the compensation for the executive
23 director for the coming year.

24 In terms of the evaluation, Michael's

1 evaluation this year is the same as last year. In
2 other words, it's the same as last year, the same
3 as the year before that, the same as the year
4 before that, and the same as the year before that.
5 Actually, as far back as I can recall, Michael's
6 evaluation has been outstanding, and I would tell
7 you just all of the 13 replies that I received or
8 evaluations all stated basically the same thing,
9 that his evaluation is outstanding.

10 A challenging year for Michael, for our
11 staff and for PRIM definitely. In fact, as the
12 year started last spring when Michael gave his
13 report in March and again in June, I was reminded
14 a little bit of the classic novel, *The Tale of Two*
15 *Cities*. It begins, "It was the best of times; it
16 was the worst of times."

17 And as we looked at the year last year,
18 we were, at the end of the year, a 30 percent
19 return. We were nearing \$100 billion in assets.
20 The pandemic appeared to be abating a little bit.

21 Then came 2022, and as Michael told us
22 at one of the meetings, the world apparently
23 turned upside down on us. Market volatility. The
24 effects of the pandemic caused political and

1 economic malaise. Russia's invasion of the
2 Ukraine. Geopolitical tensions around the world.
3 The worst inflation in 40 years, and more and more
4 that we could list.

5 But that said, Michael and his amazing
6 staff, and he refers to them as his amazing staff,
7 continued to innovate and guide us through these
8 difficult times. And your evaluation did bear
9 this out.

10 As I looked through all these
11 evaluations, I tried to pick out some qualities
12 that did appear in all of the evaluations that
13 people gave him. And I just want to mention a few
14 of these qualities, and there were quite a few of
15 them.

16 Michael's management style does have
17 certain qualities that the more you work with him,
18 the more you realize not only Michael, but the
19 staff also, he is a leader. And we do know that
20 leadership starts at the top. And these
21 leadership skills were expressed in just about all
22 of the evaluations that I saw.

23 Another one, his collaboration. His
24 collaboration with staff, his collaboration with

1 our managers, his collaboration with board
2 members, committee members is superb.

3 Also his vision. A good leader has a
4 vision for the organization. And he certainly has
5 a vision, and he has kept the vision intact.

6 He is supportive. His communication
7 skills are excellent. You heard that this
8 morning.

9 Another one was unique, I thought.
10 Inclusivity. And Michael is an inclusive person,
11 and I think that bodes well for the successes that
12 we've experienced here at PRIM.

13 He is creative, and his expertise is
14 tremendous. His innovation. Another one here,
15 ethical. Michael is an extremely ethical person,
16 and he exudes this with all of the people that he
17 works with.

18 Also one can say his dedication to the
19 organization and to PRIM is above reproach.

20 Now, in terms of initiatives, we saw
21 this past year and people mentioned there in
22 evaluations the FUTURE Initiative that David has
23 been working on just about all of this year, the
24 diversity and inclusion of staff, and as we have

1 seen here, the implementation of the investment
2 equity law that the Treasurer worked so diligently
3 on and getting passed into legislature is being,
4 as we see here, applied here at PRIM very
5 successfully.

6 As Michael said today -- what was it?
7 61 percent of our staff is now diverse.
8 52 percent of the staff are female. This is just
9 an example of how we are moving in this area of
10 diversity and also with our investments.

11 The ESG initiative, the Sloan School
12 collaboration and the Russian divestment that they
13 had to deal with after the legislature by
14 legislation said we had to divest our holdings in
15 Russia, which as we know at one point could have
16 been as much as \$240 million, this was done, and
17 it was done as quickly as possible. And again, I
18 say we have to attribute that not only to our
19 staff, but again to Michael's vision as to what
20 has to be done here.

21 We heard today about the *Institutional*
22 *Investor* awards. Three were brought out, how PRIM
23 continues to get these awards. Michael is
24 recognized. And this just adds of course I think

1 to his standard, not only that, but his standing
2 here at PRIM and also in the investment world.

3 He mentioned the audits, the audits,
4 something we know are going to come, but they came
5 unannounced this year. The PERAC audit. The
6 audit from the state auditor. These were handled.
7 Again, all the requirements that have been put on
8 staff. And staff, as well as Michael, were able
9 to handle this very, very successfully.

10 We heard of the seminars and the board
11 education, committee education program throughout
12 the year. Another example. With all of this
13 going on in the world, Michael and the staff was
14 able to continue with this and to help PRIM to
15 grow.

16 PRIM staff has grown. They on-boarded
17 11 new people in the past year. We now have
18 55 people on staff, and hopefully there will be at
19 least half a dozen more hired this year also.

20 What I would like to do actually is to
21 share with you some of the commentary. I think
22 that people get used to that. You're saying,
23 well, probably Bob has exaggerated some of this.
24 And just to give you an idea of some of the

1 comments that were made, I've got a few of them
2 here, probably seven or eight that I would like to
3 share with you.

4 Here's one that came and says from one
5 of the evaluators, said, "We are still producing
6 superior returns in today's very challenging
7 market. Our returns place us in the top tier when
8 compared with our peers."

9 And this person also at the end said
10 that he had been reading an article how someone
11 was honored by their peers. And it referred to
12 the person as a gold standard. And this person
13 said, "I view that Michael Trotsky is the gold
14 standard for other executive directors here to
15 emulate." And I think that was certainly an honor
16 for Michael.

17 Another one of the evaluations, I'm
18 trying to pull these out here as they came to me,
19 stated, "While Michael always correctly credits
20 his staff for PRIM's successes, his leadership of
21 that staff has always been critical to its
22 success."

23 And the person gave some examples over
24 the last year of what Michael has been able to

1 accomplish. Here are some. The creation of the
2 PRIM ESG committee. Shepherding a huge growth of
3 the PRIT Fund in fiscal year 2021 to \$95 billion.
4 Continuing to foster a true sense of team at PRIM.
5 Continuing in a very collaborative relationship
6 with Treasurer Goldberg. Further developing
7 PRIM's research relationship with the MIT Sloan
8 School on ESG investing. Continuing the expansion
9 of diversity of our PRIM staff. Continuing
10 successful retention of PRIM staff. Once more
11 presiding over national recognition of PRIM and
12 PRIM staff for outstanding achievements. And
13 continued success of Phase II of Project SAVE.

14 Another evaluation states, "I think
15 Michael continues to do an outstanding job. We
16 are lucky to have him. He has helped shape an
17 impressive culture at PRIM, a culture of
18 collaboration that I assume will positively impact
19 returns over time. Relative to diversity and ESG,
20 which are two topics which many funds are focused
21 on, I think Michael has approached those topics in
22 a distinctive and creative way. I observed many
23 leaders during my career, and Michael is one of
24 the best I have seen."

1 And another comment stated that "The
2 pace of non-investment projects combined with
3 unusual market volatility can create strains on
4 the organization and particular staff that needs
5 to be understood and, if possible, planned for in
6 the time ahead. I am not aware of any specific
7 complaints. This observation is more of a
8 concern, as we have been in unusual times."

9 And this -- I said the idea that Michael
10 has told us how the strains and the extreme amount
11 of extra work that has been placed on our staff
12 during this very difficult period.

13 "PRIM, in my view, has been remarkably
14 successful in recruiting and on-boarding 11 new
15 full-time PRIM employees in the past 12 months. I
16 continue to be pleased, perhaps even amazed, at
17 the knowledge and experience of those I have met
18 and how they seem to fit into the team.

19 "The past year has been challenging for
20 everyone at PRIM, and Michael's continued
21 successful leadership has been very important to
22 the favorable results."

23 Another one stated, "Michael's broad
24 knowledge and attention to detail, combined with

1 his comprehensive vision and support of staff, has
2 kept PRIM as a top performer, even in a down
3 market in fiscal year 2022 and surely at the top
4 of the peer group.

5 "I take great pride as a PRIM Board
6 member in Michael's leadership and in the PRIM
7 staff, all of whom have worked so hard and so
8 smart in a very difficult investment environment."

9 Another evaluation highlighted four
10 areas of Michael's: his performance, people,
11 communications, strategy and leadership. And in
12 all of these, stated, "Not only does performance
13 continue to be terrific, but the methodology, the
14 process and the discipline continue to be superb,
15 giving us all comfort that what we're doing is
16 logical and repeatable."

17 Another one of the people, "Mike
18 continues to manage a complex organization towards
19 more capabilities and better people. It's been a
20 struggle to do this, but yet Michael has done it
21 very, very well."

22 And communications, "Mike is a
23 consummate communicator, and he needs that skill
24 because his constituencies are very different from

1 each other and quite numerous. Mike now
2 communicates with PRIM's beneficiaries and
3 clients, the state government, the Treasurer's
4 Office, the internal staff, the investment
5 industry, regulators and his own governance
6 committees, just to name a few."

7 And in strategy and leadership, "In an
8 ever more complex world, Mike continues to
9 catapult PRIM to strategic and thought
10 leadership."

11 TREASURER GOLDBERG: Is it my turn, Bob?

12 MR. BROUSSEAU: No. I'm just going to
13 conclude, I guess, in about two minutes, Madam
14 Treasurer, but these -- they're all the same, and
15 I just wanted to take about two or three more.

16 "I reviewed the discussion guide, and in
17 my opinion, he exceeds expectation and outstanding
18 in all areas. I would say the following about
19 Michael. I have the utmost confidence and respect
20 for him in the role of executive director. The
21 beneficiaries of this fund are lucky to have such
22 a great mind protecting their retirement security,
23 especially during volatile times."

24 And there were several more, and they

1 are all saying the very same thing in terms of
2 Michael's evaluation.

3 So having said that, Madam Treasurer,
4 I'm going to conclude this. I know I probably
5 spent a little too long, but I think for the
6 record, I think that it is noteworthy that when
7 the board does evaluate Michael, and with all that
8 he has done, I think it's important that the
9 record show that this is stated by people he works
10 with, especially the board people and the
11 committee people.

12 And at this point, I am going to turn it
13 back to you now so that if any members of the
14 board have any further comments or would like to
15 do their own evaluations, they can do so. Okay.
16 It is yours, before we go on to the goals and
17 objectives.

18 TREASURER GOLDBERG: Well, first of all,
19 Michael, is there a reason why you've turned
20 multiple shades of red in the last 10 minutes?

