



**Minutes of the Real Estate and Timberland Committee Remote Meeting
Wednesday, February 11, 2026**

Committee members attending:

- Jill Hatton, CRE, Chair
- Lydia Chesnick, Esq.
- Sandra DeSantis Lynch, TRE's designee
- Robert Gifford
- Jack Lutz, Ph.D.
- William McCall, CRE
- Garlan Morse, Jr., CRE
- Carly Rose

Committee members not attending:

- Treasurer Deborah Goldberg
- Peter O'Connell

The PRIM Real Estate and Timberland Committee meeting was called to order at 9:31 a.m. Chair Jill Hatton announced that the meeting was being held in accordance with 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 Committee members who participated did so remotely via audio/video conferencing, and public access to the Committee's deliberations was provided by 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 Real Estate and Timberland Committee approved, by unanimous roll-call vote, the minutes of its November 19, 2025 meeting.

II. Executive Director/Chief Investment Officer Report

A. Markets and PRIT Fund Performance Summary

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

Mr. Trotsky began by highlighting the December 31, 2025, results - the second quarter of fiscal year 2026. The financial markets remained strong through the end of the year and into 2026, and the PRIT Fund ended with another record balance of \$123.3 billion, surpassing the previous record of \$121.1 billion set last quarter. For the December quarter alone, the PRIT Fund returned 2.1% net of fees, and over the trailing 12 months, it returned 12.6% net, representing an investment gain of \$13.8 billion. PRIM is very proud of its 12.6% return, nearly twice the state's actuarial rate of 7%.

Mr. Trotsky added that he was named to Markets 2026's 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."

PRIT Fund Update

Mr. Trotsky noted that PRIM's 12.6% net gain for calendar year 2025 was the third consecutive year of outstanding gains, following gains of 9% in 2024 and 11% in 2023. This represents an annualized 3-year rate of return of 11% and a 3-year total investment gain of \$34.6 billion. Over the last three-year period, US equities remained unusually strong, up nearly 23% annualized while international markets were weaker, but still up more than 17%. Mr. Trotsky then put things into perspective: A three-year streak with an annualized return of roughly 23% for US equities is exceptionally rare – it's a "Super Streak." Looking at calendar-year-end returns in the roughly 100-year history of the S&P 500, similar performance levels have occurred only a handful of times, typically during major technological shifts or recoveries from deep bear markets. A 23% annualized return means the market has nearly doubled in just 3 years, and finding a 3-year period with an average annual return above 23% is very difficult.

Mr. Trotsky then began explaining why a super streak is happening now. Analysts generally point out three factors for the current 23% run:

1. The AI Surge: A small group of "Mega-cap" tech stocks (like Nvidia, Google, and Microsoft) has seen unprecedented growth. The Magnificent 7 effect.
2. Resilient Earnings: Despite higher interest rates, corporate profits have remained at record highs.
3. The 2022 Post-Pandemic Bounce: Because 2022 was a bad year, the 2023 recovery started from a "lower" floor, which makes the percentage gains look more dramatic.

Mr. Trotsky then explained what typically happens next. History shows that these "Super Streaks" usually end in one of two ways – a "Mean Reversion" or a "Soft Landing" - and the incidence of each has not been a coin toss:

- Most of the time in the year after a "Super Streak," there is a "Mean Reversion". That is when the market takes a break. After a Super Streak, the market typically declines by double digits the following year.
- Only once following these historical Super Streaks has there been a "Soft Landing" when the market continued to rise after a super streak, but at a more modest pace.

