

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

Minutes of the Board Meeting  
Thursday, February 16, 2023  
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
- Theresa F. McGoldrick, Esq.
- Peter Monaco
- Dennis J. Naughton
- Carly Rose

### Other Attendees (partial list):

- Andre Abouhala
- Francesco Daniele
- Tim Doyle
- Shannon Ericson
- Anthony Falzone
- Alyssa Fiore
- David Griswold
- Helen Huang
- Emily Kowtoniuk
- Chuck LaPosta
- Renee LeFevre
- Jay Leu
- Bill Li
- Michael McElroy
- Michael McGirr
- Tim Schlitzer
- Valerie Sullivan
- Michael Trotsky



1 with the provisions of Massachusetts Chapter 22 of  
2 the Acts of 2022, which was signed into law on  
3 February 15, 2022, and most recently amended on  
4 July 16, 2022, that includes an extension until  
5 March 31, 2023, of the remote meeting provisions  
6 of the March 12, 2020 Executive Order Suspending  
7 Certain Provisions of the Open Meeting Law.

8 All members of the board will  
9 participate remotely via audio/videoconferencing,  
10 and public access to the deliberations of the  
11 board will likewise be provided via telephone with  
12 all documents referenced at the meeting available  
13 to be viewed on PRIM's website,  
14 [www.mapension.com](http://www.mapension.com).

15 All persons speaking at today's meeting  
16 are asked first to identify themselves. Also the  
17 Open Meeting Law requires anyone wishing to record  
18 a meeting to first notify the chair so that the  
19 chair can inform the other attendees.

20 Accordingly, I am informing all of you  
21 that stenographer Virginia Dodge from Lexitas is  
22 transcribing and also recording this meeting.

23 If anyone else does intend to record  
24 today's meeting, please first notify Seth Gitell

1 by email at sgitell@mapension.com.

2 Additionally, the Attorney General's  
3 guidance on holding remote meetings reads as  
4 follows: At the start of the meeting, the chair  
5 must announce the name of the member or members  
6 who are participating remotely.

7 I will now announce the names of all  
8 PRIM Board members who are participating remotely  
9 in today's meeting: myself, Treasurer Deb  
10 Goldberg, Bob Brousseau, Ruth Ellen Fitch, Theresa  
11 McGoldrick, Peter Monaco, Dennis Naughton and  
12 Carly Rose, who I see is here, which I'm very  
13 pleased because, Carly, you're here in time for  
14 Ruth Ellen Fitch's swearing in.

15 So with that, Ruth Ellen --

16 MS. ROSE: Wonderful.

17 TREASURER GOLDBERG: -- I'm very  
18 excited. Raise your right hand, and I will  
19 proceed with the oath of office.

20 So say "I" and state your name.

21 MS. FITCH: I, Ruth Ellen Fitch.

22 TREASURER GOLDBERG: Do solemnly swear.

23 MS. FITCH: Do solemnly swear.

24 TREASURER GOLDBERG: That I will bear

1 true faith.

2 MS. FITCH: That I will bear true faith.

3 TREASURER GOLDBERG: And allegiance.

4 MS. FITCH: And allegiance.

5 TREASURER GOLDBERG: To the Commonwealth  
6 of Massachusetts and will support the constitution  
7 thereof, so help me God.

8 MS. FITCH: To the Commonwealth of  
9 Massachusetts and will support the constitution  
10 thereof, so help me God.

11 TREASURER GOLDBERG: I, state your name.

12 MS. FITCH: I, Ruth Ellen Fitch.

13 TREASURER GOLDBERG: Do solemnly swear  
14 and affirm that I will faithfully and impartially  
15 discharge and perform all the duties incumbent on  
16 me as a member of the Pension Reserves Investment  
17 Management Board.

18 MS. FITCH: Do solemnly swear and affirm  
19 that I will faithfully and impartially discharge  
20 and perform all the duties incumbent on me as a  
21 member of the Pension Reserves Investment  
22 Management Board.

23 TREASURER GOLDBERG: Better known as  
24 PRIM. No that's not in the oath.

1                   According to the best of my abilities.

2                   MS. FITCH: According to the best of my  
3                   abilities.

4                   TREASURER GOLDBERG: And understanding  
5                   agreeably to the rules and regulations of the  
6                   Constitution and the laws of this Commonwealth, so  
7                   help me God.

8                   MS. FITCH: And understanding agreeably  
9                   to the rules and regulations of the Constitution  
10                  and the laws of this Commonwealth, so help me God.

11                  TREASURER GOLDBERG: I, state your name.

12                  MS. FITCH: I, Ruth Ellen Fitch.

13                  TREASURER GOLDBERG: Do solemnly swear.

14                  MS. FITCH: Do solemnly swear.

15                  TREASURER GOLDBERG: That I will support  
16                  the Constitution of the United States.

17                  MS. FITCH: That I will support the  
18                  Constitution of the United States.

19                  TREASURER GOLDBERG: Congratulations.

20                  MS. FITCH: Yay. I did it. I did it.

21                  Thank you, Deb.

22                  TREASURER GOLDBERG: Here's a hug.

23                  MS. FITCH: Okay. That too. Thank you.

24                  TREASURER GOLDBERG: Okay. She's good,

1 everybody, for four more years.

2 MS. McGOLDRICK: Congratulations.

3 MS. FITCH: That was cool. Thank you.

4 MR. FALZONE: Congratulations.

5 TREASURER GOLDBERG: Now, with that, now  
6 we have a few other things to cover. I know not  
7 as big a deal as swearing in. But we will begin  
8 then with the consent agenda.

9 Tony or Michael, does anyone want to say  
10 anything, or should I just read the motion?

11 MR. FALZONE: You can read the motion if  
12 you like, Treasurer, and then I can certainly talk  
13 about a couple items very, very quickly. We don't  
14 want to spend too much time on it.

15 TREASURER GOLDBERG: Right. Exactly.  
16 We have a very, very busy day so we're going to be  
17 well-behaved.

18 Okay then. I would seek a motion that  
19 the PRIM Board approve the following consent  
20 agenda items as described in the expanded agenda:  
21 number 1, approval of the minutes of December 1,  
22 2022 PRIM Board meeting; number 2, acceptance of  
23 the State Auditor's Examination Report for the  
24 period July 1, 2019 to January 15, 2022; number 3,



1 approval of the issuance of a request for  
2 proposals for investment performance reporting  
3 services, and further to authorize the executive  
4 director to take all actions necessary to  
5 effectuate this vote.

6 Is there a motion?

7 MS. FITCH: So moved.

8 MR. NAUGHTON: Moved. Second.

9 TREASURER GOLDBERG: Is there a second?

10 MR. NAUGHTON: Second.

11 TREASURER GOLDBERG: Any questions or  
12 comments? Or any comments on your part, Tony?  
13 Otherwise, I will proceed with the roll call vote.

14 MR. FALZONE: If no one has any comments  
15 or questions, I'm good to move forward with the  
16 vote.

17 TREASURER GOLDBERG: Comments and  
18 questions of the board?

19 Hearing none, Bob?

20 MR. BROUSSEAU: Yes.

21 TREASURER GOLDBERG: Ruth Ellen?

22 MS. FITCH: Yes.

23 TREASURER GOLDBERG: Theresa?

24 MS. McGOLDRICK: I was not present,

1       Madam Treasurer, so I'm not going to vote. I  
2       abstain.

3               TREASURER GOLDBERG: You're allowed to,  
4       and there are things that you were. You just  
5       weren't present for the minutes.

6               MS. McGOLDRICK: Okay, okay. So I vote  
7       then. Thank you.

8               TREASURER GOLDBERG: And even if you're  
9       not, you're allowed to vote on that, by the way.  
10      Renee can nod.

11              Thank you.

12              See. Once in a while, my lawyer hat  
13      comes in handy.

14              Peter?

15              MR. MONACO: Yes.

16              TREASURER GOLDBERG: Dennis?

17              MR. NAUGHTON: Yes.

18              TREASURER GOLDBERG: Carly?

19              MS. ROSE: Yes.

20              TREASURER GOLDBERG: And the motion  
21      carries.

22              Next item on the agenda. Here we go.  
23      Michael Trotsky.

24              MR. TROTSKY: I always forget to unmute.

1                   Thank you, Treasurer. Good morning,  
2                   everyone. Thanks for making the time to be with  
3                   us today.

4                   And congratulations to you, Ruth Ellen,  
5                   for another four years. We're delighted to work  
6                   with you, of course.

7                   MS. FITCH: I'm delighted to be here.  
8                   Thank you.

9                   MR. TROTSKY: So, Paul Shanley, as you  
10                  noted, will not be joining us today as he recovers  
11                  from a recent illness. He was hospitalized, but  
12                  now he's home recovering. And we wish him the  
13                  very best for his speedy recovery.

14                 Also, better news, Maria Garrahan will  
15                  not be here, but for a good reason. She may  
16                  actually be listening, I'm not sure, but Maria  
17                  Garrahan, her baby came early. Last weekend, she  
18                  welcomed baby Sophia to her family and of course  
19                  to the PRIM family.

20                 We congratulate Maria and Patrick for  
21                  their first child and the beginning of the next  
22                  chapter of their lives.

23                 Today Jay Leu, our director of risk, was  
24                  gracious enough to volunteer to present the asset

1 allocation recommendation today that was of course  
2 fully vetted and presented by Maria at the  
3 Investment Committee meeting just a couple weeks  
4 ago.

5 TREASURER GOLDBERG: I thought you were  
6 going to say Jay Leu has volunteered to go over  
7 and help take care of the baby. And I was going  
8 to say he doesn't have to do that.

9 MR. TROTSKY: He probably would.

10 So today, we are very pleased to report  
11 a significant improvement in PRIT Fund  
12 performance. We're reporting the December 2022  
13 quarterly report, and of course that follows three  
14 straight quarters of market declines.

15 The PRIT Fund was up 4 percent in the  
16 December quarter to cap a very difficult calendar  
17 year, 2022. I'll get to performance detail later,  
18 but a reminder that last year at this meeting, we  
19 really celebrated an extremely strong calendar  
20 year 2021. And December 2021 quarterly results  
21 were also very strong, up 5.4 percent net in that  
22 calendar 2021 quarter.

23 And as a reminder, calendar year 2021  
24 with the fund up more than 20 percent was the

1 fourth largest return in PRIM's entire history.  
2 And with an outperformance of 8 percent net of  
3 fees, that was the strongest outperformance in the  
4 entire history of PRIM. And boy, what a  
5 difference a year makes, right?

6 MS. FITCH: Right.

7 MR. BROUSSEAU: "What a difference a  
8 year makes."

9 TREASURER GOLDBERG: That is a song, you  
10 know.

11 MR. TROTSKY: We should expect market  
12 drops and economic cycles to impact the PRIT Fund  
13 periodically, and calendar 2022, as you all are  
14 well-aware, was one of those periods. Equity bond  
15 and bond indices were down globally. For example,  
16 domestic equities were down 18 percent in calendar  
17 year 2022. Developed international equities were  
18 down 14 and a half percent, and emerging market  
19 equities were down 20 percent, despite the bounce  
20 back that I'll get to in a minute in the December  
21 quarter.

22 Normally, we would expect bonds to offer  
23 some protection from a selloff in equities, but  
24 even bonds were down last year. They were down

1 substantially, down 13 percent. So that puts a  
2 60/40 mix of stocks and bonds down 16.2 percent  
3 for the year. But the PRIT Fund did fare better.  
4 It was down 11.2 percent net of fees.

5 We can't control market returns because  
6 we don't control such things as geopolitical  
7 events, slowing economic growth worldwide,  
8 monetary policy responses, wars, viruses, supply  
9 chain shortages or the behavior of other  
10 investors.

11 We are market takers, and the only thing  
12 that we really do control and can control is the  
13 design and composition of the PRIT Fund. And  
14 we've carefully engineered a diversified portfolio  
15 with components that will perform well in a  
16 variety of market conditions. We are also laser  
17 focused on controlling our costs.

18 Our history of strong performance in  
19 both strong markets like we had in calendar 2021,  
20 but also in weak markets like we had last year,  
21 this is an indication that our portfolio is well-  
22 constructed in terms of risk, return and cost.  
23 Those are PRIM's philosophical three pillars of  
24 investment. All investments must be evaluated and

1 all portfolios must be evaluated on three equal  
2 pillars of investment: risk, return and cost.

3 This year, our alternatives,  
4 specifically hedge funds, private equity,  
5 timberland and real estate, helped anchor the fund  
6 in the very stormy environment that I just  
7 described, an investment period when both public  
8 equities and bonds were down significantly in all  
9 markets around the globe.

10 The silver lining, and there is one, is  
11 that market downturns do create good buying  
12 opportunities. And the PRIM team was very busy  
13 during the year evaluating opportunities and  
14 deploying approximately \$5.7 billion in new  
15 investments.

16 The other piece of good news is that the  
17 December quarter was strong and positive, breaking  
18 three consecutive quarters of negative returns.  
19 And so far this year, the strength is continuing.  
20 For the quarter so far, which includes all of  
21 January and half of February now, equity markets  
22 are up between 6 and 10 percent globally, with  
23 Europe and China leading the way. And bonds are  
24 up approximately 2 percent. We certainly hope

1       these good trends continue.

2               Customary for this board cycle, we will  
3       discuss asset allocation recommendations and our  
4       annual plans. The annual plans, which I'll  
5       briefly discuss in a moment, are largely  
6       consistent with prior years, but this year, you  
7       will find a new effort under each functional area  
8       at PRIM to support the newly formed ESG committee.  
9       We believe the ESG committee will build on the  
10      important work we have been doing internally and  
11      with our partners at the MIT Sloan School's  
12      Aggregate Confusion Project, of which we were a  
13      founding member.

14              We are excited to get started with that  
15      new committee and have reached out to each of the  
16      new committee members to schedule our customary on-  
17      boarding briefings. We expect the ESG committee's  
18      first meeting will occur at the next board cycle.

19              Now, on asset allocation --

20              TREASURER GOLDBERG: Pardon me, Michael.  
21      I just want to interrupt for a minute. And I'm  
22      sorry to interrupt, but I think it's appropriate  
23      with mentioning the ESG committee.

24              I gave a speech, as you know, at the



1     *Bond Buyer* symposium two weeks ago. And I have  
2     renamed ESG -- we won't vote on it -- to be common  
3     sense investment practices for the long term.

4             And I put that in right there because  
5     you and anyone else who's attending this meeting  
6     has heard a lot of, quote/unquote, "misuse" of the  
7     term. And one of the things I want to emphasize  
8     is that the work that we've done with MIT is  
9     helping us get rid of the confusion because there  
10    is so much confusion and misnaming of this work,  
11    when in fact it's what practical, common-sense  
12    businesspeople and investors -- and, by the way,  
13    the rating agencies -- have been doing for years.  
14    We're just doing it to add another layer of  
15    analysis to what we are investing in at PRIM.

