MassPRIM

Minutes of the PRIM Investment Committee Remote Meeting
Tuesday, February 10, 2026

Committee members present:

- Treasurer Deborah Goldberg, Chair
- Joseph Bonfiglio
- C. LaRoy Brantley
- Catherine D'Amato
- Michael Even
- Constance Everson, CFA
- Ruth Ellen Fitch, Esq.
- Mark Lapman
- Peter Monaco (arrived at 9:36 a.m.)
- Phillip Perelmuter
- Philip Rotner
- Glenn Strehle, CFA
- Timothy Vaill

Committee members not present:

- James Hearty

The PRIM Investment Committee meeting was called to order at 9:30 a.m. Chair Treasurer Goldberg announced that the meeting was being held pursuant to Massachusetts General Laws Chapter 30A, section 20, as amended by Chapter 2 of the Acts of 2025, which permits remote participation by all Committee members via the use of adequate alternative means, such as audio or video conferencing, to ensure public access to the deliberations of the Committee. 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 participating members who were participating remotely were announced.

I. Approval of the Minutes (Voting Item)

The Investment Committee approved, by unanimous roll-call vote, the minutes of its November 18, 2025, meeting. Committee member Peter Monaco joined the meeting at 9:36 a.m.

II. Executive Director/Chief Investment Officer Comments

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

The PRIT Fund ended with another new record balance of $123.3 billion, surpassing the previous record balance set last quarter. For the December quarter alone, the PRIT Fund returned 2.1%, net of all fees, and for the trailing twelve months, the PRIT Fund returned 12.6% net, which equates to an investment gain of $13.8 billion. We are very proud of the 12.6% 12-month gain, which is nearly twice the target return of 7%, the state's actuarial rate of return.

The 12.6% net gain for calendar year 2025 is the third consecutive year of outstanding gains and follows gains of 9% in 2024 and 11% in 2023. This represents a 3-year annualized rate of return of 11% and a three-year total investment gain of $34.6 billion. Over this last three-year period, US equities remained unusually strong, up nearly 23% annualized, and international markets were weaker, but still up more than 17%. To put things in perspective: A three-year streak with an annualized return of roughly 23% for US equities is exceptionally rare: It's a "Super Streak." Similar performance levels have occurred only a handful of times in the last 100 years, usually during major technological shifts or recoveries from deep, bear markets. A 23% annualized return means the market has nearly doubled in just 3 years.

While examining any "what happens next" scenarios may be interesting, PRIM doesn't try to predict the future because we believe that nobody is consistently good at it. That sentiment is one of our core investment beliefs, and we believe that wisdom is one of the very best guideposts of investing. PRIM's asset allocation recommendations do not rely on future predictions of returns. Instead, PRIM's internally developed process utilizes quantitative, statistical techniques to express the well-proven and Nobel-prize winning economic science of portfolio construction through diversification. We don't try to anticipate market returns or outcomes; we engineer our portfolio to be resilient through all market environments.

In the December quarter, U.S. equities were up 2.7%, while Developed International equities were up 5.2%, and Emerging Market equities were up 4.7%. Bonds were up 1.0% as yields fell slightly. The benchmark 10-yr Treasury yield stood at 4.17% at the end of December and has been stable in that range. For the calendar year through December 31, the 12-month period, Domestic equities were up 17.8%, Developed International equities were up 31.7%, and Emerging Markets equities were up 33.4%. Notable is that International equities outperformed US equities for the first time in many years, and they are doing so by a wide margin – International returns were nearly twice the returns of the U.S. for the year. China was up 31% for the year, Germany up 36.1%, the UK up 35%, and Japan up 24.5% while US equities were up 17.8%.

Over the past three years, Public equities have delivered exceptional returns, supported by resilient earnings growth, falling inflation expectations – resulting in falling interest rates, strong balance sheets, and a generational technology shift driven by artificial intelligence. Public equities have also benefited from liquidity and rapid price discovery, allowing them to be repriced more quickly as macroeconomic conditions improved after the Pandemic slowdown. The past three years was a "Goldilocks" period for public markets- a near perfect environment for strong performance.

