



PENSION RESERVES  
**INVESTMENT**  
MANAGEMENT BOARD

# ***Presentation to the State Retiree Benefits Trust Fund Board***

***PRIM Board Organizational Update  
PRIT Fund and SRBT Fund Performance Review  
Municipal Outreach Update***

***Thursday, August 6, 2020***

***By***

***Paul W. Todisco, Senior Client Services Officer  
Francesco Daniele, Senior Client Services Officer  
Emily Green, Client Services Analyst***

***Deborah B. Goldberg, Treasurer and Receiver General, Chair  
Michael G. Trotsky, CFA, Executive Director and Chief Investment Officer***



# Mission

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- ❑ **PRIM is a \$75.0 billion investment fund that invests public employee pension benefits.**
  - PRIM does not administer benefits.
  - PRIM has a highly talented, experienced and focused investment staff.
- ❑ **PRIM's Mission is to relieve the pension funding burden on the taxpayer.**
  - PRIM is a self-funded agency which generates asset returns for Massachusetts.
  - The Project SAVE initiative is approaching \$200 million annualized value enhancing activities for the fund annually.
- ❑ **PRIM is independent and governed by a nine-member Board of Trustees.**
  - The Massachusetts State Treasurer is the Chair of the PRIM Board.
  - A robust committee structure lends advice regarding investments and operations.



# ***PRIT Fund Overview***

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## **❑ Oversight and staffing:**

- 9 appointed and elected trustees
- 4 advisory committees, consisting of 37 industry professionals and Board members
- Staff of 48 professionals
  - 2 Ph.D's
  - 10 CFA's
  - 6 CPA's
  - 2 CAIA's
  - 20 CFA Investment Foundations Program Certificate Holders

## **❑ Core Fund Facts**

- \$75.0 billion AUM as of 6/30/2020
- 49 public markets portfolios
- 15 real estate, timber and REIT managers
- 100+ private equity managers; 200+ partnerships
- 32 portfolio completion strategies managers



# ***Top 10 Accomplishments***

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1. Stable organization: Exceptional staff with low turnover supported by a strong, stable Board and Committee structure
2. National recognition for PRIM and its staff
3. Strong relative and absolute investment performance
4. Sophisticated risk management platform and framework
5. Timely asset allocation decisions
6. Project SAVE
7. Re-engineered Hedge Fund program – Portfolio Completion Strategies
  - a. Direct hedge funds
  - b. Hedge fund replication
  - c. Alternative risk premia harvesting strategies
  - d. Equity risk mitigation
8. Enhanced manager search and selection process
9. Private Equity co-investment
10. Direct Real Estate



# PRIM Board Membership



# PRIM Advisory Committees Membership

## Investment Committee

(12 Members)

*The Committee advises the Board with respect to the asset allocation policy of PRIM and related investment policies, and assist the Board in overseeing the investment program. The mandate of the Investment Committee does not include real estate and timber.*

1. Deborah B. Goldberg, Chair, Ex Officio Board Member
2. Paul E. Shanley, Board Member
3. Ruth Ellen Fitch, Board Member
4. Joseph C. Bonfiglio, Massachusetts & Northern New England Laborers' District Council
5. C. LaRoy Brantley, Investment Consultant
6. Michael Even, CFA, Retired President and CEO, Numeric Investors
7. Constance M. Everson, CFA, Managing Director, Capital Markets Outlook Group
8. James B. G. Hearty, Retired Investment Professional
9. Peter Monaco, Managing Director, Raptor Group
10. Philip Rotner, Chief Investment Officer, Boston Children's Hospital
11. Glenn P. Strehle, CFA, Treasurer Emeritus, MIT
12. Timothy L. Vaill, Special Advisor

## Real Estate Committee

(10 Members)

*The Committee advises the Board in setting investment policy within the real estate and timber portfolios and assist the Board in overseeing these portfolios.*

1. Deborah B. Goldberg, Ex Officio Board Member
2. Lydia Chesnick, Esq., Partner, Bernkopf Goodman LLP
3. Robert Gifford, Robert Gifford Advisory
4. Jill S. Hatton, Chair, CRE, Real Estate Investment Professional
5. Anthony E. Hubbard, Esq., CVS Corporation
6. Jack Lutz, PhD., Forest Research Group
7. William F. (Bill) McCall, Jr., CRE, McCall & Almy, Inc.
8. Garlan Morse, Jr., CRE, Morris and Morse Company, Inc.
9. Peter F. O'Connell, Marina Bay Company
10. Carly Rose, Public Safety Union Member



# PRIM Advisory Committees Membership

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## Administration and Audit Committee

(10 Members)

*The Committee assists the Board in overseeing all issues related to the governance, administration, and audit functions of PRIM, and to provide recommendations for the Board's consideration.*

1. Deborah B. Goldberg, Ex Officio Board Member
2. Robert L. Brousseau, Chair, Board Member
3. Theresa F. McGoldrick, Esq., Board Member
4. Patrick E. Brock, Chairman of the Hampshire County Retirement Board
5. Joseph A. Connolly, Senior Managing Director, Strategic Development, TerraCap
6. Karen E. Gershman, CPA, Retired Chief Operating Officer, Health Advances
7. Eileen Glovsky, Treasurer Appointee
8. James B. G. Hearty, Retired Investment Professional
9. Dennis J. Naughton, Board Member
10. Michele A. Whitham, Esq., Founder & Principal, Whitham Law LLC

## Compensation Committee

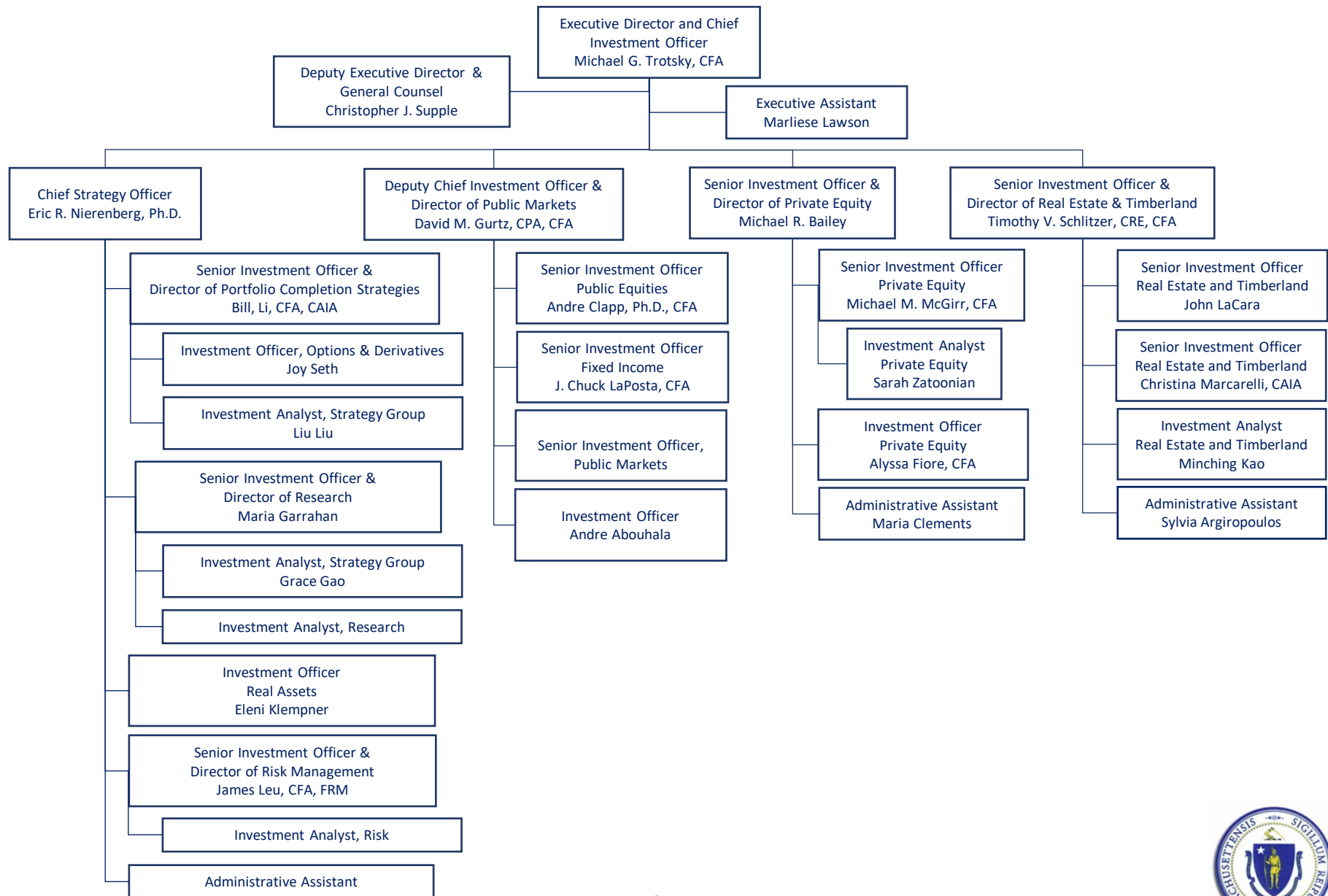
(5 Members)

*The Committee assists the Board in overseeing staff compensation and benefit policies. The Administration and Audit Committee is responsible for assisting the Board on other human resource matters.*

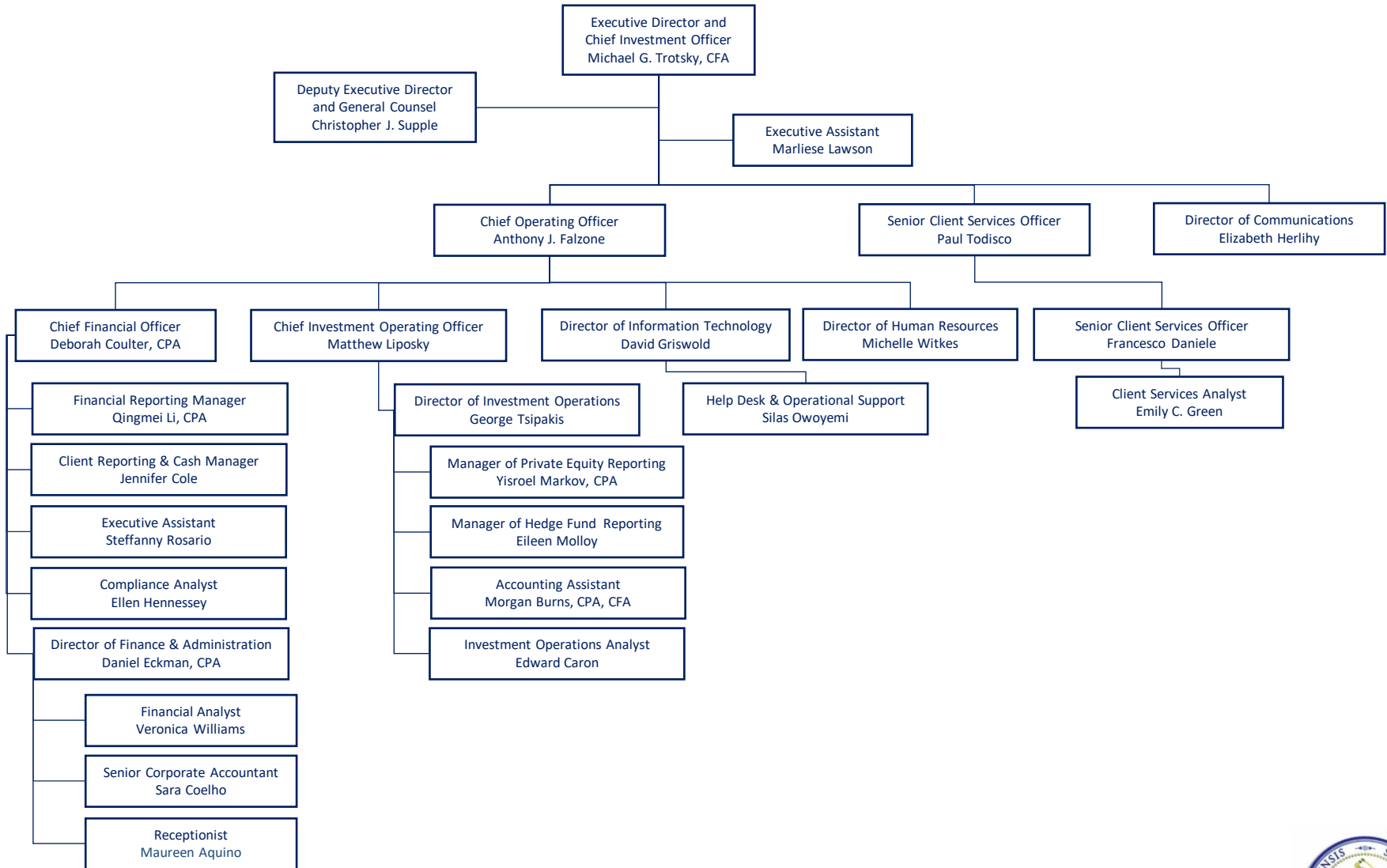
1. Deborah B. Goldberg, Ex Officio Board Member
2. Robert L. Brousseau, Board Member
3. Patrick E. Brock, Chairman, Hampshire County Retirement Board
4. Joseph A. Connolly, Senior Managing Director, Strategic Development, TerraCap
5. Michele A. Whitham, Esq., Founder & Principal, Whitham Law LLC



