

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

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Minutes of the Board Meeting
Thursday, December 5, 2024
commencing at 9:30 a.m.

(CONDUCTED REMOTELY)

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

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 December 5, 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 MassPRIM Board
11 meeting on Thursday, December 5, 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 audio/videoconferencing,
20 and public access to the deliberations of the
21 Board will likewise be provided via telephone,
22 with all documents referenced at the meeting
23 available to be viewed on PRIM's website,
24 www.mapension.com. All persons speaking at

1 today's meeting are asked first to identify
2 themselves.

3 Also the Open Meeting Law requires
4 anyone wishing to record a meeting to first notify
5 the chair so that the chair can inform the other
6 attendees. Accordingly, I am informing you all
7 that stenographer Virginia Dodge from Lexitas is
8 transcribing and also recording the meeting.

9 If anyone else does intend to record
10 today's meeting, Tony, could you tell us who you
11 know who will be attending. And then any others
12 could notify Seth Gitell by email,
13 sgitell@mapension.com.

14 Tony, anyone recording today's meeting?

15 MR. FALZONE: Yes, Treasurer.

16 Matthew Scheffler, MTRS member,
17 Framingham Public Schools, will be recording. And
18 Amber Tai, reporter from the *BU and Boston*
19 *Business Journal*.

20 TREASURER GOLDBERG: Thank you.

21 Additionally, the Attorney General's
22 guidance on holding remote meetings reads as
23 follows: At the start of the meeting, the chair
24 must announce the name of the member or members

1 who are participating remotely. I will now
2 announce the names of all PRIM Board members who
3 are participating remotely in today's meeting.

4 Treasurer Debra Goldberg, myself, as
5 chair. Robert Brousseau.

6 Catherine D'Amato here yet?

7 MR. FALZONE: I don't see her yet.

8 TREASURER GOLDBERG: All right. She
9 should be coming. If you see her, let me know.

10 Ruth Ellen Fitch, Dennis Naughton and
11 Paul Shanley.

12 With that, we can move on to the first
13 item on the agenda. It is the consent agenda, and
14 it is a voting item.

15 I seek a motion that the PRIM Board
16 approve the following consent agenda items as
17 described in the expanded agenda: item 1,
18 approval of the PRIM Board minutes of the
19 August 15, 2024 meeting; item 2, approval of the
20 draft Fiscal Year 2024 Annual Comprehensive
21 Financial Report; number 3, approval of the
22 issuance of an RFP for private equity advisory
23 services; number 4, approval of the proposed 2025
24 PRIM Board and Committee Meeting Schedule; and

1 further to authorize the executive director to
2 take all actions necessary to effectuate this
3 vote.

4 Is there a motion?

5 MR. BROUSSEAU: So moved.

6 MR. SHANLEY: So moved.

7 TREASURER GOLDBERG: Is there a second?

8 MS. FITCH: Second.

9 TREASURER GOLDBERG: Questions or
10 comments?

11 Hearing none, I'll proceed with the
12 vote.

13 Bob?

14 MR. BROUSSEAU: Yes.

15 TREASURER GOLDBERG: Ruth Ellen?

16 MS. FITCH: Yes.

17 TREASURER GOLDBERG: Dennis?

18 MR. NAUGHTON: Yes.

19 TREASURER GOLDBERG: Paul?

20 MR. SHANLEY: Yes.

21 TREASURER GOLDBERG: Myself, yes. The
22 motion carries.

23 Next item on the agenda will be the
24 executive director/chief investment officer

1 report. Michael.

2 MR. TROTSKY: Thank you, Treasurer.

3 And good morning, everybody. Thanks for
4 attending.

5 First off, some late-breaking news.
6 Some wonderful news really.

7 Good morning. This morning at about
8 5:30 a.m., I received a message and a photo from
9 Bill Li that he and his husband, Chen, welcomed
10 into their lives their first child, named Liam, a
11 beautiful and healthy baby boy.

12 TREASURER GOLDBERG: That's wonderful.

13 MR. TROTSKY: We celebrate this moment
14 along with Bill and Chen. It's been a long and
15 joyous journey for them. And all of us at PRIM
16 wish them the very best as they enjoy this moment
17 and enter a new chapter in their lives.

18 MS. FITCH: That's great.

19 MR. TROTSKY: It's really great.

20 As such, though, Bill will be out for
21 family leave starting today. So he'll miss
22 today's meeting, but we are fortunate to have
23 Ethan Spencer, who knew that this day would come,
24 covering for Bill today, and he'll be covering for

1 Bill until early March.

2 So wonderful news to start a gloomy day
3 really.

4 MS. FITCH: Yes.

5 MR. TROTSKY: We have a busy agenda
6 today so let's get right to it.

7 As we reported at the Investment
8 Committee meeting three weeks ago, financial
9 markets continue to be strong. In the September
10 quarter, the PRIT Fund ended with a balance of
11 110.5 billion, which, as we reported, set a new
12 record high. That surpasses the previous record
13 balance set in the June quarter.

14 For the September quarter alone, the
15 PRIT Fund returned 4.4 percent net of all fees.
16 And for the trailing 12 months, the PRIT Fund
17 returned 16.4 percent net, which equates to an
18 investment gain of \$15.6 billion. \$15.6 billion.

19 Now, as usual, we'll discuss the
20 investment results in more detail today, but we do
21 believe a 16.4 percent 12-month gain in this
22 environment is a very solid accomplishment.

23 In addition to these strong investment
24 returns, at its November meeting, the Admin and

1 Audit Committee accepted the audit results of
2 34 separate audits for both the PRIT Fund and the
3 PRIM Board. And all of those audits, all of them,
4 resulted in unmodified clean opinions.

5 We also announced that PRIM was awarded
6 the Government Finance Officers Association's --
7 that's the GFOA -- Certificate for Excellence in
8 Financial Reporting for the 19th consecutive year
9 for our annual comprehensive financial report.

10 Obviously congratulations to Qingmei Li,
11 Deb Coulter and the entire finance team for those
12 two great achievements, clean audits and an award-
13 winning annual report. That's more testimony to
14 the robustness of our financial reporting.

15 Organizationally, a few new updates
16 since the last time we met a couple of weeks ago
17 at the committee meetings. First, this week, as
18 is typical for early December, we announced staff
19 promotions. And this year, there are three of
20 them.

21 First, Andre Abouhala -- I hope you're
22 on -- has been promoted to senior investment
23 officer on the public markets team. Andre joined
24 PRIM in 2014 as an investment analyst and has

1 steadily moved up our ranks. He covers equities,
2 public equities, which represent more than
3 40 percent of the PRIT Fund, and he is also a
4 strong collaborator, working on several projects
5 with colleagues across other asset classes and the
6 entire organization.

7 He's been a key contributor to
8 developing and improving processes around manager
9 search, manager monitoring and allocation. And
10 he's really become a go-to person for *ad hoc*
11 investment analytics across the organization.
12 He's a key contributor in support of our
13 internship program too.

14 Andre is hardworking and ambitious, a
15 consummate professional coworker. He is very well-
16 liked throughout the entire organization.

17 And, Andre, you have a great future
18 ahead of you here.

19 Next, Vincent Li --

20 TREASURER GOLDBERG: Wait. Wait, wait,
21 wait.

22 Congratulations, Andre.

23 MR. ABOUHALA: Thank you, Treasurer.

24 MR. TROTSKY: And Bill displaced you as

1 having the newest baby.

2 TREASURER GOLDBERG: Oh, well.

3 MR. TROTSKY: Anyhow, next. Vincent Li
4 has been promoted to senior investment operations
5 analyst on the finance team.

6 Vincent joined PRIM in 2021 and has
7 become a key member of the investment operations
8 team, primarily focusing on investment cash
9 processing and cash monitoring.

10 Vincent has helped evolve the cash
11 processing and control standards currently in
12 place and has helped research future initiatives.
13 His attention to detail and his prioritization
14 skills are outstanding and also very critical to
15 what's necessary and important to his role.

16 And then the third promotion, Silas
17 Owoyemi -- Silas, I hope you're on as well -- has
18 been promoted to systems administration support
19 specialist on the IT team.

20 Silas joined PRIM in March of 2020 as a
21 help desk and operational support specialist. And
22 since then, his responsibilities have grown
23 considerably. Silas was recently asked to take a
24 more prominent role in supporting and

1 administering a wide variety of new technologies,
2 while he's also responsible for the administration
3 of PRIM's data center infrastructure.

4 Silas is a talented, pleasant and
5 affable colleague. And I have to say Silas has a
6 near-permanent smile on his face -- are you here? --
7 and is quick to laugh. This makes him a sought-
8 after technical resource firm-wide. It's almost a
9 pleasant situation when he needs to come to your
10 office to fix your computer.

11 So congratulations to all three. Well-
12 deserved promotions. We're very happy to announce
13 all three of them.

14 In other recognition, Katherine Kovach
15 on the private equity team recently passed the
16 third and final CFA exam, and she's now a CFA
17 charter holder. Congratulations. That's a great
18 credential. That's very hard to earn.

19 And next, PRIM director of stewardship
20 Veena Ramani and director of investment operations
21 George Tsipakis were both named 2024 recipients of
22 the Commonwealth Citation for Outstanding
23 Performance by the Treasurer's Office.

24 Veena joined about two years ago and

1 helped us conceive and implement the development
2 of our stewardship priorities. She's also
3 enhanced our proxy voting guidelines. And
4 moreover, she has quickly become a very effective
5 ambassador for our organization, speaking during
6 climate week, for example, and other high-profile
7 opportunities.

8 And George Tsipakis is really, as I've
9 said before, an unsung hero here at PRIM,
10 consummate, hardworking and steady professional.
11 George is the person who oversees the investment
12 cash processing and investment back office,
13 ensuring that all reporting is timely and
14 accurate. He's also a key member supporting
15 PRIM's entire real estate leverage program,
16 including maintaining all compliance protocols.

17 He's also implemented a new automation
18 tool to support PRIM's investment management
19 reconciliations, which makes them more efficient
20 and thorough.

21 So thank you and congratulations, George
22 and Veena. And thank you, Treasurer and your
23 staff, for recognizing their achievements.

24 And next, as many of you already know,

1 on Thursday, October 17, I was given the lifetime
2 achievement award by Allocate With. Investment
3 Committee member Michael Even gave a heartfelt
4 introduction at the event. And Tim Vaill also
5 made the trip to New York to celebrate with us.

6 And then additionally, I was named to
7 the 2024 CIO Power 100 list by *Chief Investment*
8 *Officer*.

9 We're happy to see the entire staff
10 continuing to receive the recognition that we do.

11 Now, on to markets and PRIT Fund
12 performance. First, a callout to Jessica Murphy,
13 PRIM's manager, investment performance reporting,
14 who, along with Matt Liposky, has led a
15 significant undertaking of developing the new
16 performance reporting that's in your materials
17 today for the first time.

18 We introduced the new reporting format
19 at the meeting of the Investment Committee three
20 weeks ago, but you may also remember that we
21 conducted an RFP for platform providers in 2023.
22 And the board approved the hiring of Solovis at
23 this meeting last time last year.

24 It's important to note, however, that

1 the performance calculations have not changed at
2 all because BNY Mellon still remains our book of
3 record.

4 The biggest changes you will see is that
5 the report in your package hopefully you will find
6 is much easier to read. We are now providing a
7 detailed breakdown of our asset allocation in what
8 we think is an intuitive graphical format. We
9 hope you enjoy that.

10 And all reporting now is presented net
11 of fees. This has really become the industry
12 standard, and we believe it should be less
13 confusing going forward.

14 Now, all of these reports are generated
15 automatically, and we expect the platform will
16 continue to provide opportunities for additional
17 investment reporting and advanced portfolio
18 analytics.

19 So stay tuned. And great job, Jessica.

20 Turning to performance. And again, a
21 continued backdrop of an unusually uncertain
22 geopolitical and domestic environment still
23 yielded a September quarter that was positive
24 worldwide.

1 Domestically, for the September quarter,
2 the S&P was up 5.9 percent. Developed
3 international markets for the September quarter
4 alone up 7.8 percent. And emerging markets were
5 up 8.7 percent for the September quarter.
6 Diversified bonds also up as interest rates fell.
7 Diversified bonds for the September quarter up
8 5.2 percent.

9 So far, for this quarter, and this
10 includes all of November, so all of October and
11 November, two out of the three months, the S&P is
12 up another 4.9 percent, while international
13 markets and bonds have been weaker. Developed
14 international markets are down nearly 5 percent
15 through the end of November. Emerging markets are
16 down almost 8 percent. And bonds are down,
17 slightly down, 1.4 percent.

18 Still, for the calendar year through
19 November, with one month left to go, the S&P 500,
20 U.S. stocks lead the way, up 28.1 percent for the
21 calendar year. And developed international
22 markets and emerging markets still strong, up
23 approximately 7.6 percent each for the year. And
24 diversified bonds also strong as interest rates

1 have generally come down from this point last
2 year. Diversified bonds are up almost 3 percent.

3 Tony, the performance slides. I'll go
4 through them quickly. Let me know when they're
5 up.

6 MR. FALZONE: All set.

7 MR. TROTSKY: Great. Thank you.

8 This chart shows the fiscal year market
9 value ending at \$110 billion, a record close. And
10 I should note that one-year outflows -- and this
11 number includes outflows to pay benefits of
12 \$140 million. For the trailing 12 months, the
13 PRIT Fund was up 16.4 percent net. That's an
14 investment gain of approximately \$16 billion.

15 And I should note that net outflows have
16 been trending down over the last few years due to
17 large contributions from several of our clients.
18 Two clients in particular issued pension bonds and
19 sent those proceeds to PRIM, while others have
20 elected to invest more of their individual plans
21 with PRIM. And we take both of these activities
22 as a vote of confidence.

23 Next slide. You can see that
24 performance by strategy for the third quarter, the

1 PRIT Fund was up 4.4 percent for the quarter, and
2 all major asset classes posted gains.

3 Long-duration bonds led the way as
4 interest rates fell in the quarter. At the
5 September 30 close, the 10-year Treasury yielded
6 3.8 percent. That was down from 4.4 percent at
7 the beginning of the quarter, and I believe it
8 stands at about 4.1 percent as we sit here today.

9 International and U.S. small cap
10 equities were strong on the left, you can see.
11 While real estate, timberland, private equity were
12 weaker, but still again, all posted positive
13 quarterly gains.

