

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

Minutes of the Board Meeting

Thursday, May 30, 2024

commencing at 9:30 a.m.

(CONDUCTED REMOTELY)

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

## A T T E N D E E S

(Via Zoom)

### **Board Members**

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

### Other Attendees (partial list):

- Andre Abouhala
- Deb Coulter
- Francesco Daniele
- Tim Doyle
- Anthony Falzone
- David Gurtz
- Eliza Haynes
- Emily Kowtoniuk
- John La Cara
- Chuck LaPosta
- Renee LeFevre
- Bill Li
- Matt Liposky
- Christina Marcarelli
- Michael McElroy
- Michael McGirr
- Tim Schlitzer
- Michael Trotsky

1 P R O C E E D I N G S

2 A meeting of the Pension Reserves  
3 Investment Management Board (PRIM Board) was held  
4 remotely on May 30, 2024. The meeting was called  
5 to order and convened at 9:30 a.m. Treasurer and  
6 Receiver-General Deborah Goldberg chaired the  
7 meeting.

8

9 TREASURER GOLDBERG: Welcome to the  
10 Thursday, May 30, 2024 MassPRIM Board meeting.

11 This meeting will be held in accordance  
12 with the provisions of Massachusetts Acts of 2022,  
13 Chapter 22, which was most recently amended on  
14 March 29, 2023, to include an extension of the  
15 2020 Executive Order Suspending Certain Provisions  
16 of the Open Meeting Law until March 31, 2025.

17 All members of the board will  
18 participate remotely via audio/videoconferencing,  
19 and public access to the deliberations of the  
20 board will likewise be provided via telephone,  
21 with all documents referenced at the meeting  
22 available to be viewed on PRIM's website,  
23 [www.mapension.com](http://www.mapension.com).

24 All persons speaking at today's meeting

1 are asked first to identify themselves.

2 Also the Open Meeting Law requires  
3 anyone wishing to record a meeting to first notify  
4 the chair so the chair can inform the other  
5 attendees.

6 Tony?

7 MR. FALZONE: Thank you.

8 Matthew Scheffler, Framingham  
9 schoolteacher, will be recording the meeting.  
10 Matt Toledo from *Chief Investment Officer* magazine  
11 will be recording the meeting. And Douglas Appell  
12 from *Pensions and Investments* will also be  
13 recording the meeting.

14 TREASURER GOLDBERG: Thank you.

15 Accordingly, I am also informing you all  
16 that stenographer Virginia Dodge from Lexitas is  
17 transcribing and also recording this meeting.

18 If anyone else does intend to record  
19 today's meeting, please first notify Seth Gitell  
20 by email at [sgitell@mapension.com](mailto:sgitell@mapension.com).

21 Additionally, the Attorney General's  
22 guidance reads as follows. At the start of the  
23 meeting, the chair must announce the name of the  
24 member or members who are participating remotely.

1                   I will now announce the names of all  
2   PRIM Board members who are participating remotely  
3   in today's meeting: myself, Treasurer Deborah  
4   Goldberg, Chair; Robert Brousseau, Catherine  
5   D'Amato, Ruth Ellen Fitch, Theresa McGoldrick,  
6   Peter Monaco, Dennis Naughton, Carly Rose and Paul  
7   Shanley.

8                   So with that, we have the first item on  
9   the agenda, and that is a voting item. I would  
10   seek a motion --

11                  I'm looking for my motions. I know, so  
12   I don't need to find it this minute.

13                  I've got it too. Tony, don't worry.

14                  All right. I seek a motion that the  
15   PRIM Board approve the minutes of its February 15,  
16   2024 meeting attached as Appendix A of the  
17   expanded agenda, and further to authorize the  
18   executive director to take all actions necessary  
19   to effectuate this vote.

20                  Is there a motion?

21                  MR. BROUSSEAU: So moved.

22                  MS. FITCH: So moved.

23                  TREASURER GOLDBERG: Is there a second?

24                  MS. D'AMATO: Second.

1 MR. SHANLEY: Second.

2 TREASURER GOLDBERG: Thank you.

3 Any questions, comments or need to make

4 changes?

5 Hearing none, we will proceed with the

6 vote.

7 Bob?

8 MR. BROUSSEAU: Yes.

9 TREASURER GOLDBERG: Catherine?

10 MS. D'AMATO: Yes.

11 TREASURER GOLDBERG: Ruth Ellen?

12 MS. FITCH: Yes.

13 TREASURER GOLDBERG: Theresa?

14 MS. McGOLDRICK: Yes.

15 TREASURER GOLDBERG: Peter?

16 MR. MONACO: Yes.

17 TREASURER GOLDBERG: Dennis?

18 MR. NAUGHTON: Yes.

19 TREASURER GOLDBERG: Carly?

20 MS. ROSE: Yes.

21 TREASURER GOLDBERG: Paul?

22 MR. SHANLEY: Yes.

23 TREASURER GOLDBERG: Myself, yes.

24 The motion carries.

1                   Next item on the agenda is --

2                   MS. LeFEVRE: Treasurer, I'm sorry to  
3                   interrupt. We have an additional person recording  
4                   the meeting. Justin Mitchell from FundFire is  
5                   also recording.

6                   TREASURER GOLDBERG: Thank you very  
7                   much, Renee.

8                   Let the minutes reflect that.

9                   MS. LeFEVRE: Thank you.

10                  TREASURER GOLDBERG: Thank you.

11                  Okay. We just finished that vote, and  
12                  the next item on the agenda is our executive  
13                  director/chief investment officer report.

14                  Michael, take it away.

15                  MR. TROTSKY: Thank you very much,  
16                  Treasurer. And good morning, everybody, on this  
17                  very rainy, end of May, summer day.

18                  Earlier this month, we were very pleased  
19                  to report that the PRIT Fund achieved a record  
20                  balance of \$104.2 billion. And that's for the  
21                  quarter ended March 30, 2024. That's our  
22                  third fiscal quarter. \$104.2 billion is the  
23                  largest balance in the history of the PRIT  
24                  Fund.       And obviously the markets were strong,

1 and the economy here in the U.S. continues to  
2 grow, albeit at a slower pace. For the March  
3 quarter, the PRIT Fund was up 3.7 percent. That's  
4 gross. And that equates to 3.6 percent net. And  
5 for the trailing 12 months, the PRIT Fund was up  
6 11.4 percent gross or 10.9 percent net. This  
7 return equates to a net investment gain of  
8 \$10.3 billion for the trailing 12 months.

9 And we do pay benefits out of this pool  
10 of assets. Net outflows to pay benefits for the  
11 12 months were 655 million.

12 Today we have a very busy voting agenda.  
13 With your approvals, we will place \$3.2 billion in  
14 new and exciting investments. We'll review that  
15 shortly, and I'll also review performance in more  
16 detail shortly.

17 But first, as usual, a brief  
18 organizational update. And first, breaking news.  
19 We are happy to announce the newest addition to  
20 the PRIM extended family. On May 19, baby  
21 Vivienne Abouhala arrived. It is Olivia and  
22 Andre's very first child, and all are doing well.  
23 We extend our best wishes during these very joyous  
24 times to the Abouhalas.



1                   And incidentally, I believe Andre is  
2           showing up in the office today. He's been delayed  
3           by traffic, but he really wants to present his  
4           recommendation to you. I want to make it clear  
5           that it wasn't encouraged or required. Mike  
6           McElroy would have filled in very easily. But it  
7           also wasn't a surprise to any of us that Andre  
8           wanted to be here, given his very strong work  
9           ethic and pride in his work.

10                   TREASURER GOLDBERG: I think also he  
11           wants to show pictures, Michael.

12                   MR. TROTSKY: I hope so.

13                   And we're going to make Andre go home  
14           after he's done today. I believe that these are  
15           not times to miss, and I'm sure Olivia and  
16           Vivienne would rather you be at home.

17                   So next. More exciting new news since  
18           the committee meetings. We'd like to announce the  
19           arrival of a very large summer intern class.  
20           We've been lucky to have maintained our internship  
21           program through COVID and through many years. We  
22           expect a total of seven interns to rotate through  
23           PRIM in the coming months. We're very excited to  
24           have them.

1                   And the first arrival was Carlos Castro.  
2           He started with PRIM on May 20, last week. He's a  
3           graduate student from Brandeis University, and  
4           he's working towards a master of science degree in  
5           finance.

6                   Prior to Brandeis, Carlos received a  
7           master's degree in data science and analytics, and  
8           a master's degree in financial management, and a  
9           bachelor's degree in business administration from  
10          EAFIT University in Medellin, Colombia.

11                  Joining PRIM will be Carlos's very first  
12          experience working in the U.S. We hope it's a  
13          positive one. Carlos will be working with the PCS  
14          team, reporting to Joy Seth.

15                  Zack Bian has extended his internship at  
16          PRIM through the end of the summer. Zack started  
17          with PRIM in June of 2023 as an intern and  
18          continued through the fall of 2023. After a short  
19          break, returned to PRIM, and he'll be working with  
20          us through the end of August this year.

21                  He's terrific. He received his master  
22          of science in computational finance and risk  
23          management in December of 2023 from the University  
24          of Washington. He's also working with the PCS

1 team, reporting to Joy Seth.

2 Aidan Campagna is an undergraduate  
3 student at Tufts University, studying economics.  
4 Aidan will work with the PCS team, again reporting  
5 to Joy Seth.

6 You're going to be busy this summer with  
7 your interns.

8 And he starts next week on June 3.

9 Next, Nathan Jamison is an undergraduate  
10 student at Auburn University. Nathan comes to  
11 PRIM from the UNCF Lighted Pathways program. This  
12 is the second year that PRIM has worked with this  
13 program.

14 Nathan will join the real estate and  
15 timberland team and report to Christina  
16 Marcarelli. He starts also on June 3.

17 For your information, if you don't  
18 remember, the UNCF Lighted Pathways program  
19 provides scholarships and internships to African-  
20 American undergraduate students interested in the  
21 investment management industry.

22 Next, Himal Bamzai-Wokhlu is a  
23 undergraduate student at Harvard University. She  
24 comes to PRIM from the CFA Society Boston Women in

1 Investment Management program. And she will work  
2 in the public markets team and report to Andre  
3 Abouhala.

4 She also starts on June 3. So we have a  
5 lot of arrivals next week.

6 Next, Rebecca Silva is an undergraduate  
7 at Northeastern. She comes to PRIM from the  
8 Treasurer's Finance Fellowship program. Rebecca  
9 will work with Matt Liposky on the operations  
10 team, and she'll start on June 10.

11 And last but not least, Christy Khoury  
12 is an undergraduate student at Providence College.  
13 She joins PRIM from Girls Who Invest. Christy  
14 will work with the private equity team, and she'll  
15 report to Alyssa Acker. She starts July 1.

16 So lots happening. A busy couple of  
17 months here, welcoming new interns.

18 Thank you for joining PRIM. And we hope  
19 it's a great experience for you all.

20 One new full-time employee, and we  
21 announced her at all the committee meetings this  
22 cycle, but she had just started, and we introduced  
23 her at the last board meeting.

24 Just as a reminder, Raluca Zelinschi

1 joined as an investment officer, full-time  
2 employee, on the real estate and timberland team.  
3 She reports to John La Cara. She'll help the team  
4 cover the private and public real estate  
5 portfolios and also timberland investments. And  
6 she's off to an excellent start.

7           We also want to acknowledge that Eliza  
8 Haynes on the private equity team recently passed  
9 the very difficult CFA Institute's level 3 exam.  
10 That's the final one. And now having also  
11 attained all the requisite work experience, Eliza  
12 is now a full-fledged chartered financial analyst.

13           You may also remember at the last board  
14 cycle, she was promoted to investment officer on  
15 the private equity team.

16           Congratulations to you, Eliza. That's a  
17 lot of hard work. A lot of hard studying, and  
18 it's not surprising. Eliza, as you know, is one  
19 of our rising stars here at PRIM.

20           Also a bit of new news since the  
21 committee meetings. We are pleased to announce  
22 that Bill Li, director of portfolio completion  
23 strategy, has been awarded *Institutional*  
24 *Investor's* Next Generation recognition for alpha

1 generation. The publication honors, and I quote,  
2 "distinguished leaders within the allocator  
3 community who will be recognized for their  
4 outstanding contributions to portfolio  
5 construction."

6               Congratulations, Bill, the entire  
7 portfolio completions team. Very well-deserved.

8               And last, while it is not my practice to  
9 talk about myself, earlier this month, we did  
10 report some further good news. *The Allocator* from  
11 With Intelligence media will honor me with its  
12 Lifetime Achievement Award in October.

13              And this is really a reflection on  
14 everyone's work at PRIM and our collective  
15 accomplishments. And I thank all of you, staff,  
16 board members, committee members, all of you, for  
17 your dedication and support.

18              The publication called MassPRIM, and I  
19 quote, "a beacon of public service and investment  
20 prowess for the people of the Commonwealth of  
21 Massachusetts," end quote. It also praised PRIM  
22 as, quote, "one of the country's best public  
23 investment operations for over 15 years of  
24 service," end quote.

1                   So thank you, Treasurer Goldberg and Bob  
2       Brousseau, for providing some very complimentary  
3       quotes for the publication's announcement. It  
4       meant everything to me. Thank you.

5                   Now, moving on to markets and PRIT Fund  
6       performance. Let's first review the returns.  
7       Markets were strong in the March quarter. Markets  
8       took a slight breather in April before rebounding  
9       again strongly in May.

10                  The S&P 500, if you remember, was up  
11       10.6 percent for the March quarter, and as of  
12       yesterday, it's up a half a percent for the June  
13       quarter. So continuing its upward trajectory.

14                  Developed international markets were up  
15       5.5 percent in the March quarter and up  
16       0.8 percent so far in the June quarter with one  
17       month left to go.

18                  Emerging markets up 2.1 percent in the  
19       March quarter. They're the strongest of the group  
20       this quarter, up 3.2 percent since June.

21                  And bonds were down fractionally in the  
22       March quarter and down 1.6 percent so far in the  
23       June quarter as yields have risen.

24                  Tony, the performance slides, please.

1                   I'll begin with the market value slide.  
2       Again, the PRIT Fund achieved a record balance of  
3       104.2 billion. That's the bar on the far right.  
4       The fund was up 3.7 percent gross or 3.6 percent  
5       net in the quarter. 11.4 percent gross or  
6       10.9 percent net for the trailing 12 months.  
7       That's an investment gain of \$10.3 billion for the  
8       trailing 12 months. And we paid \$655 million in  
9       benefits in the trailing 12 months.