21 Michael, as you know, Bob and other
22 members of the board, actually becomes a little
23 bit embarrassed when we go on and on about his
24 performance. But I feel compelled to reiterate

1 many of the things that Bob quoted in comments
2 from other members of the board and the
3 subcommittees.

4 I was trying to remember this morning
5 just how many times I've gone through this, but in
6 December, Michael, you and I will have known each
7 other eight years, and I can say unequivocally
8 that you as an individual, as an executive
9 director, as a CIO, have continued to grow
10 tremendously in the role that you are in.

11 Using the word "exceed expectations," I
12 always had very high expectations of you, as you
13 have of yourself. And that's something that I
14 think that we're very fortunate, that you don't
15 rest on your laurels, that your strategies make a
16 great deal of sense. You support superlative
17 individuals within your organization, and that is
18 the key to success.

19 How you choose, how you lead and how you
20 support, beyond all of the items mentioned by Bob
21 and others in their comments. And to me, that is
22 an example of success. And when we say "exceeded
23 expectations," I know for a fact that you will
24 continue to raise the bar for yourself every

1 single year.

2 And consequently, I just want to
3 reiterate everything that's been said before. I
4 don't think we need to go any further.

5 I want to share with those who aren't as
6 familiar with Michael's and my working
7 relationship that it is open communication at all
8 times and that when my office -- and we have my
9 head of policy and legislative affairs on this
10 call. I also see my first deputy is on this call.

11 We work collaboratively. And in
12 particular keeping PRIM and its strategies on a
13 constant trajectory upward and working with
14 individuals within the organization, who are all
15 so incredibly talented.

16 So with that, I will turn it back in
17 terms of looking at goals and objectives for the
18 following year, but keep up the good work. I know
19 that you will be able to sustain us through
20 whatever volatility and uncertainty that we have,
21 moving through the next year. And we've done it
22 before. Knock wood, we will do it again, and we
23 will do it together.

24 So go ahead, Bob, move on to goals and

1 objectives unless there's anyone else who wants to
2 add anything. And that will be a voting item.

3 MR. BROUSSEAU: I think if any board
4 people because it is their evaluation, if they
5 want to just complete --

6 TREASURER GOLDBERG: Absolutely, though
7 I did say that.

8 MR. BROUSSEAU: They can be recognized
9 so they can do that.

10 TREASURER GOLDBERG: Anybody want to add
11 to this?

12 MR. BROUSSEAU: I'm going to add a
13 message for Michael. One of the evaluations says
14 that this person hopes that you are definitely
15 here for at least another decade.

16 TREASURER GOLDBERG: We have a deal
17 going on. I'm staying; he's staying.

18 MR. BROUSSEAU: Okay.

19 MR. NAUGHTON: Madam Chairman, I'd just
20 like to say a word, if I may.

21 TREASURER GOLDBERG: Absolutely.

22 MR. NAUGHTON: You know, with all of
23 those very superlative things that have been said
24 about Michael, I'm not going to repeat any of

1 those because I share them wholeheartedly. But
2 the one thing that strikes me is -- and I've been
3 around the block a few times at my age. I would
4 observe that Michael is one of the most even-
5 demeanored people that I know, had the pleasure to
6 know. And regardless of what the market or
7 politics or anything else has thrown his way, he
8 never, never shakes his approach, which is
9 positive, which has a sense of humor in it when
10 needed, and which I think provides the basis for
11 his superlative leadership of our wonderful staff.

12 And I just want to conclude my remarks
13 by saying, oh, if only the Red Sox had somebody
14 like him.

15 Thank you.

16 MR. TROTSKY: So thank you very much,
17 everyone, Treasurer Goldberg, Bob, Dennis, and
18 many others who have availed themselves of the
19 opportunity to speak with me, took time out of
20 their busy schedules to make appointments, phone
21 calls, in-person, to speak with me about the
22 performance evaluation. I appreciate that very
23 much.

24 It is very embarrassing to me, but also

1 your sentiments are heartfelt, and they mean the
2 world to me. It's great to have everyone's
3 confidence going forward in what I think may be
4 some challenging times ahead. We'll see.

5 But more than anything, I have to call
6 out the staff. We're lucky to have assembled a
7 group that in the words of many of you and myself
8 is second to none, not only in the pension fund
9 industry, but in the entire investment management
10 industry.

11 And it's an absolute pleasure to come to
12 work every day to be with them, to see them work,
13 to see the passion, drive and dedication, frankly,
14 to our mission here.

15 So they are the people that do all the
16 work. I may be the conductor, but they're doing
17 all the work, and they're fantastic at their jobs.

18 Now, the one thing that I've heard loud
19 and clear and is resonating is that there's always
20 room to improve. And I do believe that. And we
21 try to do that every year.

22 You may remember that long ago in my
23 career at Intel, I was mentored and got to meet
24 and be trained or indoctrinated, if you will, by

1 the late great Andy Grove, who was the founder of
2 Intel. I met him. It was a privilege of my life
3 to meet him, but he wrote the book called *Only the*
4 *Paranoid Survive*. That's the number 1 thing that
5 guides me.

6 The number 2 thing that guides me is a
7 famous quote from the also late great college
8 football coach Joe Paterno of Penn State. And he
9 said once, and it resonates, I think about all the
10 time, "If you're not getting better, you're
11 getting worse."

12 So those are kind of our philosophies in
13 terms of management here. And I think everyone
14 agrees that there's always room to improve. We're
15 looking around the organization at ourselves, at
16 myself, every single day. We take feedback from
17 coaches, board members, committee members, to try
18 to improve our performance every year. And you
19 have a guarantee that we will continue to do that
20 and not rest on our laurels, Treasurer Goldberg.

21 So thank you so much for really another
22 heartwarming and very meaningful review.

23 MR. BROUSSEAU: Treasurer Goldberg, I
24 guess the next part of this is the approval of

1 Michael's goals for 2023, and they're found in
2 Appendix D of the agenda, of the expanded agenda.
3 And it is a voting item.

4 TREASURER GOLDBERG: That is correct.

5 MR. TROTSKY: Right.

6 TREASURER GOLDBERG: So I will seek a
7 motion and a second that we approve Michael
8 Trotsky's fiscal year 2023 goals and objectives.

9 Is there a motion?

10 MR. BROUSSEAU: So moved.

11 MS. FITCH: So moved.

12 TREASURER GOLDBERG: Is there a second?

13 MR. NAUGHTON: Second.

14 TREASURER GOLDBERG: Are there any
15 questions or comments on --

16 MR. TROTSKY: I just have a few
17 comments. I'll be quick.

18 The goals --

19 TREASURER GOLDBERG: I just want to
20 share with those visually, if you can see. This
21 is the writeup, and so Michael put a lot of
22 thought into what he is going to be doing and
23 thinking about in the next year.

24 MR. TROTSKY: Right. And I assure you I

1 won't go into all those pages.

2 TREASURER GOLDBERG: We didn't think you
3 would, and I just wanted to let people know, this
4 is not a one-page --

5 MR. TROTSKY: Yes.

6 The goals and objectives really for
7 fiscal 2023 are very consistent with past years.
8 They include things like consistently
9 outperforming the PRIM benchmark, ensuring that
10 staffing levels are appropriate, high standards of
11 job conduct for everyone, communications, et
12 cetera.

13 What's new this year is what I will
14 highlight. And number 1 is no surprise, but a new
15 goal and objective is to establish and support the
16 new ESG committee, which you will be voting on
17 today.

18 And also a new one on here is to
19 successfully implement the FUTURE Initiative,
20 continue to be successful there.

21 In addition, in terms of human relations
22 and diversity and inclusion, we are going to
23 complete another pay equity study this year. We
24 did it I believe three years ago, and we're due

1 for it again this year.

2 We're going to continue our advocacy
3 work alone and also with the CFA Institute's
4 Global Diversity and Inclusion Advisory Committee
5 on their code of conduct, something I helped
6 create, feel passionate about, and we do advocate
7 for.

8 And then last, as we mentioned several
9 times already this morning and in the past, we are
10 resource-constrained. We're 55 people strong over
11 two floors here at 84 State Street. We have plans
12 to grow, at your urging and at the board's
13 approval to grow staff, and we are currently out
14 of space.

15 So a major goal of this year is to
16 complete a review of our office space suitability.
17 And also we're looking seriously at other options
18 so that we can all be on one floor rather than two
19 or three. Better for collaboration and better for
20 economics. And we'll be getting back to you with
21 plans on office space suitability and a possible
22 move.

23 That's it. Those are really the key
24 differences from last year.

1 TREASURER GOLDBERG: So are there any
2 other questions or comments from other members of
3 the board?

4 All right. Then we will proceed with
5 the roll call vote.

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 Okay then. Moving right along.

1 Congratulations, Michael.

2 We will move on to the diverse
3 investment manager, which is the FUTURE
4 Initiative, and this is an update. It is not a
5 voting item.

6 MR. GURTZ: That's right. Good morning,
7 everybody. I'm David Gurtz, here to give you a
8 very brief update on our FUTURE Initiative and the
9 activities over the last six months in particular.

10 I think Tony's going to show a slide 2
11 there. I'll just talk about this slide very
12 briefly.

13 First, we continue to allocate capital
14 to diverse managers. In the first half of 2022,
15 PRIM allocated or committed over \$1 billion to
16 diverse investment managers. And today, as
17 Michael mentioned, staff is recommending another
18 \$750 million to diverse managers.

19 In addition, our \$1 billion emerging-
20 diverse manager program, which is specifically
21 designed to reduce barriers for diverse managers,
22 is up and running. To date, our managers of
23 managers, which include Xponance, Bivium,
24 Cambridge Associates and Hamilton Lane, have

1 invested \$230 million with nine emerging-diverse
2 managers in four different asset classes. And
3 each asset class team is holding monthly meetings
4 with these manager of managers to discuss their
5 pipelines and potential next investments.

6 And at the last meeting, we recommended
7 committing to Insight Partners Vision Fund II.
8 This is a fund dedicated to investing in
9 emerging-diverse venture capital managers. And
10 PRIM's \$30 million commitment makes us one of the
11 largest limited partners in this very unique fund.

12 So in just in a few months, we've made
13 great progress on this exciting and new program.
14 We're off to a great start. We've got more to
15 come, lots more in the pipeline. So expect more
16 updates in the future.

17 Outside of investing, we continue to
18 enhance DEI reporting. As Michael announced
19 earlier, PRIM became a founding signatory and
20 champion of the CFA Institute's DEI code. Signing
21 this DEI code means we as an organization are
22 committed to embracing its core principles to
23 improve our workforce and the industry.

