

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

Minutes of the Board Meeting

Thursday, December 1, 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
- Dennis J. Naughton
- Carly Rose
- Paul E. Shanley, Esq.

Other Attendees (partial list):

- Adam Barnett, McLagan
- Anthony Falzone
- Alyssa Fiore
- David Griswold
- Emily Kowtoniuk
- Renee LeFevre
- Sarah Kim
- Chuck LaPosta
- Bill Li
- Christina Marcarelli
- Michael McElroy
- Michael McGirr
- Maureen Reilly, McLagan
- 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 December 1, 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 PRIM
9 Board meeting, Thursday, December 1. This meeting
10 will be held in accordance with the provisions of
11 the Massachusetts Chapter 22 of the Acts of 2022,
12 the provisions, which was signed into law on
13 February 15, 2022, and most recently amended on
14 July 16, 2022, that includes an extension until
15 March 31, 2023 of the remote meeting provisions of
16 the March 12, 2020 Executive Order suspending
17 certain provisions of the Open Meeting Law.

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

1 All persons speaking at today's meeting
2 are asked first to identify themselves. Also the
3 Open Meeting Law requires anyone wishing to record
4 a meeting to first notify the chair so the chair
5 can inform the other attendees.

6 Accordingly, I am informing you all that
7 stenographer Virginia Dodge from Lexitas is
8 transcribing and also recording the meeting.

9 And, Tony, please share with us who else
10 intends to record the meeting today.

11 MR. FALZONE: Colin Young from State
12 House News Service will be recording the meeting
13 as well.

14 TREASURER GOLDBERG: Hello there, Colin.
15 We missed you at Lottery this week.

16 Now, if anyone else does intend to
17 record the meeting, please notify Seth Gitell by
18 email at sgitell@mapension.com.

19 Additionally, the Attorney General's
20 guidance on holding remote meetings reads as
21 follows. At the start of the meeting, the chair
22 must announce the name of the member or members
23 who are participating remotely.

24 I will now announce the names of all

1 PRIM Board members who are participating remotely
2 in today's meeting. Myself, Treasurer Deb
3 Goldberg. Robert Brousseau, Ruth Ellen Fitch,
4 James Hearty, Theresa --

5 I don't believe Theresa is attending
6 today.

7 MR. FALZONE: She is unable to make it
8 today.

9 TREASURER GOLDBERG: Right.
10 Peter Monaco, Dennis --

11 MR. FALZONE: Similarly.

12 TREASURER GOLDBERG: Sorry?

13 MR. FALZONE: Similarly, he is unable to
14 make it today.

15 TREASURER GOLDBERG: Okay. Dennis
16 Naughton, I saw you.

17 Carly Rose, who I know will have to
18 depart at some point.

19 And Paul Shanley.

20 MR. FALZONE: Sorry to interrupt one
21 more time, Treasurer. I don't see Carly yet.
22 We're working to make sure she can get on.

23 TREASURER GOLDBERG: Do we have -- let's
24 see. So we're missing three people and --

1 MR. FALZONE: We still have a quorum.

2 TREASURER GOLDBERG: I was just checking
3 that right now.

4 Okay. With that, I will turn to the
5 first item on the agenda, which is the consent
6 agenda. Just looking for our votes.

7 I would seek a motion that the PRIM
8 Board approve the following consent agenda items
9 as described in the expanded agenda.

10 One, approval of the PRIM Board minutes
11 of August 17, 2022; approval of draft fiscal year
12 2022 annual comprehensive financial report; three,
13 approval of the PERAC examination report for the
14 period July 1, 2014 to June 30, 2019; four,
15 approval of the proposed 2023 PRIM Board and
16 Committee meeting schedule; five, approval of the
17 Information Technology Consulting Services
18 recommendation; and six, approval of the
19 investment legal services request for
20 qualifications recommendations, and further to
21 authorize the executive director to take all
22 actions necessary to effectuate this vote.

23 Is there a motion?

24 MR. BROUSSEAU: So moved.

1 MS. FITCH: So moved.

2 TREASURER GOLDBERG: Is there a second?

3 MS. FITCH: Second.

4 TREASURER GOLDBERG: I just want to
5 comment that all of these items have been
6 discussed in other appropriate subcommittee
7 meetings. And with that, I will proceed to the
8 roll call vote.

9 Bob?

10 MR. BROUSSEAU: Yes.

11 TREASURER GOLDBERG: Ruth Ellen?

12 MS. FITCH: Yes.

13 TREASURER GOLDBERG: Jim?

14 MR. HEARTY: Yes.

15 TREASURER GOLDBERG: Dennis?

16 MR. NAUGHTON: Yes.

17 TREASURER GOLDBERG: Paul?

18 MR. SHANLEY: Yes.

19 TREASURER GOLDBERG: Thank you. Myself.

20 Motion carries.

21 Okay. Item number 2 on the agenda is
22 the executive director's report. Michael?

23 MR. TROTSKY: Okay. Can everyone hear
24 me?

1 TREASURER GOLDBERG: Yes.

2 MS. FITCH: Yes.

3 MR. TROTSKY: Excellent.

4 Welcome. Can you believe it's
5 December 1?

6 TREASURER GOLDBERG: No, I can't.

7 MS. FITCH: No.

8 TREASURER GOLDBERG: No, I actually
9 can't.

10 MR. TROTSKY: Amazing.

11 So thank you, all, for attending.

12 First, I'd like to congratulate you,
13 Treasurer, on your recent reelection for your
14 third term as Treasurer and Receiver General. As
15 we've discussed, you won by a landslide and
16 received the most votes of any candidate running
17 for statewide office so congratulations to you.

18 Obviously, we're all looking forward to
19 working with you over the next four years and
20 maybe beyond, as you hinted.

21 TREASURER GOLDBERG: Uh-oh. Colin's
22 listening. That will end up on State House News.

23 MR. TROTSKY: We all at PRIM are very
24 thankful to you for your unwavering support of

1 PRIM and the important mission that we have here.

2 Next, as you may know, this is Jim
3 Hearty's last board meeting as an appointee of
4 Governor Baker to the board. Jim has been
5 affiliated with PRIM for more than 20 years as a
6 board member, as a committee member and even as
7 executive director for three years.

8 We want to thank you, Jim, for your many
9 years of service to PRIM and to the Commonwealth
10 of Massachusetts. So thank you so much. And I'm
11 sure on behalf of the board and staff, we wish you
12 well.

13 MR. HEARTY: Thank you, Michael.

14 MR. TROTSKY: Today, we have a very busy
15 agenda, and it's actually very exciting. First,
16 in a very important step, you will vote today on
17 the composition of the new ESG committee that we,
18 along with the Treasurer's team, have been working
19 on for several months now. We're excited to reach
20 this important formation stage, and that will come
21 I believe right after my remarks.

22 Later in the agenda, PRIM staff will be
23 presenting for your approval seven investment
24 recommendations totaling \$775 million. And you

1 will also vote on the fiscal year 2022 audit
2 results, which were once again clean opinions.

3 But first, as usual, I'll cover some
4 organizational updates before I turn to markets
5 and PRIT Fund performance, and we'll be reviewing
6 performance for the period ending September 2022.

7 First, we're happy to announce one new
8 employee and four new promotions this year.

9 Jessica Murphy, new employee, joined
10 PRIM in October as the manager of performance
11 reporting. And she comes to us from Bank of New
12 York Mellon, where she served as lead manager
13 within the bank's performance reporting group.
14 She's extremely familiar with us at PRIM, having
15 served as our main point of contact for all
16 performance reporting matters for the past
17 13 years. And she brings more than 16 years of
18 performance reporting experience to the
19 organization. She oversaw while at Mellon
20 performance reporting for many other large public
21 pension funds, endowments and corporate clients.

22 She earned her bachelor of science
23 degree in economics and finance from Bentley. And
24 she'll report to Matt Liposky, our chief

1 investment operating officer.

2 Please join me in welcoming Jess. We're
3 looking forward to your contributions, and I know
4 that you're off to a fast and good start.

5 Four promotions. First, Sara Coelho was
6 promoted to finance manager. She was hired in
7 November of 2018 and has really excelled, first as
8 a corporate accountant and then as a senior
9 corporate accountant. And we count on her to
10 ensure that PRIM's month-end close goes smoothly
11 and is accurate.

12 Sara has also expanded her role with
13 payroll, time and attendance, and benefits by
14 becoming expert with the Replicon human resources
15 system. She's also taking on a much larger role
16 with the supervision of finance staff, and she
17 reviews a large volume of their work on a regular
18 basis.

19 She has a bachelor of science in finance
20 and accounting from Northeastern.

21 Next, Mini Kouame was promoted to
22 investment officer on the research team. He was
23 hired in July of 2021. And he's responsible for
24 several research initiatives, including ESG and

1 blockchain research.

2 And he has a very unique background, an
3 MBA from ESCP Europe, a top university in Europe,
4 and a master's degree from the Harvard Kennedy
5 School.

6 And prior to the Kennedy School, Mini
7 spent eight years in management consulting. He's
8 also enrolled currently in the prestigious CQF,
9 certificate in quantitative finance, where he'll
10 continue to build on his data skill set.

11 Next, Liu Liu was promoted to investment
12 officer on the PCS team. She was first hired as
13 an intern in 2017, and she quickly gained the
14 confidence of her managers and was actually
15 offered a full-time position from an intern in
16 September of 2018.

17 Working here, she's earned her CFA
18 charter and also her CAIA charter. She has a
19 master's in finance from Brandeis and a bachelor's
20 degree in finance from Shanghai Jiao Tong
21 University.

22 She's a very hard worker, and her
23 proactiveness, open-mindedness, approachability make
24 colleagues enjoy collaborating with her very

1 much.

2 And the last promotion, last but not
3 least, Chuck LaPosta was promoted to director of
4 fixed income on the public markets team. He was
5 hired in September 2013, and he's really
6 established himself as our resident fixed income
7 expert and is an invaluable member of the team.
8 You hear from him frequently.

9 Chuck continues to identify unique
10 opportunities by working collaboratively with
11 other PRIM asset teams, including today, you'll
12 hear about his work with Christina Marcarelli on
13 the real estate team. And he also works with Bill
14 Li on the PCS team identifying other credit
15 opportunities.

16 He's an excellent communicator of fixed
17 income investments, concepts and trends, which as
18 you know, can be quite complex and mathematical.

19 So congratulations to all four of you on
20 your much deserved promotions.

21 In the area of recognition, on
22 September 13 at a ceremony in New York City,
23 *Institutional Investor* recognized PRIM for our
24 leading work on ESG by bestowing on PRIM and our

1 partners at the MIT Sloan School Aggregate
2 Confusion Project the, quote, "Partnership of the
3 Year" award.

4 And as you know, this project works to
5 reduce the level of noise in ESG measurement, and
6 it does so by improving data available to managers
7 and allocators.

8 We extend our congratulations to the
9 entire team that worked on this and to PRIM's
10 director of research, Maria Garrahan, who spoke on
11 behalf of PRIM on accepting the award.

12 This recognition reflects the leading
13 role our team and our partners are playing in
14 driving the research in this evolving area. I
15 believe PRIM and our partners have been well ahead
16 of the curve in identifying and fixing the data
17 inconsistency problems that have been highlighted
18 more recently in our industry.

19 So congratulations. Much deserved
20 recognition.

21 Next, Tony Falzone, PRIM's deputy
22 executive director and chief operating officer,
23 along with Jay Leu, PRIM's director of risk, were
24 recently selected by the Treasurer as recipients

1 for this year's performance recognition program.
2 Each of them has been selected to receive a
3 citation from the Treasurer this month at a
4 ceremony to recognize their outstanding
5 performance in their respective areas.

6 So congratulations to you both. And
7 thank you very much, Treasurer, for acknowledging
8 their tremendous contributions to PRIM.

9 In addition, the Governor's office
10 informed us that PRIM's FUTURE Initiative, that's
11 our firm-wide effort to increase the use of
12 diverse investment managers and vendors, has been
13 selected for the Commonwealth Equity in Governance
14 Award. That ceremony will be held by the
15 Governor's office on December 14 at the Boston
16 Convention Center.

17 Congratulations to Dave Gurtz and the
18 entire team for the work to create and execute
19 PRIM's FUTURE Initiative. That's the program to
20 implement the investment equity legislation that
21 was created and championed by the Treasurer and
22 her staff and signed into law in January of 2021.

23 So congratulations to the entire team,
24 including the Treasurer and your team, for this

1 outstanding recognition.

2 And last, the Treasurer has been
3 selected to receive the Northeast Women in Public
4 Finance Freda Johnson Lifetime Achievement Award.
5 And this award recognizes a woman who exemplifies
6 the qualities that Freda Johnson brought to our
7 industry as, quote, "a trailblazer, a leader, an
8 innovator and a mentor."

9 And I think that describes you very
10 well. Congratulations.

11 I believe that ceremony is coming up
12 shortly too.

13 TREASURER GOLDBERG: Next Tuesday night.

14 MR. TROTSKY: Excellent.

15 TREASURER GOLDBERG: Thank you.

16 MR. HEARTY: It occurs to me, Madam
17 Treasurer, that I may be the only person on the
18 board that actually knew Freda. She was a
19 wonderful credit analyst.

20 TREASURER GOLDBERG: Yes. Well,
21 actually I know her also, but only through having
22 met her in the last couple years. She's amazing.

23 MR. HEARTY: Yes. She's very --

24 TREASURER GOLDBERG: She's absolutely

1 brilliant. Her husband also worked with -- he was
2 in the investment business and worked with I
3 believe Massport and maybe one other agency up
4 here, but quite a dynamic couple.

5 And I look at her, and for her to be
6 giving me an award was just really thrilling
7 because she is everything that the award describes
8 and more. So it's exciting.

9 MR. HEARTY: When you see her next,
10 please give her my very best.

11 TREASURER GOLDBERG: She will be
12 actually introducing me next week, so I will
13 definitely tell her.

14 MR. HEARTY: Thank you.

15 MS. FITCH: Can I ask? Where is the
16 ceremony?

17 TREASURER GOLDBERG: It's in New York
18 City, and I hope it's not too cold. You have to
19 dress really nicely.

20 MS. FITCH: Yes. Yes. I get it.

21 TREASURER GOLDBERG: Be all bundled up.

22 MS. FITCH: Thank you.

23 MR. TROTSKY: Great news on all fronts,
24 and congratulations to everybody again.

1 TREASURER GOLDBERG: Thank you.

2 MR. TROTSKY: Turning to an update on
3 financial markets and PRIT Fund performance,
4 really the global challenges are all familiar to
5 us by now, and they persisted into the September
6 quarter. The results which we will review today
7 are really stronger than the markets and stronger
8 than most of our peers, and we are pleased with
9 the resiliency of the fund and its performance
10 over all time periods, including in the September
11 quarter and throughout several different market
12 environments.

