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# Commonwealth of Massachusetts

## State Retiree Benefits Trust Fund

Board of Trustees

Henry Clay, Chair

*Deborah B. Goldberg · Matthew Gorzkowicz · William McNamara  
William T. Keefe · Jennifer K. Hewitt · Theresa Flynn · Michael C. Tow*

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### **State Retiree Benefits Trust Board of Trustees** **Minutes of the Meeting of** **March 12, 2026.**

*As approved by the Board on 06/11/2026*

#### **I. Call to Order:**

A meeting of the State Retiree Benefits Trust Fund Board (SRBTF Board or Board) was held on Thursday, March 12, 2026, via remote participation pursuant to the Open Meeting Law, G.L. c.30A, §20, as amended.

A quorum being present at 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, were Henry Clay, William McNamara, William Keefe, Jennifer Hewitt and Theresa Flynn. All participants were notified that this meeting would be video recorded. All votes were taken via roll call.

Also present for all or part of the meeting were: Francesco Daniele and Emily Green of the Pension Reserves Investment Management Board (PRIM); Matthew Feeney of Feeney and Feeney Law, LLP; and Ingrid Goretti Rica of the SRBTF.

#### **II. Approval of December 11, 2025 Meeting Minutes**

The Chair reviewed the minutes of the December 11, 2025 board meeting and asked the Board to consider them.

Ms. Hewitt noted that there was a highlighted item in the first section of the draft minutes concerning the Comptroller designee's follow-up with DOR. Ingrid Goretti Rica clarified that she had highlighted the reference because she wanted to confirm the meaning of "DOR" while reviewing the video. Mr. Clay and Ms. Hewitt clarified that DOR referred to the Department of Revenue. With that clarification made, no further concerns were raised.

On a motion made by Mr. Keefe and duly seconded by Ms. Hewitt, the Board took the following action.

**VOTED:** To approve the minutes of December 11, 2025 board meeting.

Mr. McNamara – Yes.

Mr. Keefe – Yes.

Ms. Hewitt – Yes.

Ms. Flynn – Yes.

Mr. Clay – Yes.

### **III. Investment Report**

The Chair turned to Mr. Daniele to present the investment report.

Mr. Daniele reported on PRIM's fourth quarter 2025 results, joined by Ms. Green, who addressed asset allocation. He noted that the fourth quarter results had previously been presented formally at the February 26 Board meeting and that the PRIT Fund had performed very strongly. The Fund reached another record balance of approximately \$123 billion, surpassing the prior record set in the previous quarter. For the December quarter, the Fund returned 2.1% net of all fees. Over the trailing twelve months, the Fund returned 12.6% net, representing an investment gain of approximately \$13.8 billion. Mr. Daniele emphasized that this result was nearly twice the actuarial return target of 7%.

Mr. Daniele further noted that calendar year 2025 marked the third consecutive year of strong gains, following returns of 9% in 2024 and 11% in 2023. Over the three-year period, the Fund achieved an annualized return of approximately 11%, producing nearly \$35 billion in investment gains. He highlighted the especially strong performance of U.S. equities, which returned approximately 23% annualized, while international markets were somewhat weaker but still produced a strong return of approximately 17%. He observed that this type of sustained market strength has occurred only a limited number of times over the past century, typically following a deep recession or during a major technological shift in the economy.

Mr. Daniele cautioned that future market conditions remain difficult to predict. He explained that PRIM does not rely on forecasting market outcomes, but instead uses statistical and quantitative tools, diversification, and disciplined portfolio construction to build what he described as an "all-weather" portfolio intended to withstand a range of market environments. He also noted that PRIM is working to understand how artificial intelligence can be leveraged within the organization, particularly as AI may reduce the cost of expertise and help PRIM make more effective use of specialized knowledge.

Ms. Green then provided an overview of PRIM's asset allocation approach. She reminded the group that the asset allocation program is designed with a long-term horizon and reflects the same core philosophy that PRIM does not seek to predict the future, but instead focuses on building a resilient portfolio. She explained that the program combines quantitative and

qualitative insights and is guided by two primary objectives: achieving the 7% actuarial rate of return over the next ten years and avoiding a cumulative drawdown greater than 20% over the next three years.

