

In The Matter Of:
PRIM
Minutes of the Board Meeting

May 21, 2020



Min-U-Script® with Word Index

1 COMMONWEALTH OF MASSACHUSETTS
2 PENSION RESERVES INVESTMENT MANAGEMENT BOARD

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8 Minutes of the Board Meeting

9 Thursday, May 21, 2020

10 commencing at 9:38 a.m.

11 (CONDUCTED REMOTELY)

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14 PRIM Board Offices

15 84 State Street

16 Boston, Massachusetts

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1 ATTENDEES: (Via Zoom)

2 BOARD MEMBERS:

3 Treasurer Deborah B. Goldberg, Chair

4 Robert L. Brousseau

5 James Hearty

6 Ruth Ellen Fitch

7 Paul E. Shanley, Esquire

8 Peter Monaco

9 Dennis J. Naughton

10 Carly Rose

11 Theresa McGoldrick

12

13 OTHER ATTENDEES:

14 Michael Trotsky, Executive Director, Chief

15 Investment Officer

16 Susan Perez, Deputy Treasurer

17 David Griswold

18 Michael Bailey

19 Tim Schlitzer

20 Michael McGirr

21 Eric Nierenberg

22 Alyssa Fiore

23 Elizabeth Herlihy

24 Paul Todisco

1 OTHER ATTENDEES (CONTINUED):

2 Chris Supple

3 Sarah Kim

4 David Gurtz

5 Chuck LaPosta

6 Anthony Falzone

7 Deborah Coulter

8 Darlene Coppola,

9 Stenographer

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1 (Proceedings commencing at 9:38 a.m.)

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4 TREASURER GOLDBERG: This
5 meeting is being held by internet and telephone
6 in accordance with the provisions of the
7 Governor's March 12, 2020 order that allows
8 remote participation by all members of the
9 public body and suspends the requirement that a
10 quorum and the Chair be physically present,
11 provided that the public has access to the
12 meetings through technology that enables the
13 public to clearly follow the proceedings while
14 they are occurring.

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Accordingly, all members of this Board
will participate today remotely via telephone
and/or internet-enabled audio and video
conferencing, and all votes in today's meeting
will be taken by roll call.

Public access to the deliberations of
the meeting today will, likewise, be provided
via telephone, with all documents referenced
at the meeting available to be viewed on
PRIM's website, www.mapension.com.

24

All persons speaking at today's

1 meeting are asked first to identify
2 themselves.

3 Also, the Open Meeting Law requires
4 anyone wishing to record a meeting to first
5 notify the Chair so that the Chair can inform
6 the other attendees.

7 So accordingly, I am informing you
8 that Darlene Coppola, joining us by Zoom who
9 you can see, and wave, Darlene, so that
10 they can see. Thank you.

11 Darlene is transcribing and recording
12 this meeting. Correct, Darlene?

13 THE STENOGRAPHER: Yes.

14 TREASURER GOLDBERG: And

15 otherwise, no one has indicated to me that
16 they intend to record today's meeting. But if
17 anyone does intend to record today's meeting,

18 please first notify Beth Herlihy at
19 eherlihy@MaPension.com. Let me do this
20 correctly, at m-a-p-e-n-s-i-o-n dot.com.

21 That is the opening script, the new
22 one.

23 Next, the first item on the agenda is
24 the approval of the PRIM Board meeting

1 minutes.

2 And I would seek a motion -- and by
3 the way, everything is being done by roll
4 call.

5 Before I proceed, I want to
6 double-check, since I don't know who took
7 attendance, but I want to make sure that
8 everyone is here today.

9 Is every one of the board members on
10 the call today?

11 (Brief pause.)

12 TREASURER GOLDBERG: Who took
13 attendance?

14 Not everyone on is on mute. Michael,
15 is everyone on the call today? Michael
16 Trotsky?

17 MR. TROTSKY: I haven't been
18 able to verify that. Can we quickly verify?

19 TREASURER GOLDBERG: Why don't
20 I -- let me go down the list.

21 I'm here.

22 I saw Bob Brousseau.

23 MR. BROUSSEAU: Yes.

24 TREASURER GOLDBERG: I followed

1 Theresa and Ruth Ellen's convo.

2 MS. MC GOLDRICK: Here.

3 TREASURER GOLDBERG: Jim Hearty,
4 are you on the call?

5 MR. HEARTY: I am.

6 TREASURER GOLDBERG: Peter
7 Monaco, are you here?

8 MR. FALZONE: Peter, is running
9 late. He should be here shortly.

10 TREASURER GOLDBERG: Dennis?

11 MR. NAUGHTON: Yes, I am.

12 TREASURER GOLDBERG: Carly?

13 MS. ROSE: I am here, Ma'am.

14 TREASURER GOLDBERG: And Paul?

15 MR. SHANLEY: Yes.

16 TREASURER GOLDBERG: All right.

17 So how will we know when Peter's here? He
18 typically doesn't use video.

19 MR. FALZONE: I will alert you
20 when he's here, but his call screen should pop
21 up.

22 TREASURER GOLDBERG: Sometimes
23 those come in on just a phone number and then
24 you don't know.

1 So the first vote is the approval of
2 the PRIM Board meeting minutes from February
3 26, 2020 and further to authorize the
4 Executive Director to take all actions
5 necessary to effectuate this vote.

6 Is there a motion?

7 MR. SHANLEY: So moved.

8 MR. BROUSSEAU: Second.

9 TREASURER GOLDBERG: I need
10 people to state their name before they speak,
11 for Darlene. She doesn't know who so moved
12 it.

13 MR. SHANLEY: So moved. Paul
14 Shanley.

15 TREASURER GOLDBERG: So who
16 seconded it?

17 I'm sorry. I didn't see.

18 MR. BROUSSEAU: Bob Brousseau.

19 TREASURER GOLDBERG: There you
20 go.

21 We have a motion. We have a second.

22 I will do the roll call for the vote.

23 Bob Brousseau?

24 MR. BROUSSEAU: Yes.

1 TREASURER GOLDBERG: Ruth Ellen

2 Fitch?

3 MS. FITCH: Yes.

4 TREASURER GOLDBERG: James

5 Hearty?

6 MR. HEARTY: Yes.

7 TREASURER GOLDBERG: Theresa

8 McGoldrick?

9 MS. MC GOLDRICK: Yes.

10 TREASURER GOLDBERG: Dennis

11 Naughton?

12 MR. NAUGHTON: Yes.

13 TREASURER GOLDBERG: Carly Rose?

14 MS. ROSE: Yes.

15 TREASURER GOLDBERG: Paul

16 Shanley?

17 MR. SHANLEY: Yes.

18 TREASURER GOLDBERG: Deb

19 Goldberg?

20 Yes.

21 All right. We got through the first
22 vote, everybody. We're on our way.

23 So the next item in the agenda
24 is Michael.

1 MR. TROTSKY: I'm next on the
2 agenda.

3 Thank you, Madam Treasurer. And thank
4 you for working with us this morning.

5 I'm sorry for the last-minute fire
6 drill on your script. I hope you realize
7 we're still kind of learning as we go. It's
8 still new to us.

9 And we have a great turnout today.
10 When Peter gets here, I think we'll have
11 everybody. So thank you so much for attending
12 this Board meeting today.

13 As you know, the committee meetings
14 held in advance of this Board meeting set
15 attendance records, even though they were
16 conducted remotely. And I want to remind
17 participants of the record turnout for this
18 meeting as well.

19 Looking at my screen, we have 98
20 attendees with us today. I guess that's the
21 silver lining in this new normal of conducting
22 board meetings. We're having great attendance
23 and that's a great thing.

24 I would also like to ask that all

1 participants please put their settings on mute
2 during the presentations to minimize
3 background noise. I don't hear any, so I
4 think everyone's doing that already.

5 That's great. We're all learning.

6 And also, since there are so many
7 attendees on the call today, we cannot
8 identify everybody's phone number. In other
9 words, we don't know who's on the call. We
10 ask that everyone take extra care to ensure
11 that we maintain a decorum and a level of
12 formality appropriate for a meeting of the
13 board. And I thank you in advance for your
14 cooperation.

15 Ninety-eight attendees. That's
16 terrific.

17 We'll be referring to three
18 presentations today that have been sent to you
19 and also posted to the PRIM website at
20 www.MaPension.com. That's M-a-p-e-n-s-i-o-n
21 dot.com.

22 Throughout today's presentation, we'll
23 be referring to the expanded agenda which is
24 there, the PRIT Fund performance slides which

1 are there, and third, the budget overview
2 which you'll find there. They can all be
3 found at that website. Please let us know
4 if you have trouble finding them.

5 While we're operating as close to
6 normally as possible, and I hope we'll soon be
7 returning to work safely, as you know,
8 Governor Baker recently announced a four
9 phase reopening plan for the Commonwealth.
10 And as part of that plan, office spaces in the
11 City of Boston will be permitted to reopen on
12 June 1st, with significant limitations, I
13 might add.

14 Based on the Governor's directives and
15 guidance as well as guidance from the
16 Treasurer, the Mayor, the CDC, the state
17 Department of Health, our building manager,
18 and more, PRIM is working on a plan for
19 gradually bringing employees back to the
20 office and also ensuring that the required and
21 appropriate safety standards and protocols are
22 in place when we do return.

23 As we start to transition to slowly
24 reopen our office, we'll take into

1 consideration both the business needs of PRIM
2 and the needs of each employee.

3 Each PRIM manager and our HR director
4 are currently working with each PRIM employee
5 to determine needs and accommodations; for
6 example, child care issues, health issues,
7 commuting issues and the like.

8 And I want to thank you, Treasurer
9 Goldberg, for your sustained involvement and
10 attention to detail during this crisis. Your
11 team has been wonderful in providing us
12 guidance.

13 My gratitude also extends to the
14 Governor, his staff, to the legislature, all
15 of whom have been keeping close tabs on PRIM
16 and, of course, on the safety of the entire
17 state.

18 I'm also extremely appreciative for
19 the support and dedication of our Board and
20 Committee members, as evidenced by high
21 attendance. You've enabled PRIM to function
22 uninterrupted and without delay during this
23 Board cycle.

24 And most importantly, staff. I want

1 to thank you all who are working remotely,
2 without difficulty, and in most cases caring
3 for family members, too.

4 There's no better team, really, to go
5 through this with than the entire PRIM family,
6 and I am incredibly proud of how we've
7 responded to this crisis.

8 As I've mentioned before, PRIM is
9 fully functional. All employees are able to
10 work remotely. All functions are operating as
11 close to normally as possible. And I'm
12 pleased that at this Board meeting today,
13 staff will present for your approval more
14 than 1.3 billion dollars in new
15 opportunities -- 1.3 billion. And I think
16 that's proof that the PRIM staff and our
17 committees are working very productively.

18 Market dislocations happen, and they
19 can be painful, but these dislocations also
20 create opportunities. For example, today we're
21 excited to seek Board approval for an
22 investment opportunity that will enable PRIM to
23 be among the first participants in the newly
24 created TALF program in which we are

1 able to utilize favorable government funding
2 vehicles to help ensure credit is flowing to
3 the highest quality AAA-rated companies in the
4 country.

5 It's a great opportunity for the
6 pension fund and it also serves as an
7 important vehicle and important purpose for
8 the entire nation.

9 The PRIM team is hard at work during
10 this crisis. We're continuing to identify and
11 vet new investment opportunities every day,
12 all the time. That's our basic job. It's the
13 very basic requirement of maintaining a strong
14 and resilient portfolio.

15 Today we'll quickly review March
16 performance. We've gone through that twice
17 already. But we'll quickly review that again
18 before moving on to the voting items.

19 As you know, markets have rebounded
20 strongly since the sharp sell-off in March.
21 We'll talk about that, but first, an
22 organizational update.

23 In April, we were very sad to learn of
24 the passing of Peter Brooke, who served for

1 nearly a decade on the PRIM Investment
2 Committee. Many of you worked with him and
3 know Peter. Peter was considered a legendary
4 private equity figure, both here in Boston and
5 throughout the world, one of the founding
6 fathers of the private equity business. He
7 founded two of the industry's oldest and
8 largest firms: TA Associates and Advent
9 International. Peter's service to PRIM was
10 exceptional and he will be missed.

11 And on a personal note, my time at
12 PRIM did not overlap with Peter, but he took
13 the time to meet with me several times and he
14 was always a great help to me.

15 In fact, I actually got to know his
16 son, too, John, who rented office space at
17 84 State Street, right here in our building.
18 And he informed me once, I remember, that
19 Peter began his career at TA Associates,
20 founded those companies from this very
21 building.

22 And one day when John and I were
23 walking down the back hallway, those stone
24 staircases to the street, he reminded me that

1 the wear in the treads of those staircases
2 were probably due in large part due to his
3 father going up and down in this very building
4 for decades.

5 So our thoughts and prayers and our
6 thanks go to Peter and his family. I thought
7 you would all like to know, a legend has left
8 us.

9 Now for some good news, better news.

10 As you may know, in mid-March a PRIM
11 employee was diagnosed with COVID-19, but I'm
12 pleased to report that that employee has
13 recovered and is back at work. We're thankful
14 for this wonderful outcome. We wish this
15 employee strength and continued improving
16 health, and I hope to see your smiling face
17 very soon again, hopefully in person very
18 soon.

19 Next I want to congratulate Bob
20 Brousseau and Paul Shanley for winning their
21 respective elections. Congratulations. Each
22 has been reelected to start a new-three year
23 term on the PRIM Board. That term begins on
24 July 20, 2020. Bob for the Mass. Teachers

1 Retirement System and Paul for the state
2 employees retirement system. Both of you have
3 been outstanding contributors to PRIM for
4 quite some time, and we are delighted to have
5 you back for another term. Congratulations.

6 And, Bob and Paul, thank you very
7 much for your dedicated service and for your
8 support over the many years.

9 I'm going to clap for you.

10 New employees.

11 Next, I'm pleased to announce that
12 PRIM has hired four new employees who were in
13 the pipeline before we moved to this new
14 remote work environment, and they're
15 onboarding was a major success, even in this
16 remote working environment.

17 We're very excited to welcome them all
18 to PRIM.

19 First, please join me in welcoming Joy
20 Seth to PRIM as an Investment Officer on the
21 portfolio completion strategy team, reporting
22 to Bill Li. Joy joined in March and
23 previously worked as the senior investment
24 analyst at the employee retirement system of

1 Texas, responsible for building machine
2 learning models and developing a test engine
3 for option-based strategy.

4 Prior to that, Joy was an engineer at
5 Microsoft Corporation. Joy graduated from the
6 University of Washington with a master's
7 degree in computational finance and holds a
8 bachelor's degree in electrical and computer
9 engineering from the University of Texas at
10 Austin.

11 Silas Owoyemi. Silas joined PRIM in
12 March as a help desk and operational support
13 specialist on the IT team, reporting to David
14 Griswold. Silas previously worked as a
15 network engineer at Ocean Spray and was
16 responsible for planning and maintaining their
17 data network and infrastructure.