13 During the September quarter, COVID
14 continued with a significant number of daily cases
15 in the U.S. and worldwide, while the flu and other
16 respiratory illnesses, namely RSV, were also on
17 the rise. Interest rates remained stubbornly
18 high, and inflation remained at multi-decade
19 highs. Markets digested slowing economic growth
20 worldwide, tightening monetary policies worldwide,
21 the brutal Russia-Ukraine war and continued
22 geopolitical tensions.

23 We can add to that mix continued supply
24 chain disruptions, food, energy and labor

1 shortages. All of this provided a significant
2 headwind for economies and financial markets in
3 the September quarter, making it the third
4 consecutive quarter of market declines.

5 Now, we should expect market drops and
6 economic cycles to impact the PRIT Fund
7 periodically. This was one of those periods
8 unfortunately.

9 While the September quarter was
10 difficult and the fund was down slightly, it was
11 down 4.7 percent net, that compared to a 60/40
12 mix, which was down more. It was down 6 percent.

13 And there is a silver lining. The
14 silver lining is that market downturns create good
15 buying opportunities, and the PRIM team has been
16 busy identifying and investing in many new
17 opportunities. In fact, our deployment of capital
18 to new ideas of \$6.9 million last fiscal year was
19 a 58 percent increase over the previous year.

20 And in this quarter, with your votes, we
21 will deploy approximately 800 million of capital
22 to new ideas.

23 In addition to new ideas, we adhere to
24 our monthly rebalancing discipline. And that

1 enables us to redeploy capital to the hardest hit
2 areas. Our rebalancing trades last fiscal year
3 exceeded \$8 billion. And in the first five months
4 of this fiscal year, that's July through November,
5 rebalancing trades exceeded \$3.5 billion.

6 That's the silver lining. We're buying
7 the dips in the downturns and maintaining our well-
8 balanced diversified portfolio.

9 Now, the really good news is that the
10 recent deployment of capital that I just described
11 has served us very well this quarter because of
12 the significant rebounds in the markets since the
13 end of September. And now we have two months.
14 November is in the books. It ended yesterday. So
15 we have October and November market performance
16 behind us.

17 And while markets were down
18 significantly for the 12-month period ending
19 September, the markets again have bounced back
20 strongly. The S&P 500, for example, was down more
21 than 15 percent for the 12-month period ending
22 September.

23 But this is the good news. It has
24 gained back more than 14 percent in October and

1 November alone. And that means the S&P has gained
2 back nearly the entire 12-month loss in only two
3 months' time.

4 This is very welcome news obviously, and
5 we're hopeful that this trend, the recent strength
6 in the market, continues.

7 But to recap, the September quarter,
8 which is the performance reporting today, the
9 selloff continued a trend that began at the
10 beginning of the calendar year. We've had three
11 straight quarters of market declines. And this is
12 both painful, obviously, and it's also historic.
13 Not since 1976 have we experienced three
14 consecutive quarters where both equities and bond
15 returns were negative. Both equities and bonds
16 were down each quarter, in the March quarter, in
17 the June quarter and again in the September
18 quarter.

19 For example, in the September quarter,
20 the S&P was down nearly 5 percent. Developed
21 international markets were down more than
22 9 percent. Emerging markets were down 11 and a
23 half percent, and diversified bonds were down
24 almost 5 percent.

1 That puts a 60/40 mix, as I mentioned,
2 down 6 percent for the September quarter. And the
3 PRIT Fund fared better. It was down 4.7 percent.

4 For the 12-month period ending
5 September, remember, three consecutive down
6 quarters, the S&P was down 15.4 percent.
7 Developed international markets -- and that's
8 primarily Europe and Japan. Developed
9 international markets were down 25 percent.

10 Emerging markets -- that's mostly China,
11 southeast Asia and Latin America. Emerging
12 markets were down 28 percent for the 12-month
13 period ending September. And even bonds were down
14 more than 18 percent for that time period.

15 That puts a 60/40 mix of stocks and
16 bonds for the 12-month period ending in September
17 down 18.2 percent. But similarly, the PRIT Fund
18 fared better. It was down 10 percent.

19 So fortunately, our diversifying asset
20 classes such as private equity, real estate and
21 timberland, and hedge funds helped buffer this
22 downturn in public markets, which were down
23 significantly.

24 And as I mentioned, this quarter,

1 October and November so far, the S&P is up
2 14.1 percent, developed international markets up
3 17.2 percent, emerging markets up 11.3 percent,
4 and bonds were even up. Bonds are up 2.3 percent.

5 So that puts a 60/40 mix up almost
6 10 percent for two months alone.

7 The PRIT Fund continues to perform well
8 in both strong and weak markets. We're proud of
9 that. And we also believe that this is the
10 hallmark of a high-performing, well-engineered
11 portfolio. We spend a lot of time on it.

12 And while it seems like a long time ago,
13 remember that in the strong markets of fiscal year
14 2021, that's the year ending June 2021, the PRIT
15 Fund posted a record return of 30 percent, and
16 that's 29 and a half percent net, and that was at
17 the top of our peer group. The fund also
18 outperformed its benchmark in fiscal year 2021 by
19 an astonishing 8.9 percent.

20 And last fiscal year, more challenging
21 year, ending June 2022, during the weakest market
22 since the global financial crisis more than
23 13 years ago, the PRIT Fund performed very
24 strongly and was down only 3 percent,

1 outperforming broad market indices by a wide
2 margin and its benchmark by 1.5 percent.

3 We also know that the median pension
4 fund return during that time period was down
5 7.9 percent, 7.9 percent median return for
6 pensions, and we were down only 3 percent.

7 So strong performance in both up and
8 down markets, we believe again is the hallmark of
9 a well-constructed portfolio.

10 And with this as the backdrop, Tony, can
11 you please display the performance slides, and
12 I'll just go through them very briefly because we
13 did it at the Investment Committee, but they need
14 to be on record.

15 So this shows that the PRIT Fund now
16 stands at \$88.6 billion after three consecutive
17 quarters of market declines that I've described,
18 and it's down from 92.4 billion at the end of
19 June.

20 Next slide. You can see the PRIT Fund
21 was down 9.6 percent or 10 percent net for the one-
22 year period, underperforming the benchmark by
23 220 basis points net of fees. This equates to an
24 investment loss of 9.9 billion or 1.8 billion

1 below benchmark.

2 And importantly, we spent a lot of time
3 at the Investment Committee talking about this.
4 Approximately 75 percent of the underperformance,
5 or 163 basis points, is due to the benchmark
6 timing difference that we have previously
7 discussed. This happened again in June of 2020.

8 And as a reminder, we compare the one-
9 year private equity return against its benchmark.
10 And since private equity is a long-term
11 investment, the benchmark of private equity is a
12 seven-year average of a public equity benchmark
13 plus a 3 percent liquidity premium.

14 So that means where the seven-year
15 benchmark is still very high, obviously public
16 markets over a seven-year period have still done
17 very well. And we're comparing a challenging
18 one-year private equity performance to a seven-
19 year average performance.

20 So wanted to clarify that. Also on this
21 chart, you can see that the 3-, 5- and 10-year
22 numbers remain strong and above benchmark. As it
23 did in 2020, we expect these benchmarking
24 anomalies to adjust over time and catch up as they

1 did back then.

2 Next slide. One-year ended
3 September 30, performance, this chart shows what
4 did well on the left with real estate, timber and
5 private equity leading the way. You're going to
6 hear more from each asset class team about the
7 respective performance later.

8 Portfolio completion strategies, which
9 is primarily hedge funds, provided stability, as
10 it should, in a sharply down global equity and
11 fixed income market.

12 And on the right, you can see what was
13 really challenged. Global equities and core fixed
14 income, as I mentioned, were down simultaneously.
15 Usually we don't see both core fixed income and
16 global equity down at the same time.

17 Next slide. By strategy, for the
18 quarter, you can see that not much was up. Bank
19 loans on the very far left have the ability to
20 raise rates when interest rates rise. So that's
21 why that's positive. They can raise rates on new
22 loan initiations. All other classes were flat to
23 down.

24 The PRIT Fund was down 4.6 percent gross

1 or 4.7 percent net. That's the orange bar in the
2 middle. And that was better than a 60/40 mix,
3 which was down 6 percent.

4 Next slide. Similar picture for the one-
5 year time period. The PRIT Fund was down
6 9.6 percent gross. Again, that's in the middle in
7 orange. And that equates to 10.1 percent net,
8 outperforming bonds and stocks by a wide margin,
9 thanks to our alternatives. A 60/40 mix was down
10 18.2 percent. You can see that over on the right
11 so a respectable performance.

12 And I'll end on the quilt chart, which
13 you can see next. Real estate popped to the top
14 in the one-year category, but you can see that
15 private equity, timber and real estate really have
16 been strong contributors over all time periods on
17 this chart, while global equity we all know is
18 volatile. It shows up very, very clearly on this
19 chart that global equity returns are volatile over
20 several years.

21 So you can take those down.

22 And I'll end with a little commentary on
23 the markets. First, at the Investment Committee
24 meeting in August, in August now, we spoke at

1 length about a peak in bond yields and some
2 encouraging signs then in August that inflation,
3 while still very high, had begun to moderate.

4 Connie Everson, our resident economics
5 and market strategist, asserted at the time that a
6 credible peak in bond yields was nearing and an
7 economic slowdown was already under way.
8 Commodity prices such as oil and wheat had backed
9 off. The dollar had stopped rising, and the repo
10 market was functioning well. That was an
11 indication that dollar liquidity wasn't a problem.

12 All those things, Connie believed in
13 August, created a much better outlook for the
14 equity markets. And she was correct.

15 And we've got to give credit where
16 credit is due. The equity markets bottomed, and
17 interest rates peaked in October. And since then,
18 as I mentioned before, markets have rebounded
19 very, very strongly. Corporate earnings for Q3,
20 the September quarter, also came in above
21 expectations. Sales growth was 11.6 percent, and
22 earnings growth was 2.4 percent. That surprised
23 by 2.5 percent and 1.6 percent, respectively.

24 Q3 GDP growth was stronger than expected

1 at 2.6 percent. Headline inflation declined.
2 Still high, but declined to 7.7. That was the
3 lowest reading since January.

4 And moreover, as we sit here today, the
5 market finally appears to be discounting the end
6 of the Fed's aggressive tightening policy. In
7 fact, yesterday, Fed Chair Powell said, and I'll
8 quote, "The time for moderating the pace of rate
9 increases may come as soon as December." And the
10 markets reacted yesterday with very, very strong
11 gains.

12 Of course, the main risks going forward
13 are very familiar. The risks are that inflation
14 remains too high, consumer and business spending
15 falters, and corporate earnings weaken more than
16 anticipated, and that may result in an economic
17 slowdown that turns into a severe recession.
18 There are obviously lots of moving pieces in the
19 global economy and in the world's geopolitical
20 situation.

21 And I do want to remind you that we
22 don't trade or adjust the portfolio on any
23 projections on the future. And no matter what the
24 future brings, I'm very confident that the PRIT

1 Fund will perform well. As I mentioned, it's
2 carefully constructed to do that in a variety of
3 market conditions as it's proven during the last
4 two volatile years as I mentioned earlier and also
5 over a longer history too.

6 And last, I have to call out this team.
7 I couldn't be prouder of the team at PRIM. We're
8 in the office every day responding to this
9 historically difficult, volatile time, and I think
10 it's paying off. They've overcome many challenges
11 to deliver not only strong investment performance
12 in a difficult environment, but also, as we'll
13 outline today with some of the votes, also some
14 extraordinary non-investment innovation and
15 responsiveness.

16 So thank you to the team, and thank you
17 to the board for your continued support and
18 advice.

19 And that's the end of my comments. I
20 can take questions, or we can move to the next
21 very exciting agenda item.

22 TREASURER GOLDBERG: I just want to say
23 that first of all, Michael, I agree with you that
24 it's pretty exciting. I've been interviewed by

1 *Bond Buyer* and others in the last couple weeks,
2 and being able to talk about the performance and
3 how the construction of the portfolio did exactly
4 what we plan on it doing is very reaffirming.

5 And Janet Yellen, I saw her on
6 television last night, and she was talking. They
7 asked her how did she misjudge the incoming
8 inflation, and she said that there were
9 significant factors that came into play that no
10 one could anticipate such as the horrific war with
11 Russia attacking the Ukraine and cutting off gas,
12 which those kind of unusual world events is
13 exactly why we construct the portfolio the way we
14 do.

15 There are up times where we're roaring
16 along, but there may be other funds that are doing
17 a little better. And what we always say is with
18 intention, with the way we construct the
19 portfolio, sometimes on the upside, we might not
20 gain two to three percentage points that they may
21 have, but we also don't drop like a rock when
22 times are bad. And that's exactly what we want to
23 do for our beneficiaries.

24 And like Connie, she sounded as though

1 we are steady right now and that we will continue
2 to be so.

3 If you look at -- you know the old
4 retailer in me, I'll be looking back at our next
5 board meeting on not just the cumulative retail
6 sales, but the sectors where the spending was done
7 and taking out the inflationary percentage to
8 evaluate the numbers, real numbers. And that will
9 give us a lot of indication of how consumers are
10 feeling and what's going on.

11 I always find that to be extremely
12 enlightening, and I'll probably comment on it at
13 the next meetings after the first of the year.

14 But otherwise, none of this is going to
15 change our strategies, and so I just want to thank
16 everyone for their hard work.

17 And I do anticipate volatility to
18 continue into the new year until we see the
19 outcome -- I think that the war in Ukraine is a
20 significant impact on the economy, and the
21 volatile political environment in the United
22 States makes for challenges too.

23 I'm not going to count my eggs before
24 they're hatched. Seeing what happens with -- it

1 appears the rail strike will be averted, but that
2 would have been -- that is, if it happens and
3 would have been -- please it won't happen -- very
4 bad for the economy at the holiday spending time
5 of year.

6 So those are the kind of things that we
7 build this portfolio for. And again, for the
8 third time, thank everyone for all the hard work
9 that they do and that they're going to do in the
10 future, led by you, Michael.

11 MR. BROUSSEAU: Madam Chair, could I ask
12 Michael a question?

13 TREASURER GOLDBERG: Absolutely.

14 MR. BROUSSEAU: Michael, I know you've
15 gone through this before, but can you just
16 reiterate for the record and for people who will
17 be interested in it. I saw in your report, we
18 only had to transfer \$29 million to paid benefits.
19 I mean even a few years ago, we were seeing a
20 billion, a billion and a half dollars per year to
21 paid benefits.

22 To what do we attribute this low amount,
23 and is this likely to change probably next fiscal
24 year, if not before?

1 MR. TROTSKY: Yes, you're right. I can
2 clarify that.

3 It is very unusual. Normally we have
4 between a billion and a billion and a half dollars
5 of withdrawals to pay benefits in a given 12-month
6 period.