At any given time, PRIM should expect to have strong performing asset classes and weaker ones. Even with outstanding absolute returns, the past few years have been a difficult period for active management generally in global equities, both public and private, because the strong market returns have been so narrowly focused on the Magnificent 7 companies and companies linked to AI infrastructure buildouts. This narrowness is unlikely to persist forever and more recently we are seeing some broadening of market participation.

In contrast to the recent surge in public markets, private equity's strength is best viewed through its robust 5-to-10-year track record, a period in which entry valuations were attractive, debt financing costs were exceptionally low, and public equity markets experienced a prolonged and modest expansion.

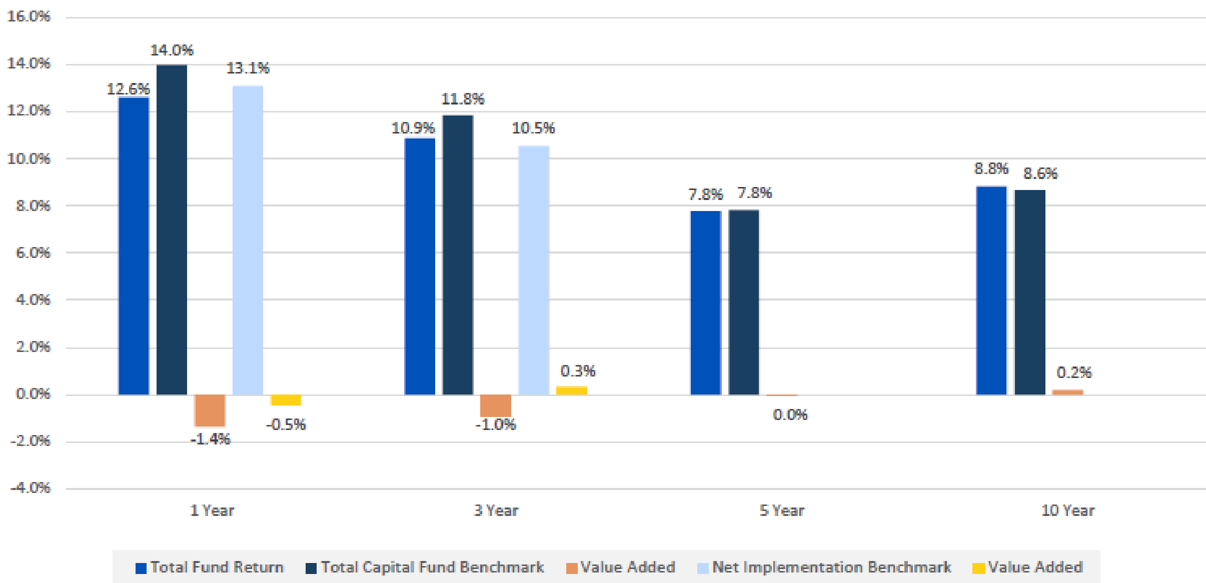
PRIM closely monitors all managers across asset classes and manages risk exposures to maintain a well-diversified portfolio that performs well under various conditions. PRIM's asset allocation framework gradually adjusts strategic allocations over time, promoting evidence-based and patient investing. This approach ensures PRIM is not tied to any specific asset class or strategy, acknowledging the investment industry's evolving nature.

The PRIT Fund ended with yet another new record balance of $123.3 billion, surpassing the previous record balance set last quarter. For the December quarter alone, the PRIT Fund returned 2.1%, net of all fees, and for the trailing twelve months, the PRIT Fund returned 12.6% net, which equates to an investment gain of $13.8 billion. This represents a 12.6% 12-month gain which is nearly twice the target return of 7%, the state's actuarial rate of return.

