



Minutes of the Real Estate and Timberland Committee Remote Meeting
Wednesday, February 12, 2025

Committee members attending:

- Jill Hatton, CRE, Chair
- Treasurer Deborah Goldberg
- Jack Lutz, Ph.D.
- William McCall, CRE
- Garlan Morse, Jr., CRE
- Carly Rose

Committee members not attending:

- Lydia Chesnick, Esq.
- Robert Gifford
- Peter O'Connell

The PRIM Real Estate and Timberland Committee meeting was called to order at 9:36 a.m. Chair Jill Hatton announced that the meeting would be held by internet and telephone in accordance with the provisions of Massachusetts Acts of 2022 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. Accordingly, all members of the Committee participated remotely via telephone and/or internet enabled audio and video conferencing, and all votes were taken by roll call. Public access to the deliberations of the Committee was likewise be provided via telephone, with presentation materials made available on PRIM's website (www.mapension.com). At the start of the meeting the names of the members participating remotely were announced.

I. Approval of the Minutes (Voting Item)

The PRIM Real Estate and Timberland Committee approved, by unanimous roll-call vote, the minutes of its November 13, 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 meeting yesterday, 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.

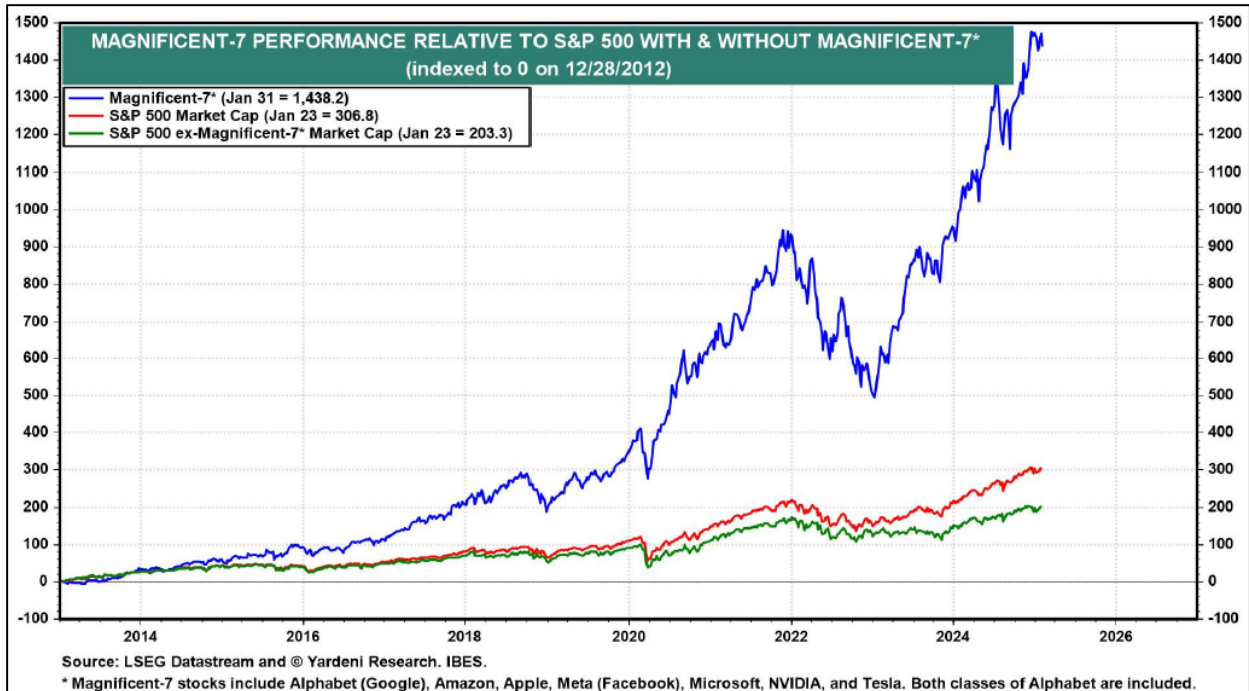
Mr. Trotsky added that elsewhere around the world, the Eurozone economy stalled in Q4 2024 as its two largest economies, Germany and France, contracted. The Eurozone's unemployment and inflation increased, and the European Central Bank lowered key interest rates. Japan's economy grew steadily, albeit 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