7 This 12-month period, as you mentioned,
8 is unusual, and it's primarily due to the fact
9 that we had unusual increases or inflows due to
10 the fact that two local retirement systems earlier
11 in the year issued pension obligation bonds and
12 then gave us the proceeds to invest. So we had
13 two one-time -- we believe they're one-time --
14 unusual inflows.

15 Is that clear?

16 MR. NAUGHTON: Yes, it is. Thank you.

17 TREASURER GOLDBERG: Are there any other
18 questions from members of the board?

19 Well, thank you, Michael.

20 We can move on to the next item on the
21 agenda, and that will be the ESG committee
22 membership recommendation, which is a voting item.

23 So typically I'll seek a motion and a
24 second, but I think that we could talk about this

1 first and then do the motion and the second.

2 I saw Sarah Kim's head pop up. Should I
3 do the motion and the second first, Sarah Kim,
4 Renee?

5 MS. KIM: Sure.

6 TREASURER GOLDBERG: All right then. I
7 would seek a motion for approval that the PRIM
8 Board approve the chair's recommendation to
9 appoint the following individuals to the ESG
10 committee: Treasurer Deborah B. Goldberg, chair.
11 Ruth Ellen Fitch, Esquire; Theresa F. McGoldrick,
12 Esquire; Dennis J. Naughton; Michael Even; Poonam
13 Patidar; Mary Cerulli and Marcella Pinilla, as
14 described in the expanded agenda, and further to
15 authorize the executive director to take all
16 actions necessary to effectuate this vote.

17 Is there a motion?

18 MR. SHANLEY: So moved.

19 TREASURER GOLDBERG: Is there a second?

20 Is there a second?

21 MR. HEARTY: Second.

22 TREASURER GOLDBERG: Discussion. So
23 this is, in true PRIM form, a well-thought-through
24 pre-analysis and structure in order to utilize,

1 first of all, the incredible work in the Aggregate
2 Confusion Project that we heard about earlier
3 that's received its partnership award recently,
4 and a critical approach to address an issue that
5 has been bounced around for years with incomplete
6 definitions and incomplete analysis and many times
7 a lack of understanding.

8 And so what's exciting about this group,
9 and we did get the proposed -- we've had
10 conversation about it. We had a consultant come
11 in and discuss strategies and do an analysis on
12 that. We responded to inquiries from others
13 across the state.

14 And we are excited to get to work as a
15 subcommittee, not an investment committee, but a
16 subcommittee that will help inform and provide
17 information for the other committees within PRIM.

18 In this context, ESG has gotten a lot of
19 attention in the last I would say half a year,
20 some of it totally manipulated and incorrect and
21 misnamed. ESG's been around a long time. It's
22 labeled now, and I even encourage people to not
23 even use the label "ESG" anymore, but to talk
24 about what it really means.

1 How is climate creating risk for
2 different organizations? Real estate, we've seen
3 it over and over again. The weather impacts.
4 What is it doing, and how are companies preparing
5 for those kind of risks? These are true business
6 discussions. How governance, our proxy voting
7 guidelines, the vast majority of them deal with
8 how are companies governing themselves to create
9 long-term value for their investors? And that
10 incorporates their workplace policies.

11 So these are things that we've talked
12 about longer than the eight years I've been here.
13 What's great about this is the fact that PRIM was
14 one of the first to say okay. All this is really
15 good, but we need concrete definitive ways to be
16 looking at these issues in order to consider them
17 at all in our investment decisions.

18 And I think that combination is really
19 what the committee is about. So my team worked
20 alongside PRIM staff. It's been a tremendous
21 collaboration as always to not only sit down early
22 on and say how do we make this real and how do we
23 make it impactful, not just the committee, but the
24 work that's being done with MIT. And then how do

1 we find a qualified and diverse group of
2 professionals for the board's consideration?

3 I know that this group will work
4 collaboratively with other industry experts, PRIM
5 staff and the board. And they have the expertise
6 and commitment to get the job done.

7 So I'm very excited about proposing
8 this. What I would ask is that -- this is just --
9 this is one vote, correct? Or is it two votes?

10 MR. FALZONE: One vote.

11 TREASURER GOLDBERG: Okay. Thank you.

12 And so I just want to open it up for any
13 other questions or comments from other members of
14 the board before we would proceed with the vote.

15 MR. BROUSSEAU: Madam Chair?

16 TREASURER GOLDBERG: Yes.

17 MR. BROUSSEAU: Not a question but just
18 a comment. I think as a board, and I know some of
19 us aren't here, have always been concerned about
20 our fiduciary responsibilities as trustees.

21 I was very pleased to see, I think it's
22 in the issue of *Pensions and Investments* that I
23 just received the other day, was reading that I
24 guess the Department of Labor has now recognized

1 this in terms of protecting fiduciaries in this
2 area that you said you'd rather not use the word
3 "ESG," but the Department of Labor bulletin that
4 came out apparently is going to make it a lot
5 easier for fiduciaries to make decisions in these
6 areas without the fear of having somebody come
7 after the organization or the individuals as being
8 violators of their fiduciary responsibility.

9 Just a comment, and I would think that
10 possibly this should really be a great blessing to
11 our committee that you have formed.

12 TREASURER GOLDBERG: And I want to
13 reiterate, Bob, that this committee is not making
14 the investment decisions. Staff, the Investment
15 Committee and the board are continuing to make the
16 investment decisions.

17 This is an advisory board, and I would
18 argue that even without the commentary from the
19 Department of Labor, that it in fact is upholding
20 our fiduciary duty by not ignoring all of the
21 information that we could have at our fingertips.

22 But I understand what you're saying,
23 although I think one thing we need to be cognizant
24 of is the advisories that come out seem to go back

1 and forth depending on who is appointing the
2 secretaries, and that is subject to more politics.

3 This committee and the work at MIT is
4 based upon facts and analysis. And so I believe
5 anything that we will do or anything that will
6 come up in the future, no matter what the
7 political environment, is going to be supported by
8 us always meeting our fiduciary duty.

9 But thank you for mentioning that, and
10 it was nice to read it.

11 So any other comments from anyone?

12 I also want to say I'm very pleased that
13 everyone that we approached to participate in this
14 committee said yes. That's always nice.

15 And if there are no further comments or
16 questions, we will proceed with the vote.

17 And I would like to note that Carly Rose
18 did join us by telephone.

19 So, Bob, you might as well vote first.

20 MR. BROUSSEAU: Yes.

21 TREASURER GOLDBERG: Ruth Ellen?

22 Ruth Ellen?

23 MR. FALZONE: She's muted.

24 MS. FITCH: Yes. Sorry.

1 TREASURER GOLDBERG: Jim?

2 MR. HEARTY: 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.

10 And I would like to mention that it's
11 really an honor to serve as the chair. In fact,
12 I'm hoping -- I'm the cochair of the National
13 Institute of Public Finance where these issues
14 will be discussed. And I talked to Michael. I'm
15 hoping that Maria will be able to come and make a
16 presentation on the incredible work that she and
17 others are doing and in order to share this kind
18 of information across the country with
19 professionals in all tiers of the field in the
20 investment world.

21 So onward and upward. More to come and
22 thank you very, very much.

23 Next item on the agenda.

24 Let's see. I believe it's public

1 markets.

2 MR. McELROY: Is that me?

3 TREASURER GOLDBERG: Yes, it's you.

4 MR. McELROY: Good morning, everyone.
5 This is Michael McElroy.

6 Let me just make a few comments on the
7 public market returns as well as the portfolio
8 returns in this environment. We've talked about
9 it a bit already, and I'm sure all of us are aware
10 of the market environment we've been in so I'll
11 try to keep it brief.

12 Just firstly, an observation about how
13 this all relates to our philosophy. I mean
14 clearly this has been a very challenging year in
15 the markets.

16 I mentioned back in May, kind of
17 incorrectly, that rarely do we observe in
18 historical data two consecutive quarters of
19 negative equity and fixed income returns at the
20 same time. It only happens about 9 percent of the
21 time.

22 And as Michael Trotsky mentioned, we saw
23 it happen again in the third quarter, something we
24 just haven't observed in the data in the past

1 50 years. So certainly unprecedented.

2 In addition to being a down market, it's
3 also been very volatile. With different styles of
4 equities, whether it be growth or value styles,
5 vying for the leadership, recently value has won
6 out, but definitely we've seen kind of back-and-
7 forth between these styles throughout the last few
8 years.

9 Interest rate volatility has also been
10 elevated, and geopolitical concerns continue to
11 influence market direction.

12 So I think when markets exhibit this
13 type of unpredictable or unprecedented behavior,
14 it's really important to go back to our key
15 investing beliefs.

16 And I think one in particular stands out
17 in that nobody really can predict the stock market
18 or the bond market, so we don't try to. We invest
19 actively where we believe we get rewarded for
20 taking risk and passively where we believe that
21 managers will struggle to deliver long-term excess
22 returns. We do not try to time the markets.

23 And so though equity markets were down
24 in the third quarter, there was quite a range of

1 returns experienced, depending on what
2 capitalization and what geography we looked at.

3 U.S. equities were down about 4 percent,
4 but yet U.S. small cap and microcap growth stocks
5 were positive in the third quarter. Non-U.S.
6 large cap stocks declined about 10 percent in the
7 third quarter. Emerging market small cap stocks
8 only were down 5 percent.

9 So within this environment and this
10 volatility, our global equities slightly
11 outperformed in the quarter. Our U.S. managers
12 performed in line. Our non-U.S. developed
13 managers lagged, and our emerging markets managers
14 did outperform.

15 Absolute returns were negative for the
16 one-year period, as we've highlighted, ranging
17 from down 16 to down 37 percent, depending on the
18 geography and the benchmark.

19 In that environment, the PRIT global
20 equities slightly underperformed, again with our
21 U.S. exposure outperforming. And I think this is
22 very impressive, given that 85 percent of our U.S.
23 exposure is passive.

24 Our non-U.S. developed managers

1 underperformed, particularly with our growth-
2 oriented managers being particularly challenged.
3 And our emerging markets managers did add value
4 over the one-year period.

5 Interest rates were higher in the third
6 quarter, both on a comparison to last quarter and
7 to one year ago. And those higher rates impacted
8 the returns in both core and value-added fixed
9 income.

10 The absolute returns in the third
11 quarter ranged from a plus 1 percent as we
12 highlighted in bank loans to minus 13 percent.
13 And on a benchmark-relative basis, the core fixed
14 income performed in line and our value-added fixed
15 income slightly underperformed.

16 On the one-year basis, the core fixed
17 income outperformed, and the value-added fixed
18 income underperformed, primarily due to our
19 emerging markets debt and bank loans exposures.

20 Though credit spreads widened, they
21 still remain below long-term averages and far from
22 the levels we saw during the global financial
23 crisis in 2008 or the pandemic in 2020.

24 Concerns about inflation and the

1 trajectory and the duration of rate increases
2 needed to dampen that inflation impacted the value
3 of these long-duration investments. And that's
4 where much of the investment's value is
5 concentrated toward the end of the investment
6 period.

7 So equities and some of the bonds in the
8 portfolio are long-duration instruments. And they
9 lose value as those higher rates decrease the
10 present value of those cash flows that the
11 investors expect.

12 The longer duration of these assets
13 makes it important, though sometimes difficult, to
14 view their portfolio contribution through a long-
15 term lens. And even with the recent correction,
16 long-term results remain very strong in equities,
17 and fixed income has proved to be a good
18 diversifier to these equities.

19 So within this backdrop, we do hear good
20 news from our managers. Firms are still
21 exhibiting positive fundamentals with sales and
22 earnings growth positive but slowing. The
23 consumer remains in good shape globally, and the
24 luxury end of the market remains healthy.

1 Companies were able to refinance their
2 debt prior to the rate increases we've seen this
3 year so won't need to go back into the market soon
4 and borrow at these higher rates.

5 Credit conditions are still okay, but we
6 do hear from managers that they expect some
7 potential opportunities in distressed credit,
8 possibly by mid-2023.

9 Similar to last quarter, default rates
10 on high-yield bonds continue to remain near
11 historic lows. And our investment managers have
12 been taking the opportunities presented by these
13 price declines to upgrade their portfolios.

14 The list of geopolitical and economic
15 risks remains long and contributes to this
16 heightened volatility. The ongoing war between
17 Ukraine and Russia and its potential escalation,
18 economic slowdown in China related to COVID,
19 higher energy price levels, cryptocurrency news
20 and global election outcomes contribute to the
21 uncertainty.

22 As we've said before, although high
23 volatility should be a good environment for active
24 managers to add value, managing all of these fast-

1 moving risks simultaneously has proved at times to
2 be challenging.

3 So in closing, it's been a turbulent
4 environment. And we've built the public markets
5 portfolio to weather this turbulence. Though
6 never happy with negative absolute returns, we're
7 encouraged by the diversification our managers
8 have provided. While relative returns have been
9 challenged in the near term in some areas, they
10 remain very strong over the long term in both
11 equities and fixed income. The aggregate risk of
12 the overall equity and fixed income portfolios
13 remains low, and risk factors are balanced across
14 our managers.

15 So with that, I'd be happy to take any
16 questions.

17 TREASURER GOLDBERG: Are there questions
18 for Michael?

19 I would say that's pretty clear, and a
20 complete reflection of what we're seeing.

21 MS. FITCH: I agree.

22 MR. McELROY: Thank you.

23 TREASURER GOLDBERG: We do have -- if
24 there are no other questions, we can move on to

1 the voting items.

2 Michael, who will be presenting on the
3 other credit --

4 MR. TROTSKY: This will be Chuck and
5 Christina.

6 TREASURER GOLDBERG: Okay. Will Chuck
7 be doing one and Christina the other?

8 MR. TROTSKY: They're going to do them
9 both together, I believe.

10 MS. MARCARELLI: Madam Treasurer, the
11 next two recommendations, while separate
12 recommendations, they are related strategies, so
13 we were going to speak high level to the strategy
14 and then individual comments on each
15 recommendation. I'll defer to you on how and when
16 you want to read the motion.

17 TREASURER GOLDBERG: Yes.

18 So they are separate votes. So I think
19 what we will do is -- I think so that we can vote
20 one right after the other, why don't we do the
21 presentation for these related strategies
22 together. Then I'll seek a motion for one. If we
23 have additional questions on the first one, we can
24 have that then.

1 And then we can have additional
2 questions on the second one. I think that's the
3 easiest way to go about it.

4 So why don't the two of you present. Go
5 ahead. Thank you.

6 MR. LaPOSTA: Great. Thank you. Yes.
7 And I think that makes great sense. We'll
8 describe them, and you can vote on them.

9 So as alluded to, we are recommending
10 two new strategies for inclusion in our other
11 credit opportunities bucket. Currently, our OCO
12 bucket has about a billion dollars invested and
13 another 700 million in committed capital across
14 10 portfolios, with strategies that include
15 corporate and consumer credit, bank capital and
16 mortgages on residential and commercial
17 properties.

