

**COMMONWEALTH OF MASSACHUSETTS
PENSION RESERVES INVESTMENT MANAGEMENT BOARD**

Minutes of the Board Meeting

Thursday, August 15, 2024

commencing at 9:30 a.m.

(CONDUCTED REMOTELY)

**PRIM Board Offices
53 State Street
Boston, Massachusetts**

A T T E N D E E S

(Via Zoom)

Board Members

- Treasurer Deborah B. Goldberg, Chair
- Robert L. Brousseau
- Catherine D'Amato
- Ruth Ellen Fitch
- Theresa F. McGoldrick, Esq.
- Peter Monaco
- Dennis J. Naughton
- Paul E. Shanley, Esq.

Other Attendees (partial list):

- Alyssa Acker
- Anthony Falzone
- David Gurtz
- Emily Kowtoniuk
- Renee LeFevre
- Bill Li
- Michael McElroy
- Michael McGirr
- Veena Ramani
- Tim Schlitzer
- Michael Trotsky

1 P R O C E E D I N G S

2 A meeting of the Pension Reserves
3 Investment Management Board (PRIM Board) was held
4 remotely on August 15, 2024. The meeting was
5 called to order and convened at 9:30 a.m.
6 Treasurer and Receiver-General Deborah Goldberg
7 chaired the meeting.

8

9 TREASURER GOLDBERG: Good morning,
10 everyone, and welcome to the Mass. PRIM Board
11 meeting, Thursday, August 15, 2024.

12 This meeting will be held in accordance
13 with the provisions of Massachusetts Acts of 2022,
14 Chapter 22, which was most recently amended on
15 March 29, 2023, to include an extension of the
16 2020 Executive Order Suspending Certain Provisions
17 of the Open Meeting Law until March 31, 2025.

18 All members of the Board will
19 participate remotely via audiovisual
20 conferencing, and public access to the
21 deliberations of the Board will likewise be
22 provided via telephone, with all documents
23 referenced at the meeting available to be viewed
24 on PRIM's website, www.mapension.com.

1 All persons speaking at today's meeting
2 are asked first to identify themselves. Also the
3 Open Meeting Law requires anyone wishing to record
4 a meeting to first notify the chair so that the
5 chair can inform the other attendees.

6 Tony, could you please inform us who's
7 recording, besides I am informing you that
8 stenographer Virginia Dodge from Lexitas is
9 transcribing and also recording this meeting.

10 Tony.

11 MR. FALZONE: Thank you.

12 Matthew Scheffler, MTRS member, will be
13 recording, and Doug Appell, P&I, will be
14 recording.

15 TREASURER GOLDBERG: Thank you.

16 If anyone else does intend to record
17 today's meeting, please first notify Seth Gitell
18 by email at sgitell@mapension.com.

19 Additionally, the Attorney General's
20 guidance on holding remote meetings reads as
21 follows: At the start of the meeting, the chair
22 must announce the name of the member or members
23 who are participating remotely.

24 I will now announce the names of all

1 PRIM Board members who are participating remotely
2 in today's meeting. Robert Brousseau, Catherine
3 D'Amato, Ruth Ellen Fitch, Theresa McGoldrick,
4 Dennis Naughton, Paul Shanley and myself,
5 Treasurer Deborah Goldberg.

6 If any of the other members,
7 particularly if Peter Monaco does arrive, we will
8 be notified by Tony.

9 With that, the first item on the
10 agenda is approval of the Board meeting minutes.
11 And I seek a motion that the PRIM Board approve
12 the minutes of its May 30, 2024 meeting, attached
13 as Appendix A of the expanded agenda, and further
14 to authorize the executive director to take all
15 actions necessary to effectuate this vote.

16 Is there a motion?

17 MR. BROUSSEAU: So moved.

18 MR. SHANLEY: So moved.

19 TREASURER GOLDBERG: Is there a second?

20 MS. FITCH: Second.

21 TREASURER GOLDBERG: Roll call.

22 Bob?

23 MR. BROUSSEAU: Yes.

24 TREASURER GOLDBERG: Catherine?

1 MS. D'AMATO: Yes.

2 TREASURER GOLDBERG: Ruth Ellen?

3 MS. FITCH: Yes.

4 TREASURER GOLDBERG: Theresa?

5 MS. MCGOLDRICK: Yes.

6 TREASURER GOLDBERG: Dennis?

7 MR. NAUGHTON: Yes.

8 TREASURER GOLDBERG: Paul?

9 MR. SHANLEY: Yes.

10 TREASURER GOLDBERG: Myself, yes.

11 The motion carries. Thank you.

12 Next item on the agenda, the executive
13 director/chief investment officer report. And I
14 would like to bet that's Michael Trotsky.

15 MR. TROTSKY: Thank you very much,
16 Treasurer.

17 Welcome, everybody. Thanks for being
18 with us today on August 15. I can't believe it.

19 Many of you have heard these remarks at
20 one of the committee meetings. And I just want to
21 remind you that it is necessary for us to go
22 through these remarks so that they get recorded
23 verbatim and entered into the minutes of this
24 cycle.

1 So the remarks are essentially the same
2 with a couple of updates.

3 First, fiscal year 2024, ending June 30,
4 2024, was a very successful and productive year.
5 The PRIT Fund ended with a record balance of
6 105.3 billion, 105.3. And that surpassed the
7 previous record of 96.6 billion set last fiscal
8 year. The PRIT Fund returned 9.9 percent gross or
9 9.5 percent net for a net gain of \$9.1 billion in
10 the fiscal year with five of the seven asset
11 classes outperforming their benchmarks.

12 Staff researched and deployed
13 \$6.6 billion in attractive new investments during
14 the year, so it was a very productive year where
15 we found \$6.6 billion in new investments. And I
16 do believe that a 10 percent gain, 9.9 gross, in
17 this environment is a very solid accomplishment.

18 But perhaps, as I've mentioned before,
19 what I am most proud of in fiscal year 2024 is
20 that not a single person left our staff. Zero
21 turnover I believe is a very rare achievement with
22 today's highly mobile workforce. I have never
23 encountered that in any organization I've ever
24 been affiliated with.

1 We also successfully recruited three
2 outstanding individuals, and we welcomed a total
3 of eight interns this year. All three new
4 employees and all eight interns of the class of
5 2024 are diverse in terms of race and/or gender.
6 And that puts PRIM's total workforce at 63 percent
7 diverse and 52 percent of our workforce is female.

8 And I do believe that the stability and
9 composition of our staff and our ability to hire
10 talent is particularly noteworthy because except
11 for a short time during the peak of the pandemic,
12 PRIM has adopted an in-the-office five days a week
13 policy with only a limited remote work allowance.

14 And I think this speaks to the unique
15 culture we have built at PRIM. We are dedicated
16 to our mission, and we're dedicated to each other.
17 70 people strong now. We have attracted this
18 group of highly trained, experienced and committed
19 employees who really want to be together in person
20 and want to be part of a winning team achieving
21 strong results.

22 Strong results, innovation, high
23 retention and the ability to attract outstanding
24 talent is something that each of us should be very

1 proud of.

2 And it takes support from the very top.
3 Thank you, Treasurer. Working with you and your
4 staff has enabled this. And thank you to each
5 Board and committee member, who has really helped
6 enable us to build such a strong and cohesive
7 staff.

8 The tone does come from the top. And
9 your dedication to our mission, your appreciation
10 for staff, and most important, your engagement
11 with staff has played an enormous role in helping
12 us build this high-performing organization, an
13 organization that I think we should all be proud
14 of.

15 So again, I really thank you, all, very
16 much. You all play a very important role.

17 The excellent work of our staff
18 continued to receive local and national
19 recognition during the fiscal year. For example,
20 PRIM's private equity program was awarded Alpha
21 Edge recognition for alpha generation and was
22 recognized as Limited Partner of the Year for, and
23 I quote, "empowering women in private equity."

24 And it was recently reported that the

1 private equity program once again finished in the
2 top five. It was number 4 in the American
3 Investment Council's annual ranking of public
4 pension plans, based on 10-year performance.

5 In addition, Bill Li, our director of
6 portfolio completion strategies, recently received
7 Alpha Edge Next Generation recognition.

8 PRIM ranked fourth in the U.S. for
9 assets managed by diverse managers, according to
10 *Pensions and Investments*. And PRIM was awarded
11 two Commonwealth Citations for Outstanding
12 Performance.

13 Additionally, I was notified that I will
14 receive a Lifetime Achievement Award, and I was
15 named on the CIO Power 100 list recently.

16 PRIM also earned the Certificate of
17 Achievement for Excellence in Financial Reporting
18 from the Government Finance Officers Association.
19 That's the GFOA. And that's for the 19th
20 consecutive year.

21 We successfully completed the CFA
22 Institute Global Investment Performance Standard
23 of Integrity and Transparency. That's the GIPS
24 standard, with which only a small handful of other

1 pension funds in the country comply.

2 Once again, PRIM completed more than
3 30 separate audits, and all of them resulted in
4 unmodified clean opinions with no findings.

5 Obviously, all of these accomplishments
6 happened against the backdrop of an unusually
7 turbulent worldwide investing and geopolitical
8 environment. Yet, markets remained very strong.
9 U.S. equities were up 24.6 percent in the fiscal
10 year. Developed international equities were up
11 11.2 percent. And emerging market equities were
12 up 12.5 percent. Bonds, diversified bonds, up
13 2.6 percent as interest rates and inflation began
14 to decline.

15 The highest returning PRIT Fund asset
16 classes included global equities, value-added
17 fixed income, portfolio completion strategies,
18 which is primarily hedge funds, and timberland,
19 all returning more than 10 percent net of fees.

20 Hedge funds, as I mentioned, had a very
21 strong year and also had the highest Sharpe ratio,
22 that's risk-adjusted return, of any asset class
23 and a return of 12.5 percent, all with very low
24 volatility. Private equity returned nearly

1 8 percent net of all fees, continuing its very
2 strong rebound.

3 And real estate was the weakest. It was
4 down nearly 7 percent for the year, but still far
5 outpacing the benchmark and peers. We'll have
6 more to say about that a little later.

7 The FUTURE Initiative, that's the
8 program to increase the diversity of PRIM's
9 investment managers, had another very successful
10 year, investing more than \$2.3 billion with
11 diverse managers over six asset classes, including
12 approximately \$270 million to emerging small
13 diverse managers.

14 Now the PRIT Fund currently invests more
15 than \$12.6 billion, \$12.6 billion, with diverse
16 investment managers. And that's 12 percent of the
17 PRIT Fund. And fourth in the nation means that
18 we're punching above our weight in assets under
19 management.

20 During the fiscal year, we adopted our
21 first ever stewardship framework and stewardship
22 policy, while also approving the stewardship
23 priorities. You'll hear more about that later in
24 today's agenda.

1 PRIM voted 12,182 proxy ballots aligned
2 with PRIM's progressive proxy voting guidelines on
3 areas such as board diversity requirements,
4 overboarded directors, gender pay gaps, labor and
5 human rights, climate change and executive
6 compensation.

7 Last year, we also enhanced the custom
8 proxy voting guidelines to explicitly make the
9 connection between expected corporate behavior and
10 long-term value, while updating language on
11 biodiversity risks and other key issues.

12 And we continue to support MIT Sloan
13 School's Aggregate Confusion Project as its first
14 founding member. The goal of this project is to
15 develop tools to address inconsistencies in the
16 measurement of ESG data, which, as you know, has
17 become widely recognized as one of the obstacles
18 in ESG investing. Making progress there.