16            And so I just thought I would add that  
17    to help enhance your presentation. Thank you,  
18    Michael, for your tolerance and accepting my  
19    jumping in.

20            MR. TROTSKY: No problem. Thanks for  
21    the clarification.

22            MR. FALZONE: And, Michael, while you  
23    pause, if you don't mind, we just found out Ronan  
24    O'Brien from FIN News is recording as well. I

1 just want to make the board aware.

2 TREASURER GOLDBERG: Oh, good. So I  
3 actually hope, Ronan, that you did hear my  
4 comments because, as you know, Ronan, this has  
5 become a big discussion lately. And so I am  
6 really clear about what we are doing and why we're  
7 doing it.

8 Thank you.

9 MR. TROTSKY: Thank you for that  
10 clarification, Treasurer.

11 The other main agenda item for today is  
12 asset allocation. And on asset allocation, at its  
13 meeting, the Investment Committee approved our  
14 multi-year effort to gradually increase our  
15 allocation to private equity. We'll be talking  
16 about that today. We've found that maintaining a  
17 consistent pace of private equity commitments has  
18 been a key contributor to our long-term success  
19 overall.

20 We have observed throughout our history  
21 that some of our highest-performing private equity  
22 vintage years originate during volatile times,  
23 just like this, when other investors in fact may  
24 be cutting their commitments for a variety of

1 reasons. And we're seeing that.

2 Our private equity partners have the  
3 proven ability to wait for valuations to become  
4 attractive to deploy our capital. And this is a  
5 winning strategy. And investors who can provide  
6 capital in difficult environments like PRIM, when  
7 valuations are cheapest, we benefit the most.

8 We have learned that 80 percent of our  
9 peers are currently 4 to 6 percent above their  
10 ranges for private equity. But at 17.7 percent of  
11 the PRIT Fund assets, as we sit here today,  
12 private equity at PRIM is within our range, and we  
13 have room to continue our commitment pace.

14 I've said it before, and I'll say it  
15 again. This deserves some recognition. Michael  
16 McGirr and the private equity team painstakingly  
17 model our commitment pacing each and every year.  
18 And the fact that we're still within our range  
19 when others are not is really testimony to the  
20 robustness of PRIM's very disciplined annual  
21 process. It's not easy.

22 The Investment Committee approved  
23 recommending a 1 percent additional allocation to  
24 private equity. This continues a multi-year trend

1 consistent with our asset allocation research  
2 findings and will enable us extra headroom to  
3 maintain our commitment pace. Jay Leu, as I  
4 mentioned before, will discuss that later in the  
5 agenda today.

6 But before providing more detail on  
7 performance and markets, a quick organizational  
8 update. Two new employees.

9 First, please join me in welcoming  
10 Pengtuan Wu to PRIM. He joined our research team  
11 in January as an investment officer reporting to  
12 Maria Garrahan. He holds a master of science  
13 degree in mathematical finance from Rutgers and  
14 before coming to PRIM was a principal quantitative  
15 developer at Fidelity Investments. And at  
16 Fidelity, he led the development of the  
17 centralized factor engine, in addition to many  
18 other quantitative research initiatives.

19 We're also pleased to report that our  
20 valued intern on the research team, Tianyi Shi,  
21 became a full member of the team effective  
22 February 6, reporting again to Maria Garrahan.

23 She joined PRIM as a research intern in  
24 May of 2022, and she has worked within multiple

1 areas of research while finishing her degree at  
2 Boston University. Most notably, Tianyi worked on  
3 the venture capital portfolio construction tool,  
4 and she actually contributed very significantly to  
5 this year's asset allocation research.

6 In December, Tianyi graduated from BU  
7 with a master of science degree in mathematical  
8 finance and financial technology. She also has a  
9 bachelor's degree in financial engineering, and  
10 we're delighted that she chose PRIM to start her  
11 very promising new career.

12 So welcome to both of you. We're very  
13 excited to have you.

14 And by the way, Maria, congratulations  
15 for two great hires.

16 Next, an update on the FUTURE  
17 Initiative. We recently announced that PRIM  
18 deployed more than \$2.8 billion, 2.8 billion, to  
19 diverse managers in 2022, bringing now the total  
20 to more than \$9 billion. And PRIM also designated  
21 more than 340 million to 15, 15, emerging-diverse  
22 managers as part of that \$1 billion program, which  
23 is specifically designed to reduce barriers  
24 between the PRIT Fund and emerging-diverse

1 managers.

2           This progress was reported to the state  
3 legislature as a requirement of the investment  
4 equity legislation, the legislation championed by  
5 the Treasurer more than two years ago. And as  
6 reported by *Pensions and Investments*, this puts  
7 PRIM at the very top of the heap compared to other  
8 pension funds. *Pensions and Investments* ranks  
9 PRIM seventh in the nation in dollars at work with  
10 diverse investment managers, and that is far above  
11 our rank in size.

12           Also in December, PRIM received the  
13 Commonwealth's Equity in Governance Award for its  
14 efforts in this area, and several on staff and the  
15 Treasurer, you were there also, to receive this  
16 important award.

17           So thank you, everyone, for your work in  
18 this area.

19           Turning back to PRIT Fund performance,  
20 the December quarter was a huge relief. The  
21 December quarter was positive after three  
22 consecutive down quarters. For example, the S&P  
23 in the December quarter, domestic stocks were up  
24 7.6 percent. Developed international stocks were

1 up far more. They were up 17.3 percent. Emerging  
2 market stocks up nearly 10 percent. Diversified  
3 bonds up 2 percent. And that puts a 60/40 mix of  
4 stocks and bonds for the December quarter up  
5 6.6 percent. So very strong quarter.

6 For the calendar year 2023 to date, that  
7 strength continues. And for a month and a half,  
8 so far, through mid-February, the S&P is up  
9 7.9 percent now. Developed international markets  
10 are up 8.1 percent. Emerging markets are up  
11 6.1 percent, and bonds are up 1.5 percent.

12 So really good news reversing the  
13 decline that we suffered through in calendar 2022.  
14 But calendar '22, I have to remind you, was very,  
15 very challenging.

16 In calendar 2022, despite the very  
17 strong results in December, the calendar year was  
18 still down significantly. For example, the S&P  
19 was down 18.1 percent. The developed  
20 international markets were down 14 and a half  
21 percent. Emerging markets were down more than  
22 20 percent. Diversified bonds were down  
23 13 percent. Long bonds were down almost  
24 40 percent. So that puts a 60/40 mix for the

1 calendar year down 16.2 percent. Again, the PRIT  
2 Fund fared far better. It was down 10.8 percent  
3 gross or 11.2 percent net.

4 Tony, the performance slide, please.

5 You'll see on this slide that the fund  
6 balance at the end of the calendar year was  
7 \$92 billion, essentially flat from the fiscal year  
8 '22 year end.

9 Net outflows to pay benefits --  
10 remember, we do pay benefits out of this pool of  
11 assets -- typically between one and one and a half  
12 billion, but last year, outflows to pay benefits  
13 were 738 million.

14 Next slide. For the one-year period,  
15 again, down 10.8 percent gross or 11.2 percent  
16 net. That equates to an investment loss of  
17 \$11.6 billion net. The chart shows  
18 underperformance in the 12-month period of  
19 3.8 percent or 4.2 percent net.

20 We discussed this in great deal at the  
21 Investment Committee. There are a couple of  
22 reasons for this that we believe we've experienced  
23 in the past and will catch up in the future.

24 The primary reason for the



1 underperformance was that the PE benchmark  
2 compares a one-year performance, so one-year  
3 actual private equity performance, to a seven-year  
4 annualized, seven-year smooth benchmark. It's a  
5 long-term asset class. So as you can imagine, the  
6 seven-year number is still very positive, but the  
7 one-year number was challenged.

8 Also the real estate benchmark is  
9 lagged. And unlagged, we discussed at the Real  
10 Estate Committee that there's a 13 percent swing  
11 in that number.

12 So going forward, those things should  
13 smooth out.

14 You can see that the 3-, 5- and 10-year  
15 numbers are strong and above benchmark.

16 Next slide. For the one year ended  
17 December 31, on the left, you can see what had  
18 good returns, and on the right, you can see what  
19 was weaker. I will note that the timberland  
20 benchmark, just like real estate, is lagged, and  
21 so that contributed there, but very strong  
22 performance absolute for timber was a very welcome  
23 result.

24 Also in timber, we do get appraiser

1        rotations yearly. These properties are appraised.  
2        And appraiser rotations means that we have a new  
3        appraiser every year, and different groups are  
4        appraising our property. That property sets best  
5        practice, but it does create some noise, and that  
6        was in fact one of the reasons.

7                    And on the right, you can see that  
8        global equities were the weakest, along with core  
9        fixed income, as you would expect in a rising  
10       interest rate environment.

11                   Next slide, the one-year performance.  
12       On the left, you can see what did well. Again,  
13       timberland and real estate, private debt was also  
14       very strong. All other asset classes were down.  
15       U.S., international, emerging market equities and  
16       of course long duration fixed income, which I  
17       described earlier.

18                   Next slide. For the quarter, this was  
19       somewhat of a reversal. As I mentioned, the  
20       December quarter was strong, and it kind of  
21       reversed some of the trends that we saw during the  
22       year. For example, international stocks were the  
23       strongest in the December quarter. Alternatives  
24       lagged a bit. That was the exact opposite of what

1       happened in the year.

2               RPE lagged a little bit. Real estate  
3       will be normalizing. We appraise about a quarter  
4       of our real estate properties every quarter. So  
5       this was reflected in that.

6               This caused the PRIT Fund to be up  
7       4.1 percent during the quarter. You can see the  
8       beige bar in the middle. And that is a good  
9       result for the quarter.

10              And I'll end with the quilt chart, which  
11       is my favorite. And you can see over a long  
12       period of time what really drives the bus at PRIM,  
13       private equity, real estate, even timber through  
14       all environments very strong.

15              And what I like about this chart is to  
16       point out that global equities are among the most  
17       volatile asset class in terms of long-term  
18       performance. Some years are great, and other  
19       years, like we just went through, are down a lot.  
20       And we expect that.

21              So you can take those down.

22              And just a few comments on markets. We  
23       began pointing out a peak in bond yields and signs  
24       that inflation had begun to moderate two quarters

1       ago in the August cycle. And last quarter, in the  
2       December board meeting, you may remember Connie  
3       Everson, our resident economics and strategy  
4       expert, asserted that these developments, again a  
5       peak in bond yields and signs that inflation had  
6       begun to moderate, that these developments created  
7       a much better outlook for the equity markets.

8               And she was correct at the August cycle  
9       and again in the December cycle. The equity  
10      markets bottomed and are continuing to rise.  
11      Interest rates have peaked in October. And the  
12      bond market has also begun to rise, as I pointed  
13      out.

14             And as we sit here today, the market  
15      appears to be beginning to discount the end of the  
16      Federal Reserve's aggressive tightening policy,  
17      perhaps even a reversal, as we talked about at the  
18      Investment Committee, on the heels of data that  
19      suggests a cooling of the economy and moderating  
20      inflation.

21             At the Investment Committee meeting two  
22      weeks ago, Connie pointed to factors that still  
23      support a positive environment for stocks.  
24      Inflation, as she described, quote, "melting," for

1       example. She also said, and I'll quote, "If GDP  
2       is slightly above or slightly below the zero line,  
3       that is essentially the same and consistent with a  
4       stock market bottom. An economic plunge in excess  
5       of what has been discounted already is another  
6       matter," end of quote.

7               And now, as we sit here today, the  
8       consensus of investors and economists is really  
9       for a very mild recession.

10              Of course, the main risks going forward  
11       are familiar. The risks are that inflation spikes  
12       again or remains too high. After all, there are  
13       geopolitical situations that could disrupt the  
14       supply chain again. Consumer and business  
15       spending, along with corporate earnings, could  
16       weaken more than anticipated. That doesn't seem  
17       to be happening, by the way.

18              And unemployment or wages could spike.  
19       Any of these conditions could result in an  
20       economic slowdown that turns into a severe  
21       recession. Again, we don't really see that right  
22       now, but there are many moving pieces in the  
23       global economy and in the world's geopolitical  
24       situation. We don't control any of that, but we

1 do believe the PRIT Fund is well-constructed to  
2 perform relatively well in any environment that  
3 the future brings.

4 So I'll stop there. Those are my  
5 comments on PRIT Fund performance, organization  
6 and markets, and take any questions you might  
7 have.

8 TREASURER GOLDBERG: Are there any  
9 questions for Michael?

10 I'd like to also just reiterate  
11 something that I said, and it really is the way in  
12 which we view the fund. At the *Bond Buyer*  
13 national outlook event, I said we are all here  
14 today to speculate on what's happening in the  
15 future, how you're going to deal with it, what  
16 your investments are going to look like, what  
17 strategies. And I said, I am here to let you know  
18 that I am 100 percent certain that everything has  
19 uncertainty.

20 And so that is why our strategy here at  
21 PRIM is that we have our strategy, and we don't  
22 react to the markets. We continue on the path of  
23 our strategy because we look at things for the  
24 long run.

1                   So it got a good chuckle. And then I  
2                   proceeded to for the next 18 minutes, since they  
3                   wanted me to speak for 20, to explain how you can  
4                   continue to perform and excel in a world of  
5                   uncertainty.

6                   So are there any other questions or  
7                   comments?

8                   If not, Michael, we can continue.

9                   MR. TROTSKY: Okay. I'll be brief in  
10                  this section because we spent more time at it at  
11                  the committee meetings, but our governance  
12                  documents do require that I approve divisional  
13                  plans. And accordingly, we share those plans with  
14                  you, with all committee members and with the  
15                  board, for review and input.

16                 Those plans are both in the expanded  
17                 agenda and also attached as Appendix E. I'm sure  
18                 you've all had a chance to look through them.

19                 The plans are essentially a continuation  
20                 of the work we've been doing for quite some time  
21                 now. Please feel free to discuss here any  
22                 suggestions you might have or contact me at any  
23                 time. We will revise the plans as appropriate to  
24                 incorporate suggestions -- and we already have

1 received a few -- before we finalize them.

2 But I do want to highlight just three  
3 important new initiatives that each team within  
4 PRIM, across the organization, is supporting.