18 Christina and I, with help from others
19 in public markets, real estate, portfolio
20 completion strategies and risk team, have been
21 looking at real estate debt for a long time and
22 have been working to build out our exposure to
23 this market.

24 Real estate debt meets the objectives of

1 OCO by offering favorable risk-adjusted returns
2 compared to those of PRIM's public value-added
3 fixed income allocation, approximately 8 to
4 12 percent net with bond-like volatility. It
5 allows us to gain unique exposures to credit
6 sectors in which PRIM is underallocated.

7 At \$5 trillion, the real estate debt
8 market is larger than high-yield bond market, bank
9 loans or emerging market debt, to which we have
10 longstanding dedicated allocations.

11 It also allows us to make credit
12 investments that don't fit neatly within existing
13 asset allocation buckets and/or straddles PRIM
14 asset class teams.

15 Real estate debt requires an
16 understanding of both the real estate market and
17 credit markets. And in our conversations with
18 managers, PRIM is unique when it comes to bringing
19 both the real estate and credit teams to the table
20 for strategies such as these.

21 Today we are recommending commingled fund
22 investments, which is a deviation from our prior
23 OCO recommendations of separately managed accounts
24 or single investor funds. At the expense

1 of customization and control that may come from
2 separate accounts, there are logistical benefits
3 as well as diversification and scale benefits to
4 being in commingled funds. PRIM will have LPAC
5 seats in both funds to help offset the lack of
6 control.

7 With that, I will turn it over to
8 Christina for description of each of the funds and
9 strategies.

10 MS. MARCARELLI: Thanks, Chuck. And
11 good morning, everyone.

12 As I said, the two investments have
13 similar strategies so I'll start high level with
14 the strategy, then speak in more detail to each of
15 the managers specifically.

16 The strategy being implemented here is
17 value-add real estate debt where lenders provide
18 financing to property owners to facilitate either
19 acquisition or refinance of a property that is
20 going through some sort of transition. And that
21 transition could mean either a lease-up, a
22 significant renovation or repositioning, ground-up
23 construction or some other type of business plan.

24 Loans are typically floating rate with

1 two- to five-year terms, and each loan is then
2 levered as part of the strategy, creating a senior
3 and subordinate position by either advancing on a
4 warehouse line, selling off an A-note or utilizing
5 some other note-on-note financing. And the
6 subordinate position is retained as an investment
7 in the fund.

8 One of the biggest risks is business
9 plan execution risk. To the extent a borrower
10 can't execute or has trouble executing the
11 intended business plan, their ability to repay or
12 refinance the loan is threatened. Another risk is
13 the potential for a broad decline in real estate
14 values, which could also impact a borrower's
15 ability to repay the loan.

16 As a mitigant to these risks, the loans
17 are typically originated at 60 to 70 percent of
18 the as-is value of the underlying real estate,
19 which provides 30 to 40 percent equity cushion.
20 And presumably value will be added during the term
21 of the loan as the borrower or sponsor continues
22 to implement that business plan.

23 The sector is attractive across economic
24 cycles, but we've found that the current

1 environment makes for an even more compelling time
2 to invest in the sector. Recent increase in bank
3 regulations has dramatically slowed bank lending,
4 leaving room for alternative lenders like debt
5 funds to fill a capital gap.

6 It's become more of a lender's market as
7 well. Lenders are able to be choosier and lend to
8 higher quality sponsors and properties at lower
9 loan-to-value ratios, higher spreads and tighter
10 covenant protections.

11 That's high level on the strategies.
12 I'll turn my comments now to focus more
13 specifically on each manager, starting with
14 BentallGreenOak. BentallGreenOak is a global real
15 estate investment manager with 70 billion under
16 management, including 17 billion in real estate
17 debt.

18 BGO was formed in 2019 when GreenOak
19 Real Estate merged with Bentall Kennedy. They
20 have been actively investing in real estate
21 globally since 2011. And they currently manage
22 both core and value-add debt across Canada, Europe
23 and the UK, along with a core strategy in the U.S.

24 This will be their first value-add debt

1 strategy in the U.S., and the strategy is led by
2 Abbe Borok and Jessica Lee, both of whom are
3 experienced real estate lenders. Both are
4 relatively new to BGO within the past two years.
5 However, the entire BGO debt platform is led
6 globally by Jim Blakemore, a very seasoned debt
7 investor who's been with BGO since 2011, along
8 with Chris Taylor, who heads credit globally, and
9 he's also been with BGO since 2011.

10 The debt team is integrated with the
11 real estate equity platform, which the debt team
12 can leverage with current research and market
13 insights. The strategy here will be to create a
14 diverse portfolio of commercial real estate loans,
15 diversified across property type, geography and
16 sponsor, with a focus on lending to institutional
17 quality sponsors in growth markets.

18 They will target sectors like
19 multifamily, industrial, hospitality and specialty
20 sectors like life science, self storage and mixed
21 use properties with a limited focus on office and
22 retail.

23 The total fundraise is targeting
24 500 million. And PRIM is recommending a

1 \$100 million commitment to the fund.

2 Unless there are specific questions on
3 BGO, I'll speak to KKR.

4 KKR is a global private equity firm
5 founded in the mid-1970s. Today, they have over
6 470 billion in AUM, which includes 187 billion in
7 credit strategies.

8 They founded their real estate platform
9 in 2011 and have grown that to 38 billion under
10 management across both equity and debt. The real
11 estate platform is led globally by Ralph
12 Rosenberg.

13 KKR has been investing in real estate
14 debt since 2015, primarily through their publicly
15 traded mortgage REIT, KREF.

16 The subject fund, known as ROX II, is
17 targeting a \$1 billion capital raise, and PRIM
18 recommends a \$150 million commitment to the fund.

19 The fund is led by Matt Salem, head of
20 real estate credit, who's been with KKR since they
21 began investing in real estate debt in 2015. He's
22 backed by a team of over 60 investment and asset
23 management professionals.

24 Similar to BGO, the fund's strategy will

1 be to originate senior loans on high quality
2 transitional assets owned by institutional
3 sponsors in major markets, diversified across
4 sponsors, markets and property types.

5 With that, I will open it up to any
6 questions on either the strategy or either one of
7 these funds.

8 TREASURER GOLDBERG: Are there questions
9 on these recommendations?

10 MR. NAUGHTON: Madam Treasurer, if I
11 may.

12 TREASURER GOLDBERG: Absolutely.

13 MR. NAUGHTON: Yes. First of all, I
14 want to thank everyone for the presentation on
15 these two items, but I'm coming on just because I
16 want to make a comment. I think sometimes that we
17 have people who are online with us who might not
18 be familiar with our procedures, and in that
19 regard, I just want to mention that we have an
20 Investment Committee that vets very thoroughly all
21 of these recommendations that come before us.
22 Members of the board have the opportunity to go on
23 there and to observe and listen to the questions
24 that are asked, and the questions in fact on these

1 investments today were very thorough and very
2 probing.

3 So my point is that for anyone
4 unfamiliar with our procedures, we have the
5 Investment Committee who does those things. We
6 have the opportunity to ask questions here, but by
7 the nature of the thoroughness and fine job that
8 the Investment Committee does, really it obviates
9 a lot of questions board members might otherwise
10 ask because they've attended those meetings.

11 And in that regard, I want to say that
12 is also true of the Real Estate and Timberland
13 Committee, the Administration and Audit Committee,
14 the Compensation Committee.

15 So all of these things that are on the
16 agenda today as voting items are things that we as
17 board members have already had the opportunity to
18 see vetted in great detail. And so in case anyone
19 were wondering why we weren't asking more
20 questions, that's the reason.

21 Thank you, Madam Chair.

22 TREASURER GOLDBERG: I have to tell you,
23 I can't believe that you read my mind because I
24 was sitting here thinking that in particular on

1 these two investments, the comment that we
2 typically do not invest in commingled funds, which
3 is true for a lot of reasons, or in separately
4 managed accounts, is one of our overarching
5 strategies from a cost savings point of view and
6 from an ability to be more hands-on because we
7 internally have such talented staff.

8 But I was sitting here thinking if
9 there's anyone who is listening who is unaware of
10 the process that comes up to the board meetings, I
11 was saying to myself, I wonder if I should say
12 anything about that. And then I called on you,
13 and you said it.

14 So there you go.

15 MR. NAUGHTON: My mind reading
16 capabilities don't end there, so people, just be
17 on notice.

18 TREASURER GOLDBERG: Uh-oh.

19 So thank you, Dennis, for saying so.

20 And in the same vein, the presentations
21 were excellent in terms of describing, including
22 the background on the two people who will be
23 managing the first fund whose initials B --
24 whatever it is, that the fund overall is extremely

1 experienced.

2 So are there any other questions on
3 these two investments?

4 MR. BROUSSEAU: Madam Treasurer, just
5 not to reiterate but to probably add to what
6 Dennis stated, I had a member organization that of
7 course invests, teacher investments funds, who
8 just last week sent me an email, and they had
9 heard one of Michael's presentations. And of
10 course as somebody who is not in on the board
11 meetings and sent me an email, asking if I would
12 not go through the agenda and write an article
13 that this person could include in the
14 organizational newsletter that will be going out.

15 And I said I'd be glad to do it. I'll
16 do it Friday morning, I said, after our quarterly
17 board meeting.

18 So even though I think, as Dennis
19 stated, we've gone through these several times,
20 there are members up there, this is brand-new to
21 them, and they like to get an update somehow,
22 what's going on. So I will be doing it tomorrow
23 for this organization.

24 TREASURER GOLDBERG: Okay. Very good.

1 Thank you, Bob.

2 If there are no other questions, then
3 I'm going to take the motions separately as I
4 explained, and I would seek a motion, approval of
5 a commitment of up to \$100 million to
6 BentallGreenOak U.S. Value-Added Lending Fund,
7 that the PRIM Board approve the Investment
8 Committee's recommendation to approve a commitment
9 of up to \$100 million to BentallGreenOak U.S.
10 Value-Add U.S. Lending Fund as described in the
11 expanded agenda, and further to authorize the
12 executive director to take all actions necessary
13 to effectuate this vote.

14 Is there a motion?

15 MR. BROUSSEAU: So moved.

16 MS. FITCH: So moved.

17 TREASURER GOLDBERG: Is there a second?

18 MS. FITCH: Second.

19 TREASURER GOLDBERG: Any further
20 comments?

21 Hearing none, I'll proceed with the
22 vote.

23 Bob?

24 MR. BROUSSEAU: Yes.

1 TREASURER GOLDBERG: Ruth Ellen?

2 MS. FITCH: Yes.

3 TREASURER GOLDBERG: Jim?

4 MR. HEARTY: Yes.

5 TREASURER GOLDBERG: Dennis?

6 MR. NAUGHTON: Yes.

7 TREASURER GOLDBERG: Carly?

8 MS. ROSE: Yes.

9 TREASURER GOLDBERG: Paul?

10 MR. SHANLEY: Yes.

11 TREASURER GOLDBERG: Myself, yes. The
12 motion carries. Thank you.

13 Next motion, approval of the commitment
14 of up to \$150 million to KKR Opportunistic Real
15 Estate Credit Fund II. I seek a motion that the
16 PRIM Board approve the Investment Committee's
17 recommendation to approve a commitment of up to
18 \$150 million to KKR Opportunistic Real Estate
19 Credit Fund II as described in the expanded
20 agenda, and further to authorize the executive
21 director to take all actions necessary to
22 effectuate this vote.

23 Is there a motion?

24 MR. NAUGHTON: So moved.

1 MR. BROUSSEAU: Second.

2 TREASURER GOLDBERG: Any comments or
3 questions?

4 Hearing none, Bob?

5 MR. BROUSSEAU: Yes.

6 TREASURER GOLDBERG: Ruth Ellen?

7 MS. FITCH: Yes.

8 TREASURER GOLDBERG: Jim?

9 MR. HEARTY: Yes.

10 TREASURER GOLDBERG: Dennis?

11 MR. NAUGHTON: Yes.

12 TREASURER GOLDBERG: Carly?

13 MS. ROSE: Yes.

14 TREASURER GOLDBERG: Paul?

15 MR. SHANLEY: Yes.

16 TREASURER GOLDBERG: Myself, yes. The
17 motion carries. Thank you.

18 Now let's see. What's next? Oh, that
19 looks like that's it for this section. We're
20 moving on to private equity, where we will get
21 performance summary cash flows, et cetera.

22 Take it away.

23 MR. MCGIRR: Thank you, Madam Treasurer.

24 I'm Michael McGirr, director of private

1 equity. I'm going to spend a few minutes on the
2 private equity market before turning to
3 performance and our voting items.

4 Starting with the market update, last
5 quarter, we discussed the lagged nature of
6 private equity and how we expect the PE market to
7 slow down. We saw that slowdown in Q3.

8 Higher rates of inflation and finally
9 a slowdown in global M&A market slowed down the
10 private equity market with PE activity dropping
11 by 20 percent in Q3.

12 Exits are down --

13 MR. FALZONE: Are we having a
14 connectivity issue?

15 MR. McGIRR: Oh, I'm sorry. Can you
16 hear me okay?

17 MR. FALZONE: Are we having a
18 connectivity -- are we having a connectivity
19 issue?

20 TREASURER GOLDBERG: Only with you,
21 Tony. I can hear Michael fine.

22 MR. FALZONE: Okay. I'm sorry.

23 TREASURER GOLDBERG: You're cutting in
24 and out, though.

1 MR. FALZONE: I'm so sorry.

2 MR. McGIRR: Can everybody hear me okay?

3 TREASURER GOLDBERG: I can hear you.

4 Can everyone else?

5 MS. FITCH: Yes.

6 MR. McGIRR: Great.

7 So PE activity has slowed down
8 considerably. Last quarter, we discussed what we
9 thought would be a deep correction in the venture
10 and growth sectors. And we've seen that over the
11 summer and into the fall.

12 And as a reminder, our portfolio relies
13 heavily on buyouts with less exposure to hard-hit
14 strategies such as venture capital.

15 Our view is this will continue. And
16 just as we were discussing the lagged nature of
17 the private markets, this lag is most acute in
18 venture capital as the asset class is less liquid
19 and typically has longer gestation periods.

20 Turning to performance, first I want to
21 mention that our approach to private equity
22 reflects long-term strategic thinking, and our
23 long-term performance remains strong with our 3-,
24 our 5- and our 10-year numbers at 27, 24 and

1 22 percent, respectively. Those are all gross
2 figures.

3 Now, that being said, PE had another
4 negative quarter. And as a reminder, with our
5 quarter lag, this is performance for the April
6 through June 2022 time period. So private equity
7 was down 5.7 percent gross or 6 percent net. Now,
8 that decline was less than the decline of the
9 public markets over that April through June time
10 period.

