MassPRIM

Minutes of the PRIM Administration and Audit Committee Remote Meeting
Thursday, August 7, 2025

Committee members attending:

- Robert Brousseau, Chair
- Treasurer Deborah Goldberg
- Patrick Brock
- Catherine D'Amato arrived at 10:12 AM
- James Hearty
- Theresa McGoldrick, Esq.
- Dennis Naughton

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 who participated did so remotely via audio/video conferencing, and public access to the Committee's deliberations was provided via telephone. All documents referenced during the meeting were available for viewing on PRIM's website (www.mapension.com). At the start of the meeting, the names of the members who were 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 May 13, 2025, meeting.

Catherine D'Amato joined the meeting at 10:12 a.m.

II. Executive Director / Chief Investment Officer Report

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

At the Investment Committee meeting a few days prior, it was reported that the PRIT Fund ended with a record balance of $115.4 billion, surpassing previous records. The fund returned 9.6% (net), gaining $10.1 billion in the Fiscal Year (FY), with all seven major asset classes posting positive returns. The team drew inspiration from Warren Buffett and Winston Churchill during a period of high market volatility. Despite the tumultuous year, the team's calm focus led to exceptional investment productivity, with $5.0 billion deployed into new investments. PRIM faced no liquidity stress and met all its funding commitments, showcasing a well-designed and resilient portfolio.

Organizationally, the PRIM staff's depth and talent were stronger than ever, with low turnover. The staff received local and national recognition, including Mr. Trotsky receiving a Lifetime Achievement Award and being named to the Chief Investment Officer 2024 POWER 100 list. PRIM's Private Equity Portfolio was ranked fourth by the American Investment Council's Public Pension Study. Helen Huang was named to Private Equity International's "40 Under 40: Future Leaders of Private Equity" list.

PRIM ranked fifth in the U.S. for assets managed by diverse managers, and two staff members received Commonwealth Citations for Outstanding Performance. PRIM's financial controls and reporting continued to be industry-leading, earning the Certificate of Achievement for Excellence in Financial Reporting for the 20th consecutive year and completing the CFA Institute's Global Investment Performance Standards for the seventh straight year. PRIM completed over 30 audits, all resulting in clean unmodified opinions.

Despite higher uncertainty, U.S. equities rose 15.1%, developed international equities increased by 18.6%, emerging market equities gained 15.2%, and diversified bonds gained 6.1%. The highest-performing PRIT Fund asset classes included Global Equities and Hedge Funds, while Value-Added Fixed Income and Private Equity posted strong returns. The PRIT Fund's trailing 1-, 3-, 5-, and 10-year returns consistently exceeded the required actuarial rate of return of 7%.

The FUTURE Initiative, established to meet the objectives of the 2021 Investment Equity legislation, aims to ensure that at least 20% of PRIM's investment managers are women, minorities, or persons with disabilities owned. The PRIT Fund currently allocates approximately $15.1 billion to diverse investment managers, more than doubling its commitment since 2021. In FY2025 alone, PRIM allocated $900 million to diverse managers.

PRIM's Stewardship and Sustainability team has adopted new Stewardship Priorities and an Engagement Policy, focusing on Climate Transition Planning, Fair Pay, Sustainable Forestry, and Transparency. PRIM joined two organizations to pursue engagement initiatives and voted on 12,181 proxy ballots aligned with PRIM’s custom proxy voting guidelines. PRIM updated the Proxy Voting Guidelines and developed a Proxy Voting Decision-Making Policy. PRIM concluded its five-year membership in MIT's Aggregate Confusion Project, confident that the knowledge gained will benefit future stewardship priorities and engagement activities.

The PRIM team responded well during the volatile environment of the last several years, delivering strong investment performance and innovative non-investment solutions. Mr. Trotsky thanked the PRIM Board, committees, and staff for their support and hard work.

Mr. Trotsky informed the Committee that his FY 2025 self-assessment was distributed in support of his annual performance evaluation, with the formal review scheduled for the Board meeting on August 14th.

