



Minutes of the PRIM Administration and Audit Committee Remote Meeting  
Thursday, November 17, 2022

Committee members attending:

- Robert Brousseau, Chair
- Treasurer Deborah Goldberg
- Patrick Brock
- James Hearty
- Theresa McGoldrick, Esq.
- Dennis Naughton

Committee members not attending:

- Karen Gershman, CPA
- Michele Whitham, Esq.

The PRIM Administration and Audit Committee meeting was called to order at 10:02 a.m. Chair Robert Brousseau announced that the meeting was being held in accordance with the provisions of Massachusetts, “Chapter 22 of the Acts of 2022” which was amended on July 16, 2022, which includes an extension, until March 31, 2023, of the remote meeting provisions of the March 12, 2020, Executive Order “Suspending Certain Provisions of the Open Meeting Law”. Accordingly, all members of the Committee participated remotely via telephone and/or internet enabled audio and video conferencing, and public access to the deliberations of the Committee was likewise provided via telephone, with presentation materials made available on PRIM’s website ([www.mapension.com](http://www.mapension.com)). At the start of the meeting the names of the members participating remotely were announced.

**I. Consent Agenda (Voting Item)**

Robert Brousseau, Chair, began the meeting by congratulating Treasurer Goldberg on her reelection to a third term as Treasurer Receiver General of the Commonwealth of Massachusetts.

Mr. Brousseau introduced the consent agenda voting item and alerted the Committee that if any members had an item from the consent agenda that they wished to discuss, it would be removed as a single item and voted on separately. All Committee members felt that the items included in the consent agenda were routine or non-controversial and therefore no separate votes were required.

Anthony Falzone, Deputy Executive Director, and Chief Operating Officer, listed the consent agenda items as follows:

1. Approval of the Administration and Audit Committee minutes of its May 5, 2022, July 19, 2022, and August 4, 2022, meetings
2. Approval of the Draft Fiscal Year 2022 Annual Comprehensive Financial Report
3. Approval of the PERAC Examination Report for the Period July 1, 2014 – June 30, 2019
4. Approval of the Proposed 2023 PRIM Board and Committee Meeting Schedule
5. Approval of the Information Technology Consulting Services Recommendation
6. Approval of the Investment Legal Services Request for Qualification (RFQ) Recommendation

Mr. Falzone explained that while the consent agenda items may be routine and non-controversial, that does not reflect the amount of work that goes into each item. He added that PRIM is in a constant state of audit, many planned but some unplanned citing PERAC and the State Audit as examples. The Finance team, often with assistance from other operational areas, does a great job ensuring PRIM and PRIT’s

financial statements are both timely and accurate. The team manages the various audits and examinations in a professional manner and importantly, to a successful outcome. Mr. Falzone reiterated that this is a credit to his team, which he feels is best in class.

The Administration and Audit Committee voted (unanimously) by roll call vote to approve the consent agenda as described in the Expanded Agenda, and recommend to the Board those items that require PRIM Board approval.

## **II. Executive Director/Chief Investment Officer Report**

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

Mr. Trotsky began by congratulating Treasure Goldberg on her recent reelection. He stated that the PRIM team looks forward to working with her over the next four years.

Mr. Trotsky told the Committee that the global challenges discussed during the last two quarters persisted into the September quarter. The PRIT Fund's results were stronger than the markets, and he remains pleased with the resiliency of the Fund and its performance over all time periods, including in the September quarter, and throughout several different market environments.

Mr. Trotsky continued, during the September quarter COVID continued with a significant number of daily cases in the US and worldwide, while the flu and other respiratory illnesses, namely RSV, were on the rise. Interest rates remained stubbornly high, and inflation remained at multi-decade highs; markets digested slowing economic growth worldwide, tightening monetary policy, the brutal Russia/Ukraine war, and continued geopolitical tensions. Adding to that toxic mix, continued supply chain disruptions, food, energy, and labor shortages, all this provided a significant headwind for economies and financial markets in the September quarter, making it the third consecutive quarter of market declines. Market drops and economic cycles are expected to impact the PRIT Fund periodically. This is one of those periods.