11 And as a reminder, the Russell 3 was
12 down 16.7 percent. The MSCI Europe was down
13 15.2 percent. Q2 was a tough quarter.

14 Our trailing one-year return for private
15 equity, as Michael had mentioned, declined to
16 still a positive 5.3 percent gross or 4.2 percent
17 net. And that compares favorably to both the
18 Russell 3 and the MSCI Europe over a similar time
19 period.

20 Some additional color on the trailing
21 one-year for performance. Venture capital and
22 growth equity continued to give back some of the
23 gains that we saw from 2020 and 2021.

24 While buyouts were up between 5 and

1 12 percent for the trailing 12 months, growth
2 equity was down 9 percent, and venture capital was
3 largely flat. Some trends that we're seeing in
4 the public markets are mirrored in our private
5 equity portfolio with energy, industrials and
6 materials leading the way, while technology has
7 lagged.

8 Our value and our deep value managers
9 are having great years, while our later stage
10 venture and growth managers have struggled.
11 Currency, specifically the euro, was a detractor
12 of 75 basis points to Q3 performance and
13 1.8 percent headwind to performance for the
14 trailing one-year.

15 Now, given our discussion about growth
16 and venture, it's important to remember that this
17 is a smaller portion of the PE portfolio. Our PE
18 portfolio is split 74 percent in buyouts,
19 15 percent in growth, and 11 percent in venture.

20 And if you compare this mix with other
21 investors, you'd see that PRIM has a smaller
22 percent in growth and venture. We've been careful
23 about venture, especially hiring new managers.
24 It's not atypical to see smaller plans have

1 50 percent of their PE exposure in venture. Now,
2 hindsight is 20/20, but right now, we're happy we
3 didn't expand the VC manager roster too quickly
4 during this prior bull market.

5 We also gain comfort in the fact that
6 our growth and our venture managers as a whole are
7 extremely experienced, established folks. We
8 don't really have any inexperienced managers in
9 this space. And many of these managers have
10 demonstrated an ability to navigate difficult
11 times.

12 These periods create pain. They also
13 present opportunities. And for us, the silver
14 lining in this market could present itself in
15 terms of improved access to highly sought-after
16 previously closed managers.

17 But to capitalize on this opportunity,
18 you have to both be willing and able. And I'm
19 proud of where we are in terms of our PE
20 allocation today. We've been trying to grow PE as
21 a percent of total for many years, and now we're
22 at 18 percent, the top end of our range. I'm very
23 proud of this, considering the PE portfolio grew
24 71 percent in fiscal year '21 and 26 percent in

1 fiscal year '22. Large numerator growth.

2 And this year, as we've discussed,
3 through September, we've seen global equities and
4 fixed income decline, the so-called denominator
5 effect. Many investors are overallocated in this
6 market and run the risk of missing attractive
7 opportunities, being underallocated to potentially
8 attractive vintage year or series of vintage years
9 or, worse, finding themselves as forced sellers.

10 PRIM doesn't have any of these problems.
11 We find ourselves in a healthy position with an
12 opportunity to continue our work to constantly
13 upgrade this portfolio.

14 A quick check-in on our commitment pace
15 with our recommendations shortly. We will have
16 roughly committed \$2.9 billion for the calendar
17 year, which puts us just below the midpoint of our
18 targeted goal that we set at the beginning of
19 2022, between 2.7 and 3.3 billion to both funds
20 and co-investments.

21 Before moving to our voting items, I'll
22 pause there and see if there's any questions on
23 performance or the market.

24 TREASURER GOLDBERG: Are there questions

1 for Mike?

2 Hearing none, shall we move on to the
3 voting items?

4 Okay, then. Let me make sure.

5 MR. McGIRR: Yes. And in prior
6 practice, we wanted to spend more time on new
7 manager recommendations, and Alyssa will be
8 presenting our new investment recommendation with
9 Altor. And then our plan, Madam Treasurer, is to
10 batch our re-up opportunities with follow-on
11 investment recommendations in one vote.

12 TREASURER GOLDBERG: Okay. So we'll do
13 the follow-ons together.

14 And so what I'm going to do is -- let me
15 find the Altor.

16 I'm going to seek a motion for Altor,
17 but there are two separate votes for Altor. But I
18 think what I'll do is I'll do the first one, and
19 then we'll do the second one.

20 So I'd seek a motion that the PRIM Board
21 approve the Investment Committee's recommendation
22 to approve a commitment of up to 100 million euro
23 to Altor Fund VI, AB, as described in the expanded
24 agenda, and further to authorize the executive

1 director to take all actions necessary to
2 effectuate this vote.

3 Is there a motion?

4 MS. FITCH: So moved.

5 TREASURER GOLDBERG: Is there a second?

6 MR. SHANLEY: Second.

7 TREASURER GOLDBERG: Okay, Alyssa.

8 MS. FIORE: Great. Good morning,
9 everyone. I'm Alyssa Fiore, a senior investment
10 officer on the private equity team.

11 As the Treasurer mentioned, this is a
12 new manager recommendation. Altor came through
13 proactive sourcing by the private equity team as we
14 seek to identify top-performing small and middle
15 market buyout managers.

16 Altor is a leading private equity firm
17 in the Nordics. It is a highly sought-after firm,
18 due to their strong reputation and networks in
19 their local markets, consistent outperformance
20 versus private benchmarks, and unique approach to
21 private equity investing.

22 The firm was founded in Stockholm,
23 Sweden by Harald Mix in 2002. Today, the firm has
24 a team of 48 investment professionals and a senior

1 team of 13 partners, many who joined the firm as
2 associates. Altor is a partnership-oriented firm
3 that has been thoughtful with their succession and
4 team growth.

5 Today, Altor has offices throughout the
6 Nordics in Copenhagen, Helsinki and Oslo. In
7 2018, Altor opened its first office outside the
8 Nordics in Zurich, Switzerland in connection with
9 the firm's efforts to expand into the DACH region.

10 Altor invests in lower middle market
11 companies operating across the industrials,
12 consumer, business services, technology and
13 financial services sectors in northern Europe.

14 Over the past 20 years, Altor has
15 established a deep local presence in the Nordics.
16 They have a strong reputation as a visionary,
17 ambitious and hands-on partner. While Altor takes
18 a proactive sector-based approach to sourcing,
19 they continue to benefit from deal flow from their
20 local networks. They seek to establish
21 partnerships with founders and entrepreneurs who
22 favor the team's proven focus on operational
23 improvement and willingness to take on complex
24 transformational challenges.

1 We believe that Altor has developed a
2 repeatable and well-defined value creation
3 playbook to improve businesses that is focused on
4 commercial, operational and procurement
5 excellence. Altor will also pursue add-on
6 acquisitions to drive industry consolidation or
7 product expansion.

8 We're recommending a 100 million euro
9 commitment to Altor Fund VI, and we'd also like to
10 recommend adding Altor to our co-investment bench.

11 I'll stop there and happy to take any
12 questions.

13 TREASURER GOLDBERG: Are there questions
14 for Alyssa?

15 Okay then. We'll move forward with the
16 vote. Bob?

17 Bob Brousseau?

18 You're on mute, Bob. I can come back to
19 you if you're having trouble.

20 Ruth Ellen?

21 MS. FITCH: Yes.

22 TREASURER GOLDBERG: Jim?

23 MR. HEARTY: Yes.

24 TREASURER GOLDBERG: Dennis?

1 MR. NAUGHTON: Yes.

2 TREASURER GOLDBERG: Carly?

3 MS. ROSE: Yes.

4 TREASURER GOLDBERG: Paul?

5 MR. SHANLEY: Yes.

6 TREASURER GOLDBERG: Bob?

7 MR. BROUSSEAU: Yes.

8 TREASURER GOLDBERG: Myself, yes. The
9 motion carries. Thank you.

10 The second Altor vote. I'd seek a
11 motion that the PRIM Board approve the Investment
12 Committee's recommendation to approve the addition
13 of Altor Equity Partners to the board-approved
14 bench of co-investment managers, and further to
15 authorize the executive director to take all
16 actions necessary to effectuate this vote.

17 Is there a motion?

18 MR. SHANLEY: So moved.

19 TREASURER GOLDBERG: Is there a second?

20 MR. NAUGHTON: Second.

21 MS. FITCH: Second.

22 TREASURER GOLDBERG: I would say that
23 Alyssa actually explained, but is there anything
24 you want to add, Alyssa, as to why after investing

1 with them and you recommending we put them on the
2 bench, do you have anything to add to that?

3 MS. FIORE: This is consistent what
4 we've done with other new managers. This would
5 give us the opportunity to evaluate potential deal
6 flow from Altor and co-investment. We would go
7 through the board-defined co-investment process if
8 we were to see any deals from Altor.

9 TREASURER GOLDBERG: Okay. Great.
10 So are there any more questions for
11 Alyssa? Or we have a motion, we have a second,
12 and I can proceed with the vote?

13 I will proceed with the vote.

14 Bob?

15 MR. BROUSSEAU: Yes.

16 TREASURER GOLDBERG: Ruth Ellen?

17 MS. FITCH: Yes.

18 TREASURER GOLDBERG: Jim?

19 MR. HEARTY: Yes.

20 TREASURER GOLDBERG: Dennis?

21 MR. NAUGHTON: Yes.

22 TREASURER GOLDBERG: Carly?

23 MS. ROSE: Yes.

24 TREASURER GOLDBERG: Paul?

1 MR. SHANLEY: Yes.

2 TREASURER GOLDBERG: Myself, yes. The
3 motion carries. Thank you.

4 Now, the follow-on investment
5 recommendations. I'm going to seek a motion and a
6 second. And who will be --

7 Mike, are you presenting on that?

8 MR. McGIRR: Yes. Consistent with prior
9 practice, I'll run through all of them.

10 TREASURER GOLDBERG: All right. You
11 know I'm always up for new things so that's why I
12 always ask.

13 Seek a motion that the PRIM Board
14 approve the Investment Committee's recommendation
15 to approve the following follow-on commitments as
16 described in the expanded agenda: up to
17 130 million euro to Waterland Private Equity
18 Fund IX C.V.; up to 20 million euro to Waterland
19 Partnership Fund I C.V.; up to \$125 million to
20 WestView Capital Partners V, L.P. and up to
21 \$150 million to Lovell Minnick Equity Partners VI,
22 L.P., and further to authorize the executive
23 director to take all actions necessary to
24 effectuate this vote.

1 Is there a motion?

2 MR. SHANLEY: So moved.

3 MR. BROUSSEAU: So moved.

4 TREASURER GOLDBERG: Is there a second?

5 MS. FITCH: Second.

6 TREASURER GOLDBERG: Okay, Mike.

7 MR. MCGIRR: So all of these

8 recommendations today are with high conviction

9 existing managers.

10 I'll start with Waterland Fund IX. PRIM

11 has invested in two prior funds starting in 2017.

12 They're a leading private equity firm in Europe.

13 While the firm began investing in the Netherlands

14 and Germany, they've thoughtfully and successfully

15 expanded their geographic presence in western

16 Europe.

17 Waterland invests in small companies

18 typically with an enterprise value of less than

19 100 million euros and seeks to execute a buy-and-

20 build strategy.

21 We continue to be impressed with the

22 scale of Waterland's add-on acquisition strategy.

23 On average, Waterland is purchasing five add-ons

24 per platform and has completed over 750 add-ons in

1 total and typically buying these for lower
2 multiples than the platforms.

3 We're recommending a 130 million euro
4 commitment to Fund IX.

5 Waterland Partnership Fund. This is a
6 new strategy for Waterland. It's a best ideas
7 fund designed to purchase equity in select high-
8 performing existing Waterland portfolio companies
9 in new transactions alongside private equity firms
10 or GP-led continuation vehicles.

11 Companies that will be considered will
12 have met or exceeded Waterland's target returns,
13 and Waterland believes they have asymmetric
14 knowledge in assessing the likelihood of future
15 growth and buy-and-build potential in these
16 businesses due to their existing knowledge of the
17 company and management teams.

18 We're recommending a 20 million euro
19 commitment to the partnership fund.

20 WestView Fund V, PRIM has invested in
21 three prior funds, going back to 2009. They're a
22 small but high-performing positioner in PRIM's
23 buyout portfolio. Over time, WestView has
24 maintained a small cohesive team and a consistent

1 focus on the lower mid market, an area which our
2 team continues to proactively increase our
3 exposure.

4 WestView seeks to be the first
5 institutional capital provider to growing and
6 profitable businesses where management teams
7 maintain significant ownership positions.

8 WestView is raising a billion dollars for Fund V
9 to continue investing in small, growthy companies
10 across business services, software, IT services,
11 industrial and healthcare IT sectors.

12 We're recommending up to 125 million to
13 Fund V.

14 And finally, Lovell Minnick Partners
15 Fund VI. PRIM has invested in two prior funds.
16 We've made three co-investments alongside Lovell
17 since 2015. They're a leading SMID buyout
18 manager, specializing in financial services.
19 They've built a strong reputation as a go-to
20 partner in sectors such as wealth management,
21 insurance and business services, as well as
22 financial technology.

23 Financial services is a sector that's
24 vast with abundant deal flow and well-suited for a

1 specialist model. Lovell has an enduring,
2 dedicated focus and generated consistent returns
3 over the past 20 years.

4 We're recommending up to 150 million to
5 Fund VI.

6 And the team and I are happy to take any
7 questions on these re-up recommendations.

8 TREASURER GOLDBERG: Any questions?

9 Hearing none, we'll proceed to a vote.

10 Bob?

11 MR. BROUSSEAU: Yes.

12 TREASURER GOLDBERG: Ruth Ellen?

13 MS. FITCH: Yes.

14 TREASURER GOLDBERG: Jim?

15 MR. HEARTY: 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 Thank you, Alyssa. Thank you, Mike.

1 Next up is portfolio completion
2 strategies performance summary. Bill.

3 MR. LI: Thank you, Treasurer.

4 Good morning, everyone. This is Bill
5 Li, director of portfolio completion strategies.

6 Before performance summary, I'd like to
7 give a shout-out to Joy Seth, Eleni Klempner and
8 Liu. They are the members of the PCS team. Market
9 turmoil could wreck things in multiple ways, and
10 everyone gets it. The entire team has redoubled
11 efforts, scrutinizing holdings, documents and
12 managers organizations, all to make sure things
13 didn't fall through the cracks.

14 So Joy, Eleni and Liu, I cannot more appreciate
15 your diligence and meticulousness.

16 And now, performance. PCS ended the
17 third quarter with a minus 43 basis points, on par
18 with the benchmark. In such a sharply down
19 market, this performance came in remarkably
20 resilient.

