



**PENSION RESERVES INVESTMENT
MANAGEMENT BOARD**

Financial Statements and Required Supplementary Information

June 30, 2025 and 2024

(With Independent Auditors' Report Thereon)

**PENSION RESERVES INVESTMENT
MANAGEMENT BOARD**

Financial Statements and Required Supplementary Information
June 30, 2025 and 2024

Table of Contents

	Page(s)
Independent Auditors' Report	1–2
Required Supplementary Information – Management's Discussion and Analysis (Unaudited)	3–5
Basic Financial Statements:	
Statements of Fiduciary Net Position	6
Statements of Changes in Fiduciary Net Position	7
Notes to Financial Statements	8–17



KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

Administration and Audit Committee and Trustees,
Pension Reserves Investment Management Board:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Pension Reserves Investment Management Board (PRIM Board) as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the PRIM Board's basic financial statements as of and for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the PRIM Board as of June 30, 2025 and 2024, and the changes in its fiduciary net position for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the PRIM Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the PRIM Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PRIM Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the PRIM Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2025 on our consideration of the PRIM Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the PRIM Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the PRIM Board's internal control over financial reporting and compliance.

KPMG LLP

Boston, Massachusetts
December 4, 2025

**PENSION RESERVES INVESTMENT
MANAGEMENT BOARD**

Required Supplementary Information –
Management's Discussion and Analysis

June 30, 2025 and 2024

(Unaudited)

This section presents management's discussion and analysis of the Pension Reserves Investment Management Board's (the PRIM Board's) financial performance for the fiscal years ended June 30, 2025 and 2024 and should be read in conjunction with the financial statements, which follow this section. The PRIM Board was created by Massachusetts legislation to provide supervision of the management of the investments of the Pension Reserves Investment Trust Fund (the PRIT Fund).

Overview of the Financial Statements

The financial statements include the statements of fiduciary net position, which present the PRIM Board's financial position as of June 30, 2025 and 2024, and the statements of changes in fiduciary net position, which present the PRIM Board's financial activities for the years then ended. The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements. The notes describe the significant accounting policies of the PRIM Board and provide detailed disclosures on certain account balances.

The PRIM Board's financial statements are prepared in conformity with U.S. generally accepted accounting principles using the economic resources measurement focus and the accrual basis of accounting.

Financial Highlights and Analysis

At June 30, 2025, the PRIM Board maintained a fiduciary net position value of zero, consistent with the prior year, because all expenses incurred by the PRIM Board in managing the PRIT Fund are reimbursed by the PRIT Fund. The PRIM Board held no investments (investments are held by the PRIT Fund). Total assets and liabilities decreased 10.8% in fiscal year 2025, primarily due to lower accrued investment management fees.

Total assets and liabilities increased 40.7% from June 30, 2023 to June 30, 2024, primarily due to higher lease assets and liabilities. The PRIM Board has a lease for office space that commenced in July 2024.

	June 30		
	2025	2024	2023
	(Amounts in thousands)		
Total assets	\$ 73,134	81,966	58,377
Total liabilities	73,134	81,966	58,377
Total fiduciary net position	\$ —	—	—

**PENSION RESERVES INVESTMENT
MANAGEMENT BOARD**

Required Supplementary Information –
Management's Discussion and Analysis

June 30, 2025 and 2024

(Unaudited)

All expenses of the PRIM Board are reimbursed by the PRIT Fund; therefore, additions equaled deductions for the years ended June 30, 2025, 2024, and 2023.

	June 30		
	2025	2024	2023
	(Amounts in thousands)		
Total additions	\$ 156,967	171,819	137,821
Deductions:			
Investment management fees	105,282	122,070	94,748
Investment advisory fees	16,786	15,496	14,433
Custodian fees	935	935	935
Other expenses	33,964	33,318	27,705
Total deductions	156,967	171,819	137,821
Change in fiduciary net position	—	—	—
Fiduciary net position, beginning of year	—	—	—
Fiduciary net position, end of year	\$ —	—	—

