

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

Minutes of the Board Meeting
Thursday, November 30, 2023
commencing at 9:30 a.m.

(CONDUCTED REMOTELY)

**PRIM Board Offices
53 State Street, Suite 600
Boston,
Massachusetts**

A T T E N D E E S

(Via Zoom)

Board Members

- Treasurer Deborah B. Goldberg, Chair
- Robert L. Brousseau
- Catherine D'Amato
- Ruth Ellen Fitch
- Peter Monaco
- Dennis J. Naughton
- Carly Rose
- Paul E. Shanley, Esq.

Other Attendees (partial list):

- Alyssa Acker
- Anthony Falzone
- Eliza Haynes
- David Gurtz
- Helen Huang
- Emily Kowtoniuk
- Renee LeFevre
- Chuck LaPosta
- Richer Leung
- Bill Li
- Michael McElroy
- Michael McGirr
- Veena Ramani
- Tim Schlitzer
- Michael Trotsky
- Marian Tse

P R O C E E D I N G S

A meeting of the Pension Reserves

Investment Management Board (PRIM Board) was held remotely on November 30, 2023. The meeting was called to order and convened at 9:30 a.m.

Treasurer and Receiver-General Deborah Goldberg chaired the meeting.

TREASURER GOLDBERG: Welcome to the Board meeting of MassPRIM, Thursday, November 30, 2023. This meeting will be 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 Board will participate remotely via audio/videoconferencing. And public access to the deliberations of the Board will likewise be provided via telephone, with all documents referenced at the meeting available to be viewed on PRIM's website, www.mapension.com.

1 All persons speaking at today's meeting
2 are asked first to identify themselves.

3 Also the Open Meeting Law requires
4 anyone wishing to record a meeting to first notify
5 the chair so that the chair can inform the other
6 attendees. Accordingly, I am informing you all
7 that stenographer Virginia Dodge from Lexitas is
8 transcribing and also recording the meeting.

9 Tony will share with you the other names
10 we have of people recording today's meeting. And
11 if there's anyone in addition that we haven't
12 mentioned, put your name in the chat or please
13 email Seth Gitell at sgitell@mapension.com.

14 Tony, would you like to mention the
15 names of others who are recording, please.

16 MR. FALZONE: Yes. Thank you.

17 So I have Doug Appell from P&I will be
18 recording. I have two representatives from the
19 MTA, Mass. Teachers Association, that will also be
20 recording the meeting.

21 TREASURER GOLDBERG: Okay. Thank you.

22 Additionally, the Attorney General's
23 guidance on holding remote meetings reads
24 as follows:

1 At the start of the meeting, the chair
2 must announce the name of the member or members
3 who are participating remotely. I will now
4 announce the names of all PRIM Board members who
5 are participating remotely in today's meeting.

6 Bob Brousseau, Catherine D'Amato, who
7 will arrive in about 30 minutes; Ruth Ellen Fitch,
8 Peter Monaco, Dennis Naughton, Carly Rose, Paul
9 Shanley and myself, Treasurer Deborah Goldberg.

10 With that, we can proceed to the first
11 motion, which is -- why isn't it on here? First
12 motion.

13 Oh, sorry. Reading the wrong thing.

14 I seek approval of the PRIM Board
15 minutes of August 15, 2023 meeting.

16 Is there a motion?

17 MR. BROUSSEAU: So moved.

18 MS. FITCH: So moved.

19 TREASURER GOLDBERG: Is there a --

20 MR. BROUSSEAU: Second.

21 TREASURER GOLDBERG: Thank you.

22 Any questions, comments, potential
23 alterations, anything like that?

24 MR. FALZONE: Treasurer, I don't have

1 the motions in front of me, but that first motion
2 should be for the consent agenda item. Is that
3 not what you have?

4 TREASURER GOLDBERG: I have a -- oh,
5 well, this is what's -- you're putting -- okay.
6 This is a little bit different.

7 You have a consent agenda item, and then
8 you have one, two, three, four. So are those
9 supposed to be done together, the minutes and --

10 MR. FALZONE: Yes. For efficiency sake,
11 they can all be voted together, if you like.

12 TREASURER GOLDBERG: That's why I was
13 getting confused looking at it. Usually we do the
14 minutes, and then we do the executive director
15 report.

16 All right. Cancel that. I'm starting
17 all over.

18 First group of items that we will be
19 seeking a motion to approve are the following
20 within the consent agenda: that the PRIM Board
21 approve the following consent agenda items as
22 described in the expanded agenda: one, approval
23 of the PRIM Board meeting minutes of the
24 August 15, 2023 meeting; two, approval of draft

1 fiscal year 2023 annual comprehensive financial
2 report; three, approval of the investment
3 performance reporting services RFP recommendation;
4 four, approval of the proposed 2024 PRIM Board and
5 committee meeting schedule.

6 And further to authorize the executive
7 director to take all actions necessary to
8 effectuate this vote.

9 Is there a motion?

10 Is there a motion?

11 MR. BROUSSEAU: So moved.

12 MS. FITCH: So moved.

13 TREASURER GOLDBERG: Is there a second?

14 MR. SHANLEY: Second.

15 MS. FITCH: Second.

16 TREASURER GOLDBERG: I'm going to do a
17 roll call.

18 And that would be Bob?

19 MR. BROUSSEAU: Yes.

20 TREASURER GOLDBERG: Ruth Ellen?

21 MS. FITCH: 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: Paul?

5 MR. SHANLEY: Yes.

6 TREASURER GOLDBERG: Myself, yes.

7 The motion carries.

8 Now, I see the next item on the agenda,
9 and I am looking for --

10 Tony, wasn't there supposed to be
11 something for me in here?

12 MR. FALZONE: The executive director's
13 report is the next item on the agenda.

14 TREASURER GOLDBERG: Oh, the next voting
15 item. Okay.

16 In the meantime, I am looking for
17 something that I was supposed to have for the
18 other item.

19 So, Michael, go ahead. You can start
20 the executive director's report.

21 MR. TROTSKY: Thank you very much,
22 Treasurer. And good morning, everyone.

23 Today's the last day of November. Can
24 you believe it? And tomorrow is December 1.

1 Thank you for taking the time today.
2 Appreciate it very much.

3 You just went through four quick consent
4 agenda items. And I want to highlight that in
5 that agenda, you did approve the annual
6 comprehensive financial report, and I'd really
7 like to remind you that for 18 consecutive years,
8 PRIM has earned the Certificate of Achievement for
9 Excellence in Financial Reporting from the
10 Government Finance Officers Association for that
11 report.

12 It is also worth mentioning that PRIM
13 also successfully completed the CFA Institute's
14 Global Investment Performance Standards of
15 Integrity and Transparency. That's known as GIPS
16 performance standards. This is really the global
17 gold standard of performance reporting, and as
18 I've mentioned before, only a very small handful
19 of other pension funds in the country comply with
20 it. It's another indication of PRIM's adopting
21 industry best practices.

22 Later today, you will vote on the PRIM
23 and PRIT Fund audits and agreed-upon procedures,
24 which have resulted in clean, unmodified opinions.

1 And I think that's going on 20 years or more
2 consecutively.

3 I'm extremely proud of the entire PRIM
4 team responsible for the comprehensive financial
5 report, achieving GIPS compliance, and for the
6 successful completion of the audit.

7 Remember, that's no small undertaking.
8 Last year, we completed 36 unique audits last
9 year, and they all, all of them, resulted in clean
10 opinions.

11 So congratulations to you, Tony, Deb
12 Coulter, Qingmei Li and Matt Liposky, along with
13 the entire finance and operations team. These
14 results speak to the robustness of our internal
15 controls and the completeness and timeliness of
16 our financial reporting.

17 So congratulations.

18 Moving on. Earlier this month at the
19 Investment Committee, we reviewed the September
20 quarterly results, and as I'm sure you are aware,
21 markets declined modestly in the September
22 quarter, following three consecutive quarters of
23 robust gains from the end of last year, December
24 of last year, through this past June. Three

1 consecutive quarters of gains, and then in
2 September, we had one small negative quarter.

3 In the September quarter, U.S. and
4 emerging market equities and diversified bonds
5 were all down 3 percent or more. Developed
6 international markets were down 3 percent, while
7 long-duration Treasury bonds were down almost
8 20 percent.

9 And very fortunately, PRIM's alternative
10 investments such as private equity, hedge funds,
11 private debt, other credit opportunities and
12 timberland all posted positive gains for the
13 September quarter. And as a result, the PRIT Fund
14 fared better. It was down only 1.7 percent net of
15 fees in the September quarter.

16 We believe this is a strong result in a
17 weak market. The PRIT Fund essentially was down
18 half as much as the markets in the quarter. And
19 of course, this comes after the June fiscal year
20 ended at a record high level.

21 You often hear us say that the hallmark
22 of a well-constructed portfolio is that it has
23 components that will perform well in any
24 environment, up or down. That is really the

1 definition of a diversified portfolio. It really
2 gives us the best chance of strong long-term
3 performance, especially through turbulent markets
4 like we've had over the last several years.

5 PRIM's trailing one-year gain of
6 9 percent, one-year gain of 9 percent, through
7 September is very strong and well above our
8 required rate of return, which is now 7 percent.

9 Moreover, the 3-, 5- and 10-year returns
10 also remain strong, up 7.4, 6.8 and 7.8 percent,
11 respectively. Again, driven mainly by the strong
12 performance of our alternative investments. For
13 example, the 3-, 5- and 10-year private equity
14 returns are nearly twice the return of the next
15 best performing asset class, which is real estate,
16 and nearly three times the return of global
17 equities, and 10 times the return of core fixed
18 income.

19 Our portfolio is diversified, and it's
20 performing well. You'll hear more details today
21 from asset class heads and a little more detail
22 shortly from me on performance, but now a quick
23 organizational update.

24 First, Richer Leung joined PRIM earlier

1 this month as an investment officer on the public
2 markets team.

3 Richer, I think you're on screen.

4 Richer joins PRIM from DoubleLine
5 Capital, a Los Angeles-based fixed income manager,
6 where he was a data management analyst, and then
7 prior to that, he was an assistant vice president
8 working on CDOs, those are collateralized debt
9 obligations, for U.S. Bank in Boston.

10 He received his bachelor's in business
11 administration and management from BU in 2016, and
12 he's a CFA charter holder as of the end of 2022.

13 Congratulations on that.

14 Richer has a strong background in data
15 analysis and fixed income analysis. And he'll be
16 reporting to Chuck LaPosta, who you all know, who
17 is PRIM's director of fixed income.

18 Next, the Treasurer -- and thank you,
19 Treasurer -- awarded PRIM two Commonwealth
20 citations for outstanding performance.

21 Eliza Haynes was recognized as a key
22 individual on our award-winning private equity
23 team. Eliza's sourcing and underwriting work has
24 helped establish PRIM's private equity portfolio

1 as one of the very best performing in the country.
2 It is also, as I mentioned, the highest performing
3 asset class in the PRIT Fund by a wide margin.

4 I'm particularly proud of Eliza's strong
5 analytical and communication skills. In addition
6 to everything else she brings to the table, she's
7 a pleasure to work with.

8 The PRIM real estate leverage team was
9 also recognized for an innovative program that
10 works across asset classes to save PRIM an
11 estimated \$10 million annually in borrowing costs,
12 while bolstering the returns of real estate.

13 The award really recognizes the
14 collaborative contributions from many across
15 several PRIM teams, including real estate,
16 finance, public markets and risk. And I love how
17 this award recognizes and celebrates this cross-
18 collaboration.

19 The recipients of this award included
20 John La Cara, Dave Gurtz and Chuck LaPosta from
21 the investment teams; Melissa Ng, Matt Liposky,
22 George Tsipakis from finance; and also Jay Leu
23 from the risk team. So congratulations to all of
24 you.

1 And next, Sara Coelho, manager of
2 finance, who I announced at the last Board cycle
3 recently graduated from UMass/Amherst School of
4 Management with a master's degree in accounting,
5 she's back on the recognition list. This time,
6 she has also earned the CFA Investment Foundation
7 certificate.