21 If we look under the hood, all three
22 sleeves played their roles, behaving just as
23 expected. Firstly, stable value hedge funds
24 account for the majority of PCS and delivered a

1 positive 1.3 percent. Here, our managers made
2 sure to hedge out as much market risk as possible,
3 and that effort paid off. After hedging,
4 sometimes even costly hedging, the mandates were
5 able to monetize on a couple of mini trends and
6 arbitrage trades.

7 Second, directional funds, which is
8 roughly one quarter of PCS, decreased by
9 5.2 percent. Despite negative in absolute terms,
10 that figure was still better than general markets.

11 Third, this is the last, but not the
12 least. Real assets, the smallest sleeve in PCS.
13 Those investments' operation and cash flows are
14 somewhat insulated from capital markets, and real
15 assets collectively printed a positive
16 1.2 percent.

17 In such an uncertain environment in Q2
18 and Q3, only few clarities existed. The few
19 clarities were found in trend following, such as
20 rising rate and rising U.S. dollar. Those are the
21 trends embraced by CTA funds; plus, at a micro
22 level, there were wide spreads between trading
23 instruments that benefited arbitrageurs.

24 That said, there's reasonable signs that

1 some of the short-term trends have come to a halt.
2 The stubborn inflation seems to stabilizing.
3 Accordingly, a new macro equilibrium appears to be
4 shaping up as consumers and business and investors
5 are calibrating to a moderate interest rate
6 environment.

7 With that in mind, our managers are
8 highlighting some idiosyncratic values, as the
9 selloff cheapened many things indiscriminately,
10 including some of the solid analyzable papers.

11 There is also a potential secular case
12 to make in credit, as yield becomes intriguing,
13 even after adjusting for expected default.

14 We're also watching the early innings of
15 distressed investing. We're keeping an open
16 dialogue with fund managers who have the ability
17 to fix messy balance sheets, but the intel that
18 we've been collecting from managers across the
19 board are pointing to a very slow transpiring for
20 the situation so we're not taking meaningful
21 actions yet.

22 And we're in general taking our time
23 here to carefully assess the situation. On the
24 one hand, we understand that very few people can

1 time the market. On the other hand, from a more
2 bottom-up angle, pockets of the market show
3 intuitive valuation support.

4 That might warrant capital recycling
5 within the PCS portfolio in a strategic manner, and
6 the team here is looking hard into those
7 opportunistic thesis in collaboration with my other
8 investment colleagues and operation colleagues.

9 With that, I'm at your disposal for
10 any questions.

11

12 TREASURER GOLDBERG: Yes. Any questions
13 for Bill?

14 And thank you, host, whoever was trying
15 to unmute me. I'm assuming it was Tony. I was
16 looking for the "unmute" button. Thank you, Tony.

17 Any questions at all for Bill? Okay.

18 Hearing none, we will move on to Tim and
19 real estate and timberland performance.

20 MR. SCHLITZER: Good morning, everyone.
21 For the record, I'm Tim Schlitzer, director of
22 real estate and timberland.

23 And the only item that I have today is
24 performance so I'll go through a little bit of

1 information and happy to answer questions.

2 Performance is in Appendix I, but I'm
3 not going to refer to that directly.

4 So just beginning with real estate,
5 assets ended the quarter at \$10 billion. That's
6 11.3 percent of PRIT. That's above our 10 percent
7 midpoint, but well within the range. The upper
8 bound is 13 percent.

9 One third of public funds are currently
10 over their real estate policy targets, so we do
11 feel like we're pretty well-positioned in terms of
12 liquidity and competitiveness for acquisition
13 opportunities heading into next year.

14 In terms of activity year to date on the
15 capital allocation side, PRIM invested \$1 billion
16 so far this year, and obviously we're approaching
17 the end of the year. That's a net number,
18 including three dispositions for \$300 million in
19 that number, which again is net.

20 Those were executed through our existing
21 separate accounts, one of our co-investment
22 buckets as well. To get to this point, the team
23 reviewed 203 private investment opportunities
24 during the year. So my compliments and thanks to

1 them for the hard work.

2 On performance, total real estate
3 returned 17.4 percent for the one-year period.
4 That is 109 basis points below the asset class
5 benchmark.

6 As you know, private real estate really
7 drives this portfolio. That's 83 percent of the
8 portfolio, \$8.6 billion. Private real estate
9 returned 25.7 percent for the prior year,
10 underperforming the stated ODCE benchmark by
11 119 basis points.

12 However -- and this is a consistent
13 comment that I make, just calling out the lag.
14 The stated benchmark is June 30. When we compare
15 ourselves to the actual benchmark, that's the
16 September benchmark, of 21 percent, outperformance
17 is 473 basis points. So that puts the entire
18 asset class return well over benchmark,
19 particularly given that our REIT managers also
20 outperformed for the year.

21 Real estate debt was accreted for the
22 year, adding 524 basis points at a loan-to-value
23 ratio that's under 20 percent. So very low, very
24 conservative there.

1 At the sector and geographic level, as I
2 think you're aware, but I'll call it out,
3 apartments and industrial, both very strong
4 sectors recently, make up 61 percent of PRIM's
5 portfolio.

6 And, you know, the positive experience
7 that we've had recently has not just been from
8 capital market cap rate compression so to speak
9 driven by interest rates. We've seen rent growth
10 of approximately 25 percent in these two segments
11 over the last two years. So real income increases
12 that are being valued.

13 And portfolio rents are 15 percent below
14 current market rents, so I think some downside
15 protection and potentially some opportunity going
16 forward baked in.

17 In terms of REIT returns, returns for
18 the prior year were negative 21 percent, and I
19 will note the disconnect with the private markets
20 in stating that number.

21 As I mentioned a minute ago, our REIT
22 managers did add value. They added 116 basis
23 points over the benchmark. So regarding absolute
24 performance and that disconnect, we do expect

1 convergence between the private and the public
2 markets. And based on current relative valuation
3 metrics in both the equity and the debt markets,
4 we believe that the REIT market is probably
5 leading the private market directionally, but the
6 magnitude of moves either way, I think is still to
7 be determined.

8 Based on the data that we're seeing,
9 current total unlevered return requirements have
10 risen about 100 to 150 basis points for private
11 properties on the market.

12 And we think that this will provide some
13 opportunities for next year. And as I mentioned
14 initially, PRIM does have dry powder for it. So I
15 think all in all, a pretty positive story.

16 Let me just move to timberland, and
17 again, happy to answer any questions as we go
18 along. Assets ended the quarter at 2.9 billion or
19 3.3 percent of PRIT. That's an underweight to our
20 policy midpoint of 4 percent.

21 The one-year return is 11.7 percent
22 versus 12 percent for the benchmark, equating to
23 underperformance of 29 basis points. When we
24 unlag the benchmark to September, the index

1 actually increases a little bit, 12.5 percent,
2 equating to underperformance of 82 basis points.
3 So I'd say generally in line, but a little bit of
4 underperformance there.

5 On a three-year basis, timberland has
6 outperformed the stated benchmark by 68 basis
7 points. Unlagged, we're right in line.

8 We've had particularly strong absolute
9 and relative performance in the Pacific Northwest
10 and Australian assets. That's consistent with
11 comments I've made at prior meetings.

12 I'll also mention, related to all of
13 these performance figures, that this quarter, Q3,
14 is really the one in which our valuations are
15 probably the most stale. We're constantly
16 checking them. They're always accurate and within
17 sort of a reasonable range, but we're going to be
18 reappraising next quarter. So really including
19 the full breadth of market information in those
20 valuations. And so I think the real update is
21 coming probably next quarter.

22 Just a couple of comments on the market.
23 We do observe that price discovery today is
24 particularly tricky. There have been a few large

1 transactions in the market this year that have
2 been done at prices, per-acre prices, that are
3 well above where PRIM is carrying its assets. So
4 that's a good positive indicator for our
5 appraisers as we go into the end of the year.

6 And in terms of the drivers there, one
7 thing that I'll call out is that traditional
8 lumber producers are now flush with cash, given
9 where lumber prices have been over the last year
10 or two. They also have a desire to better manage
11 their inventory, given the supply chain issues
12 that we're all well-aware of. So they're
13 effectively going upstream in terms of how they
14 manage their businesses and their forest
15 inventories. And these groups have paid premiums
16 to acquire properties of late.

17 We're also seeing certain investors
18 pricing carbon optionality into their bids, which
19 is forcing the market to adapt their underwriting
20 accordingly.

21 And then lastly, as we all know, there's
22 that inflation call on wood prices. As we sit
23 here, prices are 10 to 15 percent higher than they
24 were a year ago. That's timber prices, the actual

1 wood itself.

2 Prices have softened a little bit
3 recently, more so in the Pacific Northwest as
4 China export demand has dropped off a bit. And
5 then also just in light of the potential headwinds
6 in the housing market.

7 But overall still pretty significant
8 year-over-year growth in timber prices.

9 So I'm going to leave it there, and
10 again happy to answer any questions.

11 TREASURER GOLDBERG: All right. Are
12 there questions for Tim?

13 I just wanted to make a comment, and
14 again, this is purely intuitive and what I'm
15 personally seeing. I am seeing softening in
16 construction. I'm seeing -- this is all in mainly
17 residential I'm focused on, but I also am viewing
18 office space across the country. I'm seeing
19 softening in residential construction due to
20 concern of the volatility in the real estate
21 markets impacted by mortgage rates, but inflation
22 and concerns about the economy.

23 And then I'm also seeing a reentry into
24 office space, but downsizing in office space

1 utilization.

2 I'm sure, Tim, that these are things
3 that you are watching carefully, but generally
4 speaking, what I do like is how you are remaining
5 flexible. And so it's more of a comment and
6 wondering if you're seeing similar things to what
7 I am.

8 MR. SCHLITZER: Yes. I wouldn't
9 disagree with any of that. You can clearly see
10 the pull back in the residential side in the
11 starts and the permitting numbers. The mortgage
12 rates are obvious as sort of the key variable
13 there.

14 In terms of office space, again,
15 completely agree. People are coming back in. We
16 can all see it in the city, but Mondays and
17 Fridays are clearly less full in terms of the
18 office buildings in the city itself.

19 There's a clear flight to quality
20 happening. I think I've mentioned previously that
21 overall, we think that corporate tenants are not
22 necessarily trying to decrease the overall spend
23 on their real estate, but what they're doing is
24 they're downsizing a bit, but they're increasing

1 the quality of the space that they're in, in order
2 to try to drive people back into the office as
3 much as possible.

4 And lastly, I think valuations are sort
5 of still TBD. There's very little capital demand
6 on the equity or demand side for office right now,
7 particularly more commodity Class B office.
8 Class A, again, doing better, but we're sort of
9 sitting tight within PRIM's office portfolio for
10 the time being.

11 TREASURER GOLDBERG: The other thing
12 that I heard on -- yes, I do drive around
13 listening to Bloomberg News -- I am that much of a
14 nerd -- instead of radio.

15 And the other thing I was hearing last
16 night because one thing we saw in August and
17 September were huge increases in rental, housing
18 rental rates. But that's pulling back also. And
19 I was trying to figure out what that was about
20 because if you're not buying, you're typically
21 renting. Yet they are seeing a decline in certain
22 markets, particularly in the Midwest, on housing
23 rental.

24 MR. SCHLITZER: Yes. That's completely

1 true. You have to parse what is probably a bit of
2 a seasonality aspect. This is always a hard time
3 of year for multifamily, but I very much agree
4 that after again about 25 percent increases in
5 rents, I think the consumer is probably just at a
6 point where --

7 TREASURER GOLDBERG: Tapped out.

8 MR. SCHLITZER: -- they're a bit tapped
9 out. So agreed.

10 TREASURER GOLDBERG: Yes. Because
11 January 1 can sometimes be a transitional stage in
12 housing rentals, although --

13 MR. SCHLITZER: That's right.

14 TREASURER GOLDBERG: -- here in Boston,
15 it's typically September 1 for the very obvious
16 reasons. But in some other places, I know of
17 people having to move at the transition of the
18 year.

19 MR. SCHLITZER: Yes.

20 TREASURER GOLDBERG: Are there any other
21 questions or comments for Tim on either real
22 estate or timberland?

23 Hearing none, thank you, Tim.

24 MR. SCHLITZER: Thank you, everybody.

1 TREASURER GOLDBERG: And that finishes
2 the performance part of our meeting, and we will
3 move on to finance and the administration report,
4 starting with the fiscal year 2022 audit results,
5 which is a voting item.

6 And, Tony, how's your Internet doing?

7 MR. FALZONE: There are a few ghosts in
8 the machine this morning. Hopefully everyone can
9 hear me okay.

10 I'll be brief. The audit report
11 financials, agreed-upon procedures reports,
12 they're in your packets as Appendix J.

13 The audits have once again resulted in
14 an unmodified or what I call clean opinion. A
15 quick thank-you to Deb Coulter, PRIM's chief
16 financial officer and chief administration
17 officer; Qingmei Li, PRIM's director of audits and
18 financial reporting -- she coordinates the audits
19 and prepares the financial statements -- and the
20 entire finance and operations team for their hard
21 work. A lot of work goes into this particular
22 exercise, as well as many of the items that were
23 in the consent agenda. I'd be remiss if I didn't
24 mention the clean PERAC audit as well.

1 And also to acknowledge KPMG for the
2 work they do. We have a very innovative and
3 complex portfolio, and the KPMG team works very
4 well with PRIM staff.

5 So I'll leave it right there if anyone
6 has any questions.

7 MR. NAUGHTON: Madam Chair?

8 TREASURER GOLDBERG: Yes.

9 MR. NAUGHTON: I have a comment. You
10 know, this pops up on the agenda, and we hear that
11 it's a clean audit and a clean audit from PERAC.

12 And the amount of work that goes into
13 that, I'm sure is unimaginable. So once again, I
14 just want to take a moment to thank and
15 congratulate our staff for producing those kinds
16 of audits year after year after year, okay.

17 Again, for us, it's just a quick voting
18 item on the agenda. It's not quick for them.
19 It's an ongoing process pretty much, I expect.

20 TREASURER GOLDBERG: Definitely not
21 quick for them.

22 MR. NAUGHTON: Thank you, everyone.

23 TREASURER GOLDBERG: Not quick at all.

24 MR. NAUGHTON: Thank you for making us

1 look so good because we are, thanks to you.

2 MR. FALZONE: Thank you. And I know my
3 team appreciates it. As I say many times when I'm
4 presenting at the board meetings, I have a team
5 that -- I mean I can't do what I do without my
6 team. They're just excellent in every way, so I
7 thank them.

8 TREASURER GOLDBERG: So thank you,
9 Dennis, for mentioning that.

10 And I did say that this is a voting
11 item, and so I'm going to seek a motion in a
12 second.

13 I seek a motion for approval of the
14 fiscal year 2022 audit results, that the PRIM
15 Board approve the Administration and Audit
16 Committee's recommendation to approve the fiscal
17 year 2022 audit results as described in the
18 expanded agenda, and further to authorize the
19 executive director to take all actions necessary
20 to effectuate this vote.