# PRIM Investment Team Organizational Chart



# PRIM Finance and Operations Team Organizational Chart



# ***External Advisors***

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## **Fund Advisors:**

- **NEPC** - Asset Allocation
- **Callan Associates** - Public Markets
- **Aberdeen Asset Management** - Hedge Fund Investments
- **Hamilton Lane** - Private Equity
- **The Townsend Group**- Real Estate & Timber

## **Independent Auditors:**

- **KPMG, LLP** - PRIM Board and PRIT Fund, Real Estate, Timber, and SASE 16 Reviews
- **Deloitte & Touche, LLP** – PRIM Board tax Consultant

## **Custodian:**

- **BNY Mellon Corporation**



# Summary of Recent National Recognition

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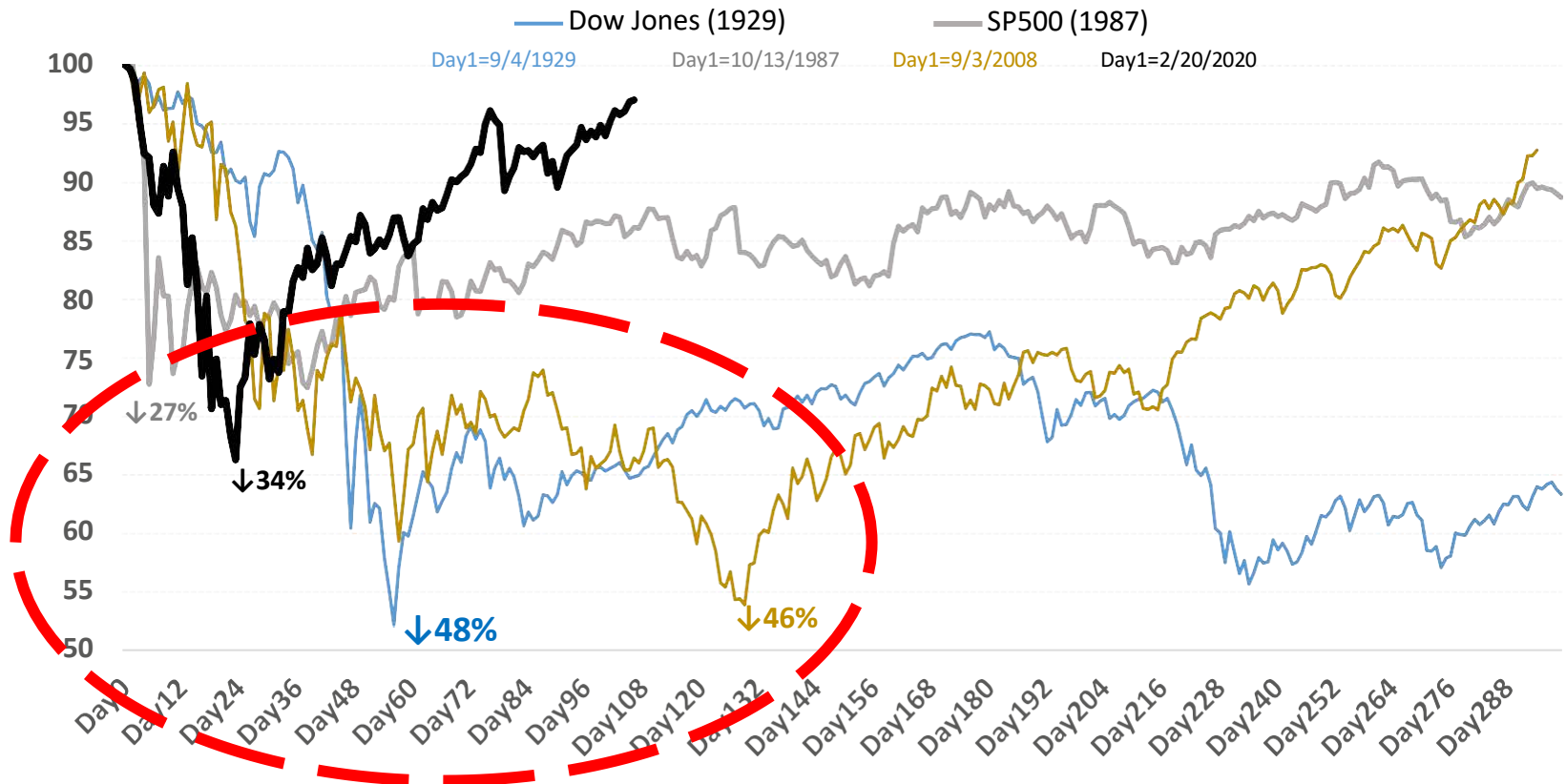
- ❑ PRIM's Private Equity ranked #2 in Private Equity returns among 176 U.S. public pension funds based on 10 year performance by the American Investment Council's Public Pension Study. PRIM is the only fund that has been in the Top 5 of all private equity portfolios in every year the study has been conducted – including #1 rankings in 2019, 2018, 2015, and 2013. (July 2020)
- ❑ Michael Trotsky, CFA, the Executive Director and Chief Investment Officer of the Massachusetts Pension Reserves Investment Management Board, was honored with Institutional Investor's Lifetime Achievement Award at the third annual Allocators' Choice Awards on December 3 in New York. (December 2019)
- ❑ Michael M. McGirr, CFA, was selected to be a member of the ILPA's content committee. The content committee is charged with creating and curating content that will be beneficial for the ILPA's membership. (October 2019)
- ❑ Qingmei Li, CPA, received the *Commonwealth's Citation for Outstanding Performance* at a State House ceremony with Treasurer Deborah Goldberg, Chair of the PRIM Board. (October 2019)
- ❑ PRIM has adopted the CFA Institute's Global Investment Performance Standards of integrity and transparency, effective January 1<sup>st</sup> 2019. The GIPS standards are an important part of our commitment to maintain the highest level of integrity and transparency possible. (August 2019)
- ❑ CFA Society Boston has elected Michael Trotsky, CFA, Executive Director and Chief Investment Officer to serve as Chair of the Board of Directors. The CFA Society Boston serves 6,000 professionals representing 650 companies and is part of the CFA Institute with nearly 200,000 members. (June 2019)
- ❑ For the second year in a row, Eric Nierenberg has been listed on Institutional Investor's "Most Wanted Allocators" list. For the past two years, Institutional Investor has published a global "Top 50" list of allocators they deem as most coveted for potential future chief investment officer roles. (June 2019)
- ❑ PRIM was awarded the Government Finance Officer Association's Certificate of Achievement for Excellence in Financial Reporting for the 14<sup>th</sup> consecutive year. (May 2019)
- ❑ For an unprecedented fourth year in a row, PRIM has been nominated for "Public Plan of the Year" at the Institutional Investor Hedge Fund Industry Awards, to be held in New York on June 27, 2019. PRIM won this award in 2016. The other nominees this year are Ontario Municipal, New Mexico, Wisconsin, Texas Teachers and Illinois Teachers. (May 2019)
- ❑ Portfolio Completion Strategies (PCS) Director Bill Li, CFA, CAIA was inducted into the EQDerivatives Investing Hall of Fame's 2019 Class, which "recognizes those individuals that have led the line in volatility and alternative risk premia thought leadership. (May 2019)



# Unprecedented Sharp Decline – as of 7/21/20

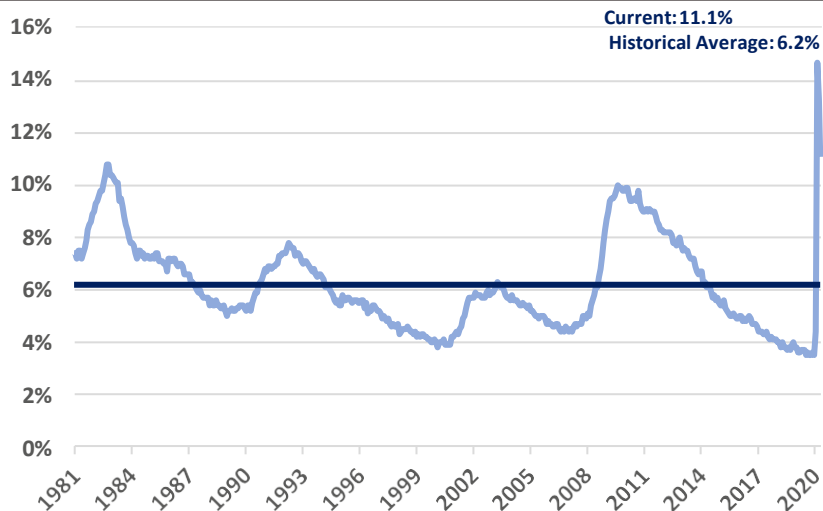
- Velocity of COVID-19 sell-off surpassed that of GFC.
- Rebound velocity also surpassed that post previous sell-offs.

