



**Minutes of the PRIM Investment Committee Remote Meeting**  
**Tuesday, July 30, 2024**

**Committee members present:**

- Treasurer Deborah Goldberg, Chair
- C. LaRoy Brantley
- Catherine D’Amato
- Michael Even
- Constance Everson, CFA
- Ruth Ellen Fitch, Esq.
- James B.G. Hearty
- Peter Monaco
- Philip Rotner
- Paul Shanley, Esq.
- Glenn Strehle, CFA
- Timothy Vaill

**Committee members not present:**

- Joseph Bonfiglio
- Phillip Perelmuter

The PRIM Investment Committee meeting was called to order at 1:00 p.m. Chair Treasurer Deborah Goldberg announced that the meeting was being held by internet and telephone in accordance with the provisions of Massachusetts Acts of 2022 which was most recently amended on March 29, 2023, to include an extension of the 2020 Executive Order ‘Suspending Certain Provisions of the Open Meeting Law’ until March 31, 2025. Accordingly, all members of the Committee participated remotely via telephone and/or internet enabled audio and video conferencing, and all votes were taken by roll call. Public access to the deliberations of the Committee was likewise provided via telephone, with presentation materials made available on PRIM’s website ([www.mapension.com](http://www.mapension.com)). At the start of the meeting, the names of the members participating remotely were announced.

**I. Approval of the Minutes (Voting Item)**

The Investment Committee approved, by unanimous roll-call vote, the minutes of its May 7, 2024, meeting.

**II. Executive Director/Chief Investment Officer Comments**

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

Fiscal Year 2024 (FY2024) which ended June 30, 2024, was another successful and productive year. The PRIT Fund ended with a record balance of \$105.3 billion, surpassing the previous record of \$96.6 billion last year. The PRIT Fund returned 9.9% (9.5%, net) for a net gain of \$9.1 billion in the fiscal year with five of the seven asset classes outperforming their benchmarks. Staff researched and deployed \$6.6 billion in attractive new investments during the year.

*Organizational Updates*

Organizationally, PRIM is on very solid footing; not a single person left during the year. Zero turnover is a very rare achievement in today’s highly mobile workforce. PRIM also successfully onboarded three

outstanding full-time staff members and welcomed eight interns. All three new employees and all eight interns in the “class of 2024” are diverse in terms race and/or gender. 63% of PRIM’s workforce is diverse and 52% of the PRIM workforce is female.

The stability of the PRIM staff and their ability to hire talent is particularly noteworthy because, except for a short time during the peak of the pandemic, PRIM has adopted an in-the-office five days a week policy with only a limited remote work allowance. This speaks to the unique culture PRIM has built where employees are dedicated to our mission and to each other. Seventy people strong, PRIM has attracted a group of highly trained, experienced, and dedicated employees who want to be together in person and want to be part of a winning team achieving strong results.

The work of the PRIM staff continues to receive local and national recognition. Last year, PRIM’s Private Equity program was awarded Alpha Edge recognition for alpha generation and was recognized as “Limited Partner of the Year” for “empowering women in private equity”, and this year, the Private Equity program once again finished in the top five (#4) in the American Investment Council’s annual ranking of public pension plans, based on 10-year performance. In addition, Bill Li, CFA, CAIA, Director of Portfolio Completion Strategies, received Alpha Edge Next Generation Recognition. PRIM ranked fourth in the U.S. for assets managed by diverse managers according to Pensions and Investments, and PRIM was awarded two Commonwealth Citations for Outstanding Performance. Additionally, Mr. Trotsky, noted he will receive a Lifetime Achievement award, and was named on the CIO Power 100 list. PRIM earned the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the 19th consecutive year and successfully completed the CFA’s Institute’s Global Investment Performance Standards of Integrity and Transparency (GIPS), a standard with which only a small handful of other pension funds comply. PRIM completed more than 30 separate audits, and all of them resulted in unmodified (clean) opinions with no findings.

