



Commonwealth of Massachusetts State Retiree Benefits Trust Fund

Board of Trustees

Nicola Favorito, Chair

Deborah Goldberg · Michael Heffernan · William McNamara · John W. Parsons
Theresa Flynn · Michael C. Tow, CFP · Matthew Veno

State Retiree Benefits Trust Board of Trustees
Minutes of the Meeting of
August 12, 2021
as approved at the 12-03-21 meeting

Call to Order:

A meeting of the State Retiree Benefits Trust Fund Board (“SRBTF Board” or “Board”) was held on Thursday, August 12, 2021 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 9:32 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, Bill 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 and Attorney Matthew Feeny of Murphy, Hesse, Toomey & Lehane, LLP (“MHTL”); Francesco Daniele of the Pension Reserves Investment Management Board (“PRIM”); Kristin Lacroix, Chief Accounting Officer, and Jessie Zuberek, of the Massachusetts Comptroller’s Office (“CTR”).

I. Approval of the June 11th, 2021 Meeting Minutes

The Chair turned to the minutes of the June 11, 2021 meeting.

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

VOTED: To approve the minutes of the June 11th, 2021 Board Meeting.

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

II. **FY22 GIC Transfer Schedule**

The Chair stated that the Board would first consider the proposed FY22 GIC transfer schedule required under Chapter 32A, §24. Mr. Rust presented the schedule and reminded the Board members that this is an annual request to transfer assets appropriated to the SRBTF by the Legislature to pay for retiree health care benefits expended by GIC on a pay as you go basis.

The presented schedule covers \$500 million in expenses and is identical to last year's transfer schedule. The amounts show the monthly transfers to be initiated by the Comptroller's office. This is a budgeted amount under the Commonwealth's FY'22 budget (Line Item 1599-6152) that the GIC expects to be incurred and a total amount to be transferred to retiree health insurance benefits.

Mr. Rust moved on to address the audit findings from FY21's Commonwealth single audit that mentioned the SRBTF. The GIC adopted a new expense tracking system in the last two years that has caused some inconsistencies in payments expended. The auditors looked at the invoice level data to reconcile the numbers and identified a small number of issues with the GIC's tracking of retiree deaths within their system. Due to this finding, GIC has implemented additional internal controls to make sure these status checks happen more frequently.

The Chair thanked Mr. Rust and asked Mr. McNamara and those from the Comptroller's office if there was anything they would like to add. Ms. Lacroix noted the Comptroller's role in the transfer process is to ensure that the Board properly approves the transfer schedule and to notify the Legislature that the money has been transferred. After this initial schedule has been set, her team is responsible for recording the monthly transfers to GIC to cover expenses. This is all done according to the internal procedures of the Comptroller and is also part of the budget building process with Administration & Finance.

The Chair thanked Ms. Lacroix for her time and attention and checked to see if any of the Board members had questions.

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

VOTED: To approve the FY22 GIC Transfer Schedule as presented.

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

III. Investment Report

The Chair invited Mr. Daniele to update the Board on PRIM performance and the financial markets.

Mr. Daniele noted the strong performance of the overall fund in the last quarter, helping the fund reach nearly 30% returns for the fiscal year ending June 30, 2021 which is the best in PRIM's history. This represented a net investment gain of over \$22 billion dollars and left the entire fund at over \$95 billion in assets. This amount will give the Commonwealth additional security on which to fund potential benefits, and also benefits the SRBTF's investments in the fund.

Mr. Daniele pointed to the fund's performance relative to the benchmark outlined in the meeting materials. They have surpassed their goal of providing additional returns to the fund by outperforming the benchmark. This was achieved through their asset allocation plan by assessing investments through equally important cost, risk and return variables.

Mr. Daniele noted the ongoing benefits of PRIM's Project Save initiative, which was originally intended to provide nearly \$100 in fee savings but has achieved well over twice that amount. PRIM has also worked to reprofile investments in accordance to ESG factors as required by recently passed legislation, led by Treasurer Goldberg. PRIM remains at the top of its peer group in savings performance and consideration of ESG factors, including selection of diverse investment managers.

