



Minutes of the PRIM Administration and Audit Committee Remote Meeting
Thursday, February 13, 2025

Committee members attending:

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

Committee members not attending:

- Theresa McGoldrick, Esq.

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

I. Approval of the Minutes (Voting Item)

The PRIM Administration and Audit Committee approved (unanimously) by roll call vote the minutes of its November 19, 2024, meeting.

II. Executive Director / Chief Investment Officer Report

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

Mr. Trotsky provided a preview of the agenda, mentioning that he would be discussing the strong calendar year 2024 results in which the PRIT Fund was up 9.1%, an investment gain of \$9.1 billion, net of fees and adding that the PRIT Fund ended with a balance of \$109.7 billion. He said that, as is typical for this Board cycle, he would review the annual plans and mentioned that at the Investment Committee earlier that week, PRIM staff recommended no change to the current asset allocation as the current allocation is appropriate.

Organizational Update

Mr. Trotsky notified the Committee that the Governor appointed Mark Lapman to the PRIM Board and that he would take Peter Monaco's Board seat. Mr. Lapman is a highly experienced investment industry veteran. He added that PRIM will provide a more formal introduction when his full official biography is received.

Mr. Trotsky thanked Mr. Monaco for his nine years of service on the PRIM Board and was happy to report that Mr. Monaco has elected to remain with PRIM as a member of the Investment Committee. Mr. Trotsky

acknowledged Mr. Monaco's valuable contribution as a Board member and expressed how fortunate PRIM was that he would continue his work on the Investment Committee. Mr. Trotsky added that Mr. Monaco has always been an engaged and thoughtful participant, and his insights have always been invaluable.

Mr. Trotsky mentioned that In December, he announced three staff promotions. First, Andre Abouhala was promoted to Senior Investment Officer on the Public Markets team. Mr. Abouhala joined PRIM in 2014 as an Investment Analyst and has steadily advanced at PRIM. Mr. Abouhala covers the global equities portfolio, which represents nearly 40% of the PRIT Fund, and he is also a strong collaborator, working on several projects with colleagues across other asset classes and the organization. He has been a key contributor to developing and improving processes around manager search, monitoring, and allocation and is a go-to person for ad-hoc investment analytics. Mr. Abouhala is also a key contributor in support of PRIM's internship program. He is hardworking and ambitious, a consummate professional, and a well-liked coworker.

Vincent Li was promoted to Senior Investment Operations Analyst on the Finance team. Mr. Li joined PRIM in 2021 and has become a key member of the Investment Operations team, primarily focusing on Investment Cash processing and monitoring. He has helped evolve the cash processing and control standards currently in place and researched future enhancements. His attention to detail and prioritization skills are outstanding and critical attributes necessary for his important role.

Silas Owoyemi was promoted to Systems Administration Support Specialist on the IT team. Mr. Owoyemi joined PRIM in March 2020 as a Help Desk and Operational Support Specialist, and since then, his responsibilities have grown considerably. He was recently asked to take a more prominent role in supporting and administering various new technologies. At the same time, he is also responsible for administering PRIM's data center infrastructure. Mr. Owoyemi is a talented, pleasant, and affable colleague who is quick to smile and laugh, making him a very popular technical resource and colleague. Mr. Trotsky congratulated all three employees on their well-deserved promotions.

Mr. Trotsky continued his organizational update by congratulating the following staff members for their continued education: Francesco Daniele, Director of Client Service, and Seth Gitell, Chief External Affairs Officer, recently received the CFA Institute's Private Markets and Alternative Investments certificate. The certificate is earned by successfully completing five courses designed to equip learners with the basic understanding and skills required to invest in these growing investment classes. In particular, the certificate focuses on private equity, private credit, real estate, infrastructure, commodities, and hedge funds. Additionally, George Tsipakis, Director of Investment Operations, Melisa Ng, Real Estate and Timber Accounting Manager, and Joseph Kamotho, Business System Analyst, recently received the CFA Institute's Investment Foundations Certificate. The certificate is earned by successfully completing six courses designed to provide learners with an overview of the essentials of finance, ethics, and investment roles, providing a clear understanding of the global investment industry, including terminology and foundational concepts. Mr. Trotsky thanked all five staff members for their efforts, adding that their continued education would benefit the organization.