10                  Next slide.

11                 You can see the annualized returns. The  
12       one-year return of 11.4 percent gross or  
13       10.9 percent net is really an outstanding result.  
14       The one-year relative underperformance continues  
15       to narrow. It's very small underperformance.

16                 And remember, this is 100 percent due to  
17       the private equity benchmark, which again is a  
18       seven-year smoothed benchmark plus 3 percent.  
19       It's a public markets benchmark, plus 3 percent.

20                 That number to compare against was  
21       14.7 percent because the trailing seven years have  
22       been so strong.

23                 The one-year actual performance of the  
24       private equity portfolio was very strong, up



1       8.8 percent gross or 7.5 percent net. So we're  
2       comparing the 8.8 percent to the 14.7 percent.  
3       It's really an unfair comparison, but we are  
4       catching up.

5               All other time periods, the next three  
6       bar charts on the right, all periods are very  
7       strong and above benchmark.

8               Next slide.

9               For the one-year period asset class  
10      performance summary on the left, you can see that  
11      global equities led the way, up an astounding  
12      22.7 percent. Also value-added fixed income,  
13      timberland and portfolio completion strategies,  
14      also strong double-digit performers. Private  
15      equity, again up 8.8 percent, continues its  
16      rebound with its fifth consecutive quarterly  
17      increase, positive gains for five consecutive  
18      quarters.

19              We're still disappointed with real  
20      estate's negative absolute returns -- you can see  
21      that on the far right -- but pleased with its  
22      strong relative outperformance.

23              The negative returns are caused by  
24      rising interest rates, of course, and slowing

1 fundamentals in some sectors, namely, office.  
2 Relative outperformance that we've seen was driven  
3 by a couple of things. First, an underweight to  
4 office, particularly suburban office and also  
5 traditional office. And certain West Coast  
6 markets were hit harder, and we have lower  
7 exposure there. And conversely, our industrial  
8 overweight, which is doing well, is helping. So  
9 that's why the relative performance is so strong.

10 Next slide.

11 One-year results net of fees. I'm  
12 adding this slide. This is a new chart today. I  
13 really like it. This is a contribution to total  
14 return. This takes the return of each asset  
15 class, weighted for its size in the portfolio. So  
16 essentially it's performance times size in the  
17 portfolio equals its contribution to return.

18 And on this important measure, U.S.  
19 large cap stocks were very additive. They're up  
20 nearly 30 percent for the trailing 12 months. And  
21 with over a 20 percent weight in our portfolio, it  
22 means that it contributed 5.6 percent to our  
23 overall performance.

24 And you can also see developed

1 international and private equity were the next two  
2 most additive asset classes because they had  
3 strong performance with a meaningful weight in the  
4 portfolio.

5 And as you would expect on the far  
6 right, real estate detracted from overall  
7 performance over the last 12 months.

8 Next slide.

9 Performance by strategy for the first  
10 quarter. As we've said for the first quarter  
11 period, equities led the way. You can see that on  
12 the left.

13 Well, on the right, interest rate-  
14 sensitive assets, like fixed income, bonds and  
15 real estate, were weaker as interest rates,  
16 especially long duration interest rates, were up  
17 in the quarter.

18 Next slide.

19 Pretty much the same picture, similar  
20 picture for the year. Equities of all types are  
21 up -- that's on the left -- while interest rate-  
22 sensitive assets declined. And those assets are  
23 shown on the right of the chart.

24 And I'll end with the next slide, the

1 quilt chart. It's nearly identical to last  
2 quarter's board meeting where global equity, value-  
3 added fixed income and timber really led the way,  
4 while portfolio completion strategies and private  
5 equity are getting stronger.

6 And longer term private equity leads by  
7 a large margin in all time periods. Timber and  
8 global equities also very strong.

9 You can take those down. That's the  
10 summary of the portfolio performance.

11 And we'll now turn to markets and the  
12 economy.

13 Fundamentals in the economy that were  
14 strong and propelled the markets in the March  
15 quarter recently weakened. That caused an April  
16 selloff and then a May rebound.

17 GDP growth was reported lower, inflation  
18 was reported higher, and the unemployment rate was  
19 slightly higher too. This caused a change in the  
20 consensus among Federal Reserve watchers, who now  
21 believe there will only be one rate cut this year,  
22 where previously they were expecting four to six  
23 cuts this year.

24 The Federal Reserve kept the target rate

1       for federal funds at its 23-year high of 5.525 to  
2       5.5 percent. And that was the sixth consecutive  
3       meeting in May; that was in line with expectations  
4       of no change in the rate.

5               The Fed did acknowledge that inflation  
6       remains elevated, and there has been a lack of  
7       further progress towards achieving the central  
8       bank's goal of 2 percent inflation.

9               Chair Powell stated that he does not  
10      foresee a hike as likely, and he believes that the  
11      current policy range, which I've just depicted, is  
12      sufficiently restrictive to achieve the 2 percent  
13      inflation target.

14              Elsewhere, U.S. GDP expanded 1.6 percent  
15      in the first quarter, and that compared to  
16      3.4 percent in the previous quarter. That was  
17      below expectations, below a forecast of  
18      2.5 percent. It was the lowest growth rate since  
19      the contractions in the first half of 2022.

20              CPI, the Consumer Price Index, fell  
21      slightly to 3.4 percent in April after reaching  
22      3.5 percent in March. That was the highest  
23      reading since September. The unemployment rate  
24      edged up slightly to 3.9 percent in April.

1                   Manufacturing, as measured by the  
2     manufacturing U.S. PMI, fell to 49.2 in April, but  
3     then rose to 50.9 in May, indicating an expansion  
4     in the manufacturing sector. That's good news.

5                   And of course more good news, the March  
6     quarterly corporate sales and earnings growth  
7     across the board surprised on the upside, up more  
8     than 4 and 5 percent, respectively.

9                   Elsewhere around the globe, we saw  
10    fundamentals stabilize in the largest economies.  
11    For example, Chinese GDP advanced 5.3 percent year-  
12    over-year in Q1. That exceeded the market  
13    forecast.

14                  The eurozone GDP expanded just  
15    marginally, 0.3 percent. That was the fastest  
16    rate since Q3 of 2022. And that slightly beat  
17    market expectations.

18                  And in Japan. Japan also just grew  
19    marginally, 0.1 percent Japan GDP growth. And in  
20    Japan, they narrowly escaped a recession there.

21                  Earlier this month at the Investment  
22    Committee, we discussed the recent rise in market  
23    volatility and the April selloff. You may  
24    remember that Connie Everson on the Investment

1 Committee noted then that it felt like the markets  
2 had taken two steps forward and one half step back  
3 with the April softness.

4               However, at the meeting, she remained  
5 optimistic on the markets. She observed that  
6 manufacturing capacity is still increasing. You  
7 saw that in some of the PMI readings.

8               And she believes that stronger  
9 manufacturing accompanied by any rebound in the  
10 large services sector will lead to stronger  
11 corporate earnings. Stronger corporate earnings  
12 of course is the underpinning of stronger  
13 financial markets.

14              The main reason to believe the services  
15 sector slowdown may be temporary, according to  
16 Connie, is the continued strong labor market.

17              So overall, a positive outlook, at least  
18 on the economic front, and hopefully for continued  
19 market strength too. But it is a very tricky  
20 environment we find ourselves in today.

21              I recently had the opportunity to meet  
22 with Dan Fuss, the legendary bond investor here in  
23 Boston, who has spent most of his career at Loomis  
24 Sayles. He's 92 years old, but he still makes it

1       into his downtown Boston office every day by  
2       7:30 a.m., especially to be in attendance for the  
3       Loomis Sayles morning investment team meeting.

4               I keep in touch with Dan. He's one of  
5       those voices that's so important to the industry,  
6       and he's really an investment industry luminary.  
7       And we reminisced about how easy it was for him to  
8       deliver speeches over his 70 years in the business  
9       and how he always began each speech with a  
10      discussion of the major risks.

11             And he said that for a very long time,  
12      the risks were all basically the same. Each  
13      speech would begin with a discussion of the  
14      economy, unemployment, inflation, interest rates,  
15      the Fed and other such typical topics like I've  
16      just discussed with you today.

17             When we met a few weeks ago, he  
18      acknowledged that the investment risks today are  
19      far different from those in the past. And I'm  
20      paraphrasing now, but he said, quote, "If I were  
21      to give a speech tomorrow, for the first time in  
22      my career, I wouldn't lead with those typical  
23      risks. Instead, I would begin by describing the  
24      three biggest risks that investors face today.



1 And they are very different than what I would  
2 describe in the past. Today the main risks are,  
3 number 1, climate risk; number 2, geopolitical  
4 risks; and number 3, domestic political risks."

5 He said, "We are living in a much  
6 different investment regime, where these largest  
7 risks are very hard to analyze and even harder to  
8 forecast."

9 So we spoke about each of these risks  
10 over the course of our lunch. And in the end, we  
11 agreed that the only thing that investors can do,  
12 considering these new major risks, is to diversify  
13 their portfolio, to engineer a portfolio with  
14 components that will perform well, no matter what  
15 the future holds.

16 And as you all know, this is exactly  
17 what we do here at PRIM. We don't try to forecast  
18 the future. Instead, we try to focus on having  
19 components in the portfolio that will perform  
20 well, no matter what the future brings.

21 And for each investment, you may  
22 remember, we focus on its risk, return and cost.  
23 We believe that no investment analysis is complete  
24 without evaluating all three equally important

1 parameters: risk, return and cost.

2 We do believe that our portfolio is  
3 carefully designed to weather whatever the future  
4 brings. It has demonstrated strong historical  
5 performance in both up markets and down. And we  
6 have confidence in its ability to do so in the  
7 future, no matter what that future holds.

8 So I'll end there and take any questions  
9 or comments you might have before moving to the  
10 rest of the agenda. Thank you for your time.

11 TREASURER GOLDBERG: Sorry about that.  
12 I didn't realize that -- I don't know how the  
13 computer shut down like that.

14 Thank you, Michael.

15 And the question I have for people is  
16 are there questions for Michael or comments?

17 MR. BROUSSEAU: Madam Chair?

18 TREASURER GOLDBERG: Yes.

19 MR. BROUSSEAU: Not a question but a  
20 comment, a couple of comments. I guess I can make  
21 a few of these since I'm a board member from the  
22 last century, still serving on the board.

23 I would like to certainly congratulate  
24 Michael on the Lifetime Achievement Award given by

1       The Allocator. It is certainly very well-  
2       deserved, considering what he's done with this  
3       organization over his tenure here.

4               I have to remind people, but again, we  
5       have new people here. Michael came to us in  
6       August of 2010, and it will be 14 years in August  
7       that he's been with us. And of course we have  
8       seen the complete transformation of PRIM.

9               Not only is this award well-deserved,  
10      but when we look at the results, I was looking at  
11      the growth chart that Michael put on, the first  
12      one. In 2010, when he arrived, our assets stood  
13      at \$41 billion. Here we are, not even -- close to  
14      14 years after his arrival here, we're  
15      104.2 billion.

16              This did not happen by accident. Of  
17      course you need good economies. We've had the ups  
18      and the downs. We've had the pandemic. We've had  
19      many areas where we would have had difficulties.

20              Michael weathered them all. I'm  
21      especially impressed by not only that, but the  
22      staff that he has put together. I know Michael  
23      provides vision and has created a staff for this  
24      organization, but also the staff that he has

1       created along has been responsible for what we  
2       have seen here at PRIM.

3               Michael, this is well-deserved.  
4       Congratulations. And I know probably the rest of  
5       the board members and the staff feel the same way  
6       as I do about you. Thank you again.

7               MR. TROTSKY: Thank you, Bob. Those are  
8       very kind comments. Means the world to me.

9               TREASURER GOLDBERG: Well --

10              MS. McGOLDRICK: I'd like --

11              TREASURER GOLDBERG: Yes.

12              MS. McGOLDRICK: I'd like to second  
13       that. I know -- Bob, I'm not going to go into it  
14       because you said it so well, and I know everyone  
15       feels the same.

16              But I've been around not quite as long  
17       as Bob, but I was there before Michael. And  
18       Michael and his staff have turned this fund  
19       around, and it has grown exponentially as he just  
20       said. And it's really to their credit that we've  
21       been so successful.

22              And I know our beneficiaries so  
23       appreciate this, with all the other things that  
24       they've had to weather through the pandemic and

1 everything else, that they know that their pension  
2 is there and growing. So thank you.

3 TREASURER GOLDBERG: Thank you, Theresa.

4 I won't take up any more of our time  
5 being redundant. I get to say all these good  
6 things when we have the Compensation Committee,  
7 and more. But I'll say ditto.

8 And the one comment I will make is that  
9 as probably all of you know, I also chair the  
10 retirement board. And yes, when you're in  
11 retirement and you're older and you need to be  
12 able to count on that monthly check, feeling  
13 assured that your pension fund is continuing to do  
14 well in both up and down markets is extremely  
15 comforting.

16 And I frequently have to mention that  
17 publicly because there's a lot of anxiety involved  
18 when the world becomes chaotic, whether or not for  
19 older people who are counting on that monthly  
20 check, to know that it's safe and on its way.

21 So --

22 MR. TROTSKY: That's very important to  
23 recognize. And thank you for doing that,  
24 Treasurer.

1                   Of course, our success is in large part  
2                   due to the staff that we've assembled.

3                   But also we shouldn't lose sight that we  
4                   have excellent support from the board, each and  
5                   every one of you. And in particular, Treasurer  
6                   Goldberg and your staff. We've worked very  
7                   closely and cooperatively together. And that has  
8                   been a very meaningful advantage to us.

9                   TREASURER GOLDBERG: Well, thank you.  
10                  But we'll move on from there.

11                  Next item on the agenda is the  
12                  investment report, and this is part of the fun  
13                  part of the day where we have multiple Michaels.  
14                  We have lots of people with the same name.

15                  And the first -- the second --

16                  MR. TROTSKY: And look, we have an Andre  
17                  in the flesh.

18                  TREASURER GOLDBERG: I saw.

19                  MR. TROTSKY: Congratulations, Andre.  
20                  You made it. You missed my nice comments. I'll  
21                  have to repeat them to you.

22                  TREASURER GOLDBERG: We are so excited  
23                  for you. But I've got to tell you right now, as  
24                  soon as your report's over, we're sending you

1 home.

2 MR. ABOUHALA: All right. Fair enough.

3 TREASURER GOLDBERG: First of all,  
4 you've probably had zero sleep this week. And  
5 second of all, you can just pick up whatever  
6 paperwork or computer you need and go home to your  
7 wife and your beautiful baby.