5 First, we will be adding head count  
6 across each functional area at PRIM to manage our  
7 growing assets and our many programs here, new  
8 initiatives. This has been a multi-year effort.  
9 We are one of the leanest staffs in the country  
10 compared to the size of our investment program,  
11 and we really need to build a deeper bench of  
12 talent. That has been a clear directive of both  
13 the board and the committees over several years  
14 now.

15 Second, the FUTURE Initiative. This is  
16 the program designed to support the investment  
17 equity law that I discussed earlier and one that I  
18 know the Treasurer has supported and created  
19 actually. Very important to us all.

20 So for the FUTURE Initiative, we'll  
21 continue to implement the four keys of that  
22 program, which are, one, continue to allocate  
23 capital to diverse managers, we'll reduce barriers  
24 for diverse managers, enhance the reporting of our



1 progress as we do every year, and improve sourcing  
2 and pipeline of diverse managers.

3 We'll also champion the CFA Institute  
4 Diversity Equity and Inclusion Code of Conduct.  
5 You may remember that I was involved in the  
6 formation of this important investment industry  
7 initiative. We're going to continue to hire staff  
8 to help oversee and expand the FUTURE Initiative.

9 And with regard to internal DE&I  
10 initiatives, we'll continue to increase the  
11 diversity of PRIM's staff and add depth throughout  
12 the organization through hiring and talent  
13 assessments.

14 And last, I already highlighted this,  
15 but the ESG committee. The entire staff is here  
16 to support the ESG committee, to implement its  
17 duties and responsibilities, consistent with the  
18 charter that we passed last year. And we will be  
19 hiring staff to support that newly established  
20 committee, and we're delighted to work on that.

21 Again, the complete annual plans are in  
22 your package at Appendix E, also in the expanded  
23 agenda.

24 I can take any questions or comments

1       here. Please feel free to reach out to me  
2       privately, if you'd like. But we can do that,  
3       pause for a minute, before moving on to the rest  
4       of the agenda.

5               And by the way, this is not a voting  
6       item. It's really just informational.

7               TREASURER GOLDBERG: Anybody?

8               MR. TROTSKY: Hearing no questions, I  
9       guess the investment report is next.

10              TREASURER GOLDBERG: Okay then. So the  
11       first item on the investment report is the asset  
12       allocation recommendation. And who will be  
13       presenting that, Michael?

14              MR. TROTSKY: Jay Leu.

15              TREASURER GOLDBERG: I thought he was  
16       helping take care of the baby.

17              MR. LEU: I know.

18              TREASURER GOLDBERG: Okay. So I'm going  
19       to start off by seeking a motion and a second and  
20       then have you go, Jay, into the actual  
21       recommendation.

22              So I seek a motion that the PRIM Board  
23       approve the Investment Committee's recommendation  
24       to adopt the 2023 asset allocation recommendation

1 as described in the expanded agenda, and further  
2 to authorize the executive director to take all  
3 actions necessary to effectuate this vote.

4 Is there a motion?

5 MR. BROUSSEAU: So moved.

6 TREASURER GOLDBERG: And a second?

7 MR. NAUGHTON: Second.

8 TREASURER GOLDBERG: Okay. Thank you.

9 Go ahead, Jay.

10 MR. LEU: Thank you, Treasurer.

11 I am Jay Leu, director of risk. Today  
12 I'm going to be filling in for Maria to present  
13 the asset allocation recommendation.

14 Congratulations to Maria and her family.

15 Maria was able to present the asset  
16 allocation recommendation to the Investment  
17 Committee. There was a thorough vetting of that  
18 decision there. I will present a somewhat slimmed-  
19 down version of Maria's presentation.

20 Tony, the slides, please.

21 The 2023 asset allocation recommendation  
22 represents no major changes to our previous  
23 recommendation. Our 2023 recommendation includes  
24 a 1 percent increase in the private equity range

1 to 13 to 19 percent and subsequently a 1 percent  
2 decrease in the global equity range, the public  
3 equities, to 32 to 42 percent.

4 For reference, this slide also shows the  
5 approved ranges across asset classes in recent  
6 years, as well as this year's recommended range on  
7 the far right side.

8 Next slide. The asset allocation  
9 research program blends both quantitative and  
10 qualitative insights into the analysis, while  
11 focusing on our dual objective. The core  
12 framework uses a probabilistic-based approach to  
13 maximize the likelihood of achieving our dual  
14 objective.

15 The dual objective incorporates a return  
16 objective and a drawdown objective. The return  
17 objective is the probability of achieving a  
18 7 percent annualized return over the next  
19 10 years.

20 The downside protection or drawdown  
21 objective is the probability of achieving no  
22 drawdown greater than 20 percent within the next  
23 three years.

24 Next slide. As a reminder, we start

1 with asset class returns. Transform the asset  
2 classes into principal components through a  
3 statistical approach. Then we simulate 10,000  
4 return paths across 10 years. And finally, we  
5 evaluate the probability of achieving our dual  
6 objective.

7               Next slide. I'd like to highlight the  
8 key findings from Maria's core asset allocation  
9 framework and systematic tests.

10               On the left depicts the most additive to  
11 the PRIT Fund, and on the right depicts the most  
12 detractive to the PRIT Fund.

13               As you can see, private equity remains  
14 the most additive to the PRIT Fund with respect to  
15 the probability of achieving our dual objective.  
16 And as you can see on the right-hand side, public  
17 equity sleeves detract the most or removing them  
18 improves the probability the most.

19               As part of the asset allocation research  
20 program, we continue to be mindful of rebalancing  
21 decisions and liquidity. Maria's team works  
22 closely with asset class heads, getting their  
23 thoughts on feasibility and qualitative insights.  
24 And therefore, we maintain our comfort with this

1 proposed recommendation.

2 Also Maria's team did a peer assessment  
3 and found that PRIM's allocation to private equity  
4 is in line with similar public plans and actually  
5 significantly lower versus endowments. Thus, we  
6 are confident in our asset allocation  
7 recommendation with respect to private equity.

8 Before moving to a vote, I'd like to do --

9 Actually, maybe I'll stop here and ask  
10 if there are any questions on the asset allocation  
11 approach here.

12 TREASURER GOLDBERG: Are there questions  
13 on the asset allocation?

14 I don't hear any, Jay. Go ahead.

15 MR. LEU: Okay. So before moving on to  
16 a vote, I'd like to do what we did at the IC  
17 meeting and offer some risk perspective.

18 So, Tony, if you could go to the risk  
19 slides.

20 The risk department looks at the total  
21 PRIT Fund risk through the lens of the building  
22 blocks of risk. The three building blocks, main  
23 building blocks, are equity risk, interest rate  
24 risk, credit risk. And then you have some other

1 private factors.

2 Equity risk contributes 74 percent of  
3 the total PRIT Fund risk. Interest rate,  
4 1.3 percent. And credit, 2.7 percent.

5 Next slide. You can see global equity  
6 and private equity together account for about  
7 56 percent of the market value, but about  
8 80 percent of the total risk. When we look at the  
9 PRIT Fund, we think in terms of overall equity  
10 risk.

11 And this lens of equity risk, credit  
12 risk and interest rate risk has implications for  
13 two things: how we think about benchmarks and  
14 then implication for managing the private equity  
15 weight.

16 We'll be discussing benchmarks, or  
17 Shannon will be discussing benchmarks later, but  
18 for asset allocation, this risk lens has  
19 implications for managing the private equity  
20 weight.

21 As you know, it is more difficult to  
22 precisely manage that private equity weight and  
23 the cash flows. And Michael Trotsky has mentioned  
24 some of the crosscurrents and challenges that are  
present

1 in today's private equity market. We've all heard  
2 of the denominator effect where the value of the  
3 rest of the portfolio declines with public equity  
4 and fixed income markets. Valuations of portfolio  
5 companies within private equity, either write-  
6 downs or disagreements especially in growth equity  
7 is a challenge in today's market.

8 But also importantly, distributions or  
9 realizations are down, and there's a weak IPO  
10 market. And then the result, as Michael Trotsky  
11 mentioned, is the plan sponsors are not only  
12 overallocated to private equity risk, but a large  
13 portion are outside of their ranges.

14 So we continue to focus on managing the  
15 weight and the cash flows of private equity.

16 As Michael also importantly mentioned,  
17 I'll reiterate this. PRIM has benefited from  
18 diversification by vintage years, being there to  
19 participate in private equity markets when equity  
20 markets are weak. That has been important to  
21 PRIM's success.

22 And also that vintage year  
23 diversification provides a nice consistent  
24 liquidity cash flow profile so that we're getting  
cash



1 back consistently over time.

2 And I'll reiterate what Michael said.

3 In this difficult environment of managing the  
4 private equity weight, Alyssa Fiore and Michael  
5 McGirr have done an outstanding job with  
6 commitment modeling, where many plans have  
7 struggled.

8 Now, pertaining to private equity, risk  
9 and the PE team are studying three things.  
10 Thinking about widening the allocation range, we  
11 have gone from 10 percent private equity weight to  
12 18 percent over the last decade. The range is  
13 still 6 percent, that band. Many peers use a  
14 10 percent range, so we're looking at that.  
15 That's one thing.

16 And then the second thing is managing  
17 the risk if we go outside of the range. Given  
18 that this has happened to our peers, we want to be  
19 mindful of this.

20 And here, that's where our framework  
21 comes into play. We look at the combined equity  
22 risk of global equity and private equity. All  
23 else being equal, we would look to cut global  
24 equity exposure, if private equity did go outside

1 the range. We would continue to manage combined  
2 equity risk. Again, we think in terms of equity  
3 risk, interest rate risk and credit risk as the  
4 building blocks.

5 And then the last, the third thing  
6 we're looking at, is liquidity or cash flow.  
7 Although the PRIT Fund, as Maria mentioned at the  
8 IC meeting and Michael also mentioned, has ample  
9 liquidity and then also low liquidity demands.

10 So those are the risk perspectives. I  
11 can take questions on that, or we can turn back to  
12 the asset allocation.

13 TREASURER GOLDBERG: Jump in, everyone,  
14 if you have any questions.

15 Go ahead, Jay.

16 MR. LEU: Thoroughly vetted at the IC.

17 So I'd like to end the presentation with  
18 the 2023 asset allocation recommendation, which  
19 includes a 1 percent upward shift in private  
20 equity target range to 13 to 19 percent and a  
21 1 percent downward shift in the global equity  
22 target range to 32 to 42 percent.

23 So we can now proceed to the vote.

24 MR. MONACO: Madam Treasurer, Peter.

1                   TREASURER GOLDBERG: Go ahead, Peter.

2                   MR. MONACO: Sorry. Hey, Jay,  
3                   apologies. Can you remind me, what is the single-  
4                   point probability of the portfolio having a  
5                   20 percent drawdown?

6                   MR. LEU: It's actually -- I think it's  
7                   like -- we didn't show that in here, but I think  
8                   it's like ninety -- like the modeling of it is  
9                   92 percent.

10                  There was not a drawdown this time. I  
11                  think the high was the end of 2021. I think we  
12                  got to a 14 percent drawdown in this 2022  
13                  environment. There has been a drawdown in the  
14                  2002 and the 2008-'09. The GFC, there was a  
15                  drawdown.

16                  But it's about -- like in the 90s. 92,  
17                  93 percent. Simulating it that way.

18                  MR. MONACO: And how should we think  
19                  about that? Because this dummy says to himself,  
20                  if you draw down 20 percent, it takes three-plus  
21                  years to recover your losses compounding at  
22                  7 percent. I mean understanding of course that  
23                  often over albeit variable durations, drawdowns of  
24                  that magnitude typically can be followed by

1 returns greater than 7 percent per annum.

2 You understand where I'm coming from?

3 MR. LEU: Right. Yes. And I guess it's  
4 a question of tolerance. On the other side, we  
5 are -- like, through the 10,000 paths simulating,  
6 do you end up getting, over the 10-year period,  
7 back to the return objective? And so that is  
8 reflected, like if you experience the 20 percent  
9 drawdown, there's the dual objective.

10 But I know what you're saying. If you  
11 get down 20 percent, are you going to make it to  
12 the 7 percent over the 10 years?

13 MR. TROTSKY: Yes. I would add a couple  
14 takeaways. First, this is a dual objective.  
15 We're mandated really for a 7 percent return.  
16 That's the actuarial rate of return. And in order  
17 to get there, of course we have a growth-oriented  
18 portfolio with 80 percent equity risk.

19 So there's no other way to get to  
20 7 percent without taking risk. The downside of  
21 that, of course, is you're going to be subject to  
22 down markets. So there's no free lunch in trying  
23 to achieve 7 percent. And there is a substantial  
24 probability that we will have down periods like

1 we've just gone through.

2 I think we did -- I think the  
3 performance was very strong relative to what was  
4 expected. So I think we're doing just fine.

5 MR. LEU: Do you have a thought, Peter,  
6 on, like, recalibrating or sort of the tolerance?  
7 Because it's a tolerance measure. So this is --

8 Or it's possible, if you wanted to, we  
9 could talk offline on that, but --

10 MR. MONACO: Yes. No urgency, at some  
11 point.

12 Where I'm coming from with this sort of  
13 disconnected line of questioning is not any issue  
14 or concern. I'm sitting here saying to myself  
15 actually quite the opposite.

16 2022 in the historic context was a very  
17 unusual year. Equities and bonds generally both  
18 got destroyed, and we were, air quotes, only down  
19 10 percent. So that's actually encouraging to me.

20 I guess if I sound a little confused or  
21 inadvertently displayed any concern, I guess,  
22 without saying it, I was a little surprised that  
23 the probability of a 20 percent drawdown, at least  
24 as modeled, is 92 percent.

1 MR. LEU: Yes.

2 MR. MONACO: But that's all.

3 MR. LEU: Yes. And for the 60/40, like  
4 if you took public markets, I think there was a  
5 drawdown this go-round in '22, barely. And I  
6 think possibly also 2020. Like that March 2020  
7 might have come close.

8 MR. MONACO: Okay. Yes. Thanks.

9 MR. LEU: But for us, this round in  
10 2022, I think the PRIT Fund's drawdown was  
11 14 percent. And that's from the high watermark to  
12 the low point.

13 MR. MONACO: Okay.

14 MR. LEU: On your question on tolerance,  
15 I was just thinking -- I don't want to put words  
16 in your mouth. The 20 percent might be too big a  
17 drawdown to -- it's kind of setting a dial here,  
18 and I'm sort of hearing that the 20 seems high to  
19 you or something.

20 MR. MONACO: I mean maybe possibly, but  
21 I guess to get at that, right, you need to know  
22 the answer to the question how much are you  
23 diminishing your probability of earning 7 percent  
24 per year over 10 years if, for example, you took

1 the drawdown tolerance to 15 percent?

2 MR. LEU: Right. And that's where, to  
3 Michael's point, to get to the 7 percent, you have  
4 to have the growth bias and equity heavier to get  
5 to that return objective.