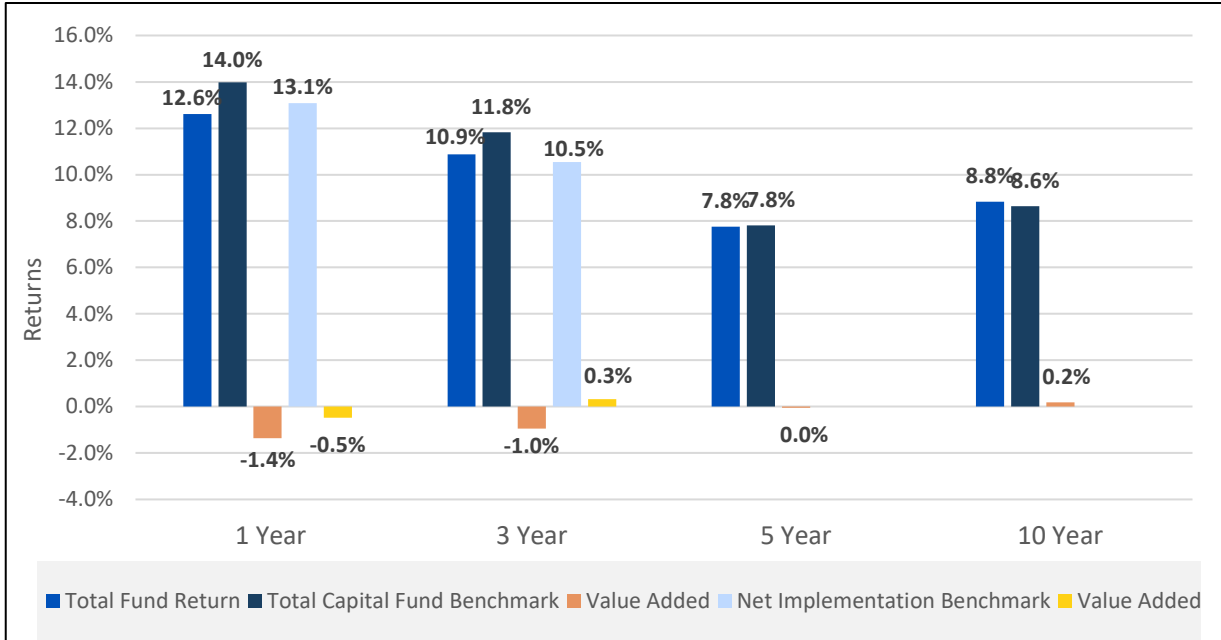
Mr. Trotsky then stated that PRIM doesn't try to predict the future. That sentiment is one of PRIM's core investment beliefs. That wisdom is one of the very best guideposts of investing. PRIM's asset allocation recommendations, on today's agenda, do not rely on future predictions of returns. Instead, 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. PRIM doesn't try to anticipate market returns or outcomes; it engineers a portfolio that remains resilient across all market environments. PRIM remains pleased and confident in the resilience of the PRIT Fund and in its performance across all time periods and across multiple market environments, in both up and down markets.