8 Obviously she works very hard, puts a
9 lot of effort into studying for these things
10 nights and weekends, while working very
11 productively full-time here at PRIM. She's a
12 rising star on the finance team. And I'm told
13 that she's also now pursuing her CPA designation.

14 So congratulations, Sara. Great work.

15 And last, while I don't really like to
16 talk much about myself, I did want to share that I
17 have been named to the 2023 CIO Power 100 list by
18 the publication *Chief Investment Officer*. The
19 designation honors, and I quote, "leaders who
20 continue to guide their funds through volatile
21 times and are disciplined enough to navigate
22 whatever is ahead."

23 And that's a good segue really into a
24 discussion on markets and PRIT Fund performance.

1 As you know, markets have been volatile. And it's
2 been difficult to navigate the fund through this.
3 Difficult, but we've been successful.

4 Markets, as I mentioned, across the
5 board were down in the September quarter, ending
6 what I mentioned earlier was a three-quarter surge
7 in the markets prior to the September quarter.

8 In September, the S&P was down
9 3.3 percent. Developed international markets --
10 that's primarily Europe and Japan. Developed
11 international markets were down more than
12 4 percent. Emerging markets were down 3 percent.
13 Diversified bonds were even down more than
14 3 percent. Long bonds were down almost
15 20 percent.

16 And that puts a 60/40 mix of global
17 stocks and bonds down more than 3 percent. And
18 again, the PRIT Fund fared far better. It was
19 down 1.6 percent gross or 1.7 percent net of all
20 fees.

21 In Q2 so far, in November, last trading
22 day of November is today, Q2 has seen a very
23 strong rebound. The S&P, for example, is up
24 6.4 percent through yesterday. Developed

1 international markets up 4.6 percent. Emerging
2 markets up almost 3.5 percent. And bonds are even
3 up. They're up over 3 percent in the last quarter
4 of the year, the calendar year.

5 And for the calendar year, very strong
6 results across the board. The S&P is up
7 20.3 percent for the calendar year to date through
8 yesterday. Developed international markets up
9 11.6 percent. Emerging markets up 5.3 percent,
10 and even bonds are up 2 percent.

11 So, Tony, the slides, please, beginning
12 with the quarterly returns by strategy.

13 I can see they're up.

14 This is the third quarter 2023 chart.
15 And this graph really depicts how diversification
16 helped us in the September quarter.

17 On the right, you can see what sold off,
18 mainly public equities and public fixed income.
19 U.S. small caps down almost 6 percent. Developed
20 international stocks down 4 percent. U.S. large
21 cap stocks down more than 3 percent.

22 And you can also see that fixed income,
23 core fixed income, was down more than 3 percent.
24 Emerging markets and inflation-linked bonds also

1 down 3 percent. As interest rates spiked in the
2 quarter, we would expect to see that fixed income
3 instruments fall.

4 On the left, you can see what helped
5 offset those losses. Bank loans up 3 percent.
6 Other credit opportunities, an area that Chuck
7 LaPosta and his team together with Bill Li have
8 been really focused on; that was up 2.7 percent.
9 And private equity up 2.5 percent, up 2.5 percent.
10 That's the third consecutive quarterly gain in
11 private equity. That helped offset losses in the
12 public markets.

13 And in the middle, you can see that the
14 PRIT Fund was down in the quarter 1.6 percent
15 gross, 1.7 percent net. And that is far better
16 than a 60/40 mix, which was down more than
17 3 percent, about half the loss.

18 Next chart shows the one-year strategy,
19 by strategy performance, and the picture is
20 somewhat different for the one-year period because
21 it really reflects the enormous strength in the
22 public markets for the first three quarters of the
23 period.

24 You can see developed international,

1 U.S. large cap and emerging markets equities on
2 the left-hand side of the chart up 20 percent or
3 more.

4 On the right, bonds and real estate are
5 the weakest. And in the middle, you can see that
6 the PRIT Fund was up 9.3 percent for the 12-month
7 period, a very strong result, but below a 60/40
8 mix, which was up 12.4 percent.

9 I would also note that private equity is
10 up 4.9 percent for the one-year period. That's a
11 big improvement from the one-year number reported
12 last quarter. This is because of the lag effect.
13 As you know, we report private equity on a one-
14 quarter lag.

15 Next slide. The PRIT Fund ended at
16 \$95.2 billion, reflecting a small negative return
17 in the quarter.

18 And also remember, we do pay benefits
19 out of this pool of assets. In the quarter, we
20 paid 366 million in benefits. And for the year,
21 the 12-month period, we paid \$1.1 billion in
22 benefits out of this pool of assets.

23 Next slide.

24 This shows the 1-, 3-, 5- and 10-year

1 returns that I spoke about earlier. Again, for
2 the one-year period, it was up 9.3 percent gross
3 or 8.8 percent net. That's an investment gain of
4 \$8.2 billion net of all fees for the trailing
5 12 months.

6 The underperformance that you see began
7 to reverse this quarter. We were down 0.8 percent
8 relative to our benchmark.

9 And as we've discussed at the Investment
10 Committee and at the board meeting last cycle,
11 this is 100 percent due to private equity. It
12 reversed. The underperformance reversed about
13 2 percent in one quarter alone.

14 Remember, the private equity benchmark
15 is a seven-year annualized public benchmark plus
16 3 percent, and we compare the one-year actual
17 private equity to a seven-year smoothed benchmark.
18 And obviously that's a very tough comparison
19 because we just went through a very strong seven-
20 year period and a relatively weaker one-year
21 period.

22 And on the right, you can see that all
23 other periods are very strong and above benchmark.

24 Next slide. You can see the asset class

1 performance summary for the one-year period. On
2 the left, you can see global equities for the
3 period have been the strongest, followed by value-
4 added fixed income and timberland.

5 Value-added fixed income includes other
6 credit opportunities, which I mentioned Chuck and
7 his team are focused on. It also includes bank
8 loans. Bank loans have the added benefit of being
9 able to set interest rates higher. So those have
10 done pretty well.

11 High-yield bonds and emerging market
12 bonds have also done well. Core fixed income was
13 weak. Again, as interest rates rise, bond values
14 decline. So this is something we would expect to
15 see as last quarter 10-year Treasury peaked at
16 about 5 percent.

17 On the right, you can see that real
18 estate is weaker, down 4.1 percent for the period.
19 As you know, real estate is appraised on a yearly
20 basis, and appraisals roll in throughout the year
21 regularly, a bunch each quarter.

22 Valuations are being adjusted downward,
23 mainly because interest rates are having the
24 effect of increasing the cost of capital and debt,

1 and there is a well-known softness in some sectors
2 of real estate.

3 But please note the outperformance, 4.1
4 versus 9.2 percent for the index. That means our
5 portfolio relative to the benchmark and our peers
6 is performing very well and is doing better than
7 most in this environment.

8 The quilt chart is the next slide that I
9 like to highlight. And you can see that global
10 equity leads the way in the one-year period, but
11 private equity and real estate lead for all other
12 time periods.

13 Timberland and portfolio completion
14 strategies, which is primarily hedge funds, are
15 quite stable. And that's what we have them in the
16 portfolio to do.

17 Over the long term, private equity, you
18 can see, is nearly twice the return of the next
19 best performing asset class, which, right under
20 it, is real estate.

21 So Tony, you can take those down.

22 Thank you.

23 Having gone through performance, it's
24 important to note that we remain very happy with

1 the long-term performance of the PRIT Fund. One
2 year up 9.3 percent, three years up 7.4 percent,
3 five years up 6.8 percent, and 10 years up
4 7.8 percent.

5 And I think it's important to take stock
6 of how steady this fund has been over a long
7 period of time. We've only had two down fiscal
8 years in the PRIT Fund since the global financial
9 crisis, which is almost 15 years ago now. Only
10 two down years.

11 We were down 3.4 percent in fiscal 2022
12 and down 0.5 percent, less than 1 percent,
13 essentially flat, in fiscal year 2012. And those
14 down years happened during times of very
15 significant market dislocations.

16 We've discussed last year, fiscal 2022,
17 in great detail. That was the year most impacted
18 by the Ukraine war, energy prices, inflation and
19 interest rates soaring, supply chain shortages and
20 more.

21 In that year, U.S. equities were down
22 more than 10 percent. Developed international
23 equities were down almost 18 percent. Emerging
24 market equities were down more than 25 percent.

1 And diversified bonds were down too. Diversified
2 bonds were down more than 10 percent.

3 The PRIT Fund fared far better. It was
4 down only 3.4 percent. Again, due to our
5 diversifying assets like private equity, real
6 estate and timberland.

7 And the same is true for fiscal year
8 2011, the only other down fiscal year since the
9 global finance crisis. You may not remember, but
10 that period was marked by the European debt
11 crisis, when global equities were down 6 percent,
12 but developed international and emerging markets
13 in particular were down double digits, anywhere
14 from 12 to 17 percent.

15 Again, that year, our diversifying
16 assets like private equity and real estate were
17 up. And that enabled the PRIT Fund to remain
18 essentially flat, down a fraction of a percent in
19 that very challenging year.

20 So we believe that this consistent long-
21 term performance in both up markets and down
22 markets is an indication that the PRIT Fund is
23 well-constructed with the components that will
24 perform well in any environment. And that really

1 is the hallmark trait of a well-diversified
2 portfolio. That's what we try to engineer here.

3 We also know that navigating volatile
4 markets like we've had over the last several years
5 is very difficult. And think of what we've been
6 through, and we have to remind ourselves of this.
7 We've been through COVID and other viruses,
8 geopolitical tensions, two international wars now,
9 our own domestic political tension and infighting,
10 civil unrest, protests, violence, federal budget
11 showdowns, slowing economic growth worldwide, high
12 inflation, monetary policy tightening across the
13 globe, supply chain shortages across the globe,
14 labor shortages, climate change, storms, natural
15 disasters, immigration issues, work from home,
16 strikes, many of which are over now, thankfully,
17 and much more.

18 This all leads to very chaotic and
19 challenging markets. We all watch the news, much
20 of the time with horror these days unfortunately.
21 But in times like this, it's more important than
22 ever to stay the course, to look for opportunities
23 as the staff is doing and to also remain positive
24 and focused.

1 I find it very helpful in times like
2 this to return to PRIM's core fundamental beliefs.
3 Number 1, nobody can predict the future so we
4 don't try. And number 2, nobody can predict the
5 direction of the financial markets so we don't
6 try.

7 In the unbelievable and horrible events
8 that marked the past few weeks and months, it
9 doesn't seem very likely that the stock market
10 would be up, but it is. The S&P, as I mentioned
11 earlier, is up 6.5 percent through November.

12 At PRIM, our teams continue to monitor
13 world events in how our managers are positioned.
14 The risk team, Jay and Shannon, are embedded with
15 each asset class team, and our communications with
16 each of our managers are more frequent.

17 Reflecting on recent history of the
18 financial market, it's somewhat comforting to note
19 that no one, two or even three disruptive events
20 seem to be able to deter or interrupt the
21 stability of our great country or the power and
22 strength of our domestic financial system.

23 And I pray for that continued strength,
24 and I believe in it. And I also believe that the

1 diversified PRIT Fund will serve us well, no
2 matter what the future holds. It's well-
3 engineered and performing as expected.

4 And with that, I end my remarks. We'll
5 have more detail on performance later.

6 I'll take any questions you might have
7 before moving on to the rest of the agenda.

8 Thanks very much.

9 TREASURER GOLDBERG: Are there questions
10 for Michael? Any at all?

11 What I want to remind any -- almost
12 everyone on this call has participated in our
13 committee meetings that occurred over the past
14 week. And so I want to remind people that many of
15 the questions were asked during each area's
16 committee meeting. So this is not new information
17 for everyone who is participating.

18 Okay then. If there are no questions, I
19 actually want to move on to the next item on the
20 agenda, which is what I was looking for before,
21 Tony.

22 And I'm going to be seeking a motion of
23 approval of the chair's committee member
24 recommendation, that the PRIM Board approve the

1 chair's recommendation to appoint Marian Tse to
2 the Compensation Committee, and further to
3 authorize the executive director to take all
4 actions necessary to effectuate this vote.