Chart - Cumulative Performance since Onset of Decline

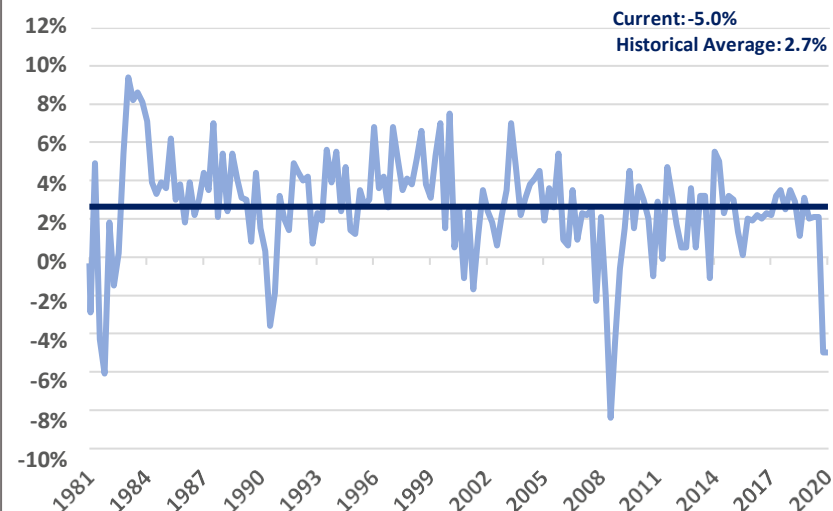


# U.S. Economic Data

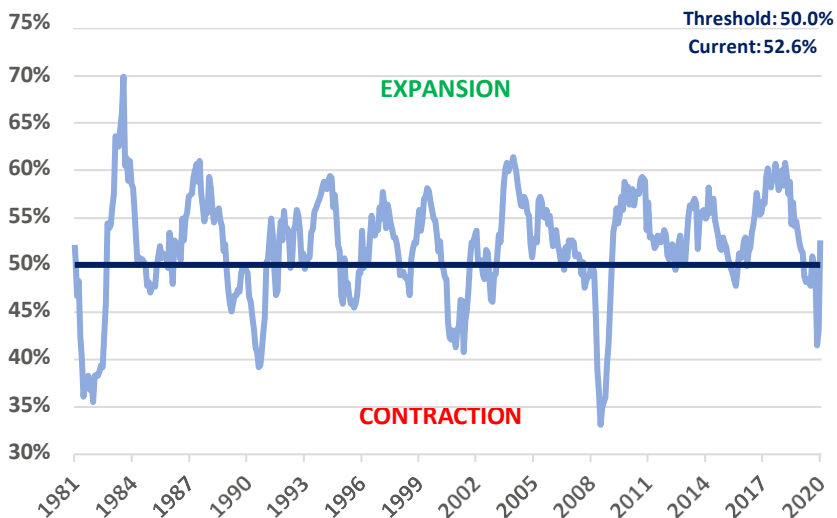
## Unemployment Rate



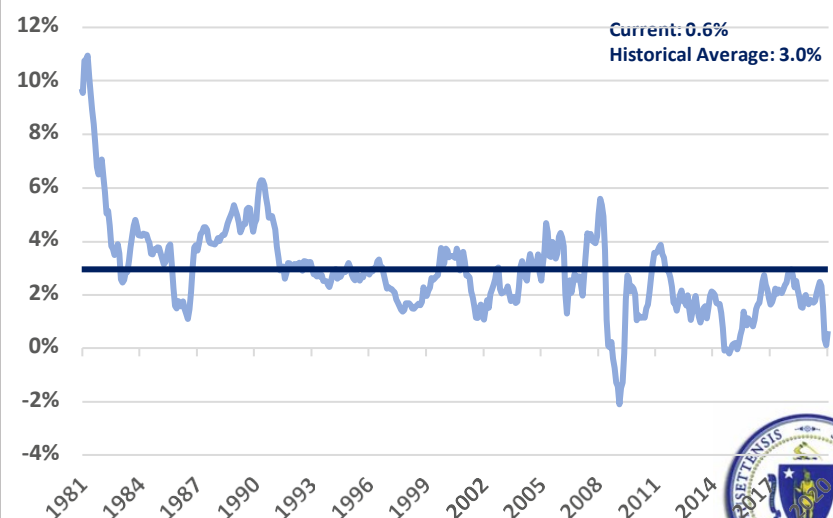
## GDP Growth Rate



## Manufacturing PMI

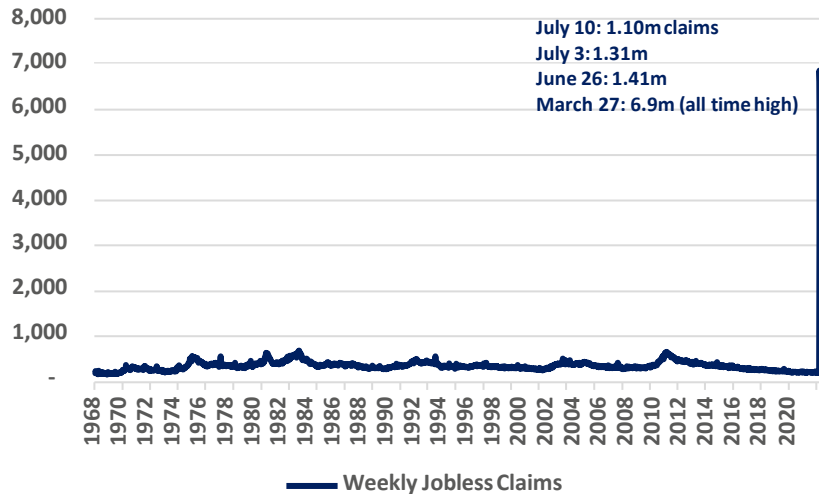


## Consumer Price Index

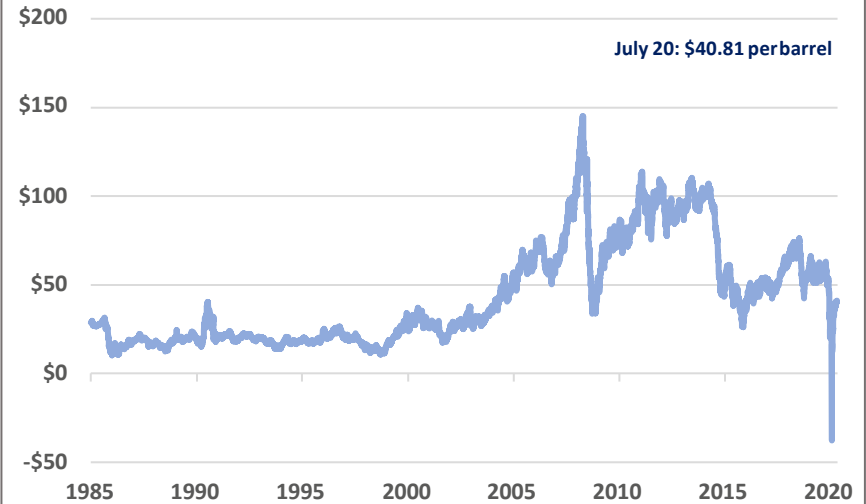


# U.S. Economic Data

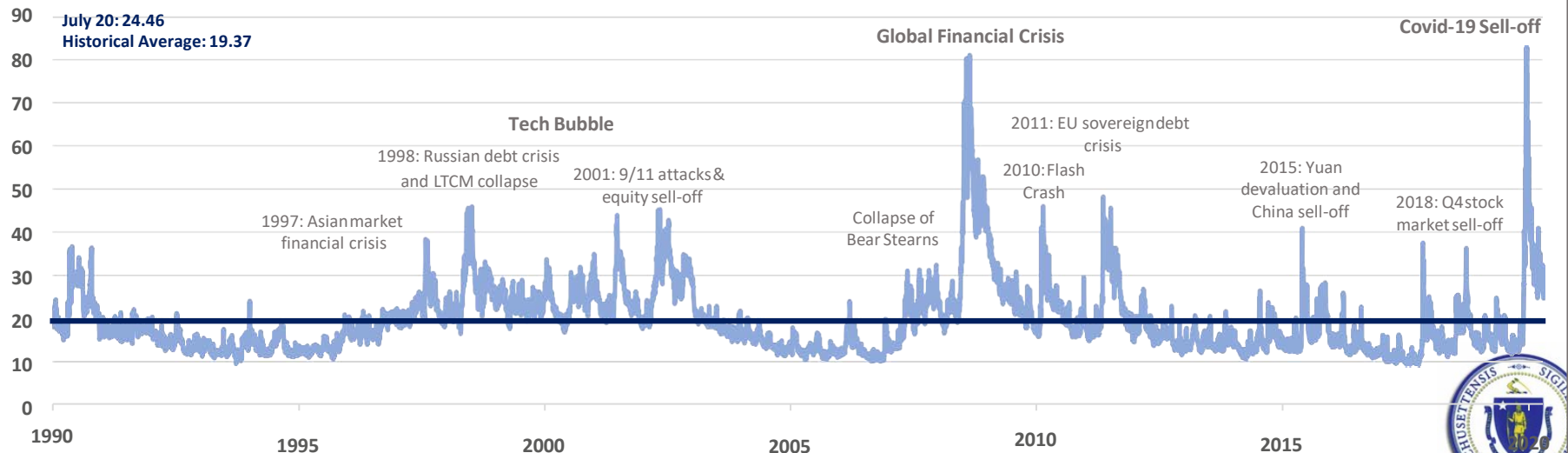
## Weekly Initial Jobless Claims (in millions)



