



Minutes of the PRIM Administration and Audit Committee Remote Meeting
Thursday, February 1, 2024

Committee members attending:

- Robert Brousseau, Chair
- Treasurer Deborah Goldberg
- Patrick Brock
- Catherine D'Amato
- Theresa McGoldrick, Esq
- Dennis Naughton

Committee members not attending:

- James Hearty

The PRIM Administration and Audit Committee meeting was called to order at 10:02 a.m. Chair Robert Brousseau announced that the meeting was being held in accordance with the provisions of Massachusetts Acts of 2022, Chapter 22, which was most recently amended on March 29, 2023, to include an extension of the 2020 Executive Order 'Suspending Certain Provisions of the Open Meeting Law' until March 31, 2025. All members of the Committee that participated did so remotely via audio/video conferencing, and public access to the deliberations of the Committee was provided via telephone, with all documents referenced at the meeting available to be viewed on PRIM's website (www.mapension.com). At the start of the meeting, the names of the members participating remotely were announced.

I. Approval of the Minutes (Voting Item)

The PRIM Administration and Audit Committee approved (unanimously) by roll call vote the minutes of its November 16, 2023, meeting.

II. Executive Director / Chief Investment Officer Report

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

Mr. Trotsky began by informing the Committee of the passing of Ralph White, a legendary PRIM Board member who served 24 years from 1984 to 2008. Mr. Trotsky explained that Mr. White was a founding Board member of the PRIM Board, and also served as a longtime elected member of the State Retirement Board. He explained that Mr. White was widely remembered for his unwavering and vocal advocacy for the retirees of Massachusetts. Mr. White founded Mass Retirees in 1968 at the age of 37. He served as Association President until his retirement in 2013 and is credited with having had a direct impact on the creation of nearly every public retirement law and policy over a span of more than four decades. Mr. White was a colorful and vibrant man who had a long and dedicated lifetime of public service. Mr. Trotsky provided, as an example, Mr. Whites's military service, explaining that Mr. White saw significant combat as a US Marine during the Korean War – receiving a Bronze Star and Purple Heart.

Mr. Trotsky added that following his military service, he entered state service as a corrections officer and was among the first officers to staff Walpole State Prison. Mr. White went on to become a state Parole Officer but was forced to retire after surviving an on-the-job shooting in Boston's South End – an attack that nearly took his life. Mr. Trotsky asked for a moment to remember Mr. White and his great contributions to our country, our Commonwealth, Mass PRIM, and the more than 300,000 beneficiaries

on whose behalf he worked tirelessly for over four decades. Mr. Trotsky expressed his condolences on behalf of PRIM and the countless individuals touched by Mr. White's lifetime of hard work and dedication.

Theresa McGoldrick and Treasurer Goldberg echoed Mr. Trotsky's comments, sharing their fond memories of Mr. White and his impact on them over the years and offered condolences to his family.

Organizational Update

Mr. Trotsky reported that Theresa McGoldrick and Dennis Naughton were reelected to their PRIM Board seats. He congratulated each of them, describing them as thoughtful and engaged Board members. Mr. Trotsky added that Ms. McGoldrick represents the State Employees' Retirement System, and her term is three years, and Mr. Naughtons represents the State Teachers' Retirement System, and his term is four years.

Mr. Trotsky then announced four PRIM staff promotions:

Tim Doyle was promoted to Investment Officer on the Private Equity team. Mr. Doyle joined the team as an Investment Analyst in February of 2022. Prior to PRIM, he spent three years at Cambridge Associates, first as an Investment Associate, and then he was promoted to Team Leader and eventually to Senior Investment Associate in their Pension Practice. Prior to joining PRIM, he was an Investment Analyst at the Mass General Brigham Investment Office. He has made a significant contribution to new manager underwritings. He has taken over leading manager coverage responsibilities at PRIM, and his contributions to the team's market mapping and proactive sourcing efforts have been outstanding.

Eliza Haynes was promoted to Investment Officer on the PE team. Ms. Haynes joined PRIM as an Investment Analyst on the team in September 2020. Eliza graduated from Holy Cross and interned in their Investment Office. Upon graduation, she was hired as an Investment Fellow at the Investment Office and worked there for over two years. During her three-plus years at PRIM, Eliza's contributions have been impactful. She has contributed to and led the evaluation of many private equity funds and co-investment opportunities. She also leads the design and implementation of PRIM's GP-led secondary investment strategy and process. Last year, Ms. Haynes received the Treasurer's citation for outstanding performance.