19 A few recent organizational updates. In
20 addition to the class of eight interns this year --
21 and they are an extraordinary group; they're sadly
22 leaving us slowly over the next couple of weeks --
23 we are happy to announce one new full-time
24 employee joined the PRIM team.

1 Katherine Kovach -- I think you're on --
2 recently joined the PRIM team as an investment
3 analyst on the private equity team. Previously,
4 Katherine was an alternative senior analyst at
5 Corebridge Financial, that's formerly known as
6 AIG, in New York City.

7 Katherine graduated from the University
8 of Virginia in 2022 with a bachelor's degree in
9 commerce, accounting and finance.

10 So welcome to the team, Katherine. I
11 know you're off to an excellent start.

12 And as I mentioned earlier, and it is
13 new, PRIM's private equity portfolio was recently
14 ranked number 4 among 200 U.S. public pension
15 funds, based on our 10-year performance. PRIM is
16 the only fund that has been in the top five every
17 year of this study conducted by the American
18 Investment Council's public pension group,
19 including number 1 rankings in 2019, 2018, 2015
20 and 2013.

21 Bill Li, as I mentioned, received
22 *Institutional Investor's* Next Generation
23 recognition. The award honors, and I quote,
24 "distinguished leaders within the allocator

1 community for their outstanding contributions to
2 portfolio construction."

3 Congratulations, Bill.

4 We'll be talking about the strong
5 performance of the hedge fund program later today,
6 and that is really great timing because the award
7 is for contributions to portfolio construction.

8 And last, PRIM recently received, as I
9 mentioned, the Certificate of Achievement for
10 Excellence in Financial Reporting. That's for the
11 19th consecutive year. This represents the
12 highest form of recognition in government
13 accounting and financial reporting, couple that
14 with more than 30 audits with no findings.

15 A big congratulations to Deb Coulter and
16 Qingmei Li and the rest of the finance team for
17 enabling that yet again.

18 On to markets and PRIT Fund performance.
19 The June quarter was relatively strong. The S&P
20 was up 4.3 percent. Developed international
21 markets were down just fractionally. Emerging
22 markets were up 5 percent, more than U.S. markets
23 in the June quarter, and diversified bonds were
24 flat.

1 And for the year, that puts the S&P --
2 for the fiscal year ending June, the S&P was up
3 24.6 percent, developed international markets up
4 11.2 percent, emerging markets up 12.5 percent,
5 and diversified bonds were up 2.5 percent. Very
6 strong results.

7 And I'll have a comment or so later in
8 my remarks, but I'll note that even with the
9 turbulence we've gone through this quarter, we're
10 in August now, more than a month and a half into
11 the new quarter, this quarter is essentially flat
12 in the market so we're hanging in there.

13 We continue to monitor economic
14 conditions and geopolitical tensions throughout
15 the world. And it does seem like unprecedented
16 events happen on a weekly basis.

17 Volatility in the markets has increased.
18 Since the Investment Committee meeting only two
19 weeks ago, we had a significant market correction,
20 and that was followed by nearly a complete
21 rebound.

22 The economy is slowing a bit, but so is
23 inflation slowing. And the probability of a Fed
24 rate cut is increasing.

1 The Producer Price Index and the
2 Consumer Price Index both showed improvements in
3 this week's reports. The PPI came in at
4 2.2 percent, and the CPI came in at 2.9 percent.
5 Those are at three-year lows.

6 And the CPI, Consumer Price Index,
7 slowed for the fourth consecutive month in July.
8 So that's good news.

9 So far, at least, the U.S. economy has
10 avoided the recession that so many believed would
11 occur last year. And now the consensus is that
12 the Fed will cut rates at least once before the
13 end of the year, and that may happen as early as
14 September.

15 Obviously there are a lot of moving
16 pieces in the investment landscape right now. And
17 over the past year, you know our resident economic
18 and strategy expert on the Investment Committee,
19 Connie Everson, has consistently pointed out the
20 positive economic indicators that really heralded
21 the strong double-digit equity gains we enjoyed
22 last fiscal year.

23 At this cycle's Investment Committee
24 meeting, two weeks ago, Connie outlined the recent

1 strength of the consumer, namely consumer
2 spending, and historically low unemployment could
3 provide continuing tailwinds for economic and
4 market growth. We certainly hope so.

5 Having said all that, we are always
6 quite humble about our ability to predict the
7 future. And I quoted and I'll quote again the
8 founder of Oaktree and legendary investor Howard
9 Marks. He recently wrote, and I quote, "The only
10 thing worthy of certainty is the conclusion that
11 we shouldn't be expressing any of it," unquote.

12 As everybody is aware, our investment
13 philosophy is that nobody can predict the future
14 so we don't try. And nobody can predict the
15 direction of the market so we also don't try to do
16 that.

17 This is an uncertain time, but we can
18 take comfort in our carefully constructed
19 portfolio, which really has demonstrated its
20 ability to perform well, no matter what the future
21 can bring.

22 And while the last three fiscal years
23 have provided an extraordinary test for staff and
24 the PRIT Fund, we do remain pleased and confident

1 in the resiliency of the PRIT Fund and its
2 performance over all time periods and throughout
3 several different market environments.

4 I'm extremely proud of the entire PRIM
5 team and how we have responded in the recent
6 turbulent environment, particularly last fiscal
7 year. And I am very thankful for the support and
8 the engagement of the PRIM Board and all our
9 committee members.

10 That support and confidence has enabled
11 us to build a staff second to none, a staff who
12 has consistently produced strong investment
13 performance and what I believe is extraordinary
14 non-investment innovation and responsiveness. I
15 believe really we are a steady ship in a very
16 uncertain time.

17 And with that, I'll take any questions
18 or comments you might have.

19 TREASURER GOLDBERG: Any questions for
20 Michael?

21 I'll just add that a week ago Monday,
22 when there was volatility in the market, and some
23 people were contacting me and going, "Oh, oh," I
24 said we don't pay attention to one-day ups and

1 downs. We have a long-term strategy, and the key
2 to success is focusing on your strategy,
3 implementing your strategy and not overreacting or
4 reacting to variations in the market.

5 So it sounds like we are all, in our
6 group here, all on the same wavelength, which has
7 been a strategy that has worked for us through all
8 sorts of disruptions in the market that we've
9 experienced.

10 So I wonder if they would have said on
11 the rest of the week when the market went up, "Oh,
12 are you a buyer? Are you a buyer?"

13 With that, thank you, Michael.

14 If there are no other questions, I will
15 move on --

16 MR. BROUSSEAU: Treasurer, can I ask one
17 question?

18 TREASURER GOLDBERG: Of course you can,
19 Bob.

20 MR. BROUSSEAU: I know, Michael,
21 earlier, I guess, you mentioned, I think in the
22 May quarter, that we had transferred \$665 million
23 to pay benefits. And I noticed in your report
24 this time, it said we had transferred

1 \$449 million.

2 What has caused this discrepancy in
3 those two numbers? Do you know?

4 MR. TROTSKY: I don't know off the top
5 of my head, but you're right. It's lower than
6 usual. We paid \$449 million. And that is on the
7 low end of what we would expect.

8 We can get back to you with the reason
9 why. It probably has to do with the difference
10 between money coming in and money going out.
11 That's a net number.

12 MR. BROUSSEAU: Okay. Thank you.

13 TREASURER GOLDBERG: And money has come
14 in, Bob.

15 MR. TROTSKY: Right.

16 MR. BROUSSEAU: True.

17 TREASURER GOLDBERG: And that is our
18 analogy is our bucket, that we have a hole in the
19 bottom of our bucket, but we like to pour water
20 into the top faster than it goes out the bottom.

21 And Michael let me steal that phrase
22 from him about half dozen years ago. Right,
23 Michael?

24 MR. TROTSKY: That's right.

1 Treasurer, you may have noticed that I
2 did not go through the performance slides.

3 TREASURER GOLDBERG: Right. That's the
4 next item on the agenda.

5 MR. TROTSKY: I could do that, or we
6 could skip it. I know you've all heard it, but I
7 could go through the performance slides just
8 briefly for more detail, but I think everyone on
9 the call has already heard me go through that.

10 TREASURER GOLDBERG: I believe you're
11 correct. So unless there's any objection, we
12 could skip the performance slides and move on to --

13 Oh, one of your favorite days of the
14 year. Correct?

15 MR. TROTSKY: That's correct.

16 TREASURER GOLDBERG: The next item on
17 the agenda -- there were no objections to skipping
18 the performance slides, correct? Everyone? I
19 just want to double-check that.

20 MR. TROTSKY: Yes. And you will be
21 hearing from each asset class a summary of
22 performance.

23 TREASURER GOLDBERG: So then the next
24 item on the agenda is the executive director

1 fiscal year 2024 performance evaluation and fiscal
2 year 2025 goals.

3 This will be a voting item, but,
4 Michael, why don't we let you talk about it first,
5 and then we'll vote at the end.

6 Just, Tony, remind me that we don't have
7 a motion and a second so I do it correctly.

8 MR. FALZONE: That's right. So the
9 performance evaluation will come first, and Dennis
10 is handling that for this cycle.

11 TREASURER GOLDBERG: Right.

12 MR. FALZONE: And then the goals and
13 objectives are the actual voting item, which would
14 happen after the performance evaluation.

15 TREASURER GOLDBERG: So then, Dennis, is
16 this why you wore a tie today?

17 MR. NAUGHTON: Oh, absolutely.
18 Normally, I would be disheveled and probably have
19 my Hawaiian shirt on.

20 TREASURER GOLDBERG: Typically, yes. So
21 with that, I look forward, Dennis, to hearing your
22 presentation.

23 Hopefully anyone who had comments that
24 they wanted to make directed them to Dennis or met

1 with Michael separately. I know, Ruth Ellen, you
2 came into the office and met with Michael.

3 I talk to Michael consistently, but I
4 usually do a little wrap-up before we complete it.

5 So with that, Dennis, I'm turning it
6 over to you.

7 MR. NAUGHTON: Well, thank you very
8 much, Treasurer. And good morning, everyone.

9 As you know, the executive director has
10 an annual performance review in accordance with
11 PRIM's executive director performance evaluation
12 policy.

13 And under that policy, Board members
14 are invited each year to meet with the executive
15 director to discuss general subjective aspects of
16 the executive director's performance.

17 Normally, this report, as I think you
18 probably all know, is presented by Administration
19 and Audit Committee Chair Bob Brousseau, who is
20 here with us this morning. However, since Bob has
21 been recovering from surgery, I was asked to
22 prepare and present Mike's evaluation, and
23 naturally, I was more than happy to do it.

24 Having served on the PRIM Board for

1 quite a few years myself now, I have witnessed
2 Michael's consistently superlative evaluation
3 results in the past. And I can tell you that
4 once again this year, Michael's review by the
5 Board and committee members who contacted me is
6 outstanding.

7 Carrying on with the Administration and
8 Audit Committee Chair Bob Brousseau's practice,
9 it's my pleasure to again share with you now some
10 of the written comments that I received about
11 Michael from Board and committee members.

12 And I hope I haven't shared -- I'm not
13 going to share too many and bore you, but I don't
14 think that I will because we are all, I think,
15 very happy with the way things have been going
16 under Michael's stewardship.