5 Is there a motion?

6 I would seek a motion and a second. And
7 then I want to say a few words, and I believe -- I
8 don't know if she's been promoted --

9 Oh, she is promoted up. Very good.
10 Marian is on here.

11 So can I have a motion and a second,
12 please.

13 MR. SHANLEY: So moved.

14 TREASURER GOLDBERG: And second?
15 Anyone?

16 MR. NAUGHTON: Second.

17 TREASURER GOLDBERG: Thank you.

18 So Compensation Committee meets formally
19 once a year. And all of the Board members are
20 aware of the work and the changes that we've done
21 since my arrival on evaluating and also actively
22 promoting, and I mean promoting not necessarily by
23 title, but promoting creating a systematic
24 approach to how we compensate the executive

1 director and then what flows from that to the rest
2 of the staff to ensure the kind of consistency and
3 continuity that we've been fortunate enough to
4 experience.

5 David Gurtz and I were at a meeting the
6 other day, and one of the things that was very
7 impressive to people was the level of continuity
8 and retention that we have at MassPRIM.

9 There have been different people on the
10 Compensation Committee over time, and what we were
11 finding was that the committee itself had gotten
12 very small. So we wanted to add more people,
13 outside people, with a lot of experience.

14 Catherine D'Amato, who knows a lot about
15 compensation in her role as CEO of the Greater
16 Boston Food Bank, but also on the other boards
17 that she participates in, joined the Compensation
18 Committee.

19 And now we are proposing a true
20 professional in the field, not to say that we're
21 not all professionals, but we are promoting
22 Marian, who's on the screen.

23 Marian, wave hello.

24 And Marian -- her bio is in Appendix G.

1 I'm just going to highlight that Marian is a
2 retired partner and former chair of Goodwin,
3 formerly known as Goodwin, Procter & Hoar's, ERISA
4 and executive compensation practice, with more
5 than 30 years of experience in the areas of
6 executive compensation and employee benefits,
7 which to me is just outstanding, the fact that she
8 was willing to consider and to join the
9 Compensation Committee, should you all approve
10 this motion and second.

11 She's described as technically very
12 smart and very practical, which is exactly our
13 approach. So I'm not going to read too much of
14 her bio because, as I said, it's in Appendix G,
15 and you can pull it out and go over it.

16 But to say the least, the reason why I'm
17 not reading it and we're trying to be efficient
18 today is -- oh, you can't see it unfortunately.
19 But it's long, and it's so super stocked with
20 everything that we could use on this committee.

21 So with that, we have a motion. We have
22 a second. I would like to ask if there are any
23 questions from anyone before we proceed with a
24 vote.

1 And then Marian will say a few words, if
2 and when she's approved to be a member of the
3 Compensation Committee.

4 So are there any questions for me?

5 Marian, you must be impressive and there
6 is nothing to be said, so I am going to proceed
7 with the roll call vote. And then I'd love you to
8 just say hello to everybody. How does that sound?

9 Now, Bob?

10 MR. BROUSSEAU: Yes.

11 TREASURER GOLDBERG: Dennis?

12 MR. NAUGHTON: Yes.

13 TREASURER GOLDBERG: Ruth Ellen?

14 I'll come back to you, Ruth Ellen.

15 Paul?

16 MS. FITCH: Yes.

17 MR. SHANLEY: Yes.

18 TREASURER GOLDBERG: Ruth Ellen's a yes.

19 Catherine?

20 MS. D'AMATO: Yes.

21 TREASURER GOLDBERG: Peter?

22 MR. MONACO: Yes.

23 TREASURER GOLDBERG: Carly?

24 MS. ROSE: Yes.

1 TREASURER GOLDBERG: I think I covered
2 everyone because I'm doing this by heart.

3 Myself, yes.

4 The motion carries.

5 Welcome, Marian, to the Compensation
6 Committee. Please just give a quick hello.

7 MS. TSE: Good morning, everyone, and
8 thank you for your support and your confidence.
9 And I look forward to serving on the Compensation
10 Committee.

11 TREASURER GOLDBERG: And we look forward
12 to having you. So thank you.

13 MS. TSE: Thank you.

14 TREASURER GOLDBERG: Thank you for
15 joining the meeting today.

16 Marian did watch our Compensation --
17 Did you? Yes. Last week.

18 MS. TSE: Yes, I did.

19 TREASURER GOLDBERG: She joined our
20 Compensation Committee last week as an observer.
21 And so she got Bob's and my full rundown and how
22 we look at the bonus and how we look at the salary
23 and can spend plenty of time with Renee and
24 Michael getting up to speed on the various areas

1 of what goes on at MassPRIM.

2 And we are very pleased to have you.

3 And at this point, we really have now a
4 robust full Compensation Committee.

5 So thank you, Marian, for saying yes.

6 MS. TSE: Thank you.

7 TREASURER GOLDBERG: With that, I will
8 turn this back to the next item on the agenda,
9 which is our investment report, starting with
10 public markets.

11 And that would be Michael. One of the
12 Michaels.

13 MR. McELROY: Yes. Thank you.

14 TREASURER GOLDBERG: We have multiple
15 Michaels.

16 MR. McELROY: Yes. So this is Michael
17 McElroy. I'm going to make a few comments on the
18 public markets environment in the third quarter
19 and the one-year and then discuss our results for
20 the PRIT Fund in this environment.

21 So in the third quarter, as discussed,
22 global equity returns were negative in all the
23 major geographies, really not much difference
24 between U.S. and non-U.S. markets. Value

1 generally outpaced growth except in U.S. large
2 cap, where growth was stronger.

3 For the one-year period, equity returns
4 were above 20 percent in most geographies,
5 international stocks being the best performers.

6 Fixed income returns were influenced by
7 the rising rates and credit spreads. And these
8 dynamics impacted our core and value-added fixed
9 income portfolios in different ways. The core
10 mandates were negatively impacted, whereas our
11 value-added mandates actually benefited from these
12 moves.

13 Though the U.S. and many developed
14 markets' yield curves remain inverted, which is
15 sometimes viewed as a signal for recession, it
16 appears that this tightening has paused, and it's
17 allowing investors the chance to assess the
18 influence of these interest rate increases on the
19 economic activity and more importantly the company-
20 level performance.

21 So for the PRIT Fund, in the third
22 quarter, we were in line with our benchmark. In
23 domestic equities, our active managers in smaller
24 stocks outperformed handily, but the return

1 dispersion that we saw between large cap and small
2 cap stocks in the U.S. led to a slight
3 underperformance relative to the benchmark because
4 of our allocation between large and small
5 managers.

6 Non-U.S. developed was in line with the
7 benchmark, very similar returns. And our emerging
8 markets managers as a group continued to deliver
9 strong relative returns. They were almost
10 1.4 percent ahead of the benchmark in the quarter.

11 For the one-year period, our U.S.
12 managers performed in line. Our non-U.S.
13 developed and emerging market managers delivered
14 strong outperformance.

15 In the third quarter for our bond
16 investments, core fixed income delivered positive
17 excess return against negative benchmark returns,
18 and that was really impacted by those long-
19 duration STRIPS portfolios that we hold, while the
20 value-added fixed income had a slightly negative
21 alpha, but positive benchmark returns, really
22 relating to the bank loans, the high yield and our
23 emerging debt exposures.

24 The results in the one-year period were

1 similar in profile.

2 In talking with our managers, the focus
3 really remains on the impacts of the higher rates
4 in inflation on the operating environment and
5 performance of their companies and the broader
6 implications of a potential recession on the
7 corporate behavior.

8 Early indicators suggest consumer and
9 labor market resilience, and global companies are
10 reporting decent fundamentals.

11 U.S. companies are delivering both
12 positive news and upside surprises on both sales
13 and earnings.

14 Volatility continues to remain high, so
15 risk management continues to be a priority, both
16 for staff here as well as our managers.

17 In terms of potential geopolitical
18 hotspots, the aggregate emerging markets equity
19 portfolio remains underweight both north Asia,
20 this would encompass China and Taiwan, as well
21 as the Middle East, though clearly the risks are
22 not isolated to a single country or geography.

23 Across the aggregate equity and fixed
24 income holdings within our portfolio, we have

1 muted relative exposures to regions, sectors,
2 industries and countries, as well as to interest
3 rate or credit risk.

4 So in closing, while it appears
5 conditions have stabilized over the past year, we
6 continue to closely monitor situations which could
7 lead to spikes in market volatility.

8 The public markets portfolio remains
9 well-diversified across geographies, styles and
10 sectors and is built to be able to withstand these
11 market stress periods.

12 Our managers have performed well in
13 recent periods and certainly over the long period
14 that we had discussed earlier. Through several
15 layers of the diversification, the aggregate risk
16 of the overall equity and fixed income portfolios
17 remains low.

18 So with that, I'm happy to take any
19 questions on the public markets portfolios.

20 TREASURER GOLDBERG: Are there questions
21 for Michael on public markets? Anyone?

22 Thank you, Michael.

23 MR. McELROY: Thank you.

24 TREASURER GOLDBERG: As I mentioned,

1 there are no voting items with respect to that
2 report.

3 So next we will move on to another
4 Michael. Three in a row. Mike McGirr, private
5 equity, please.

6 MR. McGIRR: Thank you.

7 Good morning. I'll keep my comments
8 brief on performance, but our long-term
9 performance continues to remain strong. As
10 Michael had mentioned, our 3-, our 5-, our 10-year
11 numbers, all north of 20 -- 23, 20 and 20 percent,
12 respectively. And as mentioned, we've had our
13 third straight positive quarter of positive
14 performance, which is very welcome.

15 For the quarter, we are up 2.5 percent
16 gross, 2.2 percent net. And as a reminder, with
17 the quarter lag, we're talking about the April
18 through June time period, so it really feels like
19 a long time ago.

20 With that one-year period ending in
21 June, the PE performance was up 4.9 percent gross
22 or 3.7 percent net. And with that positive
23 performance, our entire PE assets grew slightly to
24 a total of \$17.2 billion and increased as a

1 percent of the PRIT Fund at 18 percent now.

2 For the year and including our
3 recommendations shortly, we'll have committed
4 \$2.4 billion to both funds and co-investments.
5 And that lands us within our goal that we outlined
6 in the beginning of the year, between 2.2 and
7 \$3 billion.

8 Now we have three voting items, but I
9 want to pause to take any Q&A on performance of
10 the portfolio or the markets before moving into
11 our first voting item today related to GP-led
12 secondaries.

13 TREASURER GOLDBERG: Are there questions
14 before we move into the voting items?

15 And we do have -- what is it? Three
16 voting items for private equity.

17 Okay. Hearing none, in that case -- and
18 then, Mike, just remind me. Who will be
19 presenting on each of these voting items? So for
20 the approval process for GP-led secondaries, who
21 will be presenting on that?

22 I will seek a motion that the PRIM Board
23 approve the Investment Committee's recommendation
24 to approve a new investment approval process for

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

5 Is there a motion?

6 MS. D'AMATO: So moved.

7 MR. BROUSSEAU: So moved.

8 TREASURER GOLDBERG: Second?

9 MS. FITCH: Second.

10 MS. D'AMATO: Second.

11 MR. MCGIRR: And Eliza Haynes is going
12 to discuss the presentation. Thank you.

13 MS. HAYNES: Thank you.

14 We do have a few slides to share.

15 Great. If you can turn to the first slide,
16 please. Awesome.

17 So today, we're recommending an updated
18 investment approval process for GP-led secondary
19 transactions.

20 Many of you are aware that exploring the
21 secondary market has been one of the private
22 equity team's annual goals. GP-led secondaries
23 have quickly grown to represent nearly half of the
24 secondaries market, and our team is coming across

1 these opportunities at an increasing rate.

2 We're bringing this up today because our
3 research and experience has highlighted a
4 governance constraint due to the quick timeline in
5 which these transactions occur.

6 Currently, we do not have the option to
7 continue owning assets sold to secondary buyers if
8 they require additional equity beyond our board-
9 approved investment. For this reason, we're
10 recommending an updated investment approval
11 process to provide our team with the necessary
12 flexibility to evaluate these decisions on a case-
13 by-case basis and preserve optionality.