Market Update

Mr. Trotsky noted that despite elevated policy and market uncertainty, equity market volatility has remained at or below historical averages, and markets have moved higher. A common measure of equity volatility, the VIX index, is currently at 15.7, below both the 5-year average of 21.4 and the average since the GFC of 18.4. The MOVE index, a common measure of bond volatility, is 94.7, which is in line with its 5-year average of 93.9 but slightly elevated from the average of 78.9 since the global financial crisis. The 10-year Treasury yield rose 120 bps from 3.6% to 4.8% between mid-September and mid-January before returning to approximately 4.4% today. That's a pretty sharp short-term move for the bond market and

indicates that investors are trying to decipher the impact of new policies and directives on inflation and economic growth. In the December quarter, equity markets were mixed, with the US market returns remaining positive and international market returns falling. More recently, in the calendar year 2025 to date, US and International equities and diversified bonds have all posted single-digit positive returns.

Mr. Trotsky added that the first half of the year was dominated by investors' fear of a hard landing; the second half proved that the economy and the markets were resilient and are still testing that resilience today. Through all the noise, the economic environment has remained mostly positive. U.S. GDP expanded an annualized 2.3% in Q4 2024, the slowest pace in three years, but still positive. Inflation continues to be moderate even as the CPI rose slightly for the third consecutive month to an annualized rate of 2.9%. US unemployment declined to 4.1% in December from 4.2% in November, while job growth is slowing slightly. The ISM Manufacturing PMI rose to 50.9 in January from a downwardly revised 49.2 in December, surpassing forecasts and signaling the sector's first expansion after 26 consecutive months of contraction. US Retail sales increased 0.4% month over month in December following an upwardly revised 0.8% gain in November. Despite the small slowdown, the data continues to reflect resilient consumer spending. The Federal Reserve held the federal funds rate steady at 4.25 to 4.50% during its January meeting as Chair Powell indicated that the Fed is in no rush to lower rates, opting to assess further progress on inflation before proceeding with additional cuts. The Fed also indicated that inflation remains elevated and removed its previous reference to ongoing progress toward the 2% target. Corporate earnings for Q4 remain very strong and are coming in above expectations: More than 300 of the S&P 500 companies (72% market cap) have reported 4Q results, sales growth has been +5.7%, and earnings growth has been +13.5%, both comfortably ahead of expectations. According to surveys, this will put sales growth on pace for 5.3% growth and earnings for 12.0% growth. Strong corporate earnings are the underpinning of any strong market.