24 In addition, later this fall, Lenox Park

1 Solutions will conduct our second annual DEI
2 survey of our investment managers. This survey of
3 our managers' DEI metrics allows us to track the
4 efforts and progress our managers are making to
5 improve the diversity within their own
6 organizations.

7 And this information also helps us
8 prepare our annual report to the legislation,
9 detailing our progress toward the legislation's
10 goals. PRIM prepared and submitted our first
11 annual report to the legislation in January of
12 this year.

13 And finally, we continue to improve our
14 sourcing of diverse managers by getting the word
15 out that PRIM is open to working with diverse
16 managers. We continue to highlight the FUTURE
17 Initiative at conferences and in the press.

18 And it seems to be working as diverse
19 managers are telling us and our advisors that they
20 appreciate the initiative and the opportunity to
21 possibly work with PRIM.

22 And I think one example of this, as
23 Michael mentioned earlier, was him being invited
24 by the NAIC, which is the largest network of

1 diverse-owned alternative investment management
2 firms, to be an honorary co-chair of their
3 midsummer VIP event, which took place a few weeks
4 ago.

5 And again, as Michael mentioned at the
6 event, he met with many diverse firms, and we've
7 added a number of them to our pipeline of diverse
8 managers.

9 So we expect the second half of 2022 to
10 be just as productive as we continue to make
11 progress on the four keys to the FUTURE
12 Initiative. We'll continue to allocate capital to
13 diverse managers, as I mentioned. Today we're
14 recommending \$750 million to be invested by
15 diverse managers.

16 We'll continue allocating capital to the
17 emerging-diverse manager program, which directly
18 reduces barriers for diverse firms. We continue
19 to enhance DEI data and reporting. Lenox Park
20 will survey our managers again this fall, and
21 we'll complete by mid-January our second annual
22 legislative report on the progress we are making
23 towards the goals set forth in the legislation.

24 And finally, we continue to get the word

1 out to improve our sourcing and pipeline of
2 diverse managers.

3 So a quick, brief update, and happy to
4 answer any questions, if you have any.

5 TREASURER GOLDBERG: Are there questions
6 for David? At all?

7 Okay. Thank you so much.

8 And David, Chuck LaPosta and I actually
9 had a very fascinating conversation this week with
10 one of the new investment managers. What was
11 interesting is they were not aware of the degree
12 of work that has been done since 2014 in this
13 space for not only PRIM, but all of Treasury.

14 So they were fascinated by it and I
15 think very pleasantly surprised.

16 Wouldn't you agree?

17 MR. GURTZ: Absolutely. Yes.

18 TREASURER GOLDBERG: It was kind of an
19 interesting meeting.

20 MR. GURTZ: Yes. It was, it was.

21 TREASURER GOLDBERG: They thought they
22 were going to share some information with us.

23 MR. GURTZ: The other way around, I
24 think.

1 TREASURER GOLDBERG: But anyway, it goes
2 to show how committed and passionate they are.
3 And one thing that made us feel very confident was
4 their constant emphasis in outperformance.

5 MR. GURTZ: Yes.

6 TREASURER GOLDBERG: So we were happy
7 with the fact that they focused on the critical
8 thing for PRIM, which is their performance.

9 MR. GURTZ: Absolutely. Yes.

10 TREASURER GOLDBERG: With that, if there
11 are no other questions, we can move on to our
12 investment report, beginning with public markets.

13 MR. McELROY: Great. Thank you, Madam
14 Treasurer.

15 This is Michael McElroy. Let me just
16 make a few comments on the public market returns
17 in addition to kind of what's been talked about
18 already, as well as how we performed relative to
19 these markets.

20 As you know, the public markets, the
21 equities and the bonds represent about 60 percent
22 of the PRIT Fund. And given its diversification,
23 we expect it should weather market environments
24 like we've seen. Certainly the last two quarters

1 have been challenging. We saw both equities and
2 bonds down at the same time.

3 First let me comment on the equities
4 side and then shift over to the fixed income
5 environment.

6 So in the second quarter, we certainly
7 saw the acceleration of behaviors that we observed
8 in the first quarter. As noted, the developed
9 markets declined between 15 and 16 percent.

10 Emerging markets were actually a bit
11 stronger. They only declined about 12 percent,
12 and that was really due to China having a pretty
13 strong snap back, up 3 percent in the quarter,
14 though for the entire fiscal year, China was very
15 weak. Down 32 percent for the fiscal year.

16 For the whole fiscal year, as noted, the
17 developed and emerging markets returns were
18 negative. The aggregate global equity was down
19 about 16 percent.

20 Value or cheaper stocks outperformed the
21 growthier or more expensive stocks in all markets
22 in the second quarter. We saw this shift start
23 last year. We do expect it to continue, and we'll
24 talk about that with some manager recommendations

1 after this update.

2 On a benchmark-relative basis, we
3 performed in line in the second quarter. Our U.S.
4 managers slightly outperformed. Our non-U.S.
5 managers in aggregate slightly underperformed.
6 And that's mostly due to weaker performance from
7 our growth-oriented managers.

8 And for the full fiscal year, we saw a
9 similar profile with the U.S. managers slightly
10 ahead, the developed international managers
11 lagging and our emerging managers in line.

12 So even with the mixed performance that
13 we saw, the diversification, both by manager and
14 style, kept the overall global equity performance
15 in line with its benchmarks, albeit negative
16 benchmark returns.

17 From an interest rate perspective,
18 interest rates were higher across the yield curve,
19 and credit spreads did widen in the second
20 quarter, both compared to last quarter as well as
21 to a year ago.

22 So this increase in rates certainly
23 impacted performance in both our core and our
24 value-added fixed income portfolio. Though

1 absolute returns were negative by between 4 and
2 7 percent, on a benchmark-relative basis, the core
3 fixed income performed in line, and our value-
4 added fixed income, more of the credit-oriented
5 and emerging markets, slightly underperformed.

6 And though the credit spreads widened,
7 they still remain below the long-term averages and
8 really far from levels that we saw in either 2008
9 during the global financial crisis or in the early
10 parts of 2020 when the pandemic struck.

11 So there has been an increase in high-
12 yield bonds trading at what we'd call distressed
13 levels. However, default rates remain near
14 historic lows, and it's certainly something we
15 continue to monitor.

16 As we mentioned last quarter, inflation
17 continues to be a major theme. Though the current
18 headline inflation rate just below 9 percent is
19 higher than the last quarter, the longer term
20 inflation expectations are still running at around
21 2.5 percent. Inverted yield curve, where the
22 rates on the shorter maturities tend to be higher
23 than the longer maturities, this can often portend
24 a recession so we're asking our managers about

1 their views on the duration and the potential
2 depth of this, as well as how they're positioning
3 for a rebound, which inevitably will come, and
4 maybe we're in the midst of that right now.

5 Common themes related to inflation are
6 around the impact of energy prices and labor costs
7 and the ability of companies to be able to kind of
8 work through that in terms of being able to
9 increase prices to offset some of those pressures.

10 Though company fundamentals remain
11 strong, from what we hear from our managers, they
12 are expecting a bit of a turn over the next one to
13 two quarters.

14 And in terms of positioning and
15 portfolio characteristics, managers have been
16 reducing duration of the fixed income portfolios,
17 though as these assets have sold off, managers are
18 now starting to see some value in those longer
19 duration assets as they've really declined in
20 value.

21 On the equity side, the value-oriented
22 managers have been outperforming kind of the
23 longer duration growth managers. We're closely
24 monitoring this exposure between growth and value

1 within the aggregate PRIT portfolio as well as
2 other factors like debt burden that these
3 companies face in the event that rates continue
4 upward.

5 Overall, we continue to have very good
6 factor balance in the aggregate portfolio. And
7 then just finally in terms of risks, both
8 geopolitical and economic risks, the list remains
9 long. Volatility is high in both equity and fixed
10 income markets. It's been amplified by the war,
11 as well as the slowdown in China due to both kind
12 of the COVID lockdown, as well as property market
13 concerns.

14 Increasing energy prices, though they
15 have backed off more recently, have impacted
16 countries that are more externally dependent for
17 their energy needs.

18 And then we did see a selloff in
19 cryptocurrency in the second quarter as well.
20 This heightened some fears of contagion and
21 potential financial system stress, though those
22 concerns seem to have receded recently.

23 High volatility should be a good
24 environment -- and I've said this several times --

1 for our active managers to add value. Where
2 there's dispersion, there's good opportunity. But
3 because of the myriad of different risks that
4 we've seen, it's been fairly challenging to manage
5 this broad set of risks.

6 In aggregate, and I guess just to
7 finish, the aggregate risk of our overall equity
8 and fixed income portfolios currently and has
9 remained low.

10 So I'm happy to take any questions on
11 this update, or we could move to the next item.

12 TREASURER GOLDBERG: Any questions for
13 Michael?

14 Hearing none, so we can move on to the
15 voting item, which you're referring to the
16 approval of developed international, correct,
17 Michael?

18 MR. McELROY: Correct. Yes.

19 TREASURER GOLDBERG: So I'm going to
20 seek a motion in a second, and then I'll turn it
21 over to you to do an explanation.

22 MR. McELROY: Thank you.

23 TREASURER GOLDBERG: I seek a motion
24 that the PRIM Board approve the Investment

1 Committee's recommendation to approve the initial
2 allocations of up to \$450 million to Columbia
3 Threadneedle Investments, \$300 million to Causeway
4 Capital Management and \$250 million to Pzena
5 Investment Management to provide active investment
6 management services for a world ex-U.S. value
7 equity mandate as described in the expanded
8 agenda, and further to authorize the executive
9 director to take all actions necessary to
10 effectuate this vote.

11 Is there a motion?

12 MR. BROUSSEAU: So moved.

13 TREASURER GOLDBERG: Second?

14 MS. FITCH: Second.

15 MS. MCGOLDRICK: Second.

16 TREASURER GOLDBERG: Okay. Go ahead,
17 Michael.

18 MR. McELROY: Great. Thank you.

19 And as I think noted in the expanded
20 agenda as well, Appendices F and G have this
21 information that is on the screen here. You can
22 see some of Appendix F.

23 Let me start out with just kind of a
24 quick executive summary, and this will be on

1 page 2. And then I'll pass it over to my
2 colleague Andre Abouhala to kind of finish up.