Mr. Daniele concluded his presentation by reviewing recent additions to PRIM's team including those to external affairs and private equity. PRIM also continues to receive national recognition for their work on private equity and diversity efforts.

Mr. McNamara commented that the investment performance is particularly impressive. Mr. Parsons asked if there were any more recent performance numbers after June 30th. Mr. Daniele responded that the monthly updates are not released until the 14th business day of the month.

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 June 30, 2021 was 29.4% versus 20.6% (benchmark); 3-year 11.7% versus 10.1% (benchmark); 5-year 11.5% versus 10.1% (benchmark); and 10-year 9.2% versus 8.1% (benchmark). Since the fund's inception in 2001 PRIM has achieved a positive 8.0% return versus the benchmark of 7.2%.

As of June 30, 2021, the combined SRBT Fund assets were \$2.67 billion.

PRIM Management Fee Update

The Chair invited Mr. Daniele to discuss PRIM's recent proposal for fee changes. Mr. Daniele noted the fee summary included in the meeting materials.

Mr. Daniele stated that PRIM has recently gone through a contract search for an account custodian. This search resulted in a renewal with BNY Mellon but at significant savings. The previous fee arrangement was asset based, which has been reduced to a fixed fee arrangement. This would give the SRBTF over \$125k in annual savings

Mr. Daniele moved on to the administrative fee which covers all of the account management and client outreach costs that PRIM performs on behalf of the Board. This fee was outlined in the 2014 administrative services agreement and has not been updated since then. PRIM is proposing a flat \$65k fee for the first 80 clients and a \$750 annual fee per year for each additional client after that.

The overall savings to the Board are reflected in the fee comparison with the Board book. Mr. Moyer reminded the Board members that these fees are not part of the yearly spending plan and are taken directly out of the trust on a monthly basis.

The Chair asked Mr. Daniele what the plan was to communicate these savings to SRBTF participants. Mr. Daniele responded that PRIM doesn't currently have a plan to do so but could work with the Board to communicate this to clients. The Chair also stated that he would like to improve participant communication overall, and asked Mr. Moyer to work with Mr. Daniele on this.

Mr. Moyer stated that he will work with PRIM to review the agreements and determine what updates, if any, are needed.

IV. Operations Report

Municipal Contracts

Mr. Daniele stated that he has noticed increased requests for information on PRIM's services. He had recently been working with Andover, though the town ended up moving forward with Rockland Trust. Some entities have recently opted to first hire a consultant to help make the decision on investments, and Mr. Daniele will look to position PRIM to pick up these clients.

Mr. Moyer stated that the Mass State College Building Authority recently reached out to him to begin the application process. They are hoping to be on the October agenda.

City of Reading Municipal Light Department

The Board turned to the pending application of the City of Reading Municipal Light Department. Mr. Feeney stated that the required documents are all in order. He asked for several minor changes, which they have agreed to complete. He recommends that the Board approve this submission.

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

VOTED: To approve the Investment Agreement between the SRBTF Board and the City of Reading Municipal Light Department and to accept the City of Reading Municipal Light Department as a participating unit in the SRBTF as of August 12, 2021.

Mr. Parsons -	Yes
Mr. Gervasio -	Yes
Ms. Flynn -	Yes
Mr. Mcnamara -	Yes
Mr. Rust -	Yes
Mr. Tow -	Yes
Mr. Favorito -	Yes

V. Administrative Issues

A. Legislative Update

The Chair is not aware of any pending legislation affecting the SRBTF. Mr. Moyer noted that the Commonwealth had sent \$61 million in excess capital gains revenue over the last two months.

B. SRBTF Calendar, Meeting Times

Mr. Moyer updated the Board on the next meeting on October 7th. The Legislature has updated the provisions of the open meeting law to allow for completely remote through March 2022. He expects the next meeting to be held virtually.

Mr. Daniele noted that the December meeting has a conflict with PRIM's Board meeting. He anticipates that the client services staff can split up but will let the Chair know if there is a need to reschedule the SRBTF meeting.

VI. Other Business

There was no other business raised.

VII. Adjournment

There being no further business, a motion was made by Mr. Tow and duly seconded by Mr. Parsons, to adjourn the meeting at 10:24 a.m.

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