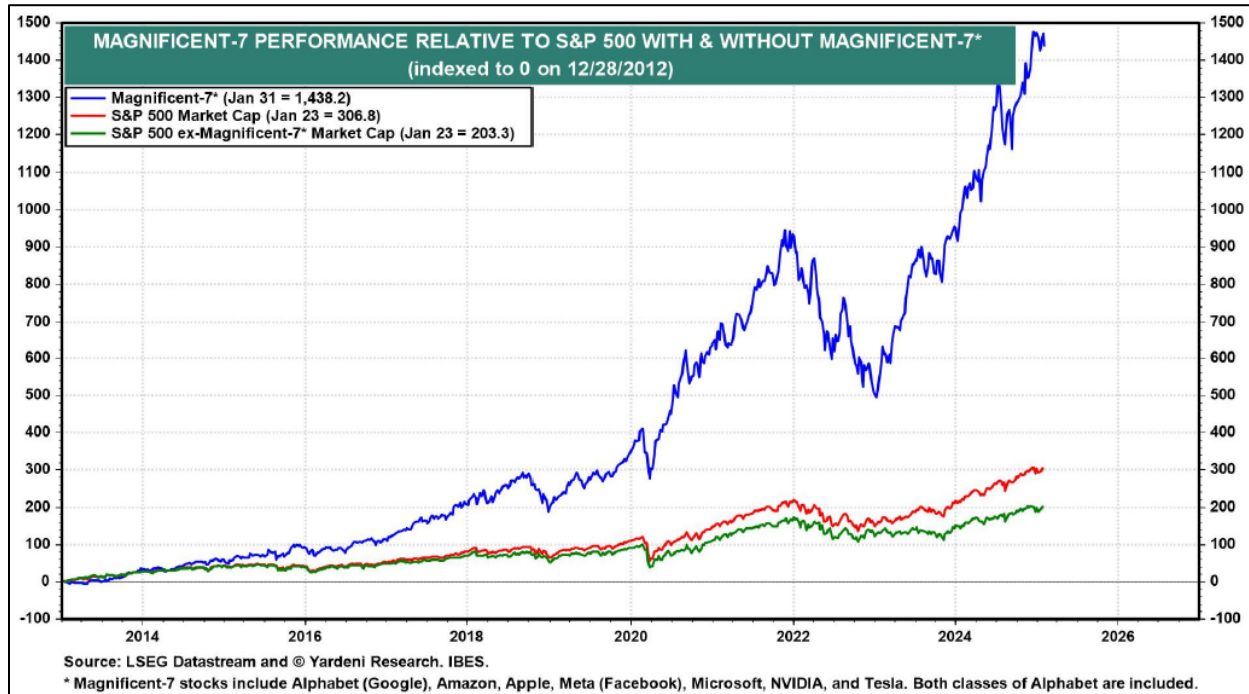
Mr. Trotsky added that elsewhere around the world, the Eurozone economy stalled in Q4 2024 as its two largest economies, Germany and France, contracted. The Eurozone's unemployment and inflation increased, and the European Central Bank lowered key interest rates. Japan's economy grew steadily, albeit at a slow rate, and unemployment held steady at 2.4%, slightly below expectations. China is strengthening: China's economy expanded 5.4% yr/yr in Q4 2024, accelerating from 4.6% in Q3 and exceeding market expectations of 5.0%. This was the strongest annual growth rate in 18 months, driven by the stimulus measures introduced in September to support recovery and restore confidence. Noteworthy is the fact that industrial output growth reached an eight-month high. Consumer prices in China increased only 0.2% for the full year, matching the pace of 2023. The Peoples Bank of China left rates unchanged for the third consecutive month in January.

Mr. Trotsky mentioned that this past year was another year in which any diversification away from US Large Cap Stocks and any underweight to the magnificent seven stocks hurt returns. The magnificent seven returns – the returns of Amazon, Apple, Google, Meta, Microsoft, NVIDIA, and Tesla -- dwarfed all other equities, all other asset classes, and all other geographies. This narrowness in the markets was challenging for a diversified portfolio like the PRIT Fund, as it only owns the magnificent seven stocks in its large passive U.S. equity index funds. Mr. Trotsky mentioned that he was very pleased with the 9.1% net return of the PRIT Fund over the 1-year period ending in December 2024, with the absolute return being well above the required actuarial rate of return of 7% despite having this limited exposure to the magnificent seven. Mr. Trotsky described in more detail the impact the magnificent seven has had on the returns of the large cap index (S&P 500).