17 So the first comment is as follows.
18 Every year, I search for superlative words to
19 beat the prior year's superlatives. If you use
20 the evaluation boxes and "outstanding," quote/
21 unquote, is the top rating, please use that across
22 the board.

23 Another respondent said he's a great
24 leader with an open mind. Builds and retains a
strong team and gives them recognition when

1 appropriate.

2 And I think, just as an aside, we hear
3 that at every meeting. We hear that Michael does
4 that at every meeting during the course of the
5 year and at the committee meetings as well.

6 The person finishes by saying to that,
7 the results speak for themselves.

8 Another respondent said simply the best.
9 We are very fortunate to have him as PRIM's
10 leader.

11 And I want to interject. Comments were
12 extensive by people, and I just excerpted a few
13 things that I felt were representative. So I
14 don't want anyone to go away with the impression
15 this is all that people said. Not true by far.
16 They said plenty.

17 Another respondent said, I view Michael
18 Trotsky's performance as outstanding on the
19 criteria that are used to measure personal
20 results.

21 Yet another: Michael does an exemplary
22 job of leading the PRIM investment team. This is
23 a member of the investment team. His team
24 respects him, and he is respected throughout the

1 industry.

2 Another. Michael is perhaps PRIM's most
3 valuable asset. He sets a consistent and clear
4 tone with every aspect of his leadership, work
5 ethic, character, collaboration and communication.

6 Yet another. I feel there are never
7 enough words to convey my utmost confidence,
8 optimism and gratitude for having Michael Trotsky
9 oversee our pension fund. He's built such a
10 community of leaders, experts and team players
11 within the staff at PRIM. He's created an
12 atmosphere of excitement, passion for their work,
13 inspiration and creativity in their approach to
14 investing. Once again, this year, I'd like to say
15 that Michael's performance as executive director
16 is outstanding, and I am grateful that we have him
17 to lead our fund.

18 Another comment. To be quite honest, my
19 evaluation comments for Michael are just about the
20 same as they've been in recent years. Frankly,
21 despite his and PRIM's continued success, it's
22 hard to find more superlatives to send his way.

23 Michael, I see you looking down there.
24 Are you turning red?

1 Michael displayed, once again, another
2 person said, the qualities that I think make him a
3 strong CIO: appreciation for all aspects of the
4 markets from a big-picture perspective, while also
5 being able to drill down and understand the
6 details of each asset class. He combines this
7 with his personal qualities of being a strong
8 internal leader. He can attract and retain and
9 motivate the team. And a strong leader externally
10 with all of his constituencies.

11 Another comment. He's outstanding as a
12 leader for PRIM. He's respected and trusted
13 internally and externally.

14 Another. Michael has done an
15 outstanding job over the past fiscal year, and as
16 I have said in the past, PRIM's staff, committees
17 and the Board, beneficiaries and especially the
18 taxpayers in the Commonwealth are very fortunate
19 to have such a dedicated, intelligent and
20 thoughtful leader. Consistent with past years, I
21 would characterize Michael's overall performance
22 as outstanding.

23 Another. I continue to be both
24 impressed and pleased with PRIM's progress, and I

1 continue to credit much of the culture, focus and
2 general good work to Mike's leadership.

3 We're getting close to the end here, I'm
4 afraid.

5 Another comment. Michael Trotsky's
6 leadership and performance is outstanding, as it
7 has been since he joined PRIM. I believe he's one
8 of the best executive directors in the public
9 funds industry in the country.

10 Now I am going to make a short comment
11 of my own, and then I am going to turn it over to
12 Bob Brousseau, who I know has things he wanted to
13 say personally.

14 Bob asked me, "Should I send my comments
15 to you, or should I say them myself?" And I think
16 we'd all agree since he is the trooper who's here
17 today recovering from surgery, he can speak for
18 himself.

19 But I will just say what I always say
20 because I can't add to the superlatives I've just
21 shared with you. So what I always say is,
22 Michael, thanks for being here. Please never
23 leave.

24 And now, Bob Brousseau with his

1 comments.

2 MR. BROUSSEAU: Good morning, Treasurer.
3 Good morning, Dennis, Michael.

4 Dennis, I would like to thank you so
5 much. What a fantastic job you did in summarizing
6 the accolades that come Michael's way. However, I
7 would just like to add my evaluation of Michael.

8 And like all of the others, I say it
9 was, the last year, outstanding. And I would add,
10 I consider it to be outstanding plus. And I think
11 it should be in the record because his evaluation
12 does become a part of the record.

13 But when I look at \$105.3 billion in
14 this last year, in the last 14 years of Michael's
15 leadership, our assets have more than doubled.
16 This is a tremendous boon to the Commonwealth of
17 Massachusetts and to the beneficiaries and the
18 retirees in this Commonwealth.

19 I would just like to mention one thing
20 that we've heard already, the fact that Michael
21 this year, The Allocator from With Intelligence is
22 awarding Michael with a Lifetime Achievement Award
23 for his work, and this work for us has been here
24 at PRIM.

1 This is a tremendous award for Michael,
2 and I would like to congratulate him.

3 The awards earlier given to our staff
4 have already been listed, Dennis, be it with
5 portfolio completion strategies, private equity,
6 the GFOA. I'm not going to say anything else.

7 But I'd like to say also that
8 personally, I found that over the 14 years I've
9 known Michael, this is a man who has such
10 compassion for all of us, not only just the Board
11 members, but also for the committee members, staff
12 that he goes to bat for. And I'm sure it is a
13 pleasure working for him.

14 Not only that, but the compassion he
15 shows and the empathy he has shown for everybody
16 in this staff and in this organization is
17 outstanding plus.

18 And at this point, I would say, Michael,
19 you are a gem. We are pleased to have you. Thank
20 you.

21 MR. NAUGHTON: Treasurer, that concludes
22 the report that I had to present regarding
23 Michael's performance evaluation.

24 TREASURER GOLDBERG: Dennis, terrific

1 job. And, Bob, thank you for your additions to
2 the comments.

3 So I have a little bit different
4 perspective, both in my role nationally and seeing
5 what occurs with pension funds in the other states
6 and also in terms of my other varying
7 responsibilities.

8 I have to say that, number 1,
9 outstanding goes without saying. But I want to
10 comment personally on both Michael's relationships
11 in working with me and his leadership with the
12 staff and my staff working together on so many
13 important challenges, issues, initiatives.

14 And overall, the relationships and the
15 working relationships are outstanding, and it
16 starts at the top and works its way down.

17 We have achieved a great deal together.
18 And I don't always find that to be the case. And
19 so Michael and I appreciate the working
20 relationship we have and have cultivated that
21 through all the different layers of our staff.

22 And I think that the new Stewardship and
23 Sustainability Committee is a wonderful example of
24 that collaboration, and it's ongoing and again

1 another example of outstanding hiring by Michael.

2 And so one of the things I focus on as a
3 leader is ability to retain and develop those who
4 work with you. One of the statistics that Michael
5 has is even with having five days a week back in
6 office, he has had zero turnover in the last year.
7 I would like to see any other organization like
8 this one be able to say that. And that is an
9 example of the kind of management skills that I
10 like to see in every organization that I have a
11 relationship with.

12 So with that, I add my vote to
13 outstanding. And I'm glad to see and hear as
14 always that others feel similarly.

15 But, Michael, you know how I always like
16 to say, okay. That was this year. We start with
17 a clean slate, good or bad. And we will all be
18 back here next year, having just gone through this
19 process. And you don't want any of your boxes of
20 outstandings to slip at all.

21 But thank you for all you do and all
22 everyone else does within PRIM.

23 MR. TROTSKY: Thank you so much,
24 Treasurer, Dennis, Bob, everyone who participated.

1 Obviously it means the world to me to
2 have your confidence and your leadership really.
3 The support that you all just elaborated for me
4 really extends to the staff, and it means the
5 world to everyone.

6 So the tone comes from the top. You
7 guys are the top. And you've enabled us to build
8 such a high-performing cohesive staff. And I
9 know, speaking for staff, that we appreciate it
10 all very much.

11 And it has been a very productive and
12 enjoyable relationship with the Treasurer's Office
13 and with everyone else.

14 So what does Bill Belichick say? On to
15 Cincinnati? Something like that. You're right.
16 A new year.

17 But thank you so much. It means the
18 world to me.

19 TREASURER GOLDBERG: Well, you're very
20 welcome.

21 And that takes us to our voting item so
22 I will seek a motion and a second, and then I'm
23 assuming that you will want to go over some of the
24 goals and objectives for the following year? Or

1 everyone's read it, and we just vote on it?

2 Michael, you're on mute.

3 MR. TROTSKY: I'll just list a couple of
4 highlights and changes from this year.

5 TREASURER GOLDBERG: Okay. So I'm going
6 to do the motion and the second first.

7 So I seek a motion that the PRIM Board
8 approve the Administration and Audit Committee's
9 recommendation to approve the executive director's
10 fiscal year 2025 goals and objectives, attached as
11 Appendix D of the expanded agenda, and further to
12 authorize the executive director to take all
13 actions necessary to effectuate this vote.

14 Is there a motion?

15 MR. BROUSSEAU: So moved.

16 TREASURER GOLDBERG: Is there a second?

17 MS. D'AMATO: Second.

18 TREASURER GOLDBERG: Thank you,
19 Catherine. Thank you, Bob.

20 Go ahead, Michael.

21 MR. TROTSKY: Okay. So the fiscal year
22 2025 goals and objectives are in Appendix D. And
23 they were approved for your consideration at the
24 meeting of the Admin and Audit Committee earlier

1 this month.

2 The goals and objectives are very
3 consistent with last year and include the
4 completion of our annual plans, which are reviewed
5 earlier in the year with each committee and the
6 board.

7 The goals and objectives really reflect
8 a continuation of the work we are already doing,
9 but there are some notable new additions this year
10 that I'm sure you noticed. And I'd just like to
11 highlight four of them.

12 First, a common goal in all areas of our
13 organization is to explore applications of
14 artificial intelligence, in particular, large
15 language models in our industry. AI will impact
16 our industry. It already is. And we need to be
17 ready for it. We've been spending more time
18 studying the potential impacts of AI on our
19 business processes and the processes of our
20 suppliers and partners.

21 And like everything we do at PRIM, our
22 approach will be thoughtful and deliberate, taking
23 especial care to safeguard our data and everything
24 we do.

1 We've already had our first educational
2 session with Dr. Hod Lipson. He's a professor of
3 engineering and data science at Columbia.

4 And the first PRIM artificial
5 intelligence project is under way under Tony's
6 leadership. It leverages the power of generative
7 AI in large language models to create a unique
8 PRIMcentric knowledge source.

9 The initial implementation will combine
10 a very limited, nonfinancial PRIM dataset with the
11 capabilities of a large language model, and this
12 will allow PRIM to search, aggregate and report on
13 various historical data.

14 This is considered really a baby step in
15 the possibilities that AI may bring. Longer term,
16 we do see the potential for AI to impact our
17 investment analysis, our decision-making and our
18 manager monitoring. And we'll keep you posted on
19 the progress of this effort as it progresses.

20 This year, we will also refresh our
21 investment policy statement. At both the
22 Investment Committee and the Real Estate Committee
23 meetings, we released a draft of the new
24 investment policy statement for feedback before we

1 finalize it later in the year.