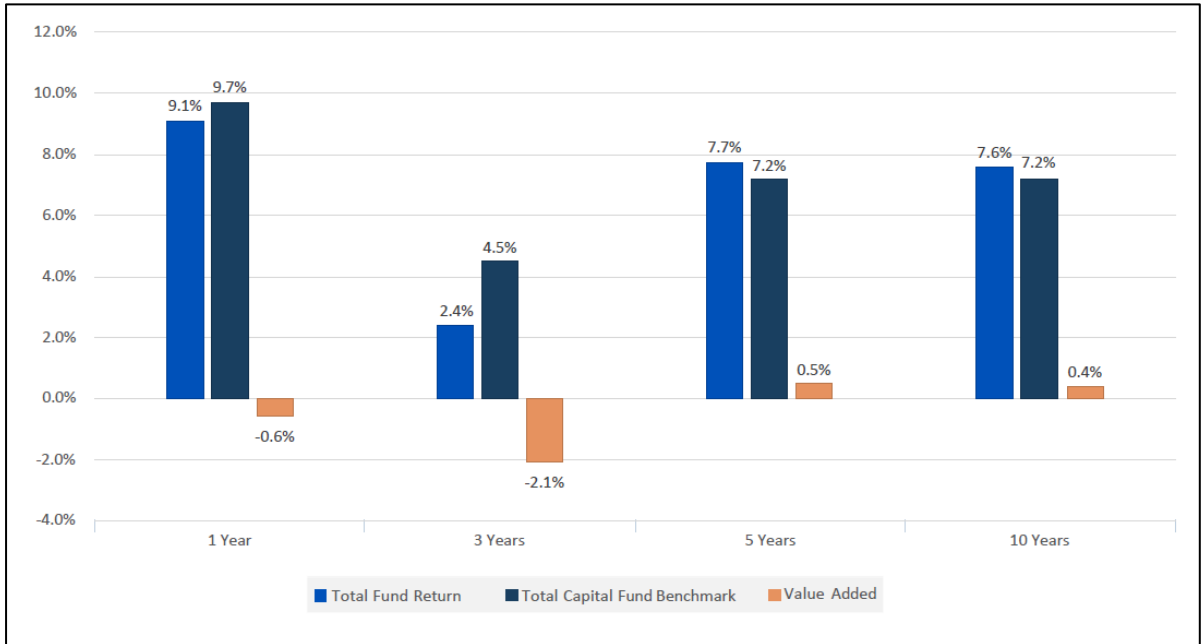
PRIT Fund Performance

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

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Total PRIT Fund Returns

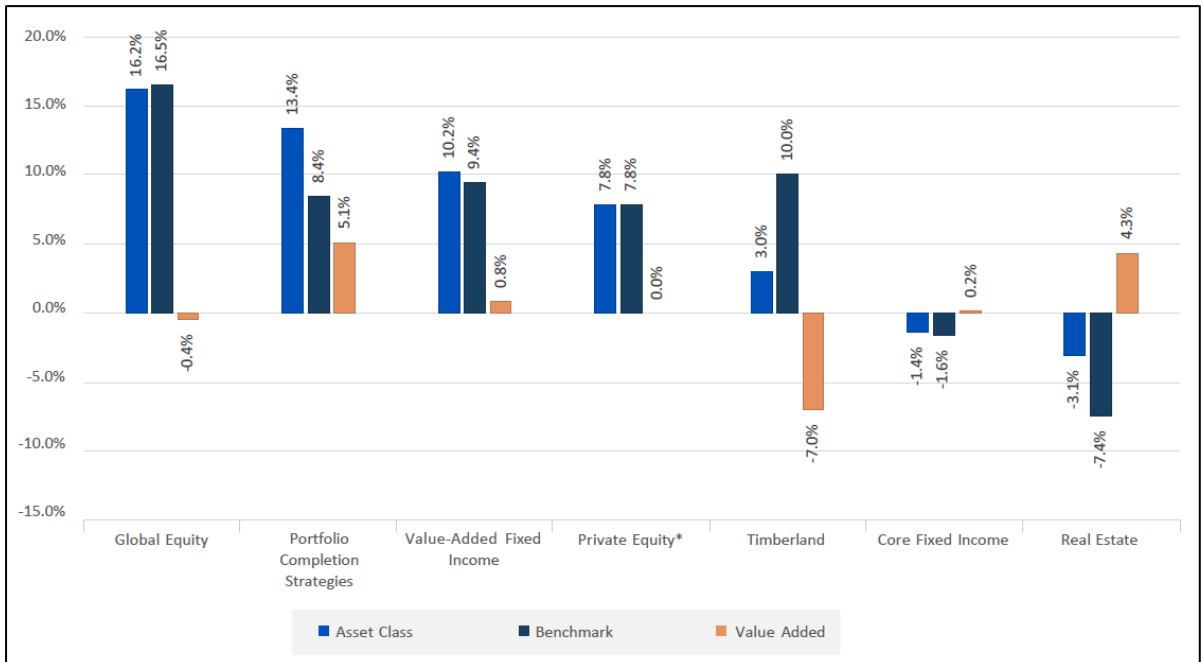
Annualized Returns as of December 31, 2024 (Net of Fees)



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. 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 yesterday, the asset allocation recommendation was to make no changes as the current asset allocation is appropriate.