Ms. Green stated that PRIM's framework uses a probabilistic approach to maximize the likelihood of achieving those objectives. She noted that no changes were made to the current asset allocation. Strategic allocation changes are generally infrequent and deliberate, and are considered only when there is a structural shift in fundamentals. She added that this was the second consecutive year in which the asset allocation had been maintained. Prior to that, only minor adjustments had been made within value-added fixed income and global equities. She also described PRIM's disciplined monthly rebalancing process, which is intended to maintain alignment with strategic asset allocation targets and the portfolio's risk posture over time.

Following Ms. Green's comments, Mr. Daniele added that PRIM had historically managed to a midpoint, but now manages within a range. He explained that this approach provides additional flexibility, allowing the portfolio to remain within approved bands without incurring unnecessary transaction costs, while also creating room to take advantage of potential value opportunities when other investors may be exiting parts of the market.

Mr. Daniele concluded the PRIM comments by recognizing Mr. Feeney's work on the Haverhill matter. He explained that he and Mr. Feeney had been working closely on Haverhill's OPEB application and that the town was making a significant effort to ensure that the retirement-side appropriation would be codified on the OPEB side. Although the application was not ready for consideration at this meeting, Mr. Daniele expressed optimism that it could be ready for the next voting cycle if matters proceed smoothly. The Chair thanked him and noted support for Haverhill's efforts before moving the meeting to the next agenda item, administrative issues.

#### **IV. Administrative Issues**

##### **A. Town of Wellesley Discussion**

The Board turned to administrative matters, beginning with a request from the Town of Wellesley Retirement Board regarding the investment structure for Wellesley's OPEB funds held at PRIM. The Chair explained that Wellesley, through its Retirement Board Chair, had asked whether the Town could segment its OPEB assets at PRIM in a manner similar to the segmentation already available for retirement funds.

Mr. Daniele provided background on PRIM's segmentation structure. He explained that cities and towns investing retirement assets through PRIM may place assets in the PRIM Core Fund or allocate portions of their assets among various segmented investment options, including domestic equities, international equities, emerging market equities, fixed income, hedge funds, real estate, and annual private equity

vintage-year commitments. He noted that Wellesley is close to fully funded on the OPEB side and has already used segmentation on the retirement side by moving a portion of its assets from PRIT Core into core fixed income and public value-added fixed income. Wellesley is now interested in applying a similar approach to its OPEB assets. However, the current relationship between the Board and PRIM, through the SRBTF structure, allows participating OPEB clients to invest only in PRIT Core.

Mr. Feeney summarized the legal and governance review conducted to date. He explained that he and Mr. Clay had discussed the issue several times over the prior months, including with Mr. Daniele and PRIM staff, to assess both the legal feasibility and PRIM's willingness to consider offering segmentation for OPEB funds. Mr. Feeney noted that the applicable statutes appear to be largely silent on whether segmentation is permitted or prohibited. However, he identified potential issues in the Board's operating documents, which currently contemplate SRBTF funds being invested in PRIM's General Allocation Account. Based on discussions with PRIM, segmented assets would likely not be held in the General Allocation Account. As a result, Mr. Feeney advised that although there may not be a statutory restriction, moving forward would likely require significant revisions to the Board's governing documents, possibly including rules and regulations, the operating trust, and the investment and administrative agreements with PRIM. He cautioned that such a process could require substantial legal work, time, and expense, particularly given that the request currently comes from a single member.

Mr. McNamara asked whether, beyond the administrative burden and expense, segmentation would create operational or investment impacts for the Board or PRIM. Mr. Daniele responded that PRIM had done some preliminary operational analysis. He stated that while segmentation would add another layer of unitization, the operational lift for one OPEB client would probably not be significant once the structure was in place. He also noted that PRIM would likely limit any OPEB segmentation offering to public market segments, rather than alternatives. Any additional expenses would be borne by the participating entity, and if additional participants later entered the same segment, fixed costs could potentially be spread across those participants. Mr. Daniele clarified that Wellesley would not receive a custom-designed portfolio; rather, it would select from existing PRIM investment sleeves.

Mr. Keefe asked whether Wellesley's OPEB plan was fully funded. Mr. Daniele responded that it was close to fully funded. Mr. Keefe observed that, on the retirement board side, communities approaching full funding sometimes seek a more conservative investment posture. He suggested that the request made sense in that context but questioned whether it would be worth the administrative effort for only one participant unless there were broader demand.

Ms. Hewitt asked whether there were other reasons for the Board to revisit its governing documents beyond this request. Mr. Clay and Mr. Feeney responded that they were not aware of any existing operational problems or broader document revisions currently needed. Mr. Feeney noted that he could conduct a broader review if the Board wished, but absent a specific goal, nothing else had emerged as problematic.