14 Next slide shows performance by strategy
15 for the one-year period. And for the one-year,
16 equities worldwide had very large gains led by
17 U.S. large caps. Propelled by the Magnificent
18 Seven group of stocks through September, U.S.
19 large caps on the far left, up 36.2 percent.

20 Emerging markets, China and developed
21 international markets, primarily Europe and Japan,
22 also very strong, up 25.7 percent and
23 23.9 percent, respectively. Great year for
24 publicly traded equities.

1 Also U.S. small cap equities also very
2 strong, up 25 percent, while on the far right, you
3 can see that real estate was the weakest, posting
4 a 5 percent loss for the 12-month period.

5 And again, all other asset classes
6 posted strong positive gains at or above our
7 actuarial rate of return.

8 Next slide. More detail. For the one-
9 year period, global equities led the way, as I
10 just mentioned, up 30.6 percent. Slight
11 underperformance in this group due to domestic and
12 some international manager performance,
13 particularly if they weren't involved in the
14 Magnificent Seven group of stocks and particularly
15 value managers lagged growth managers.

16 Value-added fixed income, PCS, which
17 includes hedge funds, fixed income and timberland,
18 all very strong double-digit earnings. And I
19 should note that private equity up 7 percent net
20 of all fees. That was its seventh consecutive
21 quarter of gains as that asset class continues to
22 rebound.

23 And we do remain disappointed with the
24 real estate absolute returns, but as you can see

1 in this chart, we're pleased with its strong
2 relative performance, up 2.4 percent relative to
3 its benchmark.

4 The negative returns obviously are
5 caused by rising interest rate environment and
6 slowing fundamentals in some sectors. Our
7 outperformance was really attributed to an
8 underweight in traditional office, an underweight
9 to some challenged West Coast markets, and also an
10 overweight to industrial markets, industrial
11 properties, which do include data centers, for
12 example.

13 Next slide. This is the new chart,
14 which shows contribution net of fees to our total
15 return of 16.4 percent. It's basically the return
16 of each asset class weighted for its size in the
17 fund. And not surprisingly, on the left, you can
18 see U.S. large cap stocks, which again include the
19 Magnificent Seven, contributed 7 percent, nearly
20 half of the total 16.84 percent of fund return.

21 Developed international equities and
22 private equity were the next best contributors.
23 PCS, which is primarily hedge funds, and emerging
24 market equities also very strong. And on the

1 right, you can see, as I just discussed, real
2 estate was the sole detractor.

3 And what I like about this chart is that
4 14 out of the 15 asset classes were additive to
5 our performance, and that's a great batting
6 average, 14 out of 15 contributing positive
7 returns.

8 Next slide. For the one-year return,
9 16.4 percent net. Obviously a very strong result.
10 The three-year period, up 4.4 percent, was
11 negatively impacted because we dropped the very
12 strong fiscal year 2021 from the performance
13 calculation, the three-year calculation. And
14 fiscal year 2021, if you remember, was up
15 30 percent. So we dropped that.

16 The three-year period also captured poor
17 returns during the COVID pandemic. In particular,
18 core fixed income and real estate, two asset
19 classes sensitive to rising interest rates, were
20 challenged during that period.

21 And the underperformance in both periods
22 is again due to something we've been discussing
23 for a while now. It's due to the private equity
24 benchmark mismatch in which we compare actual PE

1 performance to a seven-year smooth benchmark.
2 That seven-year smooth benchmark is a public
3 markets index return plus a 3 percent illiquidity
4 premium so it's a public markets index plus
5 3 percent. And this was up 15 percent in the one-
6 year period alone.

7 In all other time periods, you can see
8 five, 10 years, above benchmark. And most
9 importantly, above our actuarial rate of return
10 requirement.

11 And the last slide is the quilt chart.
12 And you can see global equities and value-added
13 fixed income led the way, up 30.6 percent and
14 13.4 percent, respectively. Hedge funds, very
15 strong contributor. Ethan's going to discuss that
16 later today, and you'll learn that hedge funds
17 alone were up 15 percent for the year.

18 And over the long term, you can see on
19 the right that private equity leads by a very
20 large margin still. And global equities and
21 timberland also strong and steady performers.

22 You can take those down now.

23 So we continue to monitor economic and
24 geopolitical conditions throughout the world.

1 Obviously this is a very uncertain time, but we
2 can take comfort in the fact that we have a
3 carefully constructed portfolio, which really has
4 demonstrated its ability to perform well in a lot
5 of different environments.

6 Thus far, the economic environment has
7 remained mostly positive. U.S. GDP expanded at an
8 annualized rate of 2.8 percent, a decent print,
9 even though it was slightly below the Q2 level.

10 Inflation in the U.S. continues to
11 moderate, and employment remains strong with a
12 U.S. unemployment rate remaining at 4.1 percent in
13 October. And that's unchanged from the three-
14 month low reported in September.

15 U.S. retail sales increased 0.4 percent
16 in October month to month, and that matched
17 September and was well above August numbers.

18 Elsewhere, industrial production fell.
19 It's still weak. It fell slightly in September
20 and October as the manufacturing sector pointed to
21 continued contraction.

22 The ISM manufacturing PMI unexpectedly
23 fell to 46.5 in October. And it improved a bit,
24 but still not above the 50 signal, which indicates

1 expansion. In November, it was 48.4. So still
2 signaling contraction in the manufacturing sector.

3 However, the confluence of these
4 indicators led the Federal Reserve to lower its
5 fund rate by 25 basis points in November. And of
6 course that follows the 50-basis-point cut in
7 September.

8 And importantly, Chair Powell indicated
9 that the Fed is not on any preset course and will
10 continue to make decisions on a meeting-by-meeting
11 basis after assessing incoming data.

12 Elsewhere around the world, the Eurozone
13 continues to be afflicted with very little
14 economic growth. Slightly higher unemployment and
15 lower inflation than here in the U.S. The ECB,
16 the central bank there, lowered interest rates
17 again in October.

18 In Japan, GDP growth resumed at a very
19 low level in Q2 and also in Q3 after falling in
20 Q1. The Bank of Japan left rates unchanged there.

21 And in China, GDP grew 4.6 percent in
22 Q3. That was in line with expectations, but the
23 slowest growth since 2023, the beginning of 2023.
24 The People's Bank of China cut lending rates there

1 to new lows in October, and they maintained that
2 level again in November. They are intensifying
3 efforts to support a weakening economy in China.

4 And as usual, a lot of moving pieces in
5 the investment and economic landscape right now.
6 At the Investment Committee meeting, Connie
7 Everson said that the markets are still in line
8 with the underlying fundamentals. And namely, she
9 pointed to the fact that there have been five
10 consecutive quarters now of standout, really
11 strong corporate earnings growth.

12 And she said, and I quote, "The stock
13 market has been in a bull market since 2022, and
14 the reasons of it are still true today," end
15 quote.

16 She noted that the market has been
17 broadening and that there is optimism for growth
18 beyond just the top Magnificent Seven stocks on
19 the S&P 500. In fact, there are double-digit
20 earnings expectations for corporate growth in the
21 remaining 493 companies as a group. 12.5 percent
22 growth and earnings expected for the remaining
23 companies in the group.

24 As for the consumer, which drives a

1 large part of our economy, some are expecting a
2 very strong growth in holiday spending, which will
3 be great. And we've heard reports of expectations
4 of double last year's pace. We'll see.

5 And last, Connie did point to a sharp
6 increase in construction spending. Much of that
7 is to build several multi-billion dollar
8 semiconductor fabrication plants, the first of
9 which, I believe it's TSMC in Arizona, should be
10 coming online very soon. Early indications are
11 positive.

12 With others to follow, those
13 semiconductor plants coming online could provide a
14 meaningful boost in the manufacturing sector, and
15 that boost may just provide the missing piece to
16 improve U.S. economic growth. We'll see. Stay
17 tuned.

18 But overall, a positive outlook. And of
19 course the markets continue to move higher as we
20 sit here today.

21 I'll stop there, Tony, Treasurer, and we
22 can take any questions you may have or move on to
23 other parts of the agenda.

24 TREASURER GOLDBERG: Are there questions

1 for Michael?

2 MR. BROUSSEAU: Yes, Madam Treasurer.

3 Could I have a few questions for Michael?

4 TREASURER GOLDBERG: Absolutely.

5 MR. BROUSSEAU: I mentioned earlier,
6 Michael, that you gave us an update on the
7 activities in China in terms of the markets being
8 weaker.

9 Reading in P&I, the last couple weeks, I
10 have noted that -- I don't know if there's a move
11 afoot in this country, but I believe it was the
12 governor of Texas, I think, who sent out an order,
13 I think, or a notice to all public pension systems
14 in the state of Texas to divest their holdings in
15 China. I believe it was to divest. And I know
16 probably we're not dealing with that here.

17 But could you address this China issue
18 in terms of is this a contagion that is spreading
19 throughout the country in terms of China,
20 number 1?

21 Number 2, could you tell us exactly what
22 are the extent of our holdings in China in terms
23 of our investments right now? If you have that
24 information.

1 MR. TROTSKY: Yes. I think Mike McElroy
2 will address the China holdings, primarily
3 expressed in our public markets, emerging markets
4 portfolio. So we can wait till his section, and
5 he'll address that head-on.

6 Of course, any move to have the PRIT
7 Fund divest needs to come from the legislature.

8 MR. BROUSSEAU: Yes.

9 MR. TROTSKY: And we have not heard of
10 any pending efforts to make that happen, at least
11 here in Massachusetts.

12 MR. BROUSSEAU: Does anybody know
13 whether or not the changes that are going to be
14 coming down from the federal government in terms
15 of many of these regulatory agencies at the
16 national level, the Congress of the United States
17 or actually rulings coming down from the SEC or
18 any others could mandate a divestment nationally
19 as they suggested we did with Russia two years
20 ago?

21 Because we don't know -- I know we're in
22 a gray area right now, but I'm concerned, some of
23 the things that I'm reading about and hearing.

24 MR. TROTSKY: Well, the only thing I

1 can -- I can't really predict what the new
2 administration will do.

3 But I can assure you, Bob, that we'll be
4 following this very, very closely. And of course
5 we will do whatever is required to do, if and when
6 the time comes.

7 MR. BROUSSEAU: Okay. Another question.
8 I know we have been in the forefront, I think, of
9 DEI, ESG, of course, with our Sustainability
10 Committee.

11 That's another area where it seems that
12 this seems to be spreading throughout the country.
13 I see it's going on in Oklahoma now in terms of
14 mandating that the state not have any investments
15 at all there. I know it's been in Texas, in
16 Florida, and it's spreading. Again, we'll wait,
17 see what the administration does.

18 Do you have any other information on ESG
19 investing that could impact us? Some rulings?
20 What is the direction that the country's going in?
21 Do you have any idea?

22 TREASURER GOLDBERG: Michael, would you
23 like me to hop in on this?

24 MR. TROTSKY: Sure.

1 TREASURER GOLDBERG: Because, you know,
2 Michael kind of keeps his nose to the grindstone.

3 And first of all, we don't specifically
4 do ESG investing. The Sustainability and
5 Stewardship Committee evaluates in a data-driven
6 quantitative way what kind of impacts we may see
7 from certain actions.

8 So ESG investing has sort of fallen out
9 of favor for many people. But it really is not --
10 the concept does not have an effect on our fund.
11 And there's nothing major that has occurred
12 specifically because of the upcoming change in the
13 administration.

14 Nationally, we've seen a backlash and a
15 wave against what is called ESG investing. And if
16 you jump backwards 10 years, Bob, you'll recall
17 that we once had a retreat to try to talk about
18 what is ESG investing and threw out out about 20
19 different definitions of it because it's
20 undefinable.

21 And so all of this noise going on in the
22 background, we stay the course. At PRIM, we focus
23 on what is best for our beneficiaries and what
24 will give us the best returns.

1 And I don't see anything, even in the
2 change of administration, that will truly impact
3 the way in which we look at these kind of issues
4 because ours is based on data along with
5 professionalism and common sense.

6 MR. TROTSKY: Thank you, Treasurer. I
7 think that answers it well.

8 MR. BROUSSEAU: Thank you. Thank you,
9 Treasurer.

10 I had one other question -- not a
11 question. Just a comment.

12 I know that on -- Dennis and I were both
13 in on this conference, and on the 22nd of
14 November, the MTRS held its annual forum review
15 for the constituents. And of course you did a
16 presentation. And again, I'll say your
17 presentation was very positively highly received.

18 But I had a question. There was a
19 question raised by one of the participants that
20 you addressed. And I think for our record, I
21 would like to have you address it, was that if
22 over the last 10 years, we had done a comparison
23 of having private equity investments compared to
24 the 60/40 spread of stocks and bonds, what would

1 the returns have been over that 10-year period in
2 terms of those two.

3 There are those who say that index funds
4 with the 60/40 spread would have outperformed many
5 of these asset classes, including private equity.

6 Could you address that issue, please?

7 MR. TROTSKY: While I don't have the
8 numbers at my fingertips, Bob, but obviously I
9 mentioned that for the one-year period, public
10 markets equities have been up more than
11 36 percent.

12 So for the near term, the one-year, the
13 60/40 mix of stocks and bonds was very hard for
14 any asset class to beat. The Magnificent Seven
15 made the one-year and even three-year comparison
16 very, very difficult in that environment.

17 However, longer term, I will remind you
18 that private equity is by far -- and that showed
19 up on the quilt chart -- by far, the strongest
20 performing asset class in our toolkit. And it's
21 proven that for five years, for 10 years and since
22 inception.

23 And I will get to you whether it
24 outperformed a 60/40 mix --

1 MR. BROUSSEAU: I think, Michael, that
2 you -- I think you sent us an email on it over a
3 week ago. And I thought the comparison was that
4 private equity over 10 years had a 16.7 percent
5 return versus if you'd gone with the 60/40 and the
6 investments, that it would be 6.2, if you looked
7 at the 10-year record comparing private equity to
8 what the 60/40 spread would have done over that 10-
9 year period.

10 And it seemed to me these figures really
11 hit me -- when I looked at them, I was amazed that
12 private equity over this 10-year period had about
13 a 16.7 percent return as opposed to a 6.2.