6 MR. MONACO: Understood. And we have  
7 the investment horizon to be able to do that.

8 So apologies. I didn't mean to sink an  
9 inordinate amount of time on this.

10 TREASURER GOLDBERG: It's okay, Peter.

11 MR. BROUSSEAU: Madam Treasurer, could I  
12 ask a question of Jay?

13 TREASURER GOLDBERG: Yes.

14 MR. BROUSSEAU: Maybe he has the answer.

15 Historically, I can't recall -- and I've  
16 been here since 1987. I cannot recall  
17 historically when we've had any drawdown that has  
18 come anywhere -- I mean to 20 percent.

19 Other than probably the Great Recession  
20 of -- what? -- 15 years ago, is there any  
21 historical precedence for that happening to us?

22 MR. LEU: Right. So 2008-'09, there was  
23 a drawdown of more than 20 percent for the PRIT  
24 Fund. Same with 60/40.

1                   And then also 2002-2003, which was kind  
2                   of the tech bubble, and then Enron, WorldCom and  
3                   that, those are the only two occurrences back to  
4                   '95 for the PRIT Fund.

5                   MR. BROUSSEAU: Thank you.

6                   TREASURER GOLDBERG: Okay then. With no  
7                   more questions, I am going to proceed to a roll  
8                   call vote, and we already had a motion and a  
9                   second.

10                  Bob?

11                  MR. BROUSSEAU: Yes.

12                  TREASURER GOLDBERG: Ruth Ellen?

13                  Ruth Ellen? You -- I don't see her name  
14                  here.

15                  Oh, I see her name. I'll come back to  
16                  Ruth Ellen.

17                  Ruth Ellen, try to get the computer on.

18                  Theresa?

19                  MS. MCGOLDRICK: Yes.

20                  TREASURER GOLDBERG: Peter?

21                  MR. MONACO: Yes.

22                  TREASURER GOLDBERG: Dennis?

23                  MR. NAUGHTON: Yes.

24                  TREASURER GOLDBERG: Carly?



1 MS. ROSE: Yes.

2 TREASURER GOLDBERG: Myself, yes.

3 Ruth Ellen, are you there?

4 It almost looks frozen, doesn't it?

5 MR. FALZONE: It looks like she's  
6 frozen. We're trying to take a look at that now.

7 TREASURER GOLDBERG: Do we have enough  
8 votes, Renee?

9 MS. LeFEVRE: We do.

10 TREASURER GOLDBERG: All right. The  
11 motion carries.

12 MS. LeFEVRE: The motion passes.

13 TREASURER GOLDBERG: Okay. Next item on  
14 the agenda is also a voting item. Hedge fund  
15 benchmark review. Take it away.

16 MS. ERICSON: Good morning, Treasurer.  
17 Good morning, committee members.

18 TREASURER GOLDBERG: Since this is a  
19 voting item, I think what I'll do is I will ask  
20 for a motion first, and then we'll let you take it  
21 away, and then we'll vote.

22 So I seek a motion that the PRIM Board  
23 approve the Investment Committee's recommendation  
24 to approve the changes to the total core benchmark

1       and the implementation benchmark as described in  
2       the expanded agenda, and further to authorize the  
3       executive director to take all actions necessary  
4       to effectuate this vote.

5               Is there a motion?

6               MR. BROUSSEAU:   So moved.

7               TREASURER GOLDBERG:   Second?

8               MR. NAUGHTON:   Second.

9               TREASURER GOLDBERG:   Okay then.   Go  
10       ahead.   Thank you.   Sorry to have interrupted.

11              MS. ERICSON:   No problem.

12              I'm Shannon Ericson, a member PRIM's  
13       risk team.   As most of you know, Jay Leu and I  
14       have been working on a benchmark project along  
15       with Verus with input from the asset class teams,  
16       in this case, the PCS team.

17              We hired Verus as our benchmark  
18       consultant in January 2021.   One of the initial  
19       objectives for Verus was to help us do a  
20       comprehensive review of all the benchmarks we use  
21       at PRIM.

22              To date, we have reviewed and  
23       recommended changes for PRIM's private equity,  
24       global equity, core fixed income, value-added

1 fixed income, private debt and real estate  
2 benchmarks.

3 Today's recommendation is for hedge  
4 funds. There are two benchmark recommendations  
5 for the hedge fund subcomponents as the Treasurer  
6 mentioned --

7 MR. TROTSKY: Shannon, it's kind of  
8 difficult to hear you. Is your microphone  
9 switched on the right --

10 MS. ERICSON: I think so.

11 TREASURER GOLDBERG: I actually was just  
12 about to say the same thing.

13 MS. ERICSON: Okay.

14 MR. FALZONE: Are you using your  
15 laptop's microphone or your webcam's microphone?

16 MR. GRISWOLD: Shannon, someone will be  
17 up in a second to help take a look.

18 MS. ERICSON: Okay.

19 MR. LEU: Just one interim comment. I  
20 have some texts here. I'd like just to clarify  
21 something.

22 When I said the 92 percent chance,  
23 that's of no drawdown. So there would be  
24 an 8 percent chance of a drawdown.

1                   People had texted me that they thought  
2                   there might be a disconnect on what that was, so  
3                   just for Peter's sake.

4                   MR. TROTSKY: 8 percent chance of a  
5                   20 percent drawdown.

6                   MR. LEU: Right. The 92 percent was  
7                   achieving the objective.

8                   TREASURER GOLDBERG: Right. The good  
9                   news is that's how I took it, Jay.

10                  MR. LEU: Okay.

11                  TREASURER GOLDBERG: Knowing a little  
12                  about these fund operations.

13                  MR. MONACO: If you had realized that,  
14                  Madam Treasurer, then you could have short-  
15                  circuited me.

16                  TREASURER GOLDBERG: Peter, I find you  
17                  as a very thoughtful board member, and I would  
18                  never have short-circuited you.

19                  Let's see, Shannon. How are you doing?

20                  MS. ERICSON: Dave just tried it. Does  
21                  that sound better?

22                  TREASURER GOLDBERG: Oh, much better.

23                  MS. ERICSON: Okay. Sorry about that.

24                  TREASURER GOLDBERG: Why don't you start

1       again? Because I lost every other word that you  
2       said.

3                       MS. ERICSON: Okay. Great.

4       So I think everyone knows who I am now,

5                       Shannon Ericson, Risk Team.

6                       So we hired Verus as our benchmark  
7       consultant in January 2021. One of the initial  
8       objectives for Verus was to help us do a  
9       comprehensive review of all the benchmarks we use  
10      at PRIM. To date, we have reviewed and  
11      recommended changes for PRIM's private equity,  
12      global equity, core fixed income, value-added  
13      fixed income, private debt and real estate.

14                      Today's recommendation is for hedge  
15      funds. There are two benchmark recommendations  
16      for hedge funds, as the Treasurer mentioned.

17                      The first is to introduce a new core  
18      primary strategic benchmark for stable value and  
19      directional hedge funds, as well as the PAAMCO  
20      fund of funds.

21                      The second is to recategorize the  
22      current core benchmark for stable value and  
23      directional hedge funds to be the implementation  
24      or secondary benchmark.

1                   Tony, if you could, turn to the  
2                   presentation in Appendix H. If you could, turn to  
3                   page 2.

4                   Just to review, our philosophy for  
5                   choosing a benchmark is, one, it should be  
6                   representative of the opportunity set; two, it  
7                   should be reflective of the return and risk of  
8                   the asset or sub-asset class.

9                   Some other important features which are  
10                  nice to have are the benchmark should be  
11                  investable and known before the fact, and it  
12                  should be measurable, transparent and unambiguous.

13                  In the case of hedge funds, it was  
14                  difficult to achieve all the desired benchmark  
15                  characteristics, given the heterogeneity of the  
16                  underlying manager strategies. Instead, we  
17                  focused on the opportunity cost of each hedge fund  
18                  subasset class as a whole and their return  
19                  characteristics when selecting a strategic  
20                  benchmark.

21                  In working with Verus on hedge funds,  
22                  they shared their belief that hedge fund  
23                  benchmarks should provide a link between  
24                  expectations and success.

1                   Tony, if you could, turn to the next  
2     page.

3                   PRIM's approach to benchmarking private  
4     assets has been to use a strategic benchmark or  
5     public-plus benchmark as the core or primary  
6     benchmark and a peer benchmark as the  
7     implementation or secondary benchmark. When using  
8     a strategic or public-plus benchmark, it is  
9     important to focus on longer term results, such as  
10    three to five years, to gauge private asset  
11    success.

12                  In the short term, there can be  
13    mismatches between the public markets, which are  
14    priced daily, versus less frequent and often  
15    lagged valuations for private assets. This is  
16    particularly important to remember during volatile  
17    market environments such as now.

18                  The strategic or primary benchmarks are  
19    used to measure the efficacy of the allocation  
20    decision. In other words, would we have been  
21    better off in the public markets rather than the  
22    private asset? For example, for private equity,  
23    we use a blended Russell 3000/Europe IMI benchmark  
24    to gauge how our private equity investments are

1       doing versus the public market alternative.

2               The key question when choosing a  
3       strategic benchmark is what public market exposure  
4       are you getting with a particular investment in  
5       terms of equity, credit and interest rates?

6               The implementation or secondary  
7       benchmark is a measure of manager selection. It  
8       helps us evaluate how PRIM's private assets have  
9       performed versus their asset class peers. In  
10      other words, are we implementing the strategy well  
11      by picking good managers?

12              Next page, Tony.

13              Just to give a brief background on the  
14      hedge fund program, it is part of the strategic  
15      allocation within the portfolio completion sleeve  
16      or PCS. Within the hedge fund program, we invest  
17      in direct hedge funds and fund of funds.

18              Direct hedge funds are split into two  
19      subcomponents, stable value and directional hedge  
20      funds. The two groupings were created in early  
21      2020 as part of PRIM's annual asset allocation to  
22      separate long-biased hedge funds from those with  
23      near zero equity exposure.

24              In the fund of funds group, PAAMCO is



1 one of the remaining legacy fund of funds  
2 managers. PAAMCO targets an absolute return while  
3 maintaining reasonably low volatility. The  
4 manager invests in multiple hedge fund  
5 substrategies and has a focus on emerging  
6 managers.

7 The next page, Tony.

8 Stable value funds as a group have near  
9 zero exposure to equity risk with a beta to the  
10 S&P that is very close to zero. These investments  
11 also have low exposure to credit and interest rate  
12 risk on average. The PAAMCO fund of funds  
13 portfolio has a very similar risk profile. Due to  
14 this low market exposure, the public market or  
15 opportunity cost of this group of investments can  
16 be proxied by cash. Cash benchmarks, while not  
17 perfect, are often used as benchmarks for absolute  
18 return strategies.

19 The PCS team conducted a research  
20 project on hedge fund practices among pension  
21 plans and endowments. Their research included a  
22 third-party benchmark survey of several asset  
23 allocators. Of the survey respondents, 70 percent  
24 used cash or cash-plus benchmarks to evaluate

1 hedge funds.

2 While cash benchmarks are often used, it  
3 is important to note the volatility mismatch.  
4 Cash volatility is zero, but the volatility of  
5 PRIM's hedge funds is greater than zero. To  
6 compensate for this higher volatility and higher  
7 return expectation, a premium needs to be added to  
8 the cash benchmark return.

9 We are recommending a 200-basis-point  
10 premium, given the volatility of PRIM's stable  
11 value and PAAMCO portfolios. This is consistent  
12 with the range of premium for cash-plus benchmarks  
13 in the third-party survey. It is also the amount  
14 recommended by Verus, our benchmark consultant,  
15 based on their return analysis. We are  
16 recommending the same benchmark for stable value  
17 and PAAMCO.

18 The directional hedge funds, on the  
19 other hand, tend to be long-biased and have a  
20 systematic exposure to equities. The typical  
21 beta to the equity market for these managers  
22 ranges from .4 to .6. Here, the public market  
23 exposure can be proxied by 50 percent MSCI ACWI  
24 plus  
50 percent SOFR. We used 50 percent equity

1 exposure for the benchmark to reflect an equity  
2 beta of .5 for the group.

3 We chose MSCI ACWI over a U.S.-only  
4 benchmark, as the geographical mix of the  
5 underlying managers is roughly 60 percent U.S.,  
6 40 percent the rest of the world, which is similar  
7 to ACWI. The liquidity and volatility of these  
8 assets are in line with the public markets so no  
9 liquidity or volatility premium needs to be added.

10 That's the end of my presentation. I  
11 will take any questions.

12 TREASURER GOLDBERG: Are there questions  
13 for Shannon?

14 I am hearing none. So seriously, if  
15 there are no questions, I'm going to proceed with  
16 the vote.

17 Tony, do we know, is Ruth Ellen's -- is  
18 it working now?

19 MR. FALZONE: Yes. I see her moving  
20 around.

21 TREASURER GOLDBERG: Okay then. All  
22 right. I'll begin with Bob.

23 Bob? Bob Brousseau?

24 MR. FALZONE: He may have stepped away.

1                   TREASURER GOLDBERG: Okay then. Ruth  
2    Ellen?  
3                   MS. FITCH: Yes.  
4                   TREASURER GOLDBERG: Theresa?  
5                   MS. McGOLDRICK: Yes.  
6                   TREASURER GOLDBERG: Peter?  
7                   MR. MONACO: Yes.  
8                   TREASURER GOLDBERG: Dennis?  
9                   MR. NAUGHTON: Yes.  
10                  TREASURER GOLDBERG: Carly?  
11                  MS. ROSE: Yes.  
12                  TREASURER GOLDBERG: I'll try Bob one  
13    more time.  
14                  Okay. Myself, yes.  
15                  The motion carries.  
16                  MS. ERICSON: Thank you.  
17                  TREASURER GOLDBERG: All right then.  
18    Next item on the agenda is public markets. We'll  
19    first have a performance. Then we have one, two  
20    voting items.  
21                  MR. McELROY: Great.  
22                  TREASURER GOLDBERG: I was going to say,  
23    one of the Michaels, where are you?  
24                  MR. McELROY: Yes. Can everyone hear

1 me, just to check the sound? Is it good?

2 TREASURER GOLDBERG: Yes, yes. We can  
3 hear you.

4 MR. McELROY: Great. So good morning.  
5 This is Michael McElroy. I'll cover the fourth  
6 quarter and 2022, the public market environment,  
7 as well as the PRIT Fund results in this  
8 environment.

9 To begin with and to reiterate what  
10 Michael Trotsky had mentioned, it was certainly  
11 welcome to see the recovery in the equity and bond  
12 markets in the fourth quarter after those three  
13 consecutive quarters of the negative returns in  
14 these normally uncorrelated asset classes.