8 MR. ABOUHALA: Thank you, Treasurer.

9 TREASURER GOLDBERG: So with that, we  
10 will have Michael number 2, Mike McElroy. And we  
11 will do public markets. We have performance, and  
12 we have one, two, three voting items.

13 And, Mike, you can introduce who is  
14 going to present on the voting items when you're  
15 done with performance. Unless it's you, but I  
16 don't think it's you.

17 MR. McELROY: It's not going to be me.

18 TREASURER GOLDBERG: I know it's not  
19 you.

20 MR. McELROY: So Andre and Chuck and  
21 Christina as well.

22 So why don't I -- it sounds like  
23 everyone can hear me so that's great.

24 So again, this is Michael McElroy. I'll

1 try to keep this quick. And we'll discuss the  
2 public markets portfolios for the first quarter  
3 and the one-year periods.

4 So earlier today, Michael Trotsky  
5 reviewed how the markets performed over the past  
6 quarter and the year. Public equities were strong  
7 across both periods, and fixed income was mixed  
8 with those interest-sensitive strategies slightly  
9 declining as interest rates went up, while the  
10 credit-sensitive strategies have positive returns.

11 So for the PRIT Fund, the results  
12 relative to benchmarks were good in the first  
13 quarter. Global equities outperformed slightly,  
14 mostly related to the performance of our emerging  
15 markets managers.

16 Developed international managers, and  
17 this would be both our value and growth-oriented  
18 managers, were challenged in both the quarter and  
19 the one-year period.

20 So for the one-year period, global  
21 equity performance was slightly ahead of the  
22 benchmark. Again, with emerging markets' relative  
23 performance more than 7 percent ahead of its  
24 benchmark the main contributor to that



1 outperformance.

2 Later in the meeting, right after I  
3 present, we'll have a recommendation to expand our  
4 roster of international managers to enhance  
5 performance and reduce risk.

6 For our bond investments, in the first  
7 quarter, both the core and value-added strategies  
8 were ahead of benchmarks. Emerging markets debt  
9 and high-yield bond managers performed well.  
10 Results for the one-year period were also good,  
11 with our core and value-added managers delivering  
12 relative outperformance, and the credit-oriented  
13 managers providing the largest contributions to  
14 the outperformance.

15 From the discussions we've had with our  
16 managers, they're reporting that companies are  
17 delivering very good operating performance in this  
18 environment and are effectively navigating the  
19 potential headwinds and challenges well.

20 Artificial intelligence is a common  
21 theme on most of the calls. Companies really are  
22 benefiting, either by supplying the infrastructure  
23 needed to drive artificial intelligence growth, or  
24 are using it as a tool to boost productivity in

1       their own companies or in the products that they  
2       sell to other customers.

3               The consumer seems to be holding up well  
4       also. The labor market remains robust.

5               Inflation, both the level of inflation  
6       as well as the trend of inflation, whether it's  
7       going to continue to decline or just kind of stay  
8       at this level, remains a focus point for us as it  
9       could certainly disrupt consumer behavior,  
10      corporate investment decision-making and overall  
11      economic activity.

12              Stock and bond market volatility has  
13      moderated and are certainly below the levels we  
14      saw a year ago.

15              Given the environment and the potential  
16      risk catalysts, risk management remains and really  
17      is always a top priority for staff and for our  
18      managers.

19              Though we're neutral to geographies on a  
20      global basis, our overall emerging markets  
21      exposure continues to be underweight both North  
22      Asia, which would include China and Taiwan, as  
23      well as the Middle East, though our managers are  
24      starting to see signs of stabilization and

1 economic improvement in China, particularly our  
2 value-oriented managers.

3 Across the aggregate equity and fixed  
4 income holdings within the PRIT Fund, we have very  
5 muted relative exposures to regions, sectors,  
6 industries, countries. And on the fixed income  
7 side, very muted exposures to interest rate and  
8 credit risk.

9 So in closing, the public markets  
10 portfolio delivered what we would expect,  
11 outperformance at a similar risk level to global  
12 markets. While the global economy appears to have  
13 largely recovered from the pandemic and its  
14 aftermath, we continue to be cautious and mindful  
15 of catalysts which could hinder or derail further  
16 recovery or lead to market volatility spikes.

17 The public markets portfolio remains  
18 well-diversified across geographies, styles and  
19 sectors, and demonstrates this during market  
20 stress periods.

21 The aggregate risk of the overall equity  
22 and fixed income portfolios remains low, and our  
23 managers continue to deliver benchmark relative  
24 value-added.

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

3                   MR. NAUGHTON: I have a question, Madam  
4                   Treasurer.

5                   TREASURER GOLDBERG: Yes. Please go  
6                   ahead.

7                   MR. NAUGHTON: Good morning, Michael.

8                   I voiced this concern before. It's  
9                   clear that the CCP has been -- whatever verb you  
10                  want to use -- intervening, interfering with the  
11                  economy more directly. Intimidating people who  
12                  are leaders in both media and in the economy.

13                  And I guess I'm always just worried  
14                  about how we go about monitoring that when we are  
15                  considering expanding investments in China.

16                  MR. McELROY: Yes. So it's a good  
17                  question, and certainly one we speak with all of  
18                  our emerging markets managers about, particularly  
19                  given China's large size within our benchmark.

20                  It's come down quite a lot. And so our  
21                  managers have benefited by being underexposed to  
22                  China relative to the benchmark.

23                  But there's no question it still  
24                  represents 25 percent of our benchmark. And as I

1       noted, we are underweight about 4 percent there.  
2       Our managers are starting to see some  
3       opportunities in terms of stabilization, but those  
4       political risks and certainly the centralized  
5       economic planning and government pressure is  
6       something that's clearly a risk.

7               And so we try to size that appropriately  
8       in terms of our manager allocations within  
9       emerging markets, but it's something that we  
10      really delegate to our managers in terms of their  
11      views on it. And in aggregate, they also see  
12      risks and so therefore are underweight to China  
13      and Taiwan as a combined entity.

14             MR. NAUGHTON: Just a quick follow-up.  
15      The monitoring that's done that you talk about, is  
16      that ongoing, or is that simply in the runup to  
17      investments in a particular area?

18             MR. McELROY: No. Every quarter, we  
19      have a touch point with every one of our managers  
20      in terms of what they're seeing, as a portfolio  
21      review. So it's not just kind of looking at the  
22      investment prior to making the decision to  
23      allocate to a manager, but it's ongoing  
24      discussions we have at least four times a year

1 with our managers formally.

2 And then internally, the risk team, so  
3 Jay and Shannon, meet with the public markets team  
4 to go through a risk review of risks across all of  
5 our portfolios, not just the emerging markets.  
6 But within the emerging markets, we tend to focus  
7 on how much risk are we seeing from the country,  
8 the sector and other dimensions of risk.

9 MR. NAUGHTON: Thanks very much,  
10 Michael.

11 MR. McELROY: Thanks, Dennis.

12 TREASURER GOLDBERG: Any other  
13 questions?

14 Hearing none, shall we move on to the  
15 voting items? The first being developed  
16 international growth equity.

17 MR. McELROY: And this will be Andre  
18 presenting.

19 TREASURER GOLDBERG: Okay then. So,  
20 Andre, I'm going to seek a motion and a second,  
21 and then we'll turn it over to you. How's that  
22 sound?

23 MR. ABOUHALA: Sounds great.

24 TREASURER GOLDBERG: Okay. So I would

1 seek a motion that the PRIM Board approve the  
2 Investment Committee's recommendation to approve  
3 initial allocations of up to \$400 million to  
4 C WorldWide Asset Management, up to \$400 million  
5 to PineStone Asset Management, and up to  
6 \$400 million to Walter Scott & Partners to provide  
7 active investment management services for a world  
8 ex-U.S. growth equity mandate, as described in the  
9 expanded agenda, and further to authorize the  
10 executive director to take all actions necessary  
11 to effectuate this vote.

12 Is there a motion?

13 MR. BROUSSEAU: So moved.

14 MR. SHANLEY: So moved.

15 TREASURER GOLDBERG: Is there a second?

16 I think --

17 MS. MCGOLDRICK: Second.

18 TREASURER GOLDBERG: That was Theresa.

19 Okay.

20 Go ahead, Andre.

21 MR. ABOUHALA: Thank you.

22 Good morning, everyone. I'm Andre  
23 Abouhala, investment officer on the public markets  
24 team. I'll be presenting this recommendation in

1 Appendix D.

2 As you know and as Mike said, over the  
3 last three years, we've been working on enhancing  
4 our developed international equity portfolio,  
5 which is currently around 10 billion in assets and  
6 mostly actively managed.

7 We've made some great progress by  
8 bringing in three international value managers in  
9 2022 who have really complemented the existing  
10 lineup. And now we want to diversify further by  
11 adding some growth-oriented managers to the mix.

12 We recommend allocating up to  
13 400 million each to C WorldWide, PineStone and  
14 Walter Scott in separately managed accounts.

15 This won't change our overall public  
16 equity exposure since we'll be sourcing the funds  
17 primarily from our existing active portfolio. And  
18 the goal here is to diversify our line of growth  
19 managers, reduce manager- and style-specific  
20 risks, and ultimately improve stability and risk-  
21 adjusted returns.

22 For the search, we used our non-RFP  
23 procurement method, just like we did for the value  
24 search in 2022. This method is effective when



1 potential vendors and solutions are well-defined  
2 and data coverage is extensive.

3 This approach also utilizes our  
4 established multi-stage due diligence playbook.  
5 We began this search by sourcing over 500 funds,  
6 screening them based on performance and fit within  
7 our portfolio. Standout managers were invited to  
8 meetings to discuss their strategies.

9 We then sent detailed questionnaires,  
10 conducted extensive interviews and analysis, and  
11 visited their offices to see firsthand how they  
12 think and operate, meet their teams face to face,  
13 and get a better feel for their culture.

14 To ensure a thorough and objective  
15 assessment, the process involved collaboration  
16 between PRIM staff and our advisors, Meketa and  
17 Albourne.

18 To talk a little bit about the managers,  
19 what sets them apart is their strong track record,  
20 clear investment philosophies and bottom-up  
21 approaches to identifying high quality companies.  
22 They have experience with large U.S. public  
23 pension plans and share our commitment to long-  
24 term investing, sustainability and governance.

1                   And while these managers do share some  
2                   key characteristics, they each bring a set of  
3                   unique strengths and distinct approaches to the  
4                   table.

5                   So I'll just highlight some of that,  
6                   starting with C WorldWide. They're based in  
7                   Copenhagen, and they manage 17 billion in assets.  
8                   They were founded in 1986 and became an  
9                   independent firm under Altor ownership in 2009.  
10                  And their 17-member investment team is led by Bo  
11                  Knudsen. And they use a multi-theme screening  
12                  approach and have a hands-on research process.  
13                  The team has a strong tenure, with the lead PM  
14                  having been there for 26 years.

15                  Next we've got PineStone. They're an  
16                  employee-owned firm founded in 2021 by CEO and CIO  
17                  Nadim Rizk, who previously managed this strategy  
18                  with the same team at Fiera Capital. They oversee  
19                  48 billion in assets. The 10-member investment  
20                  team is organized by global sectors and is known  
21                  for its employee ownership structure, strong  
22                  leadership and team continuity and robust research  
23                  process.

24                  Last but not least, there's Walter

1 Scott, and they're an Edinburgh-based firm,  
2 founded in 1983. And since 2005, they've been  
3 part of the BNY Mellon family but continue to  
4 operate autonomously. Under Jane Henderson's  
5 leadership since 2010, they manage 83 billion in  
6 assets.

7 Their 20-member investment team  
8 maintains a long-term focus with a third of their  
9 holdings being held for over a decade. They have  
10 a consistent track record of weathering market  
11 downturns effectively. We really like that about  
12 them.

13 We believe these shared traits coupled  
14 with their individual strength make these three  
15 managers a compelling and complementary mix for  
16 the portfolio.

17 That's it for today. Appreciate your  
18 time and attention. And any more details on the  
19 recommendation of the manager, Mike and I are  
20 happy to answer questions.

21 TREASURER GOLDBERG: Are there questions  
22 for Andre or Mike with respect to this?

23 Hearing none, I will move to a roll call  
24 vote.

1 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: Theresa?

8 MS. McGOLDRICK: Yes.

9 TREASURER GOLDBERG: Peter?

10 MR. MONACO: Yes.

11 TREASURER GOLDBERG: Dennis?

12 MR. NAUGHTON: Yes.

13 TREASURER GOLDBERG: Carly?

14 MS. ROSE: Yes.

15 TREASURER GOLDBERG: Paul?

16 MR. SHANLEY: Yes.

17 TREASURER GOLDBERG: Myself, yes.

18 The motion carries.

19 Thank you, Andre. Time to go home.

20 MR. ABOUHALA: Thank you very much,

21 everyone.

22 TREASURER GOLDBERG: I want to remind

23 people that in our offices and our affiliates,

24 everyone gets paid parental leave. Men, women,

1       for birth, adoption, foster care. You name it, we  
2       believe in it, and we believe it is critical to be  
3       supporting families.

4               So you go for it, Andre.

5               With that, we will move on to the next --  
6       is it going to be Christina or Chuck on the next  
7       one?

8               MR. McELROY: Chuck on the first one.

9               TREASURER GOLDBERG: You ready, Chuck?

10              MR. LaPOSTA: I am.

11              TREASURER GOLDBERG: Okay. I am going  
12       to seek a motion and second, and then we're going  
13       to turn it over to you.

14              I seek a motion that the PRIM Board  
15       approve the Investment Committee's recommendation  
16       to approve initial allocations up of to \$2 billion  
17       into separately managed accounts as follows: up  
18       to \$300 million to Anchorage Capital Advisors, up  
19       to \$600 million to HPS Investment Partners, up to  
20       \$500 million to KKR Credit - KMAC strategy, up to  
21       \$200 million to KKR Credit - GCOF strategy, and up  
22       to \$400 million to Shenkman Capital Management, to  
23       provide active investment management services for  
24       multi-asset class credit investment strategies as

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

4 Is there a motion?

5 MR. BROUSSEAU: So moved.

6 MR. SHANLEY: So moved.

7 TREASURER GOLDBERG: Is there a second?

8 MS. D'AMATO: Second.

9 TREASURER GOLDBERG: Thank you.

10 Go ahead, Chuck.

11 MR. LaPOSTA: Thank you.

12 Good morning, everyone. This is Chuck  
13 LaPosta, director of fixed income.

14 After evaluating the 51 submissions to  
15 the RFP for multi-asset credit or MAC, as we refer  
16 to it, that PRIM issued on October 31, 2023, we  
17 are recommending changes to the structure of our  
18 value-added fixed income portfolio.

