MassPRIM

Minutes of the PRIM Administration and Audit Committee Remote Meeting
Thursday, May 7, 2026

Committee members attending:

- Treasurer Deborah Goldberg, Acting Chair
- Robert Brousseau
- Patrick Brock
- James Hearty
- Theresa McGoldrick, Esq.
- Dennis Naughton

Committee members not attending:

- Catherine D'Amato

The PRIM Administration and Audit Committee meeting was called to order at 10:03 a.m. Treasurer Deborah Goldberg, acting as Chair, 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 members of the Committee who participated did so remotely via audio/video conferencing or telephone, 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 Administration and Audit Committee approved (unanimously) by roll call vote the minutes of its February 12, 2026, 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 began by informing the Committee that the required Board self-assessment process results coincide with the current cycle, and that feedback given by many Board members included the desire to streamline meetings to increase efficiency. To address this feedback, he stated his intention to keep his remarks efficient and encouraged others to do the same.

Mr. Trotsky then congratulated Helen Huang, Senior Investment Officer and Director of Growth and Venture Capital on the Private Equity team, on her Alpha Edge recognition as one of the "Most Influential Women in Private Markets" by Institutional Investor. He explained that the Alpha Edge program recognizes those "whose conviction, judgment, and impact set the standard for the industry."

Mr. Trotsky concluded his organizational update by informing committee members that Maria Garrahan, Senior Investment Officer and Director of Research, had decided not to return to PRIM following her family leave. Mr. Trotsky expressed deep gratitude to Ms. Garrahan and spoke about her success at PRIM over the years, wishing her continued success in her future endeavors.

PRIT Fund Performance Summary

Mr. Trotsky began by highlighting that the global markets experienced one of the most geopolitically volatile quarters in recent memory and was pleased that the PRIT Fund had been resilient through it all. He added that through a series of truly historic market dislocations — including the Iran war, the unprecedented oil supply shock, and significant rotations across equity markets. The PRIT Fund has performed well. In the first quarter of the calendar year, markets were up through February, but March was especially challenging. While global equities declined sharply in March, PRIM is very pleased to report that the PRIT Fund's careful diversification again helped cushion the impact. With a balance of $122.1 billion at the end of March, the PRIT Fund was down less than one percent, -0.8% in the quarter, significantly outperforming the markets and a 60/40 mix of stocks and bonds. Mr. Trotsky pointed out that this is another example of the PRIT Fund performing well in both up markets and down markets. This past quarter, Global Equities and Hedge Funds were the weakest asset classes, while Private Equity, Real Estate, and Timberland were the strongest. Noteworthy is that in April, after the announcement of a ceasefire in Iran, there was a complete reversal with the S&P 500 and the Nasdaq each achieving new record levels, more than overcoming the March quarter sell-off. The S&P 500 was up 10.5% in April after falling 5% in March. Mr. Trotsky expressed hope that the markets would continue to show strength.

Mr. Trotsky continued, the longer-term results of the PRIT Fund remain strong, despite recent volatility. For the 12-month period ending in March, the PRIT Fund gained 11.5% net of fees, an investment gain of $12.6 billion. And over the 12-month period, Global Equities, Private Equity, and Value-Added Fixed Income were the strongest asset classes, while interest-sensitive asset classes such as Core Fixed Income and Real Estate were the weakest.