14 Am I --

15 MR. TROTSKY: You're probably on the
16 right order of magnitude. I want to go back and
17 research that before I confirm that. And we can
18 do that while other speakers are speaking, and
19 we'll pop back on and give you those numbers.

20 MR. BROUSSEAU: Okay. I'm all through.
21 I know Michael will address these issues on China.

22 Thank you.

23 TREASURER GOLDBERG: Does anyone else
24 have any questions?

1 Okay. Michael Trotsky, do you have
2 anything else you want to add?

3 MR. TROTSKY: I'm all set. I'm going to
4 go research those numbers right now.

5 TREASURER GOLDBERG: All right. So next
6 item on the agenda will be Michael. And we will
7 have later another Michael. However, this Michael
8 is going to discuss public markets, and you will
9 handle Bob's question.

10 MR. McELROY: Yes. Thank you,
11 Treasurer.

12 Bob, maybe before starting my comments,
13 just in terms of China -- and actually, some of
14 this is woven into my comments -- our managers
15 relative to our benchmarks are underweight China.
16 This has been the case probably for the last four
17 or five quarters. I would say that the
18 underweight is less. It's been shrinking, but
19 it's still underweight. They're also underweight
20 Taiwan.

21 In the third quarter, that underweight
22 to China hurt as China was very strong. But
23 they've expressed some caution. The reason we've
24 seen this underweight shrinking is the value

1 managers in the emerging market in particular see
2 quite a bit of value there right now in terms of
3 just the prices. So that's actually brought that
4 underweight less.

5 But as a whole, the PRIT Fund is
6 underweight China and Taiwan exposure.

7 MR. BROUSSEAU: Do you have any idea as
8 to what are the value of our holdings? How much
9 do we have invested in China in terms of dollars,
10 if that's possible?

11 MR. McELROY: I don't have the exact
12 number, but just as a reference, so it's about
13 25 percent of the emerging market's benchmark. We
14 have about 10 billion in emerging markets so about
15 2.5 billion of that.

16 Remember, global equity is about 40 percent of
17 the PRIT Fund. So it's about a billion dollars, I
18 think, of exposure to China equity. Not very
19 much in the fixed income area.

20 MR. BROUSSEAU: Okay.

21 MR. McELROY: So about 1 percent, I'd
22 say, of the overall PRIT Fund.

23 MR. BROUSSEAU: Okay. Thank you.

24 MR. McELROY: Great.

1 Well, good morning, everyone.

2 TREASURER GOLDBERG: Yes. I was going
3 to say now you can go ahead and do your --

4 MR. McELROY: Go ahead with the
5 comments? Okay. Great.

6 So I'm Michael McElroy, director of
7 public markets. I'll touch on the market
8 environment and the performance in the third
9 quarter and the one-year period ending
10 September 2024.

11 And before kicking off, I'd certainly
12 also like to express my congratulations to Andre
13 for the promotion, as well as my thanks to the
14 entire public markets team for all the work that
15 they do on this large portion of the PRIT Fund.
16 It's a lot of managers, a lot of portfolios, and
17 it's a lot of work. So certainly appreciate the
18 work of the entire team.

19 So in terms of markets, the equity
20 markets, as Michael Trotsky mentioned, continued
21 the upward march in the third quarter, strong
22 across regions, up about between 6 and 9 percent.
23 Depending on where you were, the emerging markets
24 were the strongest. The U.S. was actually the

1 weakest in the third quarter, but still very
2 positive absolute returns.

3 Within the U.S., market continues to be
4 dominated by these Magnificent Seven, these large
5 cap technology stocks, which year to date have
6 accounted for almost half the total return of the
7 S&P 500. So just seven stocks have delivered
8 about half that return; the other 493 the other
9 half. So it's very much a concentrated narrow
10 market in the U.S. currently.

11 We continue to observe historic
12 deviations in performance between the cap-weighted
13 indices (capitalization or size-weighted) versus just
14 equal-weighted indices, where every stock gets
15 kind of equal participation.

16 In terms of styles, value did outperform
17 growth everywhere except in the emerging markets
18 in the third quarter. And for the first time in
19 many quarters, the smaller stocks outperformed
20 larger stocks.

21 And for the one-year period, equity
22 returns were very strong, ranging between 25 and
23 35 percent. U.S. large cap, the strongest of a
24 very strong group of assets.

1 And we've noticed as equity markets have
2 trended upwards over the calendar year, we've been
3 closely monitoring our overall exposure to global
4 equities within the PRIT Fund. And on many
5 occasions, many months, we've had to trim back our
6 weight in order to stay within the proscribed
7 global equity range based on our asset allocation.

8 In terms of bonds, bond returns were
9 positive in the third quarter with both our core
10 fixed income and the credit-sensitive bonds rising
11 between 3 and a half and 6 percent. Rates
12 declined across the yield curve. Credit spreads
13 narrowed in the quarter. And I think, as noted,
14 since the end of the third quarter, rates have
15 come back up to kind of where they started at the
16 beginning of the third quarter, but credit
17 spreads have continued to remain tight since the
18 end of Q3.

19 For the one-year period, returns for
20 both our core fixed income and value-added fixed
21 income were in the 12 to 13 percent range, which
22 is certainly again very healthy returns for fixed
23 income instruments.

24 So in terms of relative performance,

1 equity results for the PRIT Fund in Q3 slightly
2 lagged our benchmarks, whereas our bond
3 investments performed near their benchmarks.
4 Global equity underperformance was impacted by our
5 emerging markets investments and that underweight
6 to China that I just mentioned; China was up
7 24 percent in the third quarter, whereas our
8 domestic and international equity managers
9 outperformed in the third quarter.

10 For the one-year period, global equity
11 slightly lagged our benchmark. Domestic manager
12 allocations impacted performance. Michael Trotsky
13 mentioned that Magnificent Seven. We have a
14 slight underweight to those stocks because of
15 allocations we make to smaller cap and microcap
16 managers, as did our international manager
17 performance, particularly value-oriented managers,
18 over the one-year period.

19 For the bond investments in the one-year
20 period, core fixed income slightly lagged its
21 benchmark. Value-added was ahead, and within
22 value-added fixed income, emerging debt managers
23 and our credit-oriented managers performed very
24 well.

1 So managers continue to report that
2 companies are delivering good fundamental results.
3 In some cases, these market concentrations and
4 kind of risk-seeking behaviors, investing in lower
5 quality stocks in some sectors, will tend to
6 obscure this good fundamental performance that's
7 being reported by companies.

8 The macro conditions, at least at the
9 surface, seem fairly benign. The consumer
10 continues to remain strong. Labor markets remain
11 robust, and inflation remains well-behaved. And
12 so it seems like things are actually in pretty
13 good condition from a macroeconomic perspective.

14 Stock and bond volatilities have
15 oscillated quite dramatically over the past year,
16 but in both cases is now below where it was a year
17 ago. So a lot of oscillations, but the general
18 kind of trend has been downward.

19 And I think as I mentioned last quarter,
20 the potential risk catalysts, whether they're high
21 valuations in some markets, slowing consumer
22 behavior, unemployment potentially ticking upward,
23 and additional rising political or geopolitical
24 tensions, means that risk management is a top

1 priority for our managers and for staff here.

2 We don't attempt to call the timing or
3 the impact of these catalysts, but we just want to
4 ensure that the positioning in the portfolio gives
5 us a high likelihood of being able to perform in
6 line or slightly better than benchmarks with
7 whatever volatility the market provides.

8 So in closing, the public markets
9 portfolio delivered strong absolute but mixed
10 relative results over the last quarter and one-
11 year periods. Equities lagged slightly. Fixed
12 income delivered positive value-added.

13 Given the market environment we've been
14 in, we're encouraged that these results are within
15 our range of expectations for a portfolio with a
16 low tracking risk relative to the global markets.
17 Domestic equities are extremely narrow and
18 concentrated, yet fixed income offers very
19 attractive risk-adjusted yields and opportunities.

20 The public markets portfolio remains
21 well-diversified across geographies, styles,
22 sectors and demonstrates this diversification
23 during market stress periods. The aggregate risk
24 of the overall equity and fixed income portfolios

1 remains low, and our managers continue to deliver
2 long-term benchmark relative value-added.

3 So with that, I'm happy to take any
4 questions that arose from these comments or other
5 questions.

6 TREASURER GOLDBERG: Are there
7 additional questions for Michael?

8 MR. NAUGHTON: I do have a question,
9 Madam Treasurer. Thank you.

10 Good morning, Michael.

11 And probably because I'm retired and
12 have so much time on my hands, I get a billion
13 listserv blasts every --

14 TREASURER GOLDBERG: I can find things
15 for you to do, Dennis. Believe me.

16 MR. NAUGHTON: Oh, I forgot you were
17 here, Treasurer. Let me back off. I think I was
18 hallucinating. That's not the truth.

19 But I am aware that there's a very
20 active committee in the House that calls itself
21 the Select Committee on the Chinese Communist
22 Party. And they --

23 TREASURER GOLDBERG: In what house --

24 MR. NAUGHTON: Just yesterday --

1 TREASURER GOLDBERG: No, no, no.

2 Dennis, what house?

3 MR. NAUGHTON: Oh, the Federal House.

4 TREASURER GOLDBERG: Oh, okay. I was
5 like the State House? I was like what?

6 MR. NAUGHTON: No. They have enough
7 issues, Madam Treasurer, right now of a budgetary
8 nature.

9 But I just wanted to mention yesterday,
10 the House overwhelmingly actually passed a bill
11 that is called the Protecting American Industry
12 from International Trade Crimes Act.

13 And they, in describing the bill when it
14 was introduced, very clearly and blatantly accused
15 China of committing crimes that violate U.S. trade
16 laws, evading -- stuff to do with all kinds of
17 things that are forbidden by U.S. law.

18 And what the bill has done essentially
19 is it has created a framework that would include
20 establishing a new task force, like the DOJ's
21 criminal division that has existed for years, to
22 investigate and prosecute trade crimes. Enhances
23 responses and creates training and assistance to
24 other federal, state and local agencies to address

1 these issues. And on and on.

2 So my point here is whether this passes
3 the senate or not, China doesn't wait for that.

4 They react to this kind of activity with pushback.

5 So I'm just throwing that out there, and
6 wonder to what degree we should be concerned about
7 our \$1 billion and any future investments. This
8 isn't something that -- I don't think that's going
9 to go away anytime soon, at least over the next
10 few years.

11 MR. McELROY: So let me try and unpack
12 some of that. I mean there's a lot in that.

13 Obviously if there were ever exclusions,
14 like stock-level exclusions, company-level
15 exclusions, we would operate within that, if that
16 were to be one of the byproducts of this.

17 In the current state of if this were the
18 case and is the case that there is this kind of
19 trade crimes, et cetera, we leave that to our
20 managers to determine -- and they all have their
21 own kind of ESG frameworks around how they
22 evaluate how companies are governed, as well as
23 kind of social aspects as part of the risk that
24 they're taking on.

1 I mentioned to Bob's question earlier
2 where our managers in aggregate are underweight,
3 so I think they have concerns that these Chinese
4 stocks are not going to perform as well as
5 emerging markets companies in other markets. But
6 nonetheless, it still is a large portion of this
7 portfolio.

8 So it's a topic of conversation with all
9 of our managers each quarter when we talk to our
10 emerging markets managers about China, both how
11 their positioning is changing, what opportunities
12 are they seeing, what are they getting out of.

13 But ultimately, it's in their court
14 unless we tell them either don't invest in China
15 or don't invest in certain names because of
16 concerns, which I think was mentioned earlier
17 would be more of a legislatively mandated
18 decision, not something that we would take
19 internally.

20 So I don't know if I answered your
21 question or --

22 MR. NAUGHTON: Well, my question was so
23 broad that I think you've done as good a job as
24 can be done, and I thank you for it, Michael.

1 It's just generally kind of further
2 raising our awareness of the flux that's going on
3 here and of course the tensions that are going on.
4 Michael mentioned earlier how we monitor those
5 political ramifications anyway, but -- I don't
6 know. It's --

7 MR. McELROY: Maybe one other point I
8 could make, and I think I said this a couple
9 quarters ago, so when we talk with our managers
10 about China, and we've thought internally also,
11 would there be a potential for making like China-
12 only allocation versus having it be part of an
13 overall emerging markets? And then ask our
14 managers to invest ex-China, for instance, and
15 then have a China allocation.

16 The challenge with that is to determine
17 what weight would we want to hold in China without
18 being legislatively mandated not to hold China.
19 We'd have to make some determination around that
20 25 percent benchmark weight. Do we think it
21 should be 25? Should it be 20? Should it be
22 zero?

23 Whereas, right now, our managers are
24 making that determination that it's about 22 or

1 so, so they feel the underweight is warranted.
2 But without it being actually taken out of our
3 universe, the problem doesn't get solved by just
4 kind of separating it into its own investment
5 pool.

6 And we think that managers are able to
7 exploit opportunities that they see within China,
8 but to kind of generally stay underweight that
9 because they see better opportunities in either
10 Latin America or other Asian markets.

11 MR. NAUGHTON: It's a tough one because
12 there are always those undercurrents running. And
13 with the political changes in our country and
14 their reactions to it, you'd almost need a crystal
15 ball to really steer a sure course.

16 Well, thank you. I think your answer is
17 fine as far as anybody's able to answer for it
18 this morning, Michael. And thank you.

19 MR. McELROY: And we'll certainly
20 continue to keep the board and committees updated
21 on this because it certainly I think will become
22 more topical in the next few quarters in terms of
23 the response that China has if tariffs and other
24 things are put into place in terms of relative

1 attractiveness or investability, that sort of
2 thing. So I'm sure we'll keep talking about this.

3 MR. NAUGHTON: I agree that it does
4 deserve, I think, some special attention,
5 especially right now.

6 TREASURER GOLDBERG: Thank you, Dennis.
7 Any other questions for Michael?

8 Okay.

9 MR. TROTSKY: Treasurer, I do have an
10 answer to Bob's question.

11 TREASURER GOLDBERG: Okay. Thank you,
12 Michael.

13 MR. TROTSKY: Bob, while that was going
14 on, I did a back-of-the-envelope calculation using
15 our daily market summary ending September 30 for
16 the index returns. And I calculated the 10-year
17 index, 60/40 index, that you mentioned.

18 So you are correct. For the 10-year
19 period, private equity was up 16.7 percent,
20 16.7 percent net of all fees. And a global mix,
21 60/40 mix, of stocks and bonds returned
22 6.2 percent for the same time period, 10 years.