15 In the quarter, global equity returns  
16 ranged from up 7 in the U.S. markets to up 15 in  
17 the non-U.S. markets. Value outperformed growth  
18 in all geographies. And for the year, equities  
19 were down a bit less than 20 percent. And it was  
20 really broad-based across geography and sector,  
21 with energy the only meaningful exception.

22 And just as in the fourth quarter, value  
23 was the highest-performing style in 2022. And  
24 this may be a trend that continues into at least

1 the first half of 2023, if not longer.

2 Bonds were a bit more mixed. Shorter  
3 duration bonds in value-added areas such as high-  
4 yield and emerging markets debt were up between 2  
5 to 7 percent in the quarter. Longer duration  
6 bonds lost value as the long-term interest rates,  
7 which had declined through most of the fourth  
8 quarter, ended the quarter slightly higher. And  
9 for the year, core fixed income, depending on the  
10 duration, was down between 12 to 40 percent.

11 Value-added fixed income, which is less  
12 sensitive to the interest rate movements, did  
13 provide some downside cushion, with those  
14 strategies declining only about 7 percent. The  
15 U.S. and many developed markets' yield curves  
16 remain inverted, and the Fed funds rate was  
17 increased over the fourth quarter, but  
18 expectations from this point are for smaller and  
19 more measured increases.

20 So given this backdrop, results for the  
21 PRIT Fund were within expectations. All regions  
22 of our global equity portfolio outperformed in the  
23 fourth quarter with the strongest results seen  
24 from our developed international exposure.

1                   Similarly for the year, our U.S. and  
2                   emerging markets managers outperformed, but our  
3                   developed international exposure and particularly  
4                   the growth style dragged down our overall results  
5                   in this region.

6                   Within fixed income, both core and value-  
7                   added slightly underperformed in the quarter. And  
8                   for the year, core fixed income was in line with  
9                   our benchmark, while our value-added fixed income  
10                  underperformed due to credit conditions weakening  
11                  throughout the year.

12                  It's also worth noting that the fourth  
13                  quarter marked the five-year anniversary since we  
14                  started making allocations to our other credit  
15                  opportunities bucket, where the PRIT Fund invests  
16                  in credit strategies complementary to our high-  
17                  yield bank loans or emerging markets debt  
18                  exposures.

19                  Though the fourth quarter was  
20                  challenging for this bucket, over the five-year  
21                  experience so far, it has been a source of  
22                  uncorrelated returns and strong absolute and  
23                  relative performance. And it's an area we  
24                  continue to be excited about as market

1       dislocations and diminished liquidity have made  
2       these credit strategies with stronger covenants,  
3       better collateral and more conservative valuations  
4       relatively more attractive.

5               There continued to be mixed signals on  
6       the two most prominent topics impacting the  
7       markets: inflation and the potential for  
8       recession.

9               Inflation seems to be moderating  
10       somewhat in most geographies, with money supply  
11       and savings levels down and supply chain  
12       disruptions less frequent. Labor shortages and  
13       wage costs continue to be sticky, and  
14       deglobalization may lengthen this inflationary  
15       horizon.

16              With respect to recession, it could be  
17       upon us as the inverted yield curve, weak and  
18       falling leading economic indicators and  
19       manufacturing surveys are signaling a downturn.

20              On the flip side, the labor market  
21       remains robust, and the overall credit conditions  
22       benign. As noted last quarter, balance sheets had  
23       been fortified prior to the rate increases we saw  
24       last year, which should forestall any meaningful



1 uptick in defaults where we'd experience some  
2 level of recession. It's a murky picture, one  
3 that we discuss with our managers to get their  
4 views and positioning about.

5 In addition to these topics, our  
6 managers have highlighted several other positives.  
7 Supply chain issues have improved because  
8 companies have diversified these supply chains.  
9 India has been a particular beneficiary of this,  
10 given manufacturing and transportation  
11 improvements made over the past decades.

12 Companies still report decent  
13 fundamentals, a finding that we corroborate within  
14 PRIM among different asset class teams, though  
15 this is something that our managers continue to  
16 monitor for signs of slowdown. China reopening  
17 and the boost this could provide to global growth  
18 is certainly a positive compared to last quarter  
19 and earlier last year.

20 Risks our managers are focused on really  
21 span ongoing issues like escalation of the war in  
22 Russia and Ukraine and its effects, to new  
23 concerns like the potential U.S. government  
24 shutdown relating to the debt ceiling

1 negotiations. Global housing price slowdowns and  
2 any knock-on effects to consumers is also being  
3 closely watched.

4               So in closing, market conditions have  
5 been and remain choppy. We've built the public  
6 markets portfolio to weather this turbulence. As  
7 we've said before, although high volatility should  
8 be a good environment for active managers to add  
9 value, managing all these changing risks  
10 simultaneously can at times prove challenging.

11              We're encouraged by the diversification  
12 we've built into the PRIT Fund and that our  
13 managers have provided. We saw a nice recovery in  
14 the fourth quarter, and both relative and absolute  
15 returns remain strong over the long term in both  
16 equities and fixed income.

17              The aggregate risk of the overall equity  
18 and fixed income portfolios remains low, and the  
19 risk factors are balanced across our managers.

20              So with that, I'm happy to take any  
21 questions anyone has.

22              TREASURER GOLDBERG: Any questions at  
23 all for Mike?

24              Hearing none, we could go on to the

1 voting items.

2 MR. BROUSSEAU: Madam Treasurer, before  
3 you do, on the last vote on the benchmarks, I had  
4 a glitch here, would not allow me to unmute  
5 myself, but my vote was yes.

6 TREASURER GOLDBERG: Okay. Thank you.

7 All right then. What I'm going to do is  
8 since there are no questions in terms of the  
9 presentation, I'm going to seek a motion that the  
10 PRIM Board approve the Investment Committee's  
11 recommendation to approve the selection of Meketa  
12 Investment Group to provide public markets  
13 advisory services to PRIM as described in the  
14 expanded agenda, and further to authorize the  
15 executive director to take all actions necessary  
16 to effectuate this vote.

17 Is there a motion?

18 MR. NAUGHTON: So moved.

19 TREASURER GOLDBERG: Is there a second?

20 MR. BROUSSEAU: Second.

21 TREASURER GOLDBERG: Okay. Mike, why  
22 don't you just quickly describe that, and then  
23 we'll proceed to the vote.

24 MR. McELROY: I think this will be Andre

1 Abouhala.

2 TREASURER GOLDBERG: Oh, okay. Sorry.

3 MR. McELROY: He'll be presenting for  
4 the public markets team.

5 TREASURER GOLDBERG: Okay. And will  
6 Andre also be doing the second voting item?

7 MR. McELROY: No. That will be Chuck LaPosta.

8 TREASURER GOLDBERG: Okay, Andre. Go  
9 ahead.

10 MR. ABOUHALA: Thank you, Treasurer  
11 Goldberg. Good morning, everyone. Great to see  
12 you all.

13 I am Andre Abouhala, investment officer  
14 on the public markets team. I will be presenting  
15 the recommendation for the public markets advisory  
16 services RFP.

17 PRIM issued the RFP on October 31, 2022.  
18 By the deadline of December 2, we had received  
19 seven proposals. Respondents included Aon,  
20 Callan, Meketa, NEPC, RVK, Verus and Wilshire.  
21 And the evaluation committee at PRIM consisted of  
22 Michael McElroy, Chuck LaPosta, David Gurtz, Jay  
23 Leu, Shannon Ericson, Tony Falzone, Matt Liposky,  
24 Francesco Daniele and myself.

1 All of the responses were thoroughly  
2 reviewed, and finalists were selected based on the  
3 criteria detailed in the RFP. Five finalists were  
4 selected for in-depth interviews to better  
5 understand their approach, experience and  
6 qualifications. These interviews were held in  
7 person and virtually at PRIM offices.

8 After careful consideration, the team  
9 unanimously recommends the selection of Meketa  
10 Investment Group. Meketa is based in Westwood,  
11 Massachusetts and have been solely focused on  
12 investment advisory services since its inception  
13 in 1974. The firm is 100 percent employee-owned  
14 by more than 70 senior professionals, who are all  
15 active within the firm.

16 Meketa is ranked among the top 10  
17 largest investment consulting firms worldwide,  
18 consulting on over 1.6 trillion in assets for  
19 245 clients, including over 90 public clients.

20 The proposed primary advisor to our  
21 account, Amy Hsiang, serves as Meketa's director  
22 of public markets manager research. She has  
23 20 years of industry experience, including  
24 17 years focused on research and investment

1 management.

2           The account is further supported by Josh  
3 Brough and Hayley Tran, who serve as co-heads of  
4 equity at Meketa; Stephen MacLellan, managing  
5 principal consultant; Mark and McKeown, who's head  
6 of fixed income at Meketa. We are particularly  
7 impressed with this group as they average 20 years  
8 of industry experience overseeing major asset  
9 classes at Meketa and work with other large public  
10 pension clients like PRIM.

11           Given the size and scale of the team,  
12 Meketa's services can be customized to complement  
13 our internal capabilities and address specific  
14 needs. Their team will integrate into our  
15 processes and can serve as an extension of staff  
16 where needed. We expect them to assist on a wide  
17 range of areas, including strategic planning,  
18 portfolio construction, investment due diligence,  
19 manager selection, ongoing monitoring, *ad hoc*  
20 research and reporting.

21           PRIM does have an existing relationship  
22 with Meketa. The firm currently serves as a  
23 member of PRIM's pool of real estate and  
24 timberland advisors and in that role have

1 collaborated on past credit opportunities with the  
2 public markets team.

3 Lastly, in terms of cost, PRIM has  
4 negotiated an annual fee that was competitive with  
5 the other proposals received.

6 Thank you for your attention and  
7 consideration. I'm happy to answer any questions  
8 you may have.

9 TREASURER GOLDBERG: Any questions at  
10 all for Andre?

11 MR. NAUGHTON: Just a procedural  
12 question, Madam Treasurer. Thank you.

13 Good morning, Andre. Thank you for a  
14 very complete presentation.

15 I was just curious in arriving at this  
16 recommendation that you're making this morning,  
17 was that -- of your study committee, was that a  
18 vote, or was it consensus?

19 MR. ABOUHALA: There was a vote, but it  
20 was consensus as well.

21 MR. NAUGHTON: Okay. So there was no  
22 substantial disagreement over the recommendation  
23 within the committee?

24 MR. ABOUHALA: None.

1 MR. NAUGHTON: Okay. Thanks very much.  
2 MR. ABOUHALA: Thank you.  
3 TREASURER GOLDBERG: Thank you, Dennis.  
4 Any further questions?  
5 Hearing none, I'm proceeding with the  
6 vote.  
7 Bob?  
8 Can't hear you. I'll come back to you.  
9 MR. BROUSSEAU: Yes. We have again.  
10 TREASURER GOLDBERG: All right. Bob?  
11 MR. BROUSSEAU: Yes.  
12 TREASURER GOLDBERG: Ruth Ellen?  
13 MS. FITCH: Yes.  
14 TREASURER GOLDBERG: Theresa?  
15 MS. McGOLDRICK: Yes.  
16 TREASURER GOLDBERG: Peter?  
17 MR. MONACO: Yes.  
18 TREASURER GOLDBERG: Dennis?  
19 MR. NAUGHTON: Yes.  
20 TREASURER GOLDBERG: Carly?  
21 MS. ROSE: Yes.  
22 TREASURER GOLDBERG: Myself, yes.  
23 The motion carries. Thank you.  
24 Okay then. Now, I am going to seek a



1 motion in a second, and then we will get a  
2 presentation on the Biopharma Credit investment.

3 I seek a motion that the PRIM Board  
4 approve the Investment Committee's recommendation  
5 to approve a commitment of up to \$150 million to  
6 Biopharma Credit Investments V as described in the  
7 expanded agenda, and further to authorize the  
8 executive director to take all actions necessary  
9 to effectuate this vote.

10 Is there a motion?

11 MR. BROUSSEAU: So moved.

12 TREASURER GOLDBERG: Second?

13 MS. FITCH: Second.

14 TREASURER GOLDBERG: Okay. Now, who is  
15 presenting this, Michael?

16 MR. LaPOSTA: This will be me, Chuck  
17 LaPosta.

18 TREASURER GOLDBERG: Chuck, thank you.

19 There's so many people coming and going  
20 across my screen that I just need to, like, be  
21 prompted on this.

22 MR. LaPOSTA: We're happy to help you  
23 out with that, for sure.

24 TREASURER GOLDBERG: Thank you, Chuck.

1 MR. LaPOSTA: Good morning, everyone.

2 As mentioned, Chuck LaPosta, director of  
3 fixed income, and I will be discussing the  
4 recommendation of \$150 million investment in  
5 Biopharma Credit Investments V. The fund is an  
6 open-ended strategy managed by Pharmakon Advisors  
7 that invests in life sciences companies, primarily  
8 by making senior secured loans backed by FDA-  
9 approved commercial stage products.

10 Pharmakon has two investment vehicles  
11 for a total of about 3 billion in firm AUM. Deals  
12 are expected to be shared equally across these two  
13 vehicles with some possibility of co-investment  
14 being made available to LPs where transaction  
15 sizes warrant.

16 Pharmakon is a minority-owned  
17 organization who reached out to PRIM in the spring  
18 of 2021 upon learning of our FUTURE Initiative.  
19 It was founded in 2009 by a Pedro Gonzalez  
20 de Cosio and Pablo Legoretta, who is also  
21 cofounder and CEO of Royalty Pharma. Royalty  
22 Pharma is an independent organization with whom  
23 Pharmakon shares investment ideas and certain  
24 supporting resources. In 2011, they added Martin

1 Friedman as a third principal of the firm.

2 Pedro and Martin lead the investment  
3 process for Pharmakon and are supported by three  
4 analysts. The team has experience in investment  
5 banking, equity research, healthcare finance and  
6 has degrees in biosciences and investments. The  
7 team uses its diverse backgrounds of education and  
8 experience to work collectively on all deals that  
9 go into the portfolio.

10 Pharmakon meets with 150 companies a  
11 year and uses its banking, personal and  
12 professional relationships, as well as deal  
13 sourcing from Royalty Pharma, to find actionable  
14 investments. They have historically made four to  
15 six investments per year and typically only invest  
16 after many years of following a company.

17 Investments are made to public companies  
18 with FDA-approved products, most of which have  
19 established sales and cash flows, as well as  
20 sufficient patent protection to support the loans.  
21 These loans have seniority over any other debt or  
22 shareholder equity and can be backed by cash flows  
23 from existing products and other corporate assets,  
24 including cash, property, plant and equipment, or

1 intellectual property.