2 The investment policy statement is a
3 fundamental document that serves as a roadmap,
4 guiding our investment decisions and ensuring we
5 remain aligned with our long-term goals. Updating
6 the investment policy statement is good governance
7 and is crucial to maintaining its relevance and
8 its effectiveness and to ensure that it aligns
9 with current and industry best practices. So it's
10 a normal thing that we do every three to five
11 years.

12 The risk team will perform a liquidity
13 study this year across all PRIM portfolios and
14 conduct an internal review of the sizing of
15 positions. That's a related effort.

16 Work is already under way. In fact,
17 some of the findings have already been
18 incorporated into the new investment policy
19 statement language, expectations about liquidity
20 in particular. And we had a healthy conversation
21 about liquidity at this cycle's Investment
22 Committee.

23 Remember, though, liquidity needs are
24 typically quite low to the PRIT Fund compared to

1 its size. For example, as Bob pointed out, last
2 year's liquidity needs to pay benefits were
3 \$449 million. That sounds like a lot of money,
4 and it is a lot of money, but it is less than one
5 half of 1 percent of the PRIT Fund's balance of
6 \$105.3 billion. So it's really not a large
7 liquidity need in the grand scheme of things. We
8 expect that to go up.

9 Nevertheless, we conduct this review
10 mainly to set expectations for liquidity at each
11 asset class level.

12 And last, the fourth thing I want to
13 highlight -- and I believe I'm having an internal
14 meeting on this on Monday. I can't wait. The
15 finance team is working diligently to onboard a
16 new performance reporting system with
17 significantly enhanced capabilities and dashboards
18 that hopefully you will see very soon, and you'll
19 find them more intuitive and more useful. The
20 goal is to have those capacities in place by the
21 end of the calendar year.

22 Jennifer Murphy and Matt Liposky are
23 hard at work on that exciting project. I can't
24 wait to hear about it on Monday at our internal

1 meeting. But it's coming.

2 That's it. Those are the four things I
3 wanted to highlight. I'll take any questions or
4 comments about the rest of the goals and
5 objectives.

6 Other than that, we could move forward.

7 TREASURER GOLDBERG: Are there
8 questions?

9 MR. BROUSSEAU: Treasurer, I have not a
10 comment, a question.

11 Michael, other than what is written
12 there, goal number 12, would you care to elaborate
13 any more? Or is it as we see printed here in
14 terms of goal number 12? Leading our peer private
15 equity institutional invested limited partners?

16 MR. TROTSKY: Yes. We've been hard at
17 work at that, and this is a good environment to
18 get better terms with our private equity managers.
19 And Mike McGirr and his whole team has been doing
20 that.

21 It's mainly with regard to contracting
22 language and rights of us as a limited partner.
23 And we can update you later in the year on our
24 progress and some examples of the success we've

1 seen. But I've been very, very pleased with our
2 efforts there, and it comes at a good time where
3 we have a little leverage.

4 MR. BROUSSEAU: Thank you, Michael.

5 MR. TROTSKY: We can turn to Mike when
6 he's presenting, and maybe he'll give us a little
7 color on that as well.

8 TREASURER GOLDBERG: Thank you, Michael.

9 Are there other questions for Michael?

10 Well, we had a lengthy and deep
11 discussion in Admin and Audit, and everyone has
12 the appendix with the descriptions. Michael did
13 send them all to us earlier in the month.

14 What I recommend is if something comes
15 to mind, do not be shy. Call Michael. Go in and
16 see the office. From what I understand from Ruth
17 Ellen, it's worth seeing.

18 But with that, this is a voting item.
19 And we do have a roll call vote so I will move to
20 the vote.

21 Bob?

22 MR. BROUSSEAU: Yes.

23 TREASURER GOLDBERG: Catherine?

24 MS. D'AMATO: Yes.

1 TREASURER GOLDBERG: Ruth Ellen?
2 Ruth Ellen?
3 MS. MCGOLDRICK: She's muted.
4 TREASURER GOLDBERG: Ruth Ellen, you're
5 muted.
6 I'll come back to you, Ruth Ellen.
7 MS. FITCH: Okay.
8 TREASURER GOLDBERG: Oh, I can hear you.
9 MS. FITCH: Yes. Sorry.
10 TREASURER GOLDBERG: And now we're
11 looking at your desk, just so you know. You've
12 changed your --
13 MS. FITCH: Yes. All right. Go ahead.
14 Yes.
15 TREASURER GOLDBERG: Okay. Theresa?
16 MS. MCGOLDRICK: Yes.
17 TREASURER GOLDBERG: Peter?
18 MR. MONACO: Yes.
19 TREASURER GOLDBERG: Dennis?
20 MR. NAUGHTON: Yes.
21 TREASURER GOLDBERG: Paul?
22 MR. SHANLEY: Yes.
23 TREASURER GOLDBERG: Myself, yes.
24 The motion carries.

1 All right. The next item on the agenda
2 is the investment report. And we will start with
3 public markets, and it will be another Michael.

4 Tony?

5 MR. FALZONE: There Michael is.

6 MR. McELROY: Can people hear me?

7 TREASURER GOLDBERG: Now we can. We
8 couldn't hear you at all.

9 MR. McELROY: It looks like I just got
10 promoted. Okay. Well, great. Thank you.

11 Good morning, everyone. This is Michael
12 McElroy, the director of public markets. I'll
13 cover the market environment and performance for
14 both the second calendar quarter and the whole
15 fiscal year 2024 periods.

16 After last quarter's strong start to
17 the year, the equity market returns generally
18 followed through with another positive quarter.
19 In the second quarter, the U.S. large cap stocks
20 and the emerging market stocks were up about 4
21 percent in the quarter. And developed
22 international and small cap U.S. stocks were down
23 between 1 and 4 percent in the quarter. So it was
24 kind of a mixed

1 quarter, depending geographically and then size-
2 wise.

3 The U.S. market continued to be driven
4 by the so-called Magnificent Seven large cap
5 technology stocks. The technology and
6 communication sectors were the only outperformers
7 in the second quarter, with several of these large
8 technology stocks up 20 percent or more in the
9 quarter.

10 The U.S. market's exhibiting a very high
11 degree of concentration, with these seven stocks
12 accounting for over 50 percent of the S&P 500
13 return over the last 12 months; the other 493
14 stocks contributing the other half of the return.

15 So we're really observing historic
16 performance deviations between the capitalization-
17 weighted and the equal-weighted indices. Relative
18 to how we've looked at this over time, very wide
19 deviations.

20 In terms of styles, growth outperformed
21 value in the U.S. and in the emerging markets.
22 And large stocks continue to outperform small
23 stocks.

24 For the full fiscal year, equity returns
were strong ranging between 8 to 25 percent with

1 the U.S. large cap exhibiting the strongest
2 returns as was mentioned earlier.

3 Bond returns were mixed in the second
4 quarter. Core fixed income slightly declined.
5 The more credit-sensitive bonds were up, though,
6 almost 2 percent. Rates did increase at the
7 longer end of the yield curve, and credit spreads
8 were slightly wider in the quarter.

9 For the fiscal year, core fixed income
10 returns were slightly negative, but credit-
11 sensitive value-added fixed income was up almost
12 11 percent.

13 So equity results for the PRIT Fund in
14 the second quarter slightly lagged our benchmarks,
15 whereas our bond investments outperformed. Global
16 equity underperformance stemmed from our domestic
17 manager allocations along with EM managers
18 slightly lagging their benchmarks. Developed
19 international managers had a good quarter.

20 For the full fiscal '24 period, global
21 equity performance slightly lagged our benchmark.
22 Domestic manager allocations impacted performance,
23 as did international manager performance,
24 particularly our growth-oriented managers in

1 international.

2 Emerging markets was a bright spot with
3 managers in aggregate almost 5 percent or
4 500 basis points ahead of benchmarks.

5 For our bond investments in fiscal '24,
6 both core and value-added were ahead of
7 benchmarks. Emerging markets debt managers
8 performed well, as did our credit managers.

9 Managers report that companies are
10 delivering good operating performance in this
11 environment, but market concentration and high
12 valuation levels in some sectors has obscured this
13 good operating performance.

14 The consumer seems to be holding up
15 well, and the labor market remains robust, though
16 recent data points, notwithstanding this morning's
17 data point about the consumer, indicate the market
18 supports might be weakening a bit. Inflation,
19 both the level and the trend of inflation, seem to
20 be stabilizing or declining in most markets.

21 So notwithstanding last week's volatile
22 market action, both stock and bond market
23 volatility have moderated and are below the levels
24 we saw a year ago.

1 However, there does continue to be a
2 tug of war between bulls and bears in the market.
3 Bulls are heartened by falling inflation, lower
4 rates and a soft landing scenario, whereas bears
5 worry about the consumer, unemployment,
6 geopolitical tensions and high valuations.

7 Given these potential risk catalysts,
8 risk management remains a top priority for PRIM
9 staff and our managers. We recognize that
10 calling the timing or impact of these events is
11 impossible. So across the aggregate equity and
12 fixed income holdings within the PRIT Fund, we
13 have muted relative exposures to regions,
14 sectors, industries, countries, as well as
15 interest rate and credit risk.

16 So in closing, the public markets
17 portfolio delivered mixed results over the last
18 fiscal year with equities lagging a bit on a
19 relative basis and fixed income delivering
20 positive value-added.

21 Given the market environment we've been
22 in, we're encouraged that the results are within
23 our range of expectations for a portfolio with a
24 low tracking risk relative to the global markets.
 Domestic equity markets are extremely narrow and

1 concentrated. And fixed income markets offer very
2 attractive risk-adjusted yields and opportunities.

3 The public markets portfolio remains
4 well diversified across geographies, styles and
5 sectors and demonstrates this diversification
6 during market stress periods.

7 The aggregate risk of the overall equity
8 and fixed income portfolios remains low, and our
9 managers continue to deliver good long-term
10 benchmark-relative value-added.

11 So with that, I'm happy to take any
12 questions from anyone on the board.

13 TREASURER GOLDBERG: Are there questions
14 for Michael?

15 Hearing none, thank you, Michael.

16 MR. McELROY: Thank you.

17 TREASURER GOLDBERG: And the next item
18 is portfolio completion strategies. And that will
19 be Bill Li. I'm looking for Bill.

20 Thank you, Bill.

21 MR. LI: Good morning, everyone.

22 Can you hear me?

23 TREASURER GOLDBERG: Yes.

24 MR. LI: Great.

1 Good morning. My name is Bill Li,
2 director of portfolio completion strategies or
3 PCS.

4 As Michael Trotsky earlier mentioned, we
5 had an exceptional year, exceptional performance,
6 measured on all three fronts of absolute return,
7 relative return and risk-adjusted return.

8 During last fiscal year, PCS, which is
9 predominantly hedge funds, was up by 10.2 percent.
10 PRIT hedge fund delivered 12.6 percent, outpacing
11 benchmark by 350 basis points, while maintaining a
12 healthy equity beta of .2.

13 Our risk-adjusted return continues to
14 more than triple that of the 60/40 market
15 portfolio, meaning the hedge fund program's
16 diversifying benefit to PRIT Fund remains strong.

17 So our barbell approach combining stable
18 value and directional funds worked. It has proven
19 to be a great way to construct a portfolio well-
20 balanced.

21 Manager selection was also standout. We
22 significantly outperformed peers by over 300 basis
23 points.

24 So those are the numbers side of the

1 update.

