

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

Call to Order:

A meeting of the State Retiree Benefits Trust Fund Board (“SRBTF Board” or “Board”) was held on Monday, September 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 9:33 a.m. The SRBTF Board members or designees present for all or part of the meeting and participating remotely were: Chair Nicola Favorito, William McNamara, Frank Gervasio, James Rust, and John Parsons.

Also present for all or part of the meeting were: Bianca Ortiz-Wythe of the SRBTF; Attorney Matthew Feeney of Murphy, Hesse, Toomey & Lehane, LLP (“MHTL”); Francesco Daniele and Emily Green of the Pension Reserves Investment Management Board (“PRIM”); Brett Sabbag attorney for Somerset Berkley School District.

Mr. Favorito informed all participants that the meeting would be audio recorded. All votes would be taken via roll call.

I. Approval of the May 12, 2022 Meeting Minutes

The Chair asked the Board to consider the minutes of the May 12, 2022 meeting.

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

VOTED: To approve the minutes of the May 12, 2022 Board Meeting.

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

II. FY23 GIC Transfer Schedule

The Chair stated that the Board would first consider the proposed FY23 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 \$525 million in expenses, an increase from last year's transfer schedule which totaled \$500 million. The amounts show the monthly transfers to be initiated by the Comptroller's office. This is a budgeted amount under the Commonwealth's FY'23 budget (Line Item 1599-6152) that the GIC expects to be incurred and a total amount to be transferred to retiree health insurance benefits.

The Chair asked Mr. Rust if overall costs were expected to remain consistent for FY2023. Mr. Rust responded stating that from FY2022 to FY2023, there was an 3.7% increase in spending. Mr. Rust noted this was very positive given it surpassed the average benchmark established by CHIA, the organization in charge of setting the benchmark regarding state healthcare spending. However, Mr. Rust noted that there is concern regarding inflation impacting FY2024's performance. Healthcare spending for FY2024 is expected to increase to 9-10% as a result of inflation.

The Chair thanked Mr. Rust for his time and asked if any of the Board members had questions.

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

VOTED: To approve the FY23 GIC Transfer Schedule as presented.

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

III. Investment Report

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

Mr. Daniele welcomed Ms. Ortiz-Wythe and thanked Mr. Feeney for his efforts in finalizing the Dracut Water and Somerset-Berkley Regional School District's applications to join the Fund. He introduced Emily Greene, who serves as Senior Client Services Analyst and would contribute to the presentation.

Mr. Daniele started by addressing market volatility stating that heightened volatility in some markets may result in positive performance. He remarked that in FY2021, the PRIT

fund experienced its best performance ever, with a return of 30 percent, 29.5 percent net of fees, placing the fund at the top of its peer group.

Mr. Daniele noted that FY2022 was the weakest market since the global financial crisis over 13 years ago. However, the PRIT fund showed a strong performance, only decreasing by 3%. Although though it was a negative year, the PRIT fund outperformed broad market indices and its benchmark by 150 basis points. Mr. Daniele noted that the challenges experienced during FY22 were unexpected resulting in rising interest rates, inflation, and multi-decade highs. Specifically, the ongoing Russian invasion of the Ukraine, supply chain disruptions, food and energy shortages and price impacts, labor constraints, all these factors have collectively created the backdrop for a bear market.

Mr. Daniele concluded that the PRIT Fund's performance was a strong result given how weak global markets are performing. Mr. Daniele emphasized that market declines in economic cycles will impact the PRIT fund periodically. Overall, Mr. Daniele stated he was pleased with the resiliency of the fund and its performance over all time periods, throughout different market environments.

Mr. Daniele handed off the remainder of the presentation to his colleague Ms. Green. Ms. Green stated she would be providing updates concerning PRIM initiatives. During FY22, PRIM invested approximately \$3.4 billion with diverse managers over 5 asset classes. Additionally, PRIM committed \$1 billion to a new emerging diverse manager program, utilizing 5 new expert advisors, and more than 200 million of that has already been deployed. Overall, the PRIT fund currently invests more than \$7.7 billion or more than 8% of the PRIT fund with diverse investment managers. PRIM was ranked seventh among the largest 200 funds in the U.S. for assets managed by diverse managers.

Ms. Green continued the presentation by addressing ESG issues. PRIM began work on creating the structure and the charter of the new and unique ESG Advisory Committee. The Board approved this in February, and in May's Board meeting, the charter for this committee was approved by the Board. On proxy voting, PRIM voted over 11,000 proxy ballots aligned with PRIM's progressive proxy voting guidelines on areas such as Board diversity requirements, overboarded directors, gender pay gaps, labor and human rights and executive compensation, and adopted new proxy voting guidelines to vote against all directors that companies targeted by the climate action 100+.

The Chair thanked both Mr. Daniele and Ms. Green and asked if any of the Board members had questions.

The Chair asked Ms. Green if there had been any feedback regarding these initiatives that PRIM has undertaken in the past 12 months from clients.

Mr. Daniele said there were two groups of clients: the first group do not know what ESG is, not on their radar. The other half of clients are absolute advocates and appreciate PRIM being on the forefront.

Mr. McNamara added that with regards to ESG, people are looking at it and trying to understand what it is achieving, its motives, and its outcomes. PRIM needs to keep a close eye on ESG, as there are some concerns with it. Specifically, the Massachusetts needs to be investing in companies that are pursuing legal economic activities and that practice responsible governance and management.

The Chair thanked Mr. McNamara for his comments. Again, the Chair asked the Board if there were any comments or questions.

IV. Operations Report

Municipal Contracts & Outreach

Mr. Daniele spoke about the interest PRIM has recently been fielding from potential clients, including the City of Arlington which is currently in the process of applying to the fund.

The Chair asked if there were any questions from the Board related to PRIM and the SRBTF. The Chair thanked Mr. Daniele and Ms. Green for their presentation.

Somerset Berkley Regional School District

The Board turned to the pending application of the Somerset Berkley Regional School District. The School District's attorney, Brett Sabbag, and thanked the Board for their consideration as well as Mr. Feeney for his guidance through the application process.

Mr. Feeney reviewed the application and stated that the School District had submitted all the required materials and had reviewed and sent around some updated materials prior to the meeting. The School District's trust agreement will become effective on December 8th and they will initially invest \$537,000.00.

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

VOTED: To approve the Investment Agreement between the SRBTF Board and the Somerset Berkley Regional School District and to accept the Somerset Berkley Regional School District as a participating unit in the SRBTF as of December 8th, 2022.

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

Dracut Water Supply District

The Board turned to the pending application of Dracut Water Supply District. Mr. Feeney reviewed the application and stated that the District had submitted all the required materials except for the investment agreement which he said he was expecting to receive promptly. The District’s trust agreement will initially invest \$925,359.00.

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

VOTED: To accept Dracut Water Supply District subject to receiving the signed Investment Agreement between the SRBTF Board and the Dracut Water Supply District.

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

V. Administrative Issues

A. Legislative Update

Ms. Ortiz-Wythe stated that the State budget bill that was passed in July included a \$200,000 appropriation to the SRBTF. Mr. Parsons added that an additional appropriation had been earmarked for the SRBTF.

SRBTF Calendar: CY2023 Meeting Dates

Ms. Ortiz-Wythe provided potential meeting dates to the Board for the 2023 calendar year. These dates were similar to CY2022. The Chair stated these dates would be reviewed again at the final Board meeting of CY22 in December.

VI. Other Business

No other business.

VII. Adjournment

There being no further business, a motion was made by Mr. McNamara and duly seconded by Mr. Gervasio, to adjourn the meeting at 10:13 a.m.

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