2                   Pharmakon's target return is in line  
3 with other investments in our OCO portfolio.  
4 However, this asset-backed strategy relies on  
5 drugs, devices and diagnostics with little  
6 competition in unmet medical needs, often in  
7 critical care disease categories. This should  
8 provide some diversification from our other credit  
9 investments and strategies, which may be more  
10 sensitive to economic conditions.

11                   Loans are typically made to a five-year  
12 maturity but often pay off before that. Early  
13 prepayment can increase IRRs above the  
14 underwritten target. Pharmakon has made  
15 47 investments since 2009. They have had a strong  
16 track record of success, and there have been no  
17 credit-related losses.

18                   As I mentioned, PRIM began discussions  
19 with Pharmakon in spring of 2021 after the  
20 announcement of our FUTURE Initiative. We  
21 commissioned Albourne's ODD review shortly after  
22 that in the fall of '21. Albourne's report  
23 identified a few areas of deficiency that put the  
24 investment recommendation on hold.

1                   Together, we worked with Pedro and  
2                   Martin to express our concerns and offer up  
3                   recommendations to improve their overall  
4                   operations. In the six to nine months following,  
5                   Pharmakon has heeded our advice and made  
6                   improvements to their operations to specifically  
7                   address our concerns. Albourne recently  
8                   rereviewed these changes and have improved their  
9                   overall assessment of Pharmakon's operational  
10                  capabilities.

11                 With that, I will open it up to any  
12                 questions.

13                 TREASURER GOLDBERG: I would like to  
14                 comment that -- and I used this with another  
15                 presentation -- on how excellent the FUTURE  
16                 Initiative work and the structure of it is  
17                 effectuating positive results. And this  
18                 particular recommendation is a perfect example of  
19                 that, that we were able to look at a potential  
20                 investment, that Albourne could see a small  
21                 weakness, make a recommendation. The group worked  
22                 with Albourne, and then we were able to do an  
23                 investment.

24                 I think this is a suburb approach and

1       really by example explains what the FUTURE  
2       Initiative is about and how it can be successful.

3               So, Chuck, thank you for the  
4       presentation.

5               I don't know if there are any other  
6       questions or comments. If not, I will proceed  
7       with the vote.

8               Hearing none, Bob?

9               MR. BROUSSEAU: Yes.

10              TREASURER GOLDBERG: Ruth Ellen?

11              MS. FITCH: Yes.

12              TREASURER GOLDBERG: Theresa?

13              MS. McGOLDRICK: Yes.

14              TREASURER GOLDBERG: Peter?

15              MR. MONACO: Yes.

16              TREASURER GOLDBERG: Dennis?

17              MR. NAUGHTON: Yes.

18              TREASURER GOLDBERG: Carly?

19              MS. ROSE: Yes.

20              TREASURER GOLDBERG: Myself, yes.

21              The motion carries.

22              Okay.

23              MR. TROTSKY: Bill Li is next.

24              TREASURER GOLDBERG: Yes. Thank you,

1 Michael. I actually went and wrote it down, but  
2 I'll find a strategy at some point to be able to  
3 jump more quickly on those. Okay then.

4 MR. TROTSKY: We can give you those in  
5 advance next time.

6 TREASURER GOLDBERG: It's not a bad idea  
7 just because I've got 12 pieces of paper in front  
8 of me.

9 MR. TROTSKY: Right.

10 TREASURER GOLDBERG: All right then.  
11 Now, there are no voting items, but Bill is going  
12 to give us a performance summary on portfolio  
13 completion strategies.

14 Thank you, Bill.

15 MR. LI: Thank you, Madam Treasurer.  
16 That's right. This is more an update from PCS.

17 And my name is Bill Li, senior  
18 investment officer and director of portfolio  
19 completion strategies or PCS.

20 One of our efforts throughout 2022 was  
21 to landscape peer allocators' best practices and  
22 work with the risk team to further clarify PRIM  
23 hedge fund's diversifier role.

24 As you have heard earlier from Shannon

1 Ericson's presentation on hedge fund benchmark  
2 review, PRIM hedge fund's return and risk  
3 objectives now have been further metrified. And  
4 that should give my team more clearheadedness in  
5 making investments and guide us to communicate  
6 results more effectively.

7 Speaking of results, in Q4 2022, PRIM  
8 hedge funds increased 1.5 percent, beating  
9 benchmark by 40 basis points. And hedge funds  
10 account for 90 percent, the majority of PCS.

11 The other 10 percent of PCS, real  
12 assets, was marked down by 5.9 percent. Since  
13 inheriting the coverage of real assets in early  
14 2022, the team has spent tremendous time  
15 rationalizing this pocket. With help from  
16 multiple other teams, including real estate, legal  
17 and risk, we look to finish the review by mid-  
18 2023.

19 So, netting between hedge funds and real  
20 assets, PCS in total increased 77 bps in Q4. For  
21 the full calendar year, PRIM hedge fund was  
22 slightly down by 1.9 percent with an equity beta  
23 of merely .1. That provided ample risk buffer to  
24 the total PRIT Fund. Viewed from another angle,



1       PRIT Fund would have been 1.2 percent worse off  
2       without hedge funds last year.

3               Over a longer time frame of three years,  
4       PRIM hedge fund annualized 2.8 percent with a  
5       market beta of .2. Within the same time frame, a  
6       60/40 market portfolio annualized 1.3 percent,  
7       meaning PRIM hedge fund's 2.8 percent outperformed  
8       the market portfolio, meanwhile serving as a risk  
9       buffer. And we are happy to have accomplished  
10      that.

11             If I may direct your attention from past  
12      performance to 2023 and forward, I would like to  
13      share some observations that should mean an  
14      exciting year for the PRIM hedge fund allocation.

15             Firstly, stable value funds, the biggest  
16      hedge fund sleeve that delivered a positive 2.3  
17      last year, is largely comprised of relative value  
18      and low-beta event-driven mandates. Those  
19      mandates make money by smartly capturing spread.  
20      And spread, be it credit spreads or mispriced  
21      arbitrage spread, have been exceptionally wide so  
22      that managers across the board are anticipating  
23      mid- to high single-digit return with lower risk.

24             Secondly, directional funds are stock

1       pickers and credit pickers that are absolute-  
2       return-oriented. They see tremendous valuation  
3       support in selective papers. This year, we should  
4       expect ample alpha potential from directional  
5       managers' security selection.

6               In summary, we have obtained higher  
7       confidence that PRIM hedge fund is in a very good  
8       position to perform this calendar year.

9               And with that, I'll open the floor for  
10      questions.

11              TREASURER GOLDBERG: Any questions for  
12      Bill? Anyone?

13              Bill, you're off the hook.

14              MR. LI: Thanks.

15              TREASURER GOLDBERG: All right. Thank  
16      you very much, Bill.

17              We will be moving on to private equity.  
18      Mike McGirr.

19              MR. MCGIRR: Thank you, Madam Treasurer.

20              TREASURER GOLDBERG: I do believe we're  
21      going to have one, two, three voting items. So go  
22      ahead and do the performance and commitment  
23      summary, and then I will do the motions prior to  
24      your description of the items.

1 MR. McGIRR: Thank you, Madam Treasurer.

2 Private equity had a down quarter. We  
3 were down 51 basis points gross or 80 basis points  
4 net. Now, that decline was less than the decline  
5 of the public markets in Q3, where the Russell  
6 3000 was down 4.5 percent, and the MSCI Europe IMI  
7 was down almost 11 percent.

8 Private equity's trailing one-year  
9 return is negative 4.75 percent gross or 5.75  
10 net. And again, that compares favorably, less  
11 negative than the return of the Russell 3, down  
12 almost 18 percent, and the MSCI Europe, down  
13 almost 27 percent for that trailing one-year  
14 return as of 9/30.

15 Our 3-, our 4- and our 10-year numbers  
16 remain strong at 26, 23 and 21 percent,  
17 respectively. Those are all gross figures.

18 And I want to provide some additional  
19 color on the quarter and the trailing one-year.  
20 Venture capital and growth equity continue to  
21 give back some of the gains that they had in 2020  
22 and 2021. Our growth equity portfolio is flat for  
23 the quarter, but it's down 16 percent for the  
24 trailing one-year. Venture was down 2 percent for  
the quarter and is down 17 percent for the  
trailing

1       one-year.

2               Buyouts, which make up the majority of  
3       the private equity portfolio, have been more  
4       resilient in this market. Small and midsize  
5       buyouts were down 2 percent for the quarter. And  
6       they're actually up 3 percent on a trailing one-  
7       year basis. The larger end of the buyout  
8       portfolio has not performed quite as well, down  
9       4 percent for the quarter and down 7 percent for  
10      the trailing one-year.

11             And what we're seeing, as Jay had talked  
12      about equity risk, holistically in private equity,  
13      we're seeing similar trends that you're seeing in  
14      the public markets. The private equity portfolio  
15      showed strength, and energy, industrials and  
16      materials really leading the way, while our  
17      technology portfolio lagged.

18             Also as Mike McElroy had mentioned,  
19      value has really outperformed. And what we've  
20      seen over the course of the year is our value and  
21      our deep value managers have been having great  
22      years, and contrast that with our later stage  
23      venture and our growth managers, which have  
24      struggled.

1                   Turning to cash flows. We've now seen  
2                   one full year of negative cash flows with  
3                   contributions outpacing distributions. This is on  
4                   page 18 of the board materials.

5                   And what is masked in these numbers is  
6                   the scaling of PRIM's co-investment portfolio and  
7                   its relative immaturity compared to the maturity  
8                   of the rest of the private equity portfolio.

9                   Now, that being said, our team has an  
10                  increased focus on distributions in the quarters  
11                  to come as it's a key performance indicator, as  
12                  well as an important measure of portfolio health  
13                  and quality.

14                 Our entire private equity assets stayed  
15                 about flat for the quarter, totaling  
16                 \$16.2 billion, and decreased slightly as a  
17                 percentage of the PRIT Fund, 17.7 percent, as we  
18                 had discussed earlier.

19                 A couple other things to note. On  
20                 page 18 and 19 of your materials, you've likely  
21                 noticed a change to our commitment summary table.  
22                 Based on feedback from Investment Committee  
23                 members and board members, we've added our closed  
24                 commitments for the FUTURE Initiative for the

1 first time. And we've also added the total  
2 approved amount of our calendar year 2022 co-  
3 investments.

4 So the total summary for 2022 is  
5 25 funds and 16 co-investments, totaling  
6 \$547 million of co-investments. And as a  
7 reminder, that's an important part of our Project  
8 SAVE, as these co-investments have no fees and pay  
9 no carried interest.

10 And finally, for the year ahead, as you  
11 voted on earlier, we plan to tick up our range of  
12 private equity, 13 to 19 percent. That translates  
13 into a commitment goal of roughly 2.2 billion to  
14 \$3 billion for the calendar year '23.

15 We will redouble our efforts on  
16 improving the portfolio quality.

17 And finally, we will look to add to this  
18 very high-performing, very productive team that we  
19 have.

20 Happy to take any questions or comments  
21 on the portfolio or the markets before moving to  
22 our voting items.

23 TREASURER GOLDBERG: So any questions  
24 for Michael? The voting items will be grouped

1       because they are all follow-on investments.

2               MR. NAUGHTON: Madam Treasurer, I have a  
3       quick question when the time is right.

4               TREASURER GOLDBERG: Go right ahead. Is  
5       it on what Mike presented?

6               MR. NAUGHTON: It relates to our  
7       investments in that category in general.

8               I was just curious, and I know this is  
9       sort of a very broad question, but I'm just  
10      wondering whether -- Michael, thank you -- if  
11      there's been any sense in our investments that  
12      there's been any kind of an impact by the issues  
13      between the U.S. and China over chips?

14              MR. McGIRR: Over "chips"? You mean  
15      semiconductors?

16              MR. NAUGHTON: Yes.

17              MR. McGIRR: That's a great question.  
18      In terms of what we're seeing in the CHIPS Act and  
19      the incentives and focus towards developing and  
20      manufacturing chips in the United States, we're  
21      seeing additional impacts into that area. As we  
22      look deeper into the technology sectors' performance, we  
23      see software has really had a down year.

24              And actually semiconductors have been

1 positive on a relative basis. So that asset  
2 class, I think, has -- in the U.S. at least, has  
3 seen the benefit of some of these crosscurrents,  
4 especially geopolitical crosscurrents.

5

6 I'm not sure if that's helpful, Dennis.

7 MR. NAUGHTON: Oh, it is. And I don't  
8 envy you guys in your position because the ripples  
9 from that issue continue to broaden and affect not  
10 only our relationship with China and maybe other  
11 Asian countries, but also with our European allies  
12 in terms of a broad range of investments.

13 MR. MCGIRR: Yes. I would agree with  
14 you. I think what we have seen and heard from our  
15 managers and our businesses is reshoring, kind of  
16 deglobalization, decoupling, you're seeing a lot  
17 of focus on supply chain resilience.

18 So I think all those are major themes  
19 that are affecting both public and private equity  
20 companies broadly.

21 MR. NAUGHTON: Thank you very much,  
22 Michael.

23 TREASURER GOLDBERG: Thank you, Dennis.

24 MR. MONACO: Madam Treasurer, Peter.



1 I've got a quick question.

2 Hey, Michael.

3 MR. McGIRR: Hey, Peter.

4 MR. MONACO: Where do you think we are  
5 in the process of private equity portfolio  
6 markdowns broadly?

7 MR. McGIRR: That is the million dollar  
8 question. I think there's a difference right now  
9 in the different strategy types that you're  
10 seeing. And as a general rule, I think about  
11 earlier stage companies that may or may not have  
12 found product market fit, all else being equal,  
13 are more difficult to value. There's just more  
14 uncertainty. There's a broader range of outcomes  
15 compared to larger, and if you push that to an  
16 extreme, publicly traded companies, where their  
17 shares are traded. So I think it's a bit of a  
18 spectrum.

19 And then what I and the team have come  
20 to learn and appreciate is private equity  
21 valuations are very manager-specific. Valuation  
22 policies matter. Approach matters. And  
23 consistency really, really matters.

24 So I think it's a part of the investment

1 cycle to be skeptical and to appreciate that not  
2 all fund valuations are created equally.

3 TREASURER GOLDBERG: Peter, was that  
4 helpful?

5 MR. MONACO: It is. I guess I'm looking  
6 at it, I'm sure, overly simplistically, but equity  
7 markets peaked a year or so ago. They're broadly  
8 down 15, 20 percent or so. And while completely  
9 agreeing that every portfolio, every manager,  
10 every strategy is different, we all kind of know  
11 that there's as much art as science involved in  
12 the valuation exercises. And so whatever the kind  
13 of cumulative markdown that may be required is, it  
14 will be dragged out.