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

Total PRIT Fund Returns

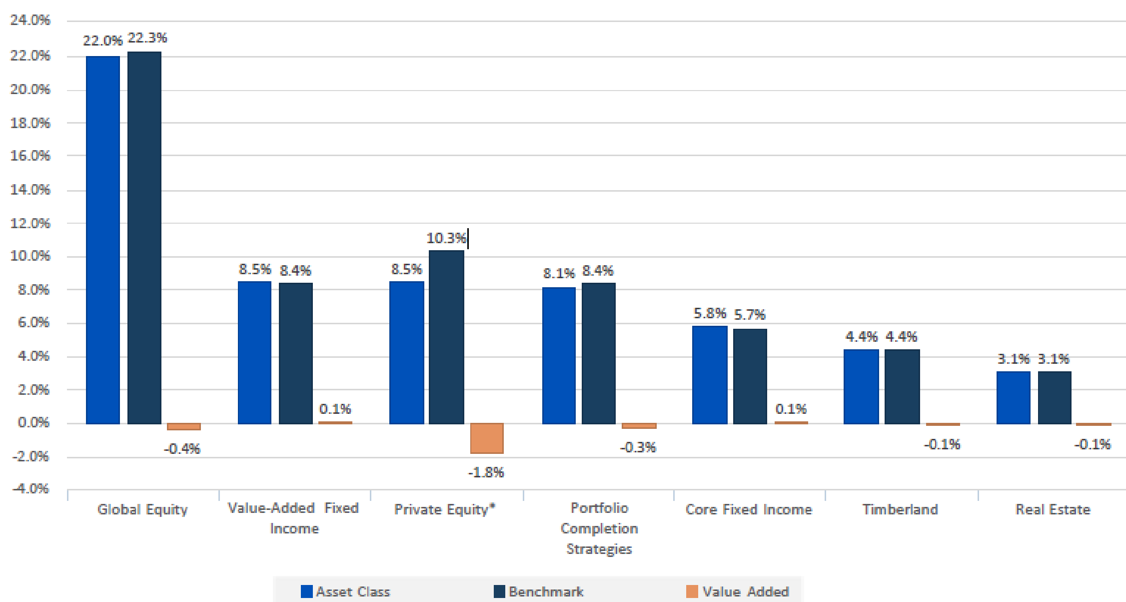
Annualized Returns as of December 31, 2025 (Net of Fees)



Source: BNY. Totals may not add due to rounding. Total Capital Fund Benchmark includes private equity benchmark.

PRIT Asset Class Performance Summary

One Year ended December 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

As of December 31, 2025 (Net of Fees)

1 Year	3 Year	5 Year	10 Year
GLOBAL EQUITY 22.0%	GLOBAL EQUITY 19.9%	PRIVATE EQUITY 13.8%	PRIVATE EQUITY 16.0%
VALUE-ADDED FIXED INCOME 8.5%	VALUE-ADDED FIXED INCOME 10.1%	GLOBAL EQUITY 10.9%	GLOBAL EQUITY 11.6%
PRIVATE EQUITY 8.5%	PORTFOLIO COMPLETION STRATEGIES 10.0%	TIMBER 7.5%	VALUE-ADDED FIXED INCOME 6.5%
PORTFOLIO COMPLETION STRATEGIES 8.1%	PRIVATE EQUITY 7.3%	PORTFOLIO COMPLETION STRATEGIES 7.2%	TIMBER 5.7%
CORE FIXED INCOME 5.8%	TIMBER 6.1%	VALUE-ADDED FIXED INCOME 6.8%	REAL ESTATE 5.7%
TIMBER 4.4%	CORE FIXED INCOME 3.0%	REAL ESTATE 5.0%	PORTFOLIO COMPLETION STRATEGIES 5.3%
REAL ESTATE 3.1%	REAL ESTATE (2.2%)	CORE FIXED INCOME (2.2%)	CORE FIXED INCOME 1.9%

Source: BNY

Investment Committee member Constance Everson, CFA, provided her comments on the economy and the markets.

Organizational Updates

The Markets Group has named Mr. Trotsky to the 2026 list of Elite Institutional Chief Investment Officers. The designation honor is to those who "have excelled amid shifting macroeconomic conditions, geopolitical complexity [and] evolving risk frameworks...They continue to strengthen long-term resilience, elevate portfolio construction and governance standards, and steward capital with purpose and accountability."

Risk Presentation

Shannon Ericson, Senior Investment Officer – Risk, presented on PRIM's Equity and Fixed Income Risk. The Public Markets team focuses on finding managers that seek to outperform benchmarks through security selection in equities and fixed income. The Risk team evaluates whether individual managers' risk profiles align with their stated objectives and how those risks roll up to asset class and sub-asset class portfolios. The goal is to avoid unintended bets and ensure the Public Markets team is aware of any tilts at the overall portfolio level.