The PRIM Board expenses were \$157.0 million for the year ended June 30, 2025 compared to \$171.8 million for the year ended June 30, 2024, representing a 8.6% decrease in total expenses. Investment management fees, which include both base and performance fees, decreased by \$16.8 million in fiscal 2025. Base fees increased by \$13.1 million and performance fees decreased by \$29.9 million. The base fee increase is attributable to an increase in the PRIT Fund's assets under management during the fiscal year. The performance fee decrease was primarily due to the claw-back of prior year performance fees in fiscal year 2025. Investment advisory fees increased 8.3% primarily due to increases in real estate and portfolio completion strategies advisory fees. Custodian fees remained consistent with contractual fee arrangements. Other expenses increased 1.9%, primarily due to an increase in salaries and employee benefits partly offset by a decrease in amortization expenses related to lease and subscription IT assets.

The PRIM Board expenses were \$171.8 million for the year ended June 30, 2024 compared to \$137.8 million for the year ended June 30, 2023, representing a 24.7% increase in total expenses. Investment management fees, which include both base and performance fees, increased by \$27.3 million in fiscal 2024. Base fees increased by \$1.1 million and performance fees increased by \$26.2 million. The base fee increase is attributable to an increase in the PRIT Fund's assets under management during the fiscal year. The performance fee increase was primarily due to outperformance by managers in the emerging markets equity and real estate portfolios. Investment advisory fees increased 7.4% primarily due to increases in public markets and portfolio completion strategies advisory fees. Custodian fees remained consistent with contractual fee arrangements. Other expenses increased 20.3%, primarily due to increases in salaries and employee benefits, pension expenses, and amortization and interest expenses related to lease and subscription IT assets and liabilities.

**PENSION RESERVES INVESTMENT
MANAGEMENT BOARD**

Required Supplementary Information –
Management's Discussion and Analysis

June 30, 2025 and 2024

(Unaudited)

Other Information

This financial report is designed to provide a general overview of the PRIM Board's financial results. Additional information can be found on the PRIM Board's website at www.mapension.com. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Pension Reserves Investment Management Board, 53 State Street, Boston, Massachusetts 02109.

**PENSION RESERVES INVESTMENT
MANAGEMENT BOARD**

Statements of Fiduciary Net Position

June 30, 2025 and 2024

(Dollars in thousands)

	<u>2025</u>	<u>2024</u>
Assets:		
Cash	\$ 3,254	3,008
Receivable from PRIT	40,083	50,150
Lease and subscription IT assets, net	27,661	26,389
Other assets	<u>2,136</u>	<u>2,419</u>
Total assets	<u>73,134</u>	<u>81,966</u>
Liabilities:		
Lease and subscription IT liabilities	29,773	28,491
Accrued custodian fees	78	156
Accrued investment advisory fees	1,834	1,995
Accrued investment management fees	31,217	41,889
Other accrued expenses	<u>10,232</u>	<u>9,435</u>
Total liabilities	<u>73,134</u>	<u>81,966</u>
Fiduciary net position	<u>\$ —</u>	<u>—</u>

See accompanying notes to financial statements.

**PENSION RESERVES INVESTMENT
MANAGEMENT BOARD**

Statements of Changes in Fiduciary Net Position

Years ended June 30, 2025 and 2024

(Dollars in thousands)

	<u>2025</u>	<u>2024</u>
Additions:		
Reimbursement of fees and other expenses	\$ 156,967	171,819
Deductions:		
Investment management fees:		
Base fees	114,852	101,691
Performance fees	(9,570)	20,379
Investment advisory fees	16,786	15,496
Custodian fees	935	935
Other expenses:		
Salaries and employee benefits	20,858	19,620
Pension	2,146	2,529
Postemployment benefits other than pensions	759	1,113
Amortization expense - lease and subscription IT assets	1,796	2,316
Interest expense – lease and subscription IT liabilities	1,030	1,002
Occupancy	369	228
Legal and audit fees	1,032	1,029
Research	656	552
Other	5,318	4,929
Total deductions	<u>156,967</u>	<u>171,819</u>
Change in fiduciary net position	—	—
Fiduciary net position, beginning of year	<u>—</u>	<u>—</u>
Fiduciary net position, end of year	<u>\$ —</u>	<u>—</u>

See accompanying notes to financial statements.