19 With your approval, we will reduce our  
20 existing exposure to high-yield and bank loan  
21 managers to fund the proposed allocation to these  
22 new mandates.

23 The presentation supporting the  
24 recommendation can be found at Appendix G.

1                   Tony, if you'd be so kind to share that  
2     on the screen, I will refer to a few pages.

3                   MR. FALZONE: All set.

4                   MR. LaPOSTA: Thank you.

5                   While we have discussed this in page-by-  
6     page detail at the May 7 Investment Committee  
7     meeting, I will provide a brief recap of the  
8     objectives and process and some detail on the  
9     recommended structure and rationale for each of  
10    their strategies.

11                  Multi-asset credit strategies have a few  
12    key attributes. First, the flexibility to control  
13    duration by investing in either fixed rate, high-  
14    yield bonds or floating rate bank loans; the  
15    ability to employ a singular view on credit,  
16    managers can look up and down the capital  
17    structure to find the best relative value  
18    investments in each issuer, as well as a broader  
19    investable opportunity set.

20                  MAC strategies often include additional  
21    asset classes such as collateralized loan  
22    obligations, convertible bonds, commercial  
23    mortgage-backed securities and other structured  
24    credit instruments to achieve greater risk-

1 adjusted returns.

2 The recommended managers take advantage  
3 of these attributes in a variety of ways. For  
4 example, KKR's KMAC and Shenkman's strategies  
5 employ a top-down asset allocation approach,  
6 coupled with bottom-up credit research process to  
7 build well-diversified portfolios.

8 The Anchorage strategy relies heavily on  
9 active trading, as well as the firm's history in  
10 illiquid and special situations credit analysis.

11 Lastly, HPS and KKR's GCOF strategies  
12 rely on strong credit selection, especially in  
13 lower quality issuers, coupled with concentrated  
14 positions to generate alpha.

15 Pages 3 and 4 outline the objectives and  
16 process. I won't go through those page by page,  
17 but the important thing to highlight is that the  
18 evaluation committee used all available resources  
19 and analytical tools to evaluate submissions based  
20 on return, risk and cost, which is highlighted on  
21 the top of page 5.

22 The recommended strategies showed  
23 favorable returns as compared to other respondents  
24 to the RFP, as well as to portions of our existing



1 portfolio.

2 Tracking error, which is the common  
3 measure of risk, is expected to increase as the  
4 result of this change, but is anticipated to be  
5 offset by improved risk-adjusted returns.

6 And finally, the estimated cost of this  
7 allocation will be 33.5 basis points, which is  
8 lower than the 39-basis-point median of the RFP  
9 respondents, the 46-basis-point mark in Meketa's  
10 investment universe, and lower than existing  
11 portfolios within our value-added fixed income  
12 portfolio, which average in the 36- to 43-basis-  
13 point range.

14 The graphic below on page 5 depicts the  
15 structure of our value-added fixed income  
16 portfolio, and I will focus on the two columns on  
17 the left, which highlight our current and proposed  
18 allocations.

19 We currently have stand-alone  
20 allocations to high-yield bonds, bank loans and  
21 emerging markets debt. Our recommendation will  
22 carve out a portion of the high-yield and bank  
23 loan assets to be managed in the multi-asset  
24 credit construct. We will fund this exposure by

1       reducing our high-yield and bank loan exposure, as  
2       well as by sourcing funds from other parts of our  
3       portfolio.

4               The benchmark for multi-asset credit  
5       will be a 50/50 blend of high-yield and bank  
6       loans, so the resulting exposures will be largely  
7       consistent with our current exposure.

8               Page 6 provides a summary of the  
9       strategies being recommended. Importantly, three  
10      of the four managers are existing relationships  
11      within our value-added fixed income portfolio, and  
12      the fourth, HPS, is a well-established manager  
13      with over \$100 billion in AUM solely dedicated to  
14      credit investing.

15             While each of these strategies invest in  
16      publicly traded non-investment grade credit  
17      instruments, we have identified unique attributes  
18      of each strategy that support positive results and  
19      allow for some diversification benefit when  
20      combined.

21             As I mentioned earlier, Shenkman and  
22      KKR's KMAC use a more broadly diversified strategy  
23      to capture credit market opportunities and focus  
24      on risk control and downside protection. Shenkman

1 will rely more heavily on convertible bonds, while  
2 KMAC will have a more global perspective and a  
3 wider use of collateralized loan obligations or  
4 CLOs.

5 HPS will have a more risk-oriented  
6 approach, but will build concentrated portfolios  
7 with overweights to mispriced CCC-rated credit,  
8 exposures to CLOs and generally shorter duration.

9 Anchorage's strategy is also  
10 concentrated. They are more active in trading to  
11 extract market premium and to reposition the  
12 portfolios. They also leverage the firm's DNA in  
13 illiquid and stressed credit to create positive  
14 outcomes from credits others may shy away from.

15 Finally KKR's GCOF strategy is the most  
16 concentrated and highest risk strategy being  
17 recommended. It represents the best ideas of  
18 KKR's credit platform and will likely have the  
19 most exposure to the lowest quality segment of the  
20 non-investment grade universe, but through the  
21 depth of the credit team and the breadth of their  
22 organization will be able to find the best value  
23 among the riskiest cohort of the credit market.

24 With that, I am happy to take any

1 questions.

2 TREASURER GOLDBERG: Are there questions  
3 for Chuck?

4 Hearing none, we will proceed with the  
5 roll call vote.

6 Bob?

7 Bob?

8 I can't hear you so I'll come back to  
9 you.

10 Catherine?

11 MS. D'AMATO: Yes.

12 TREASURER GOLDBERG: Ruth Ellen?

13 MS. FITCH: Yes.

14 TREASURER GOLDBERG: Theresa?

15 MS. McGOLDRICK: Yes.

16 TREASURER GOLDBERG: Peter?

17 MR. MONACO: Yes.

18 TREASURER GOLDBERG: Dennis?

19 MR. NAUGHTON: Yes.

20 TREASURER GOLDBERG: Carly?

21 MS. ROSE: Yes.

22 TREASURER GOLDBERG: Paul?

23 MR. SHANLEY: Yes.

24 TREASURER GOLDBERG: Bob, do you think --

1 do you have it on?

2 You're on mute, Bob.

3 Bob, you're on mute.

4 Yes. We need to hear your voice  
5 unfortunately. Right, Renee?

6 MS. LeFEVRE: Bob, can you unmute  
7 yourself?

8 MR. FALZONE: We'll work with him to try  
9 to get that figured out.

10 TREASURER GOLDBERG: I will vote yes.

11 And the motion carries.

12 MS. FITCH: Can I ask a question?

13 TREASURER GOLDBERG: Sure.

14 MS. FITCH: I just want to -- when will  
15 we, I guess, get some kind of preliminary or  
16 report back as to the success of this? I just am  
17 very interested in the structure and the changes  
18 and want to hear back.

19 TREASURER GOLDBERG: Okay. No problem  
20 at all.

21 And you know you don't have to wait for  
22 an official report.

23 MS. FITCH: Right.

24 TREASURER GOLDBERG: You can always let

1 Mike Trotsky know that you want to talk about it,  
2 and he will put together something for you.

3 MS. FITCH: Okay. I just -- thank you  
4 for that. But I just want to keep tabs on it  
5 because it's really fascinating. So I want to  
6 hear back.

7 TREASURER GOLDBERG: Bob is unmuted.

8 MR. BROUSSEAU: I vote yes.

9 TREASURER GOLDBERG: Let the record  
10 reflect that.

11 All right.

12 MR. LaPOSTA: If I may just answer Ruth  
13 Ellen's question a little bit.

14 As Mike McElroy alluded to earlier, we  
15 do have quarterly touch points with our managers.  
16 And while 90 days is not sufficient time to make a  
17 determination, we will get updates on a quarterly  
18 basis. And perhaps over a three- to five-year  
19 period, we'll have a better window over which we  
20 can observe the results.

21 But we will monitor these allocations  
22 and investments, just like we do everything else,  
23 and will be part of quarterly reporting and board  
24 and committee reports in the future.

1 MS. FITCH: Great. That's great. Thank  
2 you.

3 MR. LaPOSTA: You're welcome.

4 TREASURER GOLDBERG: Okay then. Where  
5 were we? The motion carried.

6 Next item. And, Christina, this will be  
7 you.

8 I'm going to seek a motion that the PRIM  
9 Board approve the Investment Committee's  
10 recommendation to approve an initial allocation of  
11 up to \$200 million to Morgan Properties's  
12 separately managed account as described in the  
13 expanded agenda, and further to authorize the  
14 executive director to take all actions necessary  
15 to effectuate this vote.

16 Is there a motion?

17 MS. FITCH: So moved.

18 TREASURER GOLDBERG: Is there a second?

19 MR. BROUSSEAU: Second.

20 MR. SHANLEY: Second.

21 TREASURER GOLDBERG: Okay then. Take it  
22 away.

23 MS. MARCARELLI: Thank you.

24 Chuck's going to actually introduce the

1       topic, and I'll follow up.

2               TREASURER GOLDBERG: Oh.

3               MR. LaPOSTA: Just the segue, I was  
4       going to do the --

5               TREASURER GOLDBERG: Mike McElroy, you  
6       confused me. It's called stump the Treasurer.

7               MR. LaPOSTA: I'm only going to  
8       transition. This is a recommendation for the  
9       other credit opportunities part of our portfolio,  
10      which lives in the value-added fixed income  
11      portfolio. So it is under my domain, but  
12      Christina and I have been working closely on many  
13      real estate-related strategies that fall into  
14      other credit opportunities so I'm just here to  
15      kind of transition and explain.

16              But just by way of background, as I  
17      mentioned, other credit opportunities lives within  
18      value-added fixed income. We currently have a  
19      1.7 percent allocation and have been looking for  
20      opportunities to increase our exposure there as a  
21      result of the increased allocation targets that  
22      were approved at the February board meeting.

23              And this recommendation is a unique  
24      partnership that will allow us to access certain



1 investments created by Freddie Mac. Freddie Mac's  
2 mission is to provide affordable financing to the  
3 housing sector, both in single-family and multiple  
4 family housing sector, as I said.

5 This strategy allows us to access  
6 investments to support multifamily workforce  
7 housing, while achieving the nearly 10 percent  
8 return target within our OCO bucket with limited  
9 risk of loss based on Freddie Mac's underwriting  
10 standards observed over the last 30 years.

11 And with that, I'll turn it over to  
12 Christina, who will give you much more of the  
13 detail on the specifics of the investment.

14 MS. MARCARELLI: Thank you, Chuck.

15 And good morning, everyone. This is a  
16 new manager recommendation. We're proposing an  
17 initial \$200 million investment with Morgan  
18 Properties in a separately managed account.

19 The strategy will be to acquire B-piece  
20 tranches of Freddie Mac loan securitizations.  
21 This is a sector that we know and understand well.  
22 We currently have exposure to this space through  
23 our relationship with another advisor where we are  
24 invested in two commingled fund vehicles, both of

1       which have performed well.

2               A brief reminder of what the strategy  
3       is. Freddie Mac purchases loans from preapproved  
4       originators. They've been doing this since the  
5       mid-'90s.

6               In 2009, they began to securitize these  
7       loans. Much like a CMBS structure, the loans are  
8       pooled into a securitization and sliced into  
9       multiple classes of bonds based on risk.

10              This strategy will acquire the junior-  
11       most tranche, known as the B-piece. This is the  
12       first loss position in the debt stack.

13              We're comfortable taking this type of  
14       risk for several key reasons. The securitizations  
15       here are comprised solely of loans backed by  
16       stabilized workforce multifamily assets and  
17       underwritten to strict Freddie Mac loan criteria.

18              Freddie Mac has also experienced very  
19       low default rates since they began making loans in  
20       the 1990s. The pools are also very diversified  
21       with no specific asset or market concentration.

22              The strategy is unique because it is  
23       hard to access. Freddie Mac awards the B-piece to  
24       a select group of buyers that are all of similar

1 profile to Morgan Properties. They're investment  
2 managers with extensive experience owning and  
3 operating multifamily properties at scale.

4 A brief background on who Morgan  
5 Properties is. They were founded in 1985 by  
6 Mitchell Morgan and have grown to become the third  
7 largest multifamily owner in the United States  
8 with over 90,000 units owned.

9 They're a privately owned and vertically  
10 integrated company. They operate all of their  
11 multifamily properties in-house with over 2500  
12 employees.

13 Their sole focus is the multifamily  
14 sector, specifically workforce housing. And  
15 they're active in both the equity and debt sides  
16 of the business.

17 Morgan Properties has a longstanding  
18 relationship with Freddie Mac as both a B-buyer  
19 and also as a borrower on the equity side of their  
20 business. They've also become one of the most  
21 active buyers of B-pieces over the past five  
22 years.

23 And with that, I am happy to answer any  
24 questions.

1                   TREASURER GOLDBERG: Are there  
2 questions?

3                   MR. NAUGHTON: Well, I have one ignorant  
4 question.

5                   TREASURER GOLDBERG: No question is  
6 ignorant, Dennis.

7                   MR. NAUGHTON: That's not true in my  
8 experience. This may very well be.

9                   TREASURER GOLDBERG: You're a teacher.  
10 You know that.

11                  MR. NAUGHTON: And because I'm a  
12 teacher, I don't have any depth of background in  
13 this sort of thing. So help me understand why we  
14 want to acquire the riskiest tranche in a first  
15 loss position.

16                  MS. MARCARELLI: It's a great question.

17                  We think on a risk-adjusted basis, you  
18 get paid for taking that risk. And as I mentioned  
19 in my comments, Freddie Mac has significantly low  
20 default rates. And there's a few reasons behind  
21 that. Borrowers access Freddie Mac because of --  
22 it's typically the cheapest form of debt. Not  
23 always, but oftentimes it is.

24                  And Freddie Mac and both Fannie Mae,

1       their mission is to provide mortgage liquidity to  
2       both the multifamily and residential markets.

3               And borrowers appreciate that, and so  
4       they're going to do their best to kind of remain  
5       in good standings with Freddie Mac. So they're  
6       going to do their best to pay their debts and not  
7       default.

8               We've looked at length at the track  
9       record of Freddie Mac loans, and they have had a  
10      significantly low default rate.

