



Minutes of the PRIM Administration and Audit Committee Remote Meeting
Thursday, August 3, 2023

Committee members attending:

- Robert Brousseau, Chair
- Treasurer Deborah Goldberg
- Patrick Brock
- Catherine D'Amato
- James Hearty
- Dennis Naughton

Committee members not attending:

- Theresa McGoldrick, Esq.

The PRIM Administration and Audit Committee meeting was called to order at 10:03 a.m. Chair Robert Brousseau announced that the meeting was being held in accordance with the provisions of Massachusetts Acts of 2022, Chapter 22, which was most recently amended on March 29, 2023, to include an extension of the 2020 Executive Order 'Suspending Certain Provisions of the Open Meeting Law' until March 31, 2025. All members of the Committee that participated did so remotely via audio/video conferencing, and public access to the deliberations of the Committee were provided via telephone, with all documents referenced at the meeting available to be viewed on PRIM's website (www.mapension.com). At the start of the meeting, the members' names participating remotely were announced.

I. Approval of the Minutes (Voting Item)

The PRIM Administration and Audit Committee approved (unanimously) by roll call vote the minutes of its May 4, 2023, meeting.

II. Executive Director / Chief Investment Officer Report

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

Mr. Trotsky began by telling the Committee that fiscal year 2023 was a very successful and productive year despite a volatile and complex investment environment and he was extremely pleased that the PRIT Fund ended with a record balance of \$96.6 billion for the fiscal year, surpassing the previous record of \$95.7 set in fiscal year 2021. Mr. Trotsky added that the \$96.6 billion ending balance includes net outflows to pay pension benefits during the year of approximately \$1 billion. The PRIT Fund returned 6.0% gross (5.6%, net) for the fiscal year and posted strong positive gains in each of the last three quarters, adding that fiscal year 2023 was also a productive year for finding new investments with the investment team researching and deploying \$5.4 billion to new opportunities. Mr. Trotsky stated that global markets rebounded strongly in fiscal year 2023 as U.S. equities were up 19.7%, developed international equities were up 17.5%, and emerging markets equities were up 9.1%, while diversified bonds were down less than 1%. The highest returning PRIT Fund asset classes were Global Equities, up 17.4%, with Value-Added Fixed Income, up 7.7%, and Timberland, up 5.9%. Core Fixed Income was weaker, down 2.7%. Mr. Trotsky reminded the Committee that Real Estate and Private Equity are reported on a one-quarter lag and made it clear that the results he was presenting did not reflect up to date valuations for those asset classes as is typical. Mr. Trotsky relayed that Real Estate was down 2.8% and Private equity was down 3.5% adding that earlier in the week, during the Investment Committee meeting, the Private Equity team reviewed an

independent study of PRIM's private equity portfolio, which highlighted its importance to the overall performance of the fund. He reminded the Committee that PRIM's Private Equity portfolio had outperformed all other asset classes, net of fees, by a wide margin over the long term.

Mr. Trotsky mentioned that the solid gain for fiscal year 2023 followed a tumultuous fiscal year 2022 in which U.S. equities were down 10.6%, developed international equities were down 17.7%, emerging markets equities were down 25.2%, and diversified bonds were down 10.3%. Even with a very significant global market sell-off last fiscal year (2022), the PRIT Fund return of -3.0% (-3.4%, net) was a strong result in a very weak market. Mr. Trotsky stated that PRIM cannot control market returns or the factors that have fueled the recent volatility in the markets but was proud of what PRIM can control; the careful construction of the PRIT Fund using internally developed investment tools for asset allocation and manager selection decisions. Mr. Trotsky added that this has allowed the PRIT Fund to perform well in both strong and weak markets, with the last three fiscal years having provided an extraordinary test, and PRIM remains pleased and confident in the resiliency of the fund and its performance over all time periods and throughout several different market environments. The PRIT Fund's trailing 3-, 5-, and 10-year returns remain strong and consistently above benchmarks and the required actuarial rate of return.

Mr. Trotsky told the Committee that PRIM has assembled a group of highly trained, experienced, and dedicated employees, adding eight new full-time employees and nine seasonal interns in fiscal year 2023. Mr. Trotsky added that six of the eight new employees are diverse in terms of race and/or gender, and all interns are diverse. Mr. Trotsky stated that 62% of PRIM's workforce is diverse, and 52% of PRIM's workforce identify as female.

