



Minutes of the PRIM Administration and Audit Committee Remote Meeting  
Tuesday, May 13, 2025

Committee members attending:

- Robert Brousseau, Chair
- Patrick Brock
- Catherine D'Amato
- Saandra DeSantis Lynch, Treasurer's Designee
- James Hearty
- Dennis Naughton

Committee members not attending:

- Theresa McGoldrick, Esq.

The PRIM Administration and Audit Committee meeting was called to order at 10:02 a.m. Chair Robert Brousseau announced that the meeting was being held in accordance with the provisions of Massachusetts Acts of 2022, Chapter 22, which was most recently amended on March 28, 2025, to include an extension of the 2020 Executive Order 'Suspending Certain Provisions of the Open Meeting Law' until June 30, 2027. 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](http://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 February 13, 2025, meeting.

**II. Executive Director / Chief Investment Officer Report**

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

The PRIT Fund ended the quarter with a balance of \$110 billion as of March 31, 2025, essentially flat despite U.S. equity markets being down more than 4%. The PRIT Fund gained 5.5% for the trailing one-year period. U.S. equity markets were the hardest hit, but the PRIT Fund's international equity exposures fared better, posting positive returns for the quarter. Additionally, bonds and alternative investments provided an additional buffer to weaker U.S. equity markets. Equity and bond volatility were elevated.

Mr. Trotsky mentioned that legendary investor Warren Buffet wrote soon after the stock market crash of 1987 including "Black Monday", the largest single day drop in the market's history (DJIA down 508 points or 22.6%), "*... an investor will succeed by coupling good business judgement with an ability to insulate his [or her] thoughts and behavior from the super-contagious emotions that swirl about the marketplace.*"

Mr. Trotsky explained that this quote is an excellent summary of what the entire PRIM team is doing at this critical time, monitoring every aspect of the PRIT Fund and maintaining close contact with investment managers and industry experts who support PRIM to ensure staff are well-informed. He added that, as usual, PRIM is analytical, disciplined, and unemotional about every investment decision it makes. Importantly, PRIM adheres to its fundamental investment philosophy: "PRIM can't accurately predict the future, so we don't try; and PRIM can't predict the future of the financial markets, so we don't try."

Instead, the PRIT Fund is a carefully constructed, broadly diversified portfolio with components that are expected to perform well in any environment. Critical to PRIM's beneficiaries and stakeholders is the fact that PRIM is not facing any liquidity stress due to recent volatility and can easily meet all commitments. The PRIT Fund is performing well, is well-positioned, and resilient.

### **Organizational Update**

**Matt Marshall** joined PRIM's Private Equity team in late February as an Investment Officer, reporting to Alyssa Acker. Mr. Marshall has over 10 years of experience in portfolio management, primarily allocating investments to private markets on behalf of endowments. For the past seven years, he was an Investment Director at Beth Israel Lahey Health Investment Office, sourcing and leading due diligence efforts for venture capital and private equity. Prior to that, he was an Investment Analyst at Mass General Brigham Investment Office. Mr. Marshall graduated from George Washington University with a bachelor's degree in Business Administration in Finance and International Business.

*Private Equity International* has named Senior Investment Officer on the Private Equity team, **Helen Huang**, a member of its annual "40 under 40: Future Leaders of Private Equity" list. The publication credits Helen with helping to "reinvigorate the pension plan's venture capital program [and contributing] significantly to PE investment process design." The publication lauded PRIM's Private Equity team's proactive approach to sourcing new ideas and status as one of the top-performing public pension fund Private Equity portfolios based on its 10-year private equity returns.

### **Market Update**

Mr. Trotsky added that the market environment and news flow are changing rapidly, and there is concern about the institutional guardrails protecting the financial markets. In early April, a quick reversal of policy decisions was encouraging after the bond market flashed warning signs after a spike in volatility; equity markets rebounded strongly in the subsequent days. Some believe that the bond market is the ultimate enforcer; that an orderly bond market, which enables the Government to borrow and finance itself consistently, is a fundamental force of immense and independent power. At that critical moment, the bond market appeared to have extraordinary coercive power.