Mr. Trotsky noted that Katherine Kovach recently joined PRIM as an Investment Analyst on the Private Equity team. Previously, Katherine was an Alternatives Senior Analyst at Corebridge Financial, formerly known as AIG, in New York City. Katherine graduated from the University of Virginia in 2022 with a bachelor’s degree in Accounting and Finance.

#### *Markets and PRIT Fund Performance*

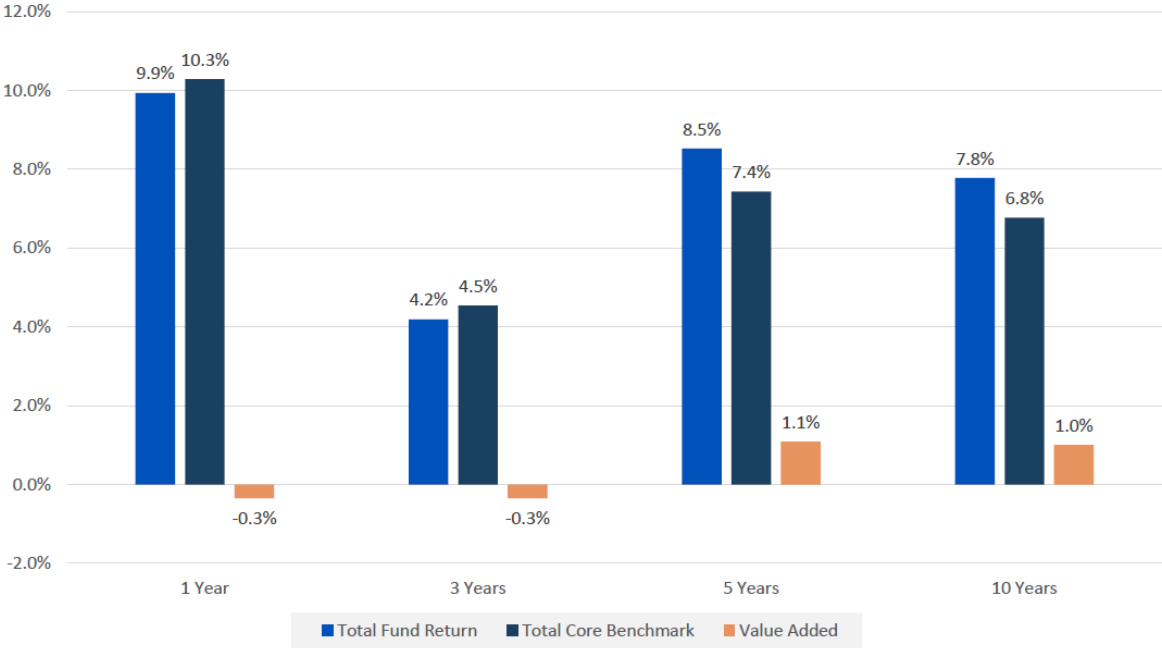
- All these accomplishments happened against the backdrop of an unusually turbulent worldwide investing and geopolitical environment. Yet, markets remained very strong: U.S. equities were up 24.6%, developed international equities were up 11.2%, and emerging markets equities were up 12.5%. Diversified bonds were up 2.6% for the fiscal year as interest rates (and inflation) began to decline. The highest returning PRIT Fund asset classes included Global Equities, Value-Added Fixed Income, Hedge Funds, and Timberland, all returning more than 10% net of fees. Private Equity returned nearly 8%, net of fees, continuing its strong rebound. Real Estate was the weakest, down nearly 7% for the year but still far outpacing the benchmark and peers. U.S. GDP expanded an annualized 2.8% in Q2, up from 1.4% in Q1, and above forecasts of 2.0%. Consumer spending accelerated (2.3% vs. 1.5%), led by a rebound in consumption of goods, mostly motor vehicles, recreational goods and vehicles, and gasoline, while services slowed.
- The U.S. Consumer Price Index fell for a third straight month to 3.0% in June, the lowest since June 2023, compared to 3.3% in May and below forecasts of 3.1%.
- The number of Americans filing for unemployment benefits fell by 10,000 to 235,000 for the period ending July 20, slightly below market expectations, but due to a higher participation rate, the unemployment rate rose slightly to 4.1%.