11              We think by taking the first loss  
12      position, on a risk-adjusted basis, is still a  
13      very attractive return.

14              MR. NAUGHTON: So that is what I was  
15      thinking was probably the case, and I appreciate  
16      your reassurance. Thank you.

17              MS. MARCARELLI: Sure.

18              MR. LaPOSTA: Yes. Just one other point  
19      to add as well. While it is the riskiest point on  
20      the debt stack, there is significant equity value  
21      in front of us in terms of underwriting is  
22      typically 35 percent of the equity value before  
23      the loan is impacted. So we have that cushion as  
24      well.

1 MR. NAUGHTON: Thanks.

2 TREASURER GOLDBERG: Any other

3 questions?

4 Okay. I will 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: Theresa?

12 MS. McGOLDRICK: Sorry. Yes.

13 TREASURER GOLDBERG: Peter?

14 MR. MONACO: Yes.

15 TREASURER GOLDBERG: Dennis?

16 MR. NAUGHTON: Yes.

17 TREASURER GOLDBERG: Carly?

18 MS. ROSE: Yes.

19 TREASURER GOLDBERG: Paul?

20 MR. SHANLEY: Yes.

21 TREASURER GOLDBERG: Myself, yes.

22 The motion carries.

23 Great. Looks like we are moving on to

24 portfolio completion strategies, which would

1 typically be Bill. I don't see him.

2 Who is supposed to come on for --

3 MR. FALZONE: He's being promoted.

4 There he is.

5 TREASURER GOLDBERG: All righty.

6 Bill will give us a performance summary,  
7 and then there will be a follow-on investment  
8 recommendation, a voting item.

9 Bill, will you be presenting the voting  
10 item? So will you be doing both?

11 You are on mute, Bill.

12 MR. LI: I will be doing both.

13 TREASURER GOLDBERG: All right. Thank  
14 you. Go right ahead.

15 MR. LI: Thank you, Madam Treasurer.

16 And a good morning, everyone.

17 I'm happy to report that PCS had a  
18 strong performance.

19 And by the way, my name is Bill Li. I'm  
20 director of the portfolio completion strategies or  
21 PCS.

22 At PCS, in the quarter ending March 31,  
23 the portfolio has grown by 3.1 versus benchmark's  
24 2.7 percent. Trailing one-year PCS was up by

1       10.6 percent, outperforming benchmark by 140 basis  
2       points.

3               Hedge funds, which accounts for the  
4       lion's share of PCS, delivered a positive  
5       12.3 percent, outpacing benchmark by almost  
6       300 basis points. And our hedge fund program's  
7       return-risk ratio of 1.3 is really an excellent  
8       result. That compared very favorably to the 0.3  
9       ratio of a passive 60/40 market portfolio.

10              At a more granular level, we're still  
11       seeing healthy breadth and depth of returns coming  
12       from our hedge fund relationships. In terms of  
13       breadth, both stable value and directional funds  
14       contributed meaningfully.

15              In the meantime, there continues to be a  
16       nice dispersion under the surface. Specifically,  
17       global macro and relative value strategies led the  
18       way. Event-driven and equity long/short  
19       experiences are more mixed. Nevertheless, there  
20       are more mandates reporting positives than  
21       negatives, pointing to a portfolio comprised of  
22       idiosyncrasies, not just the free riders of the  
23       market beta tailwind.

24              Aggregating the zigs and zags from the



1 manager level to the hedge fund portfolio level,  
2 equity beta stays around .1 to .2 range, meaning  
3 our hedge fund program continues to provide a  
4 differentiated return stream to the broader PRIT  
5 Fund.

6 Against this backdrop of strong figures,  
7 we're checking in more frequently with the  
8 investment partners. And this is to guard against  
9 complacency. So far, our ongoing assessment  
10 indicates the portfolio is well-fenced. We don't  
11 know how long and to what extent the rising tide  
12 and sunny weather will carry on, but a well-fenced  
13 portfolio should ensure the garden of this hedge  
14 fund program is resilient enough, rain or shine.

15 And with that, I'm happy to take any  
16 questions you have regarding PCS or hedge funds.

17 TREASURER GOLDBERG: Are there questions  
18 for Bill?

19 I do like your description at the end,  
20 rain or shine.

21 Questions?

22 MR. NAUGHTON: Just one. Good morning,  
23 Bill.

24 So in the balance between -- we have two

1 kinds of properties, right? Commercial and then  
2 privately owned, kind of somebody's house or  
3 whatever.

4 What's the percentage of difference  
5 between the two in this investment we want to  
6 enter into here between commercial and  
7 residential?

8 MR. LI: In the hedge fund program and  
9 the PCS program, most of the mandates are liquid  
10 in nature. And some of the managers specialize in  
11 trading across asset classes versus some others  
12 might specialize in specific vertical asset  
13 classes like equity or credit as such.

14 And there's a fraction of the portfolio  
15 that intersects with the real assets and even, in  
16 certain circumstances, real estate and real estate  
17 debts. And in those regard, those are -- I mean  
18 would go further when we are making a  
19 recommendation in the next agenda item, but that  
20 pertains to more residential real estate that have  
21 defaulted and that are not primary homeowners per  
22 se, but we can go into more detail.

23 And that is a very fraction of our PCS  
24 portfolio.

1                   MR. TROTSKY: I think your question,  
2     Dennis, pertains to the next agenda item, Eidos.

3                   MR. NAUGHTON: I dropped my eyes too far  
4     down the page, Michael. So we'll just let the  
5     question hang out there until we get to the next  
6     item because I would like to know. Thank you.

7                   MR. TROTSKY: Yes. We'll get to that.  
8     You're jumping ahead of us.

9                   MR. NAUGHTON: It's my nature.

10                  TREASURER GOLDBERG: Okay. If there are  
11     no more questions on the performance item, I want  
12     to really make Dennis happy, so I think I may move  
13     on to the voting item.

14                  And that would be that I would seek a  
15     motion that the PRIM Board approve the Investment  
16     Committee's recommendation to approve a commitment  
17     of up to \$175 million to Eidos Italian Distressed  
18     Loan Fund III as described in the expanded agenda,  
19     and further to authorize the executive director to  
20     take all actions necessary to effectuate this  
21     vote.

22                  Is there a motion?

23                  You might as well do it, Dennis.

24                  You're on mute now.

1 MR. NAUGHTON: I'll decline that,  
2 Treasurer, and leave it to someone else.

3                   TREASURER GOLDBERG: Is there a motion?

4 MR. BROUSSEAU: So moved.

5 TREASURER GOLDBERG: Is there a second?

6 MS. D'AMATO: Second.

7 MS. FITCH: Second.

8 TREASURER GOLDBERG: Okay.

9 MR. LI: Thank you, everyone.

10 This is a follow-on investment  
11 recommendation. PRIM has invested in Eidos  
12 Italian Distressed Loan Fund II via a feeder  
13 construction. Fund II has performed well, and  
14 we're now recommending a commitment of up to  
15 \$175 million to Fund III, this time directly into  
16 the master fund.

Our investment due diligence has been bolstered by internal expertise. This is truly a team effort. Francesco Daniele, who's on screen, our director of client services with over a decade of Italian debt experience in his prior life, and Christina Marcarelli, our director of real estate debt, were instrumental in evaluating the fund.

24 Briefly about the opportunity set, since

1 European regulators started pressuring Italian  
2 banks to offload nonperforming loans or NPLs, a  
3 large market of intriguing opportunities emerged.  
4 We estimate that between primary and secondary  
5 markets, the remaining NPL inventory still exceeds  
6 300 billion euros, offering a sizable pool for  
7 Eidos to invest in.

8           And here also about Eidos, the manager,  
9 who runs the strategy, as a local, nimble  
10 investor, Eidos boasts a high-caliber team with a  
11 rigorous process.

12           Specifically, the fund will focus on  
13 acquiring small portfolios of NPLs at steep  
14 discounts. The loans are mostly over-  
15 collateralized with real estate assets, such as  
16 second homes or third homes and offices and such.  
17 Eidos will then aim to recover the loans, mainly  
18 through negotiated settlements with borrowers.

19           Our Francesco here did extensive local  
20 references, and all confirmed Eidos's meticulous  
21 underwriting, which sets them apart from  
22 competitors focused on scale over detail.

23           The fund is different from other debt  
24 investments that PRIM has made. Christina helped

1 with the comparative analysis.

2 So compared to performing real estate  
3 credits, we're looking at about 300 bps return  
4 pickup annually with Eidos. We believe the  
5 expected return here is commensurate with the risk  
6 involved.

7 In short, Eidos Fund III presents unique  
8 opportunity to capitalize on a sizable evolving  
9 market with a highly skilled local manager.

10 And with that, we'd like to open the  
11 floor for further questions. Francesco, Christina  
12 and I remain here at your disposal.

13 TREASURER GOLDBERG: Thank you, Bill.

14 Are there any questions?

15 Catherine, I bet you could ask in  
16 Italian of Francesco, and he would respond in  
17 Italian.

18 MR. TROTSKY: But here, Dennis, maybe  
19 you want to repeat your question to the team.

20 MR. NAUGHTON: Thank you, Michael.

21 Yes. Once again, I was concerned to  
22 know, if you have the data, what the balance is  
23 between commercial and residential properties.

24 MR. LI: Sure, Dennis. It's a mix of

1       collaterals. So those are defaulted loans  
2       collateralized with real estate assets. And among  
3       those real estate collaterals, over half of them  
4       are residential.

5               And almost all of the residential assets  
6       here are non-primary homes, meaning that the  
7       borrowers will have a high willingness to pay  
8       because most of them are actually asset-rich.

9               And that is very favorable feature that  
10      we've identified with this manager, that they are  
11      trying to avoid primary homes versus the more  
12      asset-rich borrowers should have more willingness  
13      as well as ability to pay, and that should also  
14      help with our eventual investment return.

15              MR. NAUGHTON: I understand. That's  
16      very helpful, Bill. Thank you.

17              MR. BROUSSEAU: Madam Treasurer.

18              TREASURER GOLDBERG: Yes.

19              MR. BROUSSEAU: Could I ask my good  
20      friend Francesco to give us his take on this?  
21      Knowing his background with I think this sector, I  
22      know he gave a fine presentation at the Investment  
23      Committee meeting, and I think it probably bears  
24      repeating.

1                   MR. DANIELE: Yes. Thanks, Bob.

2                   It was a truly collaborative effort as  
3 Bill mentioned. My assessment and our assessment  
4 from the most recent due diligence is that the  
5 manager's better positioned, the market's kind of  
6 come in their favor, for Eidos, meaning smaller,  
7 bite-size deals, which means more tighter, line-by-  
8 line due diligence, which is favorable, versus  
9 megadeals, due to size and scale. So this should  
10 bode well for the manager.

11                  Clearly four years of expertise in the  
12 market, we've been able to follow them quite  
13 closely and meticulously. With our ongoing due  
14 diligence of the manager, has given us more  
15 confidence.

16                  Also the ability of the servicer to work  
17 very well with borrowers on the recovery side, as  
18 well as sellers. And from our third-party  
19 references that we collected, they were quite  
20 positive in Eidos's favor.

21                  But thanks for the question. And thanks  
22 for not asking it in Italian, Bob. I appreciate  
23 that.

24                  MR. BROUSSEAU: Couldn't do it.



1       Probably in French but not in Italian.

2               MR. DANIELE:   [speaking Italian]

3               MR. BROUSSEAU:  Even though I spent four  
4       different vacations in Italy over the years.

5               TREASURER GOLDBERG:  You know what?  You  
6       downplay your skills, Francesco.

7               MR. DANIELE:  Grazie.

8               MR. BROUSSEAU:  Grazie.

9               TREASURER GOLDBERG:  Dennis, is your  
10      question answered?  And is everyone comfortable  
11      with this?  Any more questions?

12              MR. NAUGHTON:  Yes, I'm content based on  
13      what I was told, very much so.  And I appreciate  
14      the information.  Thank you.

15              TREASURER GOLDBERG:  Great.  Okay then.  
16      We can proceed with the vote.

17              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:  Theresa?

24              MS. McGOLDRICK:  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                  Thank you.

12                  That would be it for portfolio

13                  completion strategies.

14                  Next item on the agenda is private

15                  equity. And I'm assuming we have Michael

16                  Number 3. Mike McGirr, are you joining us?

17                  There you are.

18                  Okay then. We have performance summary

19                  and commitment summary. We will have one, two,

20                  three voting items.

21                  And, Mike, you can introduce who will be

22                  presenting on those voting items.

23                  MR. MCGIRR: Yes. Thank you, Madam

24                  Treasurer.

1 I'm going to kick off with a short  
2 performance update. And then, as you mentioned,  
3 we have a few voting items.

4 Can everybody hear me okay?

5 TREASURER GOLDBERG: Yes.

6 MS. FITCH: Yes.

7 MR. McGIRR: Great.

8 I'm Michael McGirr, director of private  
9 equity.

10 And a few words on performance. As  
11 Michael had mentioned, private equity's long-term  
12 performance remains strong. Our three-, our five-  
13 and our 10-year numbers all remain healthy at  
14 14.6 percent, 20 percent and 19 percent,  
15 respectively, all gross. And we also had our  
16 fifth straight positive quarter of performance.

17 And as a reminder, with our quarter lag,  
18 this is the September '23 through December '23  
19 period. So it's a while ago now.

20 During the quarter, private equity was  
21 up 2.7 percent gross or 2.4 percent net. And the  
22 trailing one-year period, as we had discussed, up  
23 8.8 percent gross or 7.5 percent net.

24 For the quarter, buyouts and growth

1 equity were up, while venture capital was flat.  
2 Buyouts were our strongest-performing asset class.  
3 SMID buyouts were up 3.3 percent for the quarter  
4 and up over 10 percent for the trailing year.

5 Our larger buyouts and our mega buyouts  
6 were our strongest-performing subasset class for  
7 both the quarter and trailing one-year, up  
8 4 percent and almost 13 percent, respectively.

9 Cash flows were positive in Q1, with  
10 distributions outpacing contributions. We  
11 received over \$500 million in distributions, and  
12 we're net cash flow positive to the tune of  
13 \$147 million.

14 And with that positive performance in  
15 our cash inflow, our assets grew to \$17.5 billion  
16 for private equity, also a high watermark for  
17 PRIM.

18 But we couldn't keep up with the public  
19 markets and the rest of the asset growth. So as  
20 a percent of total, we decreased to 16.8 percent of  
21 PRIT.

22 I'm going to pause my comments there on  
23 performance. Happy to take any questions or  
24 comments before moving to our voting

1 items today.