## WTI Crude Oil (\$/bbl)

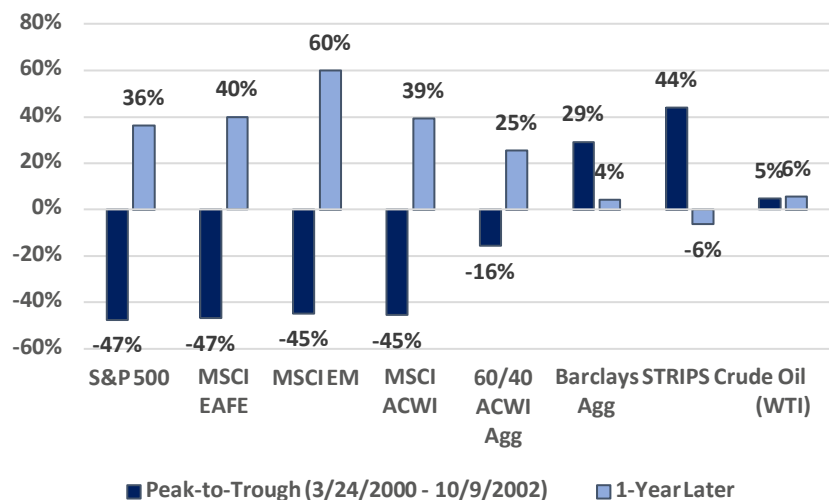


## CBOE Market Volatility Index (VIX)

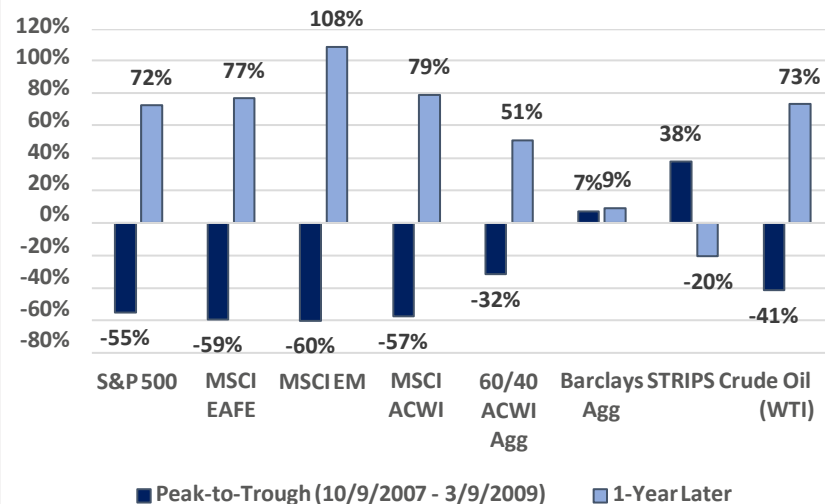


# Historical Market Sell-Off Performance

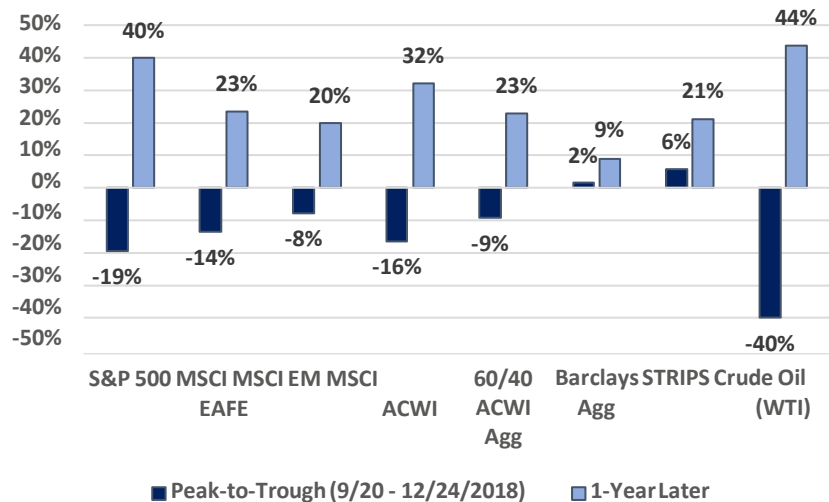
## Dot-Com Bubble



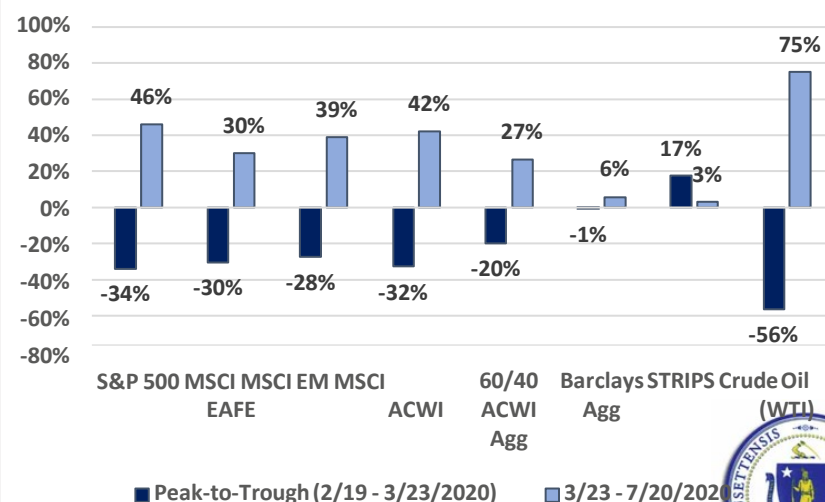
## Global Financial Crisis



## 2018 Global Stock Market Downturn



## Covid-19 Pandemic



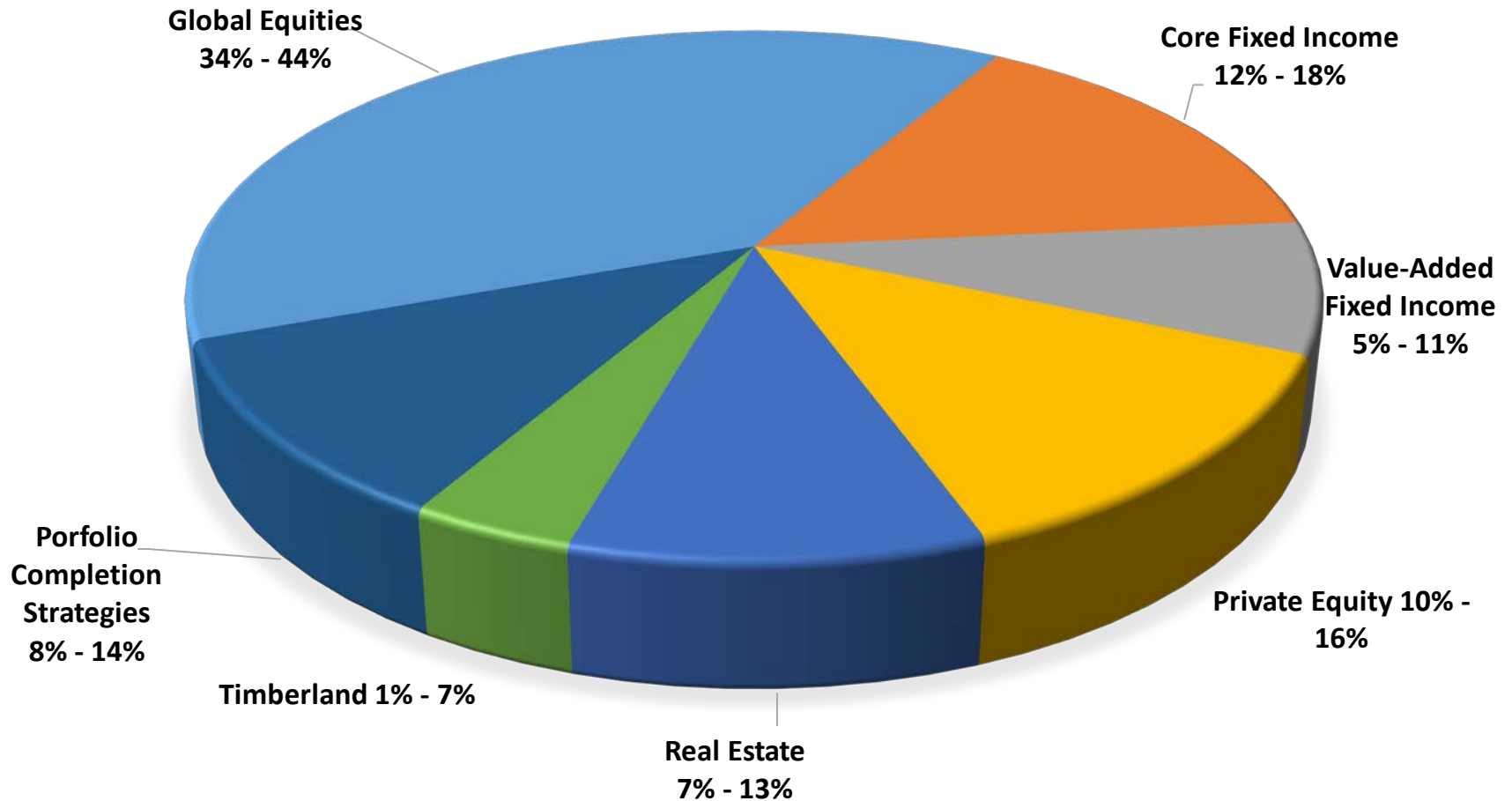


# ***Asset Allocation Review***



# ***PRIT Asset Allocation Approved February 26, 2020***

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# Asset Allocation 2020: Approved February 26, 2020

	<i>AA 2019 Approved Range</i>	<i>AA 2020 Recommended Range</i>	<i>Within Range</i>
<b>Global Equity</b> (including Hedged US Equity)	34% -- 44%	No Change	Yes
<b>Core Fixed Income</b>	12% -- 18%	No Change	Yes
<b>Value-Added Fixed Income</b>	5% -- 11%	No Change	Yes
<b>Private Equity</b>	10% -- 16%	No Change	Yes
<b>Real Estate</b>	7% -- 13%	No Change	Yes
<b>Timberland</b>	1% -- 7%	No Change	Yes
<b>Portfolio Completion Strategies</b>	8% -- 14%	No Change	Yes

The ranges in the PRIM asset allocation reflect the long-standing use of bands around a midpoint. The bands have not changed and any actual weighting within the range is considered acceptable and within the asset allocation policy. Managing the asset allocation to a particular midpoint in the range is not always possible, practical or advisable.

Date Range: Q1 2005 – Q3 2019



# PRIM 2020 ASSET ALLOCATION RECOMMENDATION

## NEPC Capital Market Assumptions

Asset Allocation Range		2020 Asset Class Assumptions		2019 Asset Class Assumptions	
		10 Yr. Expected Return	30 Yr. Expected Return	5-7 Yr. Expected Return	30 Yr. Expected Return
US Equity <sup>1</sup>		5.2%	6.9%	6.1%	7.6%
Int'l Equities <sup>2</sup>		6.1%	7.0%	6.8%	7.8%
Emerging Int'l Equities <sup>2</sup>		9.0%	9.2%	9.3%	9.3%
Hedged Equity <sup>3</sup>		4.7%	6.2%	5.6%	6.9%
<b>Global Equity</b>	<b>34% - 44%</b>				
Core Bonds		2.5%	3.4%	3.0%	4.4%
Short-Term Fixed Income <sup>4</sup>		2.5%	3.1%	3.0%	4.0%
20+ Yr. Treasury STRIPS		1.4%	2.5%	1.5%	3.5%
TIPS		2.2%	2.7%	3.0%	4.0%
<b>Core Fixed Income</b>	<b>12% - 18%</b>				
<b>Value-Added Fixed Income<sup>5</sup></b>	<b>5% - 11%</b>	5.6%	6.8%	6.7%	7.6%
<b>Private Equity</b>	<b>10% - 16%</b>	9.6%	10.9%	10.0%	11.2%
<b>Real Estate<sup>6</sup></b>	<b>7% - 13%</b>	5.3%	6.1%	6.2%	6.4%
<b>Timberland<sup>7</sup></b>	<b>1% - 7%</b>	5.9%	6.7%	6.3%	7.0%
<b>Portfolio Completion (PCS)<sup>8</sup></b>	<b>8% - 14%</b>	5.1%	5.8%	5.8%	6.8%
<b>Total Fund Expected Return<sup>9</sup></b>		<b>6.2%</b>	<b>7.3%</b>	<b>6.8%</b>	<b>7.9%</b>

1: Assumes a 80% allocation to broad market equities and 20% allocation to small cap equities

2: Assumes a 90% allocation to broad market equities and 10% allocation to small cap equities

3: Modeled as 20% US LIBOR, 70% US broad market equities and 10% allocation to small cap equities