18 Prior to that, Silas was a senior
19 support special specialist at Alkermes
20 biopharmaceutical company.

21 Silas holds a bachelor's degree in
22 mathematics from the University of Ilorin in
23 Nigeria.

24 Michelle Witkes joined PRIM in March

1 as Director of Human Resources, reporting to
2 Tony Falzone. She brings extensive human
3 resources experience.

4 She previously worked at Beacon Health
5 Options, a division of Anthem, as their vice
6 president of human resources, and at Enterprise
7 Associates as their director of human
8 resources.

9 During her career, Michelle has been
10 responsible for all HR-related functions from
11 strategic HR leadership to tactical employee
12 support. She holds a degree in human services
13 and psychology from the University of
14 Massachusetts at Amherst.

15 Most recently, Beth Herlihy started on
16 May 1st as PRIM's Director of Communications,
17 and she'll report directly to me.

18 Beth brings extensive communications
19 experience, having served as head of marketing
20 at AEW Capital Management for twelve years.
21 You may recognize AEW Capital as one of our
22 real estate managers.

23 Since leaving AEW in 2016 to attend
24 graduate school full-time, Beth has worked as

1 a marketing communications consultant, and her
2 most recent assignment was with Advent
3 International, one of our private equity
4 managers.

5 She has more than 20 years of
6 experience in strategic marketing, public
7 relations, branding, investor communications,
8 and business development. She holds a
9 bachelor's degree in political science from
10 the University of Vermont and a master of fine
11 arts and creative writing from Emerson
12 College.

13 We're delighted to have all of you
14 join PRIM. You're all off to a great start in
15 a very difficult environment, which hopefully
16 will improve soon.

17 I want to pause there and take any
18 questions or comments before moving on to
19 markets and PRIT Fund performance.

20 Are there any questions at all on the
21 organization?

22 Great.

23 Moving along to markets and PRIT Fund
24 performance. As you all know, the PRIT Fund

1 is carefully constructed. It's broadly
2 diversified, and we expect it will perform
3 well over the long term.

4 We are very pleased with our asset
5 allocation work, as it has consistently
6 enabled PRIM to perform strongly in both up,
7 and, perhaps more importantly, down markets.

8 We were pleased that in the March
9 quarter, although it was a challenging quarter
10 in the market, the fund fared very well. It
11 performed better than its benchmark and better
12 than the financial markets, and we believe the
13 performance was very strong competitively.

14 This performance is due to several
15 timely asset allocation decisions that have
16 been implemented over the past several years.
17 They were designed to reduce the overall risk
18 of the portfolio and to maximize its
19 risk-adjusted return while still delivering on
20 our long-term goal, the actuarial rate of
21 return, which currently stands at 7.25
22 percent.

23 And as an example of those moves,
24 remember, PRIM reduced its global equity

1 exposure from a midpoint of 50 percent five
2 years ago to a midpoint of 39 percent today.

3 We also added several risk mitigation
4 strategies over the last few years.

5 At the recent committee meetings, we
6 spoke of the challenges in the economy and in
7 our lives. We recognized that we will face
8 more challenges in the months and perhaps years
9 ahead.

10 The market correction of March 2020
11 was the fastest on record, going all the way
12 back to The Great Depression.

13 In just 20 days, equities fell 34
14 percent. It may have been the quickest drop
15 in history, but it wasn't the deepest. As I
16 mentioned, that record still belongs to the
17 fall during The Great Depression when stocks
18 fell 86 percent in 34 months.

19 Since the lows of March 23rd, the
20 market recovery has also been one of the
21 fastest and steepest.

22 The S&P is up 33 percent from its
23 March lows, and April and May have been very,
24 very strong. We'll talk about that a little

1 later.

2 But despite the recent string, we fear
3 that the bear market is probably not over. We
4 talked about this a lot at the Investment
5 Committee meetings. We had two Investment
6 Committee meetings during this cycle.

7 We have examined 14 major sell-offs
8 since The Great Depression. And on average,
9 major sell-offs last 20 months, not 20 days,
10 like the March 2020 sell-off which was 20
11 days.

12 The economic damage is severe, and the
13 challenges that this economy faces in
14 restarting from very low levels are enormous
15 and will likely take a long time.

16 The markets have reflected some of the
17 economic challenges. For the calendar year
18 through May 19th, the S&P is down 7.3 percent
19 for the calendar year; developed international
20 markets and emerging markets are down
21 approximately 16 percent; diversified bonds
22 are up 5 percent for the year; while long
23 bonds are up nearly 30 percent for the
24 calendar year, as yields have plummeted.

1 The ten-year treasury is currently
2 yielding 0.68 percent. That's 0.68 percent.
3 A year ago, it was yielding approximately
4 2 1/2 percent.

5 The S&P's 7 percent decline this year
6 does not fully capture the economic damage we
7 are experiencing. This may be due to the
8 unprecedented large size and scope of the
9 federal stimulus package. The size and the
10 scope of the government's stimulus is
11 impressive, and thank you to Jay Leu for
12 tracking the details on this for us. It's
13 been complex.

14 The hope really is that the stimulus
15 will be enough to heal the economy quickly.
16 We want the economy to rebound. And while we
17 hope for a very swift recovery, we do not
18 build a resilient portfolio based on hope.

19 We believe we can expect some
20 continued volatility until the economic
21 outlook comes into clearer focus.

22 Stay-at-home advisories and the
23 business workplace shut-downs have caused an
24 abrupt decline in economic activity and the

1 data perhaps is just beginning to reflect it.

2 Most of the March and April data that
3 has been reported so far is very poor. We
4 know that.

5 For example, GDP growth shrank at an
6 annualized rate of 4.8 percent in the first
7 quarter. It's supposed to get worse this
8 quarter.

9 The nation's unemployment rate hit a
10 record 14.7 percent unemployment. That's
11 more than 36 million people who have filed
12 for unemployment benefits since the
13 beginning of the shut-downs. That's
14 equivalent to nearly a quarter of the entire
15 working-age population.

16 Here in Massachusetts, it was recently
17 reported that the unemployment rate could reach
18 25 percent! That's nearly 1 million people
19 have filed jobless claims here in
20 Massachusetts.

21 Elsewhere, industrial production in
22 the US fell 11.2 percent from a month earlier
23 in April. That's its largest drop in the
24 101-year history of the index. That
represents a 45 percent drop

1 quarter-over-quarter annualized.

2 Retail sales sank 16.4 percent in
3 April from a month earlier. That's the
4 sharpest decline ever, and that represents a
5 60 percent decline quarter-over-quarter
6 annualized.

7 Housing sales plummeted 30 percent
8 month over month. Building permits plunged 20
9 percent. The economy really has ground to a
10 halt.

11 Having said that, we believe we have
12 worked hard to position the PRIT Fund
13 appropriately for what lies ahead.

14 We've been reducing risk over the past
15 several years. But as we discussed at the
16 Investment Committee meeting, there is a very
17 large economic hole to dig out of, and it's a
18 worldwide phenomenon.

19 During this historic time, we continue
20 to adhere to our disciplined, long-term
21 investment focus, and look for opportunities
22 caused by market dislocation.

23 You'll hear about and vote on such
24 opportunities later this morning.

1 And now I'll turn to the PRIT Fund
2 performance slide. I'll go quickly through
3 these, since we've done it twice already.

4 But please turn to page 2 of your
5 performance book, and I think Tony is going to
6 pull those up now.

7 The first chart shows the quarter
8 ending March 31st. That's the most current
9 performance we have.

10 The March quarter, the PRIT Fund was
11 down 9.9 percent gross, 10 percent net with an
12 outperformance versus the 60/40 mix you can
13 see in the middle, which was down 11.6
14 percent.

15 On the left, you can see that STRIPS,
16 long-duration STRIPS, as I mentioned, were up
17 30 percent in the quarter alone. Yields
18 plummeted.

19 Private equity, very strong. You'll
20 hear more about private equity today.

21 Diversified bonds, also very strong.

22 And on right, you can see equity weak.
23 The S&P down 20 percent. Developed
24 international markets weak. Emerging markets,

1 weak. US long-cap, small companies were also
2 very weak.

3 Next page.

4 You can see the one-year ended
5 March 31, 2020. For the one-year period, the
6 PRIT Fund stood at \$70.7 billion. That was
7 down for the one-year period 1.2 percent gross
8 and 1.7 percent net of fees, outperforming its
9 benchmark by 27 basis points. And that down
10 1.7 percent net of fees compares to a 60/40
11 mix, which was down 3.2 percent in the same
12 time period.

13 This equates to an investment loss of
14 \$1.2 billion, but it was \$197 million above a
15 benchmark return.

16 Again, you can see STRIPS, private
17 equity, diversified bonds were very strong.
18 And equities, very weak, particularly US small
19 caps very weak.

20 Again, we'll go into a little more
21 detail on performance later in today's agenda.

22

23 Next page.

24 This shows returns -- the one-,

1 three-, five- and ten-year returns. The
2 three- and five-year numbers were impacted by
3 this sell-off, the March sell-off, as well as
4 the 2018 sell-off.

5 Still you can see all the way out on
6 the right, the ten-year numbers were above the
7 actuarial rate of return at 7.5 percent.

8 All areas are above benchmark, an
9 indication that our managers are doing quite
10 well.

11 Page 5, next slide.

12 The one-year asset class performance.
13 This is really a repeat of what we said
14 before.

15 On the left was what was strong. On
16 the right, what was weaker. And we'll be
17 going into that a little later.

18 And I'll end on the last chart, which
19 I think is interesting.

20 You can see private equity really
21 drives the bus for performance, private equity
22 over all time periods.

23 What I think is also very interesting
24 with real estate, it's very, very consistent.

1 And global equities, I always use a
2 chart to demonstrate that global equities are
3 among the most volatile asset class.
4 Sometimes they're at the very top of the
5 charts, but today you can see that that has
6 changed. That picture has changed.

7 So I'll stop there and take any
8 questions on either the organization or PRIT
9 Fund performance.

10 I will again stress that each asset
11 class head will be going into a little more
12 detail in the following presentations.

13 TREASURER GOLDBERG: Are there
14 any questions from members of the Board for
15 Michael at this time?

16 I do want to note for the minutes,
17 Darlene, that Peter Monaco has joined the
18 meeting. And I don't think the time matters.
19 I just want to make sure you know he's here
20 for all the votes.

21 If there are no questions for Michael,
22 we'll move on to the investment report,
23 beginning with public markets.

24 MR. GURTZ: Good morning.

1 TREASURER GOLDBERG: If people
2 don't recognize people -- there are a lot of
3 folks today who now are sporting beards,
4 namely, men.

5 MR. GURTZ: Good morning. I'm
6 David Gurtz.

7 I'm happy to walk you through.

8 We have had a couple of voting items
9 on the public markets team, but before we get
10 into the voting items, I want to first give
11 you a brief update on our rebalancing and then
12 a brief update on our performance.

13 So first, as Michael noted, we
14 successfully rebalanced the PRIT Fund prior to
15 and during this volatile Q1 period.

16 Back in December, after a record up
17 year for global equities, PRIM sold nearly a
18 billion dollars in global equities to fund the
19 new one-and-a-half billion dollar allocation
20 to short-term fixed income, which is a
21 portfolio of one- to three-year US treasuries.
22 So this proved to be great timing of selling
23 equities near the peak and buying a low-risk
24 diversifying core fixed income strategy prior

1 to the sell-off in March.

2 So as the markets sold off in March,
3 the global equity allocation was nearing the
4 bottom of its target range and core fixed
5 income was, in fact, above its target range.

6 So rebalancing in times of market
7 distress is not easy. As liquidity dries up,
8 higher trading costs occur or even limited
9 ability to trade occurs.

10 Knowing this, PRIM staff worked with
11 our passive core fixed income manager to
12 develop a liquidation plan that spread out the
13 selling of our core fixed income securities
14 over time, and we really focused on the most
15 liquid securities.

16 Thanks for that effort, PRIM
17 effectively sold one and a half billion
18 dollars in core fixed income throughout the
19 month of March and even into early April,
20 consistent with our rebalancing plan.

21 Of the one and a half billion dollars,
22 800 million was from our newly funded
23 short-term fixed income portfolio.

24 Once the Fed dropped the rates down to

1 near zero, this one- to three-year US treasury
2 securities really acted like a cash portfolio,
3 and that's why we focused on that portfolio to
4 liquidate.

5 We also sold \$500 million in our
6 best-performing asset class: long duration US
7 treasury STRIPS. And we sold \$200 million in
8 US STRIPS.

9 Now with this one and a half billion
10 dollars of liquidated core fixed income
11 securities since April, we rebalanced and
12 invested \$500 million in S&P 500. We invested
13 nearly \$500 million into PCS and OCO
14 strategies. We've raised over \$300 million
15 for future private equity and distressed
16 capital calls. The remaining cash was raised
17 to pay beneficiaries.

18 So unemotional, very methodical
19 rebalancing really ensured that we remained
20 within our target.

21 Turning back to that performance slide
22 deck in front of you, starting on page 8,
23 we're going to highlight the one-year return
24 to our global equity portfolio.

1 Now while the S&P was down 20 percent
2 in the quarter for the one-year ending
3 March 31st, the S&P is down just 6.7 percent.

4 As Michael noted earlier, the
5 volatility in March was stagnant.

6 On March 16, the S&P fell 12 percent,
7 the third largest single percentage drop in a
8 day in history, with only Black Monday in 1987
9 and a drop back in 1929 at the beginning of
10 The Great Depression having worse days.

11 Then just a week later on March 24,
12 the Dow jumped up 11 percent; its largest
13 daily gain since 1933. Really, just
14 spectacular volatility.

15 Since that day, the S&P has continued
16 to rebound and is up over 33 percent since the
17 low.

18 PRIM's developed international
19 portfolio is down 23 percent in Q1, but for
20 the year it's down 13.9 percent outperforming
21 its benchmark by over 100 basis points.

22 Most of this outperformance can be
23 attributed to a single manager, Baillie
24 Gifford, whose stock selection contributed to

1 a nearly 8 percent outperformance during this
2 one-year period.

3 For the quarter, emerging markets fell
4 over 25 percent, underperforming the benchmark
5 by approximately 130 basis points.

6 Nearly all of this underperformance
7 can be attributed to our managers' collective
8 underweight to China which was down just 10
9 percent in Q1. The best performing stock
10 market in EM was China.

11 However, over the one-year period, our
12 emerging market managers outperformed the
13 benchmark by 72 basis points.

14 Finally, US small cap underperformed
15 large cap, and PRIM's portfolio fell
16 approximately 28 1/2 percent this quarter and
17 was down 21 percent for the one-year period,
18 outperforming our benchmark by nearly 150
19 basis points for the year.