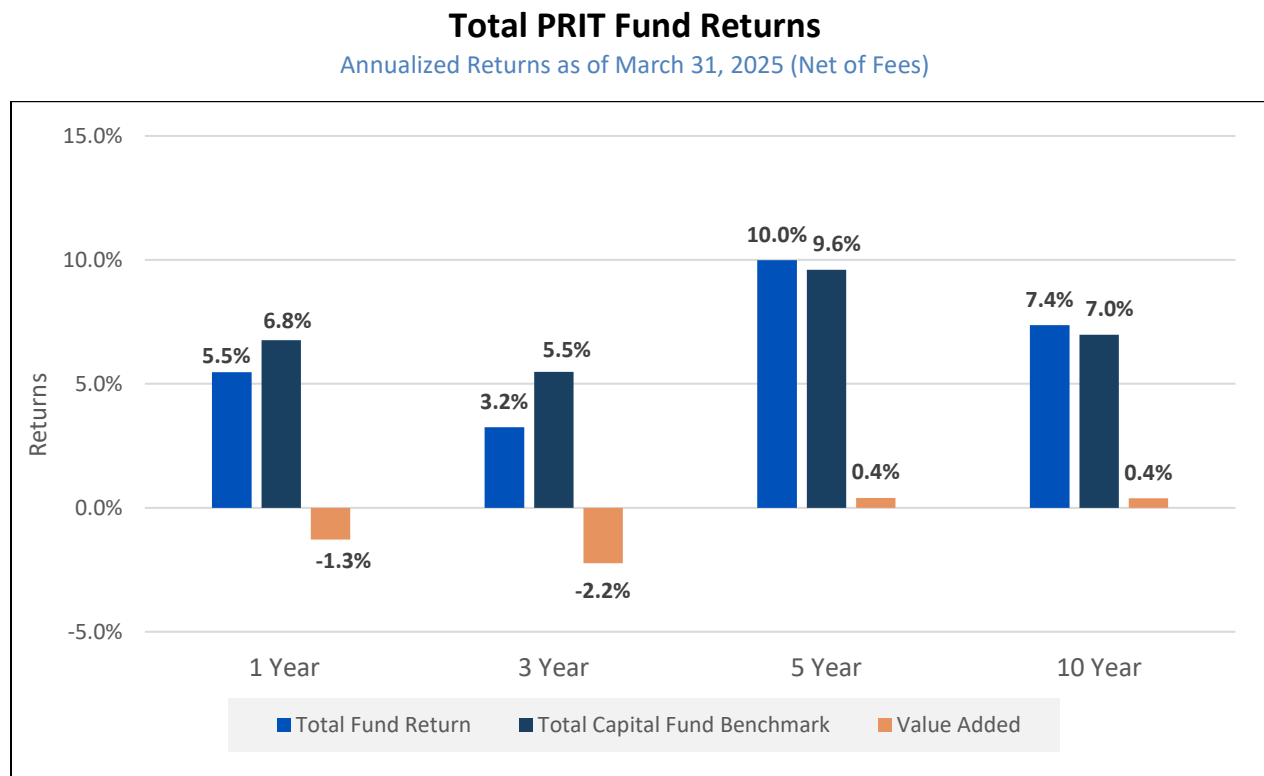
Mr. Trotsky explained that PRIM does not know exactly how the current Administration's tariff plan will play out or how policies will impact the economy; it is impossible to predict. However, cooler heads prevailed, and the markets have responded positively in April and into May. There are many risks to the market and the economy right now, and there are so many unknowns. However, it is PRIM's job to, in the words of Winston Churchill, who incidentally began his political career in the early 1900s vigorously fighting tariff proposals, "Keep calm and carry on." That's what staff at PRIM are doing. PRIM staff are maintaining and carefully monitoring a broad, diversified portfolio that contains strategies designed to perform well regardless of the future's uncertainties. Mr. Trotsky added that, for the first time in a long time, international equities outperformed US equities in the March quarter, which helped PRIM's broadly diversified portfolio. German equities were up 15.5%, UK equities were up 9.7%, China equities were up 15%, while Japan equities were flat, and the US market was down more than 4%.