PENSION RESERVES INVESTMENT MANAGEMENT BOARD

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

(1) Description of the PRIM Board

The Pension Reserves Investment Management Board (the PRIM Board) was created in 1983 by the Commonwealth of Massachusetts (the Commonwealth) through legislation (Chapter 661 of the Acts of 1983, as amended by Chapter 315 of the Acts of 1996), to provide general supervision of the investments and management of the Pension Reserves Investment Trust Fund (the PRIT Fund). The PRIT Fund was created by the same legislation and is the investment portfolio for the assets of the State Employees' and State Teachers' Retirement Systems, the State Retiree Benefit Trust Fund, as well as local retirement systems and authorities that choose to invest in the PRIT Fund.

The PRIM Board is governed by a nine-member board of trustees. The Trustees include: (1) the Governor, ex officio, or her designee; (2) the State Treasurer, ex officio, or her designee, who shall serve as Chair of the PRIM Board; (3) a private citizen, experienced in the field of financial management, appointed by the State Treasurer; (4) an employee or retiree, who is a member of the State Teachers' Retirement System, elected by the members of such system, for a term of three years; (5) an employee or retiree, who is a member of the State Employees' Retirement System, elected by the members of such system for a term of three years; (6) the elected member of the State Retirement Board; (7) one of the elected members of the Teachers' Retirement Board chosen by the members of the Teachers' Retirement Board; (8) a person who is not an employee or official of the Commonwealth appointed by the Governor; and (9) a representative of a public safety union appointed by the Governor. Appointed members serve for a term of four years.

The PRIM Board seeks to prudently increase the value of the PRIT Fund to ensure that current and future benefit obligations are adequately funded. The PRIM Board seeks to maximize the probability of achieving the required rate of return while limiting unanticipated large drawdowns. Under current law (as amended by Section 45 of Chapter 68 of the Acts of 2011), by the year 2040, the PRIT Fund plans to have grown, through annual payments in accordance with a legislatively approved funding schedule and through total return of the PRIT Fund, to an amount sufficient to meet the then-existing pension obligations of the Commonwealth. The Commonwealth has adopted a schedule of state pension appropriations that assumes a long-term actuarial rate of return for the PRIT Fund of 7.0%.

The nine-member Board of Trustees has the authority to employ an Executive Director, outside investment managers, custodians, consultants, and others as it deems necessary; to formulate policies and procedures; and to take such other actions as necessary and appropriate to manage the assets of the PRIT Fund.

The PRIM Board is the legal custodian of the PRIT Fund and has fiduciary responsibility for the assets transferred to the PRIT Fund. The PRIM Board selects investment managers and advisors, reviews and evaluates performance, and performs various other activities in the daily management of the PRIT Fund. As of June 30, 2025 and 2024, the PRIT Fund had net position totaling approximately \$115.5 billion and \$105.3 billion, respectively. For a copy of the audited financial statements of the PRIT Fund, contact the PRIM Board.

**PENSION RESERVES INVESTMENT
MANAGEMENT BOARD**

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting and Financial Statement Presentation

The PRIM Board's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as specified by the Governmental Accounting Standards Board's (GASB's) requirements for fiduciary activities.

(b) Additions and Deductions

In accordance with the PRIM Board's operating trust, all expenses incurred by the PRIM Board in managing the PRIT Fund are reimbursed by the PRIT Fund. These expenses consist of investment management, investment advisory, custodian and other professional fees, salaries, and all other expenses of the PRIM Board.

(c) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the dates of the financial statements and the reported amounts of additions and deductions during the reporting periods. Actual results could differ from those estimates.

(d) Adoption of New Accounting Standard

The PRIM Board adopted the provisions of GASB Standard No. 101 (GASB 101), *Compensated Absences*, effective July 1, 2023. The financial statements have been restated to reflect the changes in accounting principle. Because all expenses are reimbursed by the PRIT Fund, the effect on the July 1, 2023 fiduciary net position and change in fiduciary net position as of June 30, 2024 was \$0.