John LaCara was promoted to Senior Investment Office, Director of Listed Real Estate and Debt Capital Markets. Mr. LaCara joined the Real Estate and Timberland team as an Investment Officer in 2008 and was promoted to Senior Investment Officer in 2016. He oversees private real estate and private timberland investments across various regions, property types, and investment vehicles. Additionally, he manages the listed real estate investment mandates (REITS) and the private real estate leverage program, which has issued more than \$2 billion in innovative and low-cost debt facilities since 2013. Prior to PRIM, he held positions at Fidelity Investments, New England Securities, and Citizens Financial Group. Mr. LaCara holds a Master's in Investment Management from the Boston University School of Management and is a Lesley University graduate.

Joy Seth was promoted to Senior Investment Officer on the Portfolio Completion Strategies team. He joined PRIM in March of 2020 as an Investment Officer. Joy pursued his undergraduate degree from the University of Texas, Austin, and graduate degree from the University of Washington. He started his career as a Software Engineer at Microsoft. He then worked for the Employees Retirement System of Texas as a Senior Investment Analyst and was there for almost seven years before joining PRIM. He is a CFA Charter holder. During the past four years, Joy has become a vital team member. He has become a key strategist covering Stable Value Hedge Funds; he developed PRIM's industry-leading Digital Platform by automating analytics and designing our internally designed back-testing tools; and he has emerged as a thought leader

in technology topics, hosting seminars to demystify complex concepts for PRIM colleagues. He actively contributes to the FUTURE Initiative by searching and vetting emerging diverse fund managers. He also dedicates significant effort to recruiting and mentoring interns from diverse backgrounds.

Mr. Trotsky asked that the Committee join him in congratulating Mr. Doyle, Ms. Haynes, Mr. LaCara, and Mr. Seth.

Mr. Trotsky completed his organizational update by acknowledging that Colleen Nulty, an accounting team member, had passed the CFA Investment Foundations certification and congratulated her on that accomplishment.

Mr. Trotsky briefly commented on the PRIT Fund's performance, saying he was very pleased to report that despite many worldwide challenges, the markets have remained very strong, and the U.S. economy continues to grow. More importantly, the PRIT Fund returns were very strong during the December quarter and for the full calendar year. For the December quarter, the PRIT Fund was up 6.2% gross (6.1% net), and for the calendar year 2023, the PRIT Fund was up 11.4% gross (11.0% net). This return equates to a net investment gain of \$10 billion for the year, and the PRIT Fund hit a milestone of \$101 billion, adding that more details would be provided shortly.

Mr. Trotsky asked the Committee to think back to last year's January meeting, markets were just beginning to rebound from a double-digit downturn. The consensus of economists and market pundits last year was that the economy would dip into a mild recession in calendar 2023. Thankfully, that did not happen. The economy continued to grow, inflation fell, bond yields peaked, and the markets took off. The S&P 500, for example, returned more than 26% in calendar 2023. Mr. Trotsky mentioned that he believes last year's decisions on asset allocation were instructive. Last year, as is typical, PRIM made very small tweaks to its long-term strategic allocation – and stayed the course. Moreover, PRIM discussed that the silver lining of market downturns, like in the calendar year 2022, is that they often create good buying opportunities. During calendar year 2022, the PRIM team deployed approximately \$5.7 billion in new investments, enabled by its carefully planned commitment pacing models. PRIM was investing steadily while other peers were pulling back. Obviously, that was very good timing with the strong market returns last year. Mr. Trotsky credited Connie Everson, an Investment Committee member, as she pointed to factors supporting a positive equities environment. He gave the example of Ms. Everson saying, "Inflation is melting," and pointed out that interest rates peaked in October 2022. He added that Ms. Everson's calm wisdom often gives PRIM extra confidence to stay the course when it is not so intuitive when the market pundits and economists are projecting difficult times ahead. This is a lesson learned once again: it is very difficult to predict the direction of the economy and the financial markets. PRIM does not alter its allocations based on any predictions. Instead, it has constructed a well-diversified long-term portfolio with components that will perform well in various market environments, and it is also laser-focused on controlling costs. PRIM stays the course and makes only very small changes to the portfolio each year designed to improve the probability of achieving its mandate of funding the pension liability. Mr. Trotsky added that at the Investment Committee earlier in the week, that Committee approved recommending to the PRIM Board a modest 1% increase in the Value-Added Fixed Income target range to 6% - 12%, and a 1% decrease in the Global Equities target range to 31% - 41%, describing the move as a small tweak in the asset allocation this year.