Mr. Trotsky mentioned that the work of PRIM's staff continues to receive local and national recognition, with PRIM's Private Equity portfolio ranked third out of 176 U.S. pension plans based on 10-year performance and the PRIT Fund ranked 8th in the U.S. for assets managed by diverse managers according to *Pensions & Investments*. Mr. Trotsky added that PRIM received the Commonwealth's "Equity in Governance Award" for the FUTURE Initiative, received *Institutional Investor's* "Partnership of the Year" award for its role in the Aggregate Confusion Project, and for the 18th consecutive year, PRIM earned the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association representing the highest form of recognition in government accounting and financial reporting. Mr. Trotsky added that PRIM also successfully completed the CFA's Institute's Global Investment Performance Standards of Integrity and Transparency. He explained that this is the global gold-standard of performance reporting, for which only a small handful of other pension funds comply. Mr. Trotsky told the Committee that complying with the GFOA and CFA Institute standards acknowledges the completeness, accuracy, and timeliness of PRIM's financial reporting. Moreover, PRIM completed 36 separate audits during fiscal year 2023, including unplanned audits from PERAC and the Office of the State Auditor. These audits take an extraordinary amount of effort to support, and PRIM was pleased to report that all audits resulted in clean audits with unmodified opinions.

Mr. Trotsky mentioned that the FUTURE Initiative, the program to increase the diversity of PRIM's investment managers and vendors to at least 20% by increasing access for minorities, female, and disabled investment managers and business partners, had a successful year, investing approximately \$2.2 billion with diverse managers over five asset classes. The PRIT Fund currently invests more than \$9.9 billion with diverse investment managers; more than 10% of the PRIT Fund. Mr. Trotsky added that in fiscal year 2022, PRIM established a program designed to identify and deploy \$1 billion over time to emerging, diverse managers who are smaller and less established. In fiscal year 2023, PRIM doubled its total deployment in that space to more than \$470 million. PRIM also filed its second annual progress report to the Massachusetts Legislature as required under the law.

Mr. Trotsky continued by telling the Committee that with regard to Environmental, Social, and Governance issues (ESG), PRIM developed and approved the ESG Committee Charter, members were appointed, and the Committee held its inaugural meeting. PRIM recruited and hired its first-ever Director of Stewardship to support the Committee and PRIM's work in the space. PRIM voted 8,979 proxy ballots aligned with PRIM's progressive proxy voting guidelines in areas such as board diversity requirements, over-boarded directors, gender pay gaps, labor and human rights, climate change, and executive compensation. Also, PRIM adopted new proxy voting guidelines to vote for shareholder resolutions that require companies to provide access to the full range of reproductive healthcare and comprehensive parental leave and to vote for shareholder resolutions requesting companies to provide greater disclosure of corporate campaign financing. PRIM continues to support the MIT Sloan School of Management's Aggregate Confusion Project as its first founding member. The goal of Aggregate Confusion Project is to develop tools to address inconsistencies in the measurement of ESG data, which has become widely recognized as an obstacle in ESG investing.

Mr. Trotsky acknowledged the focus and effort of PRIM's team, adding that, like last year, PRIM is currently resource constrained because of the high number of ongoing investment and non-investment projects, and PRIM will continue to recruit talent and grow the team as quickly as practical and possible, consistent with the PRIM Board-approved plans. Mr. Trotsky added that he is extremely proud of the entire PRIM team and how they responded during the difficult and volatile environment of the last several years. He added that the team is hard working and dedicated, delivering not only strong investment performance, but also extraordinary non-investment innovation and responsiveness. Mr. Trotsky thanked the entire PRIM staff and all committee and Board members, for their support, dedication, and hard work.

Organizational Updates

Sara Coelho, Manager of Finance, recently graduated from the UMass Amherst Isenberg School of Management with a master's degree in accounting. Sara started the program in the spring of 2021 and graduated this past May. He congratulated Ms. Coelho and described her as a rising star on the Finance team.

Matthew Liposky, Chief Investment Operating Officer, was appointed by the CFA Institute to chair the GIPS Standards Asset Owner Subcommittee, acknowledging PRIM's leadership position as one of the only pension funds in the country to comply with the GIPS performance reporting standards, the most accepted and rigorous performance reporting standard in the world. He congratulated Mr. Liposky for his work and thought leadership in this area.