One of the charts he used was as follows:

Yardeni Research

Magnificent 7 Performance Relative to S&P 500 With and Without the Magnificent Seven

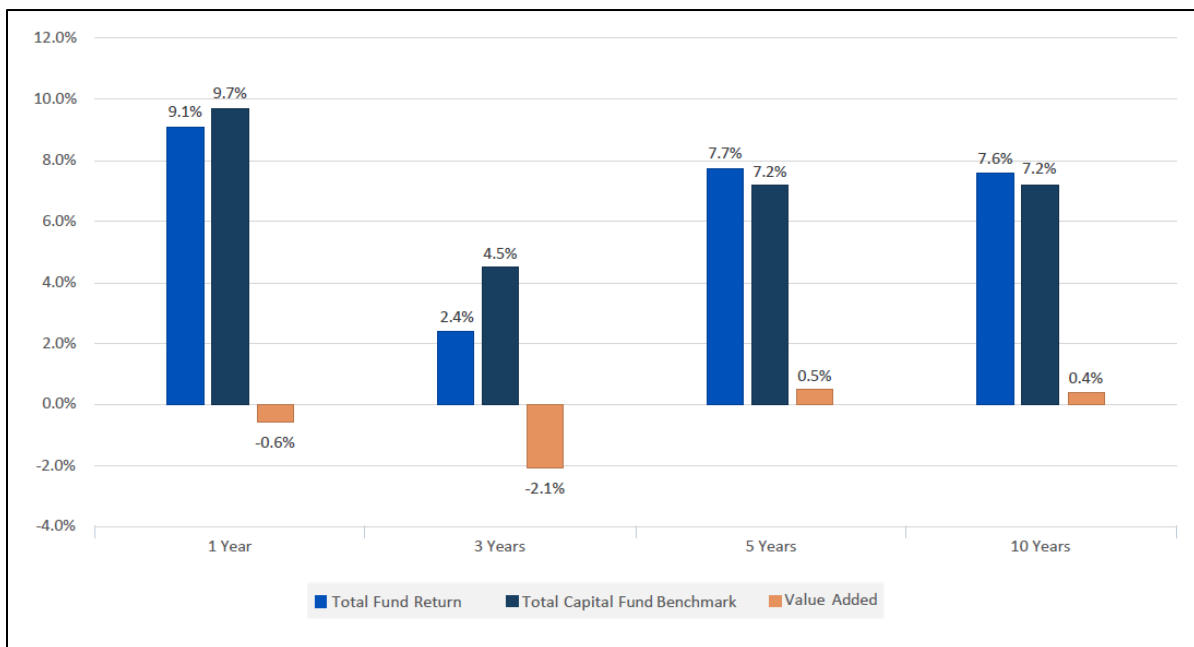


PRIT Fund Performance

Mr. Trotsky discussed the December 2024 PRIT Fund performance in more detail, referencing the following performance charts:

Total PRIT Fund Returns

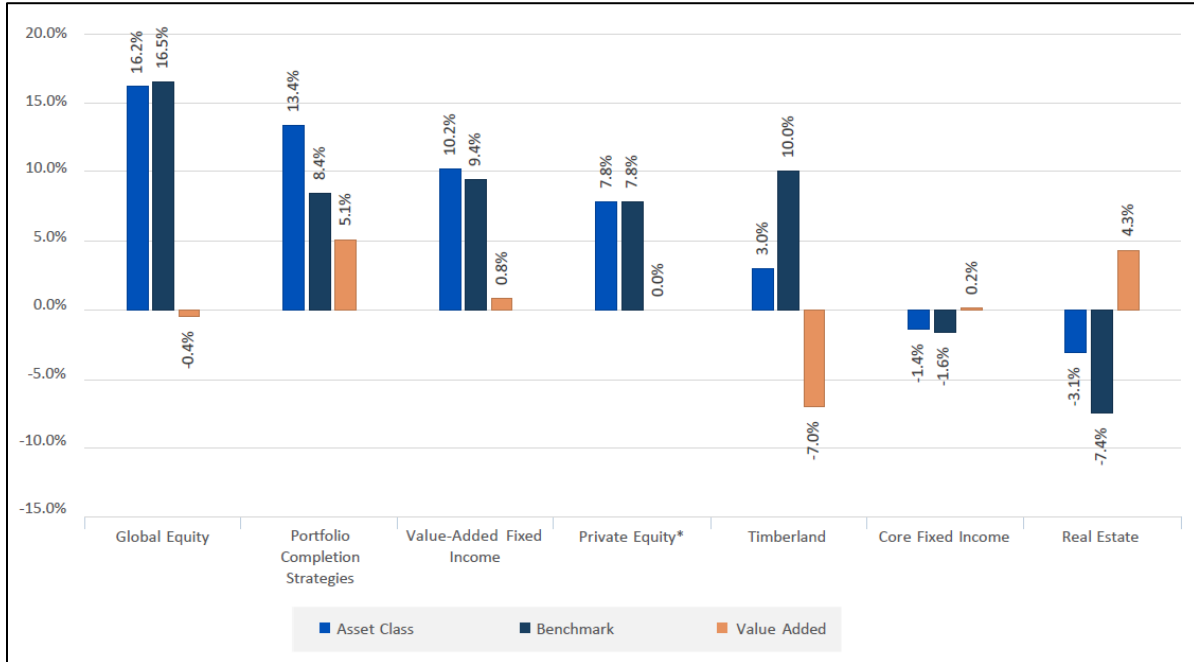
Annualized Returns as of December 31, 2024 (Net of Fees)