4: Modeled as 50% Short-Term Treasury and 50% Short-Term Credit

5: Modeled as 50% High Yield and 50% Private Debt

6: Real Estate is modeled as 90% Private Real Estate and 10% REITs

7: Timberland is modeled as Private Real Assets Infrastructure/Land

8: Modeled as equal weighted blend of Hedge Fund Equity, Credit, and Macro

9: Asset classes modeled at the midpoint of the asset allocation range



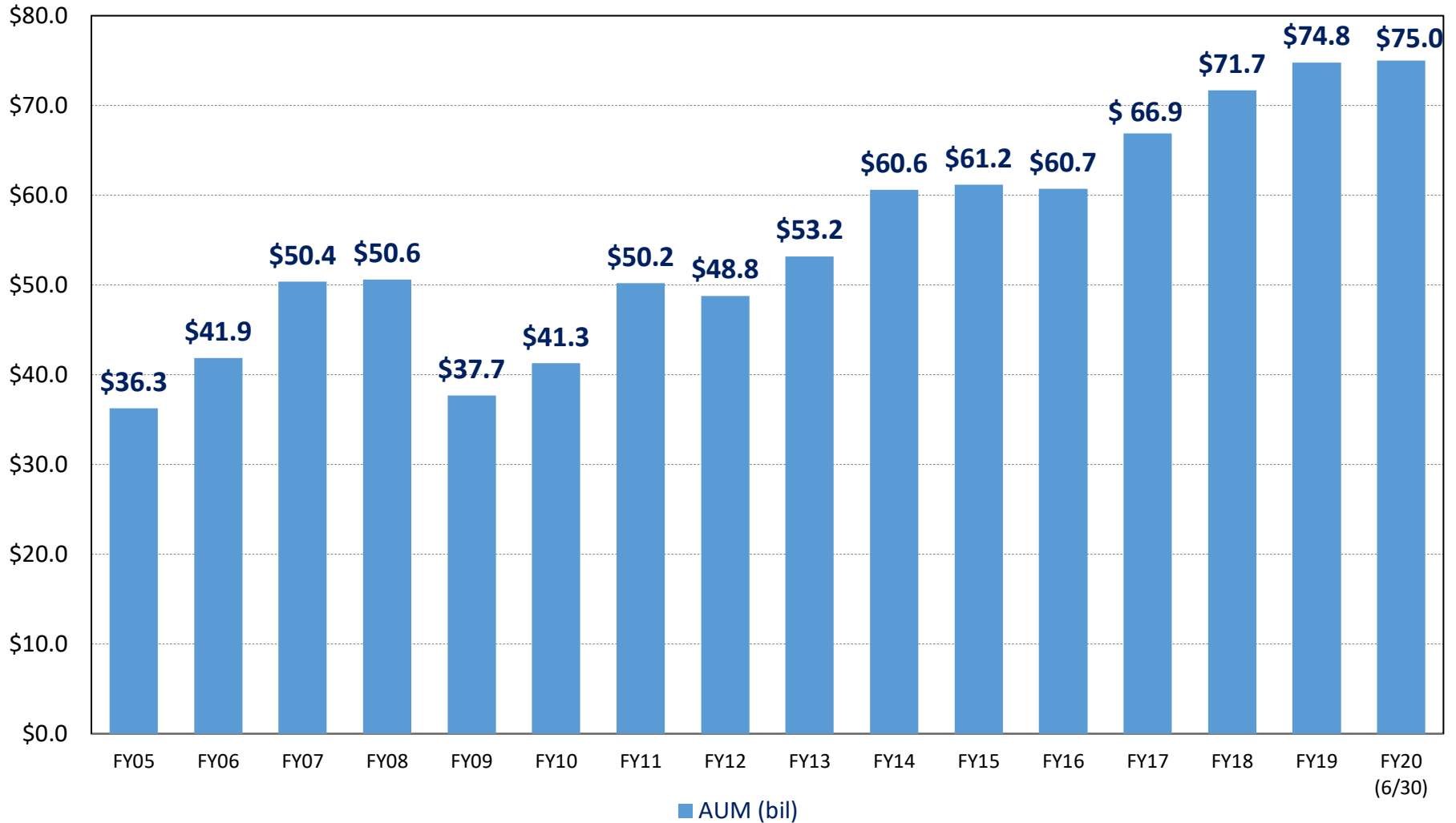


# ***PRIT Fund Performance***

## ***As of June 30, 2020***

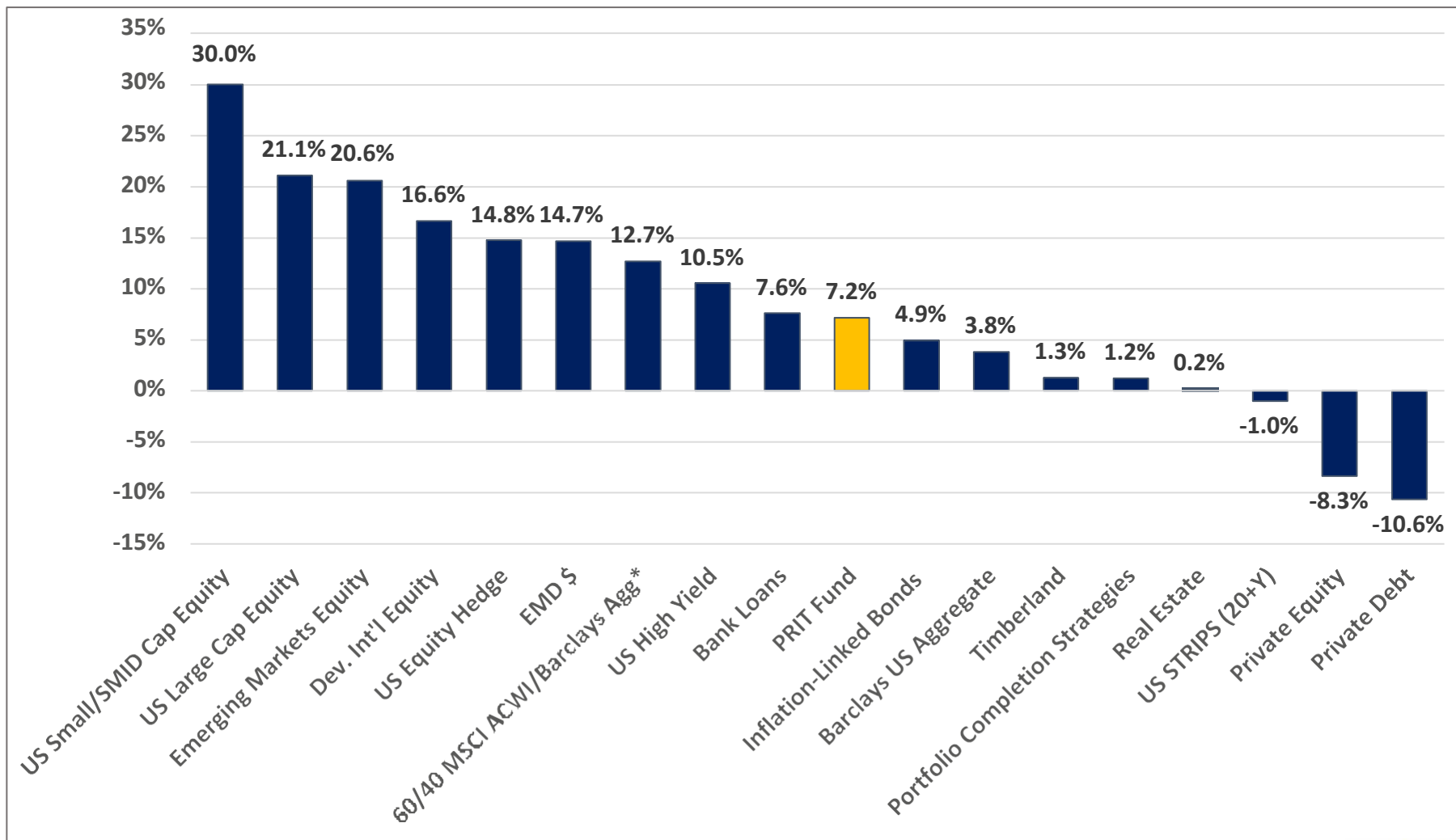


# ***Total PRIT Fund Fiscal Year Market Value (\$Billions)***



# PRIT Asset Class Performance Summary

One Quarter Ended June 30, 2020 (Gross of Fees)



Source: BNY Mellon, FactSet.

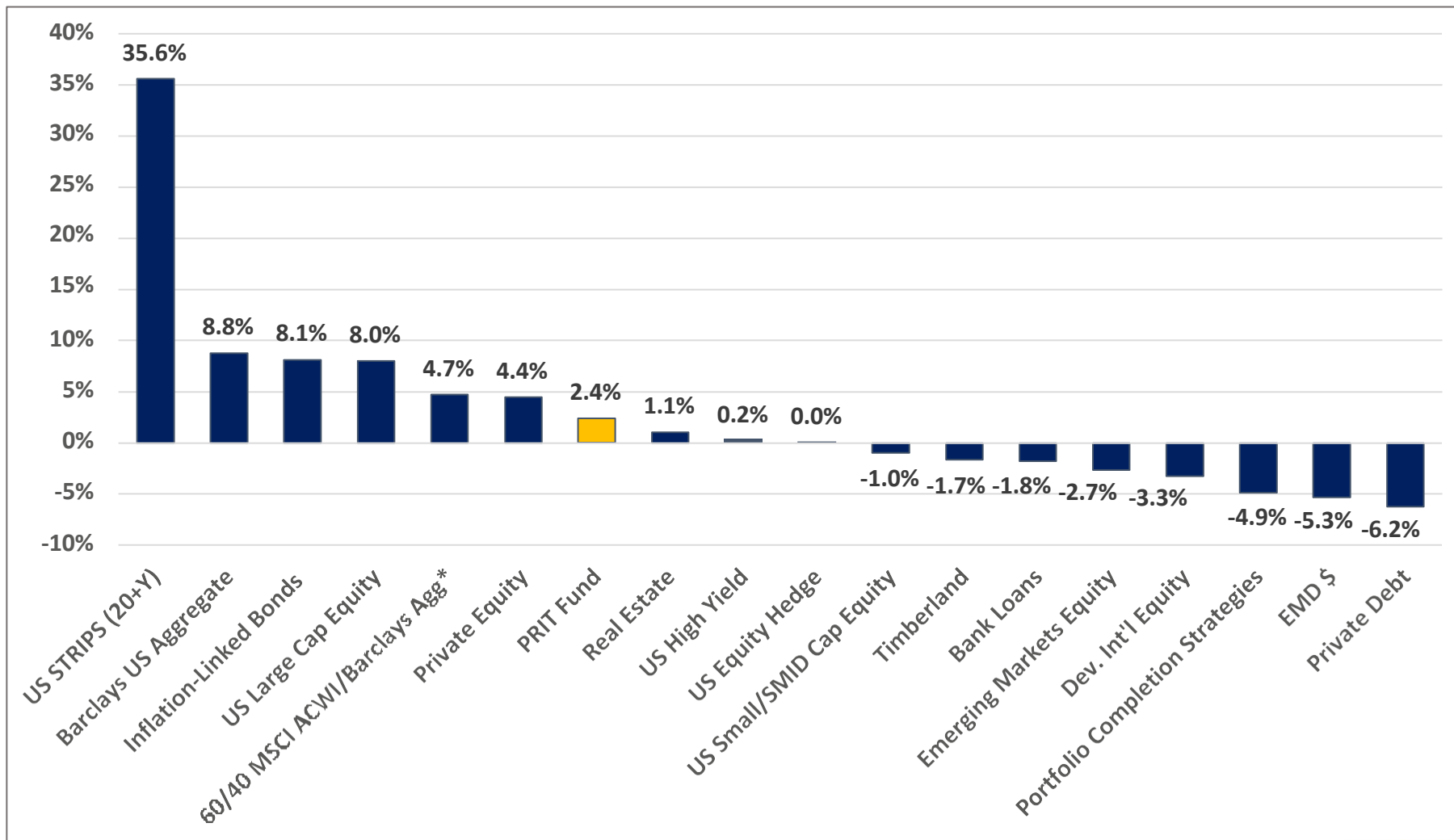
All performance figures reflected are PRIT Fund Asset Class returns.

\*MSCI ACWI/Barclays Aggregate is derived from a 60/40 combination of index returns.



# PRIT Asset Class Performance Summary

One Year Ended June 30, 2020 (Gross of Fees)



Source: BNY Mellon, FactSet.

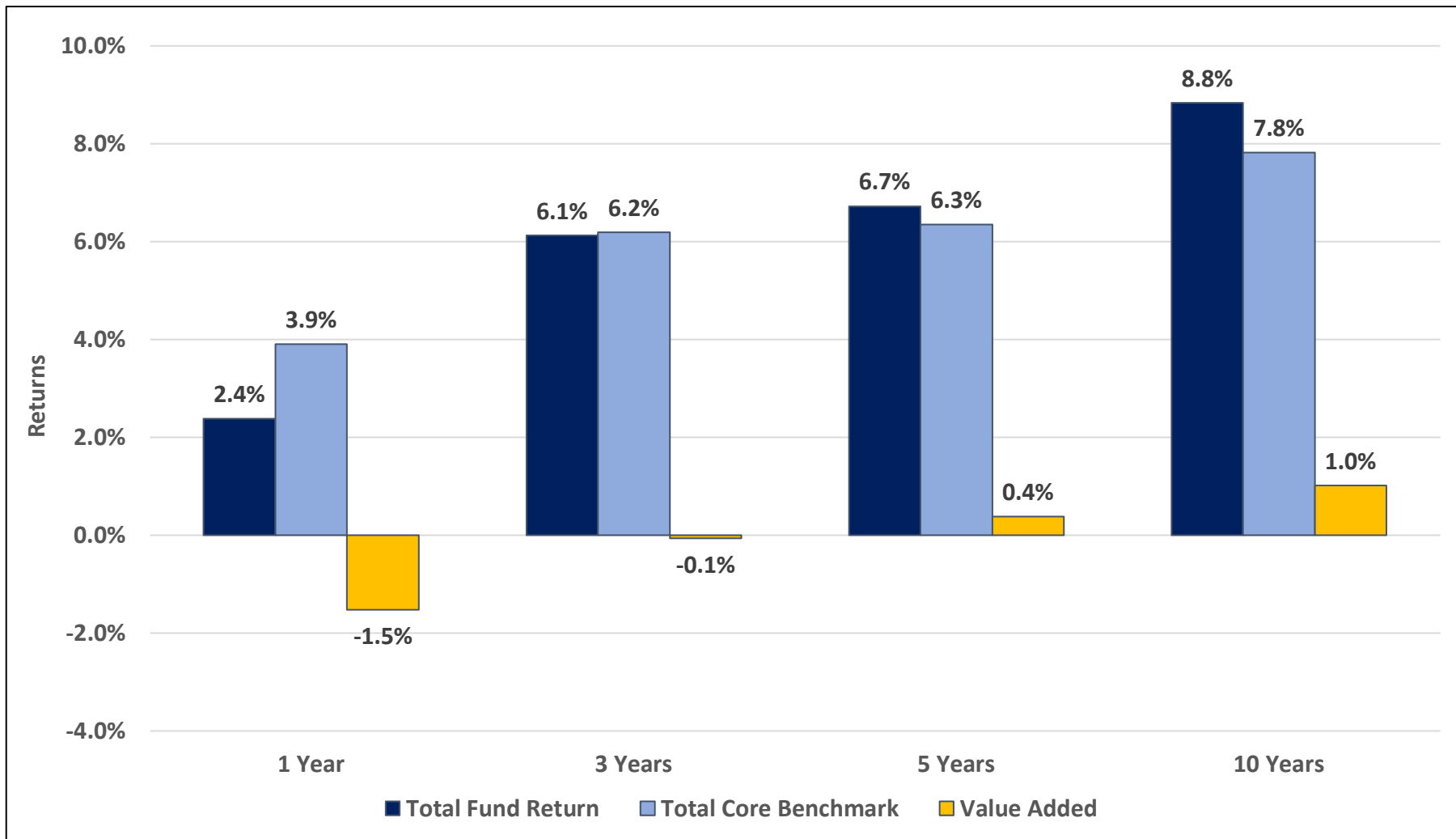
All performance figures reflected are PRIT Fund Asset Class returns.

\*MSCI ACWI/Barclays Aggregate is derived from a 60/40 combination of index returns.