23 So our private equity program is nearly
24 three times the return of a 60/40 mix of global

1 stocks and bonds.

2 Now, even if you were to take a more
3 narrow definition of what a 60/40 mix of stocks
4 and bonds is, using only the S&P 500, it would
5 still compare favorably. It would be 16.7 percent
6 versus 8.7 percent, S&P 500 60 percent and
7 diversified bonds 40 percent.

8 So in each case, it either outperforms
9 by either two or three times a 60/40 mix. And we
10 prefer using a wider opportunity set as
11 indicative, a global set of stocks and bonds.

12 So in either case, our private equity
13 returns are very, very strong, well above a 60/40
14 mix.

15 MR. BROUSSEAU: Thank you, Michael. I
16 recall that that basically I think was the answer
17 that you had provided for us in an email a couple
18 weeks ago to answer that question that came at the
19 forum on the 22nd of November. Thank you.

20 MR. TROTSKY: Yes. You have a better
21 memory than me. That's great. Thank you.

22 TREASURER GOLDBERG: Thank you, Michael.

23 Okay. So Michael 1 has addressed the
24 question, and Michael 2 has finished public

1 markets. And so next we have portfolio completion
2 strategies, both the performance and then a voting
3 item.

4 MR. FALZONE: There is a voting item
5 under public markets, I think.

6 TREASURER GOLDBERG: Oh, wait a minute.
7 Other credit opportunities. I'm sorry. Thank
8 you. This is why you're here.

9 I got a little -- we had a lot of
10 conversation here.

11 Now, who is going to present on the
12 other credit opportunities?

13 MR. FALZONE: Christina.

14 MS. MARCARELLI: I will be.

15 TREASURER GOLDBERG: Okay. Thank you.

16 So let me find my motions. Here we go.
17 All right.

18 I'm going to do a motion and a second,
19 and then we can go ahead. That will be the motion
20 for Berkshire Multifamily.

21 So I would seek a motion that the PRIM
22 Board approve the Investment Committee's
23 recommendation to approve a commitment of up to
24 \$150 million to Berkshire Multifamily Credit

1 Fund IV, LP as described in the expanded agenda,
2 and further to authorize the executive director to
3 take all actions necessary to effectuate this
4 vote.

5 Is there a motion?

6 Anybody?

7 MR. BROUSSEAU: So moved.

8 TREASURER GOLDBERG: Is there a second?

9 MR. SHANLEY: Second.

10 MS. FITCH: Second.

11 TREASURER GOLDBERG: Okay. Go ahead,

12 Christina.

13 MS. MARCARELLI: Thank you.

14 Good morning, everyone. I'm Christina
15 Marcarelli, senior investment officer on the real
16 estate and timberland team, and director of real
17 estate debt.

18 We're recommending a follow-on
19 commitment of up to \$150 million to the Berkshire
20 Multifamily Credit Fund IV. This is Berkshire's
21 third fund of similar strategy. PRIM invested in
22 both predecessor funds starting in 2018, and both
23 are tracking according to expectations. This will
24 be held in the other credit opportunities

1 allocation.

2 As with the predecessor vehicles,
3 CreditFund IV will continue to focus on acquiring
4 B-piece securities of Freddie Mac loan pools known
5 as
6 K series securitizations. As we've discussed in
7 the past with you, Freddie Mac's mission is to
8 provide affordable financing to the housing
9 sector, both in single-family and multifamily
10 properties.

11 This strategy allows us to access
12 investments that support middle income workforce
13 multifamily housing, while achieving the return
14 targets of our OCO allocation, with limited risk
15 of loss based on Freddie Mac's consistent
16 underwriting standards.

17 As a reminder, Berkshire is a Boston-
18 based vertically integrated owner and operator of
19 multifamily assets with a large national
20 presence. They have extensive experience in both
21 debt and equity multifamily investments.

22 The B-piece's bonds represent the first-
23 loss position of the debt capital stack. Despite
24 being in the first-loss position, we feel we're
getting paid for this risk because of the
historically low

1 Freddie Mac default and loss rates that they have
2 experienced since the mid-1990s when they began
3 making multifamily loans.

4 Also the average loan-to-value ratios of
5 the underlying loans is 60 to 65 percent, creating
6 significant equity cushion ahead of the debt.
7 And Berkshire is one of the top buyers of B-piece's
8 bonds because of their long-term relationship with
9 Freddie Mac on both the debt and equity sides of
10 their business.

11 And lastly, we also like the underlying
12 collateral. All of the loans in these pools are
13 backed by stabilized multifamily assets,
14 predominantly suburban workforce housing, which
15 has held up well and remains defensive.

16 So with that, I'll open it up for any
17 questions.

18 TREASURER GOLDBERG: Questions for
19 Christina? Anyone?

20 Okay. As always, this was already
21 vetted, and this is a recommendation. So I will
22 proceed with the vote.

23 Bob?

24 MR. BROUSSEAU: Yes.

1 TREASURER GOLDBERG: Catherine?
2 MS. D'AMATO: Yes.
3 TREASURER GOLDBERG: Ruth Ellen?
4 MS. FITCH: Yes.
5 TREASURER GOLDBERG: Dennis?
6 MR. NAUGHTON: Yes.
7 TREASURER GOLDBERG: Paul?
8 MR. SHANLEY: Yes.
9 TREASURER GOLDBERG: Myself, yes.
10 The motion carries.
11 Thank you.
12 MS. MARCARELLI: Thank you.
13 TREASURER GOLDBERG: Next item will be
14 the portfolio completion strategies, and we do
15 also have a voting item in this.
16 MS. FITCH: Yes. Two.
17 TREASURER GOLDBERG: No. No. One.
18 MS. FITCH: Oh.
19 TREASURER GOLDBERG: Under portfolio
20 completion strategies.
21 MS. FITCH: Got it.
22 TREASURER GOLDBERG: Who will be making
23 the presentation?
24 MR. FALZONE: Ethan Spencer will be

1 presenting.

2 TREASURER GOLDBERG: Okay.

3 MR. SPENCER: Great. Thank you, Madam
4 Treasurer.

5 Again, I'm Ethan Spencer, senior
6 investment officer on the PCS team. And happy to
7 report, as Michael had mentioned earlier, that we
8 had another strong quarter with almost all hedge
9 fund mandates up. But while we were pleased with
10 this result, given a relatively narrow dispersion
11 of quarterly returns, we did spend some time
12 digging deeper into the specific holdings within
13 each mandate to better understand some of the
14 underlying return drivers at work.

15 And I think the first big-picture
16 takeaway is that it was a handful of directional
17 equity-oriented hedge funds that led the pack, not
18 surprisingly, rebounding from their prior somewhat
19 bland performance, as some of the stock picks have
20 finally gained recognition by the market.

21 But notably, and perhaps more
22 surprisingly, is that none of these funds rode the
23 Magnificent Seven wave, suggesting that they're
24 still diversifiers against this big tech backdrop.

1 And while we did make money in tech,
2 other big winners included companies within the
3 financials, real estate, healthcare and consumer
4 sectors.

5 Outside of equities, other significant
6 contributors included a structured credit mandate,
7 an emerging market credit mandate and an Asian
8 macro mandate, two of which are stable value
9 funds; in other words, fairly low beta strategies.

10 And upon analyzing the various return
11 drivers across both the directional and stable
12 value portfolios, we came away more reassured
13 about the strong quarter in that it's not just the
14 quantity but the quality of returns we're seeing
15 were pretty high and driven by idiosyncratic
16 investments and trades, which has enabled this
17 portfolio to perform well across a wide variety of
18 market environments and macro scenarios.

19 And for some specific figures, as was
20 mentioned previously, the PCS portfolio returned
21 3.6 percent net in the quarter and 12.9 percent
22 net for the trailing one-year, while the hedge
23 fund portfolio, which is a majority of PCS,
24 returned 15 percent net over the past year,

1 outperforming its benchmark by 420 basis points.

2 And lastly, but I think importantly, I
3 would note that these strong absolute returns were
4 accomplished while the risk-adjusted metrics
5 stayed pretty healthy, with hedge funds providing
6 one of the best risk-adjusted returns of any asset
7 class over the past few years.

8 And I would note as the question on the
9 60/40 came up, that the hedge fund book has
10 returned -- the return-to-risk ratio in the past
11 few years has been a 1.6X, and that's relative to
12 a 0.4X for the standard 60/40 portfolio. And this
13 is with an overall equity beta of 0.2 and a bond
14 beta of 0.3, which are both quite low as well.

15 So again, pleased with it from both an
16 absolute and relative return and as well as a risk-
17 adjusted basis.

18 And so with that, happy to take any
19 questions.

20 TREASURER GOLDBERG: Are there any
21 questions at all for Ethan?

22 Doesn't sound that way, Ethan.

23 Who will be presenting the voting item?

24 MR. SPENCER: Joy Seth will. And

1 hopefully he's getting promoted.

2 MR. SETH: I'm online. Thank you,
3 Ethan.

4 TREASURER GOLDBERG: All right. Before
5 you proceed, Joy, I'm going to seek the motion and
6 the second. Okay?

7 So I seek a motion that the PRIM Board
8 approve the Investment Committee's recommendation
9 to approve an additional investment of up to
10 \$50 million to Trium Khartes in the emerging
11 manager direct hedge fund-managed account as
12 described in the expanded agenda, and further to
13 authorize the executive director to take all
14 actions necessary to effectuate this vote.

15 Is there a motion?

16 MR. SHANLEY: So moved.

17 MR. BROUSSEAU: So moved.

18 TREASURER GOLDBERG: Is there a second?

19 MS. D'AMATO: Second.

20 TREASURER GOLDBERG: Thank you.

21 Go ahead, Joy.

22 MR. SETH: Thank you, Madam Treasurer.

23 Good morning, everyone. I'm Joy Seth,

24 senior investment officer on the portfolio

1 completion strategies team.

2 Today we are recommending a follow-on
3 investment of up to \$50 million to Trium Khartes
4 in the emerging manager direct hedge fund managed
5 account.

6 PRIM has been investing with Trium
7 Khartes through the emerging manager direct hedge
8 fund program since 2023. As a quick background,
9 this program serves as a sourcing channel for
10 identifying emerging hedge fund talent that offers
11 differentiated and additive returns.

12 Through the sourcing channel, the
13 program is collectively managing less than
14 500 million for PRIM right now. Please note that
15 Trium Khartes is the second emerging manager we
16 have brought to the board for additional capital
17 deployment beyond the 50 million, per the program
18 guidelines.

19 Trium Khartes employs a bottom-up global
20 event-driven strategy focused primarily on merger
21 arbitrage with a tactical allocation to other
22 equity opportunities. The strategy focuses on
23 delivering uncorrelated returns by trading equity
24 deal risk and hard catalyst corporate events

1 across the globe.

2 The manager differentiates itself from
3 its peers by focusing on under-covered and less
4 crowded situations, namely, the small and mid-cap
5 deals, the complex situations which are less
6 covered by traditional M&A funds and where deals
7 are mostly mispriced, and lastly, international
8 deals with strong legal and regulatory frameworks.

9 The strategy is run and managed by a
10 highly seasoned PM and a diverse team, which has a
11 keen focus on deal selection for a higher deal
12 completion rate. The gross and net exposures are
13 dynamically managed, driven by bottom-up analysis.

14 The manager remains cognizant of the
15 various risks associated with the M&A space such
16 as regulatory and geopolitics and has been
17 prudent in adjusting the exposures as needed.

18 Overall, we find the manager to be
19 tremendously diligent in sourcing deals,
20 intellectually curious and honest. And we believe
21 this partnership will continue to offer a good
22 alignment of interest.

23 And with that, I would welcome any
24 questions.

1 TREASURER GOLDBERG: Questions for Joy?
2 Anyone?
3 Okay. Thank you, Joy.
4 I will proceed with the vote.
5 MR. SETH: Thank you.
6 TREASURER GOLDBERG: Bob?
7 MR. BROUSSEAU: Yes.
8 TREASURER GOLDBERG: Catherine?
9 MS. D'AMATO: Yes.
10 TREASURER GOLDBERG: Ruth Ellen?
11 MS. FITCH: Yes.
12 TREASURER GOLDBERG: Dennis?
13 MR. NAUGHTON: Yes.
14 TREASURER GOLDBERG: Paul?
15 MR. SHANLEY: Yes.
16 TREASURER GOLDBERG: Myself, yes.
17 The motion carries.
18 All right. Next item on the agenda is
19 private equity.
20 Michael number 3. It's our third
21 Michael of the day. You're going to do the
22 performance.
23 And who will be doing the new investment
24 recommendation?

1 MR. MCGIRR: It will be myself for
2 performance update and a brief market update. And
3 then we're going to move into the voting items.

4 And one thing to note. We do have three
5 Michaels. That gets talked about a lot. We also
6 have three Lis. So they fly under the radar a
7 little bit more than the Michaels, but did want to
8 point that out for everybody.

9 TREASURER GOLDBERG: So if you want to
10 ever work at MassPRIM, a competitive advantage
11 would be to either have the name Michael or Li?
12 Is that what you're saying?

13 MR. MCGIRR: Or maybe we're
14 overallocated. Not sure.

15 TREASURER GOLDBERG: We need diversity.
16 Okay. Those are such inside jokes.
17 It's really funny.

18 All right. So you go ahead. And then
19 who will be doing the investment -- I'll have you
20 turn it over when you're done.

21 MR. MCGIRR: Absolutely. Yes. I'll be
22 brief on the performance because it is quite
23 lagged. We're talking about our September 30.
24 With the quarter lag, that's the April through

1 June time period, so now in December, a little bit
2 stale.

3 But as Michael mentioned, private equity
4 continues its rebound. Global M&A is up
5 30 percent through the first nine months of '24
6 versus '23. That's a good indicator. Buyout
7 volumes are also following suit, up 24 percent,
8 which is great.

9 Private equity for the quarter was up
10 1.5 percent. That was driven by buyouts, whereas
11 the growth in venture portfolio were roughly flat
12 for the quarter.

13 For the one-year, the entire private
14 equity portfolio is up 7 percent. Again, buyouts
15 led the way with small buyouts leading large,
16 growth equity posting positive performance, and
17 venture for that trailing one-year return having a
18 negative performance.