As a result of the implementation of GASB 101, the following balances changed in prior financial statements:

	<u>Receivable from PRIT</u>	<u>Other accrued expenses</u>
Balance July 1, 2023, as originally reported	\$ 53,812	8,750
Effects of the implementation of GASB 101	<u>(142)</u>	<u>(142)</u>
Balance July 1, 2023, as adjusted	<u>\$ 53,670</u>	<u>8,608</u>

**PENSION RESERVES INVESTMENT
MANAGEMENT BOARD**

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

	<u>Receivable PRIT</u>	<u>Other accrued expenses</u>	<u>Reimbursement of fees and other expenses</u>	<u>Salaries and employee benefits</u>
Balance June 30, 2024, as originally reported	\$ 50,327	9,612	171,853	19,654
Effects of the implementation of GASB 101	<u>(177)</u>	<u>(177)</u>	<u>(34)</u>	<u>(34)</u>
Balance June 30, 2024, as adjusted	<u>\$ 50,150</u>	<u>9,435</u>	<u>171,819</u>	<u>19,620</u>

(e) Leases and Subscription-Based Information Technology Arrangements (SBITA)

The PRIM Board is a lessee for a lease agreement and has SBITA arrangements. For lease or SBITA arrangements with a maximum possible term of 12 months or less at commencement, the PRIM Board recognizes expense based on the provisions of the lease or SBITA contract.

For all other lease and SBITA arrangements, PRIM Board recognizes an intangible right-to-use lease asset and corresponding lease liability for its lease arrangements and an intangible subscription IT asset and corresponding subscription IT liability for its SBITAs. The lease asset and the subscription IT assets are measured as the respective liability plus direct costs incurred in implementing the respective asset. The assets are amortized into amortization expense on a straight-line basis over the shorter of the term or the useful life of the underlying asset. At the commencement of the arrangement, the respective liabilities are measured at the present value of payments expected to be made during the term. Subsequently, the liability is reduced by the principal portion of payments made. The discount rate used in the present value calculation is an estimate of the interest rate that would be charged for borrowing the payment amounts during the term.

(f) Compensated Absences

Under terms of employment, employees are granted vacations and sick leave in varying amounts. Only benefits considered to be more likely than not to be used or paid out are recognized in the financial statements. All vested vacation and sick leave pay is accrued when earned in the financial statements.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities are determined based on current salary rates as of the end of the fiscal year.

(3) Receivable from PRIT

The receivable from the PRIT Fund includes amounts due to the PRIM Board for reimbursement of management fees and other expenses incurred as a result of supervising the investments and management of the PRIT Fund. Certain investment management fees and other expenses are paid over a period longer than one year.

**PENSION RESERVES INVESTMENT
MANAGEMENT BOARD**

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

(4) Investment Management, Investment Advisory, Custodian, and Other Fees

(a) Investment Management Fees

Investment management fees are paid to managers pursuant to executed contracts.

Domestic, international, and emerging markets equity managers are generally paid a base fee calculated as a percentage of either current net position under management or an agreed-upon funded amount, typically equal to the amount of original and subsequent funding. In certain cases, this is subject to periodic revision. Base fees are paid quarterly. In addition, some active (nonindexed) equity managers are eligible to receive a performance fee.

Fixed income managers are generally paid a quarterly asset-based fee. Certain managers are eligible for a performance fee. Fees for other credit opportunities investments generally consist of a base fee and a performance fee based on return.

Fees for private equity investments are typically a percentage of committed capital, with the fee percentage decreasing over time. In addition, the general partners (investment managers) of private equity investment limited partnerships are allocated additional profits, known as carried interests, based on the net gains generally above a specified hurdle rate, on realized partnership investments.

Real estate and timberland investment management fees consist of a base fee and a performance fee. Performance fees are paid to managers who outperform their respective hurdle rates, as defined in the investment management agreements or partnership agreements.

Hedge fund of funds investment managers are paid base fees, which are calculated and paid quarterly.

Fees for portfolio completion strategies investments generally consist of a base fee and a performance fee based on return.