14 Next slide, please.

15 So a GP-led secondary transaction
16 involves the sale of a portfolio company or a
17 group of companies from a private equity fund to a
18 separate vehicle controlled by the GP and commonly
19 known as a continuation fund.

20 In these transactions, limited partners
21 typically have 20 business days to either sell
22 their existing interest to the secondary buyer or
23 roll their interest into the continuation fund,
24 which will continue to own the assets. This

1 represents a full exit for the original fund.

2 Sometimes the transaction requires
3 rolling investors to contribute additional equity
4 beyond their pro rata share to support future
5 value creation initiatives. These additional
6 capital contributions are small, often between 10
7 to 20 percent of the equity value.

8 In these cases, we do not have time to
9 go to our committee and Board to approve the
10 additional equity commitment.

11 Our view is that these transactions are
12 not going away. Unlike many of our peers, PRIM is
13 not overallocated to private equity, and it is
14 important that we preserve the option to continue
15 owning these investments when we believe that this
16 will maximize value.

17 Next slide, please.

18 Our team has evaluated 33 continuation
19 funds since 2019, affecting over \$500 million in
20 the portfolio. We recognize that these
21 transactions are complex, and we have to evaluate
22 them on a case-by-case basis.

23 We have a framework in place to make
24 this an efficient process, given the time

1 sensitivity and the small dollars that are often
2 involved.

3 When additional equity is not required,
4 we have elected to roll in situations where we
5 believe we have strong alignment, a high degree of
6 conviction in the GP, and high quality assets
7 under consideration.

8 One additional benefit of these
9 continuation funds is that they allow us to
10 continue owning assets for a lower cost relative
11 to a new investment in the GP's flagship fund.

12 When we lack strong alignment and
13 conviction and if the pricing and sale process is
14 robust, we are inclined to recommend selling our
15 interest to the secondary buyer.

16 Importantly, we're asking for the
17 flexibility to consider both options when these
18 decisions require additional capital.

19 Last slide, please.

20 Our recommendation is to effectively
21 extend the governance model of our private equity
22 co-investment process to also include GP-led
23 secondaries opportunities. We are recommending
24 that the Board delegate authority to the PRIM

1 executive director to approve GP-led secondaries
2 investments that require additional capital.

3 Our proposed guidelines outline that all
4 continuation funds will be controlled by board-
5 approved GPs, and new investments will be
6 congruent with PRIM's investment thesis, strategy
7 and program objectives.

8 New capital contributions will be
9 additional investments in assets that we already
10 own, and they will count against PRIM's Board-
11 approved co-investment budget, which sets a limit
12 of up to 40 percent of annual private equity
13 commitments.

14 As mentioned previously, the additional
15 capital need is often small, and we don't expect
16 this to reach even 5 percent of our annual
17 commitments.

18 So with that, we're happy to pause and
19 answer any questions on GP-led secondaries and our
20 proposed governance process.

21 TREASURER GOLDBERG: Thank you, Eliza.

22 Do we have questions for Eliza?

23 I don't see any on this screen. I don't
24 see any raised hands. Okay then.

1 So we have a motion, we have a second,
2 and I will proceed with the vote.

3 Bob?

4 MR. BROUSSEAU: Yes.

5 TREASURER GOLDBERG: Catherine?

6 MS. D'AMATO: Yes.

7 TREASURER GOLDBERG: Ruth Ellen?

8 Ruth Ellen? You're still on mute.

9 MS. FITCH: Yes. Yes. Sorry.

10 TREASURER GOLDBERG: Peter?

11 MR. MONACO: Yes.

12 TREASURER GOLDBERG: Dennis?

13 MR. NAUGHTON: Yes.

14 TREASURER GOLDBERG: Carly?

15 MS. ROSE: Yes.

16 TREASURER GOLDBERG: Paul?

17 MR. SHANLEY: Yes.

18 TREASURER GOLDBERG: Myself, yes.

19 The motion carries.

20 Okay then. That is the first voting
21 item in private equity. The next --

22 MR. McGIRR: Thank you, Madam Treasurer.

23 And also want to make sure I thank Jay Leu for all

24 his contributions on the effort, the GP-led

1 secondaries work that went into our new board-
2 approved process.

3 Our next item is a new investment
4 recommendation --

5 TREASURER GOLDBERG: BlackFin.

6 MR. McGIRR: -- in BlackFin. And Helen
7 Huang is going to be presenting that.

8 TREASURER GOLDBERG: Okay, Helen. I
9 will do the motion, and I will do the second. And
10 then I'll turn it over to you.

11 MS. HUANG: Thank you.

12 TREASURER GOLDBERG: So I seek a motion
13 that the PRIM Board approve the Investment
14 Committee's recommendation to approve a commitment
15 of up to a hundred million euro to BlackFin
16 Financial Services Fund IV and add BlackFin
17 Capital Partners to the board-approved bench of co-
18 investment managers as described in the expanded
19 agenda, and further to authorize the executive
20 director to take all actions necessary to
21 effectuate this vote.

22 Is there a motion?

23 MS. FITCH: So moved.

24 TREASURER GOLDBERG: Second?

1 MR. BROUSSEAU: Second.

2 MR. SHANLEY: Second.

3 TREASURER GOLDBERG: Thank you.

4 Go ahead, Helen.

5 MS. HUANG: Thank you so much, Madam
6 Treasurer, and good morning, everyone.

7 This is Helen Huang, senior investment
8 officer on the PE team.

9 I'm happy to make a recommendation on
10 BlackFin today. BlackFin is a new buyout manager,
11 for which we're recommending up to a hundred
12 million euro commitment to Fund IV and also
13 recommend adding to our co-investment bench.

14 PRIM has known and followed BlackFin's
15 progress for several years. The manager was
16 founded in 2009 in France by four financial
17 services industry operators and serial
18 entrepreneurs who have worked together for over
19 20 years.

20 Their deep industry knowledge and
21 operational capabilities have shaped a
22 differentiated playbook where the manager acquires
23 and transforms stand-alone, non-balance sheet
24 assets into platforms with both strategic and

1 scarcity value to trade and financial buyers.

2 BlackFin has raised and deployed three
3 funds with its repeated playbook across
4 diversified financial services subsectors in
5 western Europe.

6 We believe the manager has built a
7 competitive position which gives them strong
8 credibility as a buyer and seller. This has
9 translated into a strong realized track record.
10 And through diligence, we also believe that their
11 current portfolio is healthy and performing.

12 With the tailwind of increasing
13 penetration of outsourcing, distribution and
14 digitization in the financial services industry,
15 we believe BlackFin is well-poised to execute on
16 its strategy.

17 Last but not least, a commitment to
18 BlackFin Fund IV will serve our goals of
19 increasing exposure to SMID buyout.

20 And that conclude the new manager
21 recommendation.

22 TREASURER GOLDBERG: We have a motion,
23 and we have a second. Are there any questions for
24 Helen?

1 Again, I want to remind anyone who is
2 listening that we have vetted all of these
3 recommendations through the Investment Committee
4 prior to this meeting, and most people on this
5 Board are involved in all of these subcommittees.
6 In fact, everyone.

7 So I'm going to proceed then with a roll
8 call vote.

9 MR. BROUSSEAU: Madam Chair, could I
10 just ask one question, please?

11 TREASURER GOLDBERG: Oh, I don't see --
12 there you are, Bob. Go ahead.

13 MR. BROUSSEAU: Through you to Helen,
14 where this is a new investment where we have not
15 invested with BlackFin in the past, maybe Helen
16 does know the answer to this question. Maybe it
17 may need more -- I don't think it would need more
18 vetting. That's for sure.

19 But given the economic and political
20 events and, from what I've been reading, impact in
21 the economy in western Europe and in Europe, do we
22 find that any of these political events associated
23 with the Ukraine war and its impact on the
24 European economies -- as I see here, a lot of

1 these investments are in lower -- well, actually
2 lower middle market asset like financial services.

3 Are they being impacted now by the
4 geopolitical events going on in Europe and of
5 course impacting the entire world?

6 MS. HUANG: Yes. I'm happy to take
7 that, Bob. Thank you so much for the question. I
8 think it's a great one.

9 As we all know, the world's major
10 economies are facing similar challenges, right
11 now. There's inflation, there's high interest
12 rates, and there's higher energy cost across
13 continental Europe, and many parts of the regions
14 are facing supply chain constraints and a tight
15 labor market.

16 But I think for us, BlackFin's strict
17 focus on asset-light business is an important
18 one. These businesses are a lot less cyclical than
19 balance sheet investment businesses, and there is
20 more underlying growth associated with these
21 businesses.

22 And also we take comfort in BlackFin's
23 ability to underwrite these investments via a
24 conservative approach. And that's through a
number of facets, including the entry multiple,

1 right, the pricing discipline they will apply in
2 their underwriting, the limited financial leverage
3 they will put on these investments, and the way in
4 which they value the portfolio.

5 And I think all of these are important
6 and effective mitigants to some of the risks that
7 all of us are facing across the globe.

8 I hope that answers some of your
9 questions.

10 MR. BROUSSEAU: Okay. Thank you.

11 TREASURER GOLDBERG: Any other
12 questions?

13 Okay then. Now I'll proceed with the
14 vote.

15 Bob?

16 MR. BROUSSEAU: Yes.

17 TREASURER GOLDBERG: Catherine?

18 MS. D'AMATO: Yes.

19 TREASURER GOLDBERG: Ruth Ellen?

20 MS. FITCH: Yes.

21 TREASURER GOLDBERG: Peter?

22 MR. MONACO: Yes.

23 TREASURER GOLDBERG: Dennis?

24 MR. NAUGHTON: Yes.

1 || TREASURER GOLDBERG: Carly?

2 MS. ROSE: Yes.

3 TREASURER GOLDBERG: Paul?

4 MR. SHANLEY: Yes.

5 TREASURER GOLDBERG: Myself, yes.

6 The motion carries.

7 Okay. Our next voting item, I will be
8 seeking a motion that the PRIM Board approve the
9 Investment Committee's recommendation to approve a
10 commitment of up to \$150 million to American
11 Securities Partners IX, L.P., as described in the
12 expanded agenda, and further to authorize the
13 executive director to take all actions necessary
14 to effectuate this vote.

15 Is there a motion?

16 MR. SHANLEY: So moved.

17 TREASURER GOLDBERG: Is there a second?

18 MS. FITCH: Second.

19 MR. BROUSSEAU: Second.

20 TREASURER GOLDBERG: And Michael will be
21 presenting.

22 MR. McGIRR: Alyssa is going to present
23 this.

24 TREASURER GOLDBERG: I was just going to

1 say I bet it's Alyssa with the last name I still
2 can't get used to saying.

3 I must not have changed my name because
4 I wouldn't remember my new name.

5 MS. ACKER: I'm still getting used to
6 it.

7 Good morning, everyone.

8 TREASURER GOLDBERG: That isn't my
9 story, but someday I'll share with you what the
10 real story is.

11 MS. ACKER: Good morning, everyone.
12 Alyssa Acker, senior investment officer on the
13 private equity team.

14 I'm going to speak to a re-up with our
15 existing manager, American Securities. We're
16 recommending \$150 million commitment to American
17 Securities Fund IX.

18 Since 2008, PRIM has invested in four
19 funds alongside American Securities, as well as
20 made two co-investments.

21 American Securities is headquartered in
22 New York City. They're a leading SMID value-
23 oriented private equity firm, primarily investing
24 in the industrials industry. They'll also

1 selectively pursue investments in business
2 services, consumer and healthcare. However, we do
3 expect the majority of our Fund IX commitment to
4 be invested in the industrials area.

5 And the firm has deep subsector
6 expertise within industrials in areas such as
7 building products, industrial services and
8 distribution, as well as packaging.

9 And one of the things that we really
10 like about American Securities is their deep
11 operational expertise. They've had a resources
12 group that's in-house that they developed in 2002.
13 So have over 20 years of experience of refining
14 that model and how they work alongside their
15 companies to improve operation and drive long-term
16 EBITDA and EBITDA margin growth.