3 But just as noted, our recommendation is
4 to hire three active managers for a world ex-U.S.
5 value equity mandate.

6 I would note that the search process was
7 very collaborative between the public markets
8 staff, between risk, as well as the research team
9 here at PRIM. And so I really appreciate
10 everyone's contributions and time committed to go
11 through the work required in order to identify
12 these three managers.

13 We expect that this funding will be
14 sourced from our current passive exposure so this
15 will increase the portion of international
16 equities that are actively managed. This has been
17 an area where managers have historically added
18 value relative to their benchmark. And we are
19 targeting funding for the beginning of October of
20 this year.

21 Just from kind of a top-down highlight,
22 I would just mention that hiring these managers
23 will help reduce manager concentration as well as
24 enhance the risk-return profile of our

1 international equities exposure. Currently, we
2 have five active managers that represent about
3 60 percent of this active international exposure.
4 So this just helps broaden out the opportunity set
5 for us. It gives us latitude to help us balance
6 some of those style exposures that I mentioned,
7 value versus growth.

8 And then as I mentioned, also
9 international value managers have historically
10 outperformed our benchmarks. This is an area
11 where active managers add value.

12 All three of these managers have long
13 and successful track records. Causeway and Pzena
14 are diverse investment managers. And Pzena, we
15 already have exposure in the emerging markets
16 portion of our global equity portfolio, so they're
17 a known quantity in terms of their style, how they
18 manage, and they've been very successful in the
19 emerging markets. And this does also give us
20 ample capacity to do further allocations, if so
21 desired.

22 So if no questions at my end, I'll pass
23 it over to Andre Abouhala to provide a little more
24 detail.

1 MR. ABOUHALA: Thank you, Mike.

2 Good morning, everyone. I'm Andre
3 Abouhala, investment officer on the public markets
4 team. We're on page 3 of the presentation.

5 So just to reiterate the recommendation,
6 we're seeking approval of an allocation of up to
7 1 billion to three active international value
8 equity managers: 450 to Columbia Threadneedle,
9 300 million to Causeway Capital Management and
10 250 million to Pzena Investment Management.

11 Funding for this investment will be
12 sourced from our existing passive world ex-U.S.
13 portfolio. Therefore, this allocation will not
14 change our exposure to equities. However, this
15 allocation will increase our active/passive split
16 from 60/40 to 70/30, a small change, but one that
17 will have an impact on our three most important
18 core investment considerations: risk, return and
19 cost.

20 From a risk perspective, the addition of
21 these three managers will marginally increase the
22 total risk of the portfolio, while moderately
23 increasing our active risk. This is primarily due
24 to the 1 billion shift from passive to active, not

1 because these managers are inherently riskier than
2 the existing active manager roster.

3 Active risk arises from the manager's
4 effort to outperform the benchmark. Naturally,
5 our passive account possesses zero tracking risk
6 with a beta of one.

7 All three managers we're recommending
8 today are within reasonable risk limits. Causeway
9 and Columbia are versatile, straddling both core
10 and value styles. This provides us
11 diversification and some flexibility in balancing
12 exposures as Mike stated, whereas Pzena has a
13 deeper value style with a slightly higher expected
14 risk. We expect Pzena to be more active versus
15 Causeway and Columbia over time.

16 From a return perspective, all three
17 strategies have demonstrated excellent alpha
18 capability versus the value benchmark over long
19 time periods. All have an information ratio of .5
20 or above since inception, indicating that they are
21 achieving appropriate excess returns for their
22 level of active risk.

23 I'd say what's most impressive is that
24 all three managers have outperformed the core

1 benchmark since inception, despite an enormously
2 challenging market environment for value
3 strategies over the past decade. These teams are
4 true survivors in what has been an unloved and
5 underappreciated style versus growth.

6 And lastly, in regards to cost, from an
7 absolute standpoint, international large cap is
8 the lowest cost asset class across PRIM's active
9 public equities. We were able to negotiate
10 competitive fee terms with each manager. For this
11 mandate, PRIM will pay a blended effective fee of
12 33 basis points on 1 billion in assets under
13 management.

14 And finally, who are these three
15 managers? They are established firms with large
16 institutional businesses. Causeway and Pzena are
17 diverse investment firms. Causeway is woman-
18 owned, and Pzena's portfolio management team is
19 women-led and diverse.

20 All have long track records of managing
21 international equity strategies. Each PM that
22 launched the strategy at their respective firm is
23 still managing or overseeing that strategy today.

24 And lastly, differentiated approaches to

1 portfolio management in construction. Causeway
2 utilizes a hybrid approach with the investment
3 team organized into two groups: fundamental and
4 quantitative. The fundamental team is responsible
5 for in-depth bottom-up research, while the
6 quantitative staff develops and maintains a
7 proprietary risk model which provides a roadmap
8 for portfolio construction. Both teams are led by
9 Sarah Ketterer and Harry Hartford, who cofounded
10 the firm in June of 2001.

11 Based in Boston, Columbia Threadneedle's
12 strategy is led by Fred Copper, who's been
13 investing in international markets for over
14 30 years. Their process is built on the blend of
15 fundamental, quantitative and macro analysis.
16 Their top-down framework is unique in that they
17 are seeking to understand where a particular stock
18 is in the business cycle and how the cost of doing
19 business is likely to change. This shows up in
20 their subtle positioning of the portfolio relative
21 to their macro views.

22 Pzena employs a classic value approach,
23 seeking to buy good businesses at low prices,
24 focusing on companies that are mispriced relative

1 to their historical earnings power. This strategy
2 is led by Allison Fisch, Caroline Cai and John
3 Goetz.

4 In addition to the three PMs, the
5 strategy is supported by a centralized investment
6 team. PRIM has an existing relationship with
7 Pzena and emerging markets where they manage
8 1 billion in assets, and they have outperformed by
9 over 2 percent net of fees since inception.
10 Ms. Fisch and Ms. Cai are portfolio managers for
11 that strategy as well.

12 For any more detail on the managers and
13 this search, Mike and I are happy to answer any
14 questions.

15 TREASURER GOLDBERG: Do we have
16 questions for Andre or Mike?

17 Thank you.

18 Hearing none, we actually can move on to
19 the vote.

20 Bob?

21 Did we lose Bob Brousseau?

22 MR. BROUSSEAU: No. Yes.

23 TREASURER GOLDBERG: Thank you.

24 MR. BROUSSEAU: You didn't lose me, no.

1 I was muted.

2 TREASURER GOLDBERG: I was all of a
3 sudden looking, and the screen changed.

4 Ruth Ellen?

5 MS. FITCH: Yes.

6 TREASURER GOLDBERG: Jim?

7 MR. HEARTY: Yes.

8 TREASURER GOLDBERG: Theresa?

9 MS. McGOLDRICK: Yes.

10 TREASURER GOLDBERG: Peter?

11 MR. MONACO: Yes.

12 TREASURER GOLDBERG: Dennis?

13 MR. NAUGHTON: Yes.

14 TREASURER GOLDBERG: Dennis Naughton?

15 MR. NAUGHTON: Yes.

16 TREASURER GOLDBERG: Carly?

17 MS. ROSE: Yes.

18 TREASURER GOLDBERG: Paul?

19 MR. SHANLEY: Yes.

20 TREASURER GOLDBERG: Myself, yes. The
21 motion carries.

22 MR. SHANLEY: Nice job.

23 TREASURER GOLDBERG: Thank you.

24 All right. Now we are moving on to

1 portfolio completion strategies with a performance
2 summary and then a follow-on investment
3 recommendation.

4 Bill?

5 MR. LI: That's correct. Thank you,
6 Madam Treasurer.

7 My name is Bill Li, senior investment
8 officer and director of portfolio completion
9 strategies.

10 First thing first, performance. For
11 the full fiscal year, portfolio completion
12 strategies was roughly flat, down by .8 percent,
13 outpacing benchmark by 56 basis points.

14 PRIT Hedge Fund had a slight decline
15 of 1.2 percent, still outperforming benchmark by
16 over 120 basis points. In comparison, the
17 market standard 60/40 mix detracted by 13.5
18 percent for the same period.

19 While PRIT Hedge Fund was not entirely
20 immune to the challenging backdrop, it continued
21 to provide diversification to the overall PRIT
22 Fund. Notably, CTAs, or trend followers,
23 capitalized on the trending commodities and
24 currencies.

Other substrategy types saw a dispersion

1 of outcomes, but in general found meaningful
2 buffer in their ability to express vigilance via
3 short-selling or hedging.

4 So if fiscal year 2021 rewarded equity
5 beta risk with lucrative returns, fiscal year 2022
6 was about those mindful of capital preservation
7 really persevering.

8 Our stable value funds had an excellent
9 year, delivering a positive 3.6 percent. Going
10 forward, within this stable value vertical, PRIM's
11 investment partners continue to emphasize a low
12 net exposure plus nimbleness to capture relative
13 values.

14 On the other hand, directional funds
15 understandably had a negative year. Despite a
16 negative 10.5 percent, it managed to weather
17 better than most other risk assets. After the
18 recent selloff, which was indiscriminate across
19 liquid assets, some directional managers started
20 presenting dislocated opportunities in pockets of
21 market.

22 To summarize PRIT Hedge Fund's fiscal
23 year, vigilance helped preserve capital. While
24 the plan is to continue being careful amid these

1 abundant uncertainties, we will also evaluate the
2 pockets of dislocations highlighted by our
3 investment partners.

4 As mentioned before, PRIM's style of
5 hedge fund investing focuses on security selection
6 alpha and structural alpha, namely selecting
7 assets at intriguing price, executed via a sound
8 operational setup. And we never lose sight of
9 that. Vigilance particularly proved to be our
10 friend in a down market. Meanwhile, we keep an
11 eye out for assets of clear upside. We love
12 asymmetric return profiles.

13 Vigilance coupled with a valuation
14 awareness, we believe, is the best approach to
15 survive and thrive across cycles.

16 In terms of the team's work plan this
17 new fiscal year, we continue to be all hands on
18 deck, checking in with the managers frequently,
19 monitoring positions and news daily, debating
20 investment thesis plus operational blocking and
21 tackling with immense help from Matt Liposky's
22 team as well as from Renee LeFevre's legal help.

23 With that, happy to answer any
24 questions, or we can move on to the next item.

1 TREASURER GOLDBERG: I am muted. I
2 apologize.

3 Are there questions for Bill?

4 Okay. Hearing none, we do have a voting
5 item. So I need to read our motion and get a
6 second, and then Bill will give us the explanation
7 on it.