# Total PRIT Fund Returns

Annualized Returns as of June 30, 2020 (Gross of Fees)



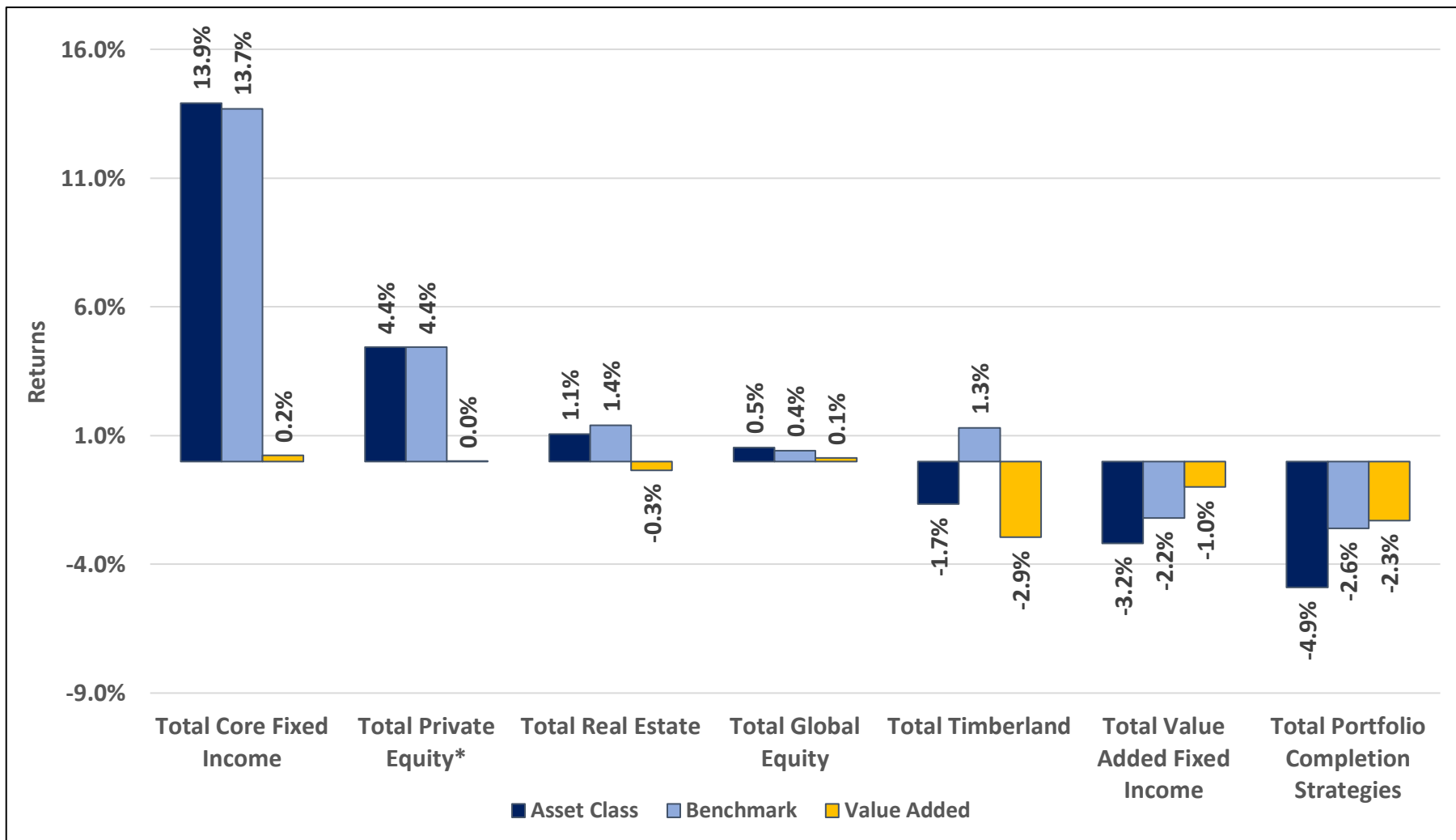
Source: BNY Mellon.

Total Core Benchmark includes private equity benchmark.



# PRIT Asset Class Performance

One Year Ended June 30, 2020 (Gross of Fees)



Source: BNY Mellon.

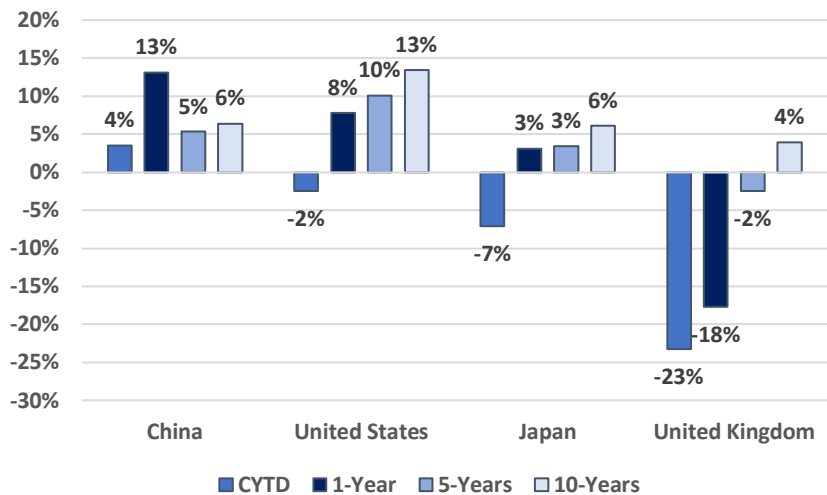
Totals may not add due to rounding.

\*Benchmark is actual performance.

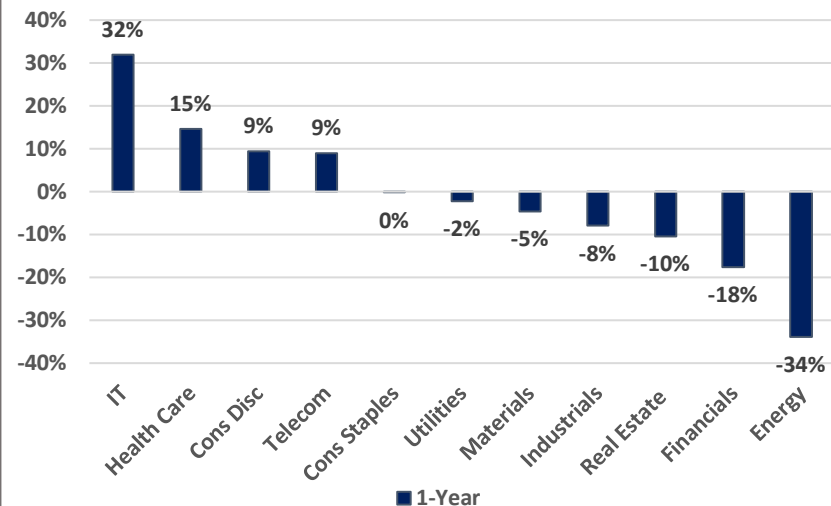


# Equity Review

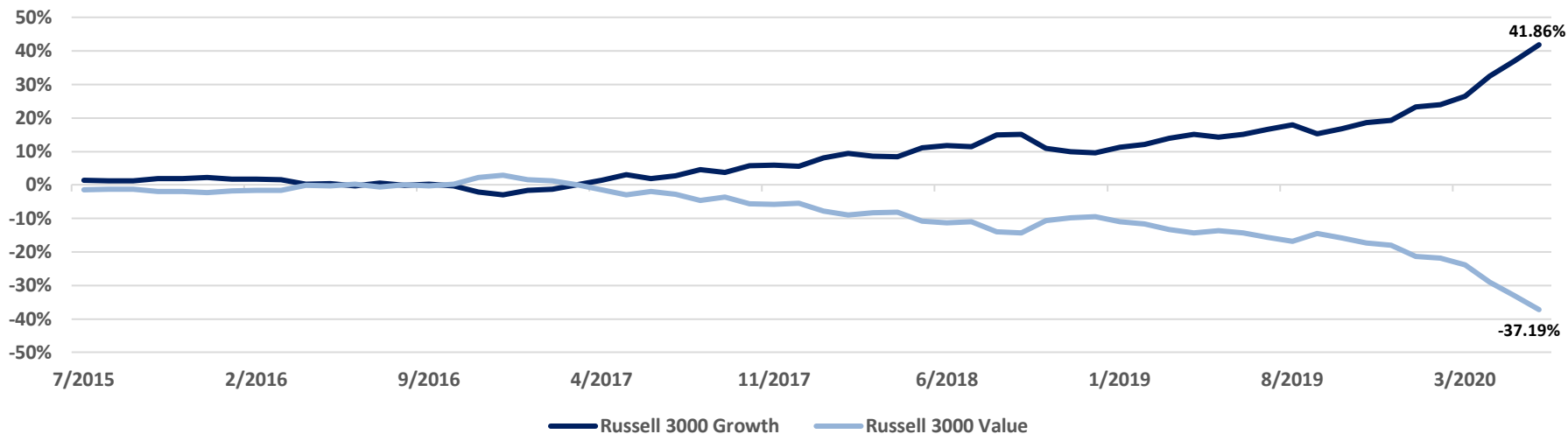
## Major Country Returns (MSCI ACWI)



## Global Sector Quarter Returns (MSCI ACWI)



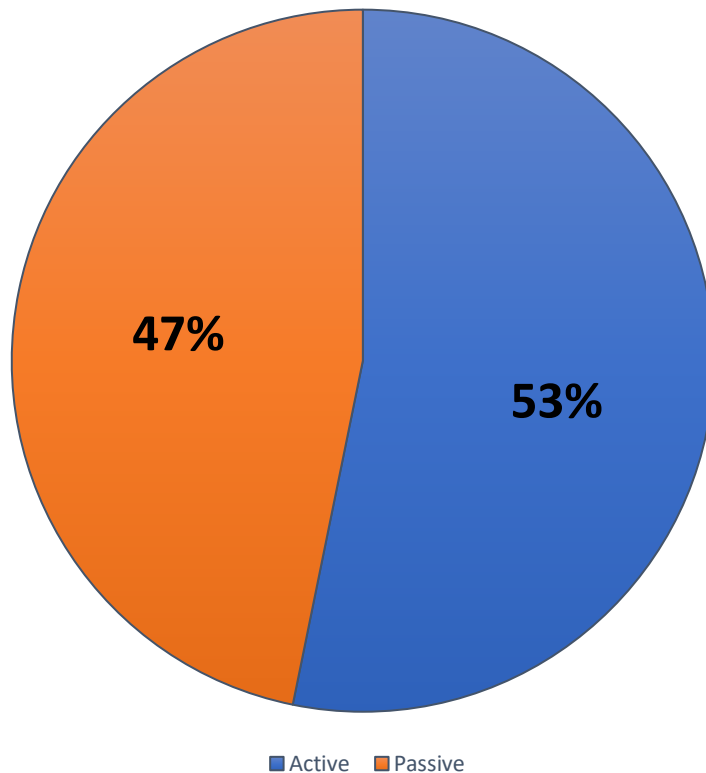
## Value vs. Growth Equity (Russell 3000 Cumulative Returns)



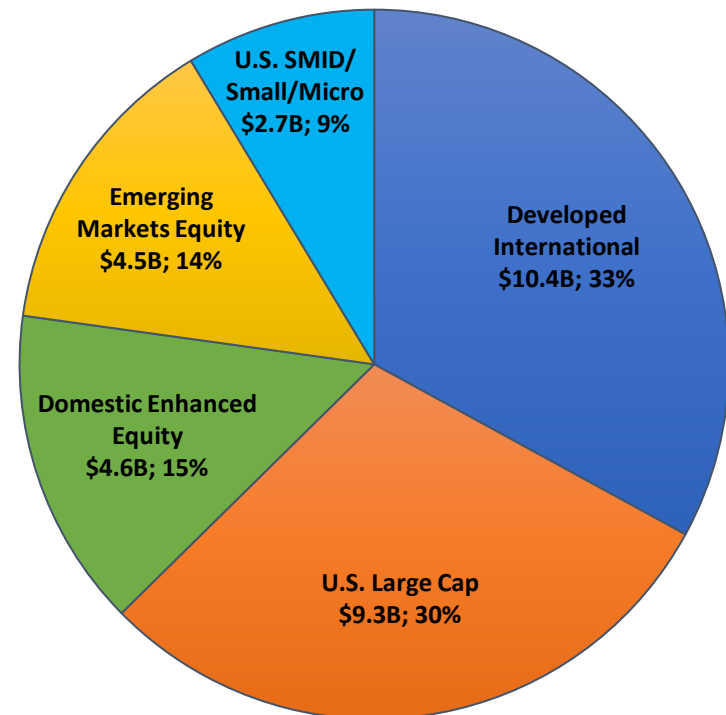
# Global Equity Asset Allocation - \$31.5 Billion

42.0% of total PRIT Fund as of June 30, 2020; Target Allocation 34%-44%

Active/Passive Portfolio



Asset Allocation (Actual)



# Global Equity Performance

One Year Ended June 30, 2020 (Gross of Fees)

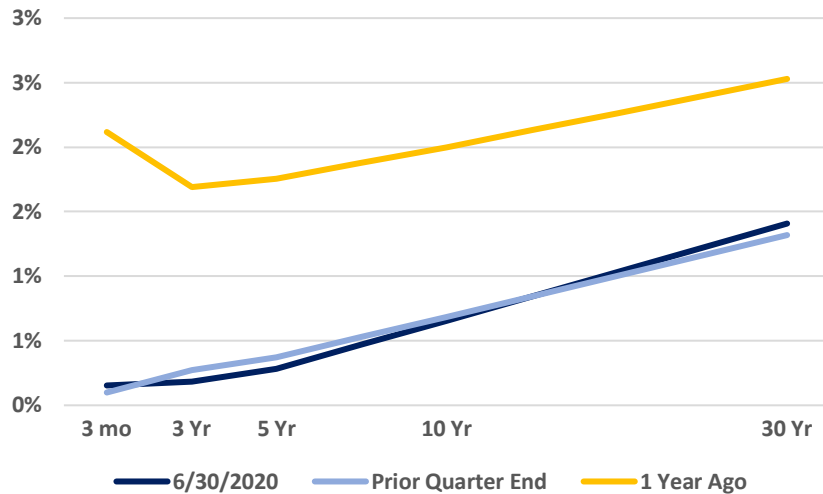


Source: BNY Mellon.  
Totals may not add due to rounding.