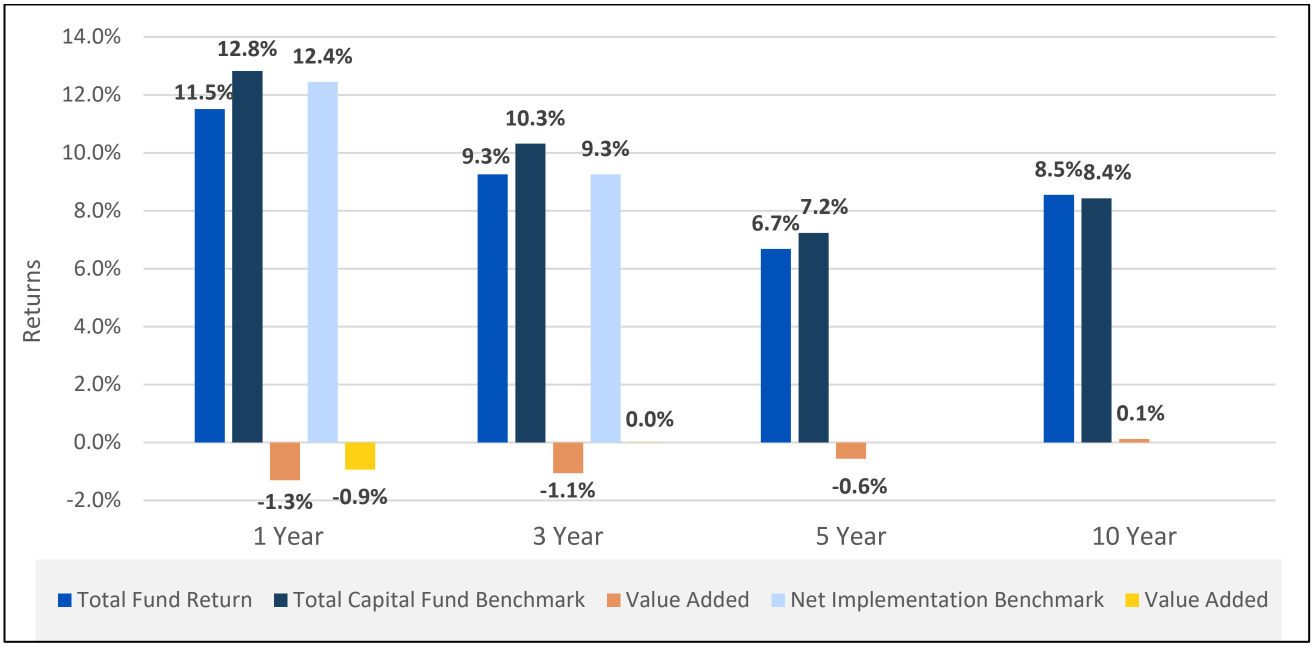
Mr. Trotsky reminded the Committee that at the end of last year, he described US equities as being in a three-year "Super Streak" with a three-year annualized return of nearly 23%, meaning the market had nearly doubled in just three years. He attributed this streak primarily to the AI Surge, where a small group of "Mega-cap" tech stocks posted unprecedented growth. He identified the Magnificent 7 stocks: Nvidia, Google, Amazon, Apple, Meta, Tesla, and Microsoft. Mr. Trotsky noted that these three-year Super Streak markets most often exhibit a "Mean Reversion" the following year. Mr. Trotsky referred to this as the markets "taking a breather." He then pointed out that in the first quarter of the calendar year 2026, markets definitely took a short breather.

Mr. Trotsky then highlighted the PRIT Fund's carefully designed, diversified portfolio. The Fund's portfolio has components that will perform well in any investment environment, and PRIM remains pleased and confident about the resiliency of the PRIT Fund and its performance over all time periods and throughout several different market environments – in both up markets like the preceding three years and in down markets, like in the first quarter of 2026.

Mr. Trotsky briefly referenced the PRIT Fund's performance presentation, including the following slides:

Total PRIT Fund Returns

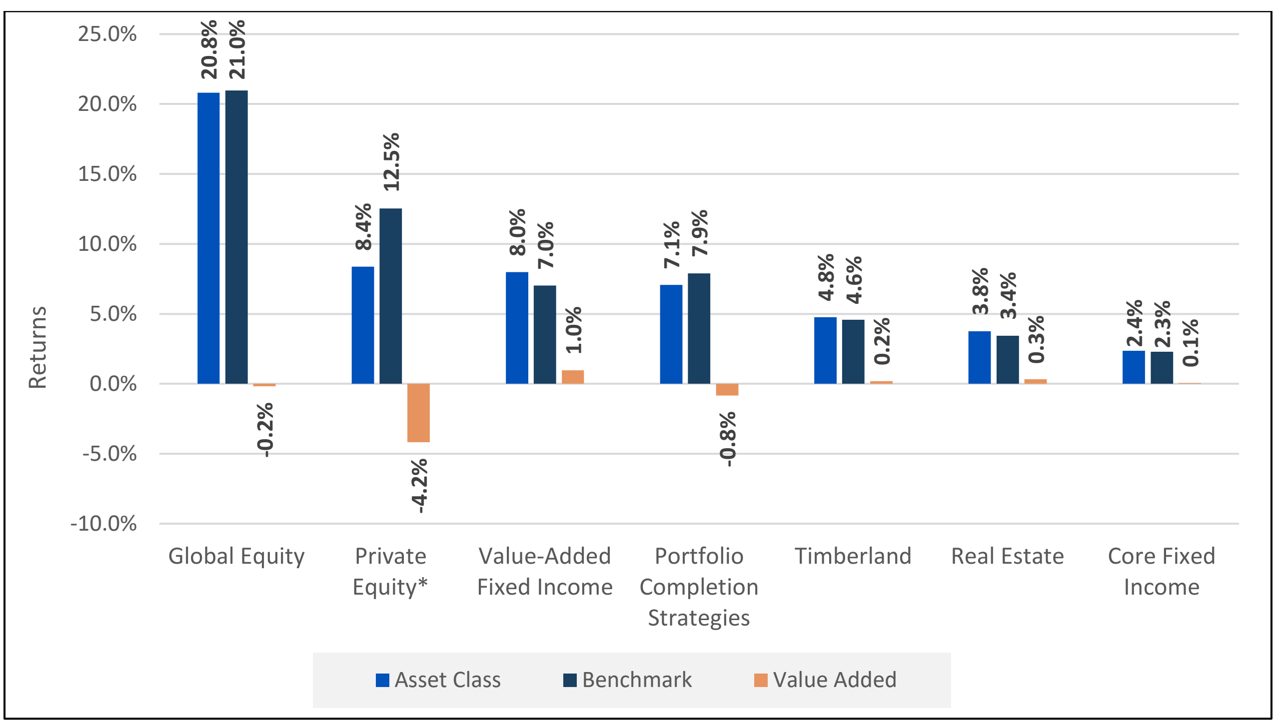
Annualized Returns as of March 31, 2026 (Net of Fees)



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 March 31, 2026 (Net of Fees)



Source: BNY. Totals may not add due to rounding. *Benchmark is State Street Index.

PRIT Fund Annualized Returns by Asset Class

March 31, 2026 (Net of Fees)

1 Year	3 Year	5 Year	10 Year
GLOBAL EQUITY 20.8%	GLOBAL EQUITY 16.1%	PRIVATE EQUITY 11.0%	PRIVATE EQUITY 15.7%
PRIVATE EQUITY 8.4%	VALUE-ADDED FIXED INCOME 9.2%	GLOBAL EQUITY 9.1%	GLOBAL EQUITY 11.3%
VALUE-ADDED FIXED INCOME 8.0%	PORTFOLIO COMPLETION STRATEGIES 8.9%	TIMBER 7.5%	VALUE-ADDED FIXED INCOME 6.2%
PORTFOLIO COMPLETION STRATEGIES 7.1%	PRIVATE EQUITY 7.6%	VALUE-ADDED FIXED INCOME 6.5%	TIMBER 5.7%
TIMBER 4.8%	TIMBER 6.3%	PORTFOLIO COMPLETION STRATEGIES 5.9%	REAL ESTATE 5.5%
REAL ESTATE 3.8%	CORE FIXED INCOME 1.6%	REAL ESTATE 4.5%	PORTFOLIO COMPLETION STRATEGIES 5.4%
CORE FIXED INCOME 2.4%	REAL ESTATE (1.2%)	CORE FIXED INCOME (1.1%)	CORE FIXED INCOME 1.3%

Source: BNY.