Awards and Recognition

The Private Equity Women Investor Network, the preeminent organization for senior-level women investment professionals in private equity, recognized PRIM as "Limited Partner of the Year" for "empowering women in private equity." The award reflected PRIM's work on investing with women and diverse managers via the FUTURE Initiative and the strong leadership presence of women on PRIM's own Private Equity team.

Institutional Investor awarded PRIM's Private Equity Team the "Alpha Edge" recognition for Alpha Generation. Institutional Investor cited PRIM's strong leadership culture, collaboration, thesis-driven approach to manager selection, annual commitment modeling process, and strong long-term performance in the asset class.

Mr. Trotsky congratulated Michael McGirr and the team for earning both prestigious awards.

As stated earlier, Mr. Trotsky mentioned that PRIM received the Certificate of Achievement for Excellence in Financial Reporting from the GFOA for the 18th consecutive year. Mr. Trotsky congratulated Deborah Coulter, Chief Financial and Chief Administration Officer, Qingmei Li, Director of Audits, and the team for this important accomplishment.

Mr. Trotsky completed his remarks by reminding the Committee that they will receive a copy of his fiscal year 2023 self-assessment, which is the first step in his annual performance evaluation. He told the Committee that Administration and Audit Committee Chair, Bob Brousseau, is responsible for leading the process and asked that members contact him with comments so that he could incorporate them into Mr. Trotsky's performance evaluation. Mr. Trotsky added that he does appreciate direct feedback and that many members have offered helpful insights to him over the years, so he would very much look forward to speaking with any members at their convenience.

Mr. Brousseau commented on the economic impact of the United States bond rating downgrade.

Mr. Trotsky mentioned it could impact economic growth and borrowing costs via interest rates.

Catherine D'Amato asked for additional clarity on the PRIT Fund Timberland return versus the benchmark.

Mr. Trotsky mentioned that the difference was mainly due to the overweight to international timber and the pacific northwest versus the benchmark, and those regions have been long-term outperformers for the Timberland portfolio.

Dennis Naughton expressed concern over China's lack of economic recovery and asked how that could impact PRIM's investments in this area.

Mr. Trotsky responded that The PRIT Fund has no large exposure to China and is constantly monitoring the situation with PRIM's Risk and Investment Teams.