8 I would seek a motion that the PRIM
9 Board approve the Investment Committee's
10 recommendation to approve a commitment of up to
11 \$125 million to JEN 8 LP as described in the
12 expanded agenda, and further to authorize the
13 executive director to take all actions necessary
14 to effectuate this vote.

15 Is there a motion?

16 MR. BROUSSEAU: So moved.

17 TREASURER GOLDBERG: Second?

18 MR. SHANLEY: Second.

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

21 MR. LI: Thank you.

22 This recommendation pertains to a re-up
23 investment, and Eleni Klempner will describe more
24 details here.

1 TREASURER GOLDBERG: Thank you.

2 MS. KLEMPNER: Thank you, Bill. Thank
3 you, Madam Treasurer.

4 This is Eleni Klempner, investment
5 officer in PCS.

6 Today we're asking for approval to re-up
7 to JEN Fund VIII. This is an established
8 relationship. We've invested in the preceding
9 three funds. They've performed well, delivering
10 an average IRR of over 24 percent across the
11 three. We're asking for 125 million for this
12 re-up.

13 We were 100 million in JEN 7, and the
14 target raise here is 650 million. That is also up
15 compared to the 550 million raised in Fund VII.

16 While we expect housing prices to
17 further moderate, there is still a severe housing
18 shortage of single-family homes in the JEN
19 submarkets. However, we are still supportive of
20 the JEN strategy, which is going to be the same as
21 in Fund VII. The main strategies are lot banking
22 and land repositioning.

23 In lot banking, JEN provides short-
24 duration high-yield financing to homebuilders.

1 There's an option contract, and a defined takedown
2 schedule in any example.

3 The secondary strategies are hybrid lot
4 banking and build-for-rent single-family. Neither
5 constitutes a dramatic part of the strategy. Each
6 will only take up an expected 10 percent of the
7 fund.

8 Us and Aberdeen have completed diligence
9 and are on board with subscribing.

10 With that, I'm happy to open up to any
11 questions.

12 TREASURER GOLDBERG: Are there any
13 questions?

14 MR. BROUSSEAU: One question, Madam
15 Chair.

16 Eleni, I know that we have been invested
17 in three previous funds, and I see the PRIM
18 commitments of 50 million, 50 million,
19 100 million. This is 125.

20 Are we fully committed to those, or did
21 we get only a partial commitment in the
22 investment? In other words, did they draw down
23 the entire 50, 50 and a hundred?

24 MS. KLEMPNER: Yes. That is their

1 strategy. They'll draw down completely. And
2 certainly in Fund VI and Fund V, those have been
3 completely drawn down already, and they have
4 already deployed much of the capital in Fund VII.
5 They raised that in 2020.

6 MR. BROUSSEAU: Thank you.

7 TREASURER GOLDBERG: Are there any other
8 questions?

9 Okay then. Hearing none, we will
10 proceed with our roll call vote.

11 Bob?

12 MR. BROUSSEAU: Yes.

13 TREASURER GOLDBERG: Ruth Ellen?

14 MS. FITCH: Yes.

15 TREASURER GOLDBERG: Jim?

16 MR. HEARTY: Yes.

17 TREASURER GOLDBERG: Theresa?

18 MS. McGOLDRICK: Yes.

19 TREASURER GOLDBERG: Peter?

20 MR. MONACO: Yes.

21 TREASURER GOLDBERG: Dennis?

22 MR. NAUGHTON: Yes.

23 TREASURER GOLDBERG: Carly?

24 MS. ROSE: Yes.

1 TREASURER GOLDBERG: Paul Shanley?

2 MR. SHANLEY: Yes.

3 TREASURER GOLDBERG: Myself, yes. The
4 motion carries.

5 Okay. Thank you, everybody.

6 That would be the end of portfolio
7 completion strategies, and we go on to private
8 equity with Mike McGirr.

9 MR. MCGIRR: Thank you, Madam Treasurer.

10 Global M&A activity slowed down
11 considerably in the first half of '22, down
12 21 percent compared to 2021.

13 Now, the vast majority of that can be
14 explained and attributed to the slowdown of
15 corporate mergers, whereas actually global private
16 equity and U.S. private equity actually saw slight
17 increases in the first half of 2022.

18 Now, I think it's important to note the
19 lagged nature of private equity as a lot of these
20 transactions in these headline statistics were
21 likely negotiated in late 2021 and 2022 before
22 much of the turmoil rolled through the public
23 markets and the global economy.

24 I think it's reasonable to expect a

1 continued slowdown in private equity activity in
2 the second half of 2022 as private equity
3 professionals appropriately consider this new
4 market regime.

5 It's clear, we're undergoing a deep
6 correction, especially in venture and growth,
7 which has unfolded in the public markets and is
8 now spreading through the private markets.

9 You can see how dramatically this has
10 affected the IPO market in particular. According
11 to Refinitiv, 2022 is on track to be the worst
12 year for U.S. listings, going back since 2009,
13 with IPOs having raised roughly 5 billion in the
14 first seven months so far this year. That's a
15 96 percent decline compared to 2021. So a big,
16 big change.

17 Unprofitable tech companies have also
18 seen a dramatic rerating or revaluing in the
19 public markets. Unprofitable publicly traded
20 software companies traded at 17.3 times forward
21 annual recurring revenue at the end of 2021. At
22 the end of 6/30 or the second quarter, they traded
23 at 5.1 times. That's a massive 70 percent
24 decline. Big rerating.

1 And publicly traded tech companies that
2 were darlings in 2021 like Coinbase have seen
3 their shares trade down dramatically.

4 In Q2 and into Q3, we're seeing examples
5 of private market down rounds with a notable and
6 well-publicized example being Klarna, the Swedish
7 fin tech company, which is now valued at
8 \$6.9 billion, that's an 85 percent decline from
9 its prior funding round back in June of 2021.

10 Moving to the debt markets. U.S. LBO
11 loan volume continue to be robust, although
12 overall cost of debt has increased with spreads
13 for new leveraged loans increasing to 525 to 550
14 basis points over SOFR. So that results in about
15 all-in yields around
16 9 percent for secured positions and in the double
17 digits for unsecured positions, which can change
18 the calculus for private equity buyers with more
19 expensive cost of capital.

20 Fundraising, however, has finally slowed
21 down. PitchBook calls this the most crowded
22 fundraising market in history as large allocators
23 are fully committed not only through 2022, but
24 well into 2023.

1 Turning to performance for the quarter,
2 as Michael had mentioned, private equity was down
3 2.5% gross or 2.75% net.

4 Now, that decline was less than the
5 decline of the public markets in Q1. Again, we're
6 talking about lagged performance here, whereas
7 the Russell 3000 for Q1 was down 5.3%, and the
8 MSCI Europe was down 8 percent.

9 The trailing one-year return for private
10 equity remains strong, 27 percent gross,
11 26 percent net. And that compares favorably to
12 the Russell and the MSCI Europe.

13 Some additional color for the quarter,
14 venture capital and growth equity gave back some
15 of their gains from last year. Venture was down
16 8 percent for the quarter and growth equity down 4
17 percent for the quarter, while buyouts were flat to
18 about down about 3 percent.

19 Currency, as we had mentioned earlier,
20 has also been a headwind as the dollar has
21 strengthened. We saw our Euro-denominated
22 positions detract about 25 basis points of Q2
23 performance.

24 The entire PE portfolio decreased to

1 16.9 billion, but increased as a percent of PRIT,
2 18.4 percent as of 6/30.

3 And a quick check-in on our commitment
4 pace for the rest of the year, including our
5 recommendation that Alyssa is going to take us
6 through shortly, we will have committed roughly
7 2.2 billion in funds and co-investments. And that
8 puts us on pace to reach our targeted goal for
9 calendar year 2022 of between \$2.7 and
10 \$3.3 billion.

11 And finally, I'll end with a
12 congratulations to the board and the entire PRIM
13 team on the recognition of our private equity
14 portfolio 10-year performance landing in the 98th
15 percentile. Very strong recognition. And I think
16 it's also important to note that in that top 10
17 list of public pensions, PRIM has the largest
18 private equity portfolio. So strong performance
19 at scale.

20 I'll stop my comments there on
21 performance and happy to take any questions on the
22 portfolio or the markets.

23 TREASURER GOLDBERG: I mean I just have
24 to chime in on the congratulations. So

1 particularly it's actually harder to do that at
2 scale than it is to do it on a smaller level.

3 So thank you, Michael, and all the folks
4 in your group.

5 Are there any other questions or
6 comments for Michael before we do move on to the
7 voting item?

8 Okay then. I'm going to seek a motion
9 that the PRIM Board approve the Investment
10 Committee's recommendation to approve a commitment
11 of up to \$200 million to TowerBrook Investors VI
12 LP as described in the expanded agenda, and
13 further to authorize the executive director to
14 take all actions necessary to effectuate this
15 vote.

16 Is there a motion?

17 MR. NAUGHTON: So moved.

18 TREASURER GOLDBERG: Is there a second?

19 MR. BROUSSEAU: Second.

20 TREASURER GOLDBERG: Okay. And
21 Christina is going to take that, correct?

22 MR. McGIRR: Alyssa will be --

23 TREASURER GOLDBERG: Alyssa. Sorry.

24 MR. McGIRR: -- recommendation.

1 TREASURER GOLDBERG: Looking in the
2 wrong box.

3 MS. FIORE: No problem.

4 Good morning, everyone.

5 MR. TROTSKY: Before you begin, Alyssa,
6 I'm sorry you have COVID, but happy that you look
7 relatively healthy and more happy that you're
8 doing this from home with COVID.

9 But take care of yourself and --

10 MS. FIORE: Thank you, Michael.

11 MR. TROTSKY: -- I hope you're feeling
12 okay.

13 MS. FIORE: Thank you. Yes. It's been
14 a mild case so far so I'm glad I could be here
15 this morning.

16 So I'm going to present TowerBrook
17 Fund VI. TowerBrook is one of our existing SMID
18 managers, and PRIM has invested in four prior
19 funds with TowerBrook since 2008.

20 The firm has a trans-Atlantic strategy.
21 They have headquarters in both London and New
22 York, and they invest in middle market buyouts in
23 the U.S. and western Europe.

24 While TowerBrook is a generalist firm,

1 they do have deep expertise in a few sectors such
2 as healthcare, consumer, industrials and the
3 financial services sector.