Mr. Trotsky explained that while the September quarter was difficult and the PRIT Fund was down slightly, 4.7%, net, as compared to a 60/40 mix of stocks and bonds, which was down 6.0%, there is a silver lining and some very welcoming trends to report. First, the silver lining is that market downturns create good buying opportunities, and the PRIM team has been busy identifying many new opportunities. PRIM has deployed \$6.9 billion of capital last fiscal year which was a 58 percent increase over the previous year. And in this quarter, PRIM will deploy approximately \$800 million of capital to new ideas. Additionally, PRIM adheres to its monthly rebalancing discipline, which enables it to redeploy capital to areas hit the hardest. That's the silver lining – we are buying the dips in downturns and maintaining our well balanced, diversified portfolio.

Mr. Trotsky added that methodical rebalancing - buying the dips - and deploying capital has served PRIM very well this quarter because of the huge rebound in the markets since the end of the September. While markets were down significantly for the 12-month period ending September, the markets have bounced back strongly. The S&P 500 was down more than 15% for the 12-month period ending September but has gained 11.5% in October and November. That means the S&P has gained back three quarters of the entire 12-month loss in only two months' time.

Before moving to the PRIT Fund performance report Mr. Trotsky provided the following organizational update.

### **New Hire**

Jessica Murphy joined PRIM in October as the Manager of Performance Reporting. Jess comes to PRIM from Bank of New York Mellon where she served as Lead Manager within the bank's Performance Reporting Group. Jess is extremely familiar with PRIM, having served as PRIM's main point of contact for

all performance reporting matters for the past 13 years and she brings more than 16 years of performance reporting experience to the organization. At Bank of New York Mellon, Jess also oversaw performance reporting for many other large public pension funds, endowments, and corporate clients. She knows best practices throughout our industry, and we are excited to learn from her. Jess earned her Bachelor of Science degree in Economics and Finance from Bentley College, and will report into our Chief Investment Operating Officer, Matt Liposky.

### **Promotions**

Sara Coelho was promoted to Finance Manager. Sara was hired in November of 2018 and has excelled first as a Corporate Accountant and then as a Senior Corporate Accountant. PRIM counts on Sara to ensure the month end close is completed timely and accurately. Sara has also expanded her role with payroll, time and attendance, and benefits by becoming an expert with the Replicon human resources system. She has also taken on a larger role with supervision of finance staff and reviews a large volume of their work. Sarah has a Bachelor of Science in Finance and Accounting Management from Northeastern University.

Mini Kouame was promoted to Investment Officer on the Research team. Hired in July of 2021, Mini juggles multiple research initiatives with ease, including ESG research and blockchain research, while still finding time to help with building efficient work processes. Mini has a unique background – an MBA from ESCP Europe, a top university in Europe and a master’s degree from Harvard’s Kennedy School. Prior to the Kennedy School, Mini spent eight years in management consulting where he provided solutions to top-level executives using a strategic, data-driven approach. Mini is currently enrolled in the prestigious Certificate in Quantitative Finance (CQF) where he will continue to build upon his data science skillset.

Liu Liu, was promoted to Investment Officer on the PCS team. Hired first as an intern in 2017, Liu quickly gained the confidence of her managers and was offered a full-time position in September of 2018. Liu has earned both a CFA charter and CAIA charter during that time. Liu has a master’s in finance from Brandeis University and a bachelor’s degree in finance from Shanghai Jiao Tong University. She is a very hard worker, proactive, open-minded, and her colleagues enjoy collaborating with her.

Chuck LaPosta was promoted to Director of Fixed Income on the Public Markets team. Since being hired in September of 2013, Chuck has established himself as our resident fixed income expert and is an invaluable member of the PRIM team. Chuck continues to identify unique opportunities by working collaboratively with other PRIM asset teams, including most recently his work with Christina Marcarelli on the Real Estate team and Bill Li on the PCS team. He is an excellent communicator of fixed income investments, concepts, and trends, which can be quite complex.

### **Recognition**

On September 13th at a ceremony in New York City, Institutional Investor recognized PRIM for its leading work on ESG, by bestowing on PRIM, and our partners on the MIT Sloan School Aggregate Confusion project, the “Partnership of the Year” award. As you know, the project works to “reduce the level of noise in ESG measurement” by improving data available to managers and allocators. We extend our congratulations to the entire team and to PRIM’s Director of Research, Maria Garrahan, who spoke on PRIM’s behalf on accepting the award. This recognition reflects the leading role our team and partners are playing in driving the research in this evolving area.