Market Update

Mr. Trotsky mentioned that the world is full of difficult challenges. Still, the markets have been very strong mainly because bond yields peaked in October of 2022, inflation is trending downward, the economy has avoided a recession, employment remains strong, the Fed has stopped raising rates, and corporate

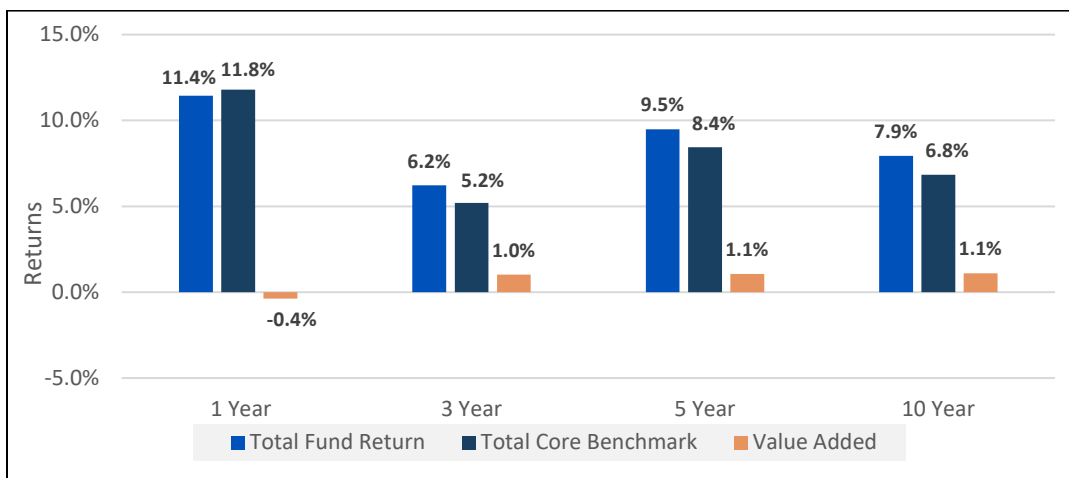
earnings have remained healthy. Real GDP in the U.S. rose 3.3% annualized in the fourth quarter, well above the consensus expectation of 2.0%. As measured by the December Core PCE price index, inflation dropped to 2.9%, its lowest level since the beginning of 2021. January’s flash PMI surveys of business activity suggest that GDP growth among advanced economies ticked up from very low levels. The US, UK, and Japan saw readings above 50 in January, which implies expansion, but the Eurozone is still below the 50 threshold.

PRIT Fund Performance

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

Total PRIT Fund Returns

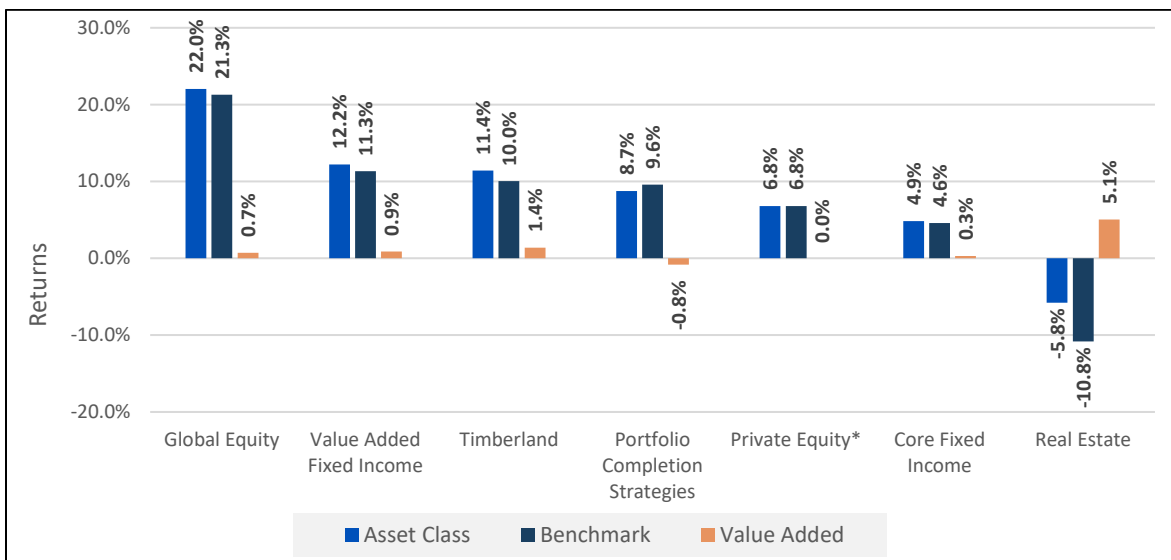
Annualized Returns as of December 31, 2023 (Gross of Fees)