17 So let me stop there. I'm happy to take
18 any questions about American Securities.

19 TREASURER GOLDBERG: Any questions? I'm
20 just making sure now I don't miss anyone.

21 Bob, are you saying something? You kind
22 of look like --

23 MR. BROUSSEAU: I was only going to
24 comment that having been around here longer than

1 anybody else, American Securities, of course, has
2 been one of our long-time investment partners.
3 And looking at the materials we have, they've done
4 very well by us, and they've been one of our
5 strong producers in the private equity area.

6 MS. ACKER: That's right. Thanks, Bob.

7 TREASURER GOLDBERG: Okay then. If
8 there are no more questions, I'll proceed with the
9 vote.

10 How about you, Bob?

11 MR. BROUSSEAU: Yes.

12 TREASURER GOLDBERG: Catherine?
13 Catherine?

14 MS. D'AMATO: Yes. Just getting it off
15 mute. Thank you.

16 TREASURER GOLDBERG: Ruth Ellen?

17 MS. FITCH: Yes.

18 TREASURER GOLDBERG: Peter?

19 MR. MONACO: Yes.

20 TREASURER GOLDBERG: Dennis?

21 MR. NAUGHTON: Yes.

22 TREASURER GOLDBERG: Carly?

23 MS. ROSE: Yes.

24 TREASURER GOLDBERG: Paul?

1 MR. SHANLEY: Yes.

2 TREASURER GOLDBERG: Myself, yes.

3 The motion carries.

4 All right then. Now, next up is --

5 MR. TROTSKY: Bill Li.

6 TREASURER GOLDBERG: I was just trying
7 to get to that page. I'm in the expanded agenda.
8 That's why it's taking me a little longer.

9 Okay, Bill. Portfolio completion
10 strategies.

11 MR. LI: Thank you, Madam Treasurer.
12 This is Bill Li, director of portfolio completion
13 strategies.

14 For the September quarter, portfolio
15 completion strategies, or PCS, printed positive 1.5
16 percent. This highlights the resilience of hedge
17 funds when both equity and bonds sold off.

18 More specifically, stable value funds
19 returned a positive 2.5 percent, while
20 directional funds were down only slightly by .6
21 percent. So those are very decent absolute
22 numbers, and we'd like to think that again those
23 hedge fund sleeves have been performing as
24 expected.

1 I also want to use today's time to share
2 things we hear and see on the ground. We're
3 hearing that allocators across the board are
4 increasingly positive on hedge funds. And here
5 are some comments we believe are worth noting.

6 One is that after the September quarter
7 selloffs, valuation gap has widened across various
8 market pockets, making it more fertile to invest
9 in a simultaneously long and short manner to
10 capture that valuation gap.

11 And secondly, adding to hedge funds'
12 attraction is the ever-greater divergence among
13 central banks when countries' economies are
14 moving in different directions. And the
15 divergence, this trend likely will persist and,
16 again, such diverging macro situations, in our
17 opinion, have created gaps for hedge funds to
18 trade on.

19 The above-mentioned tailwind is
20 evidenced in PRIT hedge fund's alpha, which we
21 measure quarterly by subtracting all the style
22 betas. So after teasing out all the beta
23 contributions, PRIT hedge fund's pure alpha has
24 actually improved from around 3 percent to over

1 4 percent recent three years.

2 Last but not the least, cash return has
3 been adding to the juiciness. Compared to the
4 zero rate era, the higher cash yield should boost
5 our expected return by another 200 bps, meaning,
6 back of the envelope, the aforementioned pure
7 alpha of 4 percent plus a cash boost of 2
8 percent, sum up to an absolute return of over
9 6 percent that we could reasonably anticipate in
10 this part of the PRIT portfolio.

11 Of course, those things we're hearing
12 and we're thinking are mere estimations that are
13 very theoretical. In reality, when it comes to
14 hedge fund investing, manager selection is
15 absolutely critical. So is manager monitoring.
16 And you can trust that the PCS team is all hands
17 on deck.

18 With that and before moving to the next
19 voting item, I would like to pause here and take
20 any questions you may have.

21 TREASURER GOLDBERG: Any questions for
22 Bill?

23 Okay. Hearing none, Bill, I will seek a
24 motion and a second. And then who will be

1 presenting on this item?

2 MR. LI: That's also me.

3 TREASURER GOLDBERG: Okay. So I would
4 seek a motion that the PRIM Board approve the
5 Investment Committee's recommendation to ratify
6 and confirm approval of Quadra Capital as
7 liquidation advisor to the Canvas Brazil
8 distressed credit separately managed account as
9 described in the expanded agenda, and further to
10 authorize the executive director to take all
11 actions necessary to effectuate this vote.

12 Is there a motion?

13 MR. NAUGHTON: So moved.

14 MS. FITCH: So moved.

15 TREASURER GOLDBERG: And a second?

16 MS. FITCH: Second.

17 TREASURER GOLDBERG: Thank you.

18 Okay, Bill. Thank you.

19 MR. LI: Thanks.

20 As just mentioned, when it comes to
21 hedge fund investing, manager selection is
22 absolutely critical, because the dispersion within
23 the universe is so large. And manager monitoring
24 is just as important. And that monitoring exercise,

1 which we do on an ongoing basis, might result in
2 strategic redemptions or even terminations.

3 It's worth highlighting that PRIM's
4 careful structuring of investments, including
5 extensive use of separate accounts, has afforded
6 us the ability to firmly control assets,
7 irrespective of managers' operational challenges.
8 I just want to put that kind of context out there
9 before moving to this specific item.

10 Remember that we sent a memo out on this
11 item, on September 29. In that memo, we informed
12 you of a time-sensitive recommendation that would
13 require retroactive approval. In a nutshell,
14 this is about Canvas Capital. Canvas Capital
15 manages a mandate of Brazil distressed investments
16 in a PRIM separate account. The CEO of Canvas
17 recently got sick, and he was planning to fold the
18 business. So that triggered our process of
19 identifying another local manager to take over the
20 account, which holds around 100 million in assets.

21 And this exercise led us to the recommendation of

22 Quadra Capital to be the liquidation advisor here.
23
24

1 No new capital will be deployed, and this is a
2 workout situation.

3 We have taken a careful look at the
4 assets in the account, and we still feel confident
5 there is a meaningful upside to catalyze with
6 Quadra Capital's help.

7 So who is Quadra? Quadra is a Sao
8 Paolo, Brazil-based manager. It currently has
9 21 professionals. Quadra's strength lies in
10 structuring and working out credits and claims
11 that typically carry a complexity premium. And we
12 believe Quadra has the right background to help
13 monetize this PRIM separate account.

14 While we have already lined up all the
15 documents since the September 29 internal memo,
16 and the official transition is just around the
17 corner, actually it should happen today, we do
18 need a formal vote here.

19 But before that, I'm happy to answer any
20 questions or provide further clarifications.

21 TREASURER GOLDBERG: Are there further
22 questions?

23 I don't see any.

24 Okay then. We will proceed with the

1 vote.

2 Bob?

3 MR. BROUSSEAU: Yes.

4 TREASURER GOLDBERG: Catherine?

5 MS. D'AMATO: Yes.

6 TREASURER GOLDBERG: Ruth Ellen?

7 MS. FITCH: Yes.

8 TREASURER GOLDBERG: Peter?

9 MR. MONACO: Yes.

10 TREASURER GOLDBERG: Dennis?

11 MR. NAUGHTON: Yes.

12 TREASURER GOLDBERG: Carly?

13 MS. ROSE: Yes.

14 TREASURER GOLDBERG: Paul?

15 MR. SHANLEY: Yes.

16 TREASURER GOLDBERG: Myself, yes.

17 The motion carries.

18 Thank you, Bill.

19 MR. LI: Thanks.

20 TREASURER GOLDBERG: Okay. Somebody

21 want to ask something or -- I heard something, but

22 I don't know what.

23 Okay. Next item is real estate and

24 timberland. We do not have any voting items here,

1 but Tim will give us an update.

2 MR. SCHLITZER: Good morning, everyone.
3 I'll just make a few comments on performance.

4 I did want to just quickly start off by
5 also congratulating the team on the Treasurer's
6 award and the great work there. That's a really
7 additive program and a good collaboration here
8 with portfolio leverage.

9 So I'm going to reiterate a couple of
10 points that Michael made and then add a couple of
11 points, and I'll move on, and happy to answer any
12 questions.

13 So outperformance has been strong at
14 over 500 basis points. And this does increase
15 when we reference the actual September private
16 benchmark instead of the lagged index. And as you
17 know, private real estate is about 90 percent of
18 the portfolio.

19 While we do have some active exposure at
20 the sector level, the outperformance is really
21 primarily being driven by asset quality. We do
22 continue to be underweight traditional office.
23 And I'll note that about 70 percent of the
24 portfolio is currently held in industrial and

1 apartment investments, both areas where
2 fundamentals are relatively stronger than other
3 sectors.

4 Also as I think you know, but I'll
5 reiterate it, our leverage levels are low at under
6 20 percent and below the benchmark in terms of
7 leverage percent, our cost of debt. And that's
8 helping.

9 And our financing remains over
10 90 percent fixed rate, beneficial in this
11 environment.

12 On an absolute basis, market performance
13 in the asset class has turned negative as you can
14 see, primarily due to increases in interest rates
15 impacting asset values.

16 PRIM's valuation metrics are in line
17 with the market. I think that's an important
18 point. So we're comfortable with where we stand
19 versus the market on valuations. Fundamentals
20 overall have slowed but do remain reasonably
21 healthy in Q4, certainly with some variation at
22 the sector level.

23 There is little new supply breaking
24 ground right now so that's a positive. Market

1 transaction levels are low for the year, and that
2 continues as we wrap up the year. So that's sort
3 of the market environment right now.

4 And the team is really I'd say at this
5 point more focused on setting strategy for next
6 year, finding opportunities as they arise.

7 Let me just make a few more comments on
8 timberland, which returned 6.8 percent for the
9 year. As mentioned, you really can see the
10 consistency of timber's absolute returns in that
11 quilt chart that Michael spoke to.

12 The portfolio did miss the benchmark for
13 the year. I'll note that underperformance shrinks
14 by over 100 basis points when using the September
15 benchmark.

16 Three-year performance remains roughly
17 in line with the index. The one-year miss remains
18 primarily due to portfolio construction due to our
19 overweights to the Pacific Northwest and
20 Australasia. These weights did work pretty well
21 over the three-year measure, but as the export
22 markets have slowed, it has had a negative impact
23 on the regions with higher export levels.

24 And then as we've discussed previously,

1 there's always some noise in the valuations. Q3
2 is typically the most difficult quarter for
3 assessing our results.

4 We are appraising the portfolio now,
5 and this analysis will contain recent transaction
6 activity, which has priced strongly, and then moves
7 in timber prices during the year, which will give
8 us a better idea of how PRIM's managers are doing
9 as we wrap up 2023.

10 And then same comment on timber. We're
11 very focused on setting strategy for next year and
12 hopefully making some new investments if we can
13 find some.

14 So I'll leave it at that, and again,
15 happy to answer any questions.

16 MR. NAUGHTON: Madam Chair, I have a
17 question, if I may.

18 Good morning, Tim.

19 MR. SCHLITZER: Good morning.

20 MR. NAUGHTON: Given the real estate
21 problems in China and our investment in timber
22 that I assume has been drawn upon by China, and
23 maybe I'm wrong with that, but to be used in their
24 building industry there, what impact, if any, do

1 you anticipate going forward on the value of our
2 timber assets in Australia area?

3 MR. SCHLITZER: Yes. I mean it's a good
4 question.

5 It's hard to precisely estimate the
6 valuation impact. There are other export markets
7 in Asia, but there is no doubt that China is a big
8 part of that market.

9 And candidly, I don't have any reason to
10 believe that the housing issues there are going to
11 resolve quickly. I don't know when they're going
12 to resolve, but it clearly is a challenge in that
13 part of the world, so on a constructive point, I'd
14 say -- and this has been the case for a long time.
15 I mean you can estimate timber supply pretty well.

16 They are very undersupplied from a
17 forest standpoint in China and will continue to
18 need the wood that New Zealand and Australia
19 produces.