The Board discussed whether the issue should be considered in the context of a future administrative budget. Ms. Feeney suggested that, as part of the FY27 administrative budget conversation, the Board obtain a proposal or estimate of what it would cost to evaluate and potentially implement the changes required for segmentation. The Chair agreed that this was a reasonable approach, noting the Board's small administrative budget and the need to be cautious about incurring expenses for a request from one member, even though the request itself was understandable. Mr. McNamara agreed that the Board should screen the matter carefully based on cost.

Ms. Hewitt also asked whether other communities might be in a similar fiscal position to Wellesley and therefore likely to request segmentation in the future. Mr. Daniele responded that, as more communities become better funded on the retirement side and potentially on the OPEB side, similar requests may arise. He noted that communities approaching full funding may wish to better align their risk and return profile and avoid overpaying for benefits. Mr. McNamara cautioned, however, that the current PRIT Core model should not be characterized as an aggressive or "roll the dice" strategy for underfunded entities. He emphasized that the obligation is to obtain the best prudent return regardless of funded status. Other members agreed, while noting that some communities may nevertheless prefer to reduce risk as they approach full funding.

The discussion concluded with The Chair stating that he would follow up with Wellesley to explain where the Board stood, including the need to determine the time, legal work, operational requirements, and cost involved. Mr. Clay noted that he had already informed Wellesley that the Town would be responsible for any additional costs caused by the requested program. Mr. Daniele confirmed his understanding that The Chair would follow up with Wellesley and that Mr. Feeney would work with hi, to develop at least a ballpark estimate of the additional legal expenses. Mr. Feeney explained that even estimating the cost would require some work, because the analysis would need to account for the potential impact on several governing and administrative documents, including agreements with PRIM.

The Board agreed to continue examining the request, with next steps focused on communicating with Wellesley and developing a better understanding of the costs and work required before considering whether to proceed further.

## B. GIC Update

The Chair opened the discussion by noting that the Board had received Ms. Hewitt's memorandum outlining the current GIC funding situation. He observed that the administration appeared to be exploring available options in light of increasing expenses, including health care costs, and acknowledged that the matter warranted review. He also noted that there had previously been a \$25 million capital gains transfer based on excess capital gains and that future transfers would depend on whether statutory thresholds were reached, while also cautioning that the Legislature could alter those thresholds or related funding structures.

Ms. Hewitt provided an overview of the issue for the Board. She explained that the GIC is approximately a \$4 billion entity funded in part through state appropriations. Those appropriations include both a direct appropriation and an operating transfer to the State Retiree Benefits Trust Fund. Historically, the operating transfer has functioned in practice like a regular appropriation, supporting the GIC's ability to pay vendors on a regular basis. Ms. Hewitt explained that GIC vendor payments are substantial, typically ranging from approximately \$60 million to \$80 million per week, and that the timing of excess capital gains receipts creates operational difficulties because such funds generally do not become available until late in the fiscal year, around April, May, or June.

Ms. Hewitt further explained that beginning in FY26, a portion of GIC retiree benefit costs had effectively been shifted, with \$100 million in FY26 and a proposed \$150 million in FY27 being supported through excess capital gains. She stated that while a 10% dedication of excess capital gains had initially been proposed for FY26, a 5% dedication was ultimately adopted. For FY27, the Governor's budget proposed dedicating approximately 53% of excess capital gains to the State Retiree Benefits Trust Fund, which was projected to generate approximately \$150 million. Ms. Hewitt expressed concern that relying on excess capital gains presents both timing and operational challenges, particularly because GIC obligations must be paid throughout the year and cannot wait until late-year revenues become available.

Ms. Hewitt raised several possible approaches for consideration. One option would be for the Board to authorize use of the \$25 million transferred at the end of FY25, making it available to the GIC in FY26 to help offset retiree benefit expenses if needed. She noted that if funds were ultimately available at the end of FY26, the GIC could potentially reverse certain expenditure transactions to return money to the Trust. She emphasized that these ideas were preliminary and intended to facilitate discussion rather than serve as final recommendations. She also noted that the statute appears to allow the GIC to request access to

Trust funds, subject to Board action, which may be relevant for FY27 if the proposed funding structure is adopted.