PRIT Performance

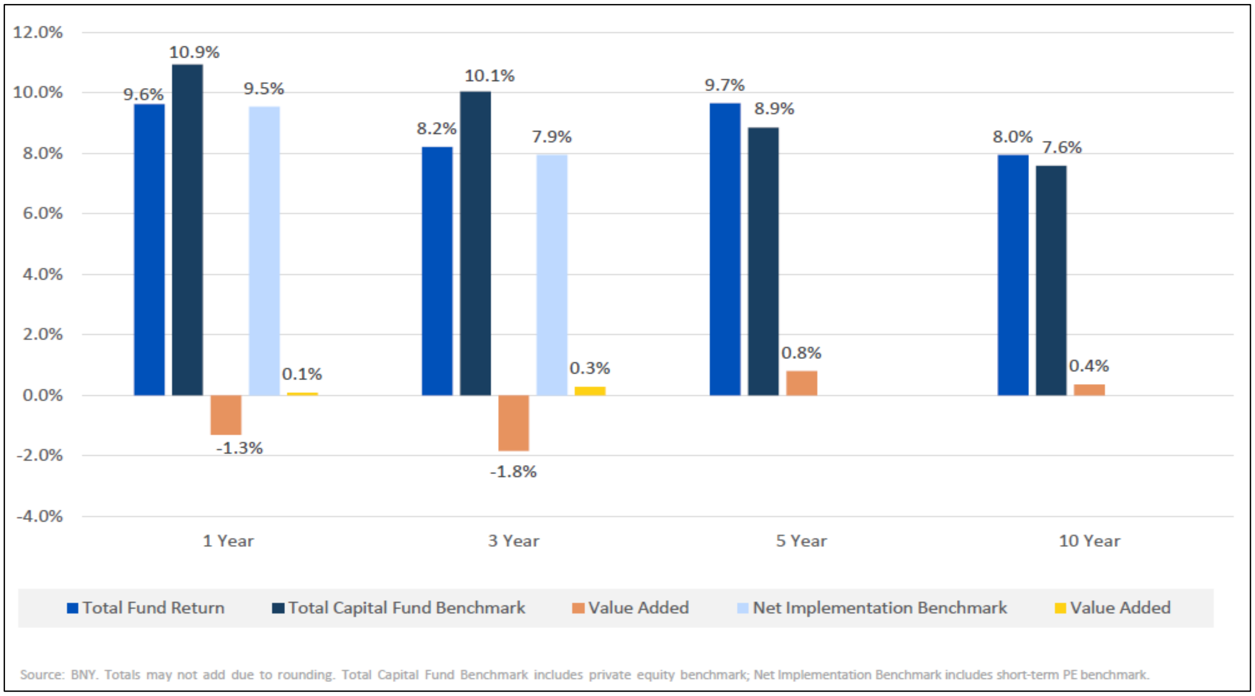
Mr. Trotsky mentioned that worldwide financial markets were very strong this past fiscal year, adding that one of PRIM’s economics providers, Evercore ISI, characterized the 12-month bull market as “a bucking bull” market, which he thought perfectly characterized the direction and volatility of the year.

PRIM maintained its exposure to International Equities, and for the first time in many years, international equities outperformed US equities. Diversified bonds were also up, as rates, although volatile, remained within their expected ranges throughout the year. The 10-year Treasury yield of 4.2% today is very near where it was last year at this time. U.S. Equities were very strong over the trailing 12 months, up 15.1%. Perhaps more noteworthy was the strength of some of the largest international markets. For example, German equities were up 40.1%, China was up 33.6%, the UK was up 19.9%, and Japan was up 13.8%.