19 Cash flows through Q3, distributions
20 increased to 536 million, which outpaced
21 contributions, resulting in a cash inflow for the
22 quarter. And as a reminder, we remain cash flow
23 positive for the calendar year.

24 So with the positive performance, our

1 assets did grow to 18 billion. Private equity
2 assets were 16 percent of PRIT. 18 billion is the
3 new high watermark, just like the PRIT Fund.

4 In the consent agenda, we did -- thank
5 you for your approval for the RFP. We plan to
6 issue an RFP for advisory services in private
7 equity in calendar year '25.

8 And we do have two voting items, but
9 before handing it off to my colleagues, Helen
10 Huang, who will present Turn/River, and Eliza
11 Haynes, who will present Nordic and GTCR, I'll
12 have a quick pause to take any questions on
13 performance of the portfolio in general.

14 MR. BROUSSEAU: Madam Treasurer, just
15 one question for Michael.

16 Again, I go back to I read as much of
17 the literature as I can on this. It seems that
18 private equity is having quite a rebound in terms
19 of competition, in terms of investment. I'm
20 reading where I think it's -- one of the large
21 California funds, it's either CalSTRS or CalPERS,
22 are now talking about increasing their commitments
23 to private equity. And I've read several other
24 large pension funds in the country are also doing

1 the same.

2 Are you finding an uptick in terms of a
3 competitive nature in terms of investing money in
4 private equity? And which areas of private equity
5 are really hot right now?

6 MR. MCGIRR: Yes. Thanks, Bob.

7 Yes. I'd say in general over the last
8 10 years, 20 years certainly, the entire private
9 equity market has gotten more competitive.
10 There's more private equity firms, and there's
11 more investors looking to invest in private
12 equity.

13 And it's not just institutions anymore.
14 There's also a big push to sort of further
15 democratize access to this asset class, with
16 groups like Fidelity and others offering sort of
17 high net worth individuals access to different
18 products. So the asset class has grown
19 considerably.

20 And I'd say with our focus, I'm really
21 proud of the team being able to gain access to
22 what we think is really attractive opportunities
23 for our pensioners. I think we're going to talk
24 about three of those opportunities right now, one

1 of which is a new manager for us.

2 And the other thing I would note is co-
3 investing. Co-investing has gained in popularity,
4 and it is incredibly important for PRIM to be able
5 to present ourselves as long-term steady partners
6 alongside our managers in order to access these
7 attractive opportunities.

8 MR. BROUSSEAU: Thank you.

9 TREASURER GOLDBERG: Any other questions
10 for Michael?

11 MR. NAUGHTON: Just a quick one, Madam
12 Treasurer.

13 Good morning, Michael.

14 How much private equity investment do we
15 have in the market of China?

16 MR. MCGIRR: It's very low, Dennis. The
17 vast majority of our portfolio is in North America
18 and in western Europe developed markets. We have
19 small venture capital positions, small in terms of
20 total dollars for PRIT. And that's our main
21 exposure.

22 If you look at the global venture
23 capital market, and these statistics might not be
24 perfectly accurate, but the two biggest markets

1 for venture capital are China and the U.S. And
2 total dollars -- don't hold me to this, but it's
3 roughly like 50 percent of activity is in the
4 U.S., 50 percent of the activity is in China.

5 So from that perspective, we're very
6 underallocated China.

7 MR. NAUGHTON: Thank you.

8 TREASURER GOLDBERG: And are there any
9 further questions?

10 Okay then. Michael, who will be
11 presenting -- well, I will read the vote first.

12 I seek a motion that the PRIM Board
13 approve the Investment Committee's recommendation
14 to approve a commitment of up to \$75 million to
15 Turn/River Capital VI, LP, and add Turn/River
16 Capital to the board-approved bench of co-
17 investment managers as described in the expanded
18 agenda, and further to authorize the executive
19 director to take all actions necessary to
20 effectuate this vote.

21 Now, who is going to present on that?

22 MR. MCGIRR: Helen Huang.

23 MS. HUANG: That would be me.

24 TREASURER GOLDBERG: Hi, Helen. Okay.

1 Thank you.

2 MS. HUANG: Great. Can everybody hear
3 me okay?

4 MS. FITCH: Yes.

5 TREASURER GOLDBERG: Yes, we can.

6 MS. HUANG: Thank you, Madam Treasurer.
7 And hello, everyone.

8 This is Helen Huang, senior investment
9 officer on the PE team. I'd like to provide some
10 color on Turn/River as a new manager
11 recommendation, starting with the sourcing story.

12 The intro to Turn/River came from one of
13 PRIM's private equity managers, as we frequently
14 ask our most trusted GP partners who else is
15 really talented and doing interesting things in
16 your networks?

17 Since the initial dialogue, we spent the
18 last several years getting to know Turn/River's
19 key partners and portfolios, while differentiating
20 PRIM as a thoughtful partner.

21 The San Francisco-based software buyout
22 manager was founded in 2011 on the belief that
23 there is significant white space for tech firms
24 that are too capital-efficient for VC, yet too

1 small for the large PE firms and oftentimes too
2 messy for the strategics.

3 Turn/River believes with a purpose-built
4 and operations-led investment strategy, they can
5 unlock revenue growth potential of these
6 businesses, while making them more efficient,
7 leading to strong investment returns.

8 We have observed strong evidence of
9 outperformance resulted from Turn/River's ability
10 to meaningfully accelerate companies' organic
11 revenue growth over the last five funds. The risk-
12 adjusted realized returns have been really
13 impressive.

14 Through our diligence, we believe track
15 record attributes to the large and the high-
16 performing operations team that's seamlessly
17 integrated in the diligence, deal origination and
18 portfolio management, side by side with the
19 investment team.

20 The owner-operator DNA has made them
21 effective in taking companies that are a little
22 bit like rocks with strong fundamentals, but a
23 little rough on the edges, and polish them into
24 gems.

1 In summary, we believe Turn/River has
2 demonstrated differentiated source of value
3 creation than cost engineering approach that we
4 often see in large buyouts. Their competitive
5 edge is strong and defensive.

6 This will be a new manager for the PE
7 portfolio, and we seek a commitment of up to
8 75 million to Fund VI.

9 And with that, I'm happy to take
10 questions or comments.

11 TREASURER GOLDBERG: Well, I just have
12 to say that I love the rocks being polished
13 analogy.

14 MS. FITCH: Yes.

15 TREASURER GOLDBERG: And that one is up
16 there with the mixing -- do you remember, Michael
17 Trotsky, the soup mix? The soup mix analogy?

18 And we've had a few -- oh, and the
19 quilt. So polishing the rock --

20 MR. TROTSKY: How about the bucket? How
21 about the bucket with a hole in it?

22 TREASURER GOLDBERG: The bucket is an
23 old one. I've already taken that from you, and
24 PRIM doesn't own it anymore. I own it now.

1 Filling the bucket faster than the water
2 leaks out the bottom. It's been around 10 years.
3 That's mine. I use it now.

4 MS. HUANG: Thank you.

5 TREASURER GOLDBERG: But patchwork and
6 the soup mix. And I know who originally thought
7 up the soup mix -- that was you, Michael -- but
8 somebody else used to use it all the time, if you
9 recall.

10 Now, without getting too much off of the
11 topic, are there questions about this particular
12 investment for Helen?

13 MR. BROUSSEAU: Madam Chair, was there a
14 motion made and seconded? I don't recall hearing
15 it.

16 TREASURER GOLDBERG: Yes, there was.

17 MS. FITCH: There was.

18 TREASURER GOLDBERG: Yes, there was.

19 MR. BROUSSEAU: Okay.

20 TREASURER GOLDBERG: You're welcome.

21 So any questions?

22 Hearing none, I will proceed with the
23 vote.

24 Bob?

1 MR. BROUSSEAU: Yes.

2 TREASURER GOLDBERG: Catherine?

3 MS. D'AMATO: Yes.

4 TREASURER GOLDBERG: Ruth Ellen?

5 MS. FITCH: Yes.

6 TREASURER GOLDBERG: Dennis?

7 MR. NAUGHTON: Yes.

8 TREASURER GOLDBERG: Paul?

9 MR. SHANLEY: Yes.

10 TREASURER GOLDBERG: And myself, yes.

11 The motion carries.

12 Okay then. The next item is also a
13 voting item, and those are follow-on investment
14 recommendations for Nordic Capital and GTCR
15 Strategic Growth.

16 Eliza, are you doing this?

17 MS. HAYNES: Yes.

18 TREASURER GOLDBERG: Okay. Good.

19 I'm going to seek a motion first. These
20 are grouped together so they are in one vote.

21 I seek a motion that the PRIM Board
22 approve the Investment Committee's recommendation
23 to approve the following follow-on commitments:
24 up to 100 million euro to Nordic Capital Evolution

1 II SCSp, and up to \$150 million to GTCR Strategic
2 Growth Fund II, LP, as described in the expanded
3 agenda, and further to authorize the executive
4 director to take all actions necessary to
5 effectuate this vote.

6 Is there a motion?

7 MR. SHANLEY: So moved.

8 TREASURER GOLDBERG: Is there a second?

9 MR. BROUSSEAU: Second.

10 TREASURER GOLDBERG: Thank you.

11 Okay, Eliza. Go ahead.

12 MS. HAYNES: Thank you, everyone, and
13 good morning. My name is Eliza Haynes, and I'm an
14 investment officer on the private equity team.

15 Today we have two follow-on investment
16 recommendations, and there are actually a lot of
17 similarities between these funds. GTCR Strategic
18 Growth Fund II and Nordic Evolution II are both
19 product extensions of two longstanding managers in
20 PRIM's portfolio. These products were raised in
21 2021 to capture opportunities that are too small
22 for their most recent flagship funds by applying
23 the same proven strategies.

24 A few reasons why we're interested in

1 these platforms is because both firms have large
2 well-resourced teams, strong operational
3 infrastructures and deep experience driving value
4 for small companies.

5 GTCR Strategic Growth is led by two
6 experienced professionals who have spent the
7 majority of their careers at the firm. Strategic
8 Growth Fund II will continue to partner with
9 exceptional management teams and execute buy-and-
10 build strategies in fragmented industries.

11 We're recommending up to \$150 million to
12 Strategic Growth Fund II.

13 Nordic Evolution is also led by two
14 longstanding senior members at Nordic Capital.
15 Evolution II will target growth-oriented
16 businesses in northern Europe and apply the same
17 sector-focused operational playbooks that have
18 been refined throughout their long history.

19 We're recommending up to a hundred
20 million euros to Nordic Evolution II, and we're
21 happy to answer any questions on either of these
22 funds.

23 TREASURER GOLDBERG: Thank you.

24 Any questions for Eliza?

1 MR. BROUSSEAU: Fast question. How many
2 years have we been involved with Nordic -- with
3 both of these firms?

4 MS. HAYNES: It's a great question.

5 The answer is decades. So GTCR's
6 relationship with PRIM dates back to the '80s.
7 And Nordic Capital's relationship dates back to
8 the early 2000s. So very long time.

9 MR. BROUSSEAU: They have been strong
10 producers.

11 MS. HAYNES: Yes.

12 MR. BROUSSEAU: I recall.

13 Thank you.

14 TREASURER GOLDBERG: Any other
15 questions?

16 Hearing none, I'll proceed with the
17 vote.

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: Dennis?

1 MR. NAUGHTON: Yes.

2 TREASURER GOLDBERG: Paul?

3 MR. SHANLEY: Yes.

4 TREASURER GOLDBERG: Myself, yes.

5 The motion carries.

6 Thank you, Eliza.

7 And the next item on the agenda is real
8 estate and timberland. Tim, are you there?

9 MR. FALZONE: He's being promoted right
10 now. There he is.

11 TREASURER GOLDBERG: Okay. I was going
12 to say I didn't see him. That's why I asked.

13 Hello, Tim.

14 MR. FALZONE: There he is.

15 MR. SCHLITZER: Sorry about that.

16 Good morning, everyone. Good to see
17 you.

18 TREASURER GOLDBERG: Good to see you
19 too, Tim. So you're going to do performance, and
20 we have one voting item and -- no. Two voting
21 items.

22 MR. SCHLITZER: I think just one voting
23 item.

24 TREASURER GOLDBERG: Not what I have. I

1 have --

2 MR. FALZONE: Policies under --

3 TREASURER GOLDBERG: Sorry. That is

4 after you. Okay. Very good. All right then.

5 Sorry about that, Tim. Take it away.

6 MR. SCHLITZER: No worries.

7 So let me just start with a brief update

8 on the portfolio. I'm not going to speak to any

9 materials specifically.

10 So just starting with real estate, we

11 finished the quarter at 9.1 percent of the PRIT

12 Fund, just below our allocation midpoint of

13 10 percent and down slightly from fiscal year-end,

14 which was a result of strong equity markets.

15 We've had no changes to our risk buckets

16 within the portfolio. This continues to be a very

17 high quality, well-leased at approximately

18 92 percent, core portfolio with conservative

19 leverage. We have limited debt maturities in

20 2025, under 2 percent of portfolio NAV maturing

21 next year, and I believe the year after that as

22 well.

23 And I'll note that while interest rates

24 continue to be volatile, short-term rates have

1 come down, and debt market liquidity is actually
2 improving.

3 Within our separate accounts, we've
4 completed two investments, one acquisition and
5 one loan during 2024. We've also sold two
6 properties. So this combined, equates to
7 approximately
8 200 million in net investments for the year. And
9 I think that's roughly about where we'll end up.

10 Just speaking to one-year portfolio
11 returns, total real estate was down 4.9 percent
12 for the year, as Michael mentioned, with negative
13 absolute performance primarily being driven by
14 increases in the market cost of capital, as well
15 as slowing fundamentals due to lower inflation,
16 slowing economic growth and higher levels of
17 supply delivery in many segments of the market,
18 but primarily in the multifamily and industrial
19 sectors.

20 While disappointed with the negative
21 absolute performance in the portfolio, we are
22 very pleased that PRIM's portfolio is
23 outperforming its core benchmark by approximately
24 240 basis points. And I'll note that
 outperformance is inclusive of PRIM's non-core
 portfolio, where more comparable

1 benchmark data is more challenging and
2 unavailable.

3 PRIM's outperformance continues to be
4 driven by overall asset selection/quality, the
5 industrial overweight and underweight to
6 traditional office within the broader office
7 portfolio and data centers.