20 Moving to page 10 and our core fixed
21 income or all of our fixed income strategies.

22 As mentioned, STRIPS returned nearly
23 30 percent for this quarter. But for the
24 one-year period, it returned a staggering 47.8

1 percent.

2 Core fixed income returned just over 2
3 percent for the quarter, and for the year
4 returned over 8 percent, underperforming index
5 by approximately 90 basis points.

6 Now this underperformance is driven by
7 most managers having an overweight to credit,
8 which underperformed due to credit spreads
9 widening during this time period.

10 As credit spreads widened,
11 credit-heavy asset classes fared worse,
12 posting negative returns. So high yield was
13 down 13 percent this quarter, nearly 7 percent
14 for the one-year period, and bank loans fell
15 11 percent for the quarter and 7 1/2 percent
16 for the one year.

17 Both asset classes outperformed their
18 respective benchmarks.

19 Emerging market debt was the worst
20 performing strategy, down nearly 19 percent
21 down in the quarter and down 14 percent for
22 the year.

23 One manager, Ashmore, caused a
24 significant underperformance in this asset

1 class, underperforming due to their overweight
2 to Ecuador, Lebanon, Argentina, and Venezuela.
3 Now, this manager has underperformed during
4 previous market sell-offs but historically has
5 rebounded very quickly. But obviously, we are
6 monitoring this manager very closely.

7 So I'm going to pause there and see if
8 there's any questions before we move on to our
9 voting items.

10 (Brief pause in proceedings.)

11 TREASURER GOLDBERG: No
12 questions?

13 Then we will move on to the voting
14 items.

15 MR. GURTZ: Great.

16 TREASURER GOLDBERG: David, what
17 do I usually -- I want to get this straight.

18 Do I ask for the motion and the
19 second? Or do I --

20 MR. GURTZ: I'm happy to go
21 through it and then you can ask for the vote
22 at the end. How does that sound?

23 TREASURER GOLDBERG: No. I'm
24 going to do it the way I do with Mike Bailey,

1 because I don't recognize you, and so this is
2 a brand new show.

3 All -- right. I'll seek a motion that
4 the PRIM Board approve the Investment
5 Committee's recommendation to allocate up to
6 \$250 million to Longfellow Investment
7 Management Company, LLC; up to \$250 million to
8 Pugh Capital Management, Inc.; and up to
9 \$100 million to New Century Advisors, LLC, as
10 described in Appendices D, E, F, G, and H of
11 the expanded agenda and further to authorize
12 the Executive Director to take all actions
13 necessary to effectuate this vote.

14 Is there a motion?

15 MR. NAUGHTON: So moved. Dennis
16 Naughton.

17 MR. BROUSSEAU: Second.

18 TREASURER GOLDBERG: We have a
19 motion. We have a second.

20 Go ahead, Dave, describe it.

21 MR. GURTZ: Thank you. So first
22 is our recommendation to graduate, as you
23 mentioned, Treasurer, Longfellow Investment
24 Management Company, Pugh Capital Management,

1 and New Century Advisors from our progress
2 investment management company, who is a
3 manager of managers portfolio, to manage
4 assets directly for PRIM.

5 So as we discussed at our February
6 Board meeting, Progress notified PRIM in
7 mid-December that Progress intends to wind
8 down and dissolve its business by no later
9 than May 31, 2020.

10 So PRIM hired Progress back in 2016.
11 And as of March 31, they managed approximately
12 \$335 million for PRIM in core fixed income
13 strategy.

14 Progress is a manager of managers.
15 They utilize five underlying investment
16 managers to manage our core fixed income
17 portfolio.

18 Once Progress notified us of their
19 intention to shut down, PRIM staff began our
20 manager selection process on each of these
21 five underlying managers to determine which,
22 if any, of the managers should graduate and
23 manage assets directly for us.

24 Based upon our management selection

1 process, which includes both quantitative and
2 qualitative analysis, as well as successful
3 due diligence by our consultants, Callan and
4 Albournr, PRIM staff recommends graduating
5 Longfellow, Pugh, and New Century to manage
6 assets directly for PRIM.

7 One of the concerns we noted at the
8 February Board meeting and Committee meetings
9 was that PRIM did not want to be Progress's
10 last line. We didn't want to wait until
11 May 31 to terminate our relationship with
12 them.

13 So at the February meeting, we noted
14 that PRIM staff may seek retroactive approval
15 to hire potential managers.

16 As a result, PRIM staff established
17 direct investment management agreements with
18 Longfellow, Pugh, and New Century effective
19 April 1st, and collectively they are managing
20 approximately \$250 million for PRIM.

21 The remaining progress assets were
22 transferred to another existing PRIM account,
23 liquidated in April. Therefore, effective
24 May 1, 2020 PRIM terminated its relationship

1 with Progress.

2 Now I'm going to briefly highlight
3 Longfellow, Pugh, and New Century.

4 First, Longfellow is a 100 percent
5 employee-owned, Boston-based, certified
6 women's business enterprise. Founded in 1986,
7 Longfellow manages over \$11 billion in
8 domestic fixed income and alternative
9 investment strategies for institutional
10 clients.

11 The firm is led by Robin McKenna, the
12 managing principal. The portfolio is still
13 managed by Akshay Anand.

14 Longfellow's investment philosophy is
15 based on that the upside is limited, while the
16 downside can be substantial. They focus on
17 preserving capital and minimizing volatility
18 by utilizing in-depth research and
19 diversifying portfolios.

20 Next is Pugh Capital Management,
21 formed in 1991. Pugh is a Seattle-based, 100
22 percent employee-owned investment management
23 company and a certified minority woman-owned
24 business enterprise, led by the CIO and firm

1 namesake Mary Pugh.

2 Pugh Capital manages over \$8 billion
3 in fixed income. Pugh Capital utilized both a
4 top-down and a bottoms-up investment approach,
5 to achieve the dual goal of being defensive,
6 yet achieving capital appreciation.

7 Lastly, New Century Advisors was
8 formed in 2002 by Ellen Safir, the founder and
9 CIO. New Century is Based in Chevy Chase,
10 Maryland.

11 New Century manages over \$2 billion in
12 fixed income portfolios. They are an
13 independent, 100 percent employee-owned
14 investment management firm and a certified
15 women's business enterprise.

16 Again, New Century focuses on managing
17 the downside risk in order to provide
18 consistent excess returns.

19 So as I mentioned today, these three
20 firms currently manage approximately
21 \$250 million for us right now, but our
22 recommendation is to increase that exposure to
23 this selection of firms.

24 Today we're recommending allocating up

1 to \$250 million up to Longfellow, up to
2 \$250 million to Pugh, and up to \$100 million
3 to New Century, for a total of \$600 million.

4 And one last benefit to working
5 directly with these managers versus Progress
6 is lower fees.

7 The Progress fees included their fee
8 as well as these fees to these underlying
9 managers. By eliminating the Progress fee
10 layer, we're able to save approximately 40
11 percent of our fees.

12 I'm happy to take any questions.

13 (Brief pause in proceedings.)

14 MS. KIM: Hearing no questions
15 or comments -- Darlene, obviously, this is
16 Sarah Kim. I am taking over really briefly
17 for the Treasurer -- on the motion that has
18 been seconded, I'll take a roll call, starting
19 from the top.

20 Bob?

21 MR. BROUSSEAU: Yes.

22 MS. KIM: Paul Shanley?

23 MR. SHANLEY: Yes.

24 MS. KIM: Carly Rose?

1 MS. ROSE: Yes.

2 MS. KIM: Theresa McGoldrick?

3 Theresa, you're on mute.

4 MS. MC GOLDRICK: Sorry. Yes.

5 MS. KIM: Ruth Ellen?

6 MS. FITCH: Yes.

7 MS. KIM: Jim Hearty?

8 MR. HEARTY: Yes.

9 MS. KIM: Dennis Naughton?

10 MR. NAUGHTON: Yes.

11 MS. KIM: Peter Monaco?

12 MR. MONACO: Yes.

13 MS. KIM: I think I can vote for
14 the Treasurer; yes.

15 TREASURER GOLDBERG: But the
16 Treasurer is back.

17 MS. KIM: Great.

18 TREASURER GOLDBERG: Yes.

19 MS. KIM: So the motion has been
20 approved unanimously.

21 Thank you.

22 TREASURER GOLDBERG: Dave, I
23 think you have another voting item here?

24 MR. GURTZ: I have one more

1 voting item.

2 Do you want to read that motion?

3 TREASURER GOLDBERG: Yes, I
4 will.

5 The next motion, I seek a motion of
6 the approval of a new investment
7 recommendation, correct?

8 MR. GURTZ: Yes.

9 TREASURER GOLDBERG: Loomis
10 Sayles TALF Strategy, that the PRIM Board
11 approve the Investment Committee's
12 recommendation to approve a commitment of up
13 to \$250 million to the Loomis Sayles TALF
14 separately managed account, SMA, as described
15 in appendices I and J of the expanded agenda,
16 and further to authorize the Executive
17 Director to take all actions necessary to
18 effectuate this vote.

19 Is there a motion?

20 MR. BROUSSEAU: So moved.

21 TREASURER GOLDBERG: That is Bob
22 Brousseau.

23 And is there a second?

24 MS. FITCH: Second.

1 TREASURER GOLDBERG: We have a
2 motion. We have a second.

3 Take it away.

4 MR. GURTZ: Great.

5 So today we're recommending an
6 investment that stems directly from one of the
7 many governmental stimulus programs, the TALF
8 program.

9 Many firms contacted us about this
10 potential investment, but Loomis Sayles was
11 the first to call us. And I think that this
12 was a direct result of the team letting our
13 key managers know that we at PRIM want to be
14 their first call when investment opportunities
15 arise.

16 So Loomis is also willing to work
17 exclusively with us and create a separately
18 managed account just for us on this
19 opportunity when most other managers are
20 creating co-mingled TALF funds.

21 With that, Chuck is going to now
22 provide an overview of the TALF investments and
23 more info on Loomis.

24 MR. LA POSTA: Thanks, Dave.

1 So we are recommending a TALF-based
2 program. TALF, which stands for "term
3 asset-backed securities loan facility," was
4 announced by the Fed March 23rd of this year.

5 TREASURER GOLDBERG: Hang on a
6 minute. You're very staticy.

7 Is that because of using those ear
8 things?

9 MR. LA POSTA: I don't know, but
10 I can take them out.

11 (Brief pause.)

12 MR. LA POSTA: So as I was
13 saying, the TALF program was announced
14 March 23rd of this year, and the TALF program
15 is designed to help meet the credit needs of
16 consumers and small businesses by supporting
17 issuance of asset-backed securities, or ABS.

18 The program is modeled after the TALF
19 1.0 program from March of 2009.

20 This program will make up to \$100
21 billion of nonrecourse, three-year term loans
22 available to borrowers secured by eligible AAA
23 rated, ABS securities.

24 The Fed recently announced the first

1 subscription date will be June 17, 2020, and
2 the program is set to expire and September 30,
3 2020.

4 A summary of the TALF 2.0 terms can
5 be found on page 10 of the agenda.

6 As an example of how the program
7 works, manager agrees to buy \$100 million
8 worth of newly issued AAA rated, three-year
9 TALF-eligible equipment lease ABS securities,
10 at a yield of 2.2 percent.

11 Based on TALF guidelines, the manager
12 would provide \$6 million, or 6 percent, to the
13 Fed and the Fed provides a three-year loan to
14 the balance at a cost of 1.3 percent.

15 The net of earning 2.2 percent on
16 \$100 million worth of asset-backed securities
17 and paying 1.3 percent on the TALF loan
18 results in a 16 percent yield on the
19 \$6 million invested capital.

20 The table on the bottom of page 10
21 gives examples of other asset classes and how
22 the yields would work based on market data
23 available earlier last month.

24 Investors in TALF 1.0 in 2009 were

1 able to achieve double-digit returns over a
2 short period of time, while taking on minimal
3 credit risk, with early movers capturing much
4 of the value in the beginning stages of the
5 program.

6 Based on recent market levels for
7 TALF-eligible assets, double-digit returns may
8 be available to first movers in the current
9 TALF program, as many of the eligible asset
10 classes model out to yields between 10 and 33
11 percent based on the table in the agenda.

12 The primary risks to this strategy are
13 default, market value change, prepayment, and
14 execution.

15 Defaults would erode returns, but all
16 assets will be rated AAA and independently
17 underwritten by Loomis to limit the risk of
18 default.

19 Additionally, Loomis is proactively
20 working with issuers with whom they have
21 longstanding relationships, to create
22 TALF-eligible security for our portfolio.

23 Changes in market value will also add
24 volatility to returns but do not trigger any

1 margin calls within the terms of the TALF
2 loan.

3 So they'll add volatility but will not
4 cause any external actions necessary in
5 maintaining the portfolio.

6 Forbearance and other payment
7 modifications may alter the pace of principal
8 payments available to the AAA tranche of a
9 securitization, which may cause the asset
10 maturity to extend or contract and may alter
11 the yield available for investors during the
12 holding period.

13 The final risk is execution. In 2009,
14 only 35 percent of the capacity was utilized
15 before the market opportunity went away.

16 Together with Loomis, PRIM is
17 preparing to be among the first movers and is
18 already along the way to getting invested on
19 the June 17 date when the program begins.

20 As Dave mentioned, this came about on
21 a first call from Loomis, but PRIM has had
22 many calls and e-mail exchanges with multiple
23 managers and we are recommending Loomis for
24 the following reasons:

1 They have a large fixed income
2 presence. Loomis Sayles is a \$270 billion
3 asset manager located in Boston with a deep
4 history in fixed income investing and is
5 focused on credit.

6 PRIM has had a longstanding history
7 with Loomis. Loomis currently manages
8 \$1.7 billion across core fixed income and
9 high-yield accounts.

10 The core fixed income account has
11 recently experienced a 30-year anniversary. So
12 again, a longstanding history with PRIM.

13 There is a deep team supporting the
14 strategy and the strategy will be run by
15 members of the mortgage and structure finance
16 team, which currently oversees \$31.2 billion
17 in assets.

18 The team consists of 21 professionals,
19 with an average of 14 years' experience across
20 portfolio management, strategist, trader and
21 analyst functions.

22 The account will be co-managed by
23 Allesandro Pagani, head of the mortgage and
24 structure finance team, and strategist Michael

1 Meyer, each of whom have over 22 years
2 together.

3 Finally, structure and fees.

4 Loomis has been working exclusively
5 with PRIM on this strategy and has agreed to a
6 separately managed account and a fee structure
7 that is both lower than initially offered and
8 compares favorable to other similar
9 strategies.

10 With that, I will take any questions.

11 TREASURER GOLDBERG: Are there
12 any questions at all?

13 MR. BROUSSEAU: Bob Brousseau.
14 Madam Treasurer, just a fast question to Chuck
15 or David.

16 Were we involved in the TALF program
17 in 2008 to 2009? And if so, how successful
18 was it as far as PRIM's concerned?