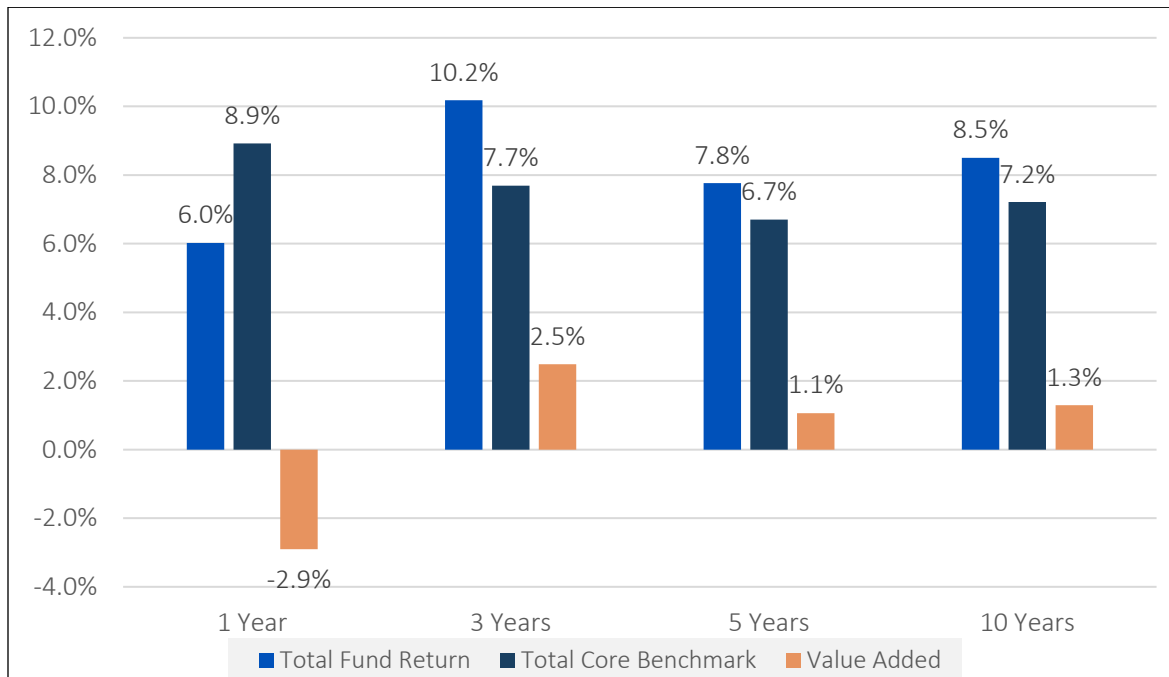
PRIT Fund Performance

Mr. Trotsky discussed June 2023 PRIT Fund performance in more detail, referencing the following performance charts:

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Total PRIT Fund Returns

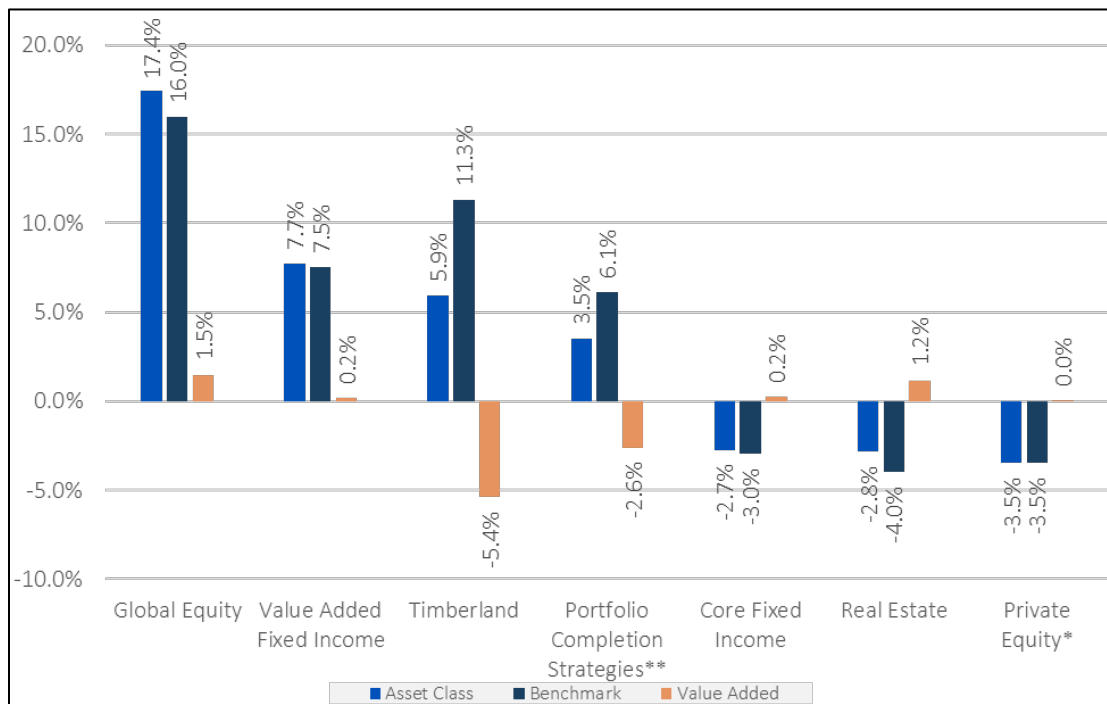
(Gross of Fees) Annualized Returns as of June 30, 2023