2 Despite the strong figures, we're
3 carefully analyzing how much of that is tied to
4 the overall market. We regularly break down each
5 fund's performance to see what's driving results,
6 and it turns out that it's the improved alpha and
7 higher cash returns that are really boosting the
8 numbers.

9 In fact, our alpha nearly doubled. As
10 you know, we've been recycling capital from some
11 of the less promising legacy mandates and into
12 funds of higher quality and higher potential. And
13 this portfolio management strategy of watering the
14 flowers and removing the weeds obviously is paying
15 off.

16 As we kick off the new fiscal year, we
17 continue to prefer managers who share our long-
18 term vision. We particularly like managers who
19 can invest with a catalyst angle and are patient
20 enough to see them through. PRIM is committed to
21 the long game, making us the ideal partner for
22 those who need time to catalyze value.

23 Another highlight I want to share here
24 is that we're now spending more time checking in

1 with managers. We think a hands-on and personable
2 approach here is important. And our goal is to
3 collect intelligence, which is sometimes subtle,
4 yet critical. You never know when a little chat
5 can turn up something really useful. It can help
6 us detect risks as well as spot great
7 opportunities early on.

8 In summary, PCS had an exceptional year.
9 To sustain this success, our team is intently
10 focused on both the number side and the people
11 side behind the investments, and we believe this
12 approach is essential for the portfolio's
13 durability.

14 That concludes my update. I really
15 appreciate your understanding and continued
16 support. And I remain at your disposal for any
17 questions.

18 TREASURER GOLDBERG: Thank you, Bill.

19 Are there questions for Bill?

20 Hit it out of the ballpark again.

21 Congratulations on a good year. I know that PCS
22 has in the past been challenging, and so it's
23 really terrific to see this kind of turnaround.

24 MR. LI: That surely has turned.

1 TREASURER GOLDBERG: So next is private
2 equity. And is Mike on?

3 MR. MONACO: Hey, Madam Treasurer. It's
4 Peter.

5 TREASURER GOLDBERG: Oh, Peter. Hi
6 there.

7 MR. MONACO: I apologize. I was on mute
8 before, so I couldn't get off a quick question for
9 Mike McElroy. Could we just double back for
10 30 seconds?

11 TREASURER GOLDBERG: Sure.

12 MR. FALZONE: We'll promote Mike McElroy
13 back.

14 TREASURER GOLDBERG: Yes. He isn't on
15 screen, so we have to get him.

16 MR. MONACO: I can just hit him on
17 emails. No worries.

18 MR. FALZONE: He's back.

19 TREASURER GOLDBERG: Well, he's not
20 completely back. He's on his way back.

21 Go ahead.

22 MR. MONACO: Hey, Michael. Peter
23 Monaco.

24 What is your take on what is happening

1 with corporate profit margins, I guess as proxied
2 by the S&P? It seemed and it felt like they were
3 under albeit modest pressure for a couple of few
4 quarters, but actually may be expanding again.

5 MR. McELROY: Yes. We certainly ask our
6 managers about that in terms of the companies.
7 And as I mentioned, the companies are reporting
8 good operating performance, and that's on the top
9 line as well as bottom line.

10 As you noted, margins were shrinking a
11 bit as costs were going up. But, you know,
12 companies have had a decent ability to pass
13 through some of those costs. And now with
14 inflation mitigating, we would expect that that
15 should be able to hold for a bit here.

16 So again, we don't make any predictions
17 on that. We're sort of observing and hearing what
18 our managers are saying.

19 But they're reporting good performance,
20 and I think a little disappointed in some cases
21 that that good operating performance is sort of
22 being hidden behind kind of just focus on very
23 thematic things in the market like AI, whereas
24 companies that cross many different sectors are

1 reporting pretty good operating numbers.

2 MR. MONACO: Thanks very much.

3 MR. McELROY: Does that help?

4 MR. MONACO: Sure. Thank you.

5 MR. TROTSKY: Peter, I track that
6 through a data provider that tracks S&P earnings
7 and revenue growth as they report earnings. So I
8 can dig that up and send it to you.

9 But my recollection is that revenue
10 growth has slowed in this quarter's earning
11 reports, but earnings have accelerated slightly.
12 And I'm not sure the reason for that, but we can
13 talk about it.

14 MR. MONACO: Thanks.

15 TREASURER GOLDBERG: All righty.

16 Okay. We will bring back Michael
17 McGirr. Private equity.

18 MR. MCGIRR: Thank you, Madam Treasurer.

19 So before jumping into some performance,
20 Bob, I wanted to quickly address your question
21 about private equity negotiations and that being a
22 critical goal, a key goal of Michael and the
23 entire private equity team.

24 So just a little bit of background.

1 When we are making an investment, whether it's a
2 fund investment or otherwise, these are private
3 transactions that we are closing.

4 So I visually picture -- everything's
5 electronic now, but it's sort of like the stack of
6 papers you get when you're buying a new home.
7 It's substantial.

8 And these are private negotiations
9 between two parties. So they ebb and flow.

10 But if you think about the standard
11 package of a partnership, there's a limited
12 partnership agreement, there's a side letter, and
13 there's subscription documents. So those
14 documents are hundreds of pages. And we work very
15 closely with excellent external legal providers to
16 help prioritize key terms and conditions that we
17 want to focus on.

18 And I'm very encouraged by the progress
19 we've made in this area, especially with the
20 collaboration, very productive collaboration we've
21 had, private equity team has had, with the legal
22 team and the operations team.

23 So hopefully that gives you some
24 additional color.

1 Great. Well, I am going to transition
2 to private equity performance.

3 And as Michael had mentioned, private
4 equity performance for the one-year was up
5 7.7 percent net. And that continues the recovery
6 that we've seen. And in the context of private
7 equity's long-term performance, which continues to
8 remain strong, our three-, our five- and our 10-
9 year numbers, all double digits. Our three-year
10 at 10 percent, five-year at 19 percent and our 10-
11 year at 18 and a half percent, all gross, remain
12 very, very healthy numbers.

13 And for this past quarter -- and as a
14 reminder, we're talking about -- with our quarter
15 lag, this is the January through March time
16 period. So it feels like a long time ago. But
17 nonetheless, it was a positive quarter, our sixth
18 straight positive quarter.

19 And private equity was up 1.9 percent
20 net. And for the one-year, 7.7 percent net.

21 Some additional color, just briefly, for
22 the quarter and the trailing one-year, for the
23 quarter, buyouts, growth equity and venture
24 capital were all up. And that was the first time

1 really since the correction that we've seen all of
2 our underlying strategies have positive
3 performance.

4 The VC portfolio was up 1.3 percent for
5 the quarter. However, for the trailing one-year
6 ending 3/31, PRIM's 6/30, was down 4.8 percent.

7 Growth equity up 3 percent for the
8 quarter and about 8 percent for the trailing one-
9 year. And buyouts led the way for us, SMID
10 buyouts, up 2 percent for the quarter; larger
11 buyouts up 1.1 percent. And both trailing about
12 10 percent gains over the trailing year.

13 Turning to cash flows, in Q2,
14 distributions slowed to 390 million, resulting in
15 a cash outflow for the quarter. But we remain
16 cash flow-positive for the calendar year.

17 And zooming out to the industry, capital
18 calls continue to outpace distributions, by and
19 large. And according to PitchBook, a data
20 provider, that ratio is more like two to one. So
21 that makes our net cash flow positive feel good in
22 the broader context.

23 And with our positive performance for
24 the quarter, our assets grew to 17.8 billion.

1 That's 17 percent of the PRIT Fund so we're within
2 our target allocation range. And our assets, like
3 the PRIT Fund, are at a new high watermark, which
4 is great.

5 I'll pause my comments there, and happy
6 to take any questions or comments.

7 TREASURER GOLDBERG: Are there questions
8 for Michael?

9 I'm just double-checking. Any
10 questions?

11 Okay. Hearing none, thank you, Michael.

12 MR. FALZONE: So, Michael, will Alyssa
13 be providing the co-investment update?

14 TREASURER GOLDBERG: I was going to ask
15 if that --

16 MR. MCGIRR: Yes. Our next agenda item
17 is an update, and we should be promoting Alyssa.

18 MS. ACKER: I'm here, Michael.

19 MR. MCGIRR: Oh, great.

20 TREASURER GOLDBERG: There you are.
21 Okay. Very good.

22 Thank you, Alyssa.

23 MS. ACKER: Great. And, Tony, are you
24 able to pull up Appendix E?

1 MR. FALZONE: Yes.

2 MS. ACKER: Thank you.

3 MR. FALZONE: All set.

4 MS. ACKER: Thanks, Tony.

5 Good morning, everyone. I'm Alyssa
6 Acker, a senior investment officer on the private
7 equity team. And today I'm excited to share an
8 update on our private equity co-investment
9 portfolio and program.

10 Tony, you can go to the next slide.

11 The main takeaway I hope to leave
12 everyone with today is that this innovative,
13 internally managed program has been accretive to
14 the private equity portfolio returns, is not
15 adding additional risk, and it's made meaningful
16 contributions to Project SAVE.

17 A quick refresher on a co-investment in
18 private equity. These are minority direct
19 investments in a portfolio company alongside one
20 of PRIM's existing general partners at no fee and
21 no carry.

22 As some of you will remember, in 2014,
23 staff, with your input, debated the right model to
24 implement a co-investment program. We considered

1 internal and external options and determined that
2 having an internal program would have the most
3 benefits.

4 Since then, we have successfully
5 designed and implemented the program. It's direct
6 with no management fees, no carry. And we're
7 proud to say it's meeting and exceeding the
8 original expectations.

9 As a reminder, the program that we
10 designed and was approved by the board in 2014
11 delegates the authority to the executive director
12 and CIO to approve the co-investments so long as
13 they meet the board-approved criteria.

14 Our co-investment program is set up to
15 invest alongside PRIM's existing general partners
16 that have been added to the PRIM Board-approved co-
17 investment bench. We believe that investing
18 alongside our existing managers is one of our most
19 important investment criteria for the co-
20 investment program.

21 And over the past 10 years, with your
22 vote, we've been expanding the number of managers
23 eligible for co-investment as we've increased our
24 deal flow.

1 Today, the private equity co-investment
2 program is about \$1.9 billion of market value.
3 It's around 10 percent of the private equity
4 portfolio and less than 2 percent of the PRIT
5 Fund.

6 We've scaled this portfolio without
7 adding any dedicated co-investment team resources.
8 We are one private equity team executing on fund
9 and co-investments. It's a team-wide initiative
10 to source and evaluate deals.

11 The success of the program also would
12 not be without other people at PRIM. We work very
13 closely with PRIM's risk, legal and operations
14 team on the program.

15 Today, we can speak to the portfolio
16 across the three PRIM investment parameters of
17 return, risk and cost.

18 Starting with return, the program has
19 been accretive to the overall private equity
20 portfolio. The portfolio is meeting and exceeding
21 private and public benchmarks. And while the
22 portfolio is mostly unrealized, the realized
23 performance so far has been quite strong.

24 Risk. We've built a diversified

1 portfolio across the number of investments, the
2 managers we've co-invested with, strategy, sector,
3 vintage year as well as geography. Our co-
4 investment portfolio has not changed the risk
5 profile of the private equity program.

6 We're working very closely with Jay and
7 Shannon on PRIM's risk team to closely monitor the
8 co-investment portfolio.