- Eurozone GDP expanded 0.3% in Q1 2024, recovering from a 0.1% contraction in each of the previous two quarters, inflation fell to 2.5%, unemployment remains at an all-time low of 6.4%, and the ECB has also kept rates unchanged in July.
- Chinese GDP expanded 4.7% y/y in Q2 2024, missing market forecasts of 5.1% and slowing from a 5.3% growth in Q1

Mr. Trotsky referred to the following charts:

## PRIT Fund Total Returns

Annualized Returns as of June 30, 2024 (Gross of Fees)

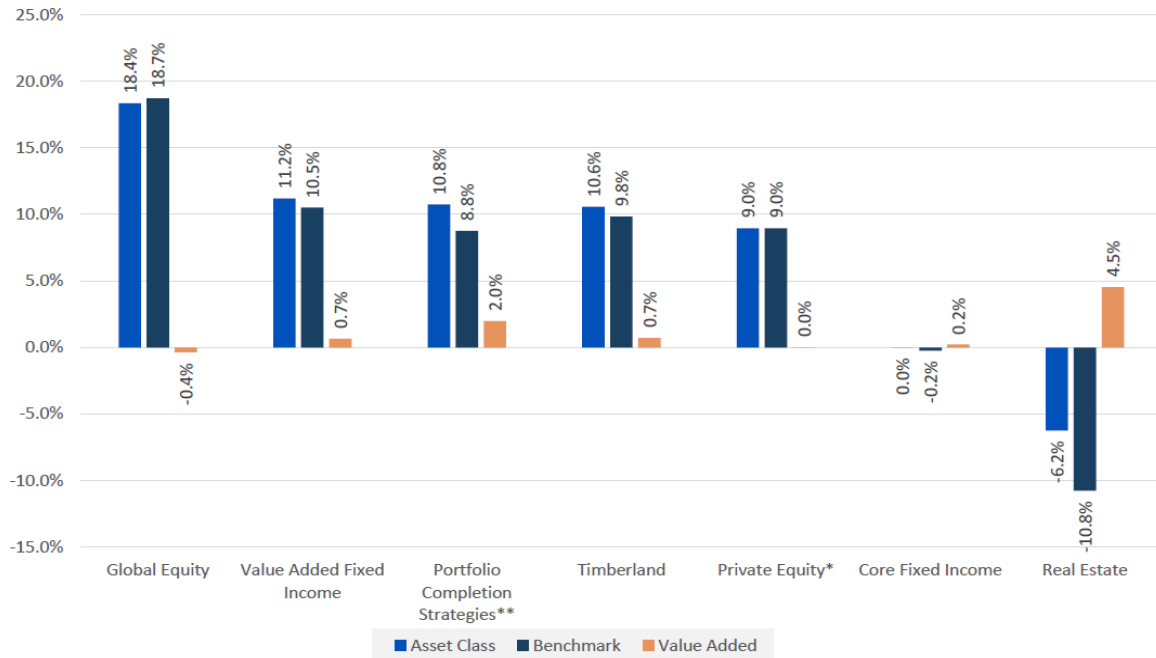


Source: BNY Mellon. Totals may not add due to rounding. Total Core Benchmark includes private equity benchmark.

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# PRIT Asset Class Performance Summary

One-Year Ended June 30, 2024 (Gross of Fees)



Source: BNY Mellon. Totals may not add due to rounding. \*Benchmark is actual performance. \*\*Hedge Fund returns are net of fees.