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.

III. Research – Asset Allocation Update

Maria Garrahan, Director of Research, presented the 2025 Asset Allocation recommendation. The new recommendation represented no change to the current approved ranges.

PRIM's research team leads a robust and comprehensive strategic asset allocation research program which blends both quantitative and qualitative insights into the analysis while focusing on a dual objective. The focus is on crafting a well-diversified strategic asset allocation recommendation centered around the probability of achieving those objectives.

The dual objectives are an actuarial rate of return of 7% over the next 10 years and achieving no cumulative drawdown greater than 20% over the next 3 years.

There are multiple components of the asset allocation research program that contribute to the Asset Allocation recommendation. First is PRIM's Core Asset Allocation framework, which is a probabilistic based approach focused on assessing the dual objective. The framework explores areas of statistical diversification by looking at the factors rather than asset classes to see if it is a well-balanced portfolio.

The internally developed Core Asset Allocation Framework is data-driven and systematic. The Framework utilizes past performance as a starting point and then identifies the principal components or factors present in each return. Thousands of simulations are then conducted for possible future return scenarios to evaluate the likelihood of achieving the objectives.

PRIM couples its Core Framework with NEPC, an asset allocation consultant, who provides their recommendation and key findings utilizing a risk-return optimization process.

The third step of the analysis includes collaborative discussions internally across all asset classes and risk team regarding feasibility to deploy capital and the current opportunity set.

IV. Performance Review and Market Summary

Timothy Schlitzer, CFA, CRE, Director of Real Estate and Timberland began by discussing positioning within PRIM's asset allocation. PRIM ended the year at 9% of PRIT in Real Estate and 2.9% in Timberland. Both are below the target mid-point but within range. He added that the REIT segment should increase by approximately 3% over the next two months as the new REIT managers invest their allocations.

Real Estate

Mr. Schlitzer provided additional detail on the Real Estate portfolio. He stated that Core real estate continues to drive portfolio risk and return. PRIM also has a small amount of exposure to non-core real estate strategies across the office, life science, and multifamily sectors.

Mr. Schlitzer described performance, stating that on a cumulative basis from the market peak in 2022 through 2024 year-end, PRIM's private portfolio has outperformed the market by 710 basis points.

While disappointed with the negative absolute returns, Mr. Schlitzer said that he continues to feel that the portfolio is weathering the storm well and is cautiously optimistic as he begins to see some slow signs of recovery in capital flows, slowing construction and absorption of new supply.

Mr. Schlitzer commented on various segments of the portfolio, starting on the public side. REITs were positive for the year, despite a difficult fourth quarter, as the ten-year Treasury rose approximately 80 basis points. PRIM's portfolio outperformed the benchmark by 256 basis points for the year. In the US, regional malls were the top performing market sector, at 27%, followed by data centers, up 25% for the year. The industrial sector was the worst performing sector, down 18% for the year. He also pointed out that the industrial sector leads returns in 2025, up 10%.

The private portfolio return for the year was -3.6%, in excess of the stated benchmark by 444 basis points. The core segment represents approximately 85% of PRIM's total portfolio and returned 2.6% for the year. The non-core segment, at 5% of the portfolio, detracted approximately 100 bps from the core return, as those vehicles have been disproportionately impacted by market conditions and higher leverage.

Mr. Schlitzer added that all of the major index sectors (apartment, industrial, and retail) except office provided positive returns in 2024, indicating the beginning of a broad market recovery. He compared this to 2023 where all major sectors had negative returns. PRIM's overweights to industrial and apartments, in-line weight to retail and underweight to traditional office were accretive in terms of sector attribution. PRIM's underweights to some primary gateway markets in the West offset by overweights to Southern markets such as Atlanta, Miami and Dallas continued to work and have also been accretive to returns.

Timberland

Mr. Schlitzer began by discussing timberland portfolio construction. He noted PRIM's relatively small overweight to the U.S. Pacific Northwest while highlighting the 20% international overweight, offset by the U.S. South. He added that the international segment has been PRIM's top performing timberland segment over the past five and ten year periods.