2 TREASURER GOLDBERG: Are there any  
3 questions on performance?

4 I actually have a question on the  
5 motions for the voting items. On my agenda, we  
6 have Trident as a separate voting item, but on my  
7 motions, it's included with the other two follow-  
8 on investments.

9 Tony or Mike, what is the appropriate  
10 way to go about it?

11 MR. McGIRR: Yes. We're going to batch  
12 all our re-up recommendations. That will include  
13 Trident X, the two Thoma Bravo fund  
14 recommendations.

15 TREASURER GOLDBERG: Okay.

16 MR. McGIRR: And then we're going to  
17 spend more time on the new investment  
18 recommendation with --

19 TREASURER GOLDBERG: So, Tony, I just  
20 wanted to let you know that it was separated out.

21 And that's why I probably confused you,  
22 Mike, when I said we had three voting items. I  
23 saw you kind of looked at me, and we really only  
24 have two.

1                   MR. FALZONE: I think Five Elms is a new  
2 investment, not a follow-on investment, and that's  
3 why it's separate.

4                   TREASURER GOLDBERG: No, no. That is  
5 separate. Five Elms is one voting item, and then  
6 we have three items included in the follow-ons.

7                   But on my agenda, we have Five Elms,  
8 followed by a voting item of Thoma Bravo, followed  
9 by a follow-on Trident vote.

10                  MR. FALZONE: Oh, the Thoma Bravo has  
11 two funds in that.

12                  TREASURER GOLDBERG: No, no. It's okay.  
13 We can go over this later.

14                  MR. FALZONE: All right. Thank you.

15                  TREASURER GOLDBERG: All I am saying is  
16 on the expanded agenda, Trident is separated as a  
17 separate voting item, if you look at the expanded  
18 agenda. And I just wanted to make sure we did  
19 this accurately and as expected.

20                  So with that, now that we've  
21 straightened that out --

22                  MR. TROTSKY: I get you. I get what  
23 you're saying. We'll --

24                  TREASURER GOLDBERG: Yes. It's just --

1                   MR. TROTSKY: It's a little confusing.  
2           I get it.

3                   TREASURER GOLDBERG: Right. Typically  
4           when we do follow-ons, we put them all under one  
5           vote, but I saw that it was split out in the  
6           expanded agenda.

7                   Okay. On the front page, by the way,  
8           just if you're looking for it.

9                   All right then. Since we don't have any  
10          other questions for Mike on performance, then we  
11          will move on to the new investment recommendation.

12                   And so what I will do is seek a motion  
13          that the PRIM Board approve the Investment  
14          Committee's recommendation to approve a commitment  
15          of up to \$100 million to Five Elms Fund VI, LP and  
16          add Five Elms Capital to the board-approved bench  
17          of co-investment managers, as described in the  
18          expanded agenda, and further to authorize the  
19          executive director to take all actions necessary  
20          to effectuate this vote.

21                   Is there a motion?

22                   MR. BROUSSEAU: So moved.

23                   TREASURER GOLDBERG: Is there a second?

24                   MS. FITCH: Second.

1                   TREASURER GOLDBERG:   Okay.

2                   MR. McGIRR:   Eliza Haynes is going to  
3   present this opportunity.

4                   MS. HAYNES:   Thanks, Treasurer.

5                   So our first recommendation today is a  
6   \$100 million investment in a new growth equity  
7   manager for PRIM called Five Elms.

8                   Sourcing new small buyout and growth  
9   equity opportunities has been a perennial effort  
10   across the private equity team as the portfolio  
11   has grown.

12                  We first came across Five Elms through a  
13   co-investment opportunity that we evaluated from  
14   an existing growth manager in the portfolio called  
15   JMI Equity.   JMI has purchased several companies  
16   from Five Elms and described them as a skilled,  
17   like-minded investor with a high quality portfolio  
18   of attractive companies.

19                  Five Elms is led by the founder, Fred  
20   Coulson, and four other partners who have spent  
21   the majority of their careers at the firm.   Based  
22   in Kansas City, Missouri, Five Elms has developed  
23   strong traction with founder-owned companies  
24   located outside of geographies well-covered by



1 other private equity firms.

2 We believe this provides complementary  
3 exposure and attractive diversification benefits  
4 for the PRIT Fund.

5 Five Elms is raising 850 million for  
6 Fund VI, which will invest in founder-owned,  
7 bootstrapped companies with enterprise values  
8 below 150 million. These small companies are  
9 typically experiencing moderate and efficient  
10 topline growth, but are often too lean to build a  
11 formal sales and marketing organization, recruit  
12 the right talent, or develop robust financial  
13 reporting.

14 Five Elms has built its organization to  
15 capitalize on these basic challenges by connecting  
16 founders to a network of seasoned software  
17 executives and a dedicated operations team  
18 focusing on scaling portfolio companies and  
19 improving their margin profile.

20 We believe Fund VI presents a unique  
21 opportunity to gain meaningful exposure to small  
22 bootstrapped companies with a firm of  
23 institutional quality. We're recommending a  
24 \$100 million commitment to Fund VI and expect Five

1 Elms to reach their hard cap of \$1 billion this  
2 year.

3 Happy to pause there and answer any  
4 questions that anyone might have.

5 TREASURER GOLDBERG: Are there any  
6 questions?

7 MR. BROUSSEAU: One fast question, maybe  
8 a comment later.

9 MS. HAYNES: Sure.

10 MR. BROUSSEAU: I see that fund size is  
11 \$850 million, and the recommendation is up to a  
12 hundred million. So I would say chances of  
13 getting 100 million are probably very slim, Eliza?

14 MS. HAYNES: We're actually pleased that  
15 we have comfort that we will achieve our full  
16 allocation. We've been happy that we're  
17 positioning ourselves as an attractive LP for Five  
18 Elms. And we have pretty good comfort that we'll  
19 get the full hundred million.

20 MR. BROUSSEAU: Thank you.

21 TREASURER GOLDBERG: Are there any other  
22 questions?

23 So for clarity's sake, I sorted this  
24 out. All follow-on recommendations get voted

1 together typically. The fact that it was listed  
2 separately was just because it was two different,  
3 and what was confusing to me, but if anyone else  
4 also reads the expanded agenda and might find it  
5 confusing, they were listed as item number 3, item  
6 number 4 and item number 5.

7 4 and 5 are grouped together in the  
8 motion, but it just took some interpretation  
9 because I'm reading both of them at the same time,  
10 trying to make sure that I deliver the right  
11 information and the right votes to all of you.

12 MS. FITCH: Got it. Thank you.

13 TREASURER GOLDBERG: So in case anyone  
14 else gets confused and is relying on me, I want to  
15 make sure you know that I dig deep on these  
16 things.

17 MR. FALZONE: It took me a while to  
18 catch up. I had to find the motions amongst my  
19 pile of paper here.

20 TREASURER GOLDBERG: Right. You had to  
21 find the motion, and then you had to look at the  
22 expanded agenda, and you could see why it didn't  
23 synch together, even though technically we group  
24 the follow-on recommendations together.

1                   However, on the expanded agenda, maybe  
2           they should be grouped together too.

3                   MR. FALZONE: I would agree with you.  
4           We'll take care of it.

5                   MR. BROUSSEAU: So is the vote now just  
6           on Five Elms?

7                   TREASURER GOLDBERG: Yes.

8                   MR. BROUSSEAU: Thank you.

9                   TREASURER GOLDBERG: Since there are no  
10          further questions, we will proceed with the vote.

11                   Ready, Bob? You're very ready.

12                   MR. BROUSSEAU: I vote yes.

13                   TREASURER GOLDBERG: Catherine?

14                   MS. D'AMATO: Yes.

15                   TREASURER GOLDBERG: Ruth Ellen?

16                   MS. FITCH: Yes.

17                   TREASURER GOLDBERG: Theresa?

18                   MS. McGOLDRICK: Yes.

19                   TREASURER GOLDBERG: Peter?

20                   MR. MONACO: Yes.

21                   TREASURER GOLDBERG: Dennis?

22                   MR. NAUGHTON: Yes.

23                   TREASURER GOLDBERG: Carly?

24                   MS. ROSE: Yes.

1                   TREASURER GOLDBERG:   Paul?

2                   MR. SHANLEY:   Yes.

3                   TREASURER GOLDBERG:   Myself, yes.

4                   The motion carries.

5                   Okay.   Now we can do the follow-on  
6       recommendations, and I seek a motion that the PRIM  
7       Board approve the Investment Committee's  
8       recommendation to approve the following follow-on  
9       commitments:   up to \$200 million to Thoma Bravo  
10      Fund XVI, up to \$125 million to Thoma Bravo  
11      Discover Fund V and up to \$175 million to  
12      Trident X, as described in the expanded agenda,  
13      and further to authorize the executive director to  
14      take all actions necessary to effectuate this  
15      vote.

16                  Is there a motion?

17                  MS. McGOLDRICK:   So moved.

18                  TREASURER GOLDBERG:   Is there a second?

19                  MR. BROUSSEAU:   Second.

20                  MS. FITCH:   Second.

21                  TREASURER GOLDBERG:   Okay.   Any  
22      questions on this?

23                  MR. NAUGHTON:   One.

24                  MR. BROUSSEAU:   Go ahead, Dennis.

1                   MR. NAUGHTON: I mentioned this to  
2     Michael --

3                   TREASURER GOLDBERG: Wait. By the way,  
4     Mike, do you need to make a -- does anyone need to  
5     make --

6                   MR. McGIRR: I'm happy to make a short  
7     presentation.

8                   And, Dennis, I'll take your direction if  
9     you'd like to ask your question first, or if you'd  
10    like a short presentation on these two managers'  
11    three funds, let me know.

12                  MR. NAUGHTON: I think it would make  
13    sense to hear you out first, Michael. Thanks.

14                  MR. McGIRR: Absolutely.

15                  So with these three funds, we're  
16    batching them in one recommendation, consistent  
17    with prior practice because these are high  
18    conviction follow-on investment opportunities.  
19    We've been investing with both groups for many,  
20    many years.

21                  And Ruth Ellen's asking about portfolio  
22    monitoring and assessing performance. Certainly  
23    if we want to keep investing with these groups, I  
24    think what you're seeing is a thumbs-up for both

1 managers in these three opportunities.

2 MS. FITCH: Good.

3 MR. McGIRR: Thoma Bravo is a large  
4 position for us, and they're a leading private  
5 equity firm that's been investing in software  
6 buyouts for over 20 years. Our investment  
7 relationship with this organization dates back to  
8 1998. So we've invested in 17 funds with them,  
9 and we've also made seven co-investments with them  
10 to date.

11 We're recommending two funds. Thoma  
12 Bravo XVI is their flagship fund, will target very  
13 large software companies, and Discover  
14 Fund V, which we've supported since their  
15 Fund I. The Discover franchise targets mid-market  
16 to upper mid-market companies. Both re-up  
17 opportunities for PRIM.

18 And as the Treasurer mentioned,  
19 \$200 million to the flagship and \$125 to Discover  
20 Fund V.

21 Stone Point, separate manager, we're  
22 recommending up to \$175 million in Stone Point  
23 Fund X. Stone Point's a financial services-  
24 focused private equity firm headquartered in

1 Greenwich, Connecticut.

2 We've had a great investment  
3 relationship with Stone Point. They will invest  
4 in market-leading financial service companies with  
5 high quality management teams targeting their core  
6 subsectors. They have an impressive track record,  
7 a deep network of financial services and  
8 differentiated access to deal flow.

9 They've also proven to be a good co-  
10 investment partner and a very good partner  
11 regarding operational due diligence. So again,  
12 we're recommending \$175 million for their latest  
13 flagship opportunity, Stone Point Trident Fund X.

14 I'm happy to take any questions, Dennis,  
15 or other members of the board.

16 MR. NAUGHTON: Yes. If I could ask my  
17 question now, and I want to say that one of the  
18 reasons I've been so omnipresent here is I was  
19 unable to be at the Investment Committee meeting.

20 When I read through the materials  
21 earlier, I did contact Michael and expressed a  
22 concern about the Trident X component of  
23 healthcare and managed care services.

24 And the reason is obviously we all know



1       what's going on with Steward here in  
2       Massachusetts. We know what has gone on frankly  
3       nationwide. Things have been written up whereby  
4       the care has not been all it should be. And I  
5       foresee that we're going to have regulatory  
6       involvement, at least on the state level, if not  
7       on the federal level, because nothing seems to get  
8       done on the federal level anymore.

9               But I just wanted to voice a concern  
10       about that component.

11              So when it says "may include," does that  
12       mean it's our decision whether it's included? Or  
13       it may be included in what we're going to invest  
14       in, and it's not within our purview to have  
15       anything to say about that?

16              MR. McGIRR: So, Tim, why don't you take  
17       a crack at answering Dennis's question regarding  
18       Stone Point's focus on healthcare investments?

19              MR. DOYLE: Sure.

20              Dennis, thank you for that question.

21              First, I'd like to note that it's  
22       important to remember that Stone Point are  
23       financial services sector specialists. So with  
24       all of their subsector focuses, including

1 healthcare and managed services, they're first  
2 looking through the financial services lens at  
3 their opportunities.

4 In healthcare and managed services  
5 specifically, their go-forward area of focus is on  
6 payor connectivity. So think insurance  
7 distribution, workers' comp, those types of areas.

8 These sectors, subsectors, Stone Point  
9 does have discretion to invest in them, and they  
10 have been investing in them for a number of years  
11 now. So we don't have control to say yes or no to  
12 these subsectors of focus.

13 MR. NAUGHTON: Okay. So just to be  
14 clear, are we talking about hospitals, nursing  
15 homes, or just insurance?

16 MR. MCGIRR: No. Stone Point targets  
17 financial services and business services. They do  
18 not invest in hospitals.

19 MR. NAUGHTON: Thank you. That's  
20 helpful.

21 TREASURER GOLDBERG: Dennis, any further  
22 questions?

23 MR. NAUGHTON: Not at the moment,  
24 Treasurer, but thank you.

1                   TREASURER GOLDBERG: Thank you.

2                   Okay. If there are no further  
3 questions --

4                   MR. BROUSSEAU: Question. I think  
5 probably a comment and a question.

6                   TREASURER GOLDBERG: Okay.

7                   MR. BROUSSEAU: Looking at these, a  
8 question on -- when I look at these, I read the  
9 evaluations, of course, that the staff has used in  
10 developing these. And I look at both the  
11 operations reports that we get through Hamilton  
12 Lane, as well as the ODD or the operational due  
13 diligence.