4 They are a value-oriented manager, and
5 they are looking to find companies that have some
6 element of complexity or are contrarian in nature,
7 but are also focused on companies that have
8 attractive free cash flow as well as growth
9 potential.

10 We are recommending a commitment of
11 200 million to Fund VI.

12 And I'll stop there and happy to take
13 any questions or comments related to TowerBrook.

14 TREASURER GOLDBERG: Any questions or
15 comments?

16 Hearing none, I think we will proceed
17 with the vote then.

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 And, Alyssa, I hope you feel better
13 soon.

14 Okay then. Moving along, Tim Schlitzer,
15 real estate and timberland.

16 MR. SCHLITZER: Thank you, Treasurer.
17 Good morning, everyone. Good to see you.

18 So I will not be referring directly to
19 any materials. I'm going to make a few comments
20 on performance in the portfolio, and then I'm
21 going to hand it over to Christina.

22 So let me just start with real estate,
23 and I'll just provide a few statistics here. So
24 at the end of the fiscal year, real estate was

1 10.6 percent of the fund. A fairly significant
2 increase there, up from 8.3 percent at the end of
3 the prior fiscal year. That's an increase in NAV
4 of 1.9 billion to 9.8 billion at the end of the
5 year.

6 In terms of transaction activity during
7 the fiscal year, we completed 17 transactions in
8 the private real estate portfolio. That's
9 1.3 billion in acquisitions, also two sales for
10 \$540 million approximately. So that's a net
11 acquisition number of \$730 million.

12 In terms of returns for the year, total
13 real estate returned 25.5 percent, which is well
14 above the long-term private index average of
15 approximately 9 percent, which is a 20-year
16 number. So we're cognizant of sort of where we
17 are in terms of the return cycle there.

18 The total return was driven by private
19 real estate at 34.4 percent. That's a levered
20 number. Our leverage, which does remain quite
21 conservative at 19 percent loan-to-value, added
22 about 670 basis points of additional return.

23

24 The private portfolio did outperform the

1 ODCE index, which was at 28.3 percent. That's
2 also a levered number.

3 I will just call out that we did
4 recently implement the new private real estate
5 benchmark, which is a different NCREIF benchmark,
6 which is that ODCE metric that I just mentioned.

7 PRIM's REITs were down 11.3 percent for
8 the year, tracking more to the public markets, but
9 outperforming the benchmark by 150 basis points.

10 More sort of qualitatively because it's
11 somewhat an elephant in the room and has been,
12 I'll just mention that the private returns do seem
13 unintuitive, particularly given the volatility in
14 the public markets.

15 We do not believe that our third-party
16 appraisals fully reflect market pricing today.
17 We're clearly in a period of price discovery. I
18 don't think that we're way off, but I think that
19 we're off. And I think that we'll probably
20 figure out more accurately where we are over the
21 next three to six months. Clearly repricing in
22 the debt markets is repricing the equity. And
23 again, we're sort of seeing that in real time.
24 It's a question of magnitude.

1 And we also are seeing in terms of
2 underwriting of new acquisitions that the strength
3 in operating fundamentals over the last year
4 coupled with higher economic uncertainty is
5 definitely leading to more conservative *pro formas*
6 in terms of the way that our managers are thinking
7 about the world and I think the way that we're
8 thinking about the world.

9 So I wanted to just sort of clarify how
10 we're thinking about valuations today.

11 In terms of portfolio construction,
12 we've had no major changes to our positioning in
13 terms of our major risk buckets or sector
14 exposures.

15 I did mention to the Real Estate
16 Committee that our active sector bets, which were
17 essentially overweights to multifamily and
18 industrial and underweights to retail and office,
19 are still intact but have decreased with the
20 benchmark change.

21 So we're adjusting a bit there, but we
22 continue to like our positioning, and we'll
23 proceed as we have in terms of those sector bets
24 and geographies as well.

1 I'll just mention that our public
2 exposure, meaning our REIT exposure, has shrunk
3 down to about 14 percent. We're comfortable with
4 that. That's been the plan the entire time. It's
5 been more a function of REIT returns versus the
6 private returns. But we like that portfolio
7 positioning, and I think we'll continue to add to
8 our private exposure and build around it.

9 So those are my comments on real estate.

10 Let me just say a few things about
11 timber, which represents 3.2 percent of the fund
12 currently versus 3 percent a year ago. That's a
13 fairly small increase, relatively speaking, in our
14 NAV of 100 million. We did not complete any
15 acquisitions during the fiscal year.

16 As Michael mentioned, performance was
17 pretty strong overall at 11.4 percent, slightly
18 under the benchmark, about 50 basis points.

19 We've seen strong timber prices in the
20 Pacific Northwest, with less strength in the South.
21 I'd say that the underperformance really lies in
22 that Southern portfolio. I'll call out a couple of specific
23 things.

24 We continue to replant our Florida

1 asset, which was hit by Hurricane Michael actually
2 four years ago now, but that still remains in a
3 period of reforestation, which is keeping the cash
4 returns low. That's impacting performance a bit.

5 We've also seen a little bit of negative
6 valuation in some of the Gulf region properties,
7 really just due to mill closures. And we think
8 that some of those mills may open back up. That
9 could be more short-term volatility, but I wanted
10 to call it out as well.

11 A little bit more generally in terms of
12 the environment on the operating side, I
13 mentioned strong prices in the Pacific Northwest,
14 a little less strong in the South. We're
15 continuing to see margin pressure due to high
16 labor and trucking costs. I don't think that that
17 has really receded at all. And it actually typically
18 increases a little bit in the spring and summer
19 because conditions are drier, and there's more
20 logging, more demand for those various inputs.

21 The home construction and renovation
22 market, which clearly drives demand in timberland,
23 is cooling. It's been mentioned prior to my
24 comments in this meeting.

1 Housing starts did decrease in July by
2 about 10 percent pretty evenly across the single-
3 family and multifamily segments. That July number
4 is almost 20 percent lower than last December's
5 number. So a fairly substantial drop in housing
6 starts. That's always a volatile number. I have
7 to say that. But that is a fairly substantial
8 drop.

9 Clearly, this is sensitivity to
10 borrowing rates, along with continued inflation
11 and materials and labor, which I think is
12 hindering sentiment and hindering those actual
13 start numbers and I think the homebuilders'
14 willingness to begin construction outside of their
15 existing pipeline.

16 I've said in the past, we continue to be
17 constructive in the long term in terms of housing
18 demand. There just has been so much underbuilding
19 in the U.S. over the past 10 years, we really are
20 underhoused in this country. But I do think in
21 the short term, it could be a little rocky.

22 We do have more conviction in the rental
23 market, both for existing and new product. Folks
24 that are pausing on buying houses are renting for

1 the time being, whether it be multifamily units or
2 single-family units.

3 And I think that's going to support the
4 market in the near term to a certain degree, at
5 least, until homebuilders are more ready to
6 build, hopefully with a lower rate environment and
7 some deflation in terms of their inputs as well.

8 So I'm going to leave it at that.

9 Always happy to answer any questions.

10 So good. So let me hand it over to Christina for
11 at least one recommendation.

12 TREASURER GOLDBERG: Okay. Go ahead,
13 Christina -- first of all, before you go ahead, I
14 am going to seek a motion and a second.

15 And so I would seek a motion that the
16 PRIM Board approve the Real Estate and Timberland
17 Committee's recommendation to approve an
18 investment of up to \$300 million to the Berkshire
19 Group Project Journey co-investment opportunity
20 as described in the expanded agenda, and further
21 to authorize the executive director to take all
22 actions necessary to effectuate this vote.

23

24 This is one of two voting items in real

1 estate and timberland.

2 So do we have a motion?

3 MS. FITCH: So moved.

4 TREASURER GOLDBERG: Do we have a
5 second?

6 MR. BROUSSEAU: Second.

7 TREASURER GOLDBERG: Okay. Go ahead,
8 Christina. Thank you.

9 MS. MARCARELLI: Thanks, Madam
10 Treasurer.

11 Good morning, everyone. I'm Christina
12 Marcarelli, a senior investment officer on the
13 real estate and timberland team.

14 The PRIM real estate team is
15 recommending an investment of up to \$300 million
16 in a co-investment opportunity with the Berkshire
17 Group, alongside Multifamily Value Fund V.

18 Berkshire is a vertically integrated
19 Boston-based firm. They've been around since 1966
20 and have focused almost exclusively on owning and
21 operating multifamily properties across the U.S.
22 through both equity and debt investments.

23 We think this is an interesting
24 opportunity to grow a relationship with an

1 existing manager in one of their primary
2 strategies. PRIM has been investing with
3 Berkshire since 2018 in both debt and equity
4 strategies.

5 As a reminder, at this time last year,
6 PRIM staff recommended and the board approved a
7 \$25 million investment in Berkshire's Multifamily
8 Value Fund V, along with a \$75 million co-
9 investment in a multi-property Texas apartment
10 portfolio.

11 The subject co-investment portfolio is
12 well-diversified and consists of multiple
13 properties across numerous southeast and southwest
14 sunbelt markets in the U.S., and this is a pending
15 traction.

16 The opportunity allows Berkshire and
17 PRIM to achieve significant scale in markets that
18 are experiencing economic tailwinds, while the
19 property level business plans provide for value-
20 add upside through both asset repositioning and
21 management improvement.

22 Berkshire will self-manage the assets,
23 as they typically do, through their property
24 management division, Berkshire Communities.

1 Berkshire has current property management
2 operations in all but one of these markets.

3 These properties target middle income
4 renters. Based on Berkshire's diligence, rents at
5 these properties are at the lower end of the
6 competitive set within each submarket, which
7 allows room to increase rents and still be within
8 attractive rent-income ratios.

9 The risks that we see with this
10 opportunity relate to potentially increased supply
11 and interest rate movement, in addition to
12 business plan execution risk.

13 We ran sensitivity analysis and are
14 comfortable with the returns if we experience
15 higher interest rates or exit cap rates or if rent
16 growth is dampened due to higher supply headwinds.
17 In addition, business plan execution risk is
18 partially mitigated because Berkshire has many
19 years of experience implementing this type of
20 strategy.

21 Overall, we feel this is an attractive
22 opportunity for several reasons, the first being
23 Berkshire is a multifamily specialist, and they
24 have operations in nearly all of these markets.