Mr. McNamara responded by distinguishing between two issues: the Board's practical obligation to administer any enacted funding structure, and the broader policy and fiscal implications of the proposal. He stated that if the Legislature and Administration adopt a lawful financial arrangement, state officials must implement it faithfully. However, from the perspective of state fiscal stability, he expressed concern that the proposed approach was not ideal. He explained that Massachusetts has long treated capital gains revenue as a volatile source of revenue, with amounts below a threshold used in the regular budget and amounts above the threshold directed toward reserves and unfunded liabilities rather than ongoing operating costs. In his view, using excess capital gains to fund a known annual benefit obligation would not merely depart from that prior approach but would invert it by applying a volatile revenue stream to a predictable recurring expense.

Mr. McNamara emphasized that the existing framework for capital gains has served the Commonwealth well by using volatile revenues for long-term liabilities and reserves, including retiree obligations and the stabilization fund. He stated that while policymakers may reasonably consider whether the stabilization fund has reached a level that allows excess resources to be used elsewhere, he did not believe the proposed structural change was the right way to fund regular retiree benefit costs. He suggested that if the Commonwealth wishes to use capital gains revenue for this purpose, it could do so through an appropriation or transfer without permanently changing the underlying funding structure.

Ms. Hewitt acknowledged those concerns and stated that she had raised similar points in conversations with the Executive Office for Administration and Finance. She emphasized, however, that her immediate task was to determine how the GIC could operationalize the proposal if it is enacted. She also noted that a \$300 million supplemental budget was pending before the Legislature, of which \$100 million was intended to support the State Retiree Benefits Trust Fund share of GIC costs. She explained that retiree health care costs remain volatile and difficult to predict, and that the GIC continues to refine its projections as actual claims and invoices are received.

Mr. Clay expressed concern that the issue appeared to reflect a broader structural deficit, with retiree benefit costs exceeding the amount provided. He also noted that the Commonwealth's total OPEB liability was approximately \$15 billion as of June 30, 2025, while the Commonwealth's share in the State Retiree Benefits Trust Fund was only a little over \$3 billion. He stated that drawing from such a relatively limited pool of assets could be significant and may have

implications for the Commonwealth's long-term funding schedule. He further observed that such a change could be material for bond disclosure purposes and could be relevant to rating agencies, given the Commonwealth's existing approach to reserves and retiree liabilities.

Mr. McNamara agreed that rating agencies have viewed the Commonwealth's current fiscal structures favorably and would likely pay attention to any significant change in the treatment of capital gains revenues or retiree benefit funding. He reiterated that the Treasurer's Office and Comptroller's Office would likely need to consider the broader implications of the proposed change.

Mr. Feeney then raised a procedural and timing issue. He asked whether the statutory 60-day requirement for submission to the Legislature might apply if the Board were to consider authorizing use of the \$25 million. He noted that if funds needed to be available before June 30, the Board may need to meet in April to provide sufficient lead time. Ms. Hewitt asked whether the 60-day requirement applied to this type of operating transfer or only to the administrative budget. Mr. Feeney stated that the issue was not entirely clear and that he was raising it out of caution because the Board had not previously taken comparable action. Mr. Clay agreed that caution was appropriate because the matter could be precedent-setting and should be reviewed carefully, including with input from relevant staff and counsel.

Ms. Hewitt explained that the pending \$300 million supplemental budget would help address current funding needs but would not necessarily eliminate the usefulness of the \$25 million cushion. She stated that health care costs are difficult to forecast precisely, even with actuarial support, and that the GIC's projections continue to narrow as actual invoices are received. She indicated that by the second week of April, the GIC expected to have additional information from March invoices, which would improve its ability to assess year-end needs. She also noted that the GIC had requested supplemental funding by mid-April and that without additional funding it would be unable to pay vendors beginning May 1.

The Board concluded that further review was necessary. Mr. Clay stated that members should continue to evaluate the issue with their respective offices and departments. He indicated that Ms. Hewitt and he would remain in contact as the matter developed, and that a future meeting would likely be scheduled in April to allow the Board to consider the issue further. The discussion closed with Ms. Hewitt thanking the Board for the substantive conversation and feedback.

## **V. Adjournment**

There being no further business, the Chair initiated the adjournment of the meeting and asked for a motion to adjourn. A motion was made by Mr. McNamara, and duly seconded by Ms. Hewitt to adjourn the meeting at 10:35 a.m.

Mr. McNamara – Yes.

Mr. Keefe – Yes.

Ms. Hewitt – Yes.

Ms. Flynn – Yes.

Mr. Clay – Yes.