

State Retiree Benefits Trust Board of Trustees
Minutes of the Meeting of
May 12, 2022

Call to Order:

A meeting of the State Retiree Benefits Trust Fund Board (“SRBTF Board” or “Board”) was held on Thursday, May 12, 2022 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 9:37 a.m. The SRBTF Board members or designees present for all or part of the meeting and participating remotely were: Chair Nicola Favorito, Theresa Flynn, William McNamara, Frank Gervasio, 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: Jeffrey Moyer of the SRBTF; Attorney Katherine Hesse of Murphy, Hesse, Toomey & Lehane, LLP (“MHTL”); Francesco Daniele, Laura Strickland Emily Green of the Pension Reserves Investment Management Board (“PRIM”); Sue Bristol and David Pottier of the Massachusetts Department of Transportation (“DOT”).

I. Approval of the February 10, 2022 Meeting Minutes

The Chair asked the Board to consider the minutes of the February 10, 2022 meeting.

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

VOTED: To approve the minutes of the February 10, 2022 Board Meeting.

Mr. Parsons -	Yes
Mr. McNamara -	Yes
Mr. Gervasio -	Yes
Mr. Tow –	Yes
Mr. Rust -	Yes
Ms. Flynn -	Yes
Mr. Favorito -	Yes

II. Investment Report

The Chair invited Mr. Daniele, Ms. Green and Ms. Strickland to update the Board on PRIM, investment performance and the financial markets.

Mr. Daniele thanked Mr. Moyer and Mr. Feeney for their efforts in finalizing the Hamilton Wenham Regional School District's application to join the Fund. He introduced Laura Strickland, who serves as a Client Services Officer and will contribute to the presentation. He also thanked Ms. Green for her efforts working with OPEB clients.

Mr. Daniele noted that circumstances have dramatically changed since PRIM last reviewed performance as of December 31, 2021 at the last meeting. Significant market uncertainty and geo-political impacts have dominated the markets since the Russian invasion of Ukraine, as well as record inflation impacting the economy. Major institutions are downgrading their expectations of US growth for the remainder of this year. GDP growth over the first quarter of 2022 was down 1.4%, demonstrating the fragility of the current economic situation.

PRIM is approaching this situation with an "all hands on-deck" effort to monitor evolving conditions, work to avoid taking sudden actions, and instead focusing on sticking to pre-existing strategies. Many of the investment managers that work with PRIM have not experienced this sort of dislocation. PRIM staff are frequently meeting with managers both formally and informally.

Mr. Daniele also provided an update on PRIM's non-investment operations including complying with ongoing audit requests, and responding to public information requests. PRIM is also considering ESG investment factors and how to diversify the managers and staffing to the extent possible.

Mr. Daniele also described the ongoing efforts by PRIM to implement the Russia divestment legislation recently passed by the Legislature. Existing assets had been originally valued at approximately \$250 million, and has significantly dropped. While there are challenges in identifying a market for these assets, the legislation provides a clear timeline for discharging these investments. Given market activity it is expected the remaining value of the assets is likely to be written down.

Ms. Strickland discussed the investment gains for the PRIT Fund in more detail. While the Fund has lost some value over the last few months, much of the recent gains remain and the current value is just under \$100 billion. The diversification efforts have allowed PRIM to outperform benchmarks as well as limit losses. Global equity has continued to grow well beyond expectations, and PRIM is careful to communicate that these gains are unlikely to continue outside of this unique environment.

The Chair asked Mr. Daniele if there is anything from the recent PRIM committee meetings that the Board should be aware of ahead of the full PRIM Board meeting. Mr. Daniele spoke to the current market instability and the need to continue PRIM's steady investment philosophy as key themes from these recent meetings.

Mr. McNamara spoke to underscoring the importance of PRIM's current strategy of not being reactive to market conditions and making quick decisions.