19 MR. LA POSTA: PRIM was not
20 involved in the first iteration of the
21 program.

22 MR. BROUSSEAU: So this is a new
23 venture for us?

24 MR. LA POSTA: Yes.

1 MR. BROUSSEAU: Thank you.

2 MR. LA POSTA: You're welcome.

3 TREASURER GOLDBERG: Any other
4 questions?

5 We have a motion.

6 MR. MONACO: Madam Treasurer,
7 Peter Monaco here.

8 TREASURER GOLDBERG: Hi, Peter.
9 How are you?

10 MR. MONACO: Good. Thank you.

11 I apologize if you covered this. I
12 was briefly distracted.

13 Just to make sure, the financing is
14 entirely term financing and it is completely
15 nonrecourse to us?

16 MR. LA POSTA: Correct. It is
17 nonrecourse and non-mark-to-market.

18 So there's no margin variation as
19 market values change. And nonrecourse to
20 PRIM. There's only recourse to the underlying
21 assets to the extent that the \$6 million in
22 capital is contributed to support the asset in
23 the example that I've given.

24 MR. MONACO: So this comes down

1 to the credit work, whereupon which we depend
2 on Loomis?

3 MR. LA POSTA: Correct.

4 MR. MONACO: Thank you.

5 MR. LA POSTA: Importantly, the
6 assets are rated AAA, which is the highest
7 credit quality and has the lowest expected
8 rate of default for that credit quality.

9 Again, Loomis will do their
10 independent evaluation of the credit to
11 further augment that AAA rating.

12 MR. MONACO: Right. Because one
13 of the teachings of the last crisis was that
14 there were a lot of AAA securities which
15 probably shouldn't have been rated AAA to
16 begin with.

17 MR. LA POSTA: Nevertheless, a
18 lesson learned for sure.

19 MR. MONACO: Thank you.

20 TREASURER GOLDBERG: Very good
21 point, Peter.

22 Are there any other questions?

23 Hearing none, we have a motion. We
24 have a second.

1 I will now do a roll call vote.

2 Bob Brousseau?

3 MR. BROUSSEAU: Yes.

4 TREASURER GOLDBERG: Ruth Ellen

5 Fitch?

6 MS. FITCH: Yes.

7 TREASURER GOLDBERG: Jim Hearty?

8 MR. HEARTY: Yes.

9 TREASURER GOLDBERG: Theresa

10 McGoldrick?

11 MS. MC GOLDRICK: Yes.

12 TREASURER GOLDBERG: Peter

13 Monaco?

14 MR. MONACO: Yes.

15 TREASURER GOLDBERG: Dennis

16 Naughton?

17 MR. NAUGHTON: Yes.

18 TREASURER GOLDBERG: Carly Rose?

19 MS. ROSE: Yes.

20 TREASURER GOLDBERG: Paul

21 Shanley?

22 MR. SHANLEY: Yes.

23 TREASURER GOLDBERG: Myself,

24 yes.

1 The motion carries.

2 Thank you.

3 MR. TROTSKY: Next is Eric and
4 Bill.

5 TREASURER GOLDBERG: Strategy
6 group. Investment strategy update and
7 portfolio completion strategies performance
8 summary.

9 There are will not be any voting items
10 on this.

11 MR. NIERENBERG: Good morning,
12 everyone.

13 I'm just going to give you a quick
14 update on investment strategies, strategic
15 asset allocation, and risk mitigation.

16 Starting with investment strategy.
17 One important lesson from history is that you
18 should not drastically alter your investment
19 strategy during a crisis. You build your
20 strategy ahead of time to weather a crisis.

21 Significant changes during turbulent
22 times can often indicate that an investor's
23 risk or liquidity profile was wrong to begin
24 with.

1 Fortunately, our overall investment
2 strategy and asset allocation program has
3 served PRIM well during this unusual period
4 and we retain conviction in our strategic
5 philosophy and framework.

6 As a reminder, we developed a robust
7 asset allocation plan designed to meet the
8 legislatively mandated rate of return, while
9 also reducing potential drawdown risk. Given
10 the extreme dislocations and market moves
11 experienced, limiting the PRIT Fund decline to
12 less than 10 percent in the quarter does
13 demonstrate the value of the approach.

14 In 2017, with Board approval, we
15 incorporated a risk mitigation sleeve into the
16 Fund to help manage downside risk, consisting
17 of an enhanced equity hedge and long-duration
18 Treasury STRIPS.

19 During the quarter, this combined
20 program performed well, thanks to the
21 astounding 30 percent return for STRIPS in the
22 quarter.

23 The minus 3.5 percent quarterly return
24 for the risk mitigation sleeve far exceeded

1 the minus 11.6 percent return for a 60/40
2 portfolio and the minus 13.1 percent return
3 for the risk parity index.

4 In addition, following our annual
5 asset allocation review in 2019, with Board
6 approval, the core fixed income allocation was
7 increased to better balance the principal
8 component exposures at the PRIT Fund.

9 As part of that reallocation, over
10 \$700 million was moved into STRIPS by June
11 2019. The fund benefited from that move, which
12 was not a tactical call on interest rates, and
13 STRIPS returned more than 37 percent for the
14 fiscal Year to date.

15 Markets are, of course, dynamic
16 though and a program designed during one
17 investment era may not necessarily be
18 appropriate for the next.

19 Our Strategy Group, which now numbers
20 eight investment staff in total, have been
21 working exceptionally hard to analyze what has
22 worked and what hasn't during this crisis,
23 with a consistent goal of achieving a high
24 risk-adjusted return for the PRIT Fund.

1 As the tectonic plates of the
2 investment world shift, we will be both
3 opportunistic and disciplined in evaluating
4 whether any changes in investment strategy or
5 asset allocation are warranted.

6 I'll stop there. I'm happy to
7 entertain any questions. If not, I can turn
8 it over to Bill.

9 TREASURER GOLDBERG: Any
10 questions?

11 Hearing none, go right ahead, Eric.

12 MR. NIERENBERG: I'll turn it
13 over to Bill for the Portfolio Completion
14 Strategies.

15 MR. LI: Thank you Eric, this is
16 Bill Li.

17 Firstly, I would like to welcome Joy
18 Seth again in joining our team. Since Joy
19 started in March, it's been nearly two months,
20 but he has already proved tremendous help to not
21 only the team but also to the overall PRIM.

22 Regarding portfolio completion
23 strategies, I'm going to first talk about Q1
24 performance and market observations, and then

1 I have an update of a specific managers to
2 bring to you.

3 So firstly, on performance.

4 Portfolio completion strategies lost
5 7.7 percent for the quarter, outperforming
6 benchmark by 50 basis points.

7 Going to detailed buckets within PCS,
8 real assets were flat, and Eric will comment
9 on that later.

10 Stable value types of hedge funds,
11 which account for the majority of PCS, was
12 down modestly by 4.8 percent.

13 Directional hedge funds, which by
14 design have more market exposure, detracted by
15 15.5 percent.

16 Pockets of the global markets went
17 frozen in Q1, specifically in March.

18 For instance, structured credit and
19 emerging market bonds were difficult to
20 transact towards the end of the month, March,
21 even when the US treasury market already
22 managed to catch a breath.

23 As a result, some managers specialized
24 in those subsectors suffered mark-to-market

1 losses or found it hard too properly mark the
2 portfolio by quarter end.

3 It's worth noting that PRIM as a whole
4 has minimal exposure to the liquidity-troubled
5 areas.

6 On the other hand, PRIM's macro
7 relative value and event-driven managers were
8 less impacted. Those groups of funds
9 registered flat performance or even returned
10 positively for the quarter.

11 As part of the quarter-end rebalance
12 mentioned by David Gurtz, we cautiously
13 deployed incremental capital to a couple
14 obvious dislocations. Of course, those were
15 pitched by and implemented through existing
16 managers.

17 One opportunity resides in the market
18 treasuries market where the spread between
19 some securities became extremely lucrative.

20 Another notable sector is high-quality
21 liquid credits. Temporary lack of liquidity
22 led to an immensely attractive yield, while
23 default risk of those selective papers
24 remained remote.

1 As of mid-May, we're already seeing a
2 positive P&L from the aforementioned trades.
3 Even though the top-offs were of a smaller
4 size, less than half a percent of the PRIT
5 Fund, this highlights the trust managers put
6 in PRIM's ability to capture opportunities.

7 Switching gears to an update that we
8 want to bring to you about New York-based
9 Advent Capital, a manager in PRIM's hedge
10 fund portfolio.

11 We learned this week of a lawsuit
12 filed on Monday against Advent Capital by a
13 former employee alleging gender discrimination
14 and harassment. The allegations in the
15 complaint regarding the conduct and culture of
16 the firm and its people are very troubling and
17 do not at all reflect the values and culture
18 of PRIM, nor the standards we require of our
19 investment managers.

20 For this reason, we have decided to
21 terminate our relationship with Advent
22 Capital.

23 PRIM's investment with Advent Capital
24 is a convertible arbitrage mandate. It is in

1 a separate account that was funded in December
2 2019 with an original allocation of
3 \$150 million.

4 Since inception five months ago, the
5 performance has been fine and we want to point
6 out that the termination was not due to
7 performance reasons.

8 With that, we're happy to answer any
9 questions you may have.

10 TREASURER GOLDBERG: Any
11 questions?

12 Any at all before we move on to
13 private equity?

14 Hearing none, thank you, Bill.

15 Eric, are you finished also?

16 MR. LI: Actually, I'll let
17 Eric also comment on real assets.

18 TREASURER GOLDBERG: Okay.
19 Sorry. Thank you.

20 MR. NIERENBERG: Thank you,
21 Treasurer.

22 Just a couple of notes quickly on
23 agriculture.

24 As Bill mentioned --

1 TREASURER GOLDBERG: There we
2 go.

3 Neither of us are looking over your
4 shoulder. We're looking across the room. But
5 for those who don't know what we're talking
6 about, on our Investment committee meeting,
7 Eric had a very funny photo of me, basically,
8 smiling and looking over his shoulder. He
9 replaced that with one later on of Michael
10 Trotsky, and I said, No, no, no, get rid of
11 him, put me back.

12 So that's what that's all about. I
13 want to share the inside joke.

14 Go ahead, Eric.

15 MR. NIERENBERG: Thank you.
16 Just real quickly on the agricultural side.

17 Bill mentioned that the results were
18 flat for the quarter. The transition of the
19 agriculture management to Prudential was
20 completed as of April 30, and that's gone
21 relatively smoothly, so we're happy with that.

22 From a performance standpoint, as we
23 look ahead, obviously, many sectors of the
24

1 economy have been hit hard by COVID.

2 Agriculture is certainly one of those areas.

3 Our portfolio shouldn't have, though,
4 any significant mark-downs in the coming
5 quarter because of COVID, mostly because of the
6 type of crops we're in and the development
7 stages of many of the properties.

8 On the aviation side, we do have an
9 aircraft aviation leasing investment that was
10 through Sightway Captial that was brought to the
11 board last year for approval.

12 That investment had done quite well up
13 until the start of the COVID crisis. Obviously,
14 much of the aviation industry is grounded or
15 severely limited.

16 We do expect that there will be some
17 mark-downs in the coming quarter, though,
18 related to that investment. But at this
19 moment, we do not know how extensive that will
20 be.

21 MR. NAUGHTON: I have a
22 question, if I may.

23

24 This is Dennis Naughton.

1 I recently read that Delta was
2 discontinuing the use of the Boeing 777.

3 Does that have any implication for us?

4 MR. NIERENBERG: Thank you for
5 the question.

6 No, it does not have any implications
7 for us.

8 Our aircraft leasing strategy focuses
9 on much younger airplanes, typically with an
10 average age of five to six years and also are
11 focused on the Boeing 737 and Airbus 320
12 models, which are by far the most common
13 models within the aviation industry.

14 So even once travel starts to recover,
15 whenever it starts to recover, our airplanes
16 that we have are still very much the
17 workhorses of the global aviation industry.
18 I think we're well placed in that respect.

19 Certainly, people who own these older
20 airplanes that are 20, 25 years old might find
21 that there's no place for them, especially if
22 it takes a while for air travel to recover.

23 MR. NAUGHTON: Thank you, Eric.
24 That's helpful.

1 MR. NIERENBERG: Sure.

2 TREASURER GOLDBERG: Any other
3 questions or any other comments on portfolio
4 completion strategies?

5 We have a chat. I didn't check that.

6 Who is -- Theresa McGoldrick loves the
7 picture and that was private. But since I
8 already said we had a chat, I had to say what
9 it was.

10 Okay. Thank you.

11 We will move on to Mike Bailey on
12 private equity.

13 MR. BAILEY: Thank you, Madam
14 Treasurer.

15 TREASURER GOLDBERG: Hang on one
16 second, Mike.

17 So what I'm doing is trying to be
18 helpful and set people up for what we're going
19 to cover.

20 We're going to have the performance
21 summary and the commitment summary. That will
22 be followed by one, two, three, four voting
23 items.

24 Okay, then, hit it.

1 MR. BAILEY: Thank you, Madam
2 Treasurer. Good morning, everyone.

3 I'm going to touch on performance, as
4 Madam Treasurer mentioned, and then talk a
5 little bit about our outlook for the
6 commitments pacing before we turn to the
7 voting items that she mentioned.

8 On performance, as Michael already
9 alluded, to private equity had a strong
10 one-year performance at more than 21 percent.

11 By the way, my name is Mike Bailey,
12 Darlene.

13 We had a strong one-year performance
14 at 21.2 percent. And as you know, that
15 reflects the performance as of 12/31/19, prior
16 to the pandemic that reached the United States
17 and started to affect the company's
18 performance only at the end of Q1 of 2020.

19 So as we look forward, and as I
20 mentioned at the April 22 Investment Committee
21 meeting, our guidance is that, based on the
22 past history in down-turns, we would expect to
23 realize about half of the public market Q1
24 draw-down that we've already talked about this

1 morning to impact the private equity
2 portfolio's performance over the next two
3 quarters. So for the June and September
4 quarter.

5 And as I also mentioned in April, the
6 team is working on a framework to measure and
7 evaluate the COVID-19 impact on private equity
8 performance and on portfolio overall over the
9 longer term and will report back to the Board
10 as we develop that insight in the future.

11 Talking a little bit about the
12 opportunity side, we're going to seek your
13 approval in a few moments for almost
14 \$570 million of commitments to new funds.
15 That will bring the commitments year-to-date,
16 calendar year-to-date to almost \$1.3 billion,
17 for more than half of the target that we
18 talked about in January, February of about
19 \$2 billion for the calendar 2020 commitment
20 target.

21 As everyone on the call knows, that
22 cash is committed to new funds and not used
23 immediately, because the private equity firms
24 under our structures have many years to

1 invest that dry powder. And our expectation
2 is that this opportunity set is going to take
3 some time to develop.

4 As we talked about in the Investment
5 Committee discussions, the private markets,
6 private equity and real estate take time to
7 adjust to new conditions.