15 So maybe it's not a fair question, but  
16 orders of magnitude and just using arbitrary  
17 numbers, if private equity portfolios broadly  
18 needed to be marked 20 percent, have they taken  
19 half of that and so there's half to come?

20 MR. MCGIRR: I think that it's really  
21 difficult to predict, Peter. And I wish I had  
22 clarity that I could offer. I don't.

23 I'd offer a couple data points. One is  
24 we're seeing broadly across the secondary market,

1 LP interests trading at discounts to NAV. I think  
2 that's a data point.

3 I think as we discussed earlier, there's  
4 a liquidity aspect to that market, right, for  
5 sellers or folks that need to sell. And that  
6 liquidity in an illiquid asset costs a pretty penny.

7 The other thing I would offer is what we  
8 see in private equity is highly correlated with  
9 public equity. And as Mike McElroy had  
10 mentioned, there's three negative quarters of  
11 public equity performance and then positive  
12 performance in the fourth quarter.

13 And we have observed private equity  
14 having smooth, muted returns on that upside and  
15 that downside capture over time. And I would  
16 expect that trend to continue.

17 MR. MONACO: Thanks a lot.

18 TREASURER GOLDBERG: Peter?

19 MR. MONACO: Yes. Thank you. I'm good.

20 TREASURER GOLDBERG: Okay. Thank you.

21 With that, any other questions for Mike,  
22 or should we move on to the voting items? I would  
23 say we should move on to the --

24 Alyssa, are you presenting the voting

1 items or Mike? Who is?

2 MR. McGIRR: I'm going to run through  
3 the three managers quickly and then my colleagues  
4 Alyssa, Helen and Tim, who led the work on these  
5 investments, will be happy to answer any questions  
6 or comments.

7 But in prior practice, these are all  
8 high conviction reups so we're going to take them  
9 all in one vote.

10 TREASURER GOLDBERG: Right. So I'll do  
11 the motion then.

12 I would seek a motion that the PRIM  
13 Board approve the Investment Committee's  
14 recommendation to approve the following follow-on  
15 commitments as described in the expanded agenda:  
16 one, up to \$300 million to Hellman & Friedman  
17 Capital Partners Fund IX, LP; up to \$285 million  
18 to GTCR Fund XIV, LP; up to \$335 million to TA XV,  
19 LP; and up to \$35 million to TA Select  
20 Opportunities Fund III, LP, 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                   TREASURER GOLDBERG: Is there a second?

2                   MR. NAUGHTON: Second.

3                   TREASURER GOLDBERG: Okay then.

4                   MR. NAUGHTON: Theresa got in there  
5 ahead of me, though.

6                   MS. McGOLDRICK: Oh, that's okay. I was  
7 muted. Doesn't matter.

8                   TREASURER GOLDBERG: You know what?  
9 Theresa hasn't gotten to second anything. Renee,  
10 put Theresa in on that.

11                   All right. Go ahead.

12                   MR. McGIRR: Thank you. I'll be brief,  
13 and then we can jump into any questions or  
14 comments.

15                   Hellman & Friedman Fund XI. Hellman is  
16 a longstanding buyout manager for PRIM based in  
17 San Francisco. They have additional offices in  
18 New York and London.

19                   PRIM made our first investment -- Bob,  
20 I'm sure you remember it -- back in 1995 in  
21 Fund III and has since committed to eight funds  
22 and completed four co-investments.

23                   Hellman will continue to pursue its same  
24 strategy of building a concentrated portfolio of

1 high quality, market-leading businesses in the  
2 U.S. and in western Europe.

3 Hellman has one fund series and a  
4 focused investment strategy, led by a very  
5 experienced senior team that has invested through  
6 multiple cycles.

7 We are recommending 300 million to Fund XI.

8 GTCR Fund XIV. Another longstanding  
9 buyout manager for PRIM. Headquartered in  
10 Chicago.

11 For over three decades, PRIM has  
12 invested in their flagship funds, more recently  
13 into their strategic growth fund, and we've  
14 completed a co-investment.

15 We've been rewarded with superb,  
16 persistent performance and a strong partnership.  
17 GTCR has pioneered and refined its trademark  
18 leader's strategy with a management-centric  
19 approach to acquiring and building market-leading  
20 companies.

21 We're pleased with our ability to  
22 increase exposure with this manager and recommend  
23 a commitment of up to \$285 million to GTCR.

24 And TA Associates. TA XV is the

1       flagship product for TA Associates. PRIM's been  
2       invested with TA since 1997. This would be our  
3       ninth investment. They have generated very strong  
4       returns for PRIM on very large dollar amounts.

5               TA XV will target growth-oriented, high  
6       quality, middle market companies across the firm's  
7       core sectors of tech, healthcare, financial  
8       services, consumer and business services. The  
9       fund will make between 50 and 60 equity  
10      investments.

11             And we're recommending a commitment of  
12      \$335 million to TA XV.

13             And finally, TA Select Opps Fund III.  
14      Select Opps is a "best idea" fund, designed to  
15      purchase equity in select high-performing, high  
16      quality, existing TA companies.

17             We expect Select Opps to be more  
18      concentrated than the flagship fund, making  
19      approximately 15 investments.

20             TA believes they have asymmetric  
21      knowledge in assessing the likelihood of future  
22      growth prospects in these businesses, due to their  
23      existing knowledge of the company and management  
24      team.

1                   We're recommending a \$35 million  
2                   commitment to TA Select Opps III.

3                   The team and I are happy to take any  
4                   questions on TA, GTCR and Hellman & Friedman.

5                   TREASURER GOLDBERG: Okay then. Are  
6                   there questions?

7                   MR. BROUSSEAU: Madam Treasurer?

8                   TREASURER GOLDBERG: The whole team is  
9                   here, ready to respond.

10                  Yes, Bob.

11                  MR. BROUSSEAU: Not a question as much  
12                  as a comment. Peter's comments a few minutes ago  
13                  caused me to double back in my brain and start  
14                  doing some thinking. But then I looked at the  
15                  three recommendations, and going back to 1995, and  
16                  these have been really gold standard investments  
17                  that we have made with these three private equity  
18                  investments. And in good times and bad times,  
19                  they have produced, and they have done very well  
20                  by us.

21                  So considering that, I would think that  
22                  perhaps this is one of the best investments that  
23                  PRIM has made over the years in terms of  
24                  alternative investment in private equity. And I



1 strongly support the recommendations for these  
2 three investments.

3 TREASURER GOLDBERG: Okay. Thank you,  
4 Bob.

5 Are there any questions?

6 Hearing none, we'll proceed with the  
7 vote.

8 Bob?

9 MR. BROUSSEAU: Yes.

10 TREASURER GOLDBERG: Ruth Ellen?

11 I think we lost her.

12 Theresa?

13 MS. McGOLDRICK: Yes.

14 TREASURER GOLDBERG: Peter?

15 MR. MONACO: Yes.

16 TREASURER GOLDBERG: Dennis?

17 MR. NAUGHTON: Yes.

18 TREASURER GOLDBERG: Carly?

19 MS. ROSE: Yes.

20 TREASURER GOLDBERG: Myself, yes.

21 The motion carries.

22 Okay then. Thanks, Mike and team.

23 Next item on the agenda is performance

24 summary only. No voting items, and it's real

1 estate and timberland. Tim Schlitzer.

2 MR. SCHLITZER: Good morning. I'll also  
3 ask can everybody hear me okay? I think my  
4 microphone is okay.

5 TREASURER GOLDBERG: Yes, we hear you.

6 MR. SCHLITZER: Good. I see Michael  
7 giving me a thumbs-up.

8 So as you just said, Treasurer, I'm just  
9 going to go through performance today, will not  
10 speak to any specific materials, but there is  
11 supplemental information in your board package.

12 So total real estate returns,  
13 7.7 percent for the year, and we were obviously  
14 pleased about that. Michael referenced it,  
15 particularly during a more challenging year across  
16 other asset classes. And I think this result does  
17 very much support the diversification benefits of  
18 real estate in the portfolio.

19 It's not lost on me, and we've talked  
20 about this, that it's a little bit counter-  
21 intuitive. We really did see very strong capital  
22 market flows in the first half of 2022. And I  
23 think to a certain extent, that pricing was  
24 maintained somewhat throughout the summer. We did

1       see capital pull back in the second half of the  
2       year.

3               I would say more importantly probably,  
4       we really did see very high renter demand and  
5       increasing construction costs virtually throughout  
6       the entire year. So that kept supply in check,  
7       and it provided a lot of support for operating  
8       income.

9               The statistics that we've seen, market  
10       operating income was up 9 percent during the year.  
11       That's across all property types. That includes  
12       office.

13              So across some of the more in-favor  
14       sectors, you saw even higher numbers. So I think  
15       that's a lot of what is behind the positive  
16       returns for the year.

17              And this is the type of inflation  
18       response that we would have expected. So it does  
19       make sense, I think, in our minds.

20              I'll just point out, and Michael  
21       referenced this as well, our reported benchmark  
22       return was 12.8 percent, which does equate to  
23       underperformance of about 500 basis points.

24              The underperformance does lie in the

1 private numbers, and it's due to a benchmark  
2 timing mismatch, which we talked about frequently.

3 When we unlag the benchmark, so we're  
4 using the Q4 annual benchmark and inserting that  
5 in, the one-year index drops from 21 percent to  
6 6.6 percent, which results in PRIM private  
7 outperformance of about 770 basis points. So very  
8 strong actual outperformance there.

9 A little bit more detail. Private real  
10 estate returned 14.3 percent for the year. Real  
11 estate leverage added 304 basis points to the  
12 unlevered return.

13 And I'll just mention that 90 percent of  
14 our debt is fixed rate, a great position to be in  
15 in this environment. And this debt has become  
16 more valuable as rates have increased, resulting  
17 in some mark to market so that added to returns.

18 Also mention regarding portfolio  
19 leverage, we paid off this week about \$175 million  
20 in portfolio debt, and I'll compliment John La  
21 Cara there, who's effectively the CFO for this  
22 portfolio and does a great job with our capital  
23 structure.

24 So we chose to partially delever the

1 portfolio rather than borrowing in this  
2 environment. I think a good decision, and that  
3 was fully supported by the Real Estate Committee.

4 Just a few comments on the public real  
5 estate market. So REITs were down 22.2 percent  
6 for the year. That's our portfolio. Our managers  
7 did add value in a difficult environment. Both  
8 managers outperformed with total outperformance  
9 coming in at 228 basis points.

10 Obviously we had divergence between the  
11 private and the public markets in terms of  
12 returns. And we've talked about that. We're  
13 already beginning to see some reconvergence, which  
14 we expected. The private index did have a  
15 negative mark in Q4.

16 Year to date this year, REITs are up  
17 almost 11 percent as of this morning. That's  
18 300 basis points roughly over the S&P 500. So we  
19 always expect short-term differences between  
20 public and private real estate, but over the long  
21 term, we expect them to generally perform in line.

22 So I'm going to leave it at that for  
23 real estate. Please cut in with any questions. I  
24 have a few comments on timber, and then I'll wrap.

1                   So on timber performance, the total  
2     timberland return for the year was 8.2 percent.  
3     Similar to real estate, great to see the positive  
4     performance and great to see the diversification  
5     effects of the asset class.

6                   Timberland was highly sought after  
7     during the calendar year. I'd apply that comment  
8     to virtually the entire year. Industrial buyers  
9     and REITs had a lot of cash. They were flush with  
10    cash from lumber gains. You're well-aware, I  
11    know, of the high lumber prices that we've  
12    experienced.

13                  And those groups also had a desire to  
14    manage their supply chains by owning more of the  
15    inputs to their production facilities. We saw  
16    investors seeking hard assets in an inflationary  
17    environment and willing to pay more for those.

18                  And lastly, timberland is generally an  
19    unlevered asset class. So it was much less  
20    impacted by the interest rate increases that we  
21    saw.

22                  On a relative performance basis, we did  
23    have some benchmark underperformance. Michael  
24    mentioned that. I'll really just kind of echo

1        what he said. We did have a full appraiser  
2        rotation, and we've seen this kind of noise from  
3        these rotations before. We had a very similar  
4        dynamic a few years ago when we did a complete  
5        rotation.

6                    And we're digging into it, of course.  
7        We're very confident in the quality of this  
8        portfolio, but it is worth it to dig into the  
9        appraisers' forecasts for things like log prices  
10       and harvest schedules. So we're doing that now,  
11       but again, very confident in the quality of this  
12       portfolio.

13                   So I'm going to leave it at that, but of  
14       course happy to answer any questions.

15                   TREASURER GOLDBERG: Do we have  
16       questions for Tim? Okay.

17                   Hearing none, thank you.

18                   MR. SCHLITZER: Thanks, everybody.

19                   TREASURER GOLDBERG: All righty. We're  
20       moving on to finance and admin. And the first  
21       item on the agenda are the proxy voting  
22       guidelines. I'll seek a motion.

23                   Tony, I'm assuming you're presenting.

24                   MR. FALZONE: Correct.

1                   TREASURER GOLDBERG: So first I'll seek  
2       a motion that the PRIM Board adopt the  
3       enhancements to PRIM's custom proxy voting  
4       guidelines as described in the expanded agenda,  
5       and further to authorize the executive director to  
6       take all actions necessary to effectuate this  
7       vote.

8 Is there a motion?

9 MS. McGOLDRICK: So moved.

10 TREASURER GOLDBERG: Is there a second?

11 Second anybody? Anybody?

12 MS. ROSE: Second.

13                   TREASURER GOLDBERG:   Okay.   Thank you.

14                   Go ahead.

15 MR. FALZONE: Thank you.

16                    Good morning, everyone. Can everyone  
17        hear me okay?

18 TREASURER GOLDBERG: Yes, we can.

19 MR. FALZONE: I'm Anthony Falzone,  
20 PRIM's deputy executive director and chief operating  
officer.

21 Good morning. Representatives from ISS  
22 are here to answer any questions, and the broader  
23 ISS benchmark proxy voting policy is at  
24 Appendix M. And their impact, or should I say no



1 impact, to PRIM's custom policy for 2023 is at  
2 Appendix N. Because those presentations cover the  
3 benchmark policy with no impact to our custom  
4 policy, I'm not going to be speaking to them.  
5 They're there as informational.

6 I do want to direct you to the new proxy  
7 voting guidelines proposed by Treasurer Goldberg  
8 on page 22 of the expanded agenda, and these will  
9 be added to our custom policy.