Source: BNY. Total Capital Fund Benchmark includes private equity benchmark.

PRIT Asset Class Performance Summary

One Year ended December 31, 2024 (Net of Fees)



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

PRIT Fund Periodic Table of Returns

(Net of Fees) as of December 31, 2024

1 Year	3 Year	5 Year	10 Year
GLOBAL EQUITY 16.2%	TIMBER 7.3%	PRIVATE EQUITY 17.0%	PRIVATE EQUITY 16.7%
PORTFOLIO COMPLETION STRATEGIES 13.4%	PORTFOLIO COMPLETION STRATEGIES 6.4%	GLOBAL EQUITY 9.8%	GLOBAL EQUITY 9.2%
VALUE-ADDED FIXED INCOME 10.2%	GLOBAL EQUITY 5.0%	TIMBER 7.3%	REAL ESTATE 6.5%
PRIVATE EQUITY 7.8%	VALUE-ADDED FIXED INCOME 5.0%	VALUE-ADDED FIXED INCOME 5.9%	TIMBER 5.3%
TIMBER 3.0%	PRIVATE EQUITY 2.4%	PORTFOLIO COMPLETION STRATEGIES 5.6%	VALUE-ADDED FIXED INCOME 5.1%
CORE FIXED INCOME (1.4%)	REAL ESTATE (0.9%)	REAL ESTATE 4.5%	PORTFOLIO COMPLETION STRATEGIES 4.3%
REAL ESTATE (3.1%)	CORE FIXED INCOME (5.5%)	CORE FIXED INCOME (1.1%)	CORE FIXED INCOME 1.1%

Source: BNY.

Mr. Brousseau asked how the most recent administration's policies on tariffs and DEI would impact PRIM.

Treasurer Goldberg mentioned that the attack on DEI has been focused on DEI departments, etc., and PRIM has no such departments or designated DEI officers. The Treasurer added that when she came on board, she desired to open up the doors and make everyone aware that opportunity exists for the most qualified individuals no matter what they look like. At Treasury and at the pension fund, we hire the most qualified individuals regardless of what they look like. PRIM did not need a DEI officer, as the organization already had policies and procedures supporting being a good employer and developing a workforce representative of those it serves.

Treasurer Goldberg added that a wait-and-see approach is needed for tariffs, as discussed at the Investment Committee earlier in the week. Treasurer Goldberg emphasized that PRIM has built a portfolio that will perform in a variety of different markets, up or down, and that is the best approach when you cannot anticipate what tariffs will be negotiated up or down, in or out.