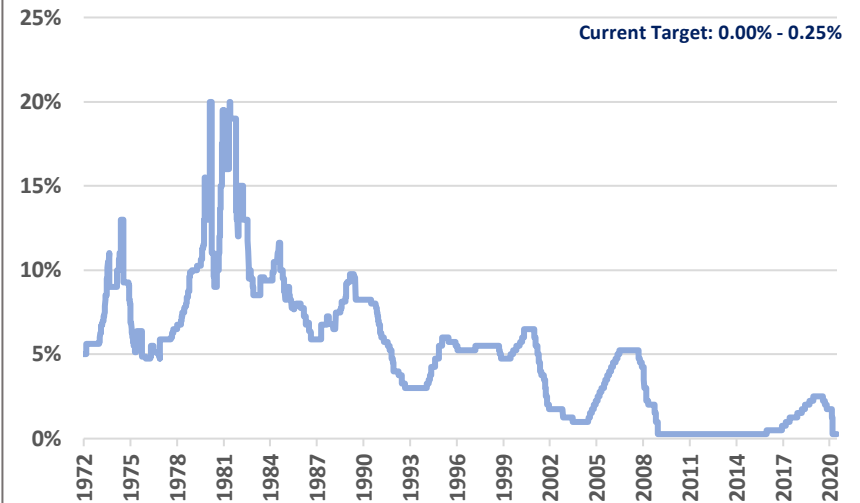


# Fixed Income Review

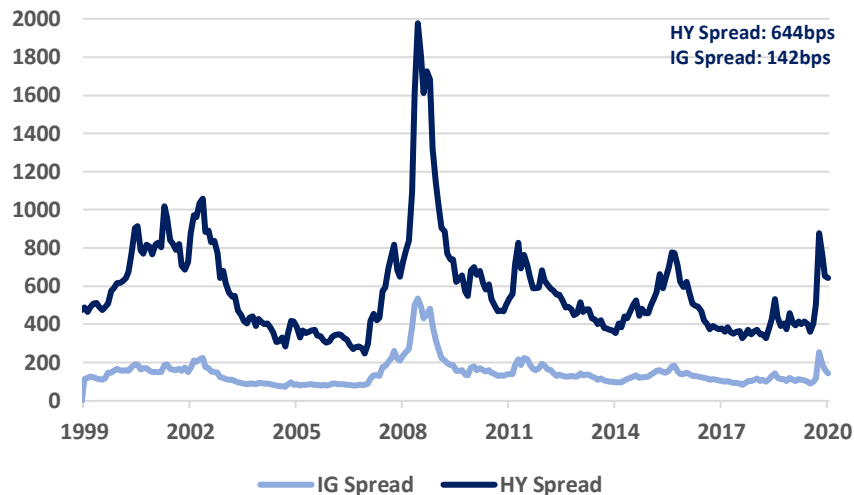
## U.S. Treasury Yield Curve



## Target Fed Funds Rate



## U.S. Credit Spreads

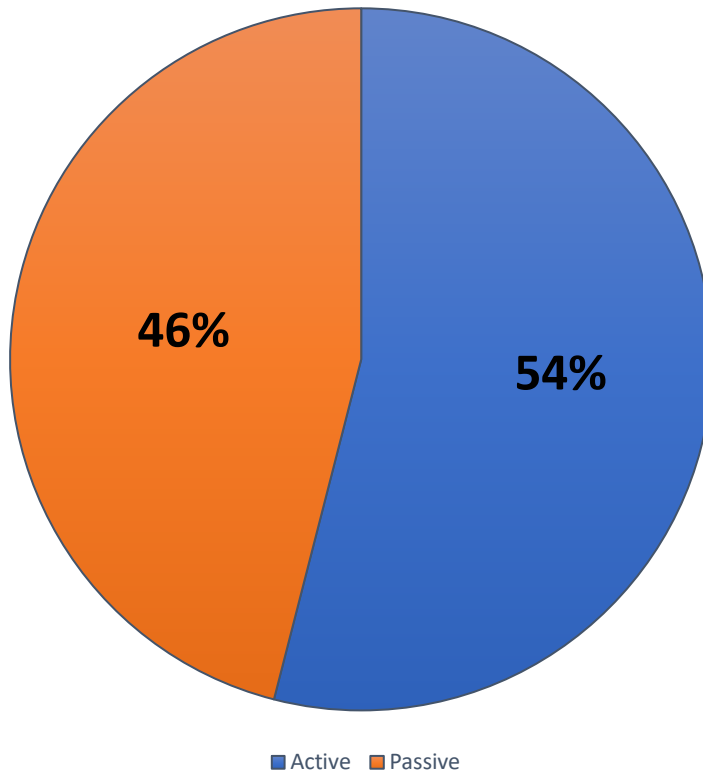


## Current Credit Spread Moves vs. GFC

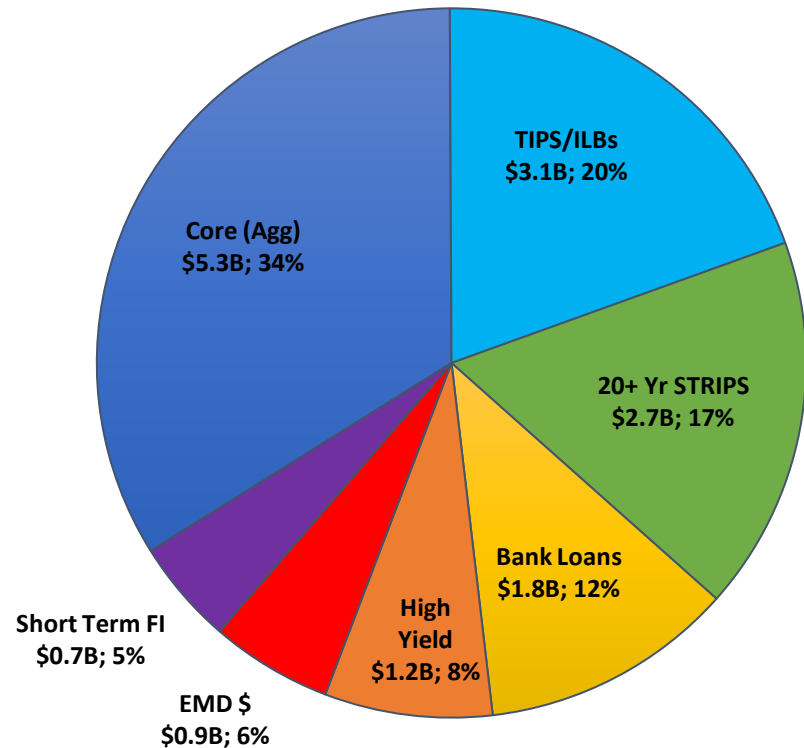


# Public Fixed Income Asset Allocation - \$15.6 Billion

## Active/Passive Portfolio

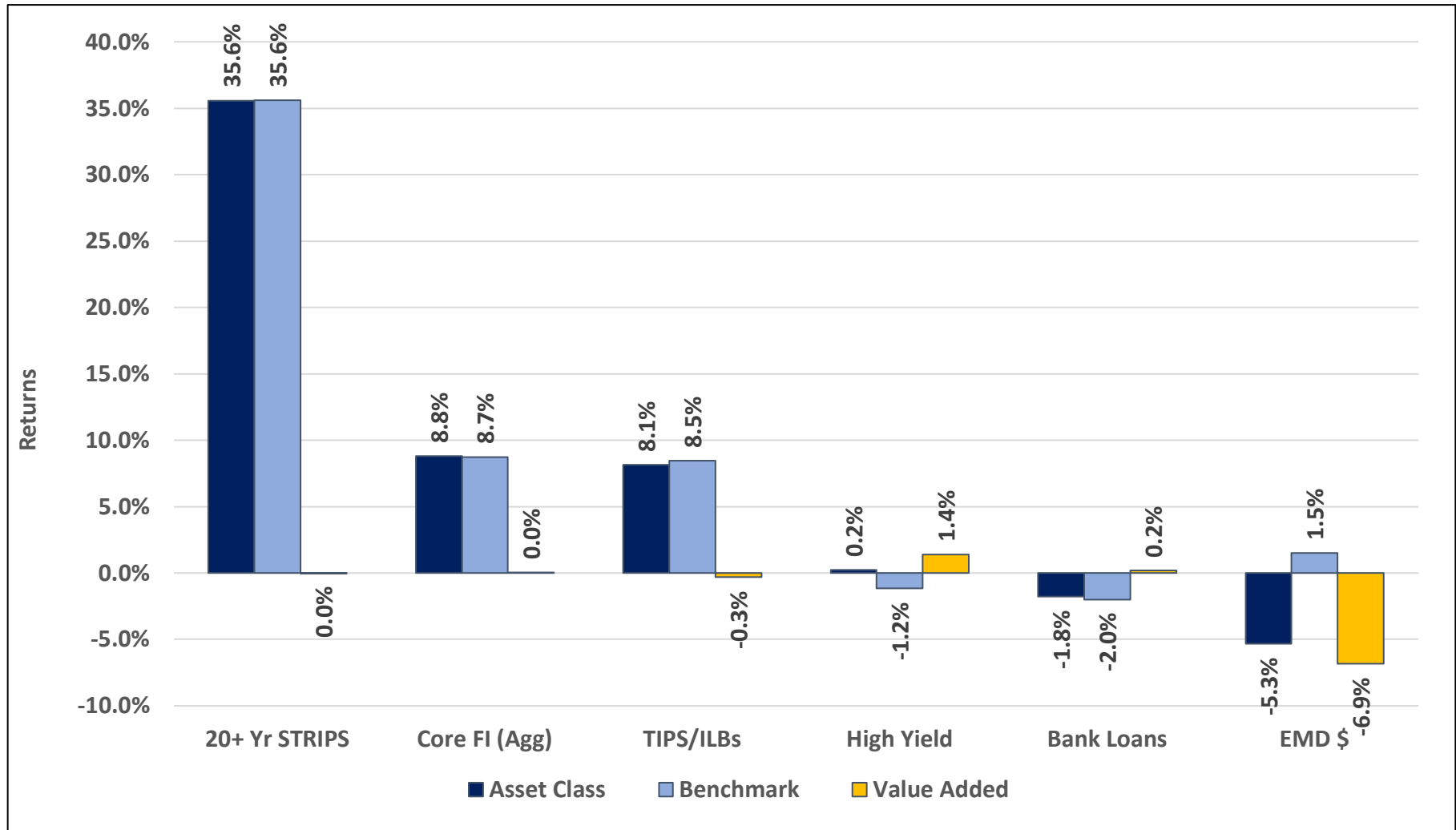


## Asset Allocation (Actual)



# Public Fixed Income Performance

One Year Ended June 30, 2020 (Gross of Fees)



Source: BNY Mellon.  
Totals may not add due to rounding.