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

Total PRIT Fund Returns

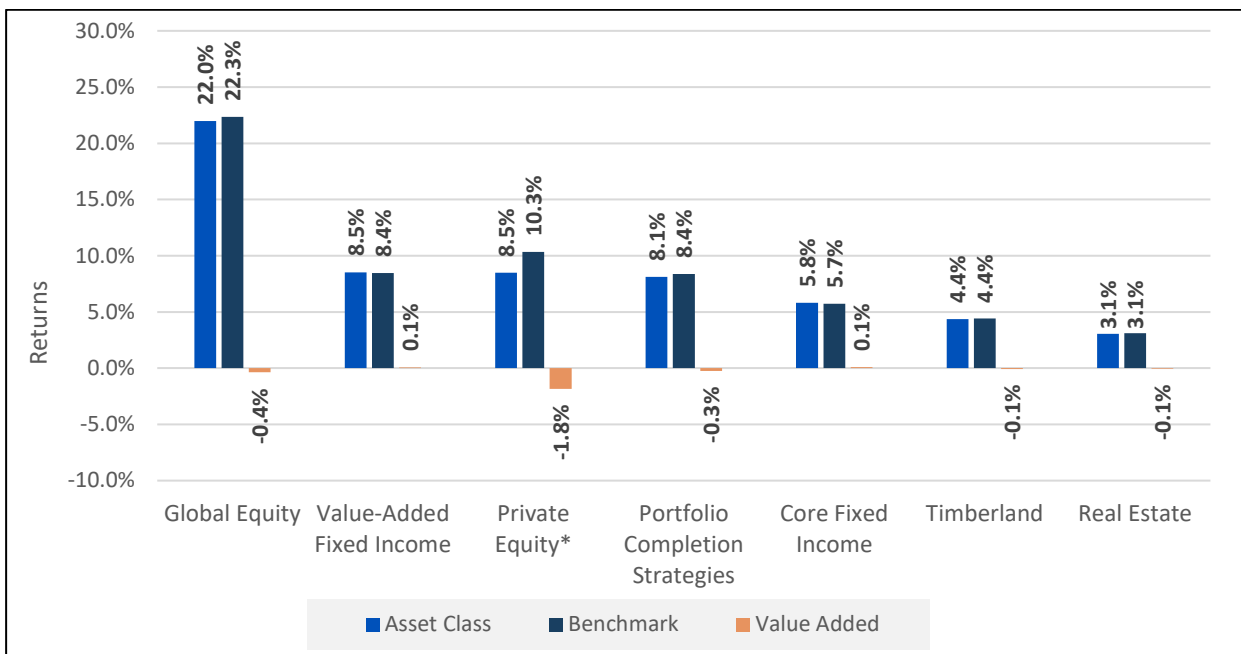
Annualized Returns as of December 31, 2025 (Net of Fees)



Source: BNY. Total Capital Fund Benchmark includes private equity benchmark; Net Implementation Benchmark includes short-term PE 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 State Street PE Index.

PRIT Fund Annualized Returns by Asset Class

(December 31, 2025 – Net of Fees)

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.

Market Update

Mr. Trotsky began his update by discussing the quarter ending December 31, 2025. 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-year Treasury yield stood at 4.17% at the end of December and remained 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%. Mr. Trotsky noted that international equities outperformed US equities for the first time in many years. 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%. US markets are up in the low single digits so far in 2026.

Mr. Trotsky added that U.S. GDP expanded at an annualized rate of 4.4% in the third quarter of 2025, modestly above the initial estimate of 4.3% and marking the strongest pace of growth since the third quarter of 2023. Growth was supported by resilient consumer spending, a rebound in external demand, and increased government outlays. The annual inflation rate (CPI) held steady at 2.7% year over year in December, in line with market expectations. The unemployment rate edged down to 4.4% in December. However, the number of Americans filing for unemployment benefits increased by 22,000 to 231,000 in the final week of January, well above market expectations and marking the highest weekly reading in nearly two months. There is uncertainty among economists and the Fed about the health of the labor market, and this warrants close monitoring. Employment directly affects consumer spending, which drives two-thirds of US GDP. The ISM Manufacturing PMI unexpectedly rose to 52.6 in January from 47.9 in December, well above the 48.5 forecast. The reading showed that economic activity in the manufacturing sector expanded in January for the first time in 12 months and at the highest level since 2022. The Fed left rates unchanged at its January meeting, following three consecutive rate cuts in 2025.

In other large economies, China's GDP expanded 4.5% year-over-year in Q4 2025, down from 4.8% in the prior quarter and marking the slowest pace of growth in three years. The deceleration reflected continued weakness in domestic demand. The unemployment rate held steady, and inflation remained

subdued. The People's Bank left rates unchanged in January.

The Eurozone economy (GDP) expanded by 1.3% year-over-year in Q4 2025, according to a preliminary reading. This marks the slowest pace in a year but is easing only modestly. The unemployment rate there held steady at 6.2%. Inflation eased to 1.7%, and the European Central Bank also left rates unchanged at its recent meeting.