10 So I guess I'll start by saying what has  
11 been customary, during the last meeting cycle,  
12 we've provided the board with these proposed  
13 changes so you'd have some time to look at them.  
14 At the same time, we also provided this language  
15 to ISS so they can plan potential implementation.

16 These guidelines cover several areas  
17 such as access to reproductive healthcare, access  
18 to parental leave and disclosure around political  
19 giving and political contributions.

20 I was going to run through them very  
21 quickly and then open it up for comments. These  
22 proposed guidelines are consistent with existing  
23 custom proxy voting guidelines that aim to  
24 protect employees and foster transparency.

1                   So the first one is access to  
2     reproductive healthcare. So we would vote for  
3     shareholder proposals that require companies to  
4     provide access to the full range of reproductive  
5     healthcare, including but not limited to policies  
6     that provide for employees that must travel to  
7     access care.

8                   Access to parental leave, which is we  
9     would vote for shareholder proposals that require  
10    companies to provide comprehensive paid parental  
11    leave.

12                  And then the last category is in the  
13    disclosure area for political giving. So we would  
14    vote for shareholder resolutions that request  
15    companies to provide greater disclosure of  
16    corporate campaign financing.

17                  We would vote for shareholder  
18    resolutions that request companies to disclose any  
19    and all corporate expenditures for advertising in  
20    support of or in opposition to any political  
21    candidate, issue and/or ballot referendum,  
22    including contributions to political candidates,  
23    political action committees, 501(c)(3), (4) and  
24    (5) organizations or any other expenditure which

1 may be used to influence elections.

2 Vote for shareholder resolutions that  
3 call on the board to establish corporate political  
4 giving guidelines and internal reporting  
5 provisions or controls.

6 Vote against shareholder resolutions  
7 that seek shareholder input to corporate political  
8 giving policies or on the contributions  
9 themselves.

10 And finally, vote against shareholder  
11 resolutions seeking an advisory role on political  
12 contributions.

13 So those are the proposed guidelines. I  
14 know you were provided them last cycle, but I'll  
15 open it up there for comments.

16 TREASURER GOLDBERG: Are there any  
17 comments from members of the board? ISS is also  
18 on if you have any questions for them.

19 Theresa, did you want to comment on  
20 this?

21 MS. MCGOLDRICK: Yes. I just wanted to  
22 say that I'm supportive of the changes. We're  
23 moving forward with things that we've already  
24 supported with our own staff here led by Treasurer

1       Goldberg in the past and with good practices that  
2       we are trying to implement, including ESG or the  
3       new name, which escapes me now.

4               TREASURER GOLDBERG: Common sense.

5               MS. McGOLDRICK: I like that. We need  
6       that.

7               And my feeling is this is just a step  
8       forward in the right direction. The changes are  
9       not dramatic. We're just building on what we've  
10      already built in the previous policy with the help  
11      of ISS. And so I fully endorse the proposals.

12              TREASURER GOLDBERG: Thank you.

13              MR. BROUSSEAU: Madam Treasurer, just  
14      another --

15              TREASURER GOLDBERG: Yes, Bob. Go  
16      ahead.

17              MR. BROUSSEAU: I also will echo what  
18      Theresa has said, especially one category here,  
19      the disclosure of political giving, in light of  
20      what the Supreme Court did many years ago that  
21      opened the floodgates to this kind of political  
22      giving and influence throughout the economy and  
23      throughout everything we do here.

24              I know it's a very conservative nature

1 and a conservative court, but I feel that these  
2 additions, I think we're in the forefront, I  
3 think, of organizations and pension funds that are  
4 taking positions on these issues and especially  
5 the one on political giving. I think it's crucial  
6 that we begin to tackle this.

7 TREASURER GOLDBERG: I'd like to make a  
8 few comments just addressing specifically  
9 political giving or proxy voting guidelines  
10 generally.

11 Our duty, our fiduciary duty, is to act  
12 on behalf of the beneficiaries and be very focused  
13 on returns.

14 Our proxy voting guidelines are really  
15 to help assess risks and political -- whether it's  
16 political donations or how you treat your  
17 employees, we believe that these are aspects of  
18 operating a business that can impact long-term  
19 profitability. And that's what we're truly  
20 focused on.

21 And so that's why I reiterate, whether  
22 you're referring to the label, which I consider  
23 common sense business approaches, or these, it's  
24 the same thing.

1                   What I can share is post *Roe*, what  
2                   occurred last year, in our offices, we added  
3                   reproductive healthcare leave for people within  
4                   the Treasurer's Office. So we have been finding  
5                   that we have to act proactively. And we feel  
6                   other organizations who are continuously in  
7                   today's world challenged by both hiring and  
8                   maintaining a workforce, which I believe is a huge  
9                   business risk, you need to be looking at things  
10                  that are going to help you maintain a workforce.  
11                  And these are just other items to be looking at,  
12                  and I feel are fully appropriate as proxy voting  
13                  guidelines.

14                  Are there any other --

15                  MR. NAUGHTON: Treasurer, if I may, I'd  
16                  like to comment.

17                  TREASURER GOLDBERG: Go right ahead.

18                  MR. NAUGHTON: Thank you.

19                  First of all, I won't reiterate all of  
20                  the insightful things that have been said. I  
21                  fully agree with what Theresa said, Bob said, what  
22                  the Treasurer said, and so I won't go into  
23                  details.

24                  But I think that we need to persevere

1       going forward in this same vein. I think that  
2       keynoting the point that we are concerned about  
3       long-term investment and that these things are  
4       important in assuring that those will prosper is  
5       maybe the most important thing as far as this  
6       Board is concerned.

7                   And finally, I would say once again, as  
8       I get to do annually to my student in another  
9       life, Valerie Sullivan, Valerie, so nice to see  
10      you.

11                   MS. SULLIVAN: Thank you. Thank you,  
12      Mr. Naughton. Same thing here.

13                   TREASURER GOLDBERG: Okay then. If  
14      there are no other questions or comments, I will  
15      proceed with the vote.

16                   Hearing none, Bob?

17                   MR. BROUSSEAU: Yes.

18                   TREASURER GOLDBERG: Ruth Ellen?

19                   MS. FITCH: Yes.

20                   TREASURER GOLDBERG: Theresa?

21                   MS. MCGOLDRICK: Yes.

22                   TREASURER GOLDBERG: Peter?

23                   MR. MONACO: Yes.

24                   TREASURER GOLDBERG: Dennis?

1 MR. NAUGHTON: Yes.

2 TREASURER GOLDBERG: Carly?

3 MS. ROSE: Yes.

4 TREASURER GOLDBERG: Myself, yes.

5 The motion carries.

6 MR. FALZONE: Thank you, everyone, and  
7 thank you, ISS, for being on the call.

8 Our next item is a legislative update.

9 Do you mind if I say just a few words? I want to  
10 acknowledge something that was in the consent  
11 agenda really, really quickly, if that's okay.

12 TREASURER GOLDBERG: Sure.

13 MR. FALZONE: I just want to  
14 acknowledge Deb Coulter, chief financial officer and  
15 administration officer; Qingmei Li, our director  
16 of audits and financial reporting, and David  
17 Gurtz, our deputy chief investment officer, and  
18 many others for their work on the state audit that  
19 completed in December.

20 I know the approval of that report was  
21 in the consent agenda, but especially Dave was  
22 very helpful as this audit was a little different  
23 than our other audits, our other 30-plus audits.  
24 This didn't focus on financial statements or



1 process and controls. This audit focused on the  
2 PRIM Board's compliance with the investment policy  
3 statement of investing between 5 to 10 percent of  
4 its investments with emerging managers and whether  
5 the PRIM Board developed a plan to ensure that not  
6 less than 20 percent of its investment managers  
7 are owned by minorities, women or people with  
8 disabilities in accordance with the new investment  
9 equity legislation.

10 So there were no findings of  
11 noncompliance as a result of the state auditor's  
12 examination. It was a very, very deep dive into  
13 our process and a great outcome that quite frankly  
14 shouldn't surprise the board with all the success  
15 and recognition that the FUTURE Initiative has  
16 received and the great investment equity  
17 legislation as a whole.

18 So I just wanted to mention that,  
19 acknowledge the team and those that kind of drive  
20 the bus in the audit world. So thank you for the  
21 time. Appreciate it.

22 TREASURER GOLDBERG: That's a perfectly  
23 good segue.

24 Now, my other question, legislative

1 update -- there she is.

2 Hi there, Emily.

3 MS. KOWTONIUK: Good morning still.

4 So we have a legislature that is back in  
5 action. They are currently negotiating the joint  
6 rules package right now, which will govern their  
7 operations for this legislative session.

8 Just a quick flag, the joint rules as  
9 proposed in house and senate do require public  
10 hearings to be hybrid, or committees. So they  
11 would require that the chairs be present and that  
12 there be an opportunity for both in-person and  
13 virtual testimony.

14 And this is an item that we're watching  
15 really closely across Treasury as we have several  
16 bodies that are subject to the Open Meeting Law.  
17 So we're going to be watching whether there's  
18 going to be an extension of that and what that  
19 would look like.

20 We're also waiting for committee  
21 assignments to be made. We saw them in the senate  
22 yesterday. We're expecting them in the house  
23 today. Bills have already been filed, and they  
24 will be referred to committees once they're stood

1 up.

2 We did take a scan of the bills relative  
3 to PRIM. In this session, I would say they fall  
4 into three primary buckets.

5 One being divestment, which is an issue  
6 that this board is very familiar with. There are  
7 bills relative to divestment from nuclear weapons,  
8 fossil fuels, guns and ammunition and Myanmar.

9 There's also another bucket, which I  
10 would call sort of oversight. Representative Domb  
11 has filed legislation creating a separate climate  
12 review board that would act as an overlay to the  
13 PRIM Board. And that would review the board's  
14 investments in fossil fuels.

15 And the last bucket is an operations  
16 bucket.

17 TREASURER GOLDBERG: Excuse me. Who  
18 filed that?

19 MS. KOWTONIUK: Representative Domb.  
20 And this is legislation that was refiled from last  
21 session. It didn't move last session. So we have  
22 an open line to her office as well, and we hope  
23 that they will attend the upcoming ESG committee  
24 meeting.

1                   So the last bucket is operations.

2           There's another ESG-related bill that's filed in  
3           this bucket. So Senator Cyr filed a sustainable  
4           investment bill, and this bill creates some new  
5           components of fiduciary duty, including a duty to  
6           a safe future, which is investing in the longer  
7           time horizon. And it does also give beneficiaries  
8           the right to sue the fund for noncompliance with  
9           this new duty.

10                   And finally, we did see the PRIM  
11           membership bill refiled in both the house and  
12           senate. In the house, it was filed twice this  
13           session by Representative Cusack and  
14           Representative Peisch. And then in the senate, it  
15           was filed by Senator Rush.

16                   We are expecting the governor's budget  
17           to come out in early March and just wanted to flag  
18           that the consensus revenue estimate this year is a  
19           little bit lower. It's a little more conservative  
20           at 1.6 percent growth. So we'll be watching to  
21           see whether there will be those supplemental  
22           transfers to the pension fund, but I wouldn't  
23           expect it, given this number.

24                   TREASURER GOLDBERG: Thank you, Emily.

1 Are there any questions for Emily?

2 MR. NAUGHTON: I just have one mundane  
3 question, Emily. Has anyone been speaking about  
4 extending the exception to the Open Meeting Law  
5 past March 31?

6 MS. KOWTONIUK: We haven't heard  
7 anything firm, and we have been asking. I know  
8 that there are some other things that are set to  
9 expire around March 31 as well, so I know this is  
10 a hot topic. We just don't have a clear answer  
11 yet.

12 MR. NAUGHTON: Thank you.

13 MS. KOWTONIUK: Yes.

14 TREASURER GOLDBERG: Okay. Any other --

15 MR. BROUSSEAU: One further question, if  
16 I may, Madam Treasurer.

17 Maybe I could have missed it. Emily,  
18 are there any legislation that we discussed last  
19 year or you informed us of it that would alter any  
20 further the membership on the PRIM Board?

21 TREASURER GOLDBERG: Yes. She just  
22 mentioned that that's been refiled by --

23 MR. BROUSSEAU: Okay. It's been  
24 refiled. I probably missed it. Okay.

1                   TREASURER GOLDBERG: Yes. By Cusack and  
2       Peisch.

3                   MR. BROUSSEAU: Same language?

4                   MS. KOWTONIUK: Yes.

5                   TREASURER GOLDBERG: Okay. Thank you,  
6       Emily.

7                   Now, any other matters?

8                   MR. FALZONE: I do have client service.  
9       I don't know if the board would like to hear a  
10      very, very brief client service update.

11                  TREASURER GOLDBERG: Okay. Let me flip  
12      pages here. So client services.

13                  MR. DANIELE: Good morning, everyone.  
14      Can you hear me?

15                  TREASURER GOLDBERG: I can.

16                  MR. DANIELE: Great. Thank you.

17                  My name is Francesco Daniele, director  
18      of client services.

19                  First, I want to thank the clients that  
20      are participating remotely today. Thank you for  
21      your attendance.

22                  The client service team is very busy as  
23      you would expect this time of year. Large number  
24      of meetings, both in-person and virtual. I'd like

1 to thank and acknowledge the efforts of Laura  
2 Strickland and Emily Green.

3 Also the PRIM Board election process is  
4 under way for representatives from the state  
5 employees retirement system and the state teachers  
6 retirement system. Ballots will be going out in  
7 March, and we will have results by the next board  
8 meeting in May.

9 That's a quick recap.

10 Back to you, Tony.

11 MR. FALZONE: I am good.

12 TREASURER GOLDBERG: So that's it. Good  
13 job, everybody. Unless anyone --

14 So I am going to seek a motion to  
15 adjourn.

16 MR. BROUSSEAU: Move to adjourn.

17 TREASURER GOLDBERG: Is there a second?

18 MS. McGOLDRICK: Second.

19 TREASURER GOLDBERG: Roll call vote.

20 Bob?

21 MR. BROUSSEAU: Yes.

22 TREASURER GOLDBERG: Ruth Ellen?

23 Okay.

24 Theresa?

1 MS. MCGOLDRICK: Yes.

2 TREASURER GOLDBERG: Peter?

3 MR. MONACO: Yes.

4 TREASURER GOLDBERG: Dennis?

5 MR. NAUGHTON: Yes.

6 TREASURER GOLDBERG: Carly?

7 MS. ROSE: Yes.

8 TREASURER GOLDBERG: Myself, yes.

9 The motion carries.

10 Thank you, everyone, for this very well-  
11 done meeting.

12 MR. TROTSKY: Thanks, everybody. See  
13 you soon.

14 (Meeting adjourned at 11:52 a.m.)

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