1 And we're continuing to expand a
2 relationship with an existing manager into a
3 strategy that they've been executing for many
4 years. And lastly, we're able to immediately
5 deploy capital at scale in very diversified
6 portfolio and add exposure to the multifamily
7 sector, which we continue to feel has tailwinds
8 and has been a defensive sector in past cycles.

9 So with that, I'm happy to open it up
10 for any questions.

11 TREASURER GOLDBERG: Are there questions
12 for Christina?

13 Hearing none, then we will proceed with
14 our vote.

15 Bob?

16 MR. BROUSSEAU: Yes.

17 TREASURER GOLDBERG: Ruth Ellen?

18 MS. FITCH: Yes.

19 TREASURER GOLDBERG: Jim?

20 MR. HEARTY: Yes.

21 TREASURER GOLDBERG: Theresa?

22 MS. McGOLDRICK: Yes.

23 TREASURER GOLDBERG: Peter?

24 MR. MONACO: Yes.

1 TREASURER GOLDBERG: Dennis?

2 MR. NAUGHTON: Yes.

3 TREASURER GOLDBERG: Carly?

4 MS. ROSE: Yes.

5 TREASURER GOLDBERG: Paul?

6 MR. SHANLEY: Yes.

7 TREASURER GOLDBERG: Myself, yes. The
8 motion carries.

9 Okay. Thank you.

10 We do have a second voting item, and so
11 I will first seek a motion that the PRIM Board
12 approve the Real Estate and Timberland Committee's
13 recommendation to retain the Altus Group for real
14 estate appraisal services as described in the
15 expanded agenda, and further to authorize the
16 executive director to take all actions necessary
17 to effectuate this vote.

18 Is there a motion?

19 MR. BROUSSEAU: So moved.

20 TREASURER GOLDBERG: Is there a second?

21 MS. FITCH: Second.

22 MS. McGOLDRICK: Second.

23 TREASURER GOLDBERG: Okay.

24 MS. MARCARELLI: I'll be doing this

1 recommendation as well.

2 TREASURER GOLDBERG: Okay. Thank you.

3 MS. MARCARELLI: But I want to give the
4 credit to Minching because Minching did all of the
5 work here; unfortunately has a bit of laryngitis
6 so is unable to speak.

7 So I will go ahead and give this
8 recommendation. The PRIM staff recommends
9 extending our engagement with the Altus Group for
10 three years to provide annual appraisal services
11 for each of PRIM's privately owned real estate
12 assets.

13 PRIM issued an RFP in April, which is a
14 standard process for appraisal services. PRIM
15 received seven responses, interviewed four groups
16 in June, and narrowed down the candidates to two
17 finalists.

18 After a thorough review, the evaluation
19 committee has determined that none of the
20 respondents could effectively match the incumbent
21 appraiser's package of pricing, depth of appraisal
22 resources and technology. Altus is one of the
23 largest appraisal service providers, with a global
24 platform and has significant experience serving

1 institutional investors and investment managers.

2 PRIM has had a good experience working
3 with Altus. They've provided PRIM with high
4 quality timely appraisal reports and have
5 demonstrated knowledge of PRIM's assets and the
6 markets where PRIM's assets are located.

7 Altus has also demonstrated their
8 continued investment in technology. They have
9 advanced platforms for managing the approval
10 process and compiling data to help analyze metrics
11 across properties and markets. And the system
12 improves our ability to analyze portfolio
13 performance and attribution.

14 Altus's technological capabilities,
15 coupled with pricing, which was significantly
16 lower than the next competitive group, their depth
17 of resources, distinguish them from other firms.

18 So I'm happy to open it up for any
19 questions.

20 TREASURER GOLDBERG: Are there questions
21 for Christina?

22 And, Minching, I totally get what you're
23 going through. About three weeks ago, I
24 completely lost my voice, and it took quite some

1 time to come back. So be sure and rest it.

2 MR. MONACO: Hey, Madam Treasurer. It's
3 Peter.

4 TREASURER GOLDBERG: Hi, Peter.

5 MR. MONACO: With apologies, could I
6 just hop back to Project Journey for a sec? I
7 have a question, just out of curiosity.

8 Hey, Tim, did you say what the rent
9 growth assumption was that you're using in the
10 base case IRR scenario?

11 I think I recalled from the memo that in
12 the first couple years, there is the assumption of
13 a strong loss to lease. I presume because they'll
14 be the upgrades in process.

15 But over the investment horizon, how
16 much are you going to take in rent? And sort of
17 related to that, what is the compound growth in
18 the NOI that drives that 15.7 IRR?

19 I mean it sounds like a strong project.
20 I'm asking just out of curiosity.

21 MR. SCHLITZER: Christina, why don't you
22 take that?

23 MS. MARCARELLI: Sure.

24 So, Peter, thanks for the question.

1 There is strong loss-to-lease
2 compression assumptions that Berkshire has. They
3 do believe that the in-place rents versus market
4 rents, there's a significant delta in between
5 those.

6 As far as specific underwriting
7 questions, happy to talk about it further offline.
8 It is a pending transaction that's very live right
9 now. So happy to go into more detail, Peter,
10 offline, if that's okay.

11 MR. MONACO: Sure. Sorry.

12 TREASURER GOLDBERG: Okay. So
13 meanwhile, we're about to take a vote on
14 Christina's -- well, the group's recommendation
15 for Altus Group.

16 Are there any additional questions with
17 respect to Altus Group?

18 Okay. Hearing none, we will proceed.

19 Bob?

20 MR. BROUSSEAU: Yes.

21 TREASURER GOLDBERG: Ruth Ellen?

22 MS. FITCH: Yes.

23 TREASURER GOLDBERG: Jim?

24 MR. HEARTY: Yes.

1 TREASURER GOLDBERG: Theresa?
2 MS. McGOLDRICK: Yes.
3 TREASURER GOLDBERG: Peter?
4 Peter?
5 Peter, are you on mute?
6 I wonder if he got disconnected.
7 MR. FALZONE: I still see his box on the
8 screen.
9 MS. McGOLDRICK: Still seeing him.
10 MR. MONACO: Not on mute. Can you hear
11 me?
12 TREASURER GOLDBERG: Oh, we can now.
13 Thank you.
14 MR. MONACO: Sorry. I don't know what
15 happened there.
16 Yes.
17 TREASURER GOLDBERG: Okay. Thank you.
18 Dennis?
19 MR. NAUGHTON: Yes.
20 TREASURER GOLDBERG: Carly?
21 MS. ROSE: Yes.
22 TREASURER GOLDBERG: Paul?
23 MR. SHANLEY: Yes.
24 TREASURER GOLDBERG: Myself, yes. The

1 motion carries.

2 MS. MARCARELLI: Thank you.

3 TREASURER GOLDBERG: Okay. Unless we
4 have any further questions for Tim and Christina,
5 we can move on to the next item on the agenda,
6 which is the finance and admin report with several
7 items under it.

8 Tony, is that you?

9 MR. FALZONE: That is me.

10 TREASURER GOLDBERG: It looked like you.

11 MR. FALZONE: Thank you, Madam

12 Treasurer.

13 Good morning, everyone. Tony Falzone,
14 deputy executive director and chief operating
15 officer.

16 I'm going to start on page 21 of the
17 expanded agenda, and there's a few things under
18 the finance and administration report, but the ESG
19 charter recommendation is the only voting item
20 today. So the proposed charter is at Appendix J.
21 And I'm going to start with a few words on the
22 process that brought us to the charter that's
23 being presented here today.

24 And I'll start at the very beginning.

1 At the February 17, 2022 board meeting, the board
2 voted and approved the Administration and Audit
3 Committee's recommendation to establish an ESG
4 committee to advise the board on ESG-related
5 matters and then to engage with Funston Advisory
6 Services to assist in developing a proposal for
7 the ESG committee structure and the charter.

8 After that vote, staff engaged with
9 Funston and developed a narrow scope of work for
10 the project. And Funston began by examining ESG
11 policies, practices, charters at other public
12 retirement systems, reviewed PRIM's own ESG
13 activities.

14 ESG isn't something where that is new to
15 PRIM. As you know, we have a history of proxy
16 voting in a very active way, along with the FUTURE
17 Initiative and our diversity initiatives.

18 So they looked at all of that and
19 familiarized themselves at very high level with
20 PRIM's governing documents such as the investment
21 policy statement, the charters.

22 And then held an educational session on
23 the ESG landscape for the board, committees and
24 staff. And then supported PRIM staff, Treasury

1 staff on the development of a draft charter.

2 In June, Funston issued an online survey
3 to all PRIM Board and committee members, seeking
4 feedback on the draft ESG committee charter. And
5 additionally, several board and committee members
6 requested follow-up telephone conversations to
7 discuss their survey responses.

8 We had a special Administration and
9 Audit Committee meeting on July 19, a few weeks
10 back, where Funston provided the summary of the
11 feedback they received from the survey responses,
12 telephone conversations. And then they presented
13 a revised draft of the ESG committee charter based
14 on board and committee member feedback and
15 recommended best practices.

16 So after discussing Funston's
17 recommendations, the Administration and Audit
18 Committee unanimously agreed to the draft version
19 of the ESG committee charter that, again, I
20 mentioned as an Appendix J.

21 They also agreed to consider several of
22 Funston's recommendations during a future more
23 comprehensive review of PRIM's governance manual.
24 As you know, we have an RFP that we'll be issuing

1 for a new governance consultant.

2 Also included in the package is a
3 redlined version of PRIM's governance manual,
4 attached as Appendix K. This incorporates the ESG
5 committee charter into our governance manual,
6 along with the amended Administration and Audit
7 Committee charter to reflect the corresponding
8 changes in proxy voting policy responsibilities.
9 And this is what we're presenting for a vote
10 today.

11 I just wanted to mention on the proxy
12 voting, that is the number one way we engage with
13 our underlying investment companies, and that is
14 why the recommendation was made to move it to the
15 ESG committee.

16 And I'm happy to answer any other
17 questions.

18 TREASURER GOLDBERG: Sorry about that.
19 I forgot I was on mute.

20 We can have questions now, and then
21 we'll do the motion and the second.

22 So are there questions for Tony?

23 Well, hearing none, I'm going to read
24 the motion. I seek a motion that the PRIM Board

1 approve the Administration and Audit Committee's
2 recommendations to adopt the amended PRIM Board
3 governance manual, which includes the draft ESG
4 committee charter and the amended Administration
5 and Audit Committee charter as described in the
6 expanded agenda, and further to authorize the
7 executive director to take all actions necessary
8 to effectuate this vote.