9 Costs. We're most excited today to
10 share an update on the private equity co-
11 investment program towards Project SAVE. This
12 internally direct program has made significant
13 contributions. We estimate that to date, we have
14 realized \$91 million in cost savings.

15 Based on the size of the portfolio, we
16 estimate that the full fee and savings potential
17 is over \$380 million. And this amount will
18 continue to increase as we deploy additional
19 capital into co-investments.

20 Next slide, Tony.

21 So over the past 10 years, we've really
22 learned and iterated with your support and
23 feedback and wanted to share some additional key
24 takeaways, as well as some items that we're

1 mindful of as we moved forward.

2 So on some of the takeaways, the co-
3 investment program has been a very cost-efficient
4 and time-efficient way for us to have additional
5 exposure to some of PRIM's best managers as we've
6 looked to scale private equity as a percentage of
7 the PRIT Fund over the past 10 years.

8 Having an effective process has been
9 critical. Co-investments have compressed
10 timelines. And having a well-defined investment
11 criteria, a timely investment approval mechanism
12 has been critical for our deal flow execution.
13 Our strong relationships with our general partners
14 has also been very important.

15 The co-investments is at the discretion
16 of our managers. And while we don't control the
17 deal flow, we try to best position ourselves and
18 be proactive. There are a lot of great examples
19 of how our team has unlocked co-investment
20 opportunities in a competitive market.

21 And on the flip side, once we do
22 complete a co-investment, we are spending more
23 time with our managers. We are developing unique
24 insights that we are then incorporating into our

1 manager monitoring and future decision-making,
2 making us better fund investors.

3 Some of the things that we're mindful of
4 is the unique nature of co-investments. We have
5 noticed that LP demand for co-investments remains
6 quite robust, and we are making sure that our
7 model remains competitive.

8 We're also mindful of adverse selection.
9 We have no evidence that this is existing today,
10 but it's something that we will continue to
11 monitor. And we think this is mitigated by
12 investing only alongside PRIM's existing general
13 partners.

14 In conclusion, the program is meeting
15 and surpassing the original goals from 2014. It's
16 become an important and strategic part of the
17 private equity program. It's accretive to
18 returns. It's not adding additional risk, and
19 it's made significant contributions to Project
20 SAVE.

21 Let me stop there and take any
22 questions.

23 TREASURER GOLDBERG: Are there questions
24 for Alyssa?

1 I'm a big fan of Project SAVE.

2 Any questions at all?

3 Thank you, Alyssa.

4 MS. ACKER: Thank you, Madam Treasurer.

5 TREASURER GOLDBERG: With that, we will
6 move on to real estate and timberland. Tim?

7 MR. SCHLITZER: Good morning, everybody.
8 Good to see you.

9 So I don't have any voting items for
10 today. Let me just give a brief performance
11 update. Happy to answer any questions, and we can
12 move on from there. And I will not be referring
13 to any materials specifically.

14 So just speaking for a second to the
15 portfolio and our allocation, both real estate and
16 timberland did end the year within a percentage
17 point of their allocation midpoints.

18 So I'll also note that there have been
19 no changes to our risk bucket weighting or
20 geographic segments. So really meaning the
21 portfolio construction and our overall approach
22 has remained consistent.

23 For the fiscal year, capital allocation
24 activity across both real estate and timberland

1 equated to roughly \$1.3 billion or 1.1 billion net
2 invested across several sectors, geographies and
3 structures, including three new managers to the
4 FUTURE program, which we were pleased to see.

5 I'll also note that we had no changes to
6 the real estate debt capital structure during the
7 year.

8 Just honing in a little bit more on real
9 estate returns there, we're pleased that PRIM's
10 managers and the overall positioning of the
11 portfolio have resulted in strong market
12 outperformance equating to 453 basis points for
13 the one-year period.

14 PRIM's relative performance across all
15 time frames is also strong. And as Michael, I
16 think, mentioned, drivers of outperformance were
17 really our positioning within the office and
18 industrial sectors, as well as our overweight to
19 data centers.

20 The negative absolute returns in the
21 private real estate portfolio, as we've mentioned
22 previously, have been driven primarily by
23 increases in interest rates over the past few
24 years impacting the entire market.

1 The REIT portfolio outperformed by
2 46 basis points and provided a positive return of
3 5.9 percent, which did partially offset the
4 absolute negative performance in the private
5 portfolio.

6 So generally what I would say about our
7 approach right now is we're fairly measured in how
8 we're taking things in terms of our stance going
9 into year-end, particularly in the office sector,
10 as you might imagine.

11 We are seeing some positive signals. In
12 addition to positive returns in the REIT market,
13 which is often a leading indicator for private
14 returns, we're beginning to see more equity
15 capital returning to the private market as
16 expectations for lower interest rates grow.

17 I'll also note that the magnitude of
18 appraisal declines is slowing, possibly signaling
19 that we're approaching a bottom, at least in most
20 sectors. So we are cautious but optimistic, I
21 would say, on the market going forward.

22 Just turning to timberland, timberland
23 had a strong year, returning 10.6 percent or
24 71 basis points above benchmark. We saw strong

1 returns across all of the major geographic
2 segments, with Australia and New Zealand lagging,
3 driven by a slowing Chinese economy and housing
4 market challenges. But still positive for the
5 year.

6 In terms of U.S. demand drivers, U.S.
7 housing starts are roughly flat in both the single-
8 family and multifamily segments year to date, but
9 volatile, as usual. Renovation activity continues
10 to be soft due to higher interest rates and less
11 sales activity, but this will evolve with the
12 interest rate environment.

13 And then just to wrap up, when I was
14 speaking with the committee, and I've pointed out
15 to all of you previously, the capital markets
16 continue to be pretty optimistic on the long-term
17 prospects for timberland, despite maybe what's
18 happening currently in the housing market. It is
19 a long-term asset class.

20 Lumber and timber may be at trough
21 levels currently, which is constructive from an
22 underwriting perspective. Expectations for lower
23 interest rates I think are going to improve the
24 housing market.

1 And as we know, the U.S. is structurally
2 underbuilt. New construction will not only lift
3 timber prices, but should increase land values as
4 well, particularly for well-located assets.

5 Demographic drivers, I think we're aware
6 of trends there. The largest age cohort in this
7 country is currently between 30 and 35 years old.
8 That's a huge demand driver, going forward. And
9 we need to provide more housing for these folks.

10 And then lastly, carbon and renewable
11 resource revenues, solar, wind and carbon credits,
12 I think are going to be very important going
13 forward.

14 So we continue to be constructive on
15 timberland.

16 And those are my comments. Happy to
17 answer any questions.

18 TREASURER GOLDBERG: So, Tim, it's my
19 understanding that even with the small drop in the
20 interest rate in the last couple weeks, there was
21 suddenly a big increase in applications for
22 mortgages. Like there seems to be pent-up demand.
23 I would say that's on the residential side, not on
24 the commercial side.

1 But I'm wondering if you also had heard
2 about that.

3 MR. SCHLITZER: I completely agree with
4 that. I think that's right. And I think that
5 there's a lot of expectation for demand as rates
6 come down. We'll have to see how both the supply
7 and the demand sort of play out.

8 I mean there is also a concern that
9 lower rates may ultimately drive housing prices up
10 because of that higher demand, but we'll just sort
11 of have to see how that inventory plays out.

12 Folks are still somewhat constrained --
13 we've talked about this -- by those kind of golden
14 handcuffs, the low rates that are in place now on
15 the existing mortgages.

16 So it's going to be interesting to
17 watch. But I agree with your comment completely.

18 TREASURER GOLDBERG: Thank you.

19 Any other questions for Tim? Or
20 comments?

21 Thank you, Tim.

22 MR. SCHLITZER: Thank you.

23 TREASURER GOLDBERG: So the next item on
24 the agenda is the investment policy statement

1 update.

2 MR. TROTSKY: Dave Gurtz will be
3 handling that, take that one.

4 MR. GURTZ: Yes. Thank you, Treasurer,
5 and thank you, board.

6 TREASURER GOLDBERG: Let me make sure
7 that it's not a voting item.

8 It is not.

9 MR. GURTZ: That's right. This is not a
10 voting item. Rather, it's just an informational
11 update for you all.

12 As Michael mentioned earlier this
13 morning, the investment policy statement is a
14 fundamental document that serves as a roadmap. It
15 guides our investment decisions and ensures that
16 we remain aligned with our long-term goals.

17 And updating the IPS is just good
18 governance, and it's crucial to maintaining the
19 relevance and effectiveness of this document and
20 ensuring it aligns with current and industry best
21 practices.

22 So this review and update was initiated
23 with three primary goals. First was to align it
24 with current practices. We aim to ensure that our

1 IPS accurately reflects the latest internal
2 procedures and strategies. As our organization
3 has evolved, so too must our governing documents.

4 Some of the changes that we made to
5 align with current practices include removing the
6 hedge fund section, as it used to be a dedicated
7 asset class, and move the relevant portions into
8 the portfolio completion strategy section where
9 hedge funds reside today.

10 Additionally, we added a new risk
11 management and a stewardship and sustainability
12 section to emphasize the importance of these areas
13 at PRIM.

14 Goal number 2 was to incorporate
15 industry best practices. The investment landscape
16 is continually changing, and it's imperative that
17 our IPS aligns with best practices recognized
18 across the industry.

19 Some of the best practices we
20 incorporated included a focus on principles-based
21 guardrails. Every investment decision
22 incorporates many factors, and principles are a
23 more helpful guide to these investment decisions.

24 Additionally, we added a PRIM staff

1 section to the duties and responsibilities
2 section.

3 And the last goal was to frankly enhance
4 the clarity and consistency of this document. The
5 current IPS is a bit of a Frankenstein document
6 that has been created over many years. An
7 important aspect of this update was to improve the
8 language and format of the IPS to enhance the
9 consistency, clarity and overall usability of this
10 important document.

11 This update has been a collaborative
12 firm-wide effort. We have incorporated insights
13 from various internal teams, including each of the
14 asset class teams, as well as the risk, research,
15 legal and operations teams.

16 Additionally, we worked very closely
17 with NEPC, our asset allocation consultant, as
18 well as our other asset class consultants, who
19 have provided invaluable insights into industry
20 best practices.

21 The outcome of this extensive process is
22 an updated draft IPS for your review and feedback
23 attached as Appendix G. As I said, this is not a
24 voting item. We are not seeking approval of this

1 document today. Rather, it's more informational
2 for you.

3 We have presented this draft IPS to the
4 Investment Committee and the Real Estate and
5 Timberland Committee for their feedback and
6 review.

7 Following feedback we received, we will
8 revise the draft accordingly and present a second
9 and hopefully final version to the Investment
10 Committee at its next meeting in November. And
11 then assuming that that committee approves it,
12 we'll present it to you, the board, for approval
13 at the next board meeting in December.

14 So in the meantime, if you have any
15 questions or feedback on the IPS, please reach out
16 to me.

17 And that's it. Thanks.

18 TREASURER GOLDBERG: Thank you, Dave.

19 Any questions for Dave at this time?

20 Okay then. We are moving on to the
21 stewardship and sustainability report, and there
22 will be two voting items. And I can tell you that
23 this committee has been hard at work.

24 There you go, Veena. You're on.

1 MS. RAMANI: Great. Thank you very
2 much, Treasurer.

3 This is a voting item about the
4 engagement policy.

5 TREASURER GOLDBERG: So what I'm going
6 to do is I am going to seek a motion and a second,
7 and then we can have the presentation on this.