20 But you're right to point out that
21 challenge. And it's something that we'll continue
22 to monitor.

23 MR. NAUGHTON: Thank you, Tim.

24 MR. SCHLITZER: Sure.

1 MR. MONACO: Hey, Tim. It's Peter
2 Monaco.

3 MR. SCHLITZER: Hey, Peter.

4 MS. D'AMATO: Deb, you're on mute.
5 Treasurer's on mute.

6 TREASURER GOLDBERG: Oh --

7 MS. D'AMATO: You were talking to
8 somebody. Who you talkin' to?

9 TREASURER GOLDBERG: I was talking to
10 Tim. And then I was saying, "Any more questions?"
11 And then I said, "Thank you, Peter."

12 I need to --

13 MR. MONACO: Okay.

14 TREASURER GOLDBERG: Go ahead, Peter.
15 Sorry about that.

16 MR. MONACO: Thanks, Madam Treasurer.

17 Hey, Tim, notwithstanding our
18 underweight in office, the extreme care that
19 you've taken over time with respect to the quality
20 of assets in which you invested, the low leverage
21 on our properties and the prevailing good
22 occupancy levels, as you look ahead a little bit,
23 do we have any looming significant individual
24 asset vulnerabilities?

1 Where I'm going with that is I think
2 it's correct to say that there has been over the
3 last few years sort of a dramatic change in the
4 lease term profile of the national office complex.
5 I think I saw recently that BCG said that
6 60 percent of office leases are set to expire over
7 the next three years. And I think pre-pandemic,
8 the typical term was well north of five years.

9 So again, I guess the question is
10 looking into your crystal ball, do we have any
11 sort of significant vulnerabilities in assets
12 which in an earlier time may have been trophy
13 assets, but which in the future may not be?

14 MR. SCHLITZER: So all good points,
15 which I agree with. I agree with the 60 percent.
16 I mean I haven't heard that, but I think that's
17 right, just in terms of how you might think about
18 the way that the building leases are laddered out.

19 I don't know of any significant
20 vulnerabilities in our portfolio. I think we have
21 as much vulnerability as anybody else. But we are
22 very well laddered. It is a quality portfolio.
23 We have virtually no floating rate debt. We have
24 no maturities in 2024.

1 We are very focused on making sure that
2 we have as much leasing velocity as we have.
3 There is a cost to that, of course. And we're
4 very focused on that sort of net effective rent
5 number that you can achieve and how much capital
6 we have to put into assets to lease them.

7 Unfortunately, the return-to-office
8 story I don't think is playing out as well as some
9 had hoped. I think it's playing out. I think
10 people are coming back, but the general statistics
11 and forecasts that I've seen would probably put
12 sort of long-term structural office demand at
13 about 15 to 20 percent lower than what you might
14 have seen pre-COVID.

15 And of course, that's going to be
16 attracted to -- that existing demand, that new
17 sort of demand level run rate will be more
18 attracted to the more quality assets.

19 And so I apologize. I can't give you
20 sort of an actual estimate on what I think the
21 probability of all of our various tenants re-
22 leasing from us is going to be, but we're very
23 closely monitoring it.

24 MR. MONACO: Thanks very much.

1 MR. SCHLITZER: Sure.

2 TREASURER GOLDBERG: Any other questions
3 for Tim?

4 Okay then. Thank you, Tim.

5 MR. SCHLITZER: Thank you.

6 TREASURER GOLDBERG: Now we will turn to
7 our finance and administration report, and we will
8 have a voting item here.

9 And, Tony, how do you want to proceed?
10 Should --

11 MR. FALZONE: Do you want to do the
12 motion and second? And then I can go through with
13 some quick comments --

14 TREASURER GOLDBERG: Yes.

15 MR. FALZONE: -- on the voting item?

16 TREASURER GOLDBERG: I seek a motion
17 that the PRIM Board approve the Administration and
18 Audit Committee's recommendation to accept, one,
19 the fiscal year 2023 PRIM and PRIT audited
20 financial statements; two, the agreed-upon
21 procedures report on PRIM's procurement process
22 for investment management and other professional
23 services; and three, the agreed-upon procedures
24 report from the PRIT Fund's benchmark

1 calculations, all as contained in Appendix J of
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. SHANLEY: So moved.

7 MS. FITCH: So moved.

8 TREASURER GOLDBERG: That was a chorus.

9 Is there a second?

10 MS. D'AMATO: Second.

11 Given everyone put the motion forward,
12 I'm the only one left. So second.

13 MS. FITCH: Well done.

14 TREASURER GOLDBERG: Okay then. Tony,
15 go ahead.

16 MR. FALZONE: Thank you.

17 Hello, everyone. I am Anthony Falzone,
18 PRIM's deputy executive director and chief
19 operating officer.

20 The audit report, PRIM and PRIT
21 financials, agreed-upon procedures reports,
22 they're all in your packet at Appendix J.

23 As Michael mentioned, the audits have
24 once again resulted in unmodified or clean

1 opinions.

2 Obviously I need to thank Deb Coulter,
3 PRIM's chief financial officer and chief
4 administration officer; Qingmei Li, who is PRIM's
5 director of audits and financial reporting who
6 coordinates the audits and prepares the financial
7 statements, along with the entire finance and
8 investment operations team for their hard work.

9 We have an innovative and complex
10 portfolio, and I believe our focus on process,
11 procedure and transparency is why we continue to
12 present you with these excellent outcomes, not
13 only on these specific PRIM and PRIT audits, but
14 the many other audits my team supports regularly,
15 including examinations from PERAC and the state
16 auditor's office last year.

17 As I know you often hear me say, we at
18 PRIM, we're in a perpetual state of audit. I
19 think Michael mentioned 36, 38 audits over the
20 last year.

21 I also want to acknowledge KPMG for
22 their work and support. And I know that the Admin
23 and Audit Committee had an opportunity to speak
24 to the auditors, without staff present.

1 And with that, I'll take any questions.

2 TREASURER GOLDBERG: Are there
3 questions?

4 Am I missing a hand up? No.

5 Peter, I can't see you. Do you need to
6 ask a question?

7 I guess not.

8 Okay then. If there are no questions at
9 all, we have a motion. We have a second. I will
10 proceed with the roll call vote.

11 Bob?

12 MR. BROUSSEAU: Yes.

13 TREASURER GOLDBERG: Catherine?

14 MS. D'AMATO: Yes.

15 TREASURER GOLDBERG: Ruth Ellen?

16 MS. FITCH: Yes.

17 TREASURER GOLDBERG: Peter?

18 MR. MONACO: Yes.

19 TREASURER GOLDBERG: Dennis?

20 MR. NAUGHTON: Yes.

21 TREASURER GOLDBERG: Carly?

22 MS. ROSE: Yes.

23 TREASURER GOLDBERG: Paul?

24 MR. SHANLEY: Yes.

1 TREASURER GOLDBERG: Myself, yes.

2 The motion carries.

3 Thank you on that. The next --

4 MR. BROUSSEAU: Madam Treasurer, could I
5 just -- before you go on to the next item, I have
6 a question that is somewhat related to this.
7 Okay?

8 First of all, just a comment. Having
9 chaired the Admin and Audit Committee, I know
10 exactly how much work goes into this. And Tony
11 and the staff and everybody in his area of the
12 organization, this goes on for six months.

13 And we're seeing the results today, and
14 of course, we've been fortunate to have strong
15 auditors throughout the years that I've been on
16 this committee.

17 However, I have a question, Tony. The
18 annual financial report that was covered in the
19 consent agenda, just for everybody's knowledge
20 again, once this is approved and printed, to whom
21 is this distributed in terms of -- and I know
22 you've told us before, but I think it bears
23 repeating.

24 Who gets a copy of this? Because it is

1 a public document.

2 MR. FALZONE: Sure. So, Bob, what we'll
3 do is we normally send -- we're trying to limit
4 our paper and mailing. So I think we're going to
5 send it electronically to our clients. A copy will
6 go to the legislature, Board and committees.
7 And then ultimately, once it's finalized, it goes
8 up on our website.

9 MR. BROUSSEAU: Okay. Thank you.

10 So it will be available probably in a
11 few months or --

12 MR. FALZONE: I think the electronic
13 version will be available fairly quickly.

14 The paper version, once approved, needs
15 to go to the printer and things like that.

16 MR. BROUSSEAU: Okay. Thank you.

17 MR. FALZONE: But again, I'm trying to
18 limit the amount of paper we use so we're
19 trying to limit the amount of hard copies.

20 But the availability will happen very
21 quickly on our website, so --

22 TREASURER GOLDBERG: Any other
23 questions?

24 Peter, you're lighting up. Did you have

1 a question?

2 MR. MONACO: I do not. I do not know
3 why I'm lighting up.

4 Hopefully I'm not lit up at 10:30 in the
5 morning.

6 TREASURER GOLDBERG: No, Peter. It's a
7 halo. It's a halo.

8 Anyway, all right then. We'll move on
9 to the next item on the agenda, which I'm going to
10 seek a motion and a second. And it is for
11 approval of the ESG Committee name change.

12 I seek a motion that the PRIM Board
13 approve the ESG Committee's recommendation to
14 change the name of the ESG Committee to the
15 Stewardship and Sustainability Committee, and
16 further to authorize the executive director to
17 take all actions necessary to effectuate this
18 vote.

19 Is there a motion?

20 MR. SHANLEY: So moved.

21 TREASURER GOLDBERG: Is there a second?

22 MS. FITCH: Second.

23 TREASURER GOLDBERG: Tony, do you want
24 me to present on this? Or would you like to?

1 MR. FALZONE: I believe Veena was going
2 to say a few words.

3 TREASURER GOLDBERG: Okay, Veena. I'm
4 sorry. I didn't -- were you always in that box
5 down there? I don't think so.

6 MS. RAMANI: I was off-camera, Madam
7 Treasurer, but again, I'm happy to keep this quite
8 short.

9 The committee met in mid-October for a
10 very productive session. We presented the
11 committee with our framework on how we hope to
12 develop the stewardship protocol here at MassPRIM,
13 the first stage being defining what we mean when
14 we talk about stewardship and why we intend to do
15 this work.

16 So as a part of that, we presented the
17 committee with a draft stewardship policy
18 statement, which will be brought up to the
19 committee for a vote in mid-January.

20 We spent most of the meeting really
21 digging into the details of our proxy voting
22 approach. ISS provided some background and
23 context to the work that we've done to date and
24 our voting records on key issues.

We also talked about our ambition on how we hope to build on this foundation and really evolve what we see as the next stage on proxy voting, a lot of which involves potentially engaging with companies and really demonstrating outcomes of what we see as priority issues.

So again, we presented some ideas on how we hope to update our proxy voting guidelines, and we will be presenting the updated guidelines again to the committee for a vote in January.

And finally, after a really engaged and productive working session, the committee voted on changing its name from the ESG Committee to the Sustainability and Stewardship Committee -- Stewardship and Sustainability Committee; apologies -- to better reflect the work that the committee is already doing, which is to prioritize its support work happening across the organization to steward the PRIT Fund long term in sustainable value creation.

I'm happy to take any questions.

TREASURER GOLDBERG: She certainly said
it better than I did. However, I would --

Questions for Veena, and then I'll add a

1 few more comments since these conversations have
2 taken place a lot with a lot of people I'm
3 involved with nationally.

4 But are there questions on this for
5 Veena? Or what the committee is doing?

6 Hearing none, the reason why this is
7 very interesting is I was just asked this week,
8 and I will be speaking in 10 days to a group as a
9 keynote luncheon speaker on the topic of
10 sustainability and stewardship.

11 And that comes from the evolution of
12 what does ESG mean, which nobody really gets what
13 it means. And what is it that is showing
14 responsibility and in support of all of our
15 fiduciary duties with respect to our funds and
16 their investments.

17 And so this is a discussion that's
18 actually out there. And stewardship and
19 sustainability are what everybody is talking
20 about. And so this is very timely, and yet again,
21 PRIM is on the cutting edge of understanding these
22 things and articulating them.

23 And so I think that first of all, the
24 work that we're doing and the methodical way in

1 which we're approaching it is exactly how this
2 should be done, and I think the name is a better
3 reflection of what we are engaged in as a fund.

4 So are there any questions for Veena and
5 me on this topic? Or should we proceed with the
6 vote?

7 MR. BROUSSEAU: Madam Chair, I just have
8 a comment.

9 I strongly support this move because we
10 all know, for some reason or other, ESG has
11 created a rather negative connotation in many
12 areas in this country.