# PRIT Fund Annualized Returns By Asset Class

As of June 30, 2024 (Gross of Fees)

1 Year	3 Year	5 Year	10 Year
GLOBAL EQUITY 18.4%	PRIVATE EQUITY 10.2%	PRIVATE EQUITY 19.3%	PRIVATE EQUITY 18.5%
VALUE-ADDED FIXED INCOME 11.2%	TIMBER 9.3%	GLOBAL EQUITY 10.8%	GLOBAL EQUITY 8.6%
PORTFOLIO COMPLETION STRATEGIES 10.8%	GLOBAL EQUITY 5.2%	TIMBER 6.7%	REAL ESTATE 7.7%
TIMBER 10.6%	VALUE-ADDED FIXED INCOME 5.1%	REAL ESTATE 6.2%	TIMBER 6.2%
PRIVATE EQUITY 9.0%	REAL ESTATE 4.6%	VALUE-ADDED FIXED INCOME 5.9%	VALUE-ADDED FIXED INCOME 4.8%
CORE FIXED INCOME (0.0%)	PORTFOLIO COMPLETION STRATEGIES 4.4%	PORTFOLIO COMPLETION STRATEGIES 4.6%	PORTFOLIO COMPLETION STRATEGIES 3.8%
REAL ESTATE (6.2%)	CORE FIXED INCOME (4.9%)	CORE FIXED INCOME (0.5%)	CORE FIXED INCOME 2.1%

Source: BNY Mellon.

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

Jay Leu, Senior Investment Officer - Director of Risk, presented on the total PRIT Fund risk, broken down by risk factors and then gave a brief update on the levels of equity risk, credit risk, and interest rate risk in the market today.

### **III. Public Markets Performance Summary**

Michael McElroy, CFA, Senior Investment Officer - Director of Public Markets, provided an update on the Public Markets performance.

Mr. McElroy noted that after last quarter's strong start to the year, equity market returns generally followed through with another positive quarter in Q2 of 2024. US large-cap stocks and emerging market stocks were up approximately 4% in Q2, whereas developed international and small-cap US stocks were down between 1-4% in the quarter. Growth outperformed value in US and emerging markets, and large stocks continue to outperform small. In FY2024, equity returns were strong, ranging between 8-25%, with US large-cap exhibiting the strongest returns.

Mr. McElroy noted that bond returns were mixed in the second quarter, as Core Fixed Income slightly declined, while the more credit-sensitive bonds were up nearly 2%. Rates increased at the longer end of the yield curve, and credit spreads were slightly wider. For FY2024, Core Fixed Income returns were slightly negative, but credit-sensitive Value-Added Fixed Income was up nearly 11%.

For the FY2024 period, Global Equities slightly lagged our benchmark due to our domestic allocations and our developed international investment manager performance. Emerging markets was a bright spot, with managers in aggregate nearly 5% ahead of benchmark. For our bond investments in FY2024, both Core and Value-Added were ahead of benchmarks.

In closing, the Public Markets portfolio delivered mixed results over the last fiscal year, with equities lagging a bit and fixed income delivering positive relative returns. Given the market environment we've been in, it is encouraging that the results are within the range of expectations for a portfolio with a low tracking risk relative to the global markets. Domestic equity markets are extremely narrow and concentrated, and fixed income markets offer very attractive risk-adjusted yields and opportunities. The Public Markets portfolio remains well-diversified across geographies, styles and sectors, and demonstrates this during market stress periods. The aggregate risk of the overall equity and fixed income portfolios remains low, and our managers continue to deliver long-term benchmark-relative value-added.

### **IV. Portfolio Completion Strategies**

Bill Li, CFA, CAIA, Senior Investment Officer - Director of Portfolio Completion Strategies (PCS) presented the performance of the PCS portfolio, noting the exceptional performance, measured in absolute returns, relative returns, and risk-adjusted returns.

Mr. Li noted that for FY2024, PCS returned 10.2% vs. the benchmark's return of 8.8%. PRIT Hedge Funds returned 12.6%, outpacing the benchmark by 350 basis points, while maintaining a healthy equity beta of just 0.2x. The barbell approach, combining Stable Value and Directional Funds has proven to be well balanced. Specifically, the Stable Value sleeve returned 11.5%, and Directional Funds returned 16.4%. Manager selection was also a highlight, as PCS significantly outperformed peers by over 300 basis points.