8 So we think that activity, both buying
9 and selling activity, is going to slow down in
10 the private markets.

11 As we talked about before, we've been
12 the beneficiary of selling activity exceeding
13 buying activity in the past, and the portfolio
14 has generated liquidity as a result of sales
15 outpacing buys. We think in the new
16 environment, as markets begin to adjust, our
17 managers are going to position their
18 portfolios to take advantage of those new
19 market conditions, and we would forecast that
20 buys would outpace sells. In other words,
21 managers will be a net buyer of private equity
22 assets over the next few quarters while these
23 markets adjust.

24 And we're optimistic that that capital

1 is being repriced in this new environment to
2 better reflect the risk environment than we
3 saw pricing reflect the risks in past quarters
4 when we talked about markets being more
5 favorable for sellers than for buyers.

6 So we're optimistic that this new
7 capital will be invested in an environment
8 that's more favorable for buyers.

9 So I'll open it up to any questions or
10 comments on these items.

11 TREASURER GOLDBERG: Any
12 questions for Mike?

13 I have a comment.

14 I find it very fascinating that you're
15 perceiving some of this as buying opportunity,
16 but I can see why.

17 MR. BAILEY: Thank you, Madam
18 Treasurer.

19 TREASURER GOLDBERG: Any other
20 comments from folks?

21 Peter?

22 MR. MONACO: Yes, ma'am.

23 Michael, you know the question.
24 Green, yellow, red light?

1 MR. BAILEY: I did anticipate
2 the question. We've been scrubbing that
3 pretty hard, Peter.

4 Let's start with the red. It's
5 looking 15 to 20 percent of the NAV in that
6 kind of red category; 25 to 30 in what we're
7 calling yellow light, cautious category; and
8 then 50 percent in a pretty solid green
9 category, based on a little more work than we
10 had been able to do at the April 22 meeting.

11 MR. TROTSKY: For the rest of
12 the listeners out there, can you kind of
13 describe that traffic light system?

14 MR. BAILEY: Sure. Of course.

15 So when this began, we began pretty
16 intense communications with the private equity
17 firms, focusing on the largest exposure, and
18 we worked with them to develop a framework to
19 judge what the medium and long-term impacts of
20 this pandemic and the stay-at-home orders
21 would be.

22 One of the quick realizations was that
23 this is a pretty sector related. Depending on
24 what sector you're in, what sector the company

1 is operating in, you have different impacts.

2 So we divided it, just for ease of
3 reference, into the three categories.

4 We're calling red light, companies who
5 are severely impacted by the pandemic and
6 resulting stay-at-home orders. Many of those
7 businesses were completely shut down. So
8 think about a restaurant business, a retailer,
9 a healthcare services provider that was no
10 longer able to see patients or customers.
11 Revenue is going to zero. That's a red light
12 company.

13 A yellow-light-type business is one
14 where there are moderate impacts that may, in
15 fact, just be temporary. So think of a
16 business who's providing services to small and
17 medium businesses, as well as larger
18 customers, who are seeing some of their small
19 business customers put off orders or even go
20 bankrupt. So it's seeing some lower growth or
21 lower revenue prospects, maybe worse margins,
22 but it's going to make it through the crisis
23 fine.

24 And then a green light business is one

1 where the impacts were really negligible or
2 the business was, in fact, impacted positively
3 by the environment. So think there of a
4 business that might be providing the
5 technology that helps Zoom, the application
6 we're using this morning, run more
7 efficiently; telecommunications
8 infrastructure; data services; and businesses
9 like groceries that, even though retailing
10 generally was hit very badly, groceries were
11 not. In fact, their revenue has improved.

12 So those are the kinds of frameworks
13 we developed to break down the portfolio to
14 those three categories.

15 MR. MONACO: So if I could
16 follow-up, then.

17 Maybe it's still too early, and with
18 apology for the mixed metaphors, but if we
19 look under the hood of the red light bucket
20 and we draw a distinction, can we draw a
21 distinction or disaggregate the portfolio
22 components into those that have severe revenue
23 disruptions and, therefore, are clearly red
24 light just based on that fact -- those on the

1 one hand, and then try to separate out --
2 while they're all that way, right? Because
3 they're in that bucket.

4 MR. BAILEY: Yes.

5 MR. MONACO: But some will have
6 the resources on hand or the access to
7 financing to get them through even a very
8 lengthy period of red light disruption. And
9 others, quite frankly, are probably going to
10 have liquidity issues that could become
11 insolvency issues.

12 So maybe a simpler way to put it is if
13 15 percent of the portfolio is red light, what
14 part of the 15 at this point do you see as
15 possibly being at risk of permanent
16 impairment?

17 MR. BAILEY: I think I should
18 defer and come back with a number, because I'd
19 rather not speculate on that.

20 I will give you a little guidance on
21 it verbally. And we have been doing work on
22 that, but I need to quantify it for you.

23 The work we've done is exactly along
24 the lines that you're saying. It's really

1 what's looking like what appears to be
2 happening, Peter, is that part that we're
3 calling bright red or really severely impacted
4 are companies that were suffering a bit from
5 operational or other challenges going into the
6 crisis.

7 We had a handful of those in this
8 private equity portfolio; and companies that
9 are in severely impacted sectors or serving
10 severely impacted sectors, and one that comes
11 quickly to mind is the energy sector.

12 So those are the two areas within the
13 15 to 20 that are going to be at risk of
14 "impairment" is the word we're using.

15 It's going to possibly not immerge
16 from the other side, and we're not going to
17 get -- we're going to have a negative return.

18 Let me come back to you and the Board
19 with a more precise, quantitative view of how
20 much of that 15, but we've been trying to
21 develop a sharper view on that. We're just
22 not quite done with it.

23 MR. MONACO: Appreciated. Fair
24 enough.

1 MR. BAILEY: Thank you.

2 MR. SHANLEY: I have a question.

3 In this day and age, do we have any
4 type of exposure to any of the firms
5 developing vaccines and antibodies?

6 MR. BAILEY: Thank you for that
7 question, Paul.

8 (Technology difficulty.)

9 MR. BAILEY: Yes, the direct
10 answer to the question, and thank you for the
11 question, is the fund does have exposure to
12 companies in the biotech sector, we talked
13 about that, drug discovery companies, working
14 hard to develop therapeutics, including
15 vaccines.

16 And one of those companies is a
17 company we have exposure to that is called
18 Moderna. We have exposure indirectly through
19 a fund that's managed by Flagship Pioneering,
20 which you may recall is a long-term investment
21 in the private equity portfolio.

22 Moderna is working to develop a
23 vaccine for COVID-19.

24 In fact, on Monday, many of you read

1 that Moderna announced promising results from
2 trials of its COVID-19 vaccine candidate.

3 We're pleased to be invested in this
4 Massachusetts-based company that is working on
5 the vaccine candidate, and we look forward to
6 updating you on its progress as we move
7 forward here.

8 MR. SHANLEY: Thank you.

9 TREASURER GOLDBERG: Any other
10 questions?

11 Is it frozen? Why are people not
12 speaking?

13 I said, Are there any other questions,
14 and then I heard Sue say something.

15 MS. PEREZ: You can take over,
16 Treasurer.

17 TREASURER GOLDBERG: I think I'd
18 like to make one comment about Moderna,
19 though, Mike, and I would like your opinion on
20 this.

21 Yes, Monday was extremely exciting
22 when they stated it. But I've actually read
23 some -- I actually believe it was a Beth
24 Israel Lahey, a doctor commenting that people

1 should not get overly excited about this. So
2 I think that they felt that Moderna had been
3 overly enthusiastic in issuing those results.

4 So do we feel that that now could
5 potentially be a volatile investment?

6 Or to use Peter's analogy it looks
7 green, but it could be yellow or red?

8 MR. BAILEY: I think that we
9 should -- I would prefer to come back to you
10 on that, Madam Treasurer, if that's okay.

11 TREASURER GOLDBERG: But were
12 you aware that there was a reaction?

13 At first it was very exciting. The
14 market took off on this announcement. And
15 then the next day, there was some pull-back
16 from other -- not pull-back from Moderna, but
17 others threw cold water on it.

18 MR. BAILEY: Yes, I am aware of
19 that. I am aware of that. Yes, I am, Madam
20 Treasurer.

21 And I appreciate the question. I just
22 think I should come back to you on that, if
23 that's okay.

24 TREASURER GOLDBERG: No, that's

1 fine.

2 MR. TROTSKY: We don't know.
3 But having said that, we're extremely pleased
4 with the results so far of Moderna
5 investment.

6 TREASURER GOLDBERG: Right.

7 MR. TROTSKY: It's been nothing
8 short of astounding, and even if it pulls back
9 a little, it will be nothing short of
10 astounding.

11 So biotech, by its nature, is a very
12 volatile investment space. And this is really
13 no different.

14 But I think I, for one, am rooting for
15 the success of this vaccine, and I certainly
16 hope it's Moderna and others that come up with
17 a potential vaccine.

18 I was watching the news last night,
19 and there are something like fifteen different
20 vaccine trials right now, and Moderna is just
21 one of them.

22 TREASURER GOLDBERG: Yes. I
23 mean, that whole space is going to be very
24 active. In a way, I wish we had investments

1 in additional like-biotechs.

2 But anyway, so now are we ready for
3 our voting items, Mike?

4 MR. BAILEY: Yes, I think so.

5 I think four voting items are
6 coming up. And just so you know, Michael
7 McGirr will take the first two, and then
8 Alyssa Fiore plans to take the second two.

9 TREASURER GOLDBERG: All
10 right, then you there? So is Mike unmuted?
11 Mike, are you there?

12 MR. MCGIRR: Yes.

13 TREASURER GOLDBERG: I'm
14
15 going to seek a motion first, and this is for
16 CVC Capital Partners Fund VIII, L.P. that
17 the PRIM Board approve the Investment
18 Committee's recommendation to approve a
19 commitment of up to 275 million euros to CVC
20 Capital Partners VIII, LP, as described in
21 the expanded agenda, further to authorize the
22 Executive Director to take all actions
23 necessary to effectuate this vote.

24 Is there a motion?

1 MS. FITCH: So moved.

2 TREASURER GOLDBERG: Motion
3 moved by Ruth Ellen Fitch.

4 Is there a second?

5 MS. MC GOLDRICK: Second.

6 TREASURER GOLDBERG: I'm sorry?

7 MS. MC GOLDRICK: Second.

8 TREASURER GOLDBERG: Second by
9 Theresa McGoldrick.

10 We have a motion. We have a second.
11 Go ahead, Mike.

12 MR. MCGIRR: Thank you, Madam
13 Treasurer.

14 This is Michael McGirr speaking.

15 I'm going to present a follow-on
16 investment opportunity to CVC Capital
17 Partners.

18 We're recommending a commitment of up
19 to 275 million euros to CVC Capital Partners
20 Fund VIII which will be a 20 billion euros
21 fund in aggregate commitments. We expect CVC
22 to have a final closing next month.

23 We have invested in seven prior CVC
24 funds and made one co-investment with this

1 firm over the past 24 years.

2 CVC is a large, global asset
3 management firm. Fund VIII will continue to
4 target control-oriented investments in Europe
5 and in North America.

6 Fund VIII will invest in large
7 companies with enterprise values between 1 and
8 5 billion euros.

9 We expect Fund VIII will make
10 approximately 40 investments across a variety
11 of sectors, including healthcare, business
12 services, financial services, technology
13 media, chemicals, consumer, retail, building
14 and construction, and manufacturing.

15 We're excited to continue our
16 partnership with CVC for the following
17 reasons:

18 One, the firm's consistently strong
19 performance and attractive risk return
20 profile.

21 Two, CVC has a highly talented
22 organization with proven investment skill.

23 And three, the firm has
24 well-established local networks across its

1 targeted geographies.

2 Based on these attributes, we're
3 recommending an investment up to 275 million
4 euros.

5 I'm happy to take any questions or
6 comments.

7 TREASURER GOLDBERG: Any
8 questions for Mike?

9 Hearing none, we have a motion. We
10 have a second.

11 I'm ready to take the vote.

12 Beginning with Bob Brousseau?

13 MR. BROUSSEAU: Yes.

14 TREASURER GOLDBERG: Ruth Ellen
15 Fitch?

16 MS. FITCH: Yes.

17 TREASURER GOLDBERG: Jim Hearty?

18 MR. HEARTY: Yes.

19 TREASURER GOLDBERG: Theresa
20 McGoldrick?

21 MS. MC GOLDRICK: Yes.

22 TREASURER GOLDBERG: Peter
23 Monaco?

24 MR. MONACO: Yes.

1 TREASURER GOLDBERG: Dennis

2 Naughton?

3 MR. NAUGHTON: Yes.

4 TREASURER GOLDBERG: Carly Rose?

5 MS. ROSE: Yes.

6 TREASURER GOLDBERG: Paul

7 Shanley?

8 MR. SHANLEY: Yes.

9 TREASURER GOLDBERG: Myself,
10 yes.

11 The motion carries.

12 I'm going to seek a motion that the
13 PRIM Board approve the Investment Committee's
14 recommendation to approve a commitment of up
15 to 175 million euros to Nordic Capital Fund X,
16 L.P. as described in the expanded agenda, and
17 further to authorize the Executive Director to
18 take all actions necessary to effectuate this
19 vote.

20 Is there a motion?

21 MR. BROUSSEAU: Bob Brousseau,
22 yes.

23 TREASURER GOLDBERG: Bob
24 Brousseau will do the motion.

1 And Dennis, are you doing the second?

2 MR. NAUGHTON: I'm happy to do
3 that, Madam Chair.

4 TREASURER GOLDBERG: Dennis
5 Naughton is the second.

6 So we have a motion. We have a
7 second.

8 Go ahead, Mike.

9 MR. MCGIRR: Thank you, Madam
10 Treasurer. This is Michael McGirr again.

11 And now we're going to present another
12 follow-on opportunity, this time with Nordic
13 Capital.

14 Staff is recommending a commitment of
15 up to 175 million euros to Nordic Capital
16 Partners Fund X.

17 Fund X will be 5 billion euros in
18 aggregate size.

19 We've invested in five prior Nordic
20 Capital funds, and we've made one
21 co-investment with Nordic Capital over the
22 past 17 years.

23 Nordic Capital is one of the oldest
24 private equity firms based in the Nordic

1 region. Fund X will target companies
2 operating primarily in the healthcare and
3 financial services sectors.

4 The firm targets companies based in
5 Northern Europe, primarily in the Nordic and
6 DACH regions. These regions are fragmented by
7 language, culture, political boundaries, which
8 lend itself well to Nordic Capital's regional
9 investment approach.

10 Nordic Capital has had the most
11 success investing in its healthcare sector,
12 where it takes a more global approach.

13 Fund X will target buyouts of
14 companies with enterprise values between 250
15 million euros and a billion euros.

16 The firm expects Fund X to make at
17 least 15 platform investments and will seek to
18 be the lead in nearly all of its investments
19 in order to influence the company's strategic
20 direction.