As of March 31, 2022, the combined SRBT Fund assets were \$2.96 billion. The SRBT Fund returns reviewed were net of fees, versus the PRIT fund performance which are gross of fees. The 1-year return as of March 31, 2022 was 12.3% versus 7.1% (benchmark); 3-year 12.8% versus 9.7% (benchmark); 5-year 10.8% versus 8.8% (benchmark); and 10-year 9.5% versus 8.0% (benchmark). Since the fund's inception in 2001 PRIM has achieved a positive 7.9% return versus the benchmark of 7.1%.

(Mr. Tow departed the meeting)

III. MTA Sick Leave Transfer Request

The Chair turned to the Department of Transportation's Sick Leave Bank transfer request and thanked Mr. Pottier and Ms. Bristol for joining the meeting. Mr. Pottier 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 \$250,000.00 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.

The Chair asked when the funds were needed. Mr. Pottier stated that current funding will last through approximately October, so the transfer can be dated for FY23.

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

VOTED: To approve the transfer of \$250,000 to the Department of Transportation to fulfill the obligations of the Mass Turnpike Sick Leave Bank for FY23.

Mr. Parsons -	Yes
Mr. Gervasio -	Yes
Ms. Flynn -	Yes
Mr. McNamara -	Yes

Mr. Rust - Yes
Mr. Favorito - Yes

IV. Operations Report

Municipal Contracts & Outreach

Mr. Daniele spoke about the interest PRIM has recently been fielding from potential clients, including Somerset Berkley Regional School District which has been working with the Board's legal counsel on finalizing materials. The Town of Plymouth and City of Arlington are also interested. Mr. Daniele hoped to bring them before the Board this year. Current entities are talking with PRIM regarding the market uncertainties, but they have only received one request for a redemption.

Hamilton-Wenham Regional School District

The Board turned to the pending application of the Hamilton Wenham Regional School District. Mr. Moyer reviewed the application and stated that the District had submitted all the required materials and Mr. Feeney had reviewed and sent around some updated materials prior to the meeting. The District's trust agreement will become effective on May 18th and they will initially invest \$100,000.00. Ms. Hesse stated that even though Mr. Feeney was unable to attend this meeting, she understood the materials are ready for the Board to consider.

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

VOTED: To approve the Investment Agreement between the SRBTF Board and the Hamilton-Wenham Regional School District and to accept the Hamilton-Wenham Regional School District as a participating unit in the SRBTF as of May 18, 2022.

Mr. Parsons - Yes
Mr. Gervasio - Yes
Ms. Flynn - Yes
Mr. McNamara - Yes
Mr. Rust - Yes
Mr. Favorito - Yes

V. Administrative Issues

A. FY23 SRBTF Spending Plan

The Chair asked Mr. Moyer to summarize the proposed FY23 spending plan. Mr. Moyer explained that the enabling statute directs that the Board pass a yearly budget, which is sent to the Clerks of the Legislature and becomes effective 60 days afterwards if there is no response or questions. This proposed spending plan reflects a continuation of current activities, with the only increases coming for insurance premiums and liability auditing through an agreement with the Comptroller’s Office. All other costs will remain flat.

The Chair thanked Mr. Moyer for his efforts in putting together the spending plan and reminded the Board that if any additional unexpected spending needs were to arise the Board can amend this spending plan.

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

VOTED: To approve the FY23 SRBTF Spending Plan as presented.

Mr. Parsons -	Yes
Mr. Gervasio -	Yes
Ms. Flynn -	Yes
Mr. McNamara –	Yes
Mr. Rust -	Yes
Mr. Favorito -	Yes

B. Electronic Signature Proposed Policy

The Chair asked Mr. Moyer to discuss the electronic signature policy introduced at the February meeting. Mr. Moyer requested that the policy be adopted to allow for amendments to the SRBTF’s Policies and Procedures.