13 And because I've been following this
14 with the publications we get -- it's actually P&I.
15 And in many states, it's almost become open
16 warfare between those people who support it and
17 those who do not, feeling that of course they do
18 not like some of the areas that people who have
19 espoused that are working in. They feel it is a
20 negative connotation.

21 So I think that our move to
22 sustainability and stewardship is a very good
23 move. I think those areas can be explained, and I
24 think can be understood by people better than the

1 ESG.

2 So this is a good move, I think, for
3 PRIM.

4 TREASURER GOLDBERG: Well, actually,
5 Bob, I want to comment on that. The big proponent
6 of the negative war on the term "ESG" is fading
7 off into the distance. And there are some people
8 who are saying, to be stubborn, "I want to ride
9 this out."

10 Now, I don't listen to all that noise.
11 And PRIM doesn't listen to noise. We do our thing
12 that we think is right at all times.

13 And we believe -- because I'm going to
14 tell you, when I was elected in 2014, I didn't
15 know what "ESG" means, and I'd go to all these
16 lectures on ESG. And I still didn't know what it
17 meant. I mean I knew what it meant, but I didn't
18 know what it meant because it doesn't mean
19 anything, and it's just buckets. And I think the --

20 And people were listening to me the
21 other day, including those who said they want to
22 ride it out when I said what we are calling our
23 work.

24 And people thought, "You know, that's

1 much more thoughtful."

2 And so I just wanted to share that with
3 you, that things have an ebb and flow, and I
4 thought you would find that very interesting.

5 So we do have to do the vote, Emily,
6 unless you want to add to the conversation on ESG.
7 Then legislation update is after the vote.

8 Anything about ESG?

9 Emily in my office has been great in
10 working with Veena.

11 So anything you want to add?

12 MS. KOWTONIUK: Sure. I mean we've been
13 elevating this conversation to the legislature as
14 well, sort of tying it into the next agenda item.
15 And I think that they have been really excited to
16 see PRIM's progress in this area as well.

17 TREASURER GOLDBERG: So thank you.

18 All right. Now, Bob?

19 MR. BROUSSEAU: I think Catherine had a
20 comment she wanted to make.

21 MS. D'AMATO: I do.

22 TREASURER GOLDBERG: Where are you?

23 MS. D'AMATO: I'm over here now. When
24 you have a comment, you move to the left, the top

1 left, so --

2 TREASURER GOLDBERG: I never knew that.
3 Is that where I'm supposed to look for raised
4 hands?

5 MS. D'AMATO: Yes.

6 TREASURER GOLDBERG: Okay. I never
7 processed the raised hand.

8 MS. D'AMATO: And that is not ESG
9 buckets. It will not be found there at all.

10 My only comment is that I just want to
11 remind us that the top four accounting firms
12 created ESG. It comes out of the accounting
13 world.

14 And so humanizing it, Deborah, and
15 taking the committee through how to talk about it,
16 I think is really important.

17 So I just want to give you that comment
18 that while I love our accountants in general, I
19 think that they were really the leaders of this,
20 to help corporations be accountable to this kind
21 of work.

22 So thanks for humanizing it, and I'm in
23 full support.

24 TREASURER GOLDBERG: Thank you.

1 So any other hands up that I can't see?

2 She took her hand down. Does that move
3 you to another box? Gotcha.

4 I'm going to proceed with the vote.

5 Bob?

6 MR. BROUSSEAU: Yes.

7 TREASURER GOLDBERG: Catherine?

8 MS. D'AMATO: Yes.

9 TREASURER GOLDBERG: Ruth Ellen?

10 MS. FITCH: Yes.

11 TREASURER GOLDBERG: Peter?

12 MR. MONACO: Yes.

13 TREASURER GOLDBERG: Dennis?

14 MR. NAUGHTON: Yes.

15 TREASURER GOLDBERG: Carly?

16 MS. ROSE: Yes.

17 TREASURER GOLDBERG: Paul?

18 MR. SHANLEY: Yes.

19 TREASURER GOLDBERG: Myself, yes.

20 The motion carries.

21 So next item on the agenda is our legal
22 and legislative update, which is also Emily.

23 MS. KOWTONIUK: So we are largely in a
24 holding pattern. The legislature has started its

1 break for the holidays. They won't be back in
2 formal sessions until next year.

3 They do have one item that's still
4 pending on their agenda, which is closing out the
5 books on the fiscal year that ended in July.
6 That's fiscal year 2023.

7 There is hope that we're going to
8 receive a report, a committee report, on this
9 budget that will close the books as early as
10 today. There's hope that it will happen this
11 week.

12 It includes a lot of items. And
13 prompted by your question, Dennis, we did take
14 another look at the language. And it does include
15 a \$100 million supplemental transfer to the
16 pension fund. And that's specifically to address
17 the liability of the 2015 Early Retirement
18 Incentive Program. So that's to take that piece
19 off the books.

20 So we'll be watching that one,
21 absolutely.

22 We're not seeing a lot of other action.
23 Committee reports have largely been stalled. So
24 we're expecting a lot of committee reports on PRIM-

1 related legislation to come out in early February.

2 And that's it.

3 TREASURER GOLDBERG: Thank you, Emily.

4 And I see where I screwed up. I was
5 supposed to introduce you before the name change.
6 So I apologize.

7 MS. KOWTONIUK: I'm not offended.

8 MR. FALZONE: Can I sneak in, Treasurer?
9 I'm sorry.

10 I just want to mention from a legal
11 perspective, just a reminder to the Board that
12 they will be receiving I believe it's in December
13 a board self-evaluation survey. So just as a
14 reminder to the Board.

15 I know we mentioned it at the
16 Administration and Audit Committee, but I wanted
17 to mention it here too so that you'll be expecting
18 it.

19 TREASURER GOLDBERG: And a reminder to
20 people that if we don't see it completed, I make
21 personal phone calls. Just remind people that
22 it's sitting there waiting for us to hear from
23 you.

24 And if you wonder why I do that, believe

1 it or not, when I arrived, only three people used
2 to fill that out. And now everybody does. And
3 it's very, very helpful to PRIM and to the work
4 we do as a Board.

5 So I just very nicely give you a call
6 and say, "Please do this for us." Right?

7 MR. FALZONE: We appreciate your
8 support. Thank you.

9 TREASURER GOLDBERG: And notice I said
10 all that with a smile.

11 MR. BROUSSEAU: You said that so
12 diplomatically, Madam Chair.

13 TREASURER GOLDBERG: Well, Bob, you're
14 fully aware how few people used to do this. And
15 now we have wonderful participation.

16 MR. NAUGHTON: Madam Treasurer, all
17 those people are off the Board now, so there's no
18 worries.

19 TREASURER GOLDBERG: It must be. It
20 must be.

21 Okay. We've done the legislative
22 update. And next item on the agenda is, my
23 goodness, Michael's favorite time of year.

24 This is the Compensation Committee

1 report. And as I mentioned earlier, we met last
2 week. I'm going to do a motion and a second. And
3 then both Bob Brousseau and I will make some
4 remarks.

5 Bob, I will ask you to speak first, if
6 that's okay with you.

7 Michael, are you hiding?

8 No. There. Your box is moved also.

9 I would seek a motion that the PRIM
10 Board approve the Compensation Committee's
11 recommendation to set the executive director's
12 fiscal year 2023 individual performance multiplier
13 at 1.00 as described in the expanded agenda.

14 Is there a motion?

15 MR. NAUGHTON: So moved.

16 MR. BROUSSEAU: So moved.

17 TREASURER GOLDBERG: Is there a second?

18 MS. FITCH: Second.

19 MS. D'AMATO: Second.

20 TREASURER GOLDBERG: Okay. I am going
21 to turn this over to Bob first, and then I will do
22 follow-on remarks and then will take any questions
23 that anyone may have.

24 Go ahead, Bob.

1 MR. BROUSSEAU: I guess it just would be
2 a repetition of what we have covered a few times
3 so people are probably aware of it.

4 But this is Michael's individual
5 performance score, which amounts for 20 percent of
6 his compensation. The other 80 percent of course
7 is the performance of the PRIM fund itself.

8 As you will know, most of you heard back
9 in August, on August 15, when I did the evaluation
10 of Michael. And that went on for about
11 20 minutes.

12 And then after that, I did the same at
13 the Compensation Committee meeting back in middle
14 of this month because the committee has to make
15 the recommendation to the board for the
16 multiplier, as well as the salary increase, if
17 any, that the executive director will receive.

18 And as I said back in August and again
19 at the meeting in November, Michael's performance
20 was actually outstanding by every single one of
21 the participants who chose to evaluate Michael.

22 Others spoke to him of course, either
23 personally or by conversation.

24 I listed, if you look in that agenda

1 item --

2 And, Tony, which item is this in the
3 packet? Is this the very last one, if I'm not
4 mistaken, that you have?

5 MR. FALZONE: That's right.

6 MR. BROUSSEAU: I don't have it right in
7 front of me.

8 But I also listed a lot of the comments.
9 And I like to see these comments that people who
10 do the evaluating make when they evaluate Michael.
11 And I've been amazed over the years of how much
12 time that the members do make when they make these
13 comments.

14 And the comments were so positive in
15 terms of Michael's communication skills, his
16 accessibility, his thoughtfulness, the ability he
17 has of course to bring staff together, that we
18 have never seen at PRIM, the quality of our work,
19 the quality of our staff, the awards that have
20 been granted to PRIM and also to our individual
21 employees.

22 It was nothing but glowing account of
23 Michael's performance during the past year ended
24 last June 30.

1 So I don't know if you want anything
2 else, Madam Chair, but I think this is what the
3 chair of the Administration and Audit Committee
4 is supposed to do at the Board meeting and also at
5 the Compensation Committee meeting, which I did to
6 effectuate my responsibilities in this process.

7 And having known Michael personally
8 since 2010 when he came on board, he has
9 transformed this organization. He has transformed
10 PRIM and made it I think the powerhouse it is in
11 the public investment and pension fund industry in
12 this country.

13 And I believe that being said, I'll turn
14 it back to you.

15 TREASURER GOLDBERG: Thank you.

16 So I am going to withhold my comments
17 till our discussion on the salary adjustment.

18 This proposal that we're voting on right
19 now is consistent with what we've done all along.
20 And if you want to read more about everyone's
21 comments, it's both in the expanded agenda and in
22 the minutes from August, but it's basically an
23 instant replay of last year.

24 And the only thing I have to add with

1 respect to this is all wise people who have been
2 in this space for a very long time say it's very
3 easy to be successful when markets are just
4 flying.

5 It is when there is volatility and
6 different volatility throughout different areas of
7 investment where if you continue to be stable, not
8 be as negatively impacted as some are during down
9 markets and are able to capture upside, that is
10 the sign of a strategy.

11 And if you stick with it and don't react
12 to markets, but drive your own strategy, that is
13 the key to the long-term success.

14 This is what Michael leads with. And I
15 use the word "lead" because this team that he
16 leads and the fact that they -- now I'm getting
17 into what I would say on the salary adjustment so
18 I won't repeat it then.

19 But this team is a team to be proud of.
20 If you don't have a good leader, you can't keep a
21 good team.

22 So with that, unless there are
23 additional comments or questions, we will vote on
24 this motion.

1 Okay then. Bob?

2 MR. BROUSSEAU: Yes.

3 TREASURER GOLDBERG: Catherine?

4 MS. D'AMATO: Yes.

5 TREASURER GOLDBERG: Ruth Ellen?

6 MS. FITCH: Yes.

7 TREASURER GOLDBERG: Peter?

8 MR. MONACO: Yes.

9 TREASURER GOLDBERG: Dennis?

10 MR. NAUGHTON: Yes.

11 TREASURER GOLDBERG: Carly?

12 MS. ROSE: Yes.

13 TREASURER GOLDBERG: Paul?

14 MR. SHANLEY: Yes.

15 TREASURER GOLDBERG: Myself, yes.

16 The motion carries.

17 So thank you on that. That's the
18 individual performance component.

19 And the next item on the agenda is the
20 salary adjustment.

21 I would seek a motion that the PRIM
22 Board approve the Compensation Committee's
23 recommendation to increase the executive director/
24 chief investment officer's annual salary by

1 \$10,000 effective December 1, 2023.