14                   And how do these evaluations or these  
15 reports enter into your decisions to make these  
16 recommendations to the board, number 1?

17                   And number 2, I see that we see grades  
18 of A, B and C. What do the A, B and C, we talk  
19 about operational due diligence, enter into the  
20 decision-making process on a firm?

21                   I know the background, and I've been  
22 here long enough, I know that Thoma Bravo has been  
23 one of our stars. In fact, I was on the board  
24 when we first began investing with them. And

1 Trident has also been a good firm with us.

2 But I guess my general question, Michael  
3 McGirr, if you could go into a little bit on this  
4 ODD that we go through. And I put a great deal of  
5 my [inaudible] on ODD, when I see these  
6 evaluations, and I'd like to know what the various  
7 grades mean as far as you're concerned in making  
8 the evaluations.

9 MR. MCGIRR: Absolutely. Thanks, Bob.

10 So we're incorporating all of the due  
11 diligence, whether it's internally conducted or  
12 externally conducted, into our ultimate investment  
13 decision-making.

14 So as you mentioned, ODD, operational  
15 due diligence, we have a specialist third-party  
16 consultant, Albourne. That's 100 percent of their  
17 time, exactly what they're doing, looking across  
18 the market, understanding best practices. And  
19 we're engaging with them on a regular basis.

20 Similarly, we work with investment due  
21 diligence consultants, Hamilton Lane, who we've  
22 been partnered with for many, many years.

23 Also in addition, our internal team,  
24 which is best in class, we're doing our own

1 investment due diligence, assessment,  
2 understanding, meeting with these managers and  
3 doing our own analysis, which is very rigorous and  
4 quantitative, as well as qualitative, meeting in  
5 person with these managers, doing lots of  
6 reference calls, off-the-list reference calls in  
7 particular.

8 And then we're also working with best-  
9 in-class legal providers that can help us  
10 understand all of the ins and outs of the legal  
11 agreements that we're ultimately signing up for.

12 I see Matt Liposky on the Zoom as well.  
13 He is closest with Albourne and ODD. So if you  
14 want to add anything, Matt, please do so.

15

16 MR. LIPOSKY: Yes. No. That was great,  
17 Mike.

18 In terms of ODD, we do utilize a third-  
19 party consultant, Albourne, and they are extremely  
20 good at what they do.

21 And Michael mentioned it best. What  
22 they're looking for is what is best in class?  
23 What is industry standards? But then best in  
24 class. And best in class sometimes exceeds

1 industry standard by a great margin. And that's  
2 typically in cybersecurity because the metrics are  
3 always changing. Cyber is always changing.

4 So being an A from Albourne's standpoint  
5 is near impossible. You rarely see it.

6 Bs are probably what we would consider  
7 excellent. And then Cs are probably industry  
8 standard for most intents and purposes.

9 What we love about the Albourne process  
10 is the integration between not only Albourne, but  
11 the investment manager and PRIM staff. After  
12 Albourne conducts an ODD review on a manager,  
13 there is a collaborative feedback process with the  
14 manager, Albourne and PRIM, saying, here is what  
15 you're doing really well at. Here's some things  
16 that you can improve at. And there is a  
17 collaboration on the manager improving the  
18 organizational fortitude to become industry  
19 standard and best practice.

20 And the reports that you see don't  
21 really capture that. They don't capture the post  
22 ODD review. And that's something that PRIM staff,  
23 myself, Albourne, we take a lot of pride in.

24 MR. BROUSSEAU: Thank you, Matt. That

1       helped me to -- because this has crossed my mind  
2       many times, an A, B or a C. So this clarifies it  
3       very well, as I look at it.

4               MR. LIPOSKY: When you see an A, you  
5       should just set off the fireworks.

6               MR. BROUSSEAU: You don't see those.

7               MR. LIPOSKY: We don't.

8               MR. BROUSSEAU: Bs and Cs.

9               But when they compare them with industry  
10       standards, with the others, a B, they have a B and  
11       the other's a B, and C and C, we know that we're  
12       in the mix. We're right there.

13              MR. LIPOSKY: Exactly.

14              MR. BROUSSEAU: Who we're using.

15              MR. TROTSKY: I think importantly, most  
16       importantly, Matt and Mike, who are among the very  
17       first in the country to utilize outside ODD  
18       reports for private equity. Now the rest of the  
19       nation seems to be catching up, but we were  
20       definitely first movers with Albourne in this  
21       space, and it's really a testimony to the amount  
22       of due diligence we do on each and every manager.

23              MR. LIPOSKY: That's very true. And a  
24       lot of the feedback we get from the managers is

1 "We've never had review this thorough before." We  
2 get that time and time again.

3 And it's something that we take a lot of  
4 pride and value in, being one of those first early  
5 adopters to this.

6 MR. TROTSKY: And some of them don't  
7 like it.

8 MR. FALZONE: Well, Matt's being modest.  
9 It actually makes the investment management  
10 industry better. It makes the managers better,  
11 so --

12 TREASURER GOLDBERG: Very good.

13 MS. FITCH: Yes. That was really  
14 fascinating to hear.

15 TREASURER GOLDBERG: So, Renee, remind  
16 me. Time to take the vote, right?

17 Okay. Thank you.

18 We have the motion. We have the second.  
19 We had the questions.

20 Does anybody have any further questions  
21 whatsoever?

22 All right. We will proceed with the  
23 roll call vote.

24 Bob?



1 MR. BROUSSEAU: Yes.

2 TREASURER GOLDBERG: Catherine?

3 MS. D'AMATO: Yes.

4 TREASURER GOLDBERG: Ruth Ellen?

5 MS. FITCH: Yes.

6 TREASURER GOLDBERG: Theresa?

7 MS. McGOLDRICK: 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. Thank you.

18 Okay. Next item on the agenda is real

19 estate and timberland. We'll have Tim, and then

20 we will have one voting item.

21 And, Tim, you can let me know who's

22 going to present on the voting item.

23 Had you a minute ago, Tim. Did I lose

24 you?

1 MR. BROUSSEAU: He's muted.

2 MR. FALZONE: There he is.

3 MR. SCHLITZER: Do you have me now?

4 TREASURER GOLDBERG: Okay. Great.

5 Thank you.

6 And you have John with you. Will John  
7 be doing the voting item?

8 MR. SCHLITZER: John will be. I'm going  
9 to give a brief update on performance.

10 TREASURER GOLDBERG: Thank you, Tim.

11 MR. SCHLITZER: Of course.

12 So just for the record, I'm Tim  
13 Schlitzer, director of real estate and timberland.

14 I also do want to welcome Raluca to the  
15 team. She's been with us for a few months now,  
16 but she has really been an incredible add to our  
17 team and I think PRIM as an organization, so just  
18 want to welcome her.

19 So I'm not going to speak to any  
20 materials specifically. I'm going to start with  
21 real estate. Let me just give you an update on  
22 the portfolio, and then I can go into timber.

23 So we ended the quarter, Q1, with  
24 9.5 percent of the fund in real estate, just below

1 the 10 percent midpoint. That's down from  
2 10.3 percent.

3 We're very pleased, as Michael alluded  
4 to, that PRIM's managers and the overall  
5 positioning of the portfolio have resulted in  
6 quite strong market outperformance equating to  
7 452 basis points for the one-year period.

8 And then I'll also just note that PRIM's  
9 market outperformance across all of the time  
10 frames has also been strong. Drivers of private  
11 market outperformance, which makes up 90 percent  
12 of the portfolio, include the underweight to  
13 suburban office buildings and the sector as a  
14 whole and underweight to a number of West Coast  
15 markets which have underperformed. And then  
16 contributions from PRIM's industrial overweight  
17 and overall asset outperformance.

18 The negative absolute returns in the  
19 portfolio are primarily being driven by increases  
20 in interest rates and slowing fundamentals to a  
21 certain degree, which are impacting the entire  
22 market as the Federal Reserve continues to target  
23 inflation, which does ultimately flow through to  
24 rents.

1                   On the public market side, REITs were  
2                   actually up about 9 percent for the year,  
3                   partially offsetting the negative return in the  
4                   private portfolio. PRIM's portfolio outperformed  
5                   by 59 basis points, driven by a strong securities  
6                   selection in the U.S., Canada and Hong Kong.

7                   The team has completed two investments  
8                   this year, equating to approximately 250 million  
9                   in invested capital through our separate accounts,  
10                  approximately half of which went into a direct  
11                  credit-oriented investment, where we do continue  
12                  to see strong relative returns.

13                  I'd say that market activity has  
14                  increased, but transaction volumes are still  
15                  pretty low by historic measures. That said, our  
16                  pipeline activity year to date has been fairly  
17                  robust, but we are being selective.

18                  The team has formally reviewed via our  
19                  existing and outside relationships over 120  
20                  opportunities this year across 12 market segments,  
21                  equating to \$10.8 billion.

22                  So the team is working very hard, and I  
23                  thank them for that. But again, being selective  
24                  in allocating capital.

1                   So of course I'm happy to answer  
2       questions as we go, but let me move into  
3       timberland.

Timberland is currently 3.1 percent of the portfolio. That's virtually unchanged from 3.2 percent at year-end against a 4 percent midpoint. Timber had a strong year on both an absolute and a relative basis, returning 11.3 percent or 181 basis points above benchmark.

10 All of PRIM's regional segments showed  
11 strong returns ranging from 8 to 13 percent. So  
12 pleased to see that. The market does continue to  
13 see heightened investor demand and overall  
14 transaction activity at increased pricing.

15 Q1 saw several transactions close, which  
16 actually could put the market on track to exceed  
17 last year's sales volume. Again, another good  
18 signal, but I will note that that number is still  
19 under \$5 billion.

20                   So contrasting that to the commercial  
21       real estate market, that's about 1 percent of  
22       liquidity in sort of a typical year in real  
23       estate.

24 Timber prices have been mixed year-over-

1 year across all regions due to softness in housing-  
2 related demand, both new construction and  
3 renovation driven by elevated mortgage borrowing  
4 costs.

5 While housing starts do remain volatile,  
6 the multifamily segment remains the most  
7 challenged due to the elevated existing  
8 construction pipeline and lack of financing.

9 But I will say that demographics still  
10 favor new demand or increased demand, elevated  
11 demand, for new housing long term. And lack of  
12 liquidity, which is really these kind of mortgage  
13 handcuffs that I think we're all aware of these  
14 days, in the existing home market has driven some  
15 stability in single-family starts and lumber  
16 prices.

17 And then lastly, in terms of Australia  
18 and New Zealand, it's a little bit more challenged  
19 there due to China-related pressure, but New  
20 Zealand actually saw an increase in export pricing  
21 in the first quarter. And as I've said  
22 previously, New Zealand is the low cost provider.  
23 So the demand that does exist goes to New Zealand  
24 before the U.S. So I think that speaks, to a

1       certain degree, to our diversification globally  
2       within the portfolio.

3               So I'm going to leave it at that. I'm  
4       happy to answer any questions. Otherwise, I'm  
5       going to pass it over to John for the voting item.

6               TREASURER GOLDBERG: Anyone have  
7       questions for Tim?

8               Okay. John, I'm going to do the motion  
9       first. I seek a motion that the PRIM Board  
10      approve the Real Estate and Timberland's  
11      recommendation to approve the issuance of a  
12      request for proposal for U.S. REIT investment  
13      management services, as described in the expanded  
14      agenda, and further to authorize the executive  
15      director to take all actions necessary to  
16      effectuate this vote.

17              Is there a motion?

18              MR. NAUGHTON: So moved.

19              TREASURER GOLDBERG: Is there a second?

20              MS. D'AMATO: Second.

21              TREASURER GOLDBERG: Thank you.

22              Go ahead, John.

23              MR. LA CARA: Thank you, everyone. Good  
24      morning. I'm John La Cara, senior investment

1 officer on the real estate and timberland team.

2 Today we are seeking approval to issue  
3 an RFP for U.S. REIT investment management  
4 services. The purpose of the RFP is to select one  
5 or more firms to provide public long-only U.S.  
6 REIT investment management services via separate  
7 account vehicles. A successful RFP process will  
8 improve the portfolio's diversification and  
9 increase the depth of investment managers that we  
10 work with.

11 As of now, we anticipate issuing the RFP  
12 shortly after the board meeting and making a  
13 recommendation for your consideration at the Q4  
14 meeting.

15 You might have noticed that there's a  
16 shift in strategy here. The shift to a U.S.-only  
17 strategy from a global strategy is consistent with  
18 the asset allocation recommendation that was  
19 approved last February, which concluded that U.S.  
20 REITs are more favorable to the PRIT Fund with  
21 respect to diversification, the risk-return  
22 profile and correlation with equities, and also  
23 through a quantitative process that we  
24 incorporated with the research team.



1           In accordance with the asset allocation  
2       recommendation, staff will be converting the  
3       existing global REIT mandate to U.S.-only in the  
4       near future.

5           That concludes my remarks on the RFP,  
6       but I would also like to thank Andre for his help  
7       on this RFP development and process up until now.  
8       He's probably on his way home right now, but he's  
9       been very helpful, and we look forward to working  
10      with him throughout the process.

11           With that, I will take any questions.

12           TREASURER GOLDBERG: Are there  
13      questions?

14           Hearing none, I will proceed with a roll  
15      call vote.

16           Bob?

17           MR. BROUSSEAU: Yes.

18           TREASURER GOLDBERG: Catherine?

19           MS. D'AMATO: Yes.

20           TREASURER GOLDBERG: Ruth Ellen?

21           MS. FITCH: Yes.

22           TREASURER GOLDBERG: Theresa?

23           MS. McGOLDRICK: Yes.

24           TREASURER GOLDBERG: Peter?

1 MR. MONACO: Yes.

2 TREASURER GOLDBERG: Dennis?

3 MR. NAUGHTON: Yes.

4 TREASURER GOLDBERG: Carly?

5 MS. ROSE: Yes.

6 TREASURER GOLDBERG: Paul?

7 MR. SHANLEY: Yes.

8 TREASURER GOLDBERG: Myself, yes.

9 The motion carries.

10 MR. LA CARA: Thank you.

11 TREASURER GOLDBERG: Thank you very

12 much.

13 And that part is the end of our

14 investment report and votes.

15 We will now move into finance and

16 administration. And we have one voting item in

17 finance and administration.

18 MR. FALZONE: Correct. Do you want to

19 read the motion first, and then we can do the

20 presentation?