Ms. Hesse stated that she had done some research into this issue and had one suggestion. The federal Comptroller of the Currency has issued guidance that suggests that electronic signatures include language that the signatory intends their electronic signature to be a replacement for an in-person signature. Ms. Hesse recommended that the policy be adapted to reflect such an intention.

The Chair agreed with Ms. Hesse’s suggestion and recommended that the Board adopt this policy with that change. He suggested if Ms. Hesse concurred that the Board could vote today with the modification as proposed.

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

VOTED: To approve the Electronic Signatures Policy and amend the Policies and Procedures to include the Policy with suggested amendment regarding the intention of the signatory.

Mr. Parsons -	Yes
Mr. Gervasio -	Yes
Ms. Flynn -	Yes
Mr. McNamara –	Yes
Mr. Rust -	Yes
Mr. Favorito -	Yes

C. Legislative Language

The Chair stated that the current House and Senate FY 2023 budget bills provide the Board with the standard OPEB funding along with an appropriation for healthcare spending to be administered by the GIC. The Chair asked Mr. Gervasio if there were any other legislative updates. Mr. Gervasio stated that he was not aware of any.

The Chair inquired whether the Board had any interest communicating with the Administration and the Legislature to seek additional funds toward the OPEB liability given current reported revenue surpluses. The Board agreed and the Chair stated that he would draft a letter to the Legislature along those lines.

D. SRBTF Calendar, Meeting Times

The Chair asked Mr. Moyer if there are any calendar updates. Mr. Moyer stated that the next meeting is scheduled for August 11th. There are only two more meetings scheduled this calendar year as the Board approved an adapted schedule last year.

E. SRBTF Chair Election & Term Limit Waiver

The Chair stated that the Board would need to hold the yearly Board Chair election. He thanked the Board members for their support and indicated that he would serve another year provided that no member be interested in taking over the role.

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

VOTED: To waive the term limit in the SRBTF Bylaws and elect Mr. Favorito as Chair for FY23.

Mr. Parsons -	Yes
Mr. Gervasio -	Yes
Ms. Flynn -	Yes
Mr. McNamara –	Yes
Mr. Rust -	Yes
Mr. Favorito -	Abstain

F. SRBTF Program Coordinator

The Chair asked Mr. Moyer to introduce this agenda item. Mr. Moyer stated that while it has been his pleasure to serve the Board these last five years, he has been offered and accepted a position with the State Auditor’s Office and will begin in early June. He thanked the Board members for their support and confidence in the last several years, and is looking forward to working with the Chair to select someone who can carry forward the work of the Board.

The Chair thanked Mr. Moyer for his work and explained that the Program Coordinator role was shared between Treasury and the Comptroller’s Office, and he will work with Treasury HR to ensure that the position is posted on MassCareers. The position is a 60% FTE and will be posted with an annual salary rate of \$50-\$60,000, pro-rated.

Mr. Parsons asked what the timeline was for finding a replacement for Mr. Moyer, and the Chair stated that he hoped it would be in the next month, though hiring is a challenge in the current labor market.

Mr. Moyer stated that he would work to make sure that the transition was smooth and would set up a training plan and help as needed with finding candidates and interviewing them.

Members of the Board thanked Mr. Moyer for his service and wished him well in his new role.

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

VOTED: To authorize the Chair to initiate a search for a Program Coordinator.

Mr. Parsons -	Yes
Mr. Gervasio -	Yes
Ms. Flynn -	Yes
Mr. McNamara –	Yes

Mr. Rust -	Yes
Mr. Favorito -	Yes

VI. Other Business

No other business.

VII. Adjournment

There being no further business, a motion was made by Mr. Gervasio and duly seconded by Mr. McNamara, to adjourn the meeting at 10:46 a.m.

Mr. Gervasio -	Yes
Mr. McNamara -	Yes
Ms. Flynn -	Yes
Mr. Rust -	Yes
Mr. Parsons	Yes
Mr. Favorito -	Yes