8 And I'll also point out that the REIT
9 market was up about 30 percent over the past year,
10 with PRIM's sole manager -- and we're going to
11 talk about that in a second -- adding an
12 additional 178 basis points of return, which did
13 provide some stability to the absolute portfolio
14 return. And I think at this return level in the
15 REIT market, it's probably also a pretty good
16 leading indicator for commercial real estate in
17 general.

18 Happy to answer any questions, I'm going
19 to move on to timberland.

20 Timberland finished the quarter at
21 2.9 percent of the PRIT Fund versus a 4 percent
22 midpoint. The asset class had strong absolute
23 returns for the year, while also outperforming the
24 benchmark net of fees.

1 Returns for the year were strong in both
2 the South and Pacific Northwest, ranging from 10
3 to 11 percent. And as I've discussed previously,
4 returns are primarily reflective of capital demand
5 for the asset class, which is now more actively
6 pricing in the value of timber as a carbon sink
7 and wood fiber as a more valuable alternative to
8 traditional building and packaging materials. It
9 also continues to reflect the long-term need for
10 housing, which I think we're all aware of.

11 I'll just end with a quick comment on
12 Australia and New Zealand, representing about
13 20 percent of PRIM's portfolio. And I'll note
14 PRIM's top-performing timberland portfolio segment
15 over the past 10 years was slower this year, but
16 remaining positive at a 3.4 percent return.

17 So those are my formal comments. Again,
18 I'm happy to answer any questions. And I know I
19 can see John on the screen waiting to present the
20 REIT recommendation.

21 TREASURER GOLDBERG: Are there questions
22 for Tim?

23 MR. BROUSSEAU: Just one, Madam
24 Treasurer.

1 Tim, I see that in our asset allocation,
2 we have a goal of having between 2 and 7 percent
3 invested in timberland. Am I correct?

4 MR. SCHLITZER: That's right. I mean we
5 typically manage to a midpoint of around
6 4 percent.

7 As you know, PRIM is the largest public
8 pension fund investor in the asset class, in an
9 asset class that's fairly liquid in terms of
10 annual transactions. So we don't typically expect
11 a lot of movement within that range on an annual
12 basis.

13 But to answer your question directly,
14 4 percent is the midpoint or the target.

15 MR. BROUSSEAU: But we have not reached
16 that target now. Am I correct?

17 MR. SCHLITZER: That's right.

18 MR. BROUSSEAU: Is there any kind of an
19 indication of probably -- investment --

20 Are managers recommending probably
21 further investments in timber?

22 MR. SCHLITZER: We're going to be going
23 through that actually over the next couple of
24 weeks. We're going to have multi-hour strategy

1 sessions with our managers.

2 I'd say, like most investment managers,
3 they are usually interested in deploying more
4 capital. I think what's important for us is
5 understanding that rationale and trying to align
6 it with our own views on the asset class.

7 So we'll do that in short order and be
8 back to the committee and board over the next
9 month or two.

10 MR. BROUSSEAU: Thank you, Tim.

11 MR. NAUGHTON: Madam Treasurer, I have
12 just one question.

13 TREASURER GOLDBERG: Sure. Go ahead.

14 MR. NAUGHTON: Good morning, Tim. Good
15 to see you.

16 MR. SCHLITZER: Good morning.

17 MR. NAUGHTON: So to be consistent with
18 what else I've said this morning, could you help
19 me to understand to what extent our real estate
20 and timber investments are affected by a China
21 market?

22 MR. SCHLITZER: So I would probably
23 point primarily to the timber portfolio, I think.

24 And John can speak to this probably

1 during his comments, but I think your question is
2 germane to the global transition to U.S. mandates.
3 So John will talk about that.

4 But within the timber portfolio, I just
5 mentioned that we've got a 20 percent allocation
6 to Australia and New Zealand. All right. So I'd
7 say probably two thirds of the timber that we own
8 in Australia is staying in-country.

9 That possibly flips in New Zealand.
10 We've got a larger percentage in New Zealand
11 that's going into the export market. A lot of
12 that is going to China, but a lot of it is going
13 to Japan, South Korea, other countries in that
14 region of the world. There's a little bit that
15 goes to India. I'd have to get back to you on
16 percentages.

17 The export market to China is down
18 significantly, I would say 50 to 60 percent
19 globally. So it's meaningful, but if you sort of
20 take all of the numbers that I just gave you and
21 try to boil that down into a PRIM number, I'd say
22 that the exposure is not inconsequential, but it's
23 certainly not a return driver either.

24 MR. NAUGHTON: Thank you, Tim. I wasn't

1 looking for particular percentages. I didn't
2 expect that. I just wanted to get a general
3 sense. And thanks.

4 MR. SCHLITZER: Yes. Of course.

5 TREASURER GOLDBERG: Thank you, Dennis.

6 Any more questions before we move on to
7 the voting item?

8 Hearing none, John, I'm going to read
9 the motion, and then we will turn it over to you.

10 I seek a motion that the PRIM Board
11 approve the Real Estate and Timberland Committee's
12 recommendation to approve initial allocations of
13 up to \$150 million to DWS Group and up to
14 \$150 million to PGIM Real Estate to provide active
15 investment management services for a U.S. REIT
16 equity mandate as described in the expanded
17 agenda, and further to authorize the executive
18 director to take all actions necessary to
19 effectuate this vote.

20 Is there a motion?

21 MR. NAUGHTON: So moved.

22 TREASURER GOLDBERG: Thank you.

23 Is there a second?

24 MR. BROUSSEAU: Second.

1 MS. FITCH: Second.

2 TREASURER GOLDBERG: All right, John.
3 Go ahead.

4 MR. LA CARA: Thank you, Treasurer.

5 Good morning, everyone. I'm John La
6 Cara, senior investment officer on the real estate
7 team. And I'll be going over the recommendation
8 we have for you today.

9 Before I get into that, Dennis, just to
10 answer your question regarding China exposure
11 related to public real estate, our current
12 benchmark is a developed markets benchmark, so
13 mainland China is not part of that. Hong Kong is,
14 but Hong Kong is a very small part of the index
15 these days, less than 3 percent. So I'd say the
16 exposure to China, mainland China, is nil, and
17 Hong Kong, it's very minimal.

18 So on with the recommendation. I'm not
19 going to refer to any materials in the deck, but I
20 will spend a little time to review the RFP
21 process. And then I also want to recognize some
22 contributors. This was a very collaborative
23 effort here at PRIM.

24 The recommendation, which was

1 unanimously approved at the Real Estate Committee
2 last month, is to award DWS Group and PGIM Real
3 Estate a mandate to provide U.S. real estate/U.S.
4 REIT investment management services and fund each
5 manager with an initial allocation of
6 \$150 million.

7 This recommendation follows the
8 selection process outlined in the RFP that we
9 issued on May 31 this year.

10 As part of that process, we formed an
11 evaluation committee, which consisted of Tim
12 Schlitzer, Christina Marcarelli, Minching Kao,
13 Raluca Zelinschi, Jay Leu and Shannon Ericson from
14 the risk team; Maria Garrahan, our director of
15 research; Matt Liposky, PRIM's chief investment
16 operations officer; and Andre Abouhala from the
17 public markets team.

18 I'd also like to recognize a few other
19 colleagues who contributed but weren't technically
20 part of the evaluation team, including Tianyi Shi,
21 who works with Maria in the research team; PRIM's
22 manager of performance reporting, Jessica Murphy;
23 and Amy MacKay on the real estate team, who
24 handled most of the logistics for us.

1 So I just want to thank everybody for
2 their participation in the process. It was quite
3 lengthy, and everybody's help was very much
4 appreciated.

5 We did receive 23 proposals before the
6 RFP deadline on June 28. We screened all the
7 proposals and invited 10 firms to present to the
8 evaluation committee.

9 During these meetings, we further
10 explored certain aspects of each response,
11 including the structure of the firm and the
12 investment team, the investment approach and how
13 they construct portfolios and manage risks.

14 After these meetings, we determined that
15 three firms merited further consideration, and we
16 scheduled site visits to each firm's office.
17 During the site visits, we met with key
18 contributors to the investment decision-making
19 process, including portfolio managers and analysts
20 and risk people, and we also reviewed how certain
21 systems and tools are used through the investment
22 process.

23 After the site visits were completed,
24 the evaluation committee determined that DWS and

1 PGIM are the most qualified firms to provide U.S.
2 REIT services to PRIM. We believe that DWS and
3 PGIM have superior public REIT investment
4 management platforms, with strong and experienced
5 investment teams, and they work collaboratively
6 with each other and with other professionals
7 within the firm.

8 An area of focus for us in the search
9 was any synergies between the public real estate
10 teams and the private real estate teams, and these
11 two firms demonstrated that. We believe adding
12 both firms will complement the existing strategy
13 currently managed by CenterSquare and will enhance
14 the risk return profile of the REIT portfolio.

15 The REIT portfolio will also benefit
16 from increased exposure to alternative sectors
17 that are difficult to access in the private
18 markets. Think healthcare and data center, self-
19 storage.

20 With the allocation of 150 million each
21 to both firms, the exposure to REITs relative to
22 total real estate will increase to around
23 11 percent. And this is right in line with the
24 approved objective from 2019, which was to favor

1 private real estate over public real estate. At
2 that time, it was a 25 percent exposure to total
3 real estate. So we've made a lot of progress in
4 that respect.

5 I'm going to stop there, and I'm happy
6 to take any questions.

7 TREASURER GOLDBERG: Any questions for
8 John?

9 MR. BROUSSEAU: No. Pretty clear-cut.

10 TREASURER GOLDBERG: Okay. Then I will
11 proceed with the vote.

12 Bob?

13 MR. BROUSSEAU: Yes.

14 TREASURER GOLDBERG: Catherine?

15 MS. D'AMATO: Yes.

16 TREASURER GOLDBERG: Ruth Ellen?

17 MS. FITCH: Yes.

18 TREASURER GOLDBERG: Dennis?

19 MR. NAUGHTON: Yes.

20 TREASURER GOLDBERG: Paul?

21 MR. SHANLEY: Yes.

22 TREASURER GOLDBERG: Myself, yes.

23 The motion carries.

24 Thank you, John.

1 MR. LA CARA: Thank you.

2 MR. SCHLITZER: Treasurer, could I just
3 add one point? I just wanted to follow up on
4 Dennis's question because I realized that I
5 probably inadvertently kind of glossed over the
6 private real estate portfolio. And I did want to
7 just confirm, Dennis, that we do not have any
8 China exposure within that portfolio. John just
9 alluded to the fact that we probably have a little
10 bit of Hong Kong exposure in the REIT portfolio.
11 That will go away.

12 So the very short answer is zero
13 exposure going forward.

14 MR. NAUGHTON: Thanks, Tim.

15 MR. SCHLITZER: Yes. Sure.

16 TREASURER GOLDBERG: Thank you.

17 I have as the next item a voting item,
18 the updated -- okay. I just wanted to make sure.
19 All right. Very good. And this is not you.

20 So are we all set with real estate and
21 timberland? I just wanted to make sure
22 everybody's questions have been answered.

23 MS. FITCH: Yes.

24 TREASURER GOLDBERG: All right then.

1 Very good.

2 Tony, who will be presenting the
3 investment policy statement?

4 MR. FALZONE: David Gurtz will be.

5 TREASURER GOLDBERG: Okay then. So is
6 he promoted?

7 Oh, there you are, David. All right.

8 So I'm going to seek a motion and a
9 second that the PRIM Board approve the Investment
10 Committee's recommendation to approve the updated
11 investment policy statement as attached as
12 Appendix J of the expanded agenda, and further to
13 authorize the executive director to take all
14 actions necessary to effectuate this vote.

15 Is there a motion?

16 MR. BROUSSEAU: So moved.

17 TREASURER GOLDBERG: Is there a second?

18 MR. NAUGHTON: Second.

19 MS. FITCH: I second.

20 TREASURER GOLDBERG: All right. Go
21 ahead, David.

22 MR. GURTZ: Great. Thank you,
23 Treasurer, and good morning, everybody.

24 This summer, I presented an updated

1 investment policy statement, or IPS for short, to
2 this board, as well as to the Investment Committee
3 and the Real Estate and Timber Committee for
4 review and feedback. And today, I present as
5 Appendix J a slightly revised version of the IPS
6 based upon the feedback from members of the Real
7 Estate Committee for your final approval.

8 The IPS is a fundamental document that
9 serves as a roadmap, guiding our investment
10 decisions and ensuring we remain aligned with our
11 long-term goals.

12 Updating the IPS is good governance, and
13 it's crucial to maintain the relevance and
14 effectiveness of this document, ensuring it aligns
15 with current and industry best practices.
16 Additionally, we've enhanced the clarity and
17 consistency of this document from the current
18 version, which was quite frankly a bit of a
19 Frankenstein document that's been amended over the
20 years.

21 This update has been collaborative. A
22 firm-wide effort, for sure. We have incorporated
23 insights from various internal teams, including
24 each asset class team, as well as the risk,

1 research, legal and operations teams.

2 Additionally, we worked closely with
3 NEPC, our asset allocation consultant, as well as
4 our other asset class consultants, who have
5 provided invaluable insights into industry best
6 practices.

7 And finally, it's incorporated feedback
8 from committee members. Members of the Real
9 Estate Committee recommended removing ranges
10 around the private real estate and timberland
11 benchmarks. As the committee noted, there may be
12 times when we don't want our real estate and
13 timberland portfolios to look like the benchmark.
14 And so our practice will continue to be benchmark-
15 aware as we manage our portfolios, but not
16 beholden to it.

17 And second, we further clarified the
18 real estate total leverage ratio excludes
19 commingled funds and co-investments.

20 So with this updated IPS, we have a
21 better aligned and clearer governing document to
22 help guide our investment strategy and decision-
23 making processes going forward.

24 So happy to answer any questions you may

1 have.

2 TREASURER GOLDBERG: Are there questions
3 for David?

4 MR. BROUSSEAU: David, nice to see you
5 again. Haven't seen you for a while.

6 Do we have a time frame, like about
7 every five years we review this? Or is it on an
8 as-needed basis to adjust our investment
9 philosophies?