8 And I seek a motion that the PRIM Board
9 approve the Stewardship and Sustainability
10 Committee's recommendation to approve the draft
11 engagement policy attached as Appendix I of the
12 expanded agenda, and further to authorize the
13 executive director to take all actions necessary
14 to effectuate this vote.

15 Is there a motion?

16 MR. NAUGHTON: So moved.

17 TREASURER GOLDBERG: Is there a second?

18 MS. McGOLDRICK: Second.

19 TREASURER GOLDBERG: Thank you.

20 Go ahead, Veena.

21 MS. RAMANI: Thank you very much, Madam
22 Treasurer.

23 So hi, everyone. My name is Veena
24 Ramani. I'm the director of stewardship.

1 So as quick context, in January, the
2 board approved the stewardship policy which laid
3 out the rationale for why we are working on
4 stewardship at all, underscoring that everything
5 that we do on the stewardship side is based on our
6 fiduciary duty to position the fund for long-term
7 value creation.

8 The engagement policy, which is in your
9 materials as Appendix I, builds on the stewardship
10 policy and fleshes out how stewardship will work
11 in practice, specifically how we will make choices
12 on when to engage and the tactics that we will use
13 for engagement.

14 The policy has three components. It
15 reiterates, as our stewardship policy does, that
16 active ownership is key to long-term value
17 creation and that engagement is a part of that.

18 It identifies four questions that we
19 will ask ourselves in deciding when to engage.
20 The goal of these questions is to make sure that
21 we don't just engage for the purpose of engaging,
22 but rather, that our engagement is intentional,
23 aligned as far as possible to our stewardship
24 priorities and then oriented towards specific

1 outcomes.

2 It also lays out the tactics that we
3 will use when we engage, as well as identifies the
4 role of staff versus the stewardship committee and
5 the board in decision-making.

6 We had a good discussion about policy
7 during the Stewardship Committee meeting. And
8 based on committee feedback, updated language,
9 which previously referred to "like-minded
10 investors and other groups" with the phrase
11 "aligned investors and other groups who share
12 specific objectives."

13 You'll see this new phrase in the last
14 paragraph of the first page of the policy.

15 So we think that the new language is in
16 fact a much more specific and clear expression of
17 what we intend to achieve here. So again, many
18 thanks to the committee for raising this point and
19 also for some nimble realtime drafting that helped
20 to get to this point.

21 So let me stop there, and I'm happy to
22 answer any questions.

23 TREASURER GOLDBERG: Any questions for
24 Veena?

1 I am hearing none, Veena.

2 I think I'll just make a comment. I in
3 particular am very pleased with the methodical,
4 thoughtful way that this committee is operating.
5 We have other members on the board who also sit on
6 this committee. And I think that we have
7 approached this challenge of how to define and
8 evaluate very, very thoughtfully, based on a great
9 deal of work that PRIM has done already, even as
10 being one of the first groups involved in the
11 Aggregate Confusion Project.

12 So I am very pleased with our approach.
13 And it gives us a lot of legitimacy on our focus,
14 which Veena stated right in the first sentence,
15 which is long-term value of the fund. And I think
16 that you can do all these things. And there's
17 really common sense to it. And I believe that
18 that is exactly what our positions exhibit.

19 And I like seeing Catherine D'Amato
20 nodding. So --

21 MS. D'AMATO: Treasurer, I would agree
22 with you. I think that having not had the
23 experience with the fund before and then seeing
24 that document, I thought it was a very positive,

1 proactive document.

2 MS. McGOLDRICK: I just want to echo
3 both the Treasurer and Catherine. And I want to
4 thank Veena for her work on it.

5 This has been truly a deliberative
6 process where we at length in the committee have
7 really discussed how we want to see this vision
8 going forward. And I appreciate that she took the
9 time to make all of the suggested changes, that I
10 know Ruth Ellen had a few as well.

11 So I do think that in the board meeting,
12 you can't capture all that we were able to go over
13 in more fine detail in the committee meeting, and
14 I'm very pleased with this.

15 So thank you.

16 TREASURER GOLDBERG: Well, we have
17 actually, not just in this committee meeting, but
18 the buildup to it, Theresa, this is why I said
19 it's been extremely thoughtful and methodical.

20 MS. McGOLDRICK: Absolutely.

21 TREASURER GOLDBERG: Tremendous
22 engagement. And this isn't just throw something
23 on a piece of paper. So I'm very, very pleased
24 with this.

1 MR. NAUGHTON: If I may make a quick
2 comment, Treasurer.

3 TREASURER GOLDBERG: Absolutely.

4 MR. NAUGHTON: As a member of the
5 committee as well as the board, I think we need to
6 stress and stress again, as was done by Veena in
7 her opening comments, that this is a way of
8 enhancing meeting our fiduciary responsibilities,
9 not just in the short run, but over time.

10 MR. BROUSSEAU: Madam Chair, I had a
11 question probably through you to Veena.

12 This whole issue of sustainability tie-
13 in with the DEI has become a political football
14 across the country with many states of course
15 refusing to participate or do anything.

16 Veena, where do you see PRIM? Are we in
17 probably a leadership role in the country in terms
18 of what we are doing with sustainability and
19 stewardship?

20 And in reading the report, I get a
21 feeling that, yes, we are a leader, if not ahead
22 of the curve, where many other states are trying
23 to just hold up their hands or refuse to do
24 anything with it.

1 TREASURER GOLDBERG: I don't think
2 that's completely a fair statement because --

3 MR. BROUSSEAU: I said some states. Not
4 all.

5 TREASURER GOLDBERG: There are some -- I
6 mean I just read something recently about a
7 particular treasurer in a state where he's
8 actually cost the state an enormous amount of -- I
9 mean something like \$300 million by not addressing
10 some of these issues.

11 So there is a whole broad spectrum.

12 What I think is great is the approach
13 that we've created by having our -- when I use the
14 term "methodically," we started these
15 conversations years ago.

16 MR. BROUSSEAU: Yes.

17 TREASURER GOLDBERG: And the approach
18 that we've taken and the thoughtfulness and the
19 inclusive nature in which we've done this is --
20 yes, I would say we are absolutely a leader. I do
21 not disagree with you.

22 But there are some other states out
23 there and not just -- in some states, the
24 controller manages the pension fund, and there

1 have been some who have done some good work.

2 And what's great about Veena is she is
3 familiar with the spectrum and then sort of
4 funnels it into ideas that we use within our
5 committee. We don't have to reinvent the wheel.

6 But I would say in this one, you are
7 correct, Bob, that we are a leader.

8 MS. FITCH: Yes.

9 TREASURER GOLDBERG: And we were a
10 leader by joining in on the Aggregate Confusion
11 Project right from the very beginning in our
12 thoughtfulness about trying to develop
13 quantitative ways of evaluating what we were
14 doing. And that's highly unusual.

15 So as I said, this is a voting item. So
16 unless there are more comments, I'd be more than
17 happy, if people would like me to, to proceed with
18 the vote.

19 How's that sound?

20 Bob?

21 MR. BROUSSEAU: Yes.

22 TREASURER GOLDBERG: Catherine?

23 MS. D'AMATO: Yes.

24 TREASURER GOLDBERG: Ruth Ellen?

1 MS. FITCH: Yes.

2 TREASURER GOLDBERG: Theresa?

3 MS. MCGOLDRICK: Yes.

4 TREASURER GOLDBERG: Peter?

5 MR. MONACO: Yes.

6 TREASURER GOLDBERG: Dennis?

7 MR. NAUGHTON: Yes.

8 TREASURER GOLDBERG: Paul?

9 MR. SHANLEY: Yes.

10 TREASURER GOLDBERG: Myself, yes.

11 The motion carries.

12 Now, we have a second item under
13 Stewardship and Sustainability. And I'm going to
14 seek a motion that the PRIM board approve the
15 Stewardship and Sustainability Committee's
16 recommendation to approve the following
17 stewardship priorities: climate transition
18 planning, fair pay, sustainable forestry and
19 transparency as described in the expanded the
20 agenda, and further to authorize the executive
21 director to take all actions necessary to
22 effectuate this vote.

23 Is there a motion?

24 MS. MCGOLDRICK: So moved.

1 TREASURER GOLDBERG: Is there a second?

2 MS. FITCH: Second.

3 TREASURER GOLDBERG: Veena.

4 MS. RAMANI: Thank you very much, ma'am.
5 Tony, could you pull out slide 2 of

6 Appendix L, please.

7 So as these slides are being pulled up,
8 I want to take maybe a couple of minutes to remind
9 ourselves again about why we are recommending that
10 we focus our efforts around certain priorities.

11 We made a decision a year ago to develop
12 a stewardship program that was intentional,
13 focused and outcome-oriented. We can't be
14 everything to everyone. Developing priorities we
15 saw as central to that objective.

16 And we also wanted to develop our
17 priorities using an objective and analytical
18 process and make choices based on data and
19 research on long-term value creation.

20 So there's a lot of materials that we
21 provided in the materials that we sent out, but
22 what I hope to do today is basically make three
23 points.

24 I wanted to talk briefly about the

1 details of the process that we went through. I
2 want to highlight these priorities that we
3 recommend picking and talk quickly about why. And
4 then finally end with talking, again briefly,
5 about the action steps that we intend to take to
6 give effect to these priorities.

7 So let me start with process. So as the
8 slide notes, we followed a three-stage process in
9 developing our stewardship priorities. As a part
10 of stage 1, we worked with a number of providers
11 to complete a materiality assessment of our public
12 markets portfolio.

13 So what this meant was we worked with
14 four groups to use their financial models to
15 identify environmental and social issues which
16 were considered to be most financially material to
17 us, based on sector concentrations. We shared
18 these initial results of stage 1 with both the
19 Stewardship Committee as well as all of you on the
20 board as a part of the January/February meeting
21 cycle.

22 As a part of stage 2, we worked with
23 MSCI to dig into these material issues with the
24 goal of trying to figure out what was happening at

1 the company level. So during the Stewardship
2 Committee meeting, MSCI presented in detail on
3 their approach, as well as highlighted key
4 insights from their data analysis exercise.

5 MSCI's presentation is included in your
6 package as Appendix K.

7 And as a part of stage 3, we used the
8 insights from MSCI's analysis to develop
9 recommendations on priorities where we intend to
10 focus our efforts.

11 I also thought it was worth noting that
12 we did ask ourselves four questions in determining
13 these priorities. And I hope you recognize them
14 from the engagement policy that you all just
15 approved.

16 So the first question was: Is this
17 priority that we're recommending focusing on
18 relevant to the long-term performance of the fund?
19 Again, starting, as we always do, with long-term
20 value creation. And we used academic and industry
21 research to help develop a view on that.

22 The second question we asked ourselves
23 was can our efforts lead to outcomes that are
24 measurable? So in other words, is there a way for

1 us to track where we're making a difference versus
2 not?

3 The third question we asked ourselves
4 is: Is there an opportunity for us to contribute
5 to the development of thought leadership on this
6 issue?

7 And finally, do we have the expertise to
8 do this work, either internally within the
9 organization or through our partners?

10 Tony, next slide, please.

11 So this slide lays out our recommended
12 priorities, which the Treasurer previewed. And so
13 based on the process we went through, the
14 priorities that we recommend focusing on are
15 climate transition planning, fair pay, sustainable
16 forestry and transparency.