2 Is there a motion?

3 MR. BROUSSEAU: So moved.

4 MS. FITCH: So moved.

5 TREASURER GOLDBERG: Is there a second?

6 MR. SHANLEY: Second.

7 MS. FITCH: Second.

8 TREASURER GOLDBERG: That was a chorus
9 also.

10 So in continuing with what Bob and I had
11 to say, first of all, I want to mention that we --
12 what's the firm called? McLaren? Is that who?

13 MR. BROUSSEAU: McLagan.

14 TREASURER GOLDBERG: McLagan. Okay. I
15 think McLaren is a fuel company.

16 We have done -- we consistently update
17 evaluations of salary ranges and have carefully
18 moved Michael to the upper ranges but not at the
19 tippy top.

20 This adjustment that we're proposing is
21 the same as last year's. And it is still not the
22 tippy top for what he does in the two roles that
23 he has. And I want to comment on that because
24 that's something else that comes up in my

1 conversations with people across the country.

2 There used to be a CIO and an executive
3 director. Michael is both. And so we proposed a
4 \$10,000 increase.

5 And, Bob, I don't know if -- and I will
6 turn it back to you, and then I will finish up
7 with my final comments on Michael Trotsky.

8 MR. BROUSSEAU: Thank you, Madam Chair.

9 I hope that everybody's had time to
10 digest pages 17 and 18 of the expanded agenda,
11 which gives the history of compensation that we
12 have paid to the executive director over his
13 tenure here in Massachusetts and at the PRIM fund.

14 If you note, the \$10,000 figure
15 represents only a 1.8 percent increase in
16 Michael's salary. And our goal of course was to
17 give Michael some kind of a -- not for himself,
18 but for how he deals with staff, in terms of staff
19 compensation, and this goes back I believe to 2014
20 when we adopted the incentive compensation plan,
21 as well as a guide to help this Board make
22 decisions on the salary.

23 It was a long two-year process, which we
24 finally adopted in 2014. And upon the

1 recommendations of McLagan, our goal was to move
2 Michael into a range that would not make him the
3 highest paid executive director -- and by far, he
4 is not -- in the country. There are EDs in this
5 country in the public pension industry who are
6 compensated far more than we do here.

7 But the range was to put Michael's
8 salary within a range of probably between 80 and
9 90 percent. And I believe that within this
10 salary, this adjustment, and it's not really -- I
11 don't consider it a raise for everything he has
12 accomplished, but it is a range.

13 And that range of course will put
14 Michael I believe at probably the 89th percentile
15 of the range in the salary.

16 So if you look on that page 17 and 18,
17 we've done it year by year, and it shows that the
18 chief executive officer salary, the ranges ran as
19 high as \$560,000, the top of the range. We are
20 not there, okay. With this \$10,000 increase, I
21 believe it will put Michael probably someplace in
22 the range of about 89 percent of the top range.

23 And I think other than that -- probably
24 there would be questions from the board on any of

1 the history on page 18 of the progression or the
2 increases that we have produced, that we have
3 given to the executive director over the last
4 10 years approximately.

5 TREASURER GOLDBERG: Okay.

6 MR. NAUGHTON: Madam Treasurer, may I
7 make a comment?

8 TREASURER GOLDBERG: Yes. Absolutely.

9 MR. NAUGHTON: Thank you.

10 First, I want to say that under your
11 chairpersonship of the committee, in my view,
12 there has always been the right kind of attitude
13 toward compensation. That has not always been the
14 case, and so I thank you for that because it
15 gives me a feeling of security as a Board member
16 that we are doing the things necessary to attract
17 and retain.

18 If we look at the number of people who
19 have been applying for positions at PRIM, we can
20 see the fruits, I think, of what the Compensation
21 Committee has accomplished over the years. And
22 it's a wonderful thing to know that we have been
23 able to attract and also to retain people.

24 And that's a vital thing. Compensation

1 and working conditions are a vital thing for
2 anyone. And I don't want to leave out the fact
3 that you, Madam Treasurer, have also been
4 supportive of good working conditions.

5 And finally, I want to say to you,
6 Michael, what I always say. Please never go. I
7 mean, knowing you as I do, I expect you could walk
8 out the door tomorrow and enhance your
9 compensation somewhere else.

10 But your dedication, proven dedication,
11 to PRIM, and even in private conversations you
12 have said to me how much you enjoy working at
13 PRIM. And of course compensation isn't everything
14 of a material nature. And I know what you're
15 expressing. Your attitude in working with your
16 people, working with the board are exemplary.

17 And I am very much in support of this
18 raise that we're giving you today.

19 Thank you.

20 TREASURER GOLDBERG: Any other comments
21 from members of the board?

22 Ellen?

23 MS. FITCH: I will just say I support
24 that 100 percent. And I have some understanding

1 of the nationwide pressure on these kinds of
2 decisions, et cetera. And I think we've got a
3 real gem working with us.

4 Thank you.

5 TREASURER GOLDBERG: Thank you, Ruth
6 Ellen.

7 Catherine has a hand up.

8 MS. D'AMATO: Twofold. One, I'm
9 probably your newest member, but first impressions
10 are a big deal, and I've been impressed with you,
11 Michael, and your team. And I know it's a team
12 effort, and so I appreciate that you present that.

13 So I support it, but also I recently had
14 dinner with a former state employee whose pension
15 is in the PRIM.

16 And when I shared what I was doing, she
17 said, "Oh, my goodness. It's terrific. Do you
18 know how much my" -- she knew everything about it
19 and knew how much it had increased.

20 And so unwarranted solicitation like
21 that, to me, speak volumes. I didn't ask for her
22 opinion. She gave me her opinion, and then we
23 went on. But I think that kind of feedback --

24 Now, it's one of thousands. But it's

1 still one, and one that said, "I'm very happy."

2 So sometimes we get the unhappy. There's one out
3 there that's very happy.

4 So congratulations to that. So thank
5 you.

6 TREASURER GOLDBERG: Thank you,
7 Catherine.

8 Anyone else want to comment before I do?

9 Okay. I want to make sure I don't have
10 any other raised hands.

11 Well, I've said a lot today already, but
12 what I have been saying for several years now --
13 and, Dennis, thank you for that acknowledgement in
14 that regard -- is that I really understand the
15 environment in which we operate. And candidly,
16 it's become even more acute.

17 One of the things in my role as chair of
18 the National Institute of Public Finance and as a
19 leader in the National Association of State
20 Treasurers we are highly focused on is employee
21 retention and employee hiring and the lack of
22 talent and the difficulty filling positions.

23 Then I do a hard stop, and I look at
24 PRIM. Now look at, all of you working at PRIM,

1 don't turn me into a fibber in the future.

2 We have virtually the smallest amount of
3 turnover that I am aware of, period. And we're
4 lucky we also experience that in the Treasurer's
5 Office. And I think that there are a lot of
6 reasons for that.

7 Again, I was asked this this week. How
8 do we do this?

9 And part of it, there is -- in the
10 public pension space, generally speaking, people
11 talk about the life-work balance. However, we've
12 got strong competition in the Boston area and in
13 the Massachusetts area in that university
14 endowments, which can pay whatever they want and
15 pay excessive salaries, also have the life-work
16 balance.

17 And yet Michael has been able to create
18 a workspace and evolve in addressing many of the
19 issues that CIO/executive directors of different
20 organizations and heads of organizations are
21 dealing with and has done so in a very proactive
22 and supportive fashion.

23 So that these are truly real reasons to
24 continue not only supporting him because our

1 giving him a raise gives him the space to also
2 acknowledge and give raises to those who work at
3 PRIM. And that honestly is equally as important.
4 And I know personally it's important to him.

5 So with that, I am very pleased to have
6 made these recommendations, along with the other
7 members of the Compensation Committee, and along
8 with the Admin and Audit Committee head, Bob
9 Brousseau.

10 And now I'm excited that we're adding
11 one more member who knows a great deal about the
12 technical aspects of this so we can stay on track
13 and not lose our momentum.

14 So with that, unless there are further
15 comments, we have a motion. We have a second. I
16 would like to proceed with the vote.

17 Okay then. Bob?

18 MR. BROUSSEAU: Yes.

19 TREASURER GOLDBERG: Catherine?

20 MS. D'AMATO: Yes.

21 TREASURER GOLDBERG: Ruth Ellen?

22 MS. FITCH: Yes.

23 TREASURER GOLDBERG: Peter?

24 MR. MONACO: Yes.

1 TREASURER GOLDBERG: Dennis?

2 MR. NAUGHTON: Yes.

3 TREASURER GOLDBERG: Carly?

4 MS. ROSE: Yes.

5 TREASURER GOLDBERG: Paul?

6 MR. SHANLEY: Yes.

7 TREASURER GOLDBERG: Myself, yes.

8 The motion carries.

9 Thank you.

10 MR. TROTSKY: Treasurer, may I say a
11 couple of words?

12 TREASURER GOLDBERG: Sure.

13 MR. TROTSKY: And I'll be short.

14 First of all --

15 TREASURER GOLDBERG: You're tall.

16 You're not short.

17 MR. TROTSKY: I am.

18 Thank you, everyone. It's very
19 heartwarming and welcome news to hear the level of
20 support that you have for me personally and the
21 organization in general.

22 I'm delighted, Dennis, that you pointed
23 out the Treasurer's leadership on this issue of
24 retention and compensation because we owe it all

1 to her to keep us on a track that allows us to
2 form and retain the best staff in the country,
3 which I believe we have highest-performing staff,
4 thoughtful leaders in everything we do.

5 And let's not forget that this entire
6 board and all the committee members support our
7 number 1 mission, which is to ensure that the
8 pension benefit is safe for more than 300,000
9 beneficiaries throughout the Commonwealth.

10 And, Catherine, that conversation you
11 had with a beneficiary is the reason we come to
12 work every day, to ensure that she has a pension
13 benefit that she can count on. And we still have
14 work to do to make sure the pension is fully
15 funded. That's what we come to work to do every
16 single day.

17 And I think this Board, the Treasurer
18 and everyone realizes that the work is not easy.
19 There's a lot of money that we need to earn to
20 make sure that the pension benefits are safe in
21 the future.

22 So a long way of saying thank you for
23 allowing me, for providing me the tools to
24 assemble this team and to retain this team, who

1 year after year does all the work to ensure that
2 the pension benefits will be secure.

3 So thank you.

4 TREASURER GOLDBERG: You're very, very
5 welcome, Michael. And just remember something.
6 Keep up the good work. Now that you've gotten all
7 the compliments, remember that we start all over.

8 Now, I think that is the agenda, if I'm
9 not mistaken, for today.

10 MR. FALZONE: Correct.

11 TREASURER GOLDBERG: So unless anyone
12 else has anything else to say, I would happily
13 entertain a motion to adjourn.

14 MR. BROUSSEAU: So moved.

15 TREASURER GOLDBERG: Second?

16 MS. FITCH: Second.

17 MR. NAUGHTON: Second.

18 TREASURER GOLDBERG: Roll call.

19 Bob?

20 MR. BROUSSEAU: Yes.

21 TREASURER GOLDBERG: Catherine?

22 MS. D'AMATO: Yes.

23 TREASURER GOLDBERG: Ruth Ellen?

24 MS. FITCH: Yes.

1 TREASURER GOLDBERG: Peter?

2 MR. MONACO: Yes.

3 TREASURER GOLDBERG: Dennis?

4 MR. NAUGHTON: Yes.

5 TREASURER GOLDBERG: Carly?

6 MS. ROSE: Yes.

7 TREASURER GOLDBERG: Paul?

8 MR. SHANLEY: Yes.

9 TREASURER GOLDBERG: Myself, yes.

10 The motion carries.

11 And for those I won't see or speak to
12 before the end of the year, let's pray for peace
13 in the world. I wish everyone good health, a
14 happy holiday, and let's hope for even better
15 things in 2024.

16 Thank you.

17 (Meeting adjourned at 11:32 a.m.)

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