21 Is there a motion?

22 MR. BROUSSEAU: So moved.

23 TREASURER GOLDBERG: Is there a second?

24 MR. NAUGHTON: Second.

1 MS. FITCH: Second.

2 TREASURER GOLDBERG: Any additional
3 comments and questions from members of the board?

4 I do want to say that, as always,
5 management left the meeting, and the committee
6 members met with the audit group to be able to
7 have any discussions necessary. It was generally --
8 there was nothing for those of us on the board and
9 the committee to report that was any issue
10 whatsoever.

11 And so with that, I would proceed with a
12 roll call vote. I'm just checking the time. We
13 might have lost -- oh, no. It looks like Carly
14 may still be on. She is.

15 MS. ROSE: I'm still here.

16 TREASURER GOLDBERG: 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: Dennis?

23 MR. NAUGHTON: Yes.

24 TREASURER GOLDBERG: Carly?

1 MS. ROSE: Yes.

2 TREASURER GOLDBERG: Paul?

3 MR. SHANLEY: Yes.

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

6 Okay. Next item on the agenda. I would
7 seek a motion that the PRIM Board approve the
8 Compensation Committee's recommendation to set the
9 executive director's fiscal year 2022 individual
10 performance multiplier as 1.0 as described in the
11 expanded agenda.

12 Is there a motion?

13 MR. BROUSSEAU: So moved.

14 TREASURER GOLDBERG: Is there a second?

15 MR. SHANLEY: Second.

16 TREASURER GOLDBERG: Okay.

17 MR. FALZONE: Treasurer, right before
18 that, we did have a presentation from McLagan on
19 the equal pay audit results. It's not a voting
20 item.

21 TREASURER GOLDBERG: Did I miss that?

22 Oh, I did skip that.

23 No -- yes, I did. I'm terribly sorry.

24 MR. FALZONE: No. I'm joined today with

1 Maureen Reilly and Adam Barnett from McLagan.

2 TREASURER GOLDBERG: Time out one
3 minute.

4 Should we end up -- I just have a
5 question. Should we end up doing the motion and a
6 second again, Renee, when we come to that item?

7 All right. So what I want to say is we
8 missed the equal pay audit results -- see, I
9 jumped way ahead -- proposed 2023 proxy voting
10 guidelines, our legislative update and other
11 matters before we get to the compensation.

12 Michael, I was just in such a hurry to
13 say great things about you. So look at that.

14 Sorry about that, everybody.

15 Tony.

16 MR. FALZONE: Thank you. We'll be
17 quick.

18 And it's no secret the Treasurer is a
19 very strong advocate for wage equality,
20 specifically her work overseeing the Office of
21 Economic Empowerment. Working early on in
22 conjunction with the Treasurer and then later with
23 our diversity, equity and inclusion consultant,
24 IBIS, these pay audits are one of -- they're one

1 of PRIM's strategies that we implemented to
2 promote wage equality.

3 And as I mentioned earlier, Maureen and
4 Adam are here from McLagan. And I'm going to
5 drive the slides, and they'll go through their
6 presentation, if I can just get my act together
7 here.

8 Okay. You should see that presentation
9 now.

10 MS. REILLY: Okay. Great. So, Tony, if
11 you move to the next slide -- thank you.

12 So we conducted a similar analysis to
13 the one we did in 2017 where we wanted to look at
14 PRIM's employees' salaries and make sure that they
15 were paid fairly and competitively and that there
16 was no bias towards gender.

17 And in doing this, we focused on three
18 areas. One, we wanted to look at, compared to the
19 2017 analysis, what changes have been made to
20 PRIM's gender pay mix -- or gender mix, rather.

21 Two, we wanted to look at the current
22 salary ranges, where PRIM employees fell within
23 their respective ranges.

24 And then third, we wanted to assess,

1 based on factoring in each individual's
2 performance and tenure, how that affected their
3 salary range placement.

4 So overall, before we get into it, we
5 did not observe a gender bias when going through
6 this analysis. But if we go to the next page, we
7 can go through each of those three steps.

8 So you can see here on the chart on the
9 far right, in 2017, 37 percent of PRIM's employees
10 were female; 63 percent were male. And currently
11 in 2022, it's a 50/50 mix.

12 And most importantly, to look at the top
13 four salary ranges for PRIM, in 2017, females made
14 up 11 percent of those top four salary ranges.
15 And currently, they make up 30 percent of the top
16 four salary ranges.

17 And if we go to the next slide, so PRIM
18 has an established salary range structure with
19 midpoints. And similar to how other organizations
20 are structured, they have these so that they
21 reflect competitive market norms, and in general,
22 when thinking about pay, if employees meet
23 expectations and are knowledgeable about their
24 functional area and are really performing for

1 PRIM, their pay is generally structured around the
2 salary range midpoint.

3 And so what we did was we looked at each
4 individual's placement within their salary range
5 structure as it relates to that midpoint.

6 And as you can see at the bottom, we did
7 not observe a gender bias, as we saw that males
8 and females on average, 6 percent and 4 percent
9 were paid above the salary range midpoint. So on
10 average, most of the individuals were paid above
11 their salary range midpoint already at PRIM.

12 The next slide.

13 Thank you.

14 So when assessing the relative pay
15 equity, it's difficult to compare those midpoints
16 if the individuals have different levels of
17 experience or different levels of performance. So
18 to make it more an apples-to-apples comparison,
19 what we did was we factored in each person's
20 individual performance and tenure in their
21 respective jobs.

22 So we created these predicted salary
23 range midpoints at the bottom, and I'll walk you
24 through an example. And what we did was we said

1 if a person's current salary range point, the
2 midpoint that's structured at PRIM, is \$165,000,
3 and that person has been in their position four
4 years, and their performance rating was a five,
5 they're an all-star.

6 So what we did was we looked at that on
7 this matrix down here. You can see the five for
8 exceeds expectations and three to five years of
9 experience. We are going to adjust their current
10 midpoint upwards by 1.13.

11 And so now when looking at their
12 midpoint, we're looking at instead of a 165, we're
13 looking at \$186,000 midpoint because they've been
14 in their job four years and their all-star
15 performance.

16 And so what we did was we did this for
17 each individual person. So it was adjusted
18 upwards or downwards based on their performance
19 and tenure.

20 And if you go to the next slide -- thank
21 you -- we did not observe a gender bias. So you
22 can see in this chart at the bottom, half of the
23 individuals were paid at or above their predicted
24 salary range midpoints. And for males, you can

1 see there was -- eight of 12 were paid at or
2 above. And for females, 12 of the 20 were paid at
3 or above their predicted salary range midpoint.

4 So when looking at this, we did not
5 observe any sort of gender bias, factoring in
6 performance and tenure for each of these
7 individuals.

8 Are there any questions? Is there
9 anything else, Tony, that you wanted to go through
10 for this?

11 MR. FALZONE: No. I think that --

12 MR. BARNETT: Maureen, could I also just
13 underscore, having worked with PRIM for a long
14 time, I think what this highlights -- your first
15 conclusion, just to underscore it, is that PRIM
16 has made a concerted attempt and has succeeded in
17 diversifying its employee mix.

18 So there was an appreciable increase in
19 the percentage of women represented in PRIM's
20 population since the last analysis. So I think
21 that PRIM has demonstrated and proven its
22 commitment in terms of providing opportunities for
23 women.

24 And the second, I think just to

1 underscore your conclusion, is that once we take
2 into account individuals' performance and their
3 tenure, the conclusion is that there's not any
4 discernible difference between how men and woman
5 are paid vis-à-vis their midpoints.

6 Questions?

7 MS. FITCH: Yes. How often is this kind
8 of evaluation done?

9 MR. FALZONE: Ruth Ellen, we try to do
10 it every three to five years.

11 MS. FITCH: Okay. That sounds fair,
12 especially the three as opposed to the five.

13 MR. FALZONE: Yes, and actually COVID
14 kind of threw a wrench in what we were planning on
15 doing, so it's a year later than I had hoped it
16 would be.

17 MS. FITCH: Okay. Thank you.

18 MR. FALZONE: It's a focus of ours, so --

19 MS. FITCH: Thanks.

20 TREASURER GOLDBERG: Well, I think this
21 is a really good analysis. And as I said before
22 when we heard it, we all know when I walked in the
23 room the first time, my reaction, and so I think
24 the comment that is most important is the

1 intentional effort that's been made to be a more
2 inclusive environment and identify talented people
3 and bringing them on board.

4 And so I look forward to continuing to
5 improve upon this. And when I was running for
6 treasurer, I talked about doing internal audits
7 because this was not something that people in the
8 public sector were as familiar with and understood
9 that that's the best way to evaluate wage
10 inequities and rectifying them and wage equality.
11 And so we did that immediately in the Treasurer's
12 Office.

13 And PRIM, you've done a great job
14 incorporating both the understanding about
15 reaching to ensure that we're the most successful
16 organization we can be and evaluating your
17 performance in these spaces.

18 So thank you for the presentation.

19 Any other comments or questions?

20 Hearing none, now that I'm back on
21 track, we will go into the proposed 2023 proxy
22 voting guidelines. Also not a voting item, but a
23 presentation.

24 MR. FALZONE: Thank you. Yes.

1 So similar to the last few years, on
2 page 21 of the expanded agenda, we have provided
3 the board with a sneak preview of proxy voting
4 language proposed by Treasurer Goldberg that we
5 expect the board to contemplate at its February
6 board meeting.

7 So for today, this information is just
8 informational, but we like to give people some
9 time to look at it before it gets presented to
10 them for a vote. So that's why you're seeing it
11 in this cycle, and you'll again contemplate it at
12 the following meeting.

13 Just for informational purposes, the
14 three guidelines, one is on reproductive
15 healthcare, the other is on access to parental
16 leave, and then finally the third is greater
17 political giving disclosures.

18 So again, it's not anything that we need
19 to take up today, but it's there for informational
20 purposes.

21 TREASURER GOLDBERG: Are there any
22 questions? Have people read through them? And we
23 will be discussing them in February.

24 MR. NAUGHTON: Madam Treasurer, if I

1 may?

2 TREASURER GOLDBERG: Yes.

3 MR. NAUGHTON: I would just like to say
4 how delighted I was when I read that listing, and
5 I look forward to the discussion in February.

6 TREASURER GOLDBERG: Great. Thank you,
7 Dennis.

8 Okay then. Next item is anything legal
9 or legislative? Emily, are you -- is Emily --

10 MR. FALZONE: I think we're going to
11 promote Emily for a brief update.

12 TREASURER GOLDBERG: I was going to say
13 I don't see her promoted yet. I mean she's
14 promoted in my eyes, but --

15 MR. GRISWOLD: Hi, Madam Treasurer.

16 Tony, I actually don't see her in the
17 list of attendees. Give me one moment here.

18 There she is. Sorry.

19 TREASURER GOLDBERG: I was going to say --

20 MR. GRISWOLD: No. She's there. I had
21 a moment on my interface here where it froze. So
22 apologies for that.

23 MR. FALZONE: It's been one of those
24 days technology-wise, Treasurer.

1 TREASURER GOLDBERG: By any chance, is
2 Mercury in retrograde? I had this kind of -- I
3 had worse yesterday even.

4 MR. FALZONE: I wonder if it's storm-
5 related actually based on the winds from last
6 night, but I'm not a hundred percent sure.

7 MS. KOWTONIUK: We'll find out.

8 MR. FALZONE: Emily, hello.

9 MS. KOWTONIUK: Hi, everyone. I'm Emily
10 Kowtoniuk, and I am the Treasurer's director of
11 policy and legislative affairs, and I have a very
12 quick legislative update for you today.

13 The big news on our end, which has
14 already been mentioned in this discussion, is that
15 there was an election that happened. So in
16 addition to the Treasurer returning, we will have
17 a new governor, a new lieutenant governor and a
18 new attorney general. We're also going to have
19 around two dozen new members of the legislature,
20 and so we expect a significant shift in leadership
21 and committee position posts.

22 The other news out of our department is
23 that there was an economic development bill that
24 was finalized that made some significant

1 investments in legislative priorities. It also
2 included the tax relief contemplated by the 1986
3 law, which was a nice kickback, and I hope
4 everyone has received their checks, but the larger
5 tax reform package is going to wait until next
6 year. And there are plans in the works to do
7 something big.

8 So happy to answer any questions that
9 you might have.

10 TREASURER GOLDBERG: Any questions for
11 Emily?

12 None.

13 Thank you, Emily.

14 Okay. Other matters?

15 MR. FALZONE: Just briefly, there's
16 client service information in your packet. I
17 would just like to thank that team led by
18 Francesco Daniele for the work they do. They do a
19 great job.

20 And also the GIPS report. I want to
21 call that out as well. We're one of the few asset
22 owners that produce that. We kind of are leading
23 the charge in that effort. And Matt Liposky does
24 a great job putting all that together, and he's

1 responsible for that area. So a little shout-out
2 for him as well.

3 TREASURER GOLDBERG: Great.

4 And will that be all for you?

5 MR. FALZONE: That is it for me.

6 Thank you, everyone.

7 TREASURER GOLDBERG: Now back to where I
8 was and to the Compensation Committee report with --
9 I'm going to redo the motion. And I'm just
10 looking. We have three separate votes on the
11 motion. But -- and we will --

12 After the motion on the first one and we
13 talk about the multiplier, I will then have a
14 little bit of a narrative, and that will tee us up
15 for the other motions.

16 How does that sound? You like that?

17 Okay. Good.

18 So motion number 1 is that the PRIM
19 Board approve the Compensation Committee's
20 recommendation to set the executive director's
21 fiscal year 2022 individual performance multiplier
22 at 1.0 as described in the expanded agenda.

23 Is there a motion?

24 MR. NAUGHTON: So moved.

1 MR. BROUSSEAU: So moved.

2 TREASURER GOLDBERG: Is there a second?

3 Anybody?

4 MS. FITCH: Second. Yes.

5 TREASURER GOLDBERG: Bob?

6 MR. BROUSSEAU: Yes.

7 TREASURER GOLDBERG: Ruth Ellen?

8 MS. FITCH: Yes.

9 TREASURER GOLDBERG: Jim?

10 MR. HEARTY: Yes.

11 TREASURER GOLDBERG: Dennis?

12 MR. NAUGHTON: Yes.

13 TREASURER GOLDBERG: Carly texted me

14 that she had to depart.

15 So Paul?

16 MR. SHANLEY: Yes.

17 TREASURER GOLDBERG: And myself, yes.

18 The motion carries.

19 So we had an extensive Compensation

20 Committee meeting, and the compensation is split

21 into two factors. One is the multiplier as

22 described in the expanded agenda. The second is

23 an annual salary adjustment.