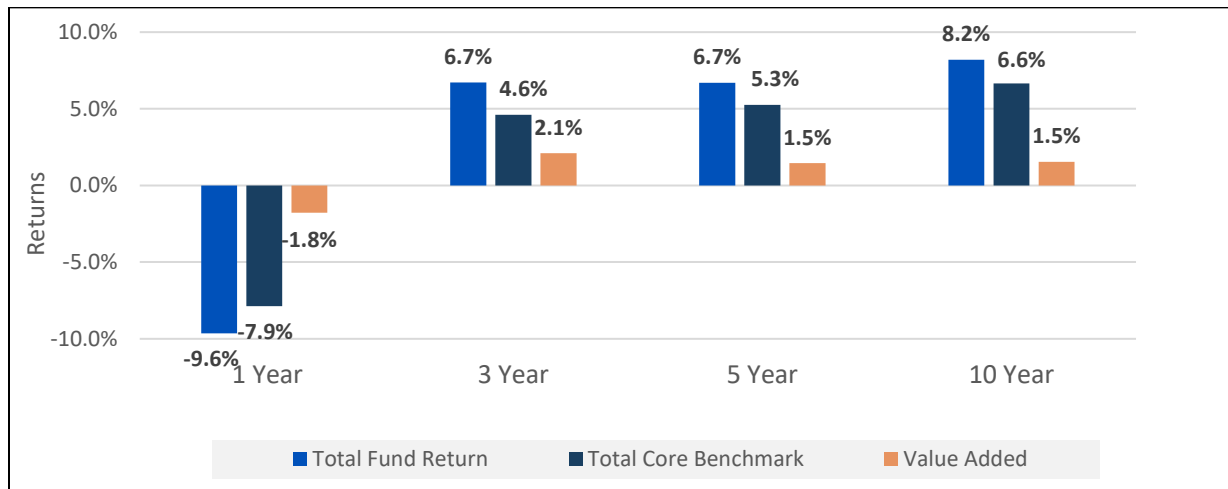
Anthony Falzone, PRIM’s Deputy Executive Director and Chief Operating Officer and Jay Leu, PRIM’s Director of Risk, were recently selected by the Treasurer as recipients for this year’s performance recognition program. Each of them has been selected to receive a citation from the Treasurer next month at a ceremony to recognize their outstanding performance in their respective areas.

The Governor’s office selected PRIM’s FUTURE Initiative, our firmwide effort to increase the use of diverse investment managers and vendors, for the Commonwealth Equity in Governance Award. The ceremony for this award will be held by the Governor’s office on December 14th at the Boston Convention Center.

Mr. Trotsky concluded his recognition comments by congratulating the team for their outstanding work and dedication along with the Treasurer and her team on the Investment Equity legislation created and championed by the Treasurer and her staff and signed into law in January of 2021.

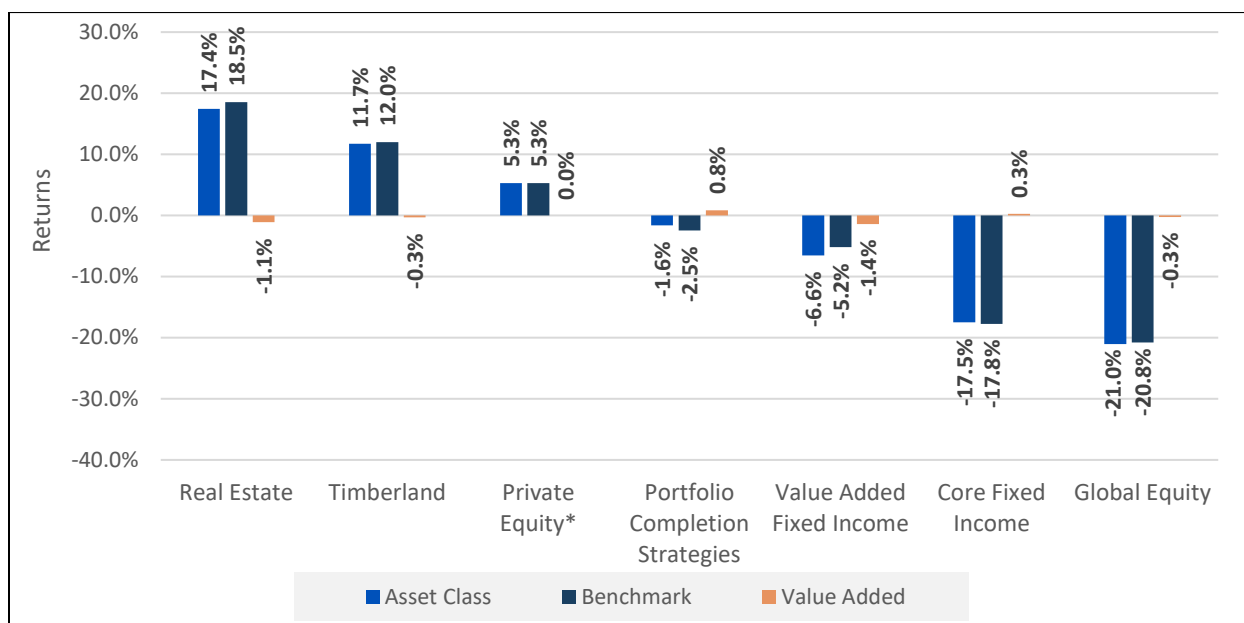
Mr. Trotsky referenced the following charts and graphs:

**Total PRIT Fund Returns**  
Annualized Returns as of September 30, 2022 (Gross of Fees)



Source: BNY Mellon. Total Core Benchmark includes private equity benchmark.

**PRIT Asset Class Performance Summary**  
One Year ended September 30, 2022 (Gross of Fees)



Source: BNY Mellon. Totals may not add due to rounding. \*Benchmark is actual performance.

**PRIT Fund Annualized Returns By Asset Class**  
(September 30, 2022 - Gross of Fees)

1 Year	3 Year	5 Year	10 Year
<b>REAL ESTATE</b> 17.4%	<b>PRIVATE EQUITY</b> 27.4%	<b>PRIVATE EQUITY</b> 24.1%	<b>PRIVATE EQUITY</b> 21.5%
<b>TIMBER</b> 11.7%	<b>REAL ESTATE</b> 13.0%	<b>REAL ESTATE</b> 11.1%	<b>REAL ESTATE</b> 11.1%
<b>PRIVATE EQUITY</b> 5.3%	<b>TIMBER</b> 5.7%	<b>TIMBER</b> 5.1%	<b>GLOBAL EQUITY</b> 7.6%
<b>PCS</b> (1.6%)	<b>GLOBAL EQUITY</b> 4.0%	<b>GLOBAL EQUITY</b> 4.3%	<b>TIMBER</b> 6.3%
<b>VALUE-ADDED FIXED INCOME</b> (6.6%)	<b>VALUE-ADDED FIXED INCOME</b> 3.0%	<b>VALUE-ADDED FIXED INCOME</b> 3.6%	<b>PCS</b> 4.3%
<b>CORE FIXED INCOME</b> (17.5%)	<b>PCS</b> 2.6%	<b>PCS</b> 2.9%	<b>VALUE-ADDED FIXED INCOME</b> 4.2%
<b>GLOBAL EQUITY</b> (21.0%)	<b>CORE FIXED INCOME</b> (3.4%)	<b>CORE FIXED INCOME</b> 0.5%	<b>CORE FIXED INCOME</b> 2.0%

Source: BNY Mellon. Returns as of September 30, 2022

**III. Equal Pay Audit Results and Presentation**

Mr. Falzone mentioned that Treasurer Goldberg continues to be a very strong advocate for wage equality, specifically with her work overseeing the Office of Economic Empowerment. PRIM, working early on in conjunction with the Treasurer, and then later with PRIM’s diversity equity and inclusion consultant, IBIS, determined that periodic pay audits would be one of PRIM’s ongoing strategies to promote wage equality.

Mr. Falzone introduced Maureen Reilley and Adam Barnett from Aon (formerly McLagan) who performed the pay audit, and they presented their findings to the Committee. Highlights of their presentation were as follows:

Ms. Reilley began by informing the Committee that her firm was asked to answer the questions: Is there a gender bias in salary range placement? And, on a performance - and tenure-adjusted basis, is there a gender bias? She described Aon’s process as follows:

- Assessed how PRIM has adjusted their employee gender mix over the last five years.
- Compared the salary range placement of all PRIM employees.
- Assessed salary range placement, factoring in individual employees’ performance and tenure.

Ms. Reilly stated that Aon found that for employees at the same job level and/or position at PRIM, no gender bias was observed. Ms. Reilley added that of the female population, more than half (60%) are paid at or above their predicted salary range midpoint, compared to 40% of the male population.

Ms. Reilley added that the employee mix at PRIM has changed over the last five years where back in 2017, 63% of staff were male vs. 37% female. In 2022 the split is 50% male vs. 50% female. Ms. Reilly mentioned that importantly, within the top-four salary ranges, females make up 30% of the population, up from 11% in 2017 reflecting PRIM's focus on increasing workplace gender diversity.