In terms of risk-adjusted return, PCS continued to substantially beat a 60/40 market portfolio (1.3X vs. 0.2X). Additionally, realized volatility had been approximately 4% throughout the roller-coaster cycle last three years. A high risk-adjusted return and a controlled beta profile mean, our Hedge Fund program's diversifying benefit to PRIT Fund remains strong.

## **V. Private Equity**

Michael McGirr, CFA, Senior Investment Officer - Director of Private Equity, provided an update on Private Equity market performance.

PRIM's long-term Private Equity performance remains strong. PRIM's Private Equity portfolio's 3-, 5-, and 10-year performance was 10.0%, 19.3%, and 18.5% respectively, gross of fees. Private Equity continues its rebound with its 6<sup>th</sup> straight positive quarter of performance.

For the Q1 2024 period, Private Equity returned 2.2% gross, or 1.9%, net. For the one-year period Private Equity returned 9.0% gross, or 7.7%, net. Buyouts, growth equity, and venture capital were all up for the quarter. PRIM's venture capital portfolio was up, despite remaining down for the trailing one-year period at -4.8%.

Growth Equity returned approximately 3% for the quarter, the strongest sub-asset class for the quarter, and returned approximately 8% for the one-year period. Small and midcap buyouts returned approximately 2% for the quarter and approximately 9.6% for one-year, while mega and large buyouts returned 1.1% in the quarter and approximately 10% for the one-year.

In Q2 2024, distributions slowed to approximately \$390 million resulting in a cash outflow for the quarter, but we remain cash flow positive for the calendar year. With this positive performance, assets grew to \$17.8 billion, remaining at approximately 17% of PRIT Fund.

## **VI. Investment Policy Statement Update**

David Gurtz, Deputy Chief Investment Officer, presented PRIM's investment Policy statement (IPS). The IPS is fundamental document that serves as a roadmap, guiding PRIM's investment decisions. Updating the IPS is crucial to maintaining strong governance and industry best practices.

Mr. Gurtz noted this review and update was initiated with three primary goals:

1. Align the IPS with current practices to accurately reflects the latest internal procedures and strategies. Updates included removing a Hedge Fund section as it used to be a dedicated asset class and moved the relevant portions to the Portfolio Completion Strategies section where Hedge Funds resides today and adding a new 'Risk Management' and a 'Stewardship & Sustainability' section to emphasis the importance of these areas at PRIM.
2. Incorporate industry best practices. Some best practices we incorporated, included a focus on principles-based approach and adding new 'Staff' section was to the 'Duties and Responsibilities' section.
3. Enhance the clarity and consistency of the IPS.

Mr. Gurtz noted this update has been a collaborative, firm-wide effort. PRIM has incorporated insights from various internal teams, including each asset class team, as well as the risk, research, legal, and operations teams. Additionally, PRIM staff has worked closely with NEPC, PRIM's asset allocation consultant, as well as other asset class consultants, who have provided invaluable insights into industry best practices.

Mr. Gurtz noted the outcome of this extensive process is an updated draft IPS, attached as Appendix D, for the Committee's review and feedback. Mr. Gurtz noted this not a voting item, rather staff is presenting this draft IPS to the Committee to review and provide feedback. Additionally, the Real Estate and Timberland Committee will also review and provide feedback. Following feedback PRIM receives, a revised draft will be presented at this Committee's next meeting in November.

Doug Mosely, a partner at NEPC, presented and noted some of the changes and improvements NEPC helped recommend to improve PRIM's IPS. Mr. Mosely explained that a main objective was to bring the IPS back to high level, focusing on core practices, goals, and responsibilities, while still maintaining comprehensiveness.

The PRIM Investment Committee meeting adjourned at 3:04 p.m.

List of documents and exhibits used during the meeting:

- *Minutes of the PRIM Investment Committee Meeting of May 7, 2024*
- *PRIT Fund Performance Report (June 30, 2024)*
- *BNY Mellon Gross of Fees Performance Report (June 30, 2024)*
- *Draft Investment Policy Statement*
- *NEPC Investment Policy Statement Review Memorandum*