21 We're excited to continue our
22 partnership with Nordic because of the firm's
23 disciplined investment approach that
24 increases performance and reduces risk.

1 Nordic targets businesses with strong
2 earning's, growth characteristics, located in
3 the Nordic regions of Northern Europe. The
4 firm has well-established presence in each of
5 these markets.

6 Nordic has a highly talented
7 organization with proven investment skill, and
8 we believe Fund X will provide the PRIT Fund
9 an active risk-term profile, including
10 opportunities for PRIM's co-investment
11 portfolio.

12 Based on these attributes, we're
13 recommending an investment of up to
14 175 million euro to Nordic Capital Fund X.

15 I'm happy to take any questions or
16 comments.

17 TREASURER GOLDBERG: Any
18 questions or comments on this?

19 MR. BROUSSEAU: Yes.

20 TREASURER GOLDBERG: Bob?

21 MR. BROUSSEAU: Bob Brousseau.

22 Just a comment and it's not a
23 question.

24 I know Michael said earlier that we

1 have probably over 100 people who are
2 observing this meeting. I think sometimes
3 they may feel there's a lack of questions from
4 Board members on some of these investments.

5 I think it's important to recognize
6 that these two companies, like CVC and Nordic,
7 we have had investments with them going back
8 as far as 20 years, and these companies have
9 been very successful and have been some of the
10 best producers in our private equity
11 portfolio.

12 So if people feel there's a lack of
13 questions, it's not because of the investment.
14 The investment has been so successful in the
15 past that probably we do not have a lot of
16 questions regarding these companies once we've
17 read the material that Michael has presented
18 to us.

19 Thank you.

20 TREASURER GOLDBERG: Thank you,
21 Bob.

22 Any other comments?

23 MR. NAUGHTON: I have a comment,
24 Madam Treasurer, just following up on Bob's

1 comment.

2 In addition to previous experience
3 that we have had with many of these investment
4 groups, also, there's a great attendance of
5 the Board members at the Investment Committee
6 meetings where all of these things are
7 discussed in-depth and people have had an
8 opportunity to question.

9 Bob's point is well taken as far as
10 people might not know those things and what we
11 do ahead of the meeting.

12 TREASURER GOLDBERG: Thank you.

13 Any other comments from folks?

14 All right. Then, we'll take the vote.

15 We're ready for the roll call.

16 Bob Brousseau?

17 MR. BROUSSEAU: Yes.

18 TREASURER GOLDBERG: Ruth Ellen

19 Fitch?

20 MS. FITCH: Yes.

21 TREASURER GOLDBERG: Jim Hearty?

22 MR. HEARTY: Yes.

23 TREASURER GOLDBERG: Thank you.

24 Theresa McGoldrick?

1 MS. MC GOLDRICK: Yes.

2 TREASURER GOLDBERG: Peter

3 Monaco?

4 MR. MONACO: Yes.

5 TREASURER GOLDBERG: Dennis

6 Naughton?

7 MR. NAUGHTON: Yes.

8 TREASURER GOLDBERG: Carly Rose?

9 MS. ROSE: Yes.

10 TREASURER GOLDBERG: Paul

11 Shanley?

12 MR. SHANLEY: Yes.

13 TREASURER GOLDBERG: Myself,

14 yes.

15 The motion carries.

16 Thank you.

17 We have Elysian Capital on deck, and

18 this is for a new investment recommendation

19 for Elysian Capital III.

20 I would seek a motion that the PRIM

21 Board approve the Investment Committee's

22 recommendation to approve a commitment of up

23 to 60 million pounds to Elysian Capital III,

24 L.P., as described in the expanded agenda 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 MS. FITCH: So move.

6 TREASURER GOLDBERG: That was
7 moved by Ruth Ellen Fitch.

8 Is there a second?

9 MR. BROUSSEAU: I'll second
10 that. Bob Brousseau.

11 TREASURER GOLDBERG: That was
12 seconded by Bob Brousseau.

13 Alyssa.

14 MS. FIORE: Thank you, Madam
15 Treasurer.

16 It's great to see everyone this
17 morning.

18 So I'm presenting on Elysian Fund III.
19 This is a new investment for PRIM. We are
20 recommending a commitment of up to 60 million
21 pounds.

22 Elysian is raising 300 million pounds
23 for Fund III.

24 The firm was founded in 2007 and is

1 located in London.

2 Elysian invests in small buyouts in
3 the UK and Ireland, targeting companies with
4 an enterprise value of less than 100 million
5 pounds.

6 As we shared with you all before, one
7 of our team's goals is to increase exposure to
8 small and middle market buyouts.

9 Elysian has a talented investment team
10 of nine investment professionals, as well as
11 two in-house operating partners. The firm has
12 strong sourcing capabilities and deep coverage
13 in their target markets.

14 While the firm is based in London,
15 Elysian has a regional presence throughout the
16 UK, which helps to generate differentiated
17 deal flow.

18 Elysian's investment strategy targets
19 businesses that have the opportunity to grow
20 through operational improvements. The firm
21 has deep expertise in improving company
22 operations and driving improvements by
23 implementing KPIs, improving business
24 functions, such as sales and marketing, and

1 helping their portfolio companies with
2 product or geographic expansion.

3 There are also portfolio companies
4 that have never completed add-on acquisitions
5 before, and this is something that Elysian is
6 able to help their portfolio companies
7 execute.

8 The firm has a strong track record of
9 working with management teams to transform
10 businesses and create shareholder value.

11 So, again, we're recommending a
12 commitment of up to 60 million pounds.

13 With that, I'm happy to take any
14 questions or comments.

15 TREASURER GOLDBERG: Are there
16 questions for Alyssa?

17 MR. MONACO: Peter Monaco here.

18 Alyssa, often companies of these
19 sizes, often, so hardly always, they tend to
20 be family founded and controlled.

21 Is that generally the case here?

22 And in cases where it is the case, is
23 Elysian truly partnering with management and
24 requiring a management and controlling

1 shareholder to roll a portion of their equity
2 into the deal to align interests?

3 MS. FIORE: Thank you, Peter,
4 for the question.

5 Peter, Elysian is working
6 with a lot of family-owned businesses or
7 founders, and their investment strategy really
8 resonates with these types of business owners.

9 Because of that, to answer the second
10 half of your question, Elysian is doing buyouts
11 - these are controlled deals, and oftentimes
12 the management teams are rolling equity and
13 are really invested in seeing their business
14 grow under Elysian's ownership.

15 MR. MONACO: Thank you.

16 MS. FIORE: Thank you for the
17 question.

18 TREASURER GOLDBERG: Any other
19 questions for Alyssa?

20 Hearing none.

21 We have a motion. We have a second.
22 I will now proceed to do the vote.

23 Bob Brousseau?

24 MR. BROUSSEAU: Yes.

1 TREASURER GOLDBERG: Ruth Ellen
2 Fitch.
3 MS. FITCH: Yes.
4 TREASURER GOLDBERG: Jim Hearty?
5 MR. HEARTY: Yes.
6 TREASURER GOLDBERG: Theresa
7 McGoldrick?
8 MS. MC GOLDRICK: Yes.
9 TREASURER GOLDBERG: Peter
10 Monaco?
11 MR. MONACO: Yes.
12 TREASURER GOLDBERG: Dennis
13 Naughton?
14 Dennis?
15 MR. NAUGHTON: Yes.
16 TREASURER GOLDBERG: Thank you.
17 Carly Rose?
18 Carly?
19 MS. ROSE: Yes. Can you hear
20 me?
21 TREASURER GOLDBERG: Yes.
22 Paul Shanley?
23 MR. SHANLEY: Yes.
24 TREASURER GOLDBERG: Myself,

1 yes.

2 The motion carries.

3 Thank you very much.

4 And the next one belongs to Alyssa
5 also.

6 This is a co-investment manager that I
7 seek a motion that the PRIM Board approve the
8 Investment Committee's recommendation to
9 approve the addition of Elysian Capital to the
10 Board-approved bench of co-investment
11 managers, and further to authorize the
12 Executive Director to take all actions
13 necessary to effectuate this vote.

14 In a way, we could have done the two
15 together. We didn't, so here we are.

16 So is there a motion?

17 MR. NAUGHTON: So moved.

18 MR. BROUSSEAU: Second. Bob
19 Brousseau.

20 TREASURER GOLDBERG: So that was
21 moved by Dennis Naughton and seconded by Bob
22 Brousseau.

23 Alyssa.

24 MS. FIORE: Great.

1 So this is just in connection
2 with our approval of Elysian, the new
3 commitment. Given that they are a new manager
4 for PRIM, we would like to put them on our
5 co-investment bench. So if there's an
6 opportunity for PRIM to co-invest with
7 Elysian, they would be on the approved manager
8 list.

9 TREASURER GOLDBERG: Any
10 questions for Alyssa?

11 It sounds like there isn't, so I'm
12 going go ahead and take the vote.

13 MR. BROUSSEAU: Yes.

14 TREASURER GOLDBERG: Ruth Ellen
15 Fitch?

16 MS. FITCH: Yes.

17 TREASURER GOLDBERG: Jim Hearty?

18 MR. HEARTY: Yes.

19 TREASURER GOLDBERG: Theresa
20 McGoldrick?

21 MS. MC GOLDRICK: Yes.

22 TREASURER GOLDBERG: Peter
23 Monaco?

24 MR. MONACO: Yes.

1 TREASURER GOLDBERG: Dennis

2 Naughton?

3 MR. NAUGHTON: Yes.

4 TREASURER GOLDBERG: Carly Rose?

5 MS. ROSE: Yes.

6 TREASURER GOLDBERG: Paul

7 Shanley?

8 MR. SHANLEY: Yes.

9 TREASURER GOLDBERG: Myself,
10 yes.

11 The motion carries.

12 Thank you, Alyssa.

13 And let me get back to the expanded
14 agenda.

15 So we're moving on to real estate and
16 Timberland performance summary.

17 Tim.

18 MR. SCHLITZER: Good morning.

19 Darlene, I'm Tim Schlitzer.

20 Nice to see you all.

21 So we have no voting items for this
22 cycle. We just want to give you an update on
23 the real estate and Timberland portfolio,
24 representing 14 percent, approximately, of the

1 fund.

2 So like our colleagues, we continue to
3 track market developments and monitor current
4 and forecast deviations from our 2020
5 operating plans.

6 Christina has played a critical role
7 in this work and will present what is really
8 just a snapshot of a broader set of
9 information in just a few minutes.

10 Our capital allocation plans for the
11 year are generally paused at this point until
12 we have a better sense of where rents, timber
13 prices, and capital market pricing stands.

14 In the meantime, we continue to review
15 acquisition opportunities. But, really, I
16 think just to get a sense for where pricing may
17 be, and I guess with the hopes that an
18 attractive opportunity may arise, but we are
19 being patient.

20 In the midst of this, I think we do
21 feel pretty good about the fact that PRIM's
22 existing portfolio does contain high-quality
23 assets with significant control and low
24

1 leverage.

2 I have Eric's remarks in mind, as I
3 said, and I think that this is a great long-
4 term approach in both good and tougher markets
5 like we're in now.

6 So just touching on first quarter
7 performance and starting with total real
8 estate, which returned 1.3 percent for the
9 year, that's 102 basis points above benchmark.
10 Returns were negative 4.3 percent for the
11 quarter.

12 Private real estate returned 7 percent
13 for the year. That's 57 basis points above
14 the NCREIF benchmark.

15 Outperformance actually increases by
16 another 114 basis points when we unlag the
17 benchmark. So we move that one-year period up
18 to the actual March 31 return as recently
19 published.

20 The private portfolio returned 1.5
21 percent for the first quarter. We are just
22 beginning the Q2 valuation work, so I do not
23 have anything to report there.

24 REIT performance. REITs returned

1 negative 20.5 percent for the prior year, 290
2 basis points above benchmark. The Q1 return
3 was negative 25.9 percent. That's 246 basis
4 points above benchmark.

5 Just touching on Timberland.
6 Timberland was down 1.5 percent
7 year-over-year. That's 284 basis points below
8 benchmark; down 1 percent for the first
9 quarter. There was no change after unlagging
10 the benchmark here.

11 Just as a reminder, our manager in the
12 Pacific Northwest did have a negative return
13 of 4.7 percent in December, which was the
14 result of appraisal write-downs. I know we
15 talked about this at the previous set of
16 meetings.

17 So while we did see lower market
18 prices for Timber in the Pacific Northwest, we
19 do attribute much of the write-down to
20 methodology changes after an appraiser
21 rotation.

22 And then in terms of first quarter
23 results in timber, there were no valuation
24 changes. The negative return is primarily

1 attributed to currency translation on our
2 Australian investment.

3 So I know that's a brief overview of
4 performance. Again, I want to hand it over to
5 Christina, who I think has a lot of insight
6 into what's happening within the portfolio
7 currently.

8 I'm absolutely happy to answer any
9 questions to the extent that there are any.

10 Christina, do you want to take it
11 away.

12 MS. MARCARELLI: Thank you, Tim.
13 Again, my name's Christina Marcarelli.

14 Good morning, everyone. It's
15 good to see everybody today.

16 As Tim mentioned, I would like to
17 touch on some operational capital markets
18 topics that are pertinent to the real estate
19 and Timberland portfolios, particularly as it
20 relates to Covid-19.

21 I'm going to keep my comments
22 relatively brief, but I'm happy to answer any
23 questions.

24 Starting with real estate with respect

1 to transactions. We've seen very little
2 private real estate transaction activity in
3 the recent couple of months.

4 We have one ongoing core real estate
5 acquisition. However, PRIM at this time has
6 no financial obligation to transact.

7 We're in an extended due diligence
8 period, waiting for some additional market
9 information before committing any
10 nonrefundable dollars.

11 We're also tracking rent relief
12 requests on an ongoing basis. Retail tenants
13 make up the majority of the rent relief
14 requests. Most of these are small, local, or
15 regional tenants.

16 As a reminder, retail properties make
17 up less than 14 percent of PRIM's private real
18 estate portfolio, a relative underweight to
19 the benchmark.

20 Fewer requests are coming from office
21 tenants, approximately 15 percent of total
22 requests, but these tend to be larger and more
23 concentrated and are coming from tenants that
24 are involved in heavily impacted sectors, like

1 elective healthcare and entertainment.

2 The approach to all of these requests
3 is case by case. Our managers are reviewing
4 financial statements, speaking with tenants
5 directly, offering information on the CARES
6 programs that are available with the goal of
7 negotiating rent deferral to provide some
8 near-term relief to these tenants.

9 The rent relief impact on
10 multi-family is being tracked carefully as
11 well.

12 April rent collections are off
13 compared to this time last year, but we do
14 appear to be outperforming the broader market.

15 There was some concern that May
16 multi-family collections would be worse than
17 April. That doesn't appear to be case.

