

State Retiree Benefits Trust Board of Trustees
Minutes of the Meeting of
February 9, 2023

Call to Order:

A meeting of the State Retiree Benefits Trust Fund Board (“SRBTF Board” or “Board”) was held on Friday, February 9, 2023 via remote participation pursuant to the Open Meeting Law, G.L. c.30A, §20, as amended.

A quorum being present the meeting was called to order at 9:35 a.m. The SRBTF Board members or designees present for all or part of the meeting and participating remotely were: Kathleen Bramlage, Theresa Flynn, Bill McNamara, James Rust, John Parsons and Michael Tow. All participants were notified that this meeting would be audio recorded. All votes were taken via roll call.

Also present for all or part of the meeting were: Bianca Ortiz-Wythe of the SRBTF, Attorney Katherine Hesse and Attorney Matthew Feeney of Murphy, Hesse, Toomey & Lehane, LLP (“MHTL”); Francesco Daniele and Emily Greene of the Pension Reserves Investment Management Board (“PRIM”).

I. Election of new Board Chair

In the absence of a board chair, the board agreed that attorney Hesse should preside over the meeting as acting chair. As acting chair, attorney Hesse turned to the issue of the vote of Kathleen Bramlage, senior debt analyst and SRBTF appointee, as new board chair.

On a motion made by Mr. McNamara and duly seconded by Mr. Rust, the Board took the following action.

VOTED: To approve Kathleen Bramlage as new Board chair of the SRBTF.

Mr. Parsons -	Yes
Mr. McNamara -	Yes
Mr. Tow –	Yes
Mr. Rust -	Yes
Ms. Flynn -	Yes
Ms. Bramlage-	Yes

II. Approval of the December 8, 2022 Meeting Minutes

Acting chair, attorney Hesse turned to the minutes of the December 8, 2022 meeting.

On a motion made by Mr. McNamara and duly seconded by Mr. Rust, the Board took the following action.

VOTED: To approve the minutes of the December 8, 2022 Board Meeting.

Mr. Rust -	Yes
Ms. Flynn -	Yes
Mr. Parsons -	Yes
Ms. Bramlage –	Yes
Mr. McNamara -	Yes
Mr. Tow -	Yes

III. Investment Report

Attorney Hesse invited Mr. Daniele to update the board on PRIM performance and the financial markets.

Mr. Daniele congratulated Ms. Bramlage on her election as Board chair. Mr. Daniele confirmed that Ms. Bramlage is now allowed to transact with PRIM on behalf of the SRBTF.

Mr. Daniele turned to financial markets. Mr. Daniele started by speaking to PRIM's core philosophies, particularly in period of higher volatility. He emphasized that when reviewing investments, it is important to consider three equally important parameters: return, cost, and risk. Mr. Daniele also spoke about the challenge of predicting the future and how it is difficult to consistently predict markets. He mentioned that PRIM have engineered their plan to perform well in both up and down markets.

Mr. Daniele turned the discussion to asset allocation, which he believes is one of the strongest contributors to PRIM's performance. Mr. Daniele mentioned that PRIM's private equity portfolio is ranked number three by the AIC, and they are the only public panel in the country to be ranked in the top five every year the study has been conducted. Additionally, Mr. Daniele pointed out that private equity is a difficult asset class to add exposure to, and PRIM has been in the asset class for many decades, with consistent and strong performance.

Mr. Daniele highlighted that PRIM was the recent recipient of the Institutional Investors Partnership of the Year award and that they have been one of the leaders in the ESG space. Mr. Daniele and his colleagues have been working to make PRIM a strong contributor to managers being able to review ESG data and rank managers.

Mr. Daniele passed the presentation over to his colleague Emily Green. Ms. Green provided an update on a future initiative. The initiative is a PRIM organization-wide effort to increase total assets under management by diverse investment managers. The initiative was launched following the passage of the investment equity legislation in 2021, which was championed by Frederick Goldberg. In 2022, PRIM deployed more than 2.8 billion to diverse managers, which brings the total for that fund to more than 9 billion in assets under management. Ms. Greene reported that in December, PRIM received the Commonwealth's equity and governance award for its efforts in this area at the annual performance record Nishan award ceremony.

