

State Retiree Benefits Trust Board of Trustees
Minutes of the Meeting of
May 11, 2023

Call to Order:

A meeting of the State Retiree Benefits Trust Fund Board (“SRBTF Board” or “Board”) was held on Thursday, 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, James Rust, John Parsons, and Thomas Vaughn-Smith as acting designee on behalf of Bill McNamara. 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; Susan Bristol and David Portier of the Massachusetts Department of Transportation; Francesco Daniele and Emily Greene of the Pension Reserves Investment Management Board (“PRIM”).

I. Approval of the February 9, 2023 Meeting Minutes

The Chair asked the Board to consider the minutes of the February 9, 2023 meeting.

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

VOTED: To approve the minutes of the February 9, 2023 Board Meeting.

Mr. Rust - Yes
Mr. Vaughn-Smith- Yes
Ms. Flynn - Yes
Ms. Bramlage- Yes

II. MTA Sick Leave Transfer Request

The Chair turned to the Department of Transportation’s Sick Leave Bank transfer request and thanked Ms. Bristol and Mr. Pottier for joining the meeting. Ms. Bristol explained that the transfer request the Department is bringing before the Board is related to a legacy program for former Mass Turnpike employees that provides a buyout of unused sick time

accrued until 2009. The assets were turned over to the SRBTF in 2015, and the Department has made yearly requests for disbursement since then.

Mr. Pottier stated that the current request is for \$260,000.00 to fund expected payouts of existing requests for the upcoming fiscal year. This amount is calculated yearly and there are approximately 500 more employees that would qualify for this buyout program.

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

VOTED: To approve the transfer of \$260,000 to the Department of Transportation to fulfill the obligations of the Mass Turnpike Sick Leave Bank for FY24.

Ms. Flynn -	Yes
Mr. Vaughn-Smith –	Yes
Mr. Rust -	Yes
Ms. Bramlage -	Yes

III. D&O / Fiduciary Insurance Renewal

The Chair informed the Board that the decision was made to find a new insurance provider that would offer liability insurance coverage for the Board. The Chair explained that the decision to find a new carrier needed to be expedient as it was the case that the previous insurance provider no longer wanted the SRBTF as a client and that the insurance policy coverage would lapse. Additionally, the Chair made it aware that this decision was made in consultation with the legal services of MHTL and Ms. Hesse.

Ms. Ortiz-Wythe added that, going forward, liability insurance coverage for the SRBTF and the Board would be provided by the National Casualty Company. This new provider is providing coverage for employment practices and fiduciary liability.

The Chair asked if there were any questions.

Mr. Vaughn-Smith asked if the liability limits and deductibles were the same as the previous plan or if they had changed.

Ms. Ortiz-Wythe confirmed that there was no change.

Mr. Moyer added that state statute limits liability that individual directors, board chairs, have to one million dollars.

The Chair asked if there were any other questions.

IV. Legislative Update

The Chair asked Ms. Ortiz-Wythe to give an update regarding the legislative filing for FY2024.

Ms. Ortiz-Wythe presented the proposed budget for FY2024 to send to the legislature for approval. She noted that the budget for legal services will increase by 3%. Additionally, she suggested increasing the budget for liability insurance to account for premiums increasing. She said the budget would increase from \$278,000 in FY2023 to \$282,900.

The chair asked if there were any questions.

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

VOTED: To approve the FY2024 SRBTF budget of \$282,900.

Ms. Flynn - Yes

Mr. Vaughn-Smith – Yes

Mr. Rust - Yes

Ms. Bramlage - Yes

V. Investment Report

The Chair invited Mr. Daniele to give the market update.

Mr. Daniele thanked the Chair. Mr. Daniele turned to the March quarter of 2023. He stated that this quarter experienced positive returns, marking the second consecutive quarter of fund gains following three quarters of sell-off during the calendar year 2022. In the previous quarter ending March, the fund recorded a 3.6% increase, which was preceded by a positive quarter of 1% in December 2022. Mr. Daniele expressed that this development is encouraging as it signifies two consecutive quarters of gains after the prolonged market sell-off in 2022.

Mr. Daniele reiterated that the PRIT fund fared better than stock and bond market indices in 2022, with a decline of 11.2% net of fees. He emphasized the importance of expecting periods of market drops and economic cycles to impact the fund periodically. Despite this, the fund remains in a position to take market risks. Additionally, market activity and returns are beyond the organization's control, and several difficult factors influenced performance last year, including geopolitical events, slowing economic growth worldwide, monetary policy changes and responses, wars, viruses, supply chain shortages, and behaviors of other investors. The organization's focus remains on designing and composing the PRIT fund while maintaining low expectations.

Mr. Daniele continued saying that in 2022, stocks experienced decline of 15% to 20%, while bonds declined by approximately 30%. Unusually, bonds did not provide the expected protection from equity sell-offs due to rising interest rates. Mr. Daniele emphasized that the organization cannot control these external factors but remains focused on managing the design and composition of the PRIT fund.

Mr. Daniele moved to the topic of PRIT's portfolio. He stated that the focus remains on constructing a portfolio that balances risk, return, and cost, which are considered the primary pillars of the organization's philosophy. The strong performance of the portfolio in both strong and weak markets is seen as an indication of its robust construction. He then addressed market downturns stating they are seen as an opportunity to identify and acquire favorable investments. The PRIT team has been actively evaluating opportunities and deploying \$6 billion in new investments across all asset classes. The monthly rebalancing of the portfolio takes these considerations into account. It was mentioned that the positive trend observed in April is expected to continue, and that they remain optimistic.

Mr. Daniele proceeded with a review of the March quarter performance. Several trends from the previous year were reversed during this period. Growth stocks, high-level technology stocks, and healthcare outperformed the S&P, as well as financial and energy stocks. The performance of various asset classes was as follows: the S&P was up 7.5%, developed international equities were up 8.5% for the quarter, emerging markets were up 4%, diversified bonds showed a 3% increase, strips had an 8.3% growth, and a 60/40 mix experienced a 5.6% rise.

A performance review of the PRIT portfolio was provided. Currently, the portfolio stands at approximately \$95 million. Mr. Daniele clarified that this includes both retirement assets and other assets. Mr. Daniele continued by stating the PRIT fund achieved a growth of 3.7% during the quarter, while other funds, such as US Strips and Developed International, also performed well. The private equity part of the portfolio has been a strong performer, demonstrating strong numbers over the longer period, as well as three, five, and ten-year timeframes. Other asset classes, including real estate, global equities, timber, and portfolio completion strategies, were also highlighted for their consistent performance.

Mr. Daniele turned to other news impacting PRIT. Governor Healey appointed Katherine D'Amato to the PRIT board. Additionally, PRIM welcomed 5 new hires, including directors of stewardship and ESG, legal and governance analyst, senior investment officer, and investment and compliance analysts.

Mr. Daniele asked if there were any questions.

Mr. Parsons joined the meeting. He apologized and stated that his tardiness was due to connectivity issues with his internet.

The Chair asked if there were any questions. The Chair thanked Mr. Francesco for his presentation.

VI. Adjournment

There being no further business, a motion was made by Ms. Flynn and duly seconded by Mr. Vaughn-Smith, to adjourn the meeting at 10:15 a.m.

Mr. Parsons -	Yes
Mr. Rust -	Yes
Mr. Mr. Vaughn-Smith-	Yes
Ms. Flynn -	Yes
Ms. Bramlage -	Yes