For Global Equities, the team looks at tracking error, beta, and exposures to style factors, countries, and sectors versus the MSCI ACWI IMI benchmark. Predicted tracking error is low at 54 basis points, meaning returns are expected to stay within that range two-thirds of the time. Beta is 1.0, indicating similar sensitivity to market moves as the benchmark. Style exposures are balanced between value and growth, with modest negative size exposure. Sector and country bets remain small, and regional weights align with the benchmark. The portfolio is well-diversified, with performance driven by manager selection rather than allocation.

For Fixed Income, the focus is on interest rate risk and credit risk. Interest rate risk is measured by effective duration, which gauges sensitivity to rate changes. Credit risk is assessed using High Yield Equivalents, which incorporate duration and spreads and act as a beta of credit risk. Interest rate risk is broadly in line with benchmarks, while credit risk is higher across all fixed income asset classes, particularly in opportunistic strategies. Sub-asset class weights remain benchmark-aligned, with value added through manager selection.

Jay Leu, Director of Risk, presented historical scenario analysis on the PRIT Fund, explaining its usefulness in asset allocation decisions. Historical scenario analysis estimates how a portfolio's current holdings would have performed during past market events. Scenarios considered included major equity market drawdowns, as equity risk is the dominant risk for the PRIT Fund given its growth orientation to achieve the 7% actuarial return. Six equity drawdowns greater than 20% have occurred since 1976, and the analysis focused on the four most recent periods.

The analysis modeled how the PRIT Fund's current holdings as of December 31, 2025, would have performed during these drawdowns. Assumptions included using actual asset weights, proxies for sub-asset class returns, zero alpha, and peer universe proxies for private assets without lagging. Real assets like agriculture were excluded due to immaterial weight. Start and end dates aligned with equity high-water marks and troughs.

Diversification helped the PRIT Fund avoid 20% drawdowns in all four scenarios despite its growth orientation. While achieving the 7% actuarial return remains the objective, the modeled results confirm that the Fund's asset allocation and diversification strategy effectively limit downside risk during severe equity market declines.

2026 Annual Plans

Mr. Trotsky provided a brief summary of the 2026 Annual Plans.

III. Asset Allocation Recommendation (Voting Item)

Vivian Liang, Investment Officer – Research, presented on PRIM's 2026 Asset Allocation recommendation. The 2026 Asset Allocation recommendation represents no changes to PRIM's current approved ranges. PRIM's research team leads a robust and comprehensive Strategic Asset Allocation (SAA) program that blends quantitative and qualitative insights while focusing on a dual objective. The SAA program is designed with a long-term horizon, reflecting PRIM's belief that it does not attempt to predict the future but instead builds a resilient portfolio that can withstand a wide range of market environments. Strategic allocation decisions are infrequent and deliberate, with changes only considered when there is a structural shift in fundamentals. Consistent with this philosophy, PRIM is making no changes this year.

The dual objective uses a probabilistic approach to maximize the likelihood of achieving two goals: the actuarial rate of return of 7% over the next 10 years and downside protection, defined as no cumulative drawdown greater than 20% over the next three years. PRIM's Core Framework serves as the foundation of this program. This internally developed, data-driven framework uses principal component analysis to decompose correlated asset returns into independent factors, calibrates models, and simulates 10,000 possible future return paths using time-series or Monte Carlo methods to evaluate the likelihood of achieving the dual objective.

Additional considerations include feasibility, working across asset classes and the risk team to assess the ability to deploy capital, and external validation through NEPC's independent asset allocation model. Together, the core framework, feasibility analysis, and external perspectives ensure that recommendations are analytically sound, practical, and reasonable. Phil Nelson of NEPC presented on asset class assumptions, allocation range, and 10- and 20-year forecasts for return expectations.

The PRIM Investment Committee voted, by unanimous roll-call vote, to approve a recommendation to the PRIM Board to approve the 2026 PRIM Asset Allocation, as described in the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate the vote.

IV. Public Markets

A. Performance Summary

Michael McElroy, CFA, Senior Investment Officer - Director of Public Markets, provided an update on the Public Market environment and performance for both the fourth quarter and the 1-year period ending December.