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

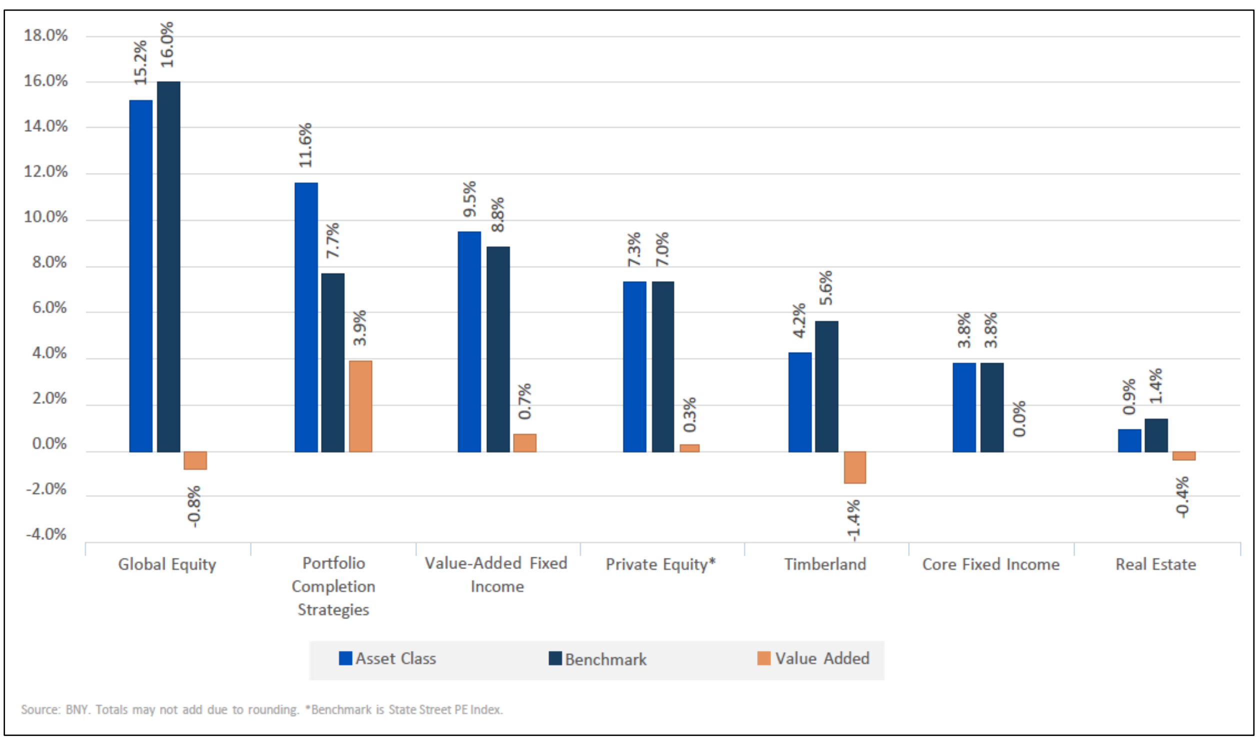
Total PRIT Fund Returns

Annualized Returns as of June 30, 2025 (Net of Fees)



PRIT Asset Class Performance Summary

One Year ended June 30, 2025 (Net of Fees)



PRIT Fund Annualized Returns by Asset Class

June 30, 2025 (Net of Fees)

1 Year	3 Year	5 Year	10 Year
GLOBAL EQUITY 15.2%	GLOBAL EQUITY 16.8%	PRIVATE EQUITY 18.8%	PRIVATE EQUITY 16.2%
PORTFOLIO COMPLETION STRATEGIES 11.6%	VALUE-ADDED FIXED INCOME 9.1%	GLOBAL EQUITY 13.6%	GLOBAL EQUITY 9.8%
VALUE-ADDED FIXED INCOME 9.5%	PORTFOLIO COMPLETION STRATEGIES 8.4%	VALUE-ADDED FIXED INCOME 8.1%	REAL ESTATE 6.1%
PRIVATE EQUITY 7.3%	TIMBER 6.8%	PORTFOLIO COMPLETION STRATEGIES 7.8%	VALUE-ADDED FIXED INCOME 5.4%
TIMBER 4.2%	PRIVATE EQUITY 3.3%	TIMBER 7.7%	TIMBER 5.3%
CORE FIXED INCOME 3.8%	CORE FIXED INCOME 0.2%	REAL ESTATE 5.7%	PORTFOLIO COMPLETION STRATEGIES 4.4%
REAL ESTATE 0.9%	REAL ESTATE (3.0%)	CORE FIXED INCOME (2.4%)	CORE FIXED INCOME 1.9%

Source: BNY. Returns as of June 30, 2025

Economic Update

Mr. Trotsky mentioned that the U.S. GDP increased by 3.0% in the June quarter, rebounding from a 0.5% contraction in Q1 and exceeding expectations. This rebound was mainly due to a 30% fall in imports following a 38% surge in the prior quarter. The positive GDP report was more of a mathematical feature than a sign of economic improvement, as imports are subtracted from GDP calculations. The sharp decline in imports could be attributed to increased purchases earlier in the year to avoid anticipated tariff-related price increases. Core GDP slowed to 1.2% as consumer spending and business investment fell.