24 And with that, I know that Michael

1 doesn't like me to embarrass him. However, for
2 those who have been on the call since the very
3 beginning of this meeting, it is really clear that
4 this year is a perfect indication of the skills
5 and talent of Michael's leadership of our
6 organization.

7 First of all, I want to point out --
8 because I talk about employee retention and
9 employee appreciation all the time. However, post
10 COVID, what we've seen out there is a lot of
11 jumping around by people on top of everything
12 else. And in our industry, in our market area, it
13 is extremely competitive, yet the consistency that
14 has occurred over my tenure, which is now eight
15 years, and on employee retention and support has
16 been outstanding.

17 So I always put people first, which a
18 lot of you know. But also performance. And to
19 me, to be able to ride out volatility -- so let's
20 talk about the volatility. Incredible uncertainty
21 over COVID. And then inflation, the war with
22 Ukraine and all the volatility that's going on in
23 the markets.

24 Michael has continued to lead a talented

1 staff, retain them and stay the course. And I
2 don't think people recognize staying the course in
3 volatile times. And I see professional investors
4 all over the place all of a sudden starting to
5 react in sometimes not rational ways. Yet this
6 organization stays the course.

7 Every year that I've been around, the
8 multiplier has been 1.0, and 1.0 is the
9 recommendation that we come up with again because
10 there is absolutely no reason to not only not
11 alter it, but to again reiterate the reasons for
12 it.

13 And quite candidly, this narrative that
14 I'm putting forward will apply to the next motion
15 also and actually probably the following motion,
16 but we'll save it for the two addressing Michael
17 directly.

18 So would anyone else like to comment? I
19 know, Bob, you do like to mention a few items, but
20 let's remember we don't like to embarrass Michael
21 too much.

22 MR. BROUSSEAU: Thank you, Madam
23 Treasurer.

24 I probably will have very little to say

1 other than to reiterate what you've said. This is
2 Michael's least favorite day, and I guess
3 evaluation was his second least favorite day. I
4 don't know.

5 But rather than repeat myself for the
6 third time -- I did this in the board meeting, at
7 the Admin Committee meeting a couple weeks. As I
8 told everybody then, Michael's performance has
9 been outstanding. It has been outstanding, in my
10 opinion, since he joined us back in 2010, and
11 especially we see the last five years since the
12 inception of this incentive compensation program
13 in 2014, it has continued.

14 We've seen Michael take this
15 organization and build it into -- none of us can
16 dispute -- a world-class investment operation. We
17 were before, but the changes that were made, the
18 expansion of staff, just the hands-on work that
19 has been done by this team led by Michael is just
20 phenomenal, and we see it with all the
21 recognitions that PRIM and Michael have received,
22 as well as our staff members.

23 And you can read the comments that I put
24 in there. One paragraph, we went to the minutes.

1 And what other evaluators, especially board people
2 and committee people, said about Michael is just
3 his willingness to work with people as a
4 communicator, as a person who brings forth new
5 ideas, I think causes us to think a little
6 differently than many of us probably have been
7 taught to think and to open up to these ideas.

8 And I think it has been a fantastic -- I
9 know 12 years, as far as I'm concerned, but
10 they've gone by way too fast.

11 So, Michael, again congratulations to
12 you and to the staff. Your performance is
13 outstanding.

14 TREASURER GOLDBERG: Thank you, Bob.

15 Are there any other comments from
16 members of the board? Shall we make Michael
17 uncomfortable for a few minutes longer?

18 MS. FITCH: I join in. I join in, in
19 the evaluation. It's just great having him as our
20 leader.

21 TREASURER GOLDBERG: Thank you, Ruth
22 Ellen.

23 We have to put you through pain for one
24 more vote, Michael. So I'll get this one over

1 with first.

2 Bob?

3 MR. BROUSSEAU: Yes.

4 TREASURER GOLDBERG: Ruth Ellen?

5 MS. FITCH: Yes.

6 TREASURER GOLDBERG: Jim?

7 MR. HEARTY: Yes.

8 TREASURER GOLDBERG: Dennis?

9 MR. NAUGHTON: Yes.

10 TREASURER GOLDBERG: Paul?

11 MR. SHANLEY: Yes.

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

14 Now I'm going to seek a motion on the
15 salary adjustment. I seek a motion that the PRIM
16 Board approve the Compensation Committee's
17 recommendation to increase the executive director/
18 chief investment officer's annual salary by
19 \$10,000 effective December 1, 2022.

20 Is there a motion?

21 MR. SHANLEY: So moved.

22 MR. BROUSSEAU: So moved.

23 TREASURER GOLDBERG: Is there a second?

24 MS. FITCH: Second.

1 TREASURER GOLDBERG: So it goes without
2 saying that for the very reasons that we mentioned
3 in my first presentation is the reason for the
4 recommendation now.

5 This is also based upon relevant
6 consideration regarding employment and
7 compensation that we have spent evaluating,
8 working with McLagan and the Compensation
9 Committee over time.

10 Michael has had increases that have
11 varied, but also to keep him in the ranges of what
12 are appropriate. And I don't know if anyone else
13 wants to comment on this, but I would say ditto to
14 what I already said, and I think this is a
15 reasonable recommendation.

16 Bob, do you want to add any --

17 MR. BROUSSEAU: Just we spoke about
18 salaries earlier. We're talking again about the
19 equity issue with our employees.

20 But I think also -- I think equity and
21 salary for everybody is very important, especially
22 probably the leader, but we established these
23 ranges, and I just like to note this \$10,000
24 increase, this is so outstanding, it seems in the

1 industry, it might not be -- be what it should be.

2 But yes. If you look at the ranges that
3 this board approved several years ago, this
4 \$10,000 increase puts Michael, I believe, at about
5 89 percent of the range that we had established.

6 So this is not an enormous salary
7 increase, but it's keeping Michael within the
8 range that McLagan established for us. I think it
9 was three years ago, I guess, when they did this.

10 TREASURER GOLDBERG: Tony, was it three
11 years ago? I'm trying to remember.

12 MR. BROUSSEAU: Three or four.

13 MR. FALZONE: 2021, I believe.

14 MR. BROUSSEAU: That's right.

15 TREASURER GOLDBERG: Right. I thought
16 it was --

17 Any other questions or comments from
18 members of the board on this?

19 Hearing none, I will move to the vote.

20 Bob?

21 MR. BROUSSEAU: Yes.

22 TREASURER GOLDBERG: Ruth Ellen?

23 MS. FITCH: Yes.

24 TREASURER GOLDBERG: Jim?

1 MR. HEARTY: Yes.

2 TREASURER GOLDBERG: Dennis?

3 MR. NAUGHTON: Yes.

4 TREASURER GOLDBERG: Paul?

5 MR. SHANLEY: Yes.

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

8 Now, the third vote is for incentive
9 compensation for fiscal year 2022, and I would
10 seek a motion that the PRIM Board approve the
11 Compensation Committee's recommendation to approve
12 the release of incentive compensation for fiscal
13 year 2022, and further to authorize the executive
14 director to take all actions necessary to
15 effectuate this vote.

16 Is there a motion?

17 MR. BROUSSEAU: Yes.

18 MR. SHANLEY: So moved.

19 TREASURER GOLDBERG: Is there a second?

20 MR. SHANLEY: Second.

21 TREASURER GOLDBERG: So this, I want to
22 make this clear, that this is to release staff
23 incentive compensation that has been earned and is
24 based on the PRIT Fund's trailing three-year

1 performance relative to benchmark.

2 So obviously we don't do this based upon
3 the volatility in the market. We do it based upon
4 a range of years and a range of performance. And
5 for the three-year period, even with what has
6 occurred, we've exceeded benchmark by 2.4 percent.

7 The PRIM Board can release or defer.
8 The Compensation Committee, we recommended
9 releasing. And so I hope that the members of the
10 board will concur with that decision.

11 Any questions or comments on this?

12 Hearing none, I will proceed with the
13 vote.

14 Bob?

15 MR. BROUSSEAU: Yes.

16 TREASURER GOLDBERG: Ruth Ellen?

17 MS. FITCH: Yes.

18 TREASURER GOLDBERG: Jim?

19 MR. HEARTY: Yes.

20 TREASURER GOLDBERG: Dennis?

21 MR. NAUGHTON: Yes.

22 TREASURER GOLDBERG: Paul?

23 MR. SHANLEY: Yes.

24 TREASURER GOLDBERG: Myself, yes. The

1 motion carries.

2 I want to reiterate, it's fun, hard work
3 and easy to do well in up markets. For those who
4 were born into an up market and have only
5 experienced -- and I'm not referring to our staff --
6 when down markets come, they have no idea what to
7 do.

8 It is the group of individuals that are
9 in PRIM who have been through variations and
10 ranges of what markets can do and keep their focus
11 and keep their success. That is what this staff
12 is about, and I am proud of all of you.

13 Please continue all the good work and
14 know that you're appreciated.

15 Michael, I saw your hand go up. I know
16 you want to say something. And then I'll come
17 back after you.

18 MR. TROTSKY: Yes. First, I just want
19 to thank you, Treasurer Goldberg, and the rest of
20 the board for your continued support, not only of
21 me, but of the entire staff. It means the world
22 to me personally, and I'm sure for the 50-some-odd
23 staffers listening in intently, it means the world
24 to them as well.

1 So thank you, everyone, for your
2 continued support. We have an important mission.
3 We have a great team, and you all are doing your
4 part in ensuring that this team is stable and
5 happy. And I couldn't be more pleased.

6 I think that's the last agenda item, and
7 I just wanted to say that I hope you have a
8 wonderful holiday season, enjoy the time with your
9 family and friends. And in advance, a happy,
10 healthy and productive new year.

11 TREASURER GOLDBERG: Before everybody
12 jumps off, I want to say a few words about Jim
13 Hearty. I know that you brought up Jim early on.

14 Jim, we're sorry to see you depart.
15 Between having been the executive director and
16 following PRIM all these years and then coming
17 back on, you're probably ready for a vacation from
18 us, but I just want to thank you for all of your
19 focus and your passion and your support over these
20 years. I want to wish you well. I want to wish
21 you personally, you and your family, a happy and
22 healthy new year.

23 And I just can't believe how all this
24 time has flown. So thank you, Jim.

1 MR. HEARTY: Well, those are very nice
2 words. Thank you, Madam Treasurer.

3 I have thought about this. If I can
4 take a moment, I'm going to tell you about the
5 first PRIM Board meeting I ever went to. This
6 obviously is the last. So it was in 1991, and I
7 was at my office one sunny spring day, and the
8 phone rang, and it was the lieutenant governor,
9 Paul Cellucci.

10 "Jim, can you go to a meeting at
11 225 State Street at noon?"

12 I said, "Yeah. What am I going to do?"

13 He said, "Well, you're going on the PRIM
14 Board."

15 I said, "What's that?"

16 And he said, "It's the state pension,
17 you dope. Okay. It's very important you're
18 there, and it's very important you're on time
19 because you need to vote for Paul Doane as the new
20 executive director."

21 And I said, "Who's Paul Doane?"

22 And Paul Cellucci said, "Jim, that
23 doesn't matter."

24 And that was my first vote at a PRIM

1 Board meeting, whenever the hell that was. 1991.

2 So I remember --

3 TREASURER GOLDBERG: Who was Paul Doane?

4 MR. HEARTY: Paul Doane was a Republican
5 state senator from the Cape.

6 MR. BROUSSEAU: Yes.

7 MR. HEARTY: And did a very good job as
8 executive director. That was obviously when
9 Malone came in -- at that point, there were no
10 committees. There was no Investment Committee.
11 There was no Admin Committee.

12 MR. BROUSSEAU: There was none of this.

13 MR. HEARTY: Joe Malone did a remarkably
14 good job of reorganizing, I think, the Treasury at
15 that point.

16 So anyway, I've come a long way from not
17 knowing what PRIM was.

18 TREASURER GOLDBERG: Good story.

19 MS. FITCH: It really is. Wow.

20 MR. BROUSSEAU: Madam Treasurer, if I
21 could, please. Personal privilege.

22 I was going to say this, if other people
23 had not, but of all nine of us, I'm the only
24 person who's worked with Jim very closely since

1 1991. Prior to that, I was on the board.

2 But Jim as a trustee, very attentive to
3 detail. He also, like Michael, built
4 relationships with trustees and with the
5 organization, which at that time, Jim, we had
6 about \$2.5 billion, I think, in assets when you
7 came on as a trustee in 1991.

8 Then I think in 1997, you were still a
9 trustee. You had not become the executive
10 director. When we merged the state and teachers'
11 funds, I think we jumped to about 4.6 or
12 \$4.7 billion. And then as we all know, things
13 have taken off from then. And we are now of
14 course -- good news today probably -- hopefully
15 above the \$90 billion mark.

16 But working with Jim was a pleasure.
17 Following his first stint as trustee, he became
18 the executive director. And like Michael, he was
19 an excellent executive director, worked very well
20 with our staff and had the respect of staff as
21 well as the people that he had to answer to at the
22 state level and also with the legislature.

23 And then lo and behold, he came back as
24 a trustee again. I had never thought that he

1 would.

2 But again, Jim is a person who is
3 committed to service, to service of the
4 Commonwealth and especially service to PRIM.

5 And I certainly, Jim, wish you and Doris
6 happy holidays, but also a happy retirement in
7 everything that you do. And if you do get on the
8 slopes this winter, please don't break a leg.

9 TREASURER GOLDBERG: Yes, Jim.

10 MR. HEARTY: Those are nice words.

11 Thanks, everybody.

12 TREASURER GOLDBERG: So with that, I
13 think it is time to adjourn the meeting. I would
14 seek a motion to adjourn the meeting.

15 MR. BROUSSEAU: So moved.

16 MR. HEARTY: So moved.

17 MR. SHANLEY: So moved.

18 TREASURER GOLDBERG: Jim, would you like
19 to do the second?

20 MR. HEARTY: Sure.

21 TREASURER GOLDBERG: Please do.

22 MR. HEARTY: Second.

23 TREASURER GOLDBERG: And I am actually
24 going to ask Jim to be the first vote in the roll

1 call vote.

2 MR. HEARTY: Yes.

3 TREASURER GOLDBERG: Bob?

4 MR. BROUSSEAU: Yes.

5 TREASURER GOLDBERG: Ruth Ellen?

6 MS. FITCH: Yes.

7 TREASURER GOLDBERG: Dennis?

8 MR. NAUGHTON: Yes.

9 TREASURER GOLDBERG: Paul?

10 MR. SHANLEY: Yes.

11 TREASURER GOLDBERG: Myself, yes. The

12 motion carries.

13 Thank you, everyone. Happy holidays.

14 Happy and healthy new year.

15 MR. SHANLEY: Happy holidays, everybody.

16 MR. BROUSSEAU: Happy holidays.

17 MS. FITCH: Thank you. Good meeting.

18 MR. FALZONE: Thank you, everyone.

19 (Meeting adjourned at 11:57 a.m.)

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