Global equity markets posted their third consecutive quarter of positive returns in Q4, rising over 3%, with regional gains between 2–5%. For the year, equities delivered strong and consistent performance, 22% globally and 13–32% regionally, with non-US stocks leading in 2025. Value stocks outperformed across geographies in Q4, while growth stocks led in the US and emerging markets for the year. Larger stocks generally outperformed smaller ones. Bonds provided stability and diversification, with core bonds flat in Q4 and up nearly 6% for the year, while value-added bonds rose 2% in Q4 and over 8% annually.

PRIT Fund Global Equities outperformed benchmarks in Q4 (+15bp) but underperformed for the year (-38bp). Active management remains challenging as higher-risk, lower-quality companies outperform quality stocks, though value-oriented managers continue to do well. About half of active managers outperformed in Q4 and for the year. Core and Value-Added bond portfolios performed in line to slightly ahead of benchmarks, with most Core managers outperforming and strong results from high-yield and emerging market debt managers.

Fundamentals remain strong, with revenue and earnings growth, high margins, and reduced debt service concerns due to refinancing. Managers remain focused on bottom-up opportunities amid evolving macro and geopolitical conditions. During Q4, PRIM staff terminated three equity mandates: Riverbridge; Baillie Gifford; and Wasatch, due to long-term risk-adjusted underperformance. Overall, the public markets portfolio remains well-diversified with a low risk profile and continues to deliver long-term value relative to benchmarks.

B. Global Equity Recommendations (Voting Item)

Michael McElroy, CFA, Senior Investment Officer - Director of Public Markets, presented the Global Equity recommendations. To take a more holistic, forward-looking view, PRIM convened a Global Equity Working Group that included staff, Investment Committee members, and an external perspective. The objective was to challenge assumptions, revisit prior decisions, and assess whether refinements could improve alignment, flexibility, and long-term outcomes. This review was not driven by short-term performance concerns but by a desire to ensure the portfolio remains coherent, scalable, and aligned with policy benchmarks and investment philosophy.

The recommendations reflect targeted, pragmatic adjustments, not a wholesale redesign, intended to reduce unintended noise, improve implementation efficiency, and create flexibility while maintaining the overall risk profile and role of Global Equity within the PRIT Fund. The recommendations include: (1) eliminate benchmark misalignment by transitioning US passive implementation to MSCI USA and MSCI USA Small Cap; (2) issue a Request for Proposals (RFP) for Active Global Investment Strategies to allow managers latitude across geographies; (3) identify and recommend enhanced index strategies to deliver modest, repeatable excess returns; and (4) establish a dedicated Other Equity Opportunities (OEO) sleeve with up to $1 billion for differentiated public equity strategies outside the current taxonomy, subject to governance and risk guardrails.

Each recommendation addresses specific needs: aligning benchmarks to reduce tracking variance, enabling global mandates for active managers to deploy capital to highest conviction ideas, introducing enhanced indexing to improve return efficiency, and creating a mechanism for compelling equity opportunities that do not fit traditional classifications. Examples include extension strategies, targeted country or sector mandates, and other public equity strategies offering compelling risk-adjusted returns.

The PRIM Investment Committee voted, by unanimous roll-call vote, to approve a recommendation to the PRIM Board to approve the Global Equity Recommendations, as described in the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate the vote.

V. Portfolio Completion Strategies (PCS) Performance Summary

A. Performance Summary

Bill Li, CFA, CAIA, Senior Investment Officer - Director of Portfolio Completion Strategies, (PCS) presented an update on the PCS portfolio. The hedge fund industry closed 2025 with strong performance across many managers. Macro funds posted their best results since 2009, while equity hedge funds delivered some of their strongest numbers since the post-GFC era. Over half of hedge funds have reached their high-water marks, and more than 80% are near all-time highs, signaling renewed confidence and attracting fresh inflows from existing and new allocators. Competition for access is expected to rise in 2026, but PRIM's consistent track record positions it well in this environment.

Despite the positive momentum, the gap between strategies is narrowing, suggesting increased crowding as many funds pursue similar opportunities. This trend could pose long-term challenges, reinforcing the importance of diversification. PRIM staff remains focused on maintaining a well-spread portfolio to avoid clustering and preserve strategic resilience.