Market and Economic Summary

Mr. Trotsky mentioned that in the U.S., the economy continued to expand, with GDP growing at a 2.0% annualized pace in the first quarter of 2026, recovering from 0.5% in the prior quarter but coming in just below expectations. Government spending rebounded strongly as federal operations resumed following the shutdown, and private domestic investment rose sharply, supported by meaningful increases in business spending on equipment and structures, particularly in AI-related areas. Consumer spending moderated to 1.6% in the first quarter, but remained positive. Inflation accelerated, with headline CPI rising to 3.3% year-over-year in March, driven largely by energy prices tied to the Iran conflict. The unemployment rate decreased to 4.3%, with weekly jobless claims falling to their lowest level since 1969, despite highly publicized layoffs. The Federal Reserve held rates steady at its April meeting, though the decision featured notable dissent, underscoring rising uncertainty around the economic outlook and the effects of geopolitical tensions.

Market volatility has edged upward, reflecting ongoing conflict in the Middle East, elevated energy prices, unusual dissent within the Federal Open Market Committee (FOMC), and questions about the sustainability of AI-driven corporate spending. Crude oil (WTI) prices have surged nearly 90% year-to-date to around $110 per barrel, with markets pricing in persistent geopolitical risk. Manufacturing conditions stabilized, with the ISM Manufacturing PMI rising to 52.7 in March and remaining flat in April. A reading above 50 indicates expansion and is generally viewed as a sign of economic health. Retail sales were stronger than expected, and housing data was mixed. Consumer sentiment, however, remained exceptionally weak, reaching the lowest reading on record as households absorbed the economic impacts of the conflict in Iran and higher energy prices.

Elsewhere, China's GDP grew 5.0% year-over-year in the first quarter, accelerating from the fourth quarter and exceeding expectations. The unemployment rate rose slightly to 5.4%, and inflation cooled to 1.0% year-over-year. The People's Bank of China kept its key lending rates unchanged for an 11th straight month. Retail sales softened, rising 1.7%, while the manufacturing sector showed firmer momentum.

Mr. Trotsky added that in the Eurozone, the economy expanded 0.8% year-over-year in the first quarter of 2026, slowing from 1.3% in the prior quarter as energy price shocks weighed on households. The unemployment rate edged down to 6.2%, and inflation accelerated to 3.0%. The European Central Bank held rates steady in April, noting intensifying upside risks to inflation and downside risks to growth. Retail sales softened modestly, while the Manufacturing PMI increased to 52.2, the strongest reading since 2022, supported by rising export demand, thought to be driven by preemptive stockpiling amid supply-chain concerns.

Mr. Trotsky concluded his remarks by stating that in Japan, the economy continued to recover, with fourth-quarter GDP revised up to 1.3% annualized, rebounding from a contraction in the third quarter. Domestic demand remained the primary driver of the improvement. The unemployment rate ticked up to 2.7%, and inflation rose to 1.5% year over year in March. The Bank of Japan held rates steady at 0.75%, though the vote included several dissents favoring a hike. Retail sales posted a solid rebound, and the manufacturing PMI reached 54.9, marking the fastest expansion since early 2022, supported by strong output growth and rising export demand.

III. Draft Fiscal Year 2027 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 2027 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 2027 Budget was projected to be $645.9 million, or 0.50% (50 basis points), of the projected average PRIT Fund assets of $129 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 $42.3 million, or 7.0%, 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 concluded his budget remarks by reiterating that the size of any particular asset allocation or asset class does not directly determine 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 2027. She explained that the operating budget was increasing 7.0%. 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 $39.7 million based on projected growth in PRIT Fund assets. She then noted that Investment Service Provider Fees were increasing by approximately $768 thousand, mainly due to an increase in fees for PRIM's platform provider to support the separately managed account structures in PCS, and that this increase is offset by decreases in costs for both Risk and Research.