9 Is there a motion?

10 MR. BROUSSEAU: So moved.

11 MR. SHANLEY: So moved.

12 TREASURER GOLDBERG: Second?

13 MS. MCGOLDRICK: Second.

14 TREASURER GOLDBERG: Okay then. Any
15 comments or questions before we move on to a roll
16 call vote?

17 Hearing none, Bob?

18 MR. BROUSSEAU: Yes.

19 TREASURER GOLDBERG: Ruth Ellen?

20 MS. FITCH: Yes.

21 TREASURER GOLDBERG: Jim?

22 MR. HEARTY: Yes.

23 TREASURER GOLDBERG: Theresa?

24 MS. MCGOLDRICK: Yes.

1 TREASURER GOLDBERG: Peter?

2 MR. MONACO: Yes.

3 TREASURER GOLDBERG: Dennis?

4 MR. NAUGHTON: Yes.

5 TREASURER GOLDBERG: Carly?

6 MS. ROSE: Yes.

7 TREASURER GOLDBERG: Paul?

8 MR. SHANLEY: Yes.

9 TREASURER GOLDBERG: Myself, yes. The
10 motion carries. Very good.

11 Now, this is actually the end of the
12 public session, and so we will move --

13 Oh, wait. No. I'm sorry. Sorry,
14 sorry, sorry.

15 Whoa. Didn't want to steal your
16 thunder, Tony. We have the 2023 PRIM Board and
17 committee meeting schedule, legislative update and
18 other matters before we move on.

19 MR. FALZONE: Thank you.

20 And I want to say thank you to the board
21 and all the committee members that worked with us,
22 providing feedback for the ESG committee charter.
23 It was very helpful so I want to thank all of you
24 for that.

1 Moving on to what is my most difficult
2 job here, working on the board and committee
3 meeting schedule.

4 TREASURER GOLDBERG: And I help make it
5 more difficult, don't I?

6 MR. FALZONE: No, no. That's good. I
7 like a challenge.

8 TREASURER GOLDBERG: It's actually not
9 me intentionally. It's the four or five other
10 boards I also chair. So they all complement each
11 other.

12 MR. FALZONE: You're in very high
13 demand.

14 MR. MONACO: Maybe you're overboarded.

15 TREASURER GOLDBERG: Peter, you don't
16 always say much, but when you do, you're right on.

17 MS. FITCH: Well said.

18 MR. FALZONE: So I'm just presenting the
19 proposed schedule of next year's meetings to try
20 to limit some conflicts. A final draft will be
21 included in the November Administration and Audit
22 Committee meeting materials for recommendation to
23 the board in December. It's been distributed
24 around.

1 We're already looking for anyone that
2 has any conflicts. At your earliest convenience,
3 let me know, and we'll try to work with you.

4 I know that the newly formed ESG
5 committee is not on here. We have to see how that
6 takes shape, and then we can add those dates as
7 needed. So I'll just leave that right there.

8 Then legislative update. I know Emily
9 always offers to help me out with these updates
10 and is going to chime in.

11 TREASURER GOLDBERG: Emily is the best.

12 MS. KOWTONIUK: I'll take it.

13 So I'll be quick too. The big news
14 since we last met is that we now have a FY '23
15 budget in place, and that budget did include
16 \$100 million supplemental transfers to both the
17 PRIT Fund and to the state retirees benefit fund.
18 It also included a one-time increase to retiree
19 COLAs from 3 percent up to 5 percent.

20 So the governor signed all of those
21 portions of the budget. He did return, however,
22 language that was included by way of amendment by
23 the house that did require the governor to select
24 his public safety appointee from a list of three

1 nominated by MACRS.

2 So instead, he returned that with an
3 amendment requiring instead that the public safety
4 appointee be a member of the state retirees
5 system, the teachers retiree system or a
6 participating system in the fund.

7 The house rejected that amendment
8 offered by the governor and instead they replaced
9 the language, again reinserting that MACRS
10 nomination requirement, but keeping the
11 requirement that the appointee be a member of a
12 participating system.

13 So we haven't seen the senate act on
14 this language yet. It will still need to work its
15 way through the legislative process as if it were
16 a stand-alone bill. So it's something that we'll
17 be watching throughout the fall.

18 We do expect some action up at the State
19 House this fall. As you all have likely seen,
20 economic development bill, something that a lot of
21 folks are watching and expecting to see finished
22 either in whole or in part this fall.

23 So happy to answer any other questions
24 you all might have.

1 TREASURER GOLDBERG: Any questions for
2 Emily?

3 Okay. Hearing none, thank you, Emily.

4 Other matters, Tony. The operating
5 budget travel report, client services, or are we
6 all set?

7 MR. FALZONE: The travel report and the
8 operating budget are for informational purposes.
9 I'm happy to answer any questions.

10 TREASURER GOLDBERG: And they're
11 included. I just wanted to see if there were any
12 questions at all about them.

13 MR. FALZONE: And I do have client
14 services, if there are no questions, that will
15 give you just a quick update on the activity in
16 that area.

17 MR. DANIELE: Thank you, Tony.

18 Good morning to everyone. Can you hear
19 me?

20 MS. FITCH: Yes.

21 MR. DANIELE: My name is Francesco
22 Daniele, director of client services.

23 First, I want to thank the clients that
24 are participating remotely in this meeting. Thank

1 you for your attendance.

2 The client service team is very busy.

3 Currently, we have 30-plus meetings on the

4 calendar, both in-person and virtual.

5 I want to thank Emily Green and Laura

6 Strickland for their efforts in meeting our

7 clients' needs during these volatile markets.

8 Looking back to June, members of the

9 client service and cash team as well as Dave Gurtz

10 and Seth Gitell attended the MACRS conference. At

11 MACRS, Dave Gurtz and I held a PRIM fireside chat,

12 which we discussed, as you would expect, market

13 volatility, PRIM's core beliefs, diversification,

14 asset allocation, amongst the many topics.

15 The chat format was very well-received.

16 We had a lot of great questions and interaction

17 with the attendees. And it was very well-received

18 as I mentioned.

19 One administrative item for clients

20 looking to schedule an annual or quarterly

21 meeting, please reach out to us, to Laura, myself

22 or Emily. We're available to meet with you, both

23 in person and virtually.

24 If there are no other questions, back to

1 you, Tony.

2 MR. FALZONE: Thank you.

3 That's a wrap, I think.

4 TREASURER GOLDBERG: That's a wrap, I
5 think.

6 So we do have a few items in our
7 protected materials in our closed agenda.

8 So Renee, I don't have language to move
9 from one meeting to the next, nor do I have a link
10 for the next meeting.

11 MR. NAUGHTON: Nor do I.

12 MR. BROUSSEAU: I don't either.

13 MR. FALZONE: Treasurer, if I may, we
14 don't have an executive session per se, but we did
15 provide protected materials.

16 TREASURER GOLDBERG: Okay. That's what
17 confused me a little bit because typically -- very
18 often, we will end one meeting, begin another.
19 Okay.

20 So then this continues as the public
21 meeting?

22 MR. FALZONE: That's correct.

23 And all those items in the protected
24 materials were incorporated in the open agenda.

1 TREASURER GOLDBERG: Fine, okay.

2 MR. TROTSKY: There is no closed
3 meeting, and we seldom have them.

4 TREASURER GOLDBERG: Thank you.

5 Although I do not actually have the
6 motions for these items. So I'm just going to
7 have to wing it.

8 MR. FALZONE: No. We went --

9 MR. TROTSKY: We're done.

10 MR. FALZONE: All of the items that are
11 in the protected materials have been already voted
12 on.

13 TREASURER GOLDBERG: Oh, right. Call me
14 crazy.

15 MR. FALZONE: You're all right. You're
16 good.

17 TREASURER GOLDBERG: You're right. We
18 voted on all of them. TowerBrook, JEN.

19 MR. BROUSSEAU: It's all that
20 overboarding, Madam Treasurer.

21 TREASURER GOLDBERG: Look. I defy any
22 of you keeping all the pieces of paper straight
23 and acting relatively normal during all of these
24 meetings.

1 I would say I do pretty well,
2 considering. And I don't want to make any
3 mistakes, so there we go.

4 All right then. Well, unless there are
5 any other comments or questions from any other
6 members of the board, we have done a sterling job
7 staying on schedule and actually finishing a
8 little bit earlier than usual.

9 So I want to thank everyone in the staff
10 again. We've been having some very interesting
11 times in the market, and whomever I tell about our
12 performance in this market compared to benchmark,
13 they are extraordinarily impressed.

14 And I said that's the whole concept
15 behind a long-term strategy. And let's hope and
16 pray and believe because I believe that our
17 strategies work in both up and down markets.

18 And so I look forward to our next
19 meeting, and I thank you all for your kind
20 engagement.

21 MR. TROTSKY: Once again, I thank you
22 all for your support and recognition. We're
23 looking forward to a productive new fiscal year.

24 And just to make it perfectly clear for

1 the record because there is media on, there is no
2 executive session today and no closed meeting. So
3 we've covered everything.

4 MR. SHANLEY: Thank you.

5 TREASURER GOLDBERG: That was why there
6 was a smidge of embarrassment on my part a few
7 minutes ago.

8 So we do however have to have a motion
9 to adjourn. So I seek a motion to adjourn.

10 MR. BROUSSEAU: So moved.

11 MR. NAUGHTON: So moved.

12 TREASURER GOLDBERG: Is there a second?

13 MS. FITCH: Second.

14 TREASURER GOLDBERG: It is a roll call
15 vote.

16 Bob?

17 MR. BROUSSEAU: Yes.

18 TREASURER GOLDBERG: Ruth Ellen?

19 MS. FITCH: Yes.

20 TREASURER GOLDBERG: Jim?

21 MR. HEARTY: Yes.

22 TREASURER GOLDBERG: Theresa?

23 MS. MCGOLDRICK: Yes.

24 TREASURER GOLDBERG: Peter?

1 MR. MONACO: Yes.

2 TREASURER GOLDBERG: Dennis?

3 MR. NAUGHTON: Yes.

4 TREASURER GOLDBERG: Carly?

5 MS. ROSE: Yes.

6 TREASURER GOLDBERG: Paul?

7 MR. SHANLEY: Yes.

8 TREASURER GOLDBERG: Myself, yes.

9 Motion carries.

10 Thank you.

11 (Meeting adjourned at 11:54 a.m.)

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