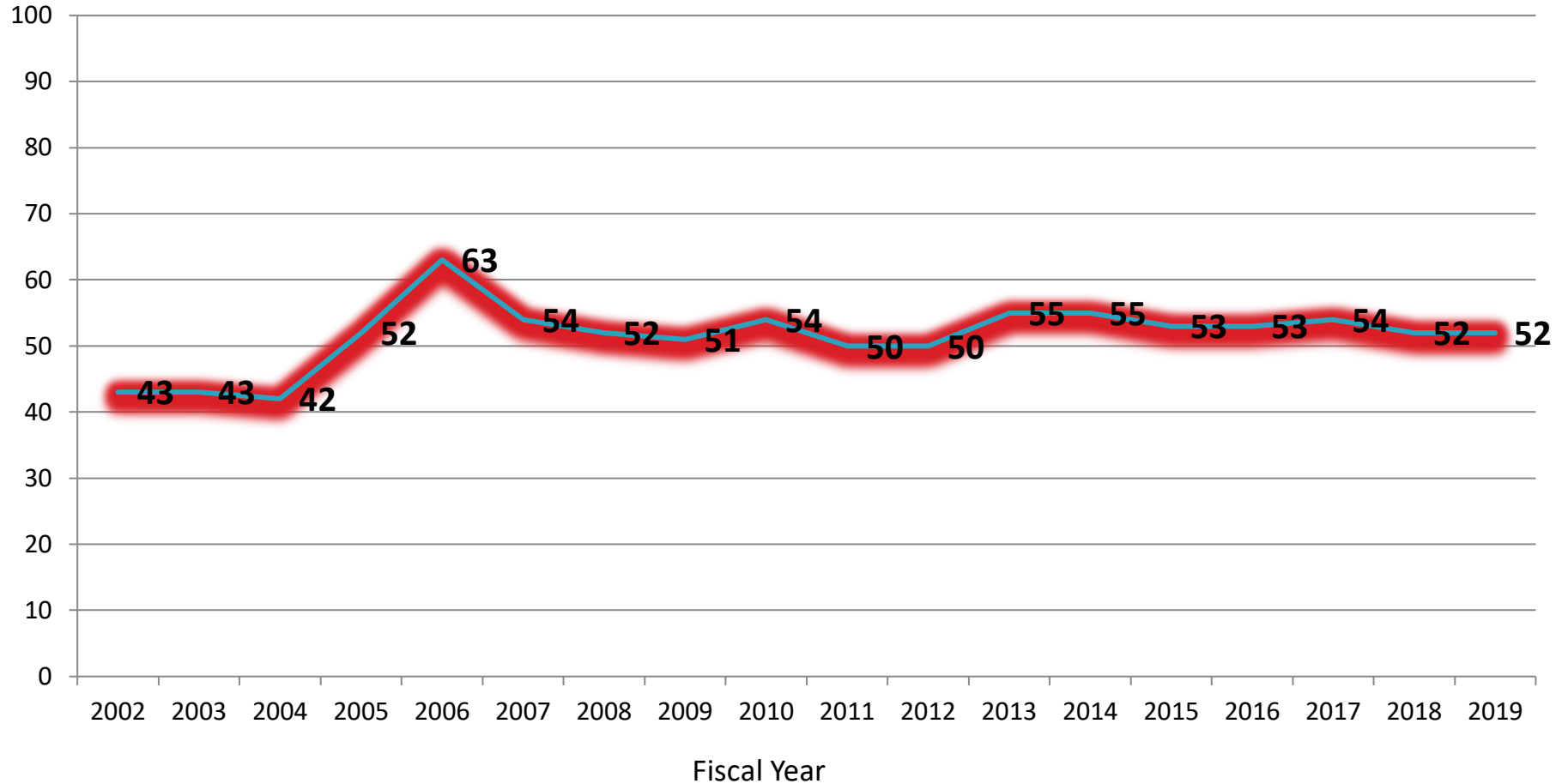
# PRIT Asset Class Performance

Annualized Returns as of June 30, 2020 (Gross of Fees)

1 Year	3 Year	5 Year	10 Year
CORE FIXED INCOME 13.9%	PRIVATE EQUITY 14.7%	PRIVATE EQUITY 15.4%	PRIVATE EQUITY 16.9%
PRIVATE EQUITY 4.4%	CORE FIXED INCOME 7.8%	REAL ESTATE 7.0%	REAL ESTATE 10.3%
REAL ESTATE 1.1%	GLOBAL EQUITY 5.5%	CORE FIXED INCOME 6.5%	GLOBAL EQUITY 9.5%
GLOBAL EQUITY 0.5%	REAL ESTATE 5.5%	GLOBAL EQUITY 6.4%	CORE FIXED INCOME 5.6%
TIMBER (1.7%)	TIMBER 2.6%	VALUE-ADDED FIXED INCOME 3.6%	VALUE-ADDED FIXED INCOME 5.3%
VALUE-ADDED FIXED INCOME (3.2%)	VALUE-ADDED FIXED INCOME 2.3%	TIMBER 3.3%	TIMBER 4.9%
PORTFOLIO COMPLETION STRATEGIES (4.9%)	PORTFOLIO COMPLETION STRATEGIES 1.1%	PORTFOLIO COMPLETION STRATEGIES 1.3%	PORTFOLIO COMPLETION STRATEGIES 3.8%



# ***PRIT Fund Ratio of Expenses in Basis Points***





# ***SRBT Fund Performance***

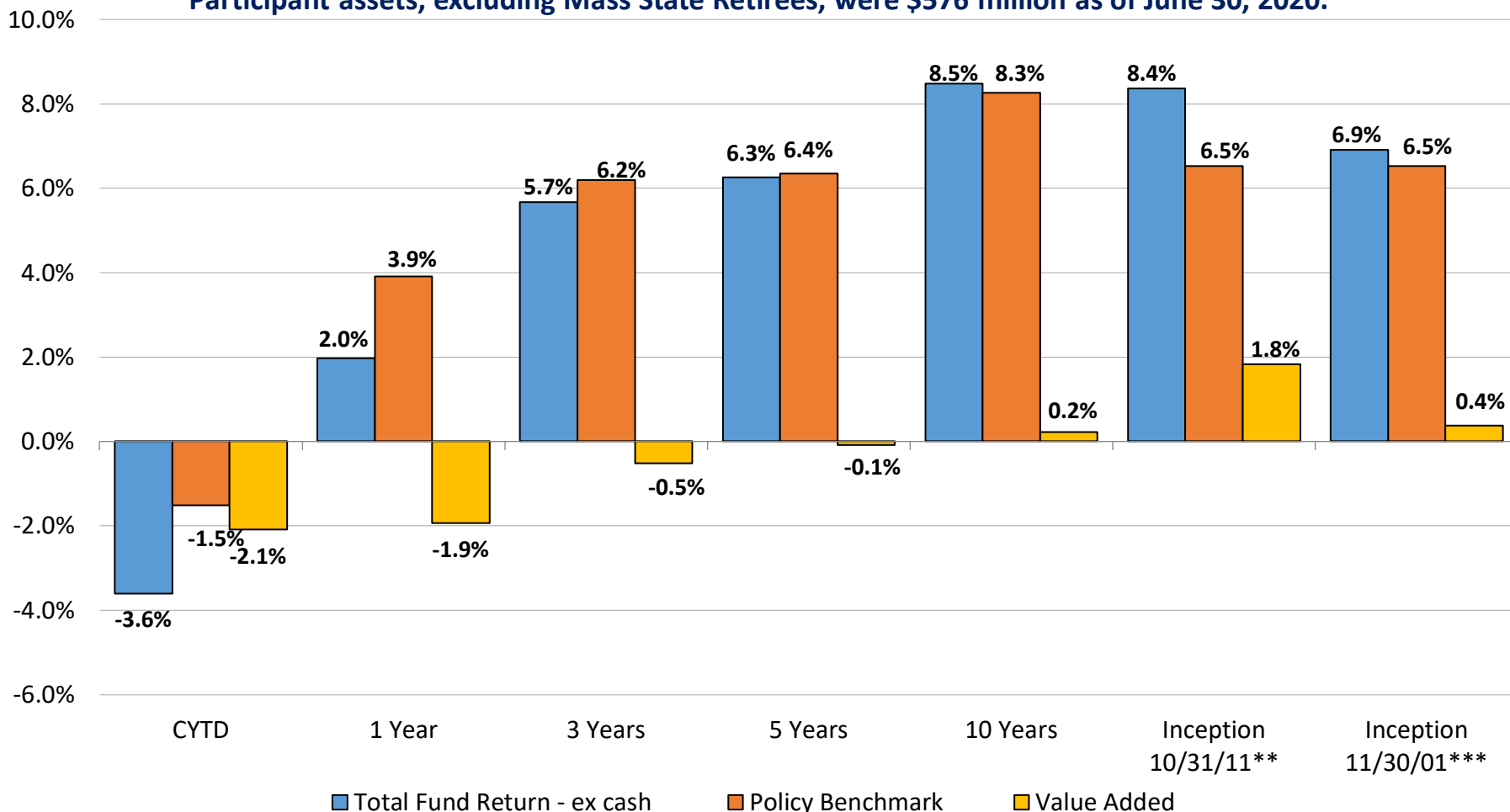
## ***As of June 30, 2020***



# Total SRBT Fund Returns (Net of Fees) - \$1.97 Billion\*

Annualized Returns as of June 30, 2020

\*Participant assets, excluding Mass State Retirees, were \$576 million as of June 30, 2020.



\*\*The inception date for the SRBTF's investment in the PRIT Fund General Allocation Account (PRIT GA) was 10/31/2011, when 82% of the fund was transitioned from separate accounts to PRIT GA. The remaining 18% of separate account assets were transitioned over the following 14 months with 100% of assets invested in PRIT GA by 12/31/2012. **The ITD return of 10.1% reflects the inception-to-date return for PRIT GA assets only.**

\*\*\* The inception date for the TOTAL FUND was 11/30/2001. This ITD value reflects the true inception-to-date return for all SRBTF assets including legacy separate account investments as well as the PRIT GA investments.





## ***Municipal Outreach***



# Municipal Outreach

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1. Acton-Boxborough Regional School District
2. Amherst-Pelham Regional School District
3. Andover
4. Ayer Shirley Regional School District
5. Bellingham\*
6. Belmont
7. Bernardston
8. Bridgewater
9. Byfield Water District
10. Cape Cod Regional Transit Authority
11. **Cape Cod Light Compact (JPE)**
12. Chelmsford Water District
13. Dartmouth
14. Dracut
15. Freetown
16. Foxboro
17. Greater Lawrence Sanitary District
18. Greenfield
19. Groton
20. Halifax
21. Haverhill
22. Hull
23. Lawrence
24. Longmeadow
25. Lynn
26. Massachusetts Association of Regional Planning Agencies (MARPA)
27. Massachusetts Housing Finance Authority
28. Medway
29. Melrose
30. Mohawk/Hawlemont Regional School District (Buckland)
31. Nauset Regional High School
32. Newbury
33. Pepperell
34. Prospect Hill Academy Charter School
35. Somerset
36. Springfield
37. Stoneham
38. Sudbury

39. **Taunton**
40. Tri-County Educational Collaborative (Franklin, MA)
41. Truro
42. Waltham
43. Watertown
44. West Boylston Municipal Light Department
45. Westford
46. West Newbury
47. Weston
48. Winthrop
49. Woburn

\*New Listing



# Governmental Entities Participating in the SRBTF

1. Town of Acton
2. Town of Amherst
3. Town of Ayer
4. Town of Bedford
5. City of Beverly
6. BiCounty Educational Collaborative, Franklin, MA
7. Town of Blackstone
8. Boston Redevelopment Authority
9. Town of Boxford
10. Town of Braintree
11. Town of Brewster
12. Town of Brookline
13. Town of Burlington
14. Byfield Water District
15. Town of Chelmsford
16. Concord Area Special Education (CASE) Collaborative
17. Town of Cohasset
18. Town of Dalton
19. Town of Dracut
20. Town of Dedham
21. Fall River Housing Authority
22. City of Fitchburg
23. Town of Franklin
24. Franklin Regional Council of Governments
25. Greater Lowell Regional Technical School
26. Town of Harvard
27. Town of Hingham
28. Town of Holliston
29. Town of Ipswich
30. Town of Lancaster
31. Lawrence Housing Authority
32. Town of Lenox
33. City of Leominster
34. Town of Lincoln
35. Lincoln-Sudbury Regional School District
36. Town of Longmeadow
37. Lowell Regional Transit Authority (LRTA)
38. Lower Pioneer Valley Educational Collaborative
39. Town of Manchester-By-The-Sea

40. Manchester Essex Regional School District
41. Town of Marblehead
42. Marblehead Municipal Light Department
43. Massachusetts School Building Authority
44. Mass State Retirees (SRBTF)
45. Mass Water Resources Authority
46. Town of Medfield
47. Town of Middleton
48. Town of Milton
49. Town of Montague
50. Nashoba Regional School District
51. Town of Needham
52. City of New Bedford
53. City of Newburyport
54. City of Newton
55. Town of North Andover
56. Town of Northborough
57. Town of Northfield
58. Old Rochester Regional School District
59. Town of Orleans
60. Pilgrim Area Collaborative (PAC), Pembroke, MA
61. Town of Provincetown
62. Quabbin Water District
63. Town of Reading
64. Shawsheen Valley Technical High School, Billerica, MA
65. Town of Sherborn
66. Town of Stockbridge
67. South Hadley Fire District
68. Town of Tewksbury
69. Town of Wakefield
70. Wakefield Municipal Gas & Light Department
71. Town of Wayland
72. Town of Wellesley
73. Town of Westwood
74. Town of Wilmington



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