18 Rent collections across PRIM's
19 portfolio, as well as the broader market, are
20 in line with or in some cases slightly better
21 than April, which is encouraging.

22 I'll note that the situation, though,
23 is evolving daily and weekly, but the pace of
24 new requests has slowed considerably. We

1 don't yet know the ultimate impact that this
2 will have on our cash flow, but the dollar
3 amount of rent relief currently being
4 requested is relatively small, roughly 4
5 percent of the total annual revenue expected
6 for the year.

7 Touching briefly on some of the
8 operational and capital markets issues we've
9 been seeing across the portfolio.

10 In the office sector, most buildings
11 are open and operating, but of course, with
12 very low foot traffic.

13 Property managers are now developing
14 procedures for operating buildings once more
15 people begin coming to the office as
16 stay-at-home orders are lifted.

17 From a valuation perspective, long-
18 term demand for office could be impacted. A
19 shift toward working from home could create
20 some headwinds to demand but could be offset
21 by the need for more square footage per
22 employee; a reversal of the densification that
23 we've been seeing in recent years within
24 office spaces.

1 For apartments, which is roughly 30
2 percent of the private real estate portfolio,
3 amenities spaces are all closed, leasing
4 traffic is down significantly and is all
5 virtual at this point.

6 We are seeing higher renewal
7 percentages, which is good, but market rent
8 growth is slowing.

9 We may see a positive impact to supply
10 and demand, as any new construction project
11 not yet underway may experience delays.

12 The retail sector has the lowest
13 collection rate for April and May, which is
14 not surprising.

15 Grocery-anchored neighborhood retail,
16 which makes up most of PRIM's retail
17 portfolio, will continue to be favored; and I
18 know Mike referred to this earlier, grocery
19 stores are doing quite well right now.

20 Industrial real estate, lastly, which
21 is 23 percent of the portfolio and a relative
22 overweight remains well positioned and will
23 continue to benefit from e-commerce demand and
24 a greater need for omnichannel supply chains.

1 However, some of the smaller,
2 multi-tenanted properties where you have
3 greater exposure to some of the more heavily
4 impacted industries will be challenged.

5 Capital projects across all property
6 types across the portfolio are largely on
7 hold. This would include roof replacements,
8 elevator modifications, upgrades to common
9 areas, the exception being those projects that
10 are deemed essential and may serve a security
11 need or those projects that were ongoing prior
12 to Covid.

13 I'll move quickly to Timberland.

14 There has been a reduction in logging
15 capacity and reduced operating hours at most
16 mills, as a response to decreasing demand for
17 saw timber. This has led to lower
18 expectations for harvest volume.

19 Conversely, though, there has been an
20 increase in thinning procedures to provide
21 additional pulpwood for pulp and paper mills.

22 So while we've experienced softness in
23 solid wood products markets, we've actually
24 seen an increase in demand for pulp and paper

1 as we think about production of tissues,
2 toilet paper, medical protective gear, face
3 masks, and the like.

4 So our managers are reviewing 2020
5 operating budgets for each property and will
6 make adjustments as more information is
7 gathered; but as with real estate, the
8 situation is very fluid, so a reevaluation of
9 budgets will be ongoing.

10 And with that, I'm happy to answer
11 any questions or any comments that anyone has.

12 TREASURER GOLDBERG: Any
13 questions?

14 MR. NAUGHTON: Good morning,
15 Christina.

16 I don't know to what degree you can
17 comment on this, but I've been wondering what
18 responsibility -- could you comment what
19 responsibility, if any, will we have to carry
20 out the modifications required by Covid
21 regulations across the state in our real
22 estate area?

23 MS. MARCARELLI: Are you
24 speaking about specific changes maybe within

1 buildings to address certain --

2 MR. NAUGHTON: That's correct.

3 MS. MARCARELLI: -- or are you
4 speaking about the lease term?

5 MR. NAUGHTON: No, I'm speaking
6 of the actual modifications to the building.

7 MS. MARCARELLI: Sure,
8 modifications to the building. It's a good
9 question.

10 So as landlord, we will have to
11 make every effort that we need to to make
12 buildings operate functionally and to allow
13 tenants to be able to use the space.

14 We're monitoring this and all of our
15 managers are monitoring this, and we're trying
16 to determine what sort of new normal is going
17 to be as far as how -- specifically office
18 buildings where you have tenants sharing
19 elevators and common areas and things like
20 that, and multi-family properties as well,
21 what amenity spaces might look like.

22 So this is ongoing. We don't yet know
23 what that cost will be or what landlords will
24 have to do versus changes that will have to be

1 made to specific tenant spaces.

2 But it's certainly something that
3 we're looking at and we're monitoring and
4 we'll keep everyone up to date as we move
5 along.

6 MR. NAUGHTON: Just a follow-up
7 question.

8 So if we have to make extensive
9 modifications, are there any -- is there any
10 tax relief that's going to accrue from that?

11 MS. MARCARELLI: I don't know
12 that I can comment on that at the moment.

13 I don't know if there will be
14 any tax relief. But again, it's all part of
15 the process and all part of us trying to
16 understand and our managers trying to
17 understand what this new normal is going to
18 look like and how this is going to affect
19 landlords and tenants alike.

20 MR. NAUGHTON: Thank you very
21 much.

22 MS. MARCARELLI: Sure. Thank
23 you.

24 TREASURER GOLDBERG: Okay. Any

1 other questions?

2 MR. BROUSSEAU: Bob Brousseau,
3 Madam Treasurer.

4 One question, Christina.

5 We know the hospitality industry has
6 been really impacted and probably will
7 continue to be impacted probably for the near
8 future.

9 Do we know how that could impact our
10 real estate holdings if this continues to be a
11 very concerned area?

12 MS. MARCARELLI: Sure.

13 We don't have any exposure to
14 hotels in our private real estate portfolio.
15 We do have some exposure in our REIT
16 portfolio, and that has been affected.

17 I don't have the number off the top of
18 my head as far as how much we have in our REIT
19 portfolio, and Tim can jump in if he knows,
20 but we can get you that information.

21 To be clear, on the private real
22 estate portfolio, we have no exposure to
23 hotels.

24 MR. BROUSSEAU: Thank you.

1 TREASURER GOLDBERG: Any other
2 questions?

3 That actually -- unless, Tim, you're
4 coming back, that would be it for real estate
5 and Timberland, correct?

6 MR. SCHLITZER: I think we're
7 done.

8 Thank you, Madam Treasurer.

9 TREASURER GOLDBERG: Then we
10 will move on to the finance and administration
11 report, and the first item is a voting item,
12 the draft of the fiscal year 2021 operating
13 budget.

14 To keep with the format I've been
15 doing already, I'm going to seek a motion and
16 a second, and then I will let you take it
17 away.

18 So I would seek a motion that the PRIM
19 Board approve the Administration and Audit
20 Committee's recommendation to approve the
21 draft fiscal year 2021 PRIM operating budget,
22 as described in Appendix L of the expanded
23 agenda, and further, to authorize the
24 Executive Director to take all actions

1 necessary to effectuate this vote.

2 Is there a motion?

3 MR. BROUSSEAU: Yes. Bob
4 Brousseau. I move the budget -- move the
5 motion.

6 TREASURER GOLDBERG: That was
7 Bob Brousseau with the motion.

8 Who is doing the second?

9 MR. NAUGHTON: I will second.
10 Dennis Naughton.

11 TREASURER GOLDBERG: Dennis
12 Naughton for the second.

13 Go ahead.

14 MR. FALZONE: Good morning,
15 everyone. Good morning, Madam Treasurer.

16 It's nice seeing you all today.

17 This is my only voting item.

18 I put the budget on the screen so that
19 you would have something to refer to as we go
20 through our presentation.

21 So while this is an annual exercise,
22 it's anything but routine.

23 The budget is a significant
24 undertaking and requires a lot of work and

1 input from many different areas of the
2 organization and the teams.

3 We were in the middle of this process
4 when the organization moved to a remote work
5 force due to the pandemic.

6 I just want to say that I'm proud of
7 my team and the entire organization, how they
8 adjusted, adapted, and didn't miss a beat.

9 I want to thank Deb Coulter, PRIM's
10 Chief Financial Officer; Dan Eckman, PRIM's
11 Director of Finance and Administration; along
12 with their teams and all the other staff
13 members that contributed to what we're going
14 to be presenting.

15 I'd also be remiss if I didn't thank
16 Michelle Witkes, PRIM's Director of Human
17 Resources, for her guidance as we navigate
18 pretty much uncharted waters. She joined PRIM
19 at a very challenging time. I couldn't be
20 happier with her contribution.

21 I have to give a quick shout-out to
22 those folks.

23 As I normally do, I'm going to make
24 some very general comments and then pass it

1 off to Deb to provide more detail.

2 As a reminder, PRIM's annual budget is
3 designed to provide an estimate of our
4 expenses and costs for fiscal year 2021.

5 We don't budget PRIM's income or
6 investment returns, which are extremely
7 difficult, if not impossible, to predict.

8 So the budget summary: The total
9 fiscal year 2021 is projected to be \$431.5
10 million or 55 basis points of the projected
11 average PRIT Fund asset. That asset level was
12 \$78.5 billion when we started the budget
13 process.

14 We had to use the most up-to-date
15 month-end figures, which was February. So
16 that's where the \$78.5 billion number comes
17 from. I know we had a dip in the market but
18 then we came back up again, so I think we're
19 still in a good spot. I think that we're still
20 in line with what our budget is. I don't think
21 we'll have any issues.

22 As you know, most of PRIM's fees
23 relate directly to assets. So higher assets or
24 higher allocation to more complex assets

1 result in higher fees.

2 As a result, the fiscal year 2021
3 budget is 1.6 percent or \$6.7 million larger
4 than fiscal year 2020's budget. Most of that
5 has to do with asset growth.

6 So, again, PRIM's budget is comprised
7 of three sections. You have the investment
8 management fees, the third-party service
9 providers, and operations.

10 So beginning with the investment
11 management fees section, these are variable
12 costs that are based on the value of our
13 investments. When our investment values rise
14 or fall or transition from passive to more
15 active strategies, our costs are impacted
16 either up or down, increase or decrease.

17 The PRIT Fund asset allocation drives
18 our investment management budget.

19 One thing I mention every year,
20 because I think it's important to note, is
21 that the size of any particular asset
22 allocation or asset class does not directly
23 relate to the size of the expense.

24 For example, global equities, which is

1 PRIM's largest asset class with an allocation
2 between 34 and 44 percent, but is third as far
3 as budgeted expenses due to availability and
4 passive management in that area.

5 If you contrast that to private
6 equity, which has a smaller allocation range
7 of about 10 to 16 percent, it happens to be
8 our most expensive asset class and
9 historically our highest returning asset
10 class.

11 There's currently no way to passively
12 replicate it and, therefore, private equity
13 requires much more of our budget to implement
14 our private equity programs.

15 So these investment management fees
16 make up about 91 percent of the total budget,
17 about 50.1 basis points.

18 These fees are paid to each of our
19 investment managers to manage the assets of the
20 PRIT Fund. These funds are grouped by asset
21 class.

22 As a reminder, no performance fees are
23 projected in the budget. Again, that would
24 mean that we could forecast future performance.

1 The second section of the budget is
2 third-party service providers.

3 These are the projected fees that are
4 advisors, consultants, custodian, audit, tax,
5 legal, risk, and also our investment tools.

6 These funds -- these fees sum to
7 \$19.3 million or 4.5 percent of the total
8 budget, about 2 basis points.

9 The last section is PRIM's operations
10 expenses. And this includes PRIM's staff
11 compensation, benefits, rent, insurance,
12 computers, technology, and other expenses
13 necessary to run the PRIM agency.

14 The operations budget sum is about
15 \$18.9 million, 4.4 percent of the total
16 budget, which is about 2.4 basis points.

17 We always budget 100 percent incentive
18 hurdles to be conservative.

19 And Deb Coulter is going to provide
20 more detail and highlights on some of the
21 changes in the sections that I spoke to.

22 Deb, I'll hand it off to you.

23 MS. COULTER: Thank you.

24 I'll be giving you an overview of the

changes in the three sections of the budget
that Tony discussed.

Overall, you'll see that the total
budget is only changing by about \$6.7 million,
or 1.6 percent, year over year.

The largest percentage changes are in
the third-party service provider and
operations section, reflecting the various
initiatives outlined in our annual plans,
such as increased staffing, additional
analytical tools, and new research
initiatives.

So in the first section, you'll see
that investment management fees are
increasing by approximately \$4.5 million,
or 1.2 percent.

As you all know, Project Save is
something that's firmly embedded in all
aspects of our business, but especially when
it comes to management fees.

Over the past few years, we've
moved toward lower fee structures, like
separately managed accounts within our PCS
portfolio, no-fee private equity co-
investments, and direct real estate
investments.

Those moves are reflected in next

1 year's budget as well as we continue to source
2 and transition assets.

3 The largest differences year over
4 year in terms of dollars are in private equity
5 and PCS, with an estimated \$13 million
6 increase in private equity fees due to a
7 projected increase in assets in this asset
8 class, and a projected \$6 million decrease in
9 PCS fees due to the liquidation of our risk
10 premia assets and a continued move to
11 separately managed accounts.

12 In the second section of the budget,
13 third-party service provider fees, those are
14 increasing approximately \$1.1 million, or
15 6 percent.

16 As you may remember, last year we
17 budgeted amounts for specialized software and
18 tools for each asset class.

19 As the complexity of the portfolio
20 continues to grow, so does the need for more
21 robust analytical tools. The majority of the
22 increase in this section is attributable to
23 fees for those tools, as well as new
24 initiatives that will be led by our research

1 team. This section also includes fees for our
2 new operational due diligence provider that
3 was approved back in 2019.

4 So in the last section, operations,
5 you'll see that this budget has increased by
6 \$1.2 million, or about 6.5 percent.

7 The majority of this increase has been
8 compensation and employee benefits. As you
9 all know firsthand, continuing to hire talent
10 for PRIM's team is often a topic at committee
11 and board meetings. The annual plans of each
12 team reflect the hiring of more staff.

13 As a result, the fiscal '21 operations
14 budget accounts for this projected increase.

15 That represents the majority of the
16 change in that section.

17 Before I wrap up, I just want to
18 mention, preparing the budget requires input
19 from every team and especially this year where
20 everybody worked remotely and had to gather
21 all the information. I just want to shout out
22 to Dan Eckman and Sara Coelho on my team.
23 They did a great job pulling everything
24 together. I want to thank everybody for their

1 efforts.