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

PRIT Asset Class Performance Summary

One Year ended December 31, 2023 (Gross of Fees)



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

PRIT Fund Annualized Returns By Asset Class

(December 31, 2023 - Gross of Fees)

1 Year	3 Year	5 Year	10 Year
GLOBAL EQUITY 22.0%	PRIVATE EQUITY 19.2%	PRIVATE EQUITY 19.2%	PRIVATE EQUITY 19.5%
VALUE-ADDED FIXED INCOME 12.2%	TIMBER 10.4%	GLOBAL EQUITY 12.0%	REAL ESTATE 8.8%
TIMBER 11.4%	REAL ESTATE 9.1%	REAL ESTATE 7.9%	GLOBAL EQUITY 8.2%
PCS 8.7%	GLOBAL EQUITY 6.1%	TIMBER 7.0%	TIMBER 6.3%
PRIVATE EQUITY 6.8%	VALUE-ADDED FIXED INCOME 5.8%	VALUE-ADDED FIXED INCOME 6.3%	VALUE-ADDED FIXED INCOME 5.0%
CORE FIXED INCOME 4.9%	PCS 5.0%	PCS 4.7%	PCS 3.7%
REAL ESTATE (5.8%)	CORE FIXED INCOME (5.0%)	CORE FIXED INCOME 1.4%	CORE FIXED INCOME 2.8%

Source: BNY Mellon. Returns as of December 31, 2023

2024 Annual Plans

Mr. Trotsky reminded the Committee that PRIM’s governance documents require the Executive Director to “approve divisional business plans, as appropriate.” Accordingly, as done each year, PRIM shares the plans for review and input. He added that the plans are very detailed, and invited the Committee to review them and contact him with any feedback they might have. PRIM will revise the plans as appropriate to incorporate suggestions from Committee members before presenting the final annual plans to the Board at its next meeting (February 15th).

Mr. Trotsky highlighted a few new initiatives, explaining that a common goal in all areas of PRIM will be to explore applications of Artificial Intelligence (AI), particularly large language models. AI will impact the investment management industry, and PRIM must be ready for it. He added that PRIM has been spending more time studying the potential impacts of AI on its business processes and the processes of its suppliers and partners. Mr. Trotsky added that as with everything done at PRIM, the approach will be thoughtful and deliberate, safeguarding our data. He reminded the Committee that PRIM hosted an educational session with Dr. Hod Lipson, Professor of Engineering and Data Science at Columbia University, and commented he found it very informative. Mr. Trotsky mentioned that the first PRIM AI project was underway, and it leverages the power of Generative AI and Large Language Models (LLM) to create a unique PRIM-centric knowledge source, adding that the initial implementation will combine a very limited amount of non-financial PRIM data. This will be a small example of the possibilities that AI may bring. Mr. Trotsky explained that in the longer term, PRIM sees the potential for AI to impact PRIM’s investment analysis, decision-making, and monitoring.

Mr. Trosky next mentioned continuing the work with the Stewardship and Sustainability Committee, PRIM's newest committee, to finalize a Stewardship Policy statement and to identify Stewardship Priorities. Mr. Trosky also mentioned that across all asset classes, the focus is on finding additive investments and identifying new areas of focus that will be additive to the PRIT fund portfolio. In Risk, the team is focused on embedding with each asset class team to identify key risks and to provide enhanced risk analytics for decision-making. Additionally, the Risk team will perform a liquidity study this year across all PRIM portfolios and conduct an internal review of the sizing of positions. He concluded his remarks by mentioning that in Operations, PRIM will continue to carefully build a deeper bench of talent by promoting our high-performing stars and selectively hiring. We will also develop and offer training opportunities for all of PRIM's employees.

III. Results of PRIM Board Self-Evaluation

Mr. Brousseau introduced Kevin Conroy, Dean Richlin, and Rachel Kerner from Foley Hoag, the law firm that administered the PRIM Board self-evaluation. Mr. Conroy reviewed the evaluation process and provided the Committee with a summary of the survey responses, noting that, in general, the responses were very positive. He added that the PRIM Board overall felt the Board was high functioning and effective, had great staff and leadership, and continued to progress and show development.