Ms. Coulter explained that Operational Expenses were increasing by approximately $1.6 million, due to a projected increase in compensation expense to support organizational growth. She noted that the budget also includes funding for potential AI tools as PRIM continues to explore ways to leverage this technology across the organization. Lastly, she stated that Non-Investment Service Provider fees were increasing by $230 thousand, mainly due to an increase in IT consulting fees to support ongoing projects, including AI. In summary, Ms. Coulter noted that the Fiscal Year 2027 Budget was increasing due to projected asset growth and expanded investments in technology, staffing, and tools to support that growth.

The PRIM Administration and Audit Committee approved (unanimously) by roll call vote to recommend to the PRIM Board the Draft Fiscal Year 2027 Operating Budget, provided as Appendix D to the Expanded Agenda.

IV. Legal/Legislative Update

A. Results of PRIM Board Self-Evaluation

E. Renee LeFevre, Chief Legal Officer, introduced Kevin Conroy from Foley Hoag, the law firm that administered the PRIM Board self-evaluation. Mr. Conroy reviewed the evaluation process and provided the Committee with a summary of the survey responses, noting that, in general, the responses were very positive. He added that the PRIM Board overall felt the Board was high functioning and effective, had great staff and leadership, and worked well together, which is critically important.

Some key points Mr. Conroy discussed were as follows:

- The Board is high functioning
- The Board is effective and aligned with management
- PRIM's leadership and staff are strong
- The Board has maintained its strategy during volatile market conditions
- Satisfaction with expanded work in shareholder actions and proxy voting
- Board members think their fellow Board members are smart, thoughtful, and respectful

Mr. Conroy then provided the Committee with the following findings:

- The number of Board meetings is optimal; some members indicated that Board meetings are too long
- Board members suggest streamlining meetings by reducing time spent on operational details and keeping focus at higher, more strategic level
- Board members noted the following in-house Board education priorities: Portfolio risk management, asset allocation/asset mix, investments, governance and fiduciary duty, and characteristics of alternative investments, with different education tracks for newer vs. more experienced Board members
- Board members suggest a review of Board governance documents and an enhancement of the Board code of conduct

In conclusion, Mr. Conroy provided the following suggestions for improvement:

- Full Board meetings should be shorter and more strategically focused. Operational details, particularly individual manager hire discussions, should shift to committees, with condensed, higher-level briefings to the full Board. Presentations should not repeat Board book materials word-for-word.
- One Board member recommends that committee-to-Board reporting would be enhanced by having committee members explain why the committee supports its recommendations and how it reached its conclusions.
- The Board should prioritize reviewing its governance documents and consider enhancing its code of conduct by adding formal enforcement procedures.
- For Board education, portfolio risk management, asset allocation/asset mix, investments, governance and fiduciary duty, and alternative investments received the strongest interest. The Board should also consider different education tracks for newer vs. more experienced Board members.
- For future self-evaluation surveys, consider whether certain questions should be split between newer and more experienced Board members.

Treasurer Goldberg asked a logistical question related to how the Board would receive information if a change to the current process took place.

Mr. Conroy said the goal would not be to have additional speakers at the Board meeting but rather have the Board take up more strategic issues.

Ms. McGoldrick mentioned that as a long-standing PRIM Board member she was pleased to see how the Board has grown into such a collegial group that works very well together.

B. PRIM Board Governance Manual Review (Voting Item)

Ms. LeFevre reminded the Committee that the current PRIM Board Governance Manual requires that the PRIM Board Governing Charters be reviewed every three years, and the Governing Charters were last amended in 2023. Foley Hoag solicited comments from PRIM Board members on the PRIM Board

Governance Manual during the most recent Board self-evaluation, adding that Mr. Conroy, of Foley Hoag, would also present the recommended changes to the PRIM Governance Manual to the Committee.