The majority of investment management fees for private equity investments and private debt investments are charged by the general partners to the investment partnerships and not to the limited partner investors directly. Investment management fees for other credit opportunities and portfolio completion strategies investments are charged to the respective investments. Most investment management base fees for investments in real estate properties and timberland are charged against the respective investments. Investment management fees for investments in real estate funds are charged to the investment partnership and not to the limited partner investors directly. In addition, certain investments are in commingled funds, which charge fees at the fund level. Therefore, these investments are reported net of investment management fees and these investment management fees are not included in the accompanying statements of changes in fiduciary net position.

(b) Investment Advisory Fees

NEPC, LLC, Meketa Investment Group, Aberdeen Asset Management Inc., Hamilton Lane, International Woodland Company, and NewAlpha Asset Management served as the PRIM Board's principal investment advisors as of fiscal year end 2025. NEPC, LLC served as the asset allocation advisor, Meketa Investment Group served as the public markets advisor, Aberdeen Asset Management

**PENSION RESERVES INVESTMENT
MANAGEMENT BOARD**

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

Inc. and NewAlpha Asset Management provided portfolio completion strategies advisory services, Hamilton Lane served as the private equity advisor, and International Woodland Company provided timberland advisory services. These investment advisors, among others, provided the PRIM Board with comprehensive investment advisory services, including recommendations on asset allocation, selection of investment managers, and the monitoring of performance of the PRIT Fund and its individual investment managers.

For the years ended June 30, 2025 and 2024, investment advisory fees were \$16,786 and \$15,496, respectively.

(c) Custodian Fees

BNY Mellon is the custodian and record-keeper for the PRIT Fund. BNY Mellon records all daily transactions, including investment purchases and sales, investment income, expenses, and all participant activity, for the PRIT Fund. BNY Mellon also provides portfolio performance analysis each month for the PRIT Fund. For the years ended June 30, 2025 and 2024, custodian fees were \$935.

(d) Other Expenses

For the years ended June 30, 2025 and 2024, other expenses of the PRIM Board, including employee compensation and benefits, professional fees, occupancy, and other costs, totaled \$33,964 and \$33,318, respectively.

(5) Lease and Subscription-Based Information Technology Arrangements

As discussed in Note 2(e), the PRIM Board leases office space at 53 State Street in Boston, Massachusetts from a PRIT Fund affiliate. The lease term expires in July 2043. Monthly payments are based on the fixed price per square footage of leased space. The monthly payments range from \$168 to \$239. The PRIM Board used an incremental borrowing rate of 3.58%.

The PRIM Board leased office space at 84 State Street in Boston, Massachusetts from a PRIT Fund real estate subsidiary. The lease term, as amended, was set to expire in September 2024. Monthly payments were based on the fixed price per square footage of leased space. The monthly payments ranged from \$85 to \$92. The PRIM Board used an incremental borrowing rate of 0.43%. The lease was amended, effective August 8, 2023, to reduce the usable square footage of leased space. The monthly payments ranged from \$43 to \$44. At that time, the lease was remeasured and the lease liability and asset were reduced resulting in a termination gain. The lease was amended again effective June 28, 2024, terminating the agreement on June 30, 2024.

The PRIM Board has SBITA arrangements with various software vendors. The SBITA terms of two agreements expired in June and December 2023. The two agreements required annual payments of \$65 and monthly payments ranging from \$42 to \$45. The PRIM Board used incremental borrowing rates of 0.18% and 0.27%, respectively. The PRIM Board also has a SBITA agreement with a software vendor which was not yet fully implemented as of June 30, 2024. As of June 30, 2024, the PRIM Board had incurred \$406 of implementation costs and subscription fees and those costs are included in other assets in the accompanying statements of fiduciary net position. The software was placed into service during fiscal

**PENSION RESERVES INVESTMENT
MANAGEMENT BOARD**

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

year 2025 and the costs were capitalized as subscription IT asset. The SBITA agreement expires in December 2028 and requires annual payment of \$344 with an annual increase of 5% after the first year. The PRIM Board used an incremental borrowing rate of 2.33%. The SBITA agreement was amended December 2024 for the implementation of a second information environment. The annual payment is increased by \$300. The PRIM Board used an incremental borrowing rate of 2.82%.