Mr. Trotsky summarized comments made at the Investment Committee, highlighting the unusual and extreme bearishness in sentiment and surveys. Noting that if the peak negativity on tariffs has passed and the bottom has already been tested, there could be upside potential in the equity markets as some of these disputes are resolved. As for fixed income, where most yields are based in part on the yield of so-called risk-free Treasuries, there are some reasons to fear that demand might erode even though the most recent Treasury auctions have functioned relatively well. First, central banks are significant buyers of Treasuries, purchasing them to recycle their trade surpluses with the U.S. Japan, China, and the UK are among the largest buyers of U.S. Treasuries. With a trade war, the surplus could diminish, and those

buyers will have less trade surplus to recycle into Treasuries. Second, Hedge Funds have become the largest buyers of Treasuries, and with the volatility of the markets, Hedge Funds could pull back leverage and thereby reduce their purchases of Treasuries. Meanwhile, the Federal Government has signaled the need to finance itself through large and steady Treasury auctions. As for the dollar, it is extremely difficult to dislodge the US dollar as the global currency reserve, with more than 80% of global trade done in US dollars, it will be hard to create a major and sustained downturn for the U.S dollar, the dollar has historically been very resilient, and markets have short memories for any dislocations. Mr. Trotsky described a cartoon shown at the Investment Committee meeting depicting Uncle Sam literally stuffing Treasuries into a fragile system. Mr. Trotsky concluded his market update by stating that in the end, with the large and steady supply of Treasuries necessary to fund the government, any decrease in demand could impact yields, necessitating them to rise to clear the auctions. That scenario would not be good for interest rates.

### PRIT Fund Performance

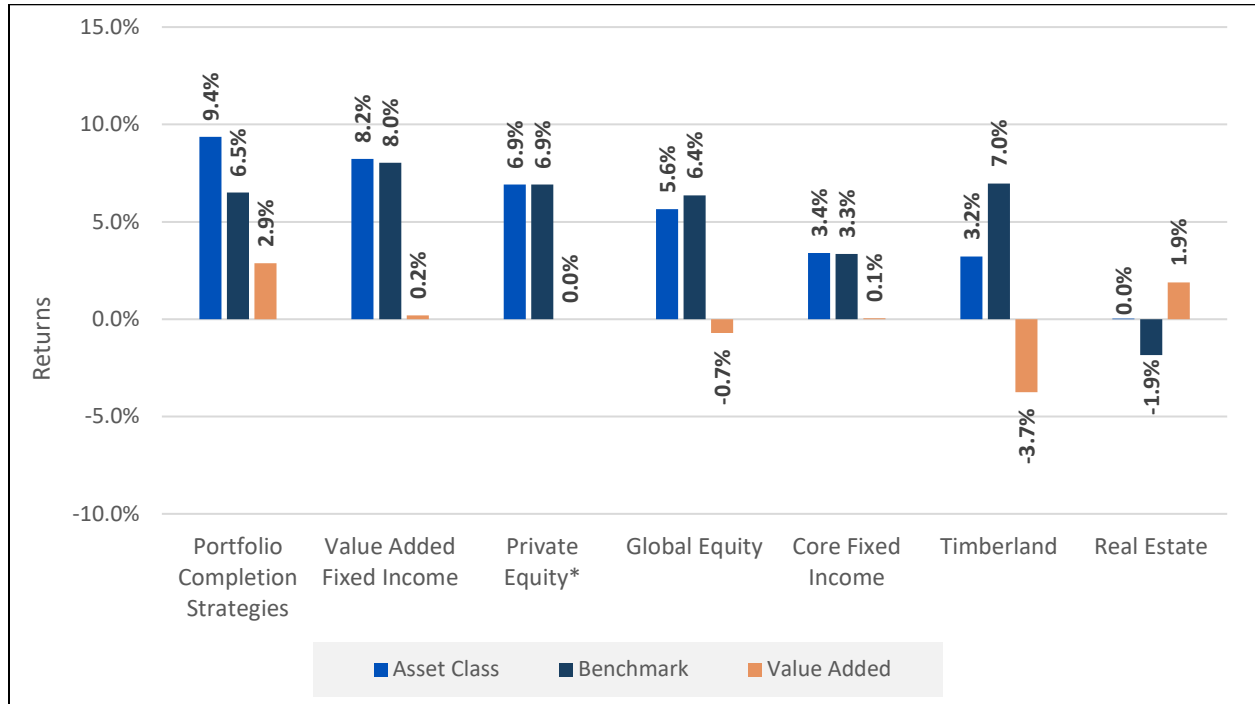
Mr. Trotsky discussed the March 2025 PRIT Fund performance in more detail, referencing the following performance charts:



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

## PRIT Asset Class Performance Summary

One Year ended March 31, 2025 (Net of Fees)



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

## PRIT Fund Annualized Returns by Asset Class

March 31, 2025 (Net of Fees)

1 Year	3 Year	5 Year	10 Year
PORTFOLIO COMPLETION STRATEGIES 9.4%	TIMBER 7.0%	PRIVATE EQUITY 16.1%	PRIVATE EQUITY 16.5%
VALUE-ADDED FIXED INCOME 8.2%	GLOBAL EQUITY 6.5%	GLOBAL EQUITY 15.2%	GLOBAL EQUITY 8.7%
PRIVATE EQUITY 6.9%	VALUE-ADDED FIXED INCOME 6.0%	VALUE-ADDED FIXED INCOME 8.2%	REAL ESTATE 6.2%
GLOBAL EQUITY 5.6%	PORTFOLIO COMPLETION STRATEGIES 5.9%	TIMBER 7.6%	TIMBER 5.3%
CORE FIXED INCOME 3.4%	PRIVATE EQUITY 1.6%	PORTFOLIO COMPLETION STRATEGIES 7.2%	VALUE-ADDED FIXED INCOME 5.2%
TIMBER 3.2%	CORE FIXED INCOME (2.4%)	REAL ESTATE 5.6%	PORTFOLIO COMPLETION STRATEGIES 3.9%
REAL ESTATE 0.0%	REAL ESTATE (3.1%)	CORE FIXED INCOME (1.9%)	CORE FIXED INCOME 1.1%

Source: BNY. Returns as of March 31, 2025

Mr. Brousseau mentioned that he had read that the worst is yet to come in terms of inflation and asked Mr. Trotsky if that was the sentiment he had heard.

Mr. Trotsky responded by saying that it is the general consensus. However, the CPI figures just reported show inflation at a four-year low.

### **III. Draft Fiscal Year 2026 Operating Budget (Voting Item)**

Anthony Falzone, Deputy Executive Director and Chief Operating Officer, and Deborah Coulter, CPA, Chief Financial Officer and Chief Administration Officer, presented the Draft Fiscal Year 2026 PRIM Operating Budget. Mr. Falzone and Ms. Coulter thanked Daniel Eckman, CPA, Director of Finance & Administration, Sara Coelho, Finance Manager, and the rest of the team for their work on the proposed budget.

Mr. Falzone began by reminding the Committee that PRIM operates outside the state budget and relies on investment returns to support its operations; PRIM is not a line item in the state budget.

He stated that the total Fiscal Year 2026 Budget was projected to be \$603.6 million, or 0.52% (52.2 basis points), of the projected average PRIT Fund assets of \$116 billion. PRIM's fees and expenses relate directly to PRIT Fund assets, and higher average asset levels and/or allocations to more complex/costly assets result in higher costs. He explained that the budget has increased by \$44.4 million, or 7.9%, from the prior year. He added that PRIM is very sensitive to increases in the budget and added that approximately 95% of the total budget covers expenses for external investment manager fees, advisors, service providers, and consultants outside of PRIM's four walls, which are necessary to manage the PRIT fund successfully. As the PRIT Fund assets continue to grow, the expense of managing them will also increase. Asset growth is a positive development, which will also increase expenses; however, he assured the Committee that costs are managed in a way that has allowed PRIM to maintain consistent expense ratios year over year.