2 With that, we would be happy to answer
3 any questions you have.

4 TREASURER GOLDBERG: Are there
5 questions for Tony or Deb on the budget?

6 Hearing none, we do have a motion and
7 we have a second.

8 I'm going to take the vote.

9 Bob Brousseau?

10 MR. BROUSSEAU: Yes.

11 TREASURER GOLDBERG: Ruth Ellen
12 Fitch?

13 MS. FITCH: Yes.

14 TREASURER GOLDBERG: Jim Hearty?

15 MR. HEARTY: Yes.

16 TREASURER GOLDBERG: Theresa
17 McGoldrick?

18 MS. MC GOLDRICK: Yes.

19 TREASURER GOLDBERG: Peter

20 Monaco?

21 MR. MONACO: Yes.

22 TREASURER GOLDBERG: Dennis

23 Naughton?

24 MR. NAUGHTON: Yes.

1 TREASURER GOLDBERG: Carly Rose?

2 MS. ROSE: Yes.

3 TREASURER GOLDBERG: Paul

4 Shanley?

5 MR. SHANLEY: Yes.

6 TREASURER GOLDBERG: Myself,

7 yes.

8 The motion carries.

9 Thank you.

10 Now we have a few more items. They
11 are nonvoting items. So that would be the
12 last voting item we have for this meeting.

13 But we will now talk about the
14 recommendations from the 2019 PRIM Board
15 self-evaluation.

16 Tony.

17 MR. FALZONE: Thank you, Madam
18 Treasurer. This is Anthony Falzone.

19 So at the February
20 Administration Audit Committee meeting and
21 then the February 26 Board meeting, the
22 results of the 2019 PRIM Board self-evaluation
23 were presented and discussed.

24 Historically, PRIM staff looks at the

1 recommended actions in that report and we like
2 to offer a response.

3 So included in the package is the
4 response to that 2019 PRIM Board
5 self-evaluation.

6 There is not a vote on this. I just
7 want to use this as an opportunity to let all
8 the Board members know that we are here as a
9 resource, and I invite any and all of you to
10 contact me with suggestions or ideas. You can
11 contact me for anything. We're here to help,
12 and we're happy to help in any way we can.

13 So I just put those in there as
14 information so that you would know that we pay
15 attention to what's going on in the
16 self-evaluation, and we look for ways to be
17 more efficient or helpful in any way that we
18 can.

19 So I just wanted to throw that out
20 there.

21 Thank you for that.

22 TREASURER GOLDBERG: Comments or
23 questions on the Board self-evaluation?

24 MR. TROTSKY: I have one small

1 comment in that one of the recommendations was
2 to hear more from client services.

3 So as the last item today, you will
4 hear a little from Paul Todisco, our Senior
5 Client Service Officer.

6 I think it's a good time for him to
7 check in and tell you what we're hearing from
8 our client base.

9 PAUL TODISCO: Thank you,
10 Michael.

11 TREASURER GOLDBERG: Should we
12 hear from Paul now?

13 You have that on at the end. Let's do
14 legal and legislative updates first.

15 Chris.

16 MR. SUPPLE: Good morning.

17 Chris Supple here. Good morning,
18 members of the Board and Madam Chair.

19 It's nice to see you all.

20 It's also nice to be able to report
21 that there's really nothing of significance to
22 update you on today in regard to legal and
23 legislative activity.

24 TREASURER GOLDBERG: Chris, do

1 you want to talk about the movement on the
2 bill to constitute the PRIM Board?

3 MR. SUPPLE: Sure, yes.

4 There was one, kind of A procedural item on
5 May 11th, I believe it was. It's in regard to
6 a legislative proposal that we've discussed at
7 great length in previous meetings of this
8 Board.

9 In February, we reported to you that
10 the bill regarding the composition of the PRIM
11 Board had been reported out favorably from the
12 Joint Committee on Public Service in the
13 legislature.

14 We didn't know at the time which
15 committee it was going to be reported to.
16 Generally, when it's a Senate bill, as this
17 is, and it's reported out of a joint
18 committee, it goes to the Committee on Rules,
19 and that was confirmed on May 11 and that's
20 where the bill now is.

21 TREASURER GOLDBERG: I think
22 that happened the week before it was moved to
23 Senator Lovely's committee.

24 MR. SUPPLE: I found out about

1 it on, I think it was, May 11th. I could
2 check my notes. It was definitely May.

3 TREASURER GOLDBERG: It was
4 definitely May. But I don't know if that's --
5 I think that if it was a non-Covid time, we
6 would have to have some concern, and that's
7 why I'm raising it. And I put the word
8 "concern" in quotes.

9 We have to be watching it closely. I
10 think, given what the legislature will be
11 grappling with probably in the near-term
12 future, they will probably not have the time
13 to act upon this, but I do think it should be
14 noted that it was moved to a committee. It
15 did not simply disappear.

16 Right, Chris?

17 MR. SUPPLE: Yes. It was -- it
18 went from the Committee on Public Service to
19 the Committee on Rules. That is correct, yes.

20 TREASURER GOLDBERG: Thank you.

21 Anyway, that's legal and legislative.

22 Other matters?

23 Bob Brousseau has his hand up.

24 MR. BROUSSEAU: Thank you, Madam

1 Treasurer.

2 I would like to ask Mike Trotsky a
3 favor.

4 I know he's done it in the past. I
5 know we probably have at least 100 people who
6 are observing today, and I think Dennis and I,
7 I don't know if he's had any concerns, but I
8 know we've had some members, when all of this
9 broke in March and the drop in values, a lot
10 of beneficiaries and members that voiced,
11 through their organization, a concern on the
12 liquidity issue and the payment of pensions
13 and benefits.

14 I know Mike addressed this at the
15 special meeting on April 22nd of the
16 Investment Committee, and subsequently to
17 that, it has come up.

18 I would ask if Michael would make a
19 few comments on that, I think, to assuage the
20 concerns of our beneficiaries, what happens to
21 their pension funds and their pension, and
22 they have concerns. And I think this is
23 probably a good time to just make a comment,
24 Michael.

1 MR. TROTSKY: Sure, and thank
2 you for that reminder.

3 There's no change. Basically, what I
4 said in April and May during the committee
5 cycle is true today.

6 PRIM pays approximately \$1.3 billion,
7 give or take a little, out of the pool of
8 assets to pay pension benefits.

9 It's a relatively small amount when
10 you compare it to the corpus of more than
11 \$70 billion.

12 So as before, we expect no liquidity
13 issues. We're able to rebalance the portfolio
14 back to target ranges easily, as Dave Gurtz
15 mentioned, and we're easily able to pay
16 benefits.

17 So thank you for that question.

18 And, really, apologies for not
19 mentioning that proactively.

20 MR. NAUGHTON: Madam Treasurer,
21 could I comment on that?

22 TREASURER GOLDBERG: Absolutely.

23 MR. NAUGHTON: This is Dennis
24 Naughton.

1 As the designee from the Massachusetts
2 Retired Teacher's Retirement Board to PRIM, I
3 just want to reassure everyone that the
4 retirement board has been going out of its way
5 to keep the members informed on the website
6 and other respects as to the liquidity, that
7 there's no issues with the liquidity as far as
8 PRIM benefits are concerned.

9 As Bob pointed out, that was an issue
10 or a concern that he heard about and I heard
11 about, and that was discussed at the
12 retirement board and I think by members
13 individually.

14 TREASURER GOLDBERG: Any other
15 comments on this?

16 Okay, hearing none.

17 Any other matters?

18 MR. FALZONE: I think Paul has
19 an update.

20 TREASURER GOLDBERG: Right. I
21 was wondering. I almost jumped the gun on
22 that and had him do it earlier, but now is
23 good.

24 MR. TODISCO: Thank you, Madam

1 Treasurer. I'm Paul Todisco. I'm the Senior
2 Client Services Officer with PRIM.

3 I trust you can all hear me and
4 see me as well.

5 So I will go right into this.

6 So, by way of background, there are
7 currently 98 entities that invest in the PRIT
8 Fund. In addition to the Chapter 32 public
9 employee retirement systems, other government
10 entities that are legally allowed to invest in
11 the PRIT Fund are the State Retiree Benefits
12 Trust Fund, which is the Commonwealth's OPEB
13 Fund, Other Post-Employment Benefits Liability
14 Fund; the Massachusetts State College Building
15 Authority; and the MBTA Retirement Fund.

16 Just a word on the State's OPEB Fund.
17 There are over 70 participants in that fund of
18 local governmental entities.

19 The PRIM Investors' Advisory Council,
20 which consists of representatives from seven
21 of PRIM's local retirement systems, met on
22 Monday, March 9, 2020, a week before the
23 stay-at-home order was issued by the Governor.

24 And we had very good attendance at

1 that meeting. Who knew that would be the last
2 time we'd have direct contact with our
3 clients.

4 Because of the stay-at-home advisory
5 issued in mid-March and subsequently extended
6 through May 18, and we know now that we have
7 further guidance on that, client meetings
8 scheduled for March, April, and May have
9 either been postponed or conducted via
10 conference call, GoToMeeting, or Zoom.

11 We conducted six such meetings during
12 the month of April and, as of next week, we
13 will have conducted four of those meetings in
14 May. So we continue to schedule meetings
15 throughout June and July.

16 The client services team has been in
17 regular contact with each other via e-mails,
18 texts, virtual team meetings, and telephone
19 calls.

20 In fact, Michael Trotsky participated
21 in one of our virtual team meetings, as he has
22 been doing with other PRIM teams throughout
23 this period.

24 I just want to, at this point, give a

1 great shout-out to the PRIM team, the client
2 services team, Francesco Daniele, Emily Green,
3 and Jennifer Cole, who have been doing
4 outstanding work during this period, and it
5 helps me to sleep at night knowing that we are
6 all working together. The client service has
7 a hashtag: The Dream Team Makes The Team
8 Work, or something to that nature. I fouled
9 that up, but that's been our motto.

10 In order to address client inquiries
11 and requests from member systems regarding the
12 market volatility that occurred in the first
13 quarter of calendar year 2020, the client
14 services team distributed the PRIM Board
15 quarterly update for the fourth quarter 2019
16 on March 19, which included up-to-date
17 commentary from Michael Trotsky and a link to
18 his webcast located on the PRIM website which
19 addressed the market volatility.

20 This was a timely update of what was
21 occurring during that tumultuous week in
22 March.

23 As a benefit to our member and
24 non-member retirement systems, PERAC posted

1 the webcast on its website and is awarding
2 three continuing educational credits to
3 retirement board members who view the webcast.

4 So I know we have a lot of
5 participants. I don't know how many are our
6 investing systems on the line today. If you
7 have not availed yourself of that benefit,
8 please do. It's a great way to get three
9 educational credits toward the total of 18 for
10 the year.

11 So we're very pleased that PERAC made
12 that available to all retirement systems in
13 the Commonwealth.

14 I am also pleased to report that all
15 client cash requests have gone smoothly and
16 very seamlessly, especially the numerous cash
17 transactions that occurred on the first
18 business day of April and the first business
19 day of May.

20 And great thanks to Jennifer Cole for
21 keeping the ship of PRIM afloat and getting
22 our clients their much needed funds.

23 The client services team has developed
24 a tracking spreadsheet to monitor all types of

1 client communications and activity, such as
2 cash transactions, normal course of business
3 tasks, check-in calls, inquiries about market
4 volatility and PRIT performance, and client
5 meetings.

6 We plan to update the Administration
7 and Audit Committee and the PRIM Board on a
8 periodic basis regarding all of this activity.

9 I'm happy to say that all PRIT and
10 SRBTF participants and the investment
11 consultants that advise most of our segmented
12 systems were invited to call in to the Interim
13 Investment Committee meeting held on April 22,
14 2020 and also the subsequent committee
15 meetings that were held after that. I am
16 hoping, again, that many PRIT participants are
17 listening in today.

18 We are also pleased to announce that
19 during the volatile first quarter of 2020, the
20 Town of Adams Retirement Board followed
21 through with the decision that they made in
22 December of 2019 to transfer all of its asset
23 to the PRIT Fund as a full purchasing system.

24 We thank the Adams Retirement Board

1 for its commitment and confidence in PRIM.

2 Lastly, during the last week of April,
3 the client services team distributed the
4 required GASB 67 and 68 information to its
5 participants.

6 I would like to especially thank Emily
7 Green for making sure that those e-mails got
8 distributed to all of our clients without any
9 glitch.

10 TREASURER GOLDBERG: Any
11 questions for Paul?

12 MR. TROTSKY: I would also like
13 to add that during this period, we received a
14 fairly high number of letters and phone calls
15 of support and encouragement and appreciation,
16 basically, for the entire PRIM team.

17 Those listening out there, our
18 clients, that means the world to us that
19 you're paying attention. We're here to
20 support you, and we appreciate very much those
21 words of encouragement and support. Thank you
22 very much.

23 MR. TODISCO: Just one thing. I
24 finally remembered our motto: Team Work Makes

1 The Dream Work.

2 That was actually Sofia
3 Daniele, Francesco's daughter came up with
4 that.

5 So shout-out to Sophia on that.

6 TREASURER GOLDBERG: Thank you.

7 I believe that is our agenda for
8 today.

9 I would assume, given our
10 requirements, that we actually need to seek a
11 motion to adjourn, a second, and a roll call
12 vote.

13 So unless anyone else has anything to
14 add beyond Team Work Makes The Dream Work, I
15 would say that team work made the dream work
16 for today's Zoom call, so thank you all.

17 And with that, I would seek a motion
18 to adjourn.

19 MR. BROUSSEAU: Bob Brousseau.
20 I move to adjourn.

21 TREASURER GOLDBERG: Hang on.

22 Bob, you get to make the first
23 motion.

24 Would you please repeat that.

1 MR. BROUSSEAU: Motion to
2 adjourn.

3 MS. FITCH: Second.

4 TREASURER GOLDBERG: Bob
5 Brousseau made the motion. Ruth Ellen Fitch
6 made the second.

7 Bob Brousseau?

8 MR. BROUSSEAU: Yes.

9 TREASURER GOLDBERG: Ruth Ellen
10 Fitch?

11 MS. FITCH: Yes.

12 TREASURER GOLDBERG: Jim Hearty?

13 MR. HEARTY: Yes.

14 TREASURER GOLDBERG: Theresa
15 McGoldrick?

16 MS. MC GOLDRICK: Yes.

17 TREASURER GOLDBERG: Peter

18 Monaco?

19 MR. MONACO: Yes.

20 TREASURER GOLDBERG: Dennis

21 Naughton?

22 MR. NAUGHTON: Yes.

23 TREASURER GOLDBERG: Carly Rose?

24 MS. ROSE: Yes.

1 TREASURER GOLDBERG: Paul
2 Shanley?

3 MR. SHANLEY: Yes.

4 TREASURER GOLDBERG: And myself,
5 yes.

6 And it is noontime. Go have some
7 lunch, and thank you everybody.

8
9 (Meeting adjourned at 12:07 p.m.)

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C E R T I F I C A T E

I, Darlene M. Coppola, Registered
Merit Reporter, Certified Realtime Reporter,
do hereby certify that the foregoing
transcript, Volume I, is a true and accurate
transcription of my stenographic notes taken
on May 21, 2020.



Darlene M. Coppola
Registered Merit Reporter
Certified Realtime Reporter

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