Inflation, measured by CPI, rose to 2.7% in June, up from 2.4% in May, marking the highest reading since February. Food, transportation, and autos saw stronger price gains, while shelter inflation eased slightly and energy prices declined. The June inflation gain of 0.3% was the largest in five months.

The ISM Manufacturing Purchasing Managers Index declined for the fifth consecutive month, and the U.S. unemployment rate edged up to 4.2%. However, retail sales, housing starts, and consumer sentiment showed slight increases.

In other large economies, China's GDP growth slowed, inflation remained steady, and the People's Bank left rates unchanged. In Europe, GDP increased by only 0.1% quarter-over-quarter, the lowest since 2023, as inflation remained steady and the European Central Bank left rates unchanged. Japan's economy slowed to flat growth in Q1, with inflation easing to 3.3% and the central bank leaving rates unchanged.

Last week, the U.S. Federal Reserve maintained interest rates at their current level for the fifth consecutive meeting, consistent with other large economies. The July Employment Report revealed that non-farm payrolls increased by only 73,000, significantly lower than expectations, with large downward revisions to the gains in May and June. This prompted a political response, with President Trump dismissing the head of the Bureau of Labor Statistics, alleging, without evidence, that job numbers were being manipulated for political purposes.

The Investment Committee discussed three main points: the reliance on survey results for non-farm payroll and CPI data, the negative impact of Brexit on the UK economy, and the unpredictable impact of policy decisions on global markets.

Mr. Trotsky concluded his remarks by telling the Committee that PRIM expects the "bucking bull market" to continue, and PRIM's approach is to maintain PRIM's carefully constructed portfolio, which has served PRIM well in both up and down markets.

Ms. McGoldrick thanked Mr. Trotsky and the PRIM staff for their work, adding that she was very pleased with how the PRIT Fund is performing. She added that having a strong team in place, along with the leadership of Treasurer Goldberg and Mr. Trotsky, provides comfort for those she represents who will rely on their pension benefits once they retire. She also mentioned that with the day-to-day policy changes being reported in the news, it is comforting to know and is very pleased that PRIM continues to stay the course and perform well.

Chair Brousseau added that over the last 15 years, during Mr. Trotsky's tenure, the PRIT Fund has grown from $50.2 billion to $115.4 billion, and that did not happen by accident. He credited Mr. Trotsky and the team's investment practices, adding that at a time when there is such uncertainty, it is comforting to see the PRIT fund perform so well.

III. Executive Director's Fiscal Year 2026 Goals and Objectives (Voting Item)

Mr. Trotsky mentioned that his FY 2026 Goals and Objectives are consistent with last year and include items from the completion of annual plans reviewed with each Committee and the Board earlier in the year. The goals reflect a continuation of ongoing work with a few updates. One of the most important perennial goals is to ensure that staffing levels, organizational structure, and core competencies are appropriate. Over the past several years, staff have been added quickly, but only one new full-time employee was hired in FY 2025 by design. Currently, PRIM has 61 full-time employees and between 2 and 8 seasonal interns throughout the year. PRIM does not anticipate significant growth in staff numbers for FY2026. PRIM is proud to be one of the leanest pension fund in the country in terms of employees per assets under management.

Mr. Trotsky highlighted the following newer initiatives:

- The Public Markets Team seeks to identify complementary active U.S. equity managers and Other Credit Opportunities managers. In OCO, we will also be open to co-investments.
- The Private Equity Team will enhance PRIM's Venture Capital portfolio by developing structures targeting smaller, difficult-to-access managers. PE will also continue to evaluate the ever-growing secondary market opportunity that we haven't utilized extensively in the past.
- The Real Estate Team is further refining the sector/geography ranking model developed with the Research team. The team is also focused on exploring enhancements to the investment manager evaluation and sourcing processes.
- The PCS Team will continue its multi-year effort to source new, high-quality partners and investment opportunities in both Stable Value and Directional Hedge Funds while also executing an orderly exit from select legacy investments.