Mr. Schlitzer went on to describe a number of timberland benchmark limitations, adding that while PRIM's benchmark is appropriate and the best available, it lacks several key attributes. The total index size is \$28 billion (about 10% of the size of the real estate benchmark), and PRIM's portfolio represents almost 10% of it. It does not contain global assets despite timberland being a global commodity and asset class, and the valuations that drive it are based on annual appraisals that are based on transaction volume averaging approximately \$2.7 billion annually for the last five years. Stating this differently, PRIM's portfolio is larger than the amount of timberland that trades each year. In contrast, the commercial real estate market trades approximately \$400-500 billion per year.

Mr. Schlitzer then described timberland performance. For the one-year period, timberland returned 3%, underperforming PRIM's stated benchmark by 700 basis points. Over the past three years, the annual return for the asset class has been 7.3%, the highest performing asset class at PRIM.

Mr. Schlitzer reminded the Committee that the reported one-year benchmark return is as of September 30, 2024. When compared to the December return, underperformance decreases to 400 basis points. He stated that the underperformance is related to the Chinese housing market correction.

Mr. Schlitzer added that in contrast to log prices in the U.S. South, which have barely moved in years, prices for timber going to Asia have increased substantially over the past five years and are now coming down. There is precedent for this type of correction, going back to the Asian debt crisis, and export markets are historically always more volatile. China has approximately 1.5 billion people and not enough domestic timber, a challenge that is not easy to correct. He concluded by stating that in 2025, the team's focus will be on the Pacific Northwest and Australian exposures.

Dr. Jack Lutz shared insights on the Timberland market. He agreed with Mr. Schlitzer's assessment of NCREIF. He then discussed the history of tariffs and potential implications for the timber market.

V. 2025 Real Estate and Timberland Annual Plan Summary

Timothy V. Schlitzer, CFA, CRE, Director of Real Estate and Timberland, updated the Committee on the 2025 Annual Plan. He made the following comments, referencing Appendix D of the meeting materials.

The team had several accomplishments during the year. These included a Request for Proposal (RFP) process for U.S. REIT managers, an early refinance of one of PRIM's real estate portfolio debt issuances, notable Committee presentations and industry speaking engagements, several capital allocation decisions, and significant travel.

Mr. Schlitzer stated that the team will be focusing on several initiatives in 2025. These include Requests for Proposals (RFPs) for consulting and appraisal, efforts to develop and progress PRIM's Stewardship goals, implementation of the new REIT managers, additional FUTURE program exposures, expansion of PRIM's non-traditional real estate sector exposures, and enhancement of PRIM's performance reporting tools.

VI. Benchmark Recommendation: REITs (Voting Item)

The PRIM Real Estate and Timberland Committee voted, by unanimous roll-call vote, to make a recommendation to the PRIM Board to approve the REIT Benchmark Recommendation, as described in the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

VII. Benchmark Recommendation: Real Estate FUTURE Portfolio (Voting Item)

The PRIM Real Estate and Timberland Committee voted, by unanimous roll-call vote, to make a recommendation to the PRIM Board to approve the FUTURE Portfolio Benchmark Recommendation, as described in the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

VIII. Real Estate and Timberland Consulting: Request for Proposals Issuance (Voting Item)

The PRIM Real Estate and Timberland Committee voted, by unanimous roll-call vote, to make a recommendation to the PRIM Board to approve the issuance of a Request for Proposals (RFP) for Real Estate and Timberland Consulting Services, as described in the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

IX. Real Estate Appraisal: Request for Proposals Issuance (Voting Item)

The PRIM Real Estate and Timberland Committee voted, by unanimous roll-call vote, to make a recommendation to the PRIM Board to approve the issuance of a Request for Proposals (RFP) for Real

Estate Appraisal Services, as described in the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

X. Timberland Appraisal: Request for Qualifications Issuance (Voting Item)

The PRIM Real Estate and Timberland Committee voted, by unanimous roll-call vote, to make a recommendation to the PRIM Board to approve the issuance of a Request for Qualifications (RFQ) for Timberland Appraisal Services, as described in the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

The PRIM Real Estate and Timberland Committee meeting adjourned at 10:57 a.m.

List of documents and exhibits used during the meeting:

- *Minutes of the PRIM Real Estate and Timberland Committee Meeting of November 13, 2024*
- *PRIT Fund Performance Presentation (December 31, 2024)*
- *PRIT Fund Performance Report (December 31, 2024)*
- *2025 PRIM Staff Annual Plans*
- *2025 Asset Allocation Presentation*
- *2025 NEPC Asset Allocation Presentation*
- *Real Estate and Timberland Performance Charts*
- *Benchmark Recommendations*
- *Verus Investments' Benchmark Recommendation Memorandum: REITs*
- *Verus Investments' Benchmark Recommendation Memorandum: FUTURE*