Mr. Trotsky added that the news flow has been overwhelming, and deciphering it is difficult. PRIM's investment philosophy is predicated on the belief that it is very difficult to consistently predict the financial markets' future and direction. As long-term investors, PRIM believes it is more impactful to evaluate changes that occur rather than speculating about the future. It is difficult to predict which of the many proposals will be implemented and even more difficult to predict their impact on the economy or financial markets. Furthermore, the investment industry often exhibits Newtonian properties in that for every action, there is an equal and opposite reaction somewhere else. No policy change impacts the economy or the markets in isolation. PRIM's job is to engineer a diversified portfolio with components that will perform well in any environment. That is one of the main reasons that at the Investment Committee meeting earlier in the week, the asset allocation recommendation was to make no changes as the current asset allocation is appropriate.

Catherine D'Amato added that many DEI policies being discussed are those for federally funded organizations and doesn't believe it is a directive to remove DEI from everything and everywhere. It is crucial to stay the course unless we are told differently.

Treasurer Goldberg mentioned that the SEC issued a letter due to red-state Treasurers questioning definitions.

Dennis Naughton mentioned that he believes we have a consumer-driven economy and that tariffs will increase the price of goods, and the consumer will bear the brunt of that. Mr. Naughton was unsure why the markets were not more concerned about the potential for inflation.

Mr. Trotsky replied that he believed they were thinking of that, mentioning the current bond market and yields. He reiterated his earlier comments, stating that there will be a reaction to every action. It is difficult to isolate any one policy because it impacts many different areas. It is unclear what impact potential tariffs will have, but PRIM's job is to stay the course and maintain a portfolio that will perform well in many different markets and environments.

Summary of 2025 Annual Plans

Mr. Trotsky told the Committee that PRIM's governance documents require the Executive Director to "approve divisional business plans, as appropriate." Accordingly, as we do each year, we share the plans with each committee for their review and input, adding that the plans are very detailed. He invited the Committee to review them and contact him with any feedback.

Mr. Trotsky added that the 2025 Annual Plans are essentially a continuation of PRIM's work, and he highlighted a few new initiatives.

The Public Markets team seeks to identify proven and complementary active US equity managers and will evaluate the role of global – go-anywhere - and sector managers. In Private Equity, the commitment pacing remains brisk, with a goal of identifying more than \$2.0 billion in new opportunities in 2025, including an exciting new Venture Capital program. The Real Estate team will closely monitor the PRIT Fund’s existing managers’ asset-level business plans. The team will continue to drive improvements in performance by seeking enhancements to investment manager evaluation and sourcing. The Portfolio Completion Strategy team will focus on exploring non-US Special Situations and Distressed managers while overseeing the orderly exit of some legacy investments. The Risk team continues to be embedded in each asset class group, monitoring and evaluating credit risk, liquidity, and portfolio construction, with a keen eye toward controlling risk and improving diversification across all asset classes. The Risk team and the Research team are also planning to evaluate the use of currency hedging across PRIM investment strategies. The Research team continues to work on methods to improve our asset allocation model with an eye toward fully modeling the PRIT Fund’s liquidity profile and future needs. The main goal of the Finance and Operations teams is always to ensure that our reporting and financial statements remain at the highest level of transparency and completeness. This work continues with the rollout of the new Solovis reporting platform. In Legal and Communications, we are responding to a large increase in the number of public records requests; requests have more than doubled over the last two years. Legal is also ramping up to support the Attorney General’s office in their suit against Exxon Mobil.

Mr. Trotsky concluded his remarks by mentioning that across all functional groups, PRIM will continue to explore the applications of Artificial Intelligence (AI), in particular large language models.

Mr. Brousseau asked Mr. Trotsky to expand on the Research team’s annual plan item regarding a primer on the Total Portfolio Approach (TPA) and its application at PRIM.

Mr. Trotsky explained that the asset allocation model currently uses a principal component approach. The idea is to explore the model using a new approach, partially used today, but with a renewed focus on the total portfolio.