Some key points Mr. Conroy discussed were as follows:

- Board member interactions and decision-making
 - The Board is collaborative
 - Decision-making is effective
- Board's interactions with management
 - The relationship with management creates a supportive environment
 - The Board's evaluation of the Executive Director is effective
- Communication and goal setting
 - The Board communicates and sets goals effectively
- Board meetings and time distribution
 - The number, duration, and focus of the Board meetings are optimal

Mr. Conroy continued by contrasting the most recent survey results with results from the 2020 self-evaluation. He mentioned that the 2020 assessment was very positive, but this version showed a small improvement in the Board's allocation of time to identified topics and meeting logistics. Mr. Conroy offered several suggestions for improvement that reflected the views of individual Board members but relayed that there was nothing close to a consensus on these suggestions. Some suggestions included reviewing the current meeting format and providing hybrid or in-person options, holding an annual retreat or strategy day, and considering Board member preferences on future education topics. Mr. Conroy commended the Chair, Treasurer Goldberg, and the entire Board for performing at such an optimal level and mentioned they should all be proud of the Board's culture and high level of collaboration with management and the overall work being done by the PRIM Board. Mr. Conroy provided the following PRIM Board self-evaluation conclusions:

1. Board member interactions are viewed positively, and the Board's decision-making functions at a high level.
2. The Board views its interactions with management favorably.
3. The Board adequately accomplishes its communication and goal-setting function.
4. Board meeting logistics are ideal, and the Board's distribution of time allocation is optimal.

Mr. Brousseau commented that he was very pleased with the results and that there were no surprises, noting that board education is an important topic that will continue to be a focus. Additionally, he

mentioned that he was happy with the level of communication between the Board and staff and how proactive management is in communicating with the Board, adding that he is aware of other boards where there are conflicts and challenges, and he is happy that is not the case with PRIM. Everyone respects each other.

Dennis Naughton asked Mr. Conroy, in his experience, how the PRIM Board's performance compares to other boards he has worked with. Mr. Conroy said he works with various boards, public, private, and not-for-profit, and the PRIM Board is stronger than many of those he works with, explaining there is more cohesion, and the Board is happier with staff than many others. Mr. Conroy added that the pandemic really impacted other board's cohesion levels and led to difficulties that were not evident with the PRIM Board.

Mr. Richlin from Foley Hoag added that the most important thing a board does is choose and work with its leadership. Having a long-term leader provides stability and growth, which has been the case with the PRIM Board.

Mr. Naughton commented that when things are going well, and you are evaluating something that is high performing, it is a very difficult thing to do, and he is pleased to have that challenge.

Treasurer Goldberg mentioned that she could remember a time when survey participation was not ideal, and she worked with the Board to increase participation. Additionally, she pointed to the continuity of leadership and staff, along with the collaboration between the Treasurer's team and PRIM staff, as a focus of hers and contributing to the continued success of PRIM, noting she was very pleased with the results.

Several committee members discussed holding an annual retreat in person and offering the option of returning to in-person committee and board meetings or offering a hybrid solution, but it would need to be carefully planned so as not to disrupt the meeting schedule for 2024, which was approved by the Board in December.

IV. Legislative Update

Alberto Anzola, Deputy, Policy & Legislative Affairs in Treasurer Goldberg's office, provided a legislative update. Mr. Anzola mentioned that it was a very busy time approaching the bill reporting deadline of February 7th. That same day, the Senate and House Ways and Means Committees will begin hearing the Governor's 2025 budget, kicking off the budget season.

Mr. Anzola mentioned the policy team is monitoring several pieces of potential legislation that could impact PRIM, such as the Firearm Divestment Bill and Board Parity legislation being championed by the Treasurer's team along with a PRIM oversight bill brought by Representative Mindy Domb that would establish a committee that would review climate risk in investments that could recommend divestment from fossil fuels. He concluded his report by informing the Committee that the team would continue to monitor these items and report back on their activity.

Mr. Brousseau asked if they had seen any additional legislation or review of beneficiary COLAs or COLA adjustments.

Mr. Anzola told Mr. Brousseau that he would follow up if there were any activities in this area to report.

V. Other Matters:

The Committee members briefly discussed the following topics:

A. December 2023 PRIM Budget

B. Travel Report

C. Client Service

The PRIM Administration and Audit Committee meeting adjourned at 11:45 a.m.

List of documents and exhibits used during the meeting:

- Minutes of the PRIM Administration and Audit Committee Meeting of November 16, 2023
- PRIT Fund Performance Report (December 31, 2023)
- BNY Mellon Gross of Fees Performance Report (December 31, 2023)
- 2024 PRIM Staff Annual Plans
- December 2023 PRIM Operating Budget
- Travel Report