10 MR. GURTZ: As-needed basis. No
11 specific time frame.

12 MR. BROUSSEAU: Okay. I noted and read
13 this very -- what you presented to us earlier.
14 Read through it thoroughly. Extremely, very well-
15 written and -presented document. So I just want
16 to congratulate you and the team as I read it
17 because I had not read the investment policy for
18 several years till I saw this and read through it.
19 And very, very clear and very, very concise and
20 very right on to what we're doing.

21 I thank you and the team for the
22 presentation. It was very excellent.

23 MR. GURTZ: Thanks, Bob.

24 MR. NAUGHTON: Madam Treasurer, may I?

1 TREASURER GOLDBERG: Absolutely.

2 MR. NAUGHTON: Thank you.

3 I just want to thank David, who spent
4 kindly -- and a warmer day, I think it was -- some
5 time ago going through aspects of this policy with
6 me and answering any questions that I might have
7 had. And as always, he did it with great patience
8 and aplomb.

9 Thank you, David.

10 MR. GURTZ: My pleasure, Dennis.

11 Thanks.

12 TREASURER GOLDBERG: Any other comments?

13 Hearing none, we'll proceed with the
14 vote.

15 Bob?

16 MR. BROUSSEAU: Yes.

17 TREASURER GOLDBERG: Catherine?

18 MS. D'AMATO: Yes.

19 TREASURER GOLDBERG: Ruth Ellen?

20 MS. FITCH: Yes.

21 TREASURER GOLDBERG: Dennis?

22 MR. NAUGHTON: Yes.

23 TREASURER GOLDBERG: Paul?

24 MR. SHANLEY: Yes.

1 TREASURER GOLDBERG: Myself, yes.

2 The motion carries.

3 Okay. We're moving along to finance and
4 administration. And we have the fiscal year 2024
5 audit results, which is a voting item. And so I'm
6 assuming --

7 MR. FALZONE: I am going to handle that,
8 if that's okay.

9 TREASURER GOLDBERG: There you go.

10 MR. FALZONE: Thank you.

11 Before I get into the voting item, I do
12 want to congratulate Andre, Silas and Vincent on
13 their promotions. I've watched Andre grow in his
14 various roles over the years, and it's great to
15 see him rewarded. And then Silas and Vincent, who
16 are on my team, continue to take on more work and
17 responsibility. And all these are very much
18 deserved, and I just want to congratulate them.

19 So back to the business, the audit
20 report, PRIM and PRIT financials, and agreed-upon
21 procedures reports are in your packets as
22 Appendix K. As Michael mentioned, the audits have
23 once again resulted in unmodified clean opinions.

24 The audit and all the other audits are

1 significant undertakings. As Michael said,
2 there's over 30-plus audits, as is the annual
3 report, which was approved as part of the consent
4 agenda earlier this morning, another massive
5 undertaking. So a big thank-you to Deb Coulter,
6 PRIM chief financial officer and chief
7 administration officer; and Qingmei Li, PRIM's
8 director of audits and financial reporting, who
9 coordinates the audits and prepares the financial
10 statements; and the entire finance and investment
11 operations teams for their hard work.

12 Deb would present, but she's more modest
13 and wouldn't congratulate herself so that's why
14 I'm doing it.

15 MS. FITCH: Well done.

16 MR. FALZONE: We do have an innovative
17 and complex portfolio. And I think our focus on
18 process, procedure and transparency is why we
19 continue to present you with these excellent
20 outcomes, not only for PRIM and PRIT, but also for
21 the many other audits we take care of.

22 So as I often say, we're in a perpetual
23 state of audit here at PRIM. And the team does a
24 great job supporting all of them.

1 I also want to acknowledge KPMG for
2 their work and support.

3 With that, I can take any questions.

4 TREASURER GOLDBERG: Questions?

5 MR. BROUSSEAU: No questions, ma'am.

6 Just a comment again.

7 As probably the board does, but I think
8 many people reading this or looking at it doesn't
9 realize what goes into this, that it is a
10 Herculean piece of work. And Tony, Deb and the
11 team certainly did a great job again.

12 Just to let everybody know that the
13 committee, the Admin Committee and the Audit
14 Committee, annually meet with the auditors. It is
15 a private setting. Management and staff do leave
16 the meeting, and we have a private meeting, as
17 mandated by our bylaws, once a year with them.
18 And we had our annual meeting with them at the
19 Admin and Audit Committee meeting.

20 And certainly everything went fine.
21 There were no issues that were raised by anybody
22 in terms of the auditing process at PRIM. In
23 fact, everything is running very, very well.

24 And as chair of that committee, I am

1 very pleased to report that to the board.

2 MR. FALZONE: Thanks, Bob.

3 MS. FITCH: Thank you.

4 TREASURER GOLDBERG: Now, I did not do a
5 motion and a second before that presentation, but
6 if everyone is ready, I will do that. And we can
7 continue to make comments or questions after that.
8 Or we can move ahead and vote.

9 So I would seek a motion that the PRIM
10 Board approve the Administration and Audit
11 Committee's recommendation to accept (1) the
12 fiscal year 2024 PRIM and PRIT audited financial
13 statements; (2) the agreed-upon procedures report
14 on PRIM's procurement process for investment
15 management and other professional services; and
16 (3) the agreed-upon procedures report on the PRIT
17 Fund's benchmark calculation, all as contained in
18 Appendix K of the expanded agenda, and further to
19 authorize the executive director to take all
20 actions necessary to effectuate this vote.

21 Is there a motion?

22 MR. BROUSSEAU: So moved.

23 MS. FITCH: So moved.

24 TREASURER GOLDBERG: Is there a second?

1 MS. D'AMATO: Second.

2 MS. FITCH: Second.

3 TREASURER GOLDBERG: Tony, do you want
4 to add some information to this?

5 MR. FALZONE: Nope. I think I went
6 through my prepared remarks. If there are any
7 questions, I'm happy to field them.

8 TREASURER GOLDBERG: Any further
9 questions of Tony?

10 Okay then. I will proceed with the
11 vote.

12 Bob?

13 MR. BROUSSEAU: Yes.

14 TREASURER GOLDBERG: Catherine?

15 MS. D'AMATO: Yes.

16 TREASURER GOLDBERG: Ruth Ellen?

17 MS. FITCH: Yes.

18 TREASURER GOLDBERG: Dennis?

19 MR. NAUGHTON: Yes.

20 TREASURER GOLDBERG: Paul?

21 MR. SHANLEY: Yes.

22 TREASURER GOLDBERG: Myself, yes.

23 The motion carries.

24 MR. FALZONE: We have promoted Emily for

1 a legislative update, if she has one.

2 TREASURER GOLDBERG: Emily.

3 MS. KOWTONIUK: Hi, everyone. So the
4 legislature is winding down the 2023-2024
5 legislative session. We did see last week the
6 FY '24 closeout supplemental budget was finalized,
7 which is one of the items we were watching for
8 PRIM. It's now on the governor's desk, and she
9 has until early next week to take action.

10 And the provision that we were watching
11 is a distribution of excess capital gains. In the
12 final proposal, it's going to be distributed
13 5 percent to the stabilization fund, 5 percent to
14 the state retirees benefits trust fund, 5 percent
15 to the pension fund and 85 percent to the general
16 fund, which is indicative of a challenging and
17 dynamic revenue environment.

18 We are still watching for action on the
19 Open Meeting Law. So to be continued on that
20 front. As a reminder, the provisions expire at
21 the end of March of next year.

22 And that's it.

23 TREASURER GOLDBERG: Thank you, Emily.

24 MR. BROUSSEAU: Question, Emily. Of the

1 5 percent for the pension fund, is there an idea
2 as to what that translates into dollars?

3 MS. KOWTONIUK: I don't know off the top
4 of my head, but I can pull that for you.

5 MS. PEREZ: It's 5 percent of
6 560 million. So it's not a lot. It's less than
7 30 million.

8 TREASURER GOLDBERG: Thank you, Sue.

9 MS. FITCH: Thank you.

10 TREASURER GOLDBERG: Believe me, Sue was
11 watching this as closely as I was. And that's all
12 we'll say.

13 MR. NAUGHTON: Madam Treasurer, I'm
14 sorry. But I just wanted --

15 Emily, do you have a sense of which way
16 the wind is blowing on the Open Meeting Law?

17 MS. KOWTONIUK: I don't. It does sound
18 like there is a push to make it permanent, but
19 what that looks like remains unclear. So they do
20 have the option to kick out the deadline sunset
21 again. I think they had kicked it out
22 substantially to give themselves time to negotiate
23 a permanent solution, but they're just not there
24 yet. MR. NAUGHTON: Thanks.

1 MS. KOWTONIUK: Yes.

2 TREASURER GOLDBERG: Okay. Any other
3 questions for Emily? Okay.

4 Hearing none, other matters are just as
5 an FYI, correct?

6 MR. FALZONE: Correct. Informational
7 only.

8 TREASURER GOLDBERG: Right. And then we
9 will move on to Michael Trotsky's favorite meeting
10 of the year or at least runner-up to the favorite
11 meeting of the year or absolutely the favorite
12 meeting of the year. And that would be the
13 Compensation Committee report, which has three
14 voting items.

15 And let's start with there are elements
16 that come in -- we had this conversation at the
17 Compensation Committee meeting, of which several
18 people on the board who are present today are on
19 that group.

20 And, Bob, why don't you jump in and
21 explain the components and our recommendation on
22 the components.

23 MR. BROUSSEAU: Okay. Thank you, Madam
24 Chair.

1 Annually, there are -- I think there
2 are -- did you say two or three votes? I thought
3 there were -- the two are regarding Michael's
4 individual performance component --

5 TREASURER GOLDBERG: Well, actually,
6 Tony, didn't I jump ahead? Because we do need to
7 approve first the McLagan's updated compensation --

8 MR. BROUSSEAU: And I think first, we
9 should probably be looking at the McLagan.

10 TREASURER GOLDBERG: Right. Sorry about
11 that.

12 MR. FALZONE: That's right, Bob.

13 It's a routine exercise where we're
14 required to analyze and assess our compensation
15 periodically. Specifically, our own philosophy is
16 to perform this analysis at least every four
17 years, and it was last done in 2021.

18 So McLagan presented at the Compensation
19 Committee. Adam Barnett from McLagan is in the
20 audience, and we can promote him if a question.
21 But I didn't plan on having him present anything
22 because this is a routine occurrence where we
23 present the analysis, recommendation. The
24 Compensation Committee has unanimously voted to

1 recommend it to the board for approval.

2 And I'll stop there. I think that
3 covers that item.

4 MR. BROUSSEAU: Okay. Without having
5 Adam do a presentation on the findings?

6 MR. FALZONE: He's here for questions.
7 That's right.

8 MR. BROUSSEAU: Okay. Just not a
9 question, but a comment, but I guess we are moving
10 forward in trying to update our compensation at
11 PRIM, especially that for the executive director.
12 And this does gravitate down to the other staff
13 members who are employed at PRIM. Correct?

14 MR. FALZONE: That's right. The
15 analysis was an update to all the different ranges
16 based on the new peer data.

17 MR. BROUSSEAU: And over the last three
18 years, we have fallen below the actual ranges. Am
19 I correct? By about 5 percent?

20 MR. FALZONE: The percentage McLagan
21 reported to the Compensation Committee was
22 8 percent below where the midpoint was.

23 MR. BROUSSEAU: Yes. And we try and do
24 this every three years.

1 MR. FALZONE: That's right.

2 MR. BROUSSEAU: Madam Treasurer, where
3 do you want to proceed from here?

4 MS. D'AMATO: Madam Treasurer, my only
5 comment on that three years, because I had
6 forgotten about that, is to maybe do it every two
7 years. I'm not sure what the financial
8 implication is, but the data is moving quickly and
9 fast, based on the economics of the Boston area
10 and the talent. And so three years is a long
11 time.

12 I'm assuming, Tony, they adjusted for
13 inflation and adjusted for the movements in the
14 market and that we move that.

15 But it's just something to consider in
16 terms of trying to stay on top of it. Or what
17 other tools can we use to stay on top and not be
18 lagging? That's significant lag to then try to
19 make up and try to be competitive.

20 So just an offer of something to think
21 about.

22 MR. FALZONE: Yes, Catherine. And we
23 have had McLagan do this analysis earlier than
24 this. We are required to do it at least every

1 four years, but they have done it earlier at the
2 request of the Compensation Committee and the
3 board.

4 So I can put them on the schedule for
5 two years from now to do this again. That's --

6 MS. FITCH: Yes. I think that's really
7 smart. Thanks.

8 MR. FALZONE: I will take care of that.

9 TREASURER GOLDBERG: I was actually
10 going to suggest the same, but I --

11 MS. FITCH: Yes.

12 TREASURER GOLDBERG: Because, just to
13 share anecdotally, I'm on the Compensation
14 Committee for the National Association of State
15 Treasurers. And the adjustment that was being
16 made for staff and then the same adjustment that
17 was going to be applied to the executive director
18 was way below where it should have been.

19 And it's highly unusual when an
20 executive director comes into a Compensation
21 Committee meeting and we tell him he's not asking
22 for a big enough raise. But that's exactly what
23 happened yesterday. And then we asked him to --
24 we recommended, because we don't control that, for

1 him to go back and relook at the raise he had
2 given staff and consider strongly a merit increase
3 that is retroactive to their last date.

4 But this is not just because -- one of
5 the things I want everyone to understand. It's
6 not just because we want to pay people more. The
7 analysis that is done takes into consideration the
8 significant increases in the cost of living, the
9 competitive nature of the environment that you are
10 in.

11 And one thing that you'll hear me say
12 probably more than once in this part of our
13 meeting is the fact that we've had zero turnover
14 at MassPRIM in the past year. And I don't know of
15 any other organization, including my own, now that
16 my general counsel has been recommended by the
17 governor to become a justice of the Superior
18 Court, but there is zero turnover at MassPRIM.
19 And in an investment group, that is unheard of.
20 Absolutely unheard of. And it states a great deal
21 about Michael Trotsky and all the leadership and
22 all the individuals.

23 So I did a segue, but I do agree with us
24 looking at doing this more often. And then we do

1 have a vote where we accept the updated
2 compensation ranges.

3 So I'm going to seek a motion and a
4 second on that, that the PRIM Board approve the
5 Compensation Committee's recommendation to approve
6 McLagan's 2025 updated compensation ranges as
7 described in Appendix N of the expanded agenda,
8 and further to authorize the executive director to
9 take all actions necessary to effectuate this
10 vote.