21 TREASURER GOLDBERG: Yes. Thank you.

22 MR. FALZONE: Thank you.

23 TREASURER GOLDBERG: I seek a motion

24 that the board approve the Administration and

1       Audit Committee's recommendation to approve the  
2       draft fiscal year 2025 operating budget attached  
3       as Appendix K in the expanded agenda, and further  
4       to authorize the executive director to take all  
5       actions necessary to effectuate this vote.

6               Is there a motion?

7               MR. BROUSSEAU:   So moved.

8               TREASURER GOLDBERG:   Is there a second?

9               MS. FITCH:   Second.

10              TREASURER GOLDBERG:   Thank you.

11              Tony, are you going to turn it over to  
12       Deb, or do you have a few things to say?

13              MR. FALZONE:   I will start with some  
14       brief comments, and then I'll pass it on to Deb,  
15       if that's okay.

16              TREASURER GOLDBERG:   All right.   Very  
17       good.   Thank you.

18              MR. FALZONE:   Thank you.

19              Good morning.   I'm Anthony Falzone,  
20       deputy executive director and chief operating  
21       officer.

22              The finance and administration voting  
23       item is on top of page 22 of the expanded agenda,  
24       and the budget document is Appendix K in your

1 packet.

2 As I mentioned, I will start real  
3 briefly and then pass it over to Deb Coulter,  
4 PRIM's chief financial officer and chief  
5 administration officer, and she'll provide more  
6 detail.

7 I want to thank the finance team for  
8 their hard work creating the budget and the many  
9 other contributors who helped along the way. This  
10 budget touches all areas of the organization, and  
11 it's genuinely an organization-wide collaboration.

12 As a reminder, PRIM operates outside the  
13 state budget and relies on investment returns to  
14 support its operations. We are not a line item on  
15 the state budget.

16 The total fiscal year 2025 budget is  
17 projected to be 559.2 million or 52.7 basis points  
18 of the projected average PRIT Fund assets. That  
19 amounts to an increase of 38.9 million or  
20 7.5 percent from the prior year.

21 The budget is based on continued asset  
22 growth using NEPC's 10-year growth assumptions of  
23 6.6 percent.

24 As an operations and finance manager,

1 I'm always sensitive to increases in the budget,  
2 but with that said, approximately 95 percent of  
3 the budget covers expenses for external investment  
4 management fees, advisors, service providers and  
5 consultants outside of PRIM's four walls. And  
6 with the PRIT Fund assets continuing to grow, the  
7 expense of managing those assets will also  
8 increase, which we consider a good thing.

9 Before Deb gets into the numbers, I want  
10 to make a few comments that hopefully help the  
11 board when reviewing the budget by adding a little  
12 context.

13 Investment management fees, which again  
14 make up over 90 percent of the budget, are  
15 variable costs. These are the fees paid to our  
16 investment managers to manage the assets of the  
17 PRIT Fund. These costs are typically based on the  
18 value or complexity of our investments. Our  
19 actual costs will increase or decrease as our  
20 investment values rise or fall, or as we  
21 transition from passive to more active strategies.

22 I say this every year, but it's worth  
23 repeating. The size of any particular asset class  
24 does not directly relate to the size of the

1 expense. Our high-performing private alternatives  
2 will have higher fee structures than, say, the  
3 public markets will, but historically, that's been  
4 money well spent.

5 None of us like to pay high fees, and  
6 the investment team and investment operations team  
7 does a great job negotiating fees downward. But  
8 these alternatives are a critical component to  
9 PRIM's asset allocation that historically has  
10 allowed the fund to exceed the 7 percent actuarial  
11 rate of return.

12 With that, I'll hold my comments there  
13 and pass it off to Deb, unless anyone has any  
14 questions for me.

15 TREASURER GOLDBERG: Are there any  
16 questions for Tony?

17 Thank you, Tony.

18 MR. FALZONE: Thank you.

19 MS. COULTER: Great. Thanks, Tony.

20 Good morning, everyone. I'm Deb  
21 Coulter, PRIM's chief financial officer.

22 I'll be providing you with an overview  
23 of the budget, highlighting key changes for fiscal  
24 year '25.

1           First, I wanted to point out that this  
2   year's budget is presented a little differently.  
3   It's broken into two main sections: investment  
4   versus non-investment expenses. And this  
5   presentation allows us to provide more  
6   transparency into the expenses related to  
7   investing the PRIT Fund assets versus the costs  
8   incurred to run PRIM.

9           So as Tony mentioned, the budget is  
10   increasing 38.9 million or 7.5 percent year-over-  
11   year. The total budget is 52.7 basis points of  
12   projected PRIT Fund assets. And this expense  
13   ratio continues to remain steady, even with our  
14   increased allocation to alternative investments  
15   and the addition of new staff and resources to  
16   support new initiatives.

17           The first section of the budget, which  
18   is on page 4 of Appendix K, represents investment  
19   expenses. And this includes investment management  
20   fees and investment service provider fees, which  
21   make up 94.5 percent of the total PRIM budget.

22           Looking at investment management fees,  
23   these variable costs are budgeted to increase by  
24   approximately 36 million or 7.7 percent based on

1 projected growth in net asset values, commitments,  
2 contributed capital and acquisitions across all  
3 asset classes.

4 The one exception to this is in  
5 timberland, where the budgeted management fees are  
6 lower year-over-year. Last year's budget  
7 anticipated a fee increase for this asset class as  
8 our fee rates at the time were below market and  
9 capital demand for these assets was continuing to  
10 grow.

11 We've been working throughout the year  
12 to restructure these fees. And while the fee rate  
13 is increasing, we do expect it to be lower than we  
14 originally budgeted in fiscal year '24.

15 The investment section also includes  
16 fees paid to investment service providers,  
17 including our custodian, investment consultants  
18 and auditors, and our risk and investment  
19 analytics tools.

20 This section is increasing by  
21 1.7 million or 7.8 percent, mainly due to an  
22 increase in fees for our platform provider for our  
23 PCS and OCO portfolios. These fees are asset-  
24 based and are budgeted to increase in line with



1       our projected growth for those asset classes.

2               This section also includes increases to  
3       support our operational due diligence work and to  
4       provide staff with additional investment analytics  
5       tools.

6               The second section of the budget on  
7       page 5 represents non-investment expenses and  
8       makes up only 5.5 percent of the total PRIM  
9       budget.

10              This section includes costs to support  
11       PRIM's day-to-day operations, as well as fees paid  
12       to our non-investment service providers. So  
13       PRIM's operation expenses include staff  
14       compensation, rent, technology and other office  
15       expenses.

16              And they're increasing by approximately  
17       \$1 million, mainly due to an anticipated increase  
18       in hiring and additional IT costs to upgrade the  
19       technology in our data center.

20              And lastly, non-investment service  
21       provider fees are increasing by 317,000, mainly  
22       due to an increase in our IT consulting budget to  
23       support multiple projects, including a  
24       cybersecurity review, a new client portal and a

1 continuation of the AI project that began in  
2 fiscal '24.

3 So in summary, the fiscal '25 budget  
4 reflects an overall increase driven by projected  
5 asset growth, new strategic initiatives and the  
6 increasing need for advanced technology support.

7 I also wanted to take a minute to thank  
8 everyone on the investment and operations teams  
9 that helped us create this budget, especially our  
10 director of finance, Dan Eckman, and our finance  
11 manager, Sara Coelho.

12 And with that, we'd be happy to answer  
13 any questions.

14 TREASURER GOLDBERG: Thank you, Host.  
15 Are there questions?

16 Host wanted to unmute me.

17 MR. NAUGHTON: Madam Treasurer, I would  
18 just like to say that I'm always very appreciative  
19 of the clear, concise and -- considering the  
20 amount of territory has to cover, it's very  
21 concise, very clear. Thank you.

22 MS. COULTER: Thanks, Dennis.

23 MR. FALZONE: Thank you, Dennis.

24 MR. BROUSSEAU: I'll add to that, for

1 the Admin and Audit Committee, the team does a  
2 fantastic job in putting this together. It is a  
3 very large project. And year after year, of  
4 course it becomes more complex.

5 And Tony, Deb and also the financial  
6 staff and the operationals, Deb, did a wonderful  
7 job. Thank you so much.

8 MS. COULTER: Thanks, Bob.

9 TREASURER GOLDBERG: Ditto.

10 Are there any other questions, or shall  
11 I proceed with the vote? Okay then.

12 Bob?

13 MR. BROUSSEAU: Yes.

14 TREASURER GOLDBERG: Catherine?

15 MS. D'AMATO: Yes.

16 TREASURER GOLDBERG: Ruth Ellen?

17 MS. FITCH: Yes.

18 TREASURER GOLDBERG: Theresa?

19 MS. MCGOLDRICK: Yes.

20 TREASURER GOLDBERG: Peter?

21 MR. MONACO: Yes.

22 TREASURER GOLDBERG: Dennis?

23 MR. NAUGHTON: Yes.

24 TREASURER GOLDBERG: Carly?

1 MS. ROSE: Yes.

2 TREASURER GOLDBERG: Paul?

3 MR. SHANLEY: Yes.

4 TREASURER GOLDBERG: Myself, yes.

5 The motion carries.

6 Okay then. Thank you.

7 Next item on the agenda would be a legal  
8 or legislative update.

9 We promoted Emily. Go right ahead,  
10 Emily.

11 MS. KOWTONIUK: Hi, everyone. I am  
12 Emily Kowtoniuk, and I'm the director of policy  
13 and legislative affairs for the Treasurer.

14 So we're still in the middle of the  
15 FY '25 budget process. Last week, the senate  
16 voted to pass their FY '25 budget. Unlike the  
17 house, the senate did not include language  
18 altering the PRIM Board membership.

19 So Senator Crighton did file an  
20 amendment to require that the governor select the  
21 public safety representative from a list of three  
22 candidates nominated by the executive board of the  
23 Massachusetts Association of Contributory  
24 Retirement Systems. And this was the same

1 language that we've seen in the past.

2 The amendment was withdrawn before  
3 debate, but worth noting it did have  
4 12 cosponsors.

5 The budget will now go before a  
6 conference committee. We are expecting that the  
7 conference committee will return their report a  
8 little bit late this year after the beginning of  
9 the new fiscal year on July 1, due to some revenue  
10 uncertainty.

11 We'll watch this item very closely, and  
12 we'll report back. And as a reminder for folks,  
13 this language was in play in the conference  
14 committee last year, but it was not included in  
15 the final budget.

16 There's one other item that we're  
17 watching before the effective end of this  
18 legislative session, and that is a provision to  
19 make permanent the COVID era allowance to hold  
20 public meetings remotely. And that is currently  
21 before the committee on municipalities, which has  
22 extended the bill through June 14.

23 And that's it.

24 TREASURER GOLDBERG: Thank you, Emily.

1 MR. FALZONE: Thank you.

2 MR. BROUSSEAU: A fast question, Madam  
3 Treasurer.

4 TREASURER GOLDBERG: Yes.

5 MR. BROUSSEAU: You said the amendment  
6 was withdrawn in the senate, correct?

7 MS. KOWTONIUK: Yes.

8 MR. BROUSSEAU: For the changes? So  
9 that means that it will not be brought up this  
10 year? Or could it come up?

11 MS. McGOLDRICK: Subject to conference  
12 committee, maybe? I don't know.

13 MS. KOWTONIUK: Yes. Because it was in  
14 the house version of the budget, it will be before  
15 the conference committee.

16 MR. BROUSSEAU: Okay. But the senate  
17 amendment has been withdrawn in the senate.

18 MS. KOWTONIUK: Correct.

19 MR. BROUSSEAU: So more than likely, it  
20 will come back in the conference committee?

21 MS. KOWTONIUK: Correct. So it will be  
22 before the conference committee for consideration.  
23 And we'll see whether it's included in their  
24 report.

1 MR. BROUSSEAU: Okay. Thank you.

2 MS. KOWTONIUK: Yes.

3 MS. MCGOLDRICK: Emily, if there's  
4 anything that NAGE can do to reach out to the  
5 conference committee or if there's anything in  
6 advance of that, please let us know because we  
7 have been following this. If there's anything  
8 that we can do as a group, obviously I'd like to  
9 be part of that and have them hear from us.

10 MR. BROUSSEAU: And also to be very open  
11 about this, I'd say I personally have sent  
12 letters -- my personal opinions, a letter sent to  
13 the leaders in the house and to the senate on this  
14 issue, voicing my opposition to it and the reasons  
15 why I'm opposed to it.

16 I just want the full board to know this.

17 MR. NAUGHTON: Madam Treasurer, yes.  
18 I've done the same as Bob mentioned.

19 Emily, can we get a list of the people  
20 who were the cosponsors, the 12 people you  
21 mentioned? I'm just curious to see who they are.

22 Actually, I'd like to get it, if I  
23 could, prior to Saturday.

24 MS. KOWTONIUK: Sure. We can pull the

1 cosponsors, both for the house and the senate, so  
2 you have a full list.

3 MR. NAUGHTON: Thank you very much.

4 MS. KOWTONIUK: Yes.

5 MS. McGOLDRICK: Thank you. I'd  
6 appreciate that too.

7 MR. BROUSSEAU: Thank you. Good idea.  
8 Yes.

9 TREASURER GOLDBERG: Okay. Any other  
10 questions or comments for Emily?

11 All right. Hearing none -- that's just  
12 to let you know what's going on.

13 And any other matters?

14 MR. FALZONE: Those are informational,  
15 the ones in the --

16 TREASURER GOLDBERG: Exactly. So I am  
17 going to read the script to end the open remote  
18 meeting. And then after a short break, we will  
19 have a remote executive session.

20 So the next item on the agenda is an  
21 executive session. I seek a motion and a second  
22 to adjourn our open session and begin our  
23 executive session.

24 MR. NAUGHTON: So moved.



1 MR. BROUSSEAU: Second.

2 MS. FITCH: Second.

3 TREASURER GOLDBERG: Bob?

4 MR. BROUSSEAU: Yes.

5 TREASURER GOLDBERG: Catherine?

6 MS. D'AMATO: Yes.

7 TREASURER GOLDBERG: Ruth Ellen?

8 MS. FITCH: Yes.

9 TREASURER GOLDBERG: Theresa?

10 MS. McGOLDRICK: 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 Renee, do you want me to read the

22 language about after the brief five-minute break?

23 MS. LeFEVRE: We can read that language

24 when we come back after the break.

1                   TREASURER GOLDBERG: That's what I  
2    thought. I wanted to check because I have a  
3    second script after that.

4                   All right then. See you all in five  
5    minutes. Thank you.

6                   (Meeting adjourned at 11:44 a.m.)

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