Intangible Right-to-use Lease and Subscription IT Assets

A summary of lease and subscription IT assets activity during the year ended June 30, 2025 is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deletions</u>	<u>Ending balance</u>
Lease asset	\$ 27,772	—	—	—	27,772
Less: Accumulated amortization	(1,383)	(1,383)	—	—	(2,766)
Total lease asset, net	<u>26,389</u>	<u>(1,383)</u>	<u>—</u>	<u>—</u>	<u>25,006</u>
Subscription IT assets	—	3,068	—	—	3,068
Less: Accumulated amortization	—	(413)	—	—	(413)
Total subscription IT assets, net	<u>—</u>	<u>2,655</u>	<u>—</u>	<u>—</u>	<u>2,655</u>
Total lease and subscription IT assets, net	<u>\$ 26,389</u>	<u>1,272</u>	<u>—</u>	<u>—</u>	<u>27,661</u>

A summary of lease and subscription IT assets activity during the year ended June 30, 2024 is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deletions</u>	<u>Ending balance</u>
Lease asset	\$ 4,410	27,772	(626)	(3,784)	27,772
Less: Accumulated amortization	(3,112)	(2,055)	—	3,784	(1,383)
Total lease asset, net	<u>1,298</u>	<u>25,717</u>	<u>(626)</u>	<u>—</u>	<u>26,389</u>
Subscription IT assets	1,439	—	—	(1,439)	—
Less: Accumulated amortization	(1,178)	(261)	—	1,439	—
Total subscription IT assets, net	<u>261</u>	<u>(261)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total lease and subscription IT assets, net	<u>\$ 1,559</u>	<u>25,456</u>	<u>(626)</u>	<u>—</u>	<u>26,389</u>

**PENSION RESERVES INVESTMENT
MANAGEMENT BOARD**

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

Lease and Subscription IT Liabilities

A summary of changes in the related lease and subscription IT liabilities during the year ended June 30, 2025 is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deletions</u>	<u>Ending balance</u>	<u>Amount due in 1 year</u>
Lease liability	\$ 28,491	—	—	(737)	27,754	807
Subscription IT liabilities	—	2,352	—	(333)	2,019	637
Total lease and subscription IT liabilities:	<u>\$ 28,491</u>	<u>2,352</u>	<u>—</u>	<u>(1,070)</u>	<u>29,773</u>	<u>1,444</u>

A summary of changes in the related lease and subscription IT liabilities during the year ended June 30, 2024 is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deletions</u>	<u>Ending balance</u>	<u>Amount due in 1 year</u>
Lease liability	\$ 1,301	28,491	(626)	(675)	28,491	737
Subscription IT liabilities	269	—	—	(269)	—	—
Total lease and subscription IT liabilities	<u>\$ 1,570</u>	<u>28,491</u>	<u>(626)</u>	<u>(944)</u>	<u>28,491</u>	<u>737</u>

The future annual lease payments as of June 30, 2025 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year:			
2026	\$ 807	975	1,782
2027	872	945	1,817
2028	941	913	1,854
2029	1,013	878	1,891
2030	1,088	840	1,928
2031 - 2035	6,701	3,535	10,236
2036 - 2040	9,179	2,123	11,302
2041 - 2044	<u>7,153</u>	<u>394</u>	<u>7,547</u>
Total	<u>\$ 27,754</u>	<u>10,603</u>	<u>38,357</u>

**PENSION RESERVES INVESTMENT
MANAGEMENT BOARD**

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

The future annual subscription IT payments as of June 30, 2025 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year:			
2026	\$ 637	42	679
2027	672	25	697
2028	<u>710</u>	<u>8</u>	<u>718</u>
Total	<u>\$ 2,019</u>	<u>75</u>	<u>2,094</u>

Variable Subscription Payments

Certain subscription IT arrangements require the PRIM Board to make variable subscription payments based on the numbers of users of the software. The amounts recognized as expense for variable subscription payments not included in the measurement of the lease liabilities were \$161 and \$152 during the years ended June 30, 2025 and 2024.