Mr. Falzone mentioned that the Finance team continues looking for ways to add transparency and detail that will help communicate where PRIM is allocating the budget. He also mentioned that adding more detail helps the team perform analytics that can aid in measuring where PRIM spends.

Mr. Falzone concluded his budget remarks by reiterating that the size of any particular asset allocation or asset class does not directly relate to the size of the expense. High-performing private alternatives will typically have higher fee structures than public markets. Historically, it has proven to be a wise investment. He added that no one at PRIM likes to pay high fees, and the investment team does a good job negotiating fees down. Alternatives that help diversify the PRIT Fund are a critical component of PRIM's asset allocation, which has historically allowed the fund to exceed the 7% actuarial rate of return.

Ms. Coulter discussed the budget in more detail, highlighting key changes for Fiscal Year 2026. She explained that the operating budget was increasing 7.9%. She noted that the budget is divided into two main sections: Investment Expenses, which are the costs directly associated with managing the PRIT Fund and make up almost 95% of the entire budget; and Non-Investment Expenses, which are PRIM's operational costs that make up the remaining 5%.

She stated that Investment Management Fees are increasing approximately \$40.7 million based on projected growth in PRIT Fund assets. She then noted that Investment Service Provider Fees were increasing by approximately \$2.8 million, mainly due to an increase in fees for PRIM's managed account platform providers and also to provide staff with additional investment performance reporting and analytics tools.

Ms. Coulter explained that Operational Expenses were increasing by approximately \$1.2 million, due to projected increases in compensation and technology to support continued organizational growth. She noted that this year's budget also includes funding for potential AI tools as well as the costs associated with administering the two PRIM Board elections that are conducted every three years. In summary, Ms.

Coulter noted that the Fiscal Year 2026 Budget was increasing due to projected asset growth and expanded investments in technology, staffing, and tools to support that growth.

Mr. Brousseau thanked the team for all the work done in preparing the Fiscal Year 2026 budget, adding how lean costs are, especially in the area of compensation.

Mr. Brousseau asked if budgeting based on projecting asset growth in the current period of heightened volatility still makes sense.

Mr. Falzone responded that the current methodology has been consistent with past years. He noted that although there have been periods of volatility, they have been short-lived. He added that the hope is that assets will continue to grow, and PRIM believes it is best to maintain consistency in the budgeting process.

Ms. Coulter added that in times of increased volatility, such as the COVID-19 period, the market experienced a sell-off. Still, it recovered shortly thereafter, and the PRIT Fund continued to grow. At that time, a change was considered, but it was decided it was better to remain consistent with the budgeting process. Being consistent ultimately worked well for PRIM.

Ms. D'Amato agreed with being steady and consistent, understanding that there is no way to know what lies ahead, and relayed the importance of being ready to react when needed, adding that the market was down early in the past quarter but has since recovered.

The Administration and Audit Committee voted (unanimously) by roll call vote to recommend to the PRIM Board that the Board approve the Draft Fiscal Year 2026 PRIM Operating Budget, as set forth in Appendix D of the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

#### **IV. Legal/Legislative Update**

##### **A. PRIM Bylaw Review (Voting Item)**

The PRIM Board's outside counsel, Kevin Conroy, Partner at Foley Hoag, LLP, presented the proposed change to the PRIM Bylaws. He made the following points during his presentation:

- The recent death of a PRIM Board member, elected by the members of the State Employees' Retirement System, led PRIM to review its governing documents regarding the process for filling a vacancy during a Board member's term.
- PRIM is required by statute to administer elections for two PRIM Board seats -- a seat chosen by the members of the Teachers' Retirement System, and a seat chosen by the members of the State Employees' Retirement System.
- Foley Hoag's review found that the PRIM Bylaws could be more concrete about the process PRIM uses if there is a vacancy in either of these two Board seats.
- It generally takes about nine months for PRIM to administer the election for these seats. This process includes notifying members of the retirement system, collecting signatures for nomination, creating and distributing ballots, providing ample time for voting, and collecting and counting the ballots.