- The Risk Team will continue to enhance risk analytics and performance attribution for private equity, incorporating different views, lenses, and exposures. The team will also complete the transition to a new risk management platform and incorporate the liquidity study results into asset allocation and asset class decision-making.
- The Research Team's main goal will be to refresh the currency hedging study, a study that we last completed several years ago.
- The Operations Team will continue to strengthen PRIM's cybersecurity protocols. In FY26, we plan to expand the capabilities and functionality of PRIM's secure client portal to include cash instructions.
- The Investment Operations Team will look to enhance the PRIT Fund's tax reclaim services. This will enhance the amount and speed at which our dividend tax reclaims are recovered from foreign markets.

Mr. Trotsky concluded his commentary on goals and objectives by mentioning that a goal in all areas of PRIM last year was to explore applications of Artificial Intelligence (AI). PRIM has invested a significant amount of time in learning about AI. In FY26, PRIM will move the adoption of AI further into our organization. PRIM is excited about the opportunities that AI provides, while also being mindful of the associated risks. In FY25, we focused on establishing governance by providing PRIM staff with the necessary tools and policies to promote the ethical and responsible use of AI within PRIM. We successfully rolled out Microsoft's AI tool, CoPilot, to a small pilot group within PRIM, and we are busy identifying and discussing several use cases. The next step is a firm-wide rollout of CoPilot, with a focus on training and workshops to foster collaboration and develop a pipeline for innovative use cases. Each team will evaluate AI tools or products that can enhance their business processes. We are moving quickly but carefully. I am impressed by the capabilities of AI and its potential to significantly improve our productivity.

Mr. Naughton asked about the implications of AI on PRIM's security.

Anthony Falzone, PRIM's Deputy Executive Director and Chief Operating Officer, answered that at PRIM, cybersecurity is always at the forefront of mind. He added that PRIM uses a holistic and multilayered approach to security, where if there is a vulnerability or a breach, it is contained and remediated. Additionally, PRIM has taken measures to protect against bad actors by using two-factor authentication and engaging with a second security consultant. Mr. Falzone added that whatever PRIM does will be done in a measured way with full understanding of the risks.

Chair Brousseau praised the organization for continuing with its DEI work as described in the goals and objectives, asking if PRIM anticipates any interference by the federal government at the state level in this area.

Treasurer Goldberg mentioned that everything PRIM does, and in Massachusetts, is focused on long-term value creation and implementing common-sense business practices. She added that the issue is not a partisan one, and she is unique in that she has been able to balance fiduciary duty and stewardship.

Chair Brousseau inquired about communications with stakeholders, as outlined in goal number four, and how they are progressing.

Mr. Trotsky said it is ongoing and continues with meetings that take place throughout the year.

Mr. Falzone added that the Client Service Team does a great job and spends a considerable amount of time meeting with clients, having held over 100 meetings this year.

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

IV. Proposed 2026 PRIM Board and Committee Meeting Schedule

Anthony Falzone, PRIM's Deputy Executive Director and Chief Operating Officer, mentioned to the Committee that the proposed 2026 PRIM Board and committee meeting schedule was not a voting item and that a final draft would be included in the November Administration and Audit Committee meeting materials for a recommendation to the Board at its December meeting.

V. Legislative Update

Emily Kowtoniuk, Director of Policy & Legislative Affairs in Treasurer Goldberg's office, provided a legislative update. Ms. Kowtoniuk reported that Governor Maura Healey had signed the Fiscal Year 2026 budget, which fully funded the pension liability. She added that new joint rules are in place to govern the process of both the House and the Senate.

Mr. Brousseau asked if there is an update on the recently established COLA Commission.

Ms. Kowtoniuk said that they are expected to have a report available by October.

Mr. Naughton asked if a summary of the new rules could be circulated to the Committee.

Ms. Kowtoniuk confirmed that she will send something to Mr. Falzone so it can be distributed to the Committee.

VI. Informational Updates

The Committee members briefly discussed the following topics:

A. June 2025 PRIM budget

B. Travel Report

C. Client Service

The PRIM Administration and Audit Committee meeting adjourned at 11:12 a.m.

List of documents and exhibits used during the meeting:

- Minutes of the PRIM Administration and Audit Committee Meeting of May 13, 2025
- PRIT Fund Performance Presentation (June 30, 2025)
- PRIT Fund Performance Report (June 30, 2025)
- Executive Director and Chief Investment Officer's Draft Fiscal Year 2026 Goals and Objectives
- Proposed 2026 PRIM Board and Committee Meeting Schedule
- PRIM Operating Budget (June 30, 2025)
- Travel Report