(6) Compensated Absences

The following is a summary of changes in compensated absences for the PRIM Board for the years ended June 30, 2025, and 2024:

	<u>Balance July 1, 2024</u>	<u>Net additions</u>	<u>Net reductions</u>	<u>Balance June 30, 2025</u>	<u>Amount due in 1 year</u>
Compensated absences	\$ 1,515	263	—	1,778	1,350

	<u>Balance July 1, 2023</u>	<u>Net additions</u>	<u>Net reductions</u>	<u>Balance June 30, 2024</u>	<u>Amount due in 1 year</u>
Compensated absences	\$ 1,363	152	—	1,515	1,283

(7) Custodial Credit Risk

At June 30, 2025 and 2024, the PRIM Board held no investments (investments are held by the PRIT Fund). As a result, its custodial credit risk was limited to its deposits. Custodial credit risk is the risk that, in the event of bank failure, the PRIM Board's deposits and investments may not be returned to it. The PRIM Board manages its exposure to custodial credit risk by requiring all cash to be held with a major financial institution. The PRIM Board has not adopted a formal custodial credit risk policy.

(8) Pension Plan

All full-time employees of the PRIM Board must participate in the Massachusetts State Employees' Retirement System (SERS). The percentage rate of contribution is determined by an employee's entry date into the SERS. Such employees become vested after ten years of creditable service. The Commonwealth

**PENSION RESERVES INVESTMENT
MANAGEMENT BOARD**

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

is legally responsible for making all actuarially determined employer contributions on behalf of the PRIM Board.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers and nonemployers to recognize their proportionate share of the collective pension liability, deferred outflows and deferred inflows of resources, and pension expense. The collective pension amounts of participating entities in SERS have been allocated based on actual employer contribution and nonemployer contributions made by the Commonwealth.

Because contributions to SERS are the legal responsibility of the Commonwealth and not the PRIM Board, a “special funding” situation under GASB Statement No. 68 exists which requires the Commonwealth, not the PRIM Board, to record the pension liability for the PRIM Board employees in its financial statements.

For the years ended June 30, 2025 and 2024, the PRIM Board recognized pension expense of \$2,146 and \$2,529, respectively, and a corresponding amount of reimbursement income in the accompanying statements of changes in fiduciary net position. The net pension liability reported by the Commonwealth on behalf of the PRIM Board was \$20,787 and \$21,300 as of June 30, 2025 and 2024, respectively.

The fiscal 2025 net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2024 rolled forward to June 30, 2024.

The fiscal 2024 net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2023 rolled forward to June 30, 2023.

(9) Postemployment Benefits Other Than Pensions Plan

Employees of the PRIM Board participate in the Commonwealth's Postemployment Benefits Other Than Pensions (OPEB) Plan (Plan), a singled employer defined benefit OPEB Plan. Under Chapter 32A of the Massachusetts General Laws, the Commonwealth is legally responsible for providing certain health care and life insurance benefits for retired employees of the PRIM Board by making contributions directly to a single employer defined OPEB Plan.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires participating employers and nonemployers to recognize, their proportionate share of the collective OPEB liability, deferred outflows and deferred inflows of resources, and OPEB expense. The collective OPEB amounts of participating entities in the OPEB Plan have been allocated based on actual employer contributions and nonemployer contributions made by the Commonwealth.

Because contributions to the Plan are the legal responsibility of the Commonwealth and not the PRIM Board, a “special funding” situation under GASB Statement No. 75 exists which requires the Commonwealth, not the PRIM Board, to record the OPEB liability for the PRIM Board employees in its financial statements.

**PENSION RESERVES INVESTMENT
MANAGEMENT BOARD**

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in thousands)

For the years ended June 30, 2025 and 2024, the PRIM Board has recognized OPEB expense of \$759 and \$1,113, respectively, and a corresponding amount of reimbursement income in the accompanying statements of changes in fiduciary net position. The net OPEB liability reported by the Commonwealth on behalf of the PRIM Board was \$20,930 and \$21,436 as of June 30, 2025 and 2024, respectively.

The fiscal 2025 net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2024 rolled forward to June 30, 2024.

The fiscal 2024 net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2023 rolled forward to June 30, 2023.

(10) Subsequent Events

For purposes of determining the effects of subsequent events on the financial statements, management has evaluated subsequent events after June 30, 2025 through December 4, 2025, the date on which the financial statements were available to be issued.