Furthermore, in 2022, PRIM also designated more than \$340 million to 15 diverse investment managers as part of a \$1 billion program specifically designed to reduce barriers between the fund and emerging diverse managers. Ms. Greene shared that this progress was reported to the state legislature as required by the investment equity legislation at the end of the year.

Ms. Greene turned over to asset allocation and provided a reminder that PRIM's asset allocation is strategic and built for the long term. PRIM's fund is constructed to perform well in both up and down markets. The asset allocation research program blends both quantitative and qualitative insights to the analysis, while focusing on the dual objective. During an investment committee meeting in January, the proposed public fund asset allocation for 2023 was presented. Ms. Greene stated that this will be voted on at the PRIM board meeting. The proposed 2023 asset allocation target ranges represent no major changes to last year's recommendation. The minor changes include a 1% increase in the private equity target range and a 1% decrease in the global equities target range.

Ms. Greene paused and asked if there were any questions.

Mr. McNamara suggested that for future meetings the board members should be able to see scorecards for managers as well as for asset classes. He stated that it is important that all of the initiatives align with the fundamental goal of meeting the fiduciary responsibility, both to pensioners and to the taxpayers that support the enterprise. Mr. Daniele stated he agreed and added that the quality of what PRIM looks for in managers hasn't been reduced. Instead, PRIM takes into consideration factors such as manager's track record.

Mr. Daniele turned the conversation to the topic of investment performance and the financial markets.

Mr. Daniele reiterated that market volatility continues as a result of world events. However, the PRIT fund continues to show a strong relative performance, outperforming peer groups in the market. Mr. Daniele also spoke to concerning economic issues such as higher

interest rates, inflation that remains decades high, tighter monetary policy and the war between Ukraine and Russia.

Mr. Daniele informed the Board that for the quarter the PRIT fund was down 4.7% net, a 60/40 mix was down 6%. The PRIT team has been actively identifying new opportunities. PRIT deployed 6.9 billion in the last fiscal year, a 58% increase from the previous year. For this current quarter, PRIT will deploy an estimated \$800 million up to capital to new ideas.

Mr. Daniele paused his presentation and asked the Board if there were any questions regarding market performance.

(Mr. Tow departed the meeting)

IV. Operations Report

Municipal Contracts & Outreach

Mr. Daniele provided the board with an update concerning the town of Arlington's status regarding their application to the SRBTF. Mr. Daniele informed the board that the town's governing body will be holding a vote at a future date. This vote will determine the town's ability to invest in OPEB. Mr. Daniele thanked Mr. Feeney for his efforts in helping advise the town on the legal aspects of the application process.

Mr. Daniele informed the board that there are two serious candidates in the process of applying to the SRBTF. They include the Arlington Central Collaborative and the Concord Regional Planning Commission.

Mr. Daniele paused his presentation and asked the Board if there were any questions regarding municipal contracts and outreach.

Mr. Parsons asked if the SRBTF continues to engage in outreach with entities such as the MMA?

Mr. Daniele confirmed that outreach is still ongoing. He stated that he had attended the most recent MMA convening as well as other relevant conferences. It appears that municipalities and local entities are mainly prioritizing retirement investments, though he has observed an increase in interest in health care investing.

Mr. Feeney shared that he would notify the board concerning any news regarding Open Meeting Law extension of online meetings.

Ms. Hesse added that considering there is a new administration that will bring new Board members, there should be a meeting concerning topics like Board obligations and enabling statues.

Ms. Bramlage agreed with Ms. Hesse's suggestion for a training of this kind at a future date.

V. Adjournment

There being no further business, a motion was made by Ms. Hesse and duly seconded by Mr. McNamara, to adjourn the meeting at 10:10 a.m.

Mr. Rust -	Yes
Mr. McNamara-	Yes
Ms. Flynn -	Yes
Mr. Parsons -	Yes
Ms. Bramlage-	Yes