Treasurer Goldberg asked if Aon had examined the role distribution amongst genders.

Mr. Barnett answered that they did and mentioned that the increase of female representation from 11% to 30% within the upper four salary ranges reflects the DEI work PRIM has been doing over the last few years.

Treasurer Goldberg commented that the analysis was excellent, and it has been clear to her that intention has been applied to this effort.

Mr. Naughton thanked Ms. Reilley and Mr. Barnett for the materials and analysis and the PRIM team for their work to increase gender diversity and stated that the results and change reflected in the materials are encouraging.

#### **IV. Legislative Update**

Emily Kowtoniuk, Treasury's Director of Policy & Legislative Affairs, provided a legislative update to the Committee. Ms. Kowtoniuk mentioned the most recent election will result in some legislative leadership changes and committee assignments in the coming new year.

Mr. Naughton asked about the status of the proposed MACRS related legislation that impacts the composition of the PRIM Board. Ms. Kowtoniuk answered that the language in the budget amendment that would alter the composition of the PRIM Board by having the public safety seat chosen by the Governor from a list of three candidates nominated by MACRS had been returned by the Governor to the legislature removing the MACRS designation and the House rejected the language and approved alternate language that the Senate would need to agree to before going before the Governor. There was an agreement on language late in the session, but it was pocket vetoed by the Governor.

#### **V. Other Matters**

- A. September 2022 PRIM Budget
- B. Travel Report
- C. Client Service
- D. Global Investment Performance Standards (GIPS)

#### **VI. Fiscal Year 2022 Audit Results (Voting item)**

Deborah Coulter, CPA, Chief Financial Officer, introduced KPMG Partners Brock Romano and Christine St. Hilaire, who attended the meeting to review their summary of the Fiscal Year 2022 PRIM and PRIT audits and the two Agreed-Upon Procedures (AUPs) that they perform each year. Ms. Coulter noted that the audits had once again resulted in unmodified (clean) opinions. Ms. Coulter thanked the Finance and Operations teams for their hard work, especially Qingmei Li, PRIM's Director of Audits and Financial Reporting, who coordinates the audits and prepares the financial statements. Ms. Coulter then described how the addition of new innovative investments to the portfolio had greatly increased the complexity of the financial reporting. Ms. Coulter also stated that PRIM staff and KPMG staff worked very well together.

Ms. St. Hilaire provided a summary of the roles and responsibilities of management, the Administration and Audit Committee and KPMG as it relates to the fiscal 2022 audits of the PRIM Board and the PRIT Fund. He then provided an overview of the required communications highlighting the unmodified audit opinions for the PRIM Board and the PRIT Fund financial statements and that there were no matters that require the attention of the Administration and Audit Committee.

Mr. Romano summarized the audit areas of emphasis highlighting that the majority of the audit effort is related to investments and related valuation.

The Administration and Audit Committee voted (unanimously) by roll call vote to recommend to the PRIM Board that the Board accept 1) the Fiscal Year 2022 PRIM and PRIT audited financial statements, as well as 2) the Agreed-Upon Procedures report on PRIM's Procurement Process for Investment Management and Other Professional Services, and 3) the Agreed-Upon Procedures report on the PRIT Fund's Benchmark Calculation, all as contained in Appendix J to the Expanded Agenda.

In accordance with audit best practice, PRIM staff left the remote meeting at 11:15 a.m. so that Committee members could have an opportunity to speak with the auditors without staff present.

The PRIM Administration and Audit Committee meeting adjourned at 11:30 a.m.

List of documents and exhibits used during the meeting:

- *Minutes of the PRIM Administration and Audit Committee Meeting of May 5, 2022*
- *Minutes of the PRIM Administration and Audit Committee Meeting of July 19, 2022*
- *Minutes of the PRIM Administration and Audit Committee Meeting of August 4, 2022*
- *Draft Fiscal Year 2022 Annual Comprehensive Financial Report*
- *PERAC Examination Report*
- *Proposed 2023 PRIM Board and Committee Meeting Schedule*
- *Evaluation Committee's Report for Investment Legal Services RFQ*
- *PRIT Fund Performance Report (September 30, 2022)*
- *BNY Mellon Gross of Fees Performance Report (September 30, 2022)*
- *Aon (McLagan) Equal Pay Audit Presentation*
- *September 2022 PRIM Operating Budget*
- *Travel Report*
- *Fiscal Year 2022 PRIT Fund GIPS Compliant Presentation*
- *KPMG 2022 Audit Results Report*