11 Is there a motion?

12 MR. NAUGHTON: Move to approve.

13 TREASURER GOLDBERG: And is there a
14 second?

15 MR. BROUSSEAU: Second.

16 TREASURER GOLDBERG: Okay then.

17 Bob?

18 MR. BROUSSEAU: Yes.

19 TREASURER GOLDBERG: Catherine?

20 MS. D'AMATO: Yes.

21 TREASURER GOLDBERG: Ruth Ellen?

22 MS. FITCH: Yes.

23 TREASURER GOLDBERG: Dennis?

24 MR. NAUGHTON: Yes.

1 TREASURER GOLDBERG: Paul?

2 MR. SHANLEY: Yes.

3 TREASURER GOLDBERG: Myself, yes.

4 The motion carries.

5 Now, the next item in the agenda, which
6 I had almost jumped to by accident, Bob, is that
7 we seek a motion that the PRIM Board approve the
8 Compensation Committee's recommendation to set the
9 executive director's fiscal year 2024 individual
10 performance multiplier at 1.00 as described in the
11 expanded agenda.

12 Is there a motion?

13 MR. BROUSSEAU: So moved.

14 MR. SHANLEY: So moved.

15 TREASURER GOLDBERG: Is there a second?

16 MS. FITCH: Second.

17 MS. D'AMATO: Second.

18 TREASURER GOLDBERG: So, Bob, why don't
19 you give us a quick primer on that, which is
20 pretty easy.

21 MR. BROUSSEAU: Okay. And I see all the
22 members of the committee. On page 21 of our
23 agenda, this issue is addressed. And as you know,
24 every year, we have to approve the component, and

1 the next motion after this will be a salary
2 increase.

3 But Michael's individual performance
4 component is based on two points right here. The
5 first one, we evaluate his investment performance
6 component based upon the PRIT Fund's investment
7 performance component of 80 percent weight of his
8 incentive is determined on the basis of the PRIT
9 Fund's trailing three-year return.

10 And the second part of it is that the
11 individual performance component of 20 percent is
12 determined as part of the employee's annual
13 performance review.

14 I'm not going to go through the
15 performance review because we did this in August
16 at our meeting. We presented the evaluation of
17 the executive director, which again was by
18 everybody who responded as Michael's evaluation
19 was outstanding, and even some said outstanding
20 plus. So that, we do have.

21 You also have it in your materials. I
22 think in Appendix 0, there is, if you went and
23 looked at it again, what we did in August and the
24 evaluation of the executive director.

1 So looking at this, we know that the
2 first one in terms of the 80 percent weight on the
3 basis of PRIT Fund's three-year return, we have
4 met. And of course, the second part of course is
5 based upon his evaluation that we did.

6 So with Michael's evaluation of
7 outstanding, there is no problem, I don't think,
8 in approving the individual component of a 1.00 as
9 outlined in the Treasurer's motion.

10 TREASURER GOLDBERG: Do we have
11 questions for Bob, me or any other members of the
12 Compensation Committee?

13 All right then. We have a motion. We
14 have a second. I'm going to proceed with the roll
15 call vote.

16 Bob?

17 MR. BROUSSEAU: Yes.

18 TREASURER GOLDBERG: Catherine?

19 MS. D'AMATO: Yes.

20 TREASURER GOLDBERG: Ruth Ellen?

21 MS. FITCH: Yes.

22 TREASURER GOLDBERG: Dennis?

23 MR. NAUGHTON: Yes.

24 TREASURER GOLDBERG: Paul?

1 MR. SHANLEY: Yes.

2 TREASURER GOLDBERG: Myself, yes.

3 The motion carries.

4 Now, the next item on the agenda is I am
5 going to seek a motion that the PRIM Board approve
6 the Compensation Committee's recommendation to
7 increase the executive director/chief investment
8 officer's annual salary by 2.7 percent, which is
9 \$15,000, effective December 1, 2024.

10 Is there a motion?

11 MR. BROUSSEAU: So moved.

12 MR. NAUGHTON: Second.

13 MS. FITCH: Second.

14 TREASURER GOLDBERG: Okay. Now, Bob,
15 would you like to say a few words?

16 MR. BROUSSEAU: Yes. Michael's salary
17 this past year, if you looked at the ranges that
18 we have in the McLagan report, this is written out
19 on pages 21 and 22, so I'm not going to read them
20 to you because I know you already have.

21 But I think last year we found these
22 ranges was to bring Michael as close to about
23 90 percent of the range, where we felt he should
24 be. And we have voted that. I think last year,

1 Michael's increase I think was \$10,000.

2 However, this year, with the new ranges,
3 there was a determination that possibly the
4 committee should be recommending that we move to
5 the high levels that we saw in the McLagan report.

6 However, I will say that this motion of
7 \$15,000, it is a minimal increase as far as I'm
8 concerned, I know, considering the value that
9 Michael has added to PRIM not only in this past
10 year, but over the years.

11 I can recall going back to 2014 when
12 Michael and I served on the Compensation --
13 established this Compensation Committee, and also
14 the problems that we were facing then with
15 salary.

16 But Michael's salary, I see now if we
17 increase this 15,000, he will no longer be near
18 the 90 percent, hopefully where he would be. In
19 fact, I believe that his range will drop down to
20 about 58 percent of where we would have the salary
21 of the executive director be at this point.

22 So a \$15,000 adjustment is very
23 appropriate with the idea that in the probably
24 next year, the year after of course, that we can

1 add to this so as to bring him back where he was
2 at about 90 percent of the ranges this past year.

3 And as I say, his range is going to be
4 dropping to 58 percent based on the salaries that
5 are paid for comparable positions in the public
6 investment industry.

7 And I think probably that is all I have
8 to say because the entire history of this was
9 written out for the board.

10 TREASURER GOLDBERG: Are there any
11 questions or comments?

12 What I want to add is that not unlike
13 the meeting I reflected upon from yesterday that I
14 had, in the Compensation Committee, Michael was
15 pleased and comfortable with the salary adjustment
16 that we are recommending.

17 He does not end up reaching the same
18 level that he has historically been at for a few
19 years in terms of the report, but at the same
20 time, we want to proceed a little bit more
21 cautiously and --

22 But again, we want to compensate Michael
23 in a appropriate fashion.

24 You heard me say a little bit earlier

1 about zero turnover. I can't reflect on that in a
2 bigger way than I could possibly imagine. I mean
3 this is unheard of. And truthfully, from a
4 percentage point of view, the recommended salary
5 adjustment isn't even reflective of that.

6 But regardless, I still think it's an
7 appropriate amount that we've arrived upon. And
8 we have had a trend to try to move toward an upper
9 level of the McLagan reports. And so I think that
10 this recommendation is in keeping with prior moves
11 that we've made and that Michael and everyone are
12 all very comfortable with this recommendation.

13 So any other questions or comments from
14 other members of the Compensation Committee or the
15 board members?

16 MR. BROUSSEAU: I probably should have
17 added here also that we don't do this blindly.
18 McLagan does this study based upon -- they use
19 15 public pension systems that are comparable to
20 ours. We are in the midpoint. Usually the 15,
21 seven or eight are above what we pay, and the
22 others of course --

23 They go by asset size. In terms of
24 asset size, we're in the middle. So we look at

1 salaries of the largest funds and some at the
2 bottom that are less in terms of assets. Our
3 assets, when they did this study, were based on a
4 hundred billion dollars. So we're just in the
5 middle right there.

6 So looking at the salaries that are paid
7 by some of these pension funds, they are much
8 higher than what Michael gets when you consider of
9 course the dynamic that we have mentioned in our
10 report.

11 So the \$15,000 adjustment does not
12 relate -- as you said, Treasurer, does not do what
13 we should be doing to bring him back closer to the
14 90 percent and above that we wanted to do last
15 year in a range because, Michael, we want you to
16 stay here, okay.

17 TREASURER GOLDBERG: We don't want the
18 one change in the zero turnover to turn into
19 losing one person and that person being you or
20 anyone.

21 MR. TROTSKY: I very much appreciate the
22 confidence and the sentiments expressed here.
23 The Compensation Committee and the Board has
24 really enabled us to assemble this team by paying

1 competitively and keeping in front of the curve.

2 So I appreciate very much and the whole
3 team appreciates very much your hard work,
4 thoughtfulness and professionalism on this entire
5 topic.

6 And for me, this is a great job. I feel
7 honored to be here, to work with you all. And I'd
8 be very grateful for the adjustment that you're
9 recommending.

10 MR. BROUSSEAU: Thank you.

11 And as I said at the Board, I feel that
12 Michael is a gem that we have here at PRIM. And I
13 strongly support this recommendation.

14 TREASURER GOLDBERG: So any other
15 comments from members of the board, as I said, or
16 Compensation Committee members?

17 All right then. Hearing none, we will
18 proceed with the vote.

19 Bob?

20 MR. BROUSSEAU: Yes.

21 TREASURER GOLDBERG: Catherine?

22 MS. D'AMATO: Yes.

23 TREASURER GOLDBERG: Ruth Ellen?

24 MS. FITCH: Yes.

1 TREASURER GOLDBERG: Dennis?

2 MR. NAUGHTON: Yes.

3 TREASURER GOLDBERG: Paul?

4 MR. SHANLEY: Yes.

5 TREASURER GOLDBERG: Myself, yes.

6 The motion carries.

7 Michael, you can start breathing again.

8 MS. FITCH: Well done. Well done.

9 MR. TROTSKY: Thank you so much. Thanks
10 for the confidence.

11 MR. BROUSSEAU: There was no Grinch at
12 this meeting.

13 MS. FITCH: No, no, no. We showed him.

14 TREASURER GOLDBERG: I was planning on
15 sending some black coal over just in case.

16 All right. Okay. Well, actually,
17 double-checking, but I believe that that was the
18 last item on our agenda, even though it was a very
19 lengthy agenda.

20 Unless, Tony, you have anything you want
21 to add.

22 MR. FALZONE: I do not have anything.
23 That's a wrap for me.

24 MS. FITCH: Good.

1 TREASURER GOLDBERG: All right. Then I
2 would seek --

3 First of all, I want to -- since I won't
4 be seeing all of you before the holidays and the
5 end of the year, I want to wish everyone a happy
6 holiday season, a healthy and happy new year.

7 And I want to personally thank everyone,
8 members of the board, everyone at PRIM, for the
9 hard work and the collaboration with my team, and
10 everything good for everyone for a successful and
11 positive 2025.

12 MR. BROUSSEAU: Madam Treasurer, I'd
13 like to thank you also for your leadership.

14 TREASURER GOLDBERG: Thank you, Bob.

15 MR. BROUSSEAU: Very much appreciate it.
16 And we make tremendous progress as an organization
17 under your leadership. And thank you.

18 MS. FITCH: Yes. I agree.

19 TREASURER GOLDBERG: Thank you very
20 much.

21 MS. D'AMATO: Thank you.

22 So look. If you all get bored because
23 we won't have a meeting, come over to the Greater
24 Boston Food Bank. We'll help you distribute food.

1 We have a lot of --

2 MS. FITCH: Well done.

3 MS. D'AMATO: I mean the Treasurer and
4 Michael have all been over, and I appreciate all
5 of them. They've been tossing food and filling
6 boxes and fulfilling more than their work
7 objective, also their sort of heart and social
8 commitment. So we appreciate that.

9 MR. TROTSKY: It's a lot of fun to do
10 that.

11 TREASURER GOLDBERG: -- stack in those
12 spaghetti sauce jars, and Michael was opposite me.
13 We were going, "One, two, three. Two in there.
14 Three over there. Four over there. Wait, wait,
15 wait. We're running low. More food. More food."

16 MS. D'AMATO: When you get frustrated
17 with the markets, just come over here. You'll see
18 a whole other picture of the world.

19 MR. BROUSSEAU: My commitment to the
20 Greater Boston Food Bank is going to come out of
21 my checking account.

22 MS. D'AMATO: That's good too. It's
23 always welcome. It's going to be a crazy time
24 going forward.

1 So we just hope the markets stay -- it's
2 amazing what's happening. So what is that saying?
3 You've got to make hay while the sun shines. So
4 you've got to do that now for the people of
5 Massachusetts that depend on this fund.

6 TREASURER GOLDBERG: Catherine, is that
7 a California farm expression?

8 MS. D'AMATO: It may be. May be. You
9 never know. Never know. Look, there's all kind
10 of great things said.

11 But I'm always impressed with the work,
12 and I agree with the Treasurer in terms of the
13 team and what you do and the dedication. A lot of
14 what you do is very hidden from the public side.

15 MS. FITCH: True.

16 MS. D'AMATO: And the fact that you
17 secure individuals' futures and their retirement
18 and their ability to take care of their family as
19 they go into that stage of their life is just
20 remarkable. So they've worked hard. And the
21 stewardship that is given on this team is great.

22 So thank you.

23 MR. NAUGHTON: Madam Treasurer, if I
24 could just make a quick statement. First of all,

1 thank you for your kind sentiments.

2 One thing we mustn't overlook is looking
3 around the country, not every board is as
4 harmonious and I dare say friendly as this board
5 is in its function among ourselves. And that too
6 is an important dimension in our organization.

7 And I want to say specifically a thanks
8 to both Tony and Michael for their great
9 leadership in both segments of our organization.

10 And I too want to wish everybody a
11 healthy and happy new year. And let's make sure
12 hopefully that H5N1 doesn't come our way and spoil
13 things all over again.

14 MS. FITCH: I agree. Well said.

15 TREASURER GOLDBERG: So with that, I
16 will seek a motion to adjourn.

17 MR. SHANLEY: So moved.

18 MS. FITCH: So moved.

19 TREASURER GOLDBERG: Is there a second?

20 MR. BROUSSEAU: Second.

21 TREASURER GOLDBERG: Bob?

22 MR. BROUSSEAU: Yes.

23 TREASURER GOLDBERG: Catherine?

24 MS. D'AMATO: Yes.

1 TREASURER GOLDBERG: Ruth Ellen?

2 MS. FITCH: Yes.

3 TREASURER GOLDBERG: Dennis?

4 MR. NAUGHTON: Yes.

5 TREASURER GOLDBERG: Paul?

6 MR. SHANLEY: Yes.

7 TREASURER GOLDBERG: Myself, yes.

8 The motion carries.

9 Be well, everyone.

10 (Meeting adjourned at 11:47 a.m.)

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