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

PRIT Performance by Asset Class

(Gross of Fees) Annualized Returns as of June 30, 2023



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

PRIT Fund Periodic Table of Returns

(Gross of Fees) as of June 30, 2023

1 Year	3 Year	5 Year	10 Year
GLOBAL EQUITY 17.4%	PRIVATE EQUITY 28.5%	PRIVATE EQUITY 21.3%	PRIVATE EQUITY 20.3%
VALUE-ADDED FIXED INCOME 7.7%	REAL ESTATE 12.6%	REAL ESTATE 8.9%	REAL ESTATE 9.8%
TIMBER 5.9%	GLOBAL EQUITY 11.9%	GLOBAL EQUITY 8.0%	GLOBAL EQUITY 9.0%
PORTFOLIO COMPLETION STRATEGIES 3.5%	TIMBER 8.4%	VALUE-ADDED FIXED INCOME 5.0%	TIMBER 6.3%
CORE FIXED INCOME (2.7%)	VALUE-ADDED FIXED INCOME 7.3%	TIMBER 5.0%	VALUE-ADDED FIXED INCOME 4.7%
REAL ESTATE (2.8%)	PORTFOLIO COMPLETION STRATEGIES 5.9%	PORTFOLIO COMPLETION STRATEGIES 2.8%	PORTFOLIO COMPLETION STRATEGIES 3.8%
PRIVATE EQUITY (3.5%)	CORE FIXED INCOME (5.1%)	CORE FIXED INCOME 1.1%	CORE FIXED INCOME 2.6%

Source: BNY Mellon

III. Executive Director's Fiscal Year 2024 Goals and Objectives (Voting Item)

Mr. Brousseau, Chair, noted that the Administration and Audit Committee, pursuant to the PRIM Board Charters, is tasked with reviewing and potentially revising the Executive Director's proposed goals and objectives and recommending them to the PRIM Board for approval.

Mr. Trotsky noted that his fiscal year 2024 Goals and Objectives are largely consistent with prior years. Mr. Trotsky highlighted a few of his new fiscal year 2024 goals and objectives, including the support of the ESG Committee and the planning of PRIM's Investor Conference.

The Administration and Audit Committee voted (unanimously) by roll call vote to recommend to the PRIM Board that the Board approve the Executive Director's Fiscal Year 2024 Goals and Objectives, as set forth in Appendix D of the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

Mr. Brousseau reiterated the Executive Director evaluation process. He asked that members contact him with comments so that he could incorporate them into Mr. Trotsky's performance evaluation for his presentation to the PRIM Board.

IV. Proposed 2024 PRIM Board and Committee Meeting Schedule

Anthony Falzone, PRIM's Deputy Executive Director and Chief Operating Officer, mentioned to the Committee that the proposed 2024 PRIM Board and committee meeting schedule was not a voting item and that a final draft would be included in the November Administration and Audit Committee meeting materials for a recommendation to the Board at its November meeting.

V. Legislative Update

Emily Kowtoniuk, Director of Policy & Legislative Affairs in Treasurer Goldberg's office, provided a legislative update. Ms. Kowtoniuk told the Committee that the legislature had passed a fiscal year 2024 budget awaiting the Governor's signature. Ms. Kowtoniuk added that the two budget items her team was watching related to PRIM were not included in the conference committee budget. Ms. Kowtoniuk explained the items not included as 1) a supplemental transfer to the PRIT Fund and 2) a PRIM Board membership provision.

Ms. Kowtoniuk added that her team awaits committee reports and will report on any PRIM-related bills that have received hearings.

Ms. D'Amato asked for clarification about the guidelines governing legislative issues when acting as a PRIM committee or Board member.

E. Renee LeFevre, Chief Legal Officer-General Counsel, told Ms. D'Amato that she would follow up with additional information.

I. Other Matters:

The Committee members briefly discussed the following topics:

- A. June 2023 PRIM budget
- B. Travel
- C. Client Service

Dennis Naughton asked for an explanation for the increased legal fees over budget.

Ms. LeFevre explained that the additional legal fees were related to unexpected legal work related to the Attorney General's case against Exxon Mobil and another matter communicated to the Board separately. Ms. LeFevre agreed to send Mr. Naughton some additional information that provides insight into the additional legal costs.

The PRIM Administration and Audit Committee meeting adjourned at 10:53 a.m.

List of documents and exhibits used during the meeting:

- Minutes of the PRIM Administration and Audit Committee Meeting of May 4, 2023
- PRIT Fund Performance Report (June 30, 2023)
- BNY Mellon Gross of Fees Performance Report (June 30, 2023)
- Executive Director and Chief Investment Officer's Draft Fiscal Year 2024 Goals and Objectives
- Proposed 2024 PRIM Board and Committee Meeting Schedule
- June 2023 PRIM Operating Budget
- Travel Report