Mr. Brousseau asked for a bit more information on the portion of the annual plan that speaks to the use of artificial intelligence (AI) throughout the organization.

Mr. Falzone told the Committee that he is moving cautiously as the organization explores areas that could benefit from AI. He added that this technology can be expensive, and the vendor landscape is still immature. Mr. Falzone said he doesn’t believe in spending money on a solution in search of a problem but instead wants to identify what problems the organization is trying to solve with AI. He added that the Microsoft tool, Co-Pilot, just became available to government users, and PRIM will start using that tool holistically across the organization. Additionally, while collaborative, Mr. Falzone mentioned that each investment team has very different processes and may require more specialized tools, so the IT team will work with each to meet their needs.

III. Audit Update

Deborah Coulter, PRIM’s Chief Financial Officer and Chief Administration Officer, informed the Committee that PRIM was notified at the end of 2024 that the State Auditor would be performing an audit of PRIM. Ms. Coulter noted 3 phases to their audit: planning, testing, and reporting. Ms. Coulter stated that they are currently in their planning phase and that PRIM staff have been working closely with the State Audit team, maintaining regular contact to ensure they have everything they need. She noted that the last state audits were in 2017 and 2021 and would keep the Committee updated as the audit progresses.

Anthony Falzone, Deputy Executive Director and Chief Operating Officer, added that he has had several meetings with the State Auditor’s team as part of their planning phase and continues to provide support and information as needed.

Mr. Brousseau asked if PRIM staff anticipate any changes to audit methodology based on what has been reported about auditing the legislature and more recent state audits.

Mr. Falzone mentioned that it is too early to tell what the audit objectives will be, but PRIM staff is very well equipped to support any audit and that PRIM is in a perpetual state of audit. He added that auditing the various agencies throughout the state is difficult as it takes time to get to know and understand how each agency works, and they are all different. Mr. Falzone added that PRIM staff will do whatever is needed to be as helpful and supportive as possible.

IV. Legislative Update

Emma Staff, Deputy Director of Policy and Legislative Affairs in Treasurer Goldberg's office, provided a legislative update. She mentioned the following items:

- Over 6,000 bills have been filed for consideration during the 2025-2026 Legislative Session;
- Her team is tracking several PRIM-related bills that tend to fall into three categories:
 - Board Composition (this session filed by Rep. Peisch and Sen. Cronin);
 - Divestment;
 - PRIM Oversight, including a new suite of bills relative to cryptocurrency.
- Her team expects Committee assignments to be announced shortly;
- Her team is also watching legislation to make permanent the Covid-era allowance for remote public meetings. This language was included in the Municipal Bill filed by the Governor. It has also been filed as stand-alone legislation. As a reminder, the allowance expires on March 31st of this year.

Treasurer Goldberg added that attendance is up with the addition of remote access.

Mr. Naughton said that the ability to participate or listen remotely is an advantage, especially for the elderly, who cannot travel as easily.

Ms. Staff added that the open meeting law impacts not only state agencies such as PRIM but also smaller municipalities and towns that have public meetings and hearings throughout the Commonwealth. There is no unilateral position among these different groups, and many have different opinions on how readily available access to public meetings should be.

Mr. Brousseau asked if the bill to alter the composition of the PRIM Board is the same as in prior years.

Ms. Staff mentioned that her team is still combing through all the bills, but she believes it is the same.

V. Other Matters:

The Committee members briefly discussed the following topics:

- A. December 2024 PRIM budget
- B. Travel Report
- C. Client Service

The PRIM Administration and Audit Committee meeting adjourned at 11:05 a.m.

List of documents and exhibits used during the meeting:

- Minutes of the PRIM Administration and Audit Committee Meeting of November 19, 2024

- PRIT Fund Performance Presentation (December 31, 2024)
- PRIT Fund Performance Report (December 31, 2024)
- 2025 PRIM Staff Annual Plans
- December 2024 PRIM Operating Budget
- Travel Report