17 Climate transition planning is simply a
18 term of art that means climate-aware planning. We
19 picked this issue for two reasons: growing
20 corporate greenhouse gas emissions, largely
21 associated with energy use, and two, the value
22 creation potential for investing early in climate
23 change solutions. Our intended focus here is to
24 encourage our companies and managers to align

1 their value creation strategies with the risks and
2 opportunities of climate change and to disclose
3 their strategies on this.

4 Our second proposed priority is fair pay
5 or specifically driving the uptake of transparent
6 and equitable pay practices. We picked this issue
7 because research is unequivocal that companies
8 that pay their employees equitably retain their
9 employees.

10 When trying to dig into this, we also
11 found that transparency on pay is quite limited.
12 So our intended approach here is to engage
13 relevant companies in our portfolio on pay
14 transparency and pay equity and also to explore
15 innovations in this area.

16 Our third proposed priority is
17 sustainable forestry or supporting practices that
18 reduce forest loss and promote resilience. We
19 picked this issue, recognizing the fast-growing
20 research on the significant market value at risk
21 from natural capital degradation and the links
22 between forest and climate change.

23 This is very much an emerging area from
24 a stewardship point of view, but we think we can

1 leverage both new and emerging investor groups
2 that are focused on this issue, as well as learn
3 from the work that's already happening within the
4 context of our significant timber portfolio.

5 Our final proposed priority is
6 transparency. When we worked with MSCI to dig
7 into corporate data on the themes that our
8 materiality process had surfaced, we paid
9 attention to what the data showed, but we also
10 paid attention to where the data wasn't.

11 And our takeaway is that there is a
12 growing volume of data on environmental and social
13 issues, but information that's investor-relevant
14 and decision-useful is still limited. So our
15 intended approach here is to work with companies,
16 as well as the broader investor community, to
17 encourage quality and usable disclosure,
18 particularly on stewardship priorities.

19 Tony, can you move on to slide 8,
20 please?

21 So the slides that I'm skipping over
22 actually provide the details on the assessment
23 process we went through to make sure that the
24 priorities we picked meet the criteria that we'd

1 identified, but I want to maybe end talking about
2 next steps.

3 So while we have identified stewardship
4 priorities, we see the operationalization of these
5 priorities as being a cross-fund exercise. These
6 priorities were developed in consultation with the
7 asset class teams and will be operationalized in
8 partnership with them.

9 We had a very good discussion in the
10 Stewardship Committee meeting about how these
11 priorities would be implemented. And the slide
12 lays out how we see it playing out.

13 We see this as beginning with getting a
14 much more granular understanding of how these
15 priorities are playing out at an asset class level
16 and then building on that understanding to engage
17 companies, managers and consultants to collaborate
18 with aligned investor groups, and then finally of
19 course to report on progress.

20 Our plan is to develop a much more
21 detailed action plan with the other teams that
22 actually flesh out the details of these next steps
23 and circle back with the board on this during the
24 next cycle of meetings.

1 So let me stop there. Happy to take
2 your questions.

3 TREASURER GOLDBERG: Questions? Any at
4 all?

5 But as you can see from Veena's
6 presentation, again, I can only use the word --
7 every time I look at all this, I go methodical
8 approach, common sense approach and coordination
9 and collaboration. Those are the words that come
10 into my head.

11 MS. D'AMATO: And, Madam Chair, this is
12 Catherine, and so many other places running away
13 from this. So in terms of the embrace of this
14 kind of work, of it's -- not addressing it. It's
15 just so common. Especially the DEI work.

16 TREASURER GOLDBERG: Well, you know, at
17 their peril.

18 MS. D'AMATO: Yes. I mean it's amazing
19 how many have buried it. Or it's over. Or we
20 don't need to pay attention to it anymore in this
21 particular framework.

22 So it's just the period we're in, I
23 think, but it just speaks to the leadership of you
24 and your team.

1 TREASURER GOLDBERG: Well, the example
2 that really highlights to me of a state where
3 these issues are not being addressed and already
4 harming the residents who are there is Florida.

5 Try to get insurance for your home in
6 Florida right now. And it's not just in southern
7 Florida. It's the entire state.

8 MS. D'AMATO: Yes. Yes.

9 TREASURER GOLDBERG: There are carriers.
10 We heard last year of carriers leaving Florida,
11 and there are increasingly more carriers leaving
12 Florida.

13 What does that do to the average
14 homeowner? Or retirees, for that matter?

15 MS. D'AMATO: Yes.

16 TREASURER GOLDBERG: So not addressing
17 these things has so many negative long-term
18 effects. And for pension funds, you have to
19 carefully look at what companies and what groups
20 that we invest with are looking at the issues.

21 Wildfires is another one.

22 If you don't look at it and you close
23 your eyes, you could get your pension fund in
24 trouble. So what we're doing is we have our eyes

1 wide open.

2 MS. MCGOLDRICK: Yes. I mean I would
3 just add you can't bury your head in the sand with
4 this stuff. I know there's a lot of funds that
5 aren't addressing it and not as progressive as us.

6 And they're not doing their fiduciary
7 obligation, in my opinion. This is a new world,
8 and we have a wider fiduciary obligation than we
9 used to because of these events. And it's only
10 going to negatively impact your beneficiaries'
11 pensions if you don't.

12 TREASURER GOLDBERG: Agree.

13 MS. FITCH: Agree.

14 TREASURER GOLDBERG: So this is a voting
15 item. Are we ready to vote, or are there more
16 comments?

17 I see nods. Okay, then.

18 Bob?

19 MR. BROUSSEAU: Yes.

20 TREASURER GOLDBERG: Catherine?

21 MS. D'AMATO: Yes.

22 TREASURER GOLDBERG: Ruth Ellen?

23 MS. FITCH: Yes.

24 TREASURER GOLDBERG: Theresa?

1 MS. MCGOLDRICK: Yes.

2 TREASURER GOLDBERG: Peter?

3 MR. MONACO: Yes.

4 TREASURER GOLDBERG: Dennis?

5 MR. NAUGHTON: Yes.

6 TREASURER GOLDBERG: Paul?

7 MR. SHANLEY: Yes.

8 TREASURER GOLDBERG: Myself, yes.

9 The motion carries. Thank you.

10 Now, that was the last of our voting

11 items.

12 Okay. Finance and administration

13 report.

14 MR. FALZONE: Thank you, Treasurer.

15 So as you said, I don't have any voting

16 items, and I will make this quick. Emily is going

17 to be joining us to provide a legislative update.

18 Before I go to Item A, I do want to also

19 congratulate Deb Coulter and Qingmei Li for the

20 GFOA certificate of excellence. 19 years running

21 is quite an achievement. I also want to thank

22 them for the hard work they do, and they do it,

23 and they make it look easy.

24 So thank you for the finance team on

1 that.

2 Matt Liposky, also hot off the presses,
3 finished the verification, the GIPS verification,
4 for fiscal year 2024. You folks will be receiving
5 that shortly.

6 Matt Liposky, our chief investment
7 operating officer, along with Jessica Murphy,
8 helped worked with the GIPS verification. Again,
9 no issues.

10 Congratulations to them and the
11 investment operations team.

12 And then obviously this is the end of
13 the year. HR and IT support, everyone in the
14 organization, I want to thank them as well.

15 So with that being said, I'll move on to
16 the schedule. This is just for your reading
17 pleasure. We've already had a few conversations,
18 and I hope that we can accommodate everyone, but
19 this will go up for a vote at the next cycle. So
20 again, it's not a voting item.

21 And then with that, I'll ask Dave to
22 promote Emily, and she can provide the legislative
23 update, unless anyone has any questions for me.

24 TREASURER GOLDBERG: Any questions for

1 Tony?

2 Okay. Please promote Emily.

3 MS. KOWTONIUK: Hello. Good morning.

4 So I have a quick update for you all
5 today. We do have an FY '25 budget in place. It
6 does not include the language that alters the PRIM
7 Board, although we are still watching stand-alone
8 legislation, which is still pending.

9 We're also still watching for action on
10 the push to make permanent the COVID era policy to
11 allow for remote meetings. So as a reminder, the
12 current extension expires March 31 of 2025. So
13 that's coming up.

14 So legislature is still going to be
15 meeting in informal sessions through December, so
16 we're going to watch for action. And we've been
17 promised a more active off-season by both the
18 speaker and senate president this year, so stay
19 tuned.

20 TREASURER GOLDBERG: Emily, didn't I
21 hear there was potential that they may have the
22 unusual situation of actually going into a formal
23 session?

24 MS. KOWTONIUK: Yes. So they may come

1 back. They left on the table an economic
2 development bill, which includes a bond
3 authorization that requires a two-thirds vote. So
4 they may have to call folks back, if they can
5 reach agreement.

6 TREASURER GOLDBERG: Hasn't the governor
7 said publicly that she anticipates they will come
8 back in a formal session?

9 MS. KOWTONIUK: She has, but we're not
10 counting any chickens yet.

11 TREASURER GOLDBERG: Because they're not
12 hatched.

13 MS. KOWTONIUK: Exactly.

14 TREASURER GOLDBERG: Any questions for
15 Emily?

16 MS. D'AMATO: That was good analogy,
17 Emily.

18 I've heard that from two lobbyists as
19 well, to bring them back to get the economic bill
20 done. The governor is putting a lot of pressure
21 to bring that back. So not sure they'll take up
22 all the other residual bills that are still
23 sitting out there, but there's clearly --

24 TREASURER GOLDBERG: Yes.

1 MS. D'AMATO: We'll see.

2 TREASURER GOLDBERG: Yes. Exactly.

3 Any other questions for Emily?

4 MS. KOWTONIUK: Thank you.

5 TREASURER GOLDBERG: Thank you, Emily.

6 MR. FALZONE: Thank you.

7 TREASURER GOLDBERG: The rest is just

8 FYI.

9 MR. FALZONE: Correct. I don't have a
10 client service update happening today. There's
11 nothing new other than what's in the package, but
12 we will have one next cycle.

13 Thank you.

14 TREASURER GOLDBERG: Okay then.

15 MS. FITCH: Okay. Good.

16 TREASURER GOLDBERG: Believe it or not,
17 I seek a motion to adjourn.

18 MS. FITCH: Wow.

19 TREASURER GOLDBERG: Was that a motion,
20 Ruth Ellen?

21 MS. FITCH: No. That was a surprise.

22 TREASURER GOLDBERG: I seek a motion to
23 adjourn.

24 MR. NAUGHTON: Move to adjourn.

1 MR. BROUSSEAU: Second.

2 TREASURER GOLDBERG: Roll call vote.

3 Bob?

4 MR. BROUSSEAU: Yes.

5 TREASURER GOLDBERG: Catherine?

6 MS. D'AMATO: Yes.

7 TREASURER GOLDBERG: Ruth Ellen?

8 MS. FITCH: Yes.

9 TREASURER GOLDBERG: Theresa?

10 MS. McGOLDRICK: Yes.

11 TREASURER GOLDBERG: Peter?

12 MR. MONACO: Yes.

13 TREASURER GOLDBERG: Dennis?

14 MR. NAUGHTON: Yes.

15 TREASURER GOLDBERG: Paul?

16 MR. SHANLEY: Yes.

17 TREASURER GOLDBERG: Myself, yes.

18 Motion carries.

19 Thank you, everyone.

20 (Meeting adjourned at 11:20 a.m.)

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