Mr. Conroy presented the Committee with Foley Hoag's process for reviewing the PRIM Board Governance Manual, and made the following recommendations:

- Alter the frequency of Board Governance Manual review
- Enhance the Board and Committee Member Code of Conduct
  - Extend the Code to Board committee members, whether or not committee members are Board members
  - Incorporate Fiduciary Duties as described in the Enabling Act
  - Provide the Chair with tools to run Board meetings efficiently
  - Clarify the methods for enforcing the code
- Delegate approval authority for the engagement of investment managers and individual investments to the Investment and the Real Estate and Timber Committees.
  - Industry best practice is for public pension boards to delegate approval authority for investment manager hiring to staff and/or one or more investment committees, rather than requiring full Board approval for each recommendation.
  - This practice is widely adopted by large U.S. public pension plans, as well as endowments, foundations, and family offices for the following reasons:
    - Better use of Board time (focus on strategy, risk, and oversight)
    - Stronger governance structure (clarifies roles and utilizes expertise residing in the committees)
    - More efficient and timely decision-making
- Make administrative and cosmetic changes that provide clarification to certain sections.

Mr. Conroy reiterated that this is the best practice and the methodology used by many of PRIM's peer pension plans. He added that this is consistent with PRIM's investment policy and would not alter the level of transparency being provided to the PRIM Board or its constituents. The Board would continue to receive the information it currently receives.

Ms. McGoldrick expressed support, noting that these changes would address issues raised in the survey.

Mr. Naughton expressed support and added that if adopted, these changes should be provided and explained to new Board members.

Mr. Brousseau added that the changes are long overdue, that PRIM received similar feedback in the past, and that a strong organization should have a strong code of conduct.

Treasurer Goldberg expressed that all agree with the proposed governance changes and that they reflect best practices, adding that the Board and committee members are volunteers and it is helpful to streamline the process.

The PRIM Administration and Audit Committee approved (unanimously) by roll call vote, Foley Hoag's recommended changes to the PRIM Board Governance Manual, provided as Appendix F to the Expanded Agenda.

C. Legislative Update

Emily Kowtoniuk, Director of Policy and Legislative Affairs in Treasurer Goldberg's office, provided a legislative update. Ms. Kowtoniuk mentioned the resurfacing of a proposal to alter the Public Servant seat on the PRIM Board. She added that the proposal did not make its way into the House budget, adding that she would keep the Committee informed of any legislation that would impact PRIM.

I. Interim Meeting With PRIM Board Auditors

Ms. Coulter introduced KPMG Lead Audit Partner Christine St. Hilaire and Senior Manager Zachary Penfold. She stated that KPMG was present to discuss the audit plan for the Fiscal Year 2026 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, 2025, 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 2026 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.

II. Issuance of Request for Proposals (RFP) for Audit and/or Tax Services (Voting Item)

The PRIM Administration and Audit Committee approved (unanimously) by roll call vote, to recommend to the PRIM Board the issuance of an RFP for Audit and/or Tax Services.

III. Other Matters:

The Committee members briefly discussed the following topics:

A. March 2026 PRIM Operating Budget

B. Travel Report

C. Client Service

List of documents and exhibits used during the meeting:

- Minutes of the PRIM Administration and Audit Committee Meeting of February 12, 2026
- PRIT Fund Performance Presentation (March 31, 2026)
- PRIT Fund Performance Report (March 31, 2026)
- Draft Fiscal Year 2027 Operating Budget
- Foley Hoag – PRIM Board Self-Evaluation Results
- PRIM Board Governance Manual – Redline
- Foley Hoag – PRIM Board Governance Manual Review Presentation
- KPMG's Fiscal Year 2026 Audit Plan
- PRIM Operating Budget (March 31, 2026)
- Travel Report