For 2025, PCS delivered a solid finish. Fourth-quarter PCS performance was 2.1%, ahead of the benchmark's 1.7% return, with Hedge Funds up 2.6%, outperforming the benchmark by roughly 80 basis points. For the year, Hedge Funds returned 8.8%, slightly ahead of the benchmark, and achieved a three-year annualized return of 11.4%, outperforming its benchmark by over 230 basis points. Hedge Funds continued to provide exceptional diversification benefits, with a 3.3x return-to-risk ratio, nearly double that of a 60/40 market portfolio. PRIM's roster remains well-balanced, with funds zigging and zagging throughout the year, and staff remains vigilant about reversal risk, emphasizing the need for a well-dispersed portfolio.

B. Portfolio Completion Strategies (PCS) and Other Credit Opportunities (OCO) Advisory Services Request for Proposals (RFP) Recommendation (Voting Item)

Ethan Spencer, Senior Investment Officer – PCS, presented the recommendation for the PCS and OCO Advisory Services RFP. Mr. Spencer was the Procurement Officer for the RFP issued on October 13, and led a collaborative review process with a committee of 10 members from PCS, OCO, Risk, Operations, Public Markets, Real Eestate, PRIM's Deputy CIO, and Connie Everson from the Investment Committee. The team received eight responses by the November 21 deadline, allowing flexibility for bidders to propose advisory services for PCS and OCO combined, individually, or on a project basis. After preliminary reviews, six firms advanced to final-round interviews in December and early January.

Based on the evaluations, PRIM recommends Aberdeen for PCS general advisory services and Aksia for OCO. Aberdeen has served as PCS advisor for over a decade, providing a highly customized, high-touch engagement model that meets both investment and operational needs, with fees consistent with prior years. For OCO, this marks the first dedicated advisor, which is appropriate given the program's growth to approximately $2.7 billion. Aksia offers extensive private credit coverage, with over $100 billion under advisement and 27 dedicated professionals, as well as proprietary technology and risk modeling that enhance sourcing and diligence capabilities. Aksia's fees are in line with the median of finalists.

Additionally, PRIM recommends adding Aberdeen, Albourne, Meketa, and New Alpha as project-based providers to increase flexibility for research projects and alternative strategies. This model mirrors the approach used by PRIM's Real Estate team and will allow PCS and OCO to access specialized expertise as needed. All recommendations are subject to successful contract negotiations.

The PRIM Investment Committee voted, by roll-call vote (LaRoy Brantley abstained), and approved the recommendation to the PRIM Board to approve Aberdeen Investments to provide PCS Advisory Services and Aksia LLC to provide OCO Advisory Services, subject to successful contract negotiations. Additionally, to approve adding Aberdeen Investments, Albourne America LLC, Meketa Investment Group, Inc., and New Alpha Management to a bench of project-based PCS and OCO advisors, as described in the Expanded Agenda, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

VI. Private Equity Performance Summary

Michael McGirr, CFA, Senior Investment Officer – Director of Private Equity, provided an update on Private Equity market performance. For the quarter, PRIM's Private Equity portfolio was up net 1.5%, marking its 12th consecutive positive quarter. With the reporting lag, this reflects July–September 2025 performance, where growth and small buyouts were the strongest strategy types. For the trailing one-year period, Private Equity returned net 8.5%, again led by growth and small buyouts. Long-term returns remain strong, with a 10-year net return of 16.0% and a 5-year return of 13.8%.

Cash flows were positive in Q4 and throughout 2025, with $2.5 billion in total distributions, the second-highest year in PRIM's history. Q4 was particularly strong. Positive performance drove assets to $19.5 billion, representing 15.8% of PRIT.

The PRIM Investment Committee meeting adjourned at 11:47 a.m.

List of documents and exhibits used during the meeting:

A. *Minutes of the November 18, 2025, PRIM Investment Committee Meeting*
B. *PRIT Fund Performance Presentation (December 31, 2025)*
C. *PRIT Fund Performance Report (December 31, 2025)*
D. *2026 PRIM Staff Annual Plans*
E. *2026 Asset Allocation Presentation*
F. *2026 NEPC Asset Allocation Presentation*
G. *Global Equity Recommendations Presentation*
H. *PCS/OCO Advisory Services RFP Evaluation Committee Report*