For the reasons provided during their presentation, Foley Hoag recommended the following updated bylaw language:

***Any vacancy among the elected members that may occur before the expiration of a term shall remain unfilled until a new member is elected at the next regularly scheduled election for such position; provided, however, that if the vacancy occurs during the first 15 months of the term, the Board will hold a special election, at the Board's expense and at the time and in the manner determined by the Board, to fill such vacancy prior to the expiration of a term.***

Mr. Brousseau pointed out that this Bylaw change only impacts the Employee and Teacher Retirement System member-elected seats, not the Employee and Teacher Retirement Board-elected seats.

It was noted that a majority vote of the Board would be required to pass the Bylaw change.

The Administration and Audit Committee voted (unanimously) by roll call vote to recommend to the PRIM Board that the Board approve amending the PRIM Bylaws as outlined in Appendix E of the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

Patrick Brock left the meeting at 10:58 AM.

## **B. Legislative Update**

Emily Kowtoniuk, Director of Policy & Legislative Affairs in Treasurer Goldberg's office, provided a legislative update. Ms. Kowtoniuk mentioned that the policy team is monitoring the House and Senate budget process and is following several budget amendments that could impact PRIM, adding that the House had not adopted budget amendment H.1577, which affects the PRIM Board seat currently held by Carly Rose, a representative of a public safety union appointed by the Governor.

Ms. Kowtoniuk added that two similar budget amendments had been filed with the Senate's budget, and her team continues to monitor the numerous other budget amendments filed with the Senate.

## **V. Interim Meeting with PRIM Board Auditors**

Ms. Coulter introduced KPMG Lead Audit Partner Christine St. Hilaire, Audit Partner Bob Mahoney, and Senior Manager Zachary Penfold. She stated that KPMG was present to discuss the audit plan for the Fiscal Year 2025 PRIM and PRIT Audits and the plan for the agreed-upon procedures.

Before KPMG's presentation, Ms. Coulter provided an overview of the December 31, 2024, year-end audits for the following alternative asset classes:

- Real Estate
- Timberland
- Portfolio Completion Strategies, and
- Other Credit Opportunities

Ms. Coulter mentioned that these audits cover approximately 20% of the total PRIT Fund.

Ms. Coulter then noted that all calendar-year-end audits, except one, had been completed, and all resulted in clean, unmodified opinions. She then mentioned that the one remaining audit, a timber portfolio, was expected to be issued in June, and that the timing was in line with that of prior years.

Ms. St. Hilaire, Mr. Mahoney, and Mr. Penfold provided an audit overview that included the following:

- The audit approach, use of technology, and an overview of the KPMG audit engagement team
- New GASB pronouncements
- The roles and responsibilities of management, the Administration and Audit Committee, and KPMG as it relates to the fiscal 2025 audits of the PRIM Board and the PRIT Fund, and
- A review of the audit timetable, approach, and risk assessments

Mr. Penfold mentioned that, similar to prior years, the majority of the audit effort is focused on investment valuations, testing manager fees, and reviewing internal controls.

## **VI. Other Matters:**

The Committee members briefly discussed the following topics:

- C. March 2025 PRIM budget
- D. Travel Report
- E. Client Service

The PRIM Administration and Audit Committee meeting adjourned at 11:30 a.m.

List of documents and exhibits used during the meeting:

- Minutes of the PRIM Administration and Audit Committee Meeting of February 13, 2025
- PRIT Fund Performance Presentation (March 31, 2025)
- PRIT Fund Performance Report (March 31, 2025)
- Draft Fiscal Year 2026 Operating Budget
- PRIM Bylaw Amendment
- KPMG's Fiscal Year 2025 Audit Plan
- PRIM Operating Budget (March 31, 2025)
- Travel Report