Japan's economy (GDP) contracted 0.6% quarter-over-quarter in Q3 2025, a sharper decline than expected on weak business investment. The unemployment rate held at 2.6% in, and the annual inflation rate eased to 2.1%. Japan's Central Bank also left rates unchanged.

B. Summary of 2026 Annual Plans

PRIM's governance documents require the Executive Director to "approve divisional business plans, as appropriate." Mr. Trotsky invited members to review the annual plans and contact him directly with any input or feedback.

Mr. Trotsky explained that the 2026 Annual Plans are a continuation of the work underway at PRIM and highlighted the following initiatives.

PRIM's focus of the year across all asset classes is to identify new sources of alpha, while also continuing efforts to improve every aspect of the business. In public markets, we have an ambitious, well-thought-out plan to identify new sources of alpha for our Public Equities portfolio. In Private Equity, commitment pacing remains brisk, with a goal of identifying more than \$2.0 billion in new high-performing opportunities in 2026. The team will remain highly selective. In Real Estate, performance reversed, moving from a 3% loss in 2024 in the aftermath of the Pandemic to a 3% gain in 2025. This remains below PRIM's expectations and needs, so the team continues to drive performance improvements by pursuing high-quality investments and enhancing investment manager evaluation and sourcing. PRIM plans to exit and avoid underperforming real estate strategies and closely monitor existing managers' asset-level business plans. The PCS team has improved the performance of the Hedge Fund portfolio over the past few years. The team continues to identify attractive new investments in both Stable Value and Directional Funds. Risk remains embedded across asset classes, with ongoing monitoring and evaluation of credit risk, liquidity, and portfolio construction, with a keen focus on risk control and diversification across all asset classes. The Research team continues to work on methods to improve the asset allocation model. PRIM will assess the long-term effectiveness of its decisions to identify process improvements and new investment strategies. In Finance and Operations, the primary goal is to ensure that reporting and financial statements remain highly transparent, accurate, and complete. Work continues on the rollout of the new Solovis reporting platform, featuring new analytical tools. Legal and Communications prioritize transparency and documentation to ensure PRIM remains above reproach. PRIM is still responding to a significant increase in public records requests. Legal is also continuing to support the Attorney General's office in their suit against Exxon Mobil, which has resulted in increased legal expenses and time.

In Stewardship, the team continues to execute its data-driven, Board-approved Stewardship Priorities while pursuing purposeful engagement with portfolio companies aligned with these priorities.

Across all functional groups, PRIM continues to explore the applications of Artificial Intelligence (AI). Several tools are currently being evaluated that show great promise. Enthusiasm for AI tools is very high across the organization, but PRIM plans to be very methodical when rolling out this technology. PRIM wants to innovate, adhere to best practices, and continuously seek efficiencies while working within the established budget. Cybersecurity is paramount in all aspects of PRIM. A policy and framework have been created to guide staff in the use of AI. Mr. Trotsky believes that the benefits of AI, if well implemented, will accrue most to organizations like PRIM with more limited resources.

III. Research – Asset Allocation Update

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.

IV. Performance Review and Market Summary

Timothy Schlitzer, CFA, CRE Director of Real Estate and Timberland, began with 2025 real estate investment performance.

Real Estate

Total Real Estate returned 3.1% in calendar year 2025, a meaningful improvement over the -3.1% delivered in 2024. This reflects the ongoing recovery in market fundamentals, with the portfolio once again generating positive return. Overall performance was in line with the benchmark, trailing by only six basis points on a lagged basis and modestly ahead of the unlagged December benchmark. Across both the three- and five-year time horizons, the portfolio outperformed by approximately 300 basis points. Public and private indices also converged, returning between 2–3% for the year, a contrast to 2024’s sharp divergence. REITs have notably outperformed the S&P 500 by over 450 basis points in 2026 as capital rotated into public real estate markets.

Mr. Schlitzer continued by stating that private market sector performance was relatively consistent, generally falling within the 4–6% range, reflecting more normalized levels of dispersion. Senior housing was the year’s strongest segment, benefiting from limited supply and supportive demographic trends.

PRIM’s REIT managers delivered a 2.7% return, outperforming the benchmark by 40 basis points, primarily through stock selection. The private portfolio’s results aligned with the ODCE benchmark, with PRIM’s Core managers—representing 94% of private exposure—outperforming by 80 basis points, net of fees, despite modest detractor from mark-to-market impacts from interest rate swaps amid declining rates. Performance drivers remained rooted in overweight positions in southern industrial markets such as Miami, Atlanta, and Dallas, with additional contribution from New York multifamily assets. While parts of the Inland Empire industrial segment continued to face challenges, tenant activity has recently shown signs of recovery.

The primary detractor came from the non-core portfolio, representing approximately 6% of assets,

which returned -10% due to exposures to office, life science, and apartments with higher leverage and more complex redevelopment and leasing profiles.

Timberland

Mr. Schlitzer transitioned to the Timberland portfolio. Total Timberland returned 4.4% net of fees, trailing PRIM's benchmark by six basis points for the year. The South remained the strongest-performing region, supported by population growth, development activity, and increases in regional mill capacity. PRIM's underweight to the South was offset by its Australian and New Zealand holdings, which outperformed primarily due to currency movements and positive operating results in Australia. New Zealand continued to face headwinds tied to a weak Chinese housing market, consistent with underperformance observed in the three- and five-year periods.

The Pacific Northwest, where PRIM is positioned at market weight, remained softer due to weaker export markets. Broadly, timber pricing trends reflected these regional and global dynamics, with export-dependent markets most exposed to shifting demand patterns abroad.

V. 2026 Real Estate and Timberland Annual Plan Summary

Timothy V. Schlitzer, CFA, CRE, Director of Real Estate and Timberland, updated the Committee on the 2026 Annual Plan. Reflecting on 2025, the team maintained a high level of selectivity in evaluating private real estate opportunities during the year. Of the 275 investment opportunities reviewed through PRIM's separate account managers, seven closed, reinforcing a disciplined approach to sourcing and underwriting. These acquisitions aligned with PRIM's preference for directly owned, high-quality leased assets, executed with top-tier partners and with a continued focus on control and liquidity.

Closed real estate transactions equated to approximately \$200 million in net acquisitions—an outcome consistent with a market that is recovering but not yet normalized. PRIM also completed a recent portfolio borrowing, using the REIT portfolio as an investment option while proceeds are deployed. Timberland activity was modest but additive, with some liquidity generation and selective repositioning across assets.

Staff remained deeply engaged throughout the year, traveling frequently, completing several Request for Proposal (RFP) processes, and actively advancing several projects.

The team will continue to implement its disciplined approach in 2026. The portfolio includes 15 real estate managers and two timber managers, all of whom are capable of generating sourcing opportunities across both the public and private markets. The focus will remain on deepening our engagement with existing managers while staying attentive to external opportunities that may arise.

Mr. Schlitzer added that the team expects to continue to add real estate borrowings at the portfolio level, particularly given that leverage remains below the market index and 20% overall. Should debt markets offer attractive pricing, the team anticipates being more active while maintaining a conservative overall leverage posture.

Additional priorities for 2026 include further research on Artificial Intelligence, non-core real estate strategies, and sustainability. Staff will also continue to monitor the progress of PRIM's FUTURE managers as their portfolios mature.

The PRIM Real Estate and Timberland Committee meeting adjourned at 10:30 a.m.

List of documents and exhibits used during the meeting:

- *Minutes of the PRIM Real Estate and Timberland Committee Meeting of November 19, 2025*
- *PRIT Fund Performance Presentation (December 31, 2025)*
- *PRIT Fund Performance Report (December 31, 2025)*
- *2026 PRIM Staff Annual Plans*
- *2026 Asset Allocation Presentation*
- *2026 NEPC Asset Allocation Presentation*
- *Real Estate and Timberland Performance Charts*