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# *Commonwealth of Massachusetts State Retiree Benefits Trust Fund*

*Board of Trustees*

*Kathleen Bramlage, Chair*

*Deborah B. Goldberg · Matthew Gorzkowicz · William McNamara  
William T. Keefe · James Rust · Theresa Flynn · Michael C. Tow, CFP*

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## **MINUTES**

### **State Retiree Benefits Trust Board of Trustees Minutes of the Board Meeting of September 12, 2024**

*As approved by The Board at the 12/12/2024 meeting*

#### **I. Call to Order:**

A meeting of the State Retiree Benefits Trust Fund Board (SRBTF Board or Board) was held on Thursday, September 12, 2024, via remote participation pursuant to the Open Meeting Law, G.L. c.30A, §20, as amended.

A quorum being present at 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 were: Kathleen Bramlage, James Rust, William Keefe, William McNamara, and Michael Tow. All participants were notified that this meeting would be recorded. All votes were taken via roll call.

Also present for all or part of the meeting were: Francesco Daniele and Emily Green of the Pension Reserves Investment Management Board (PRIM); Katherine Hesse and Veronica Turovsky Genin of Murphy, Hesse, Toomey & Lehane, LLP; Matthew Feeney of Feeney and Feeney Law, LLP; and Ingred Goretti Rica of the SRBTF.

#### **II. Approval of the June 13, 2024 Meeting Minutes**

The Chair asked the Board to consider the minutes of the June 13, 2024 board meeting.

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

**VOTED:** To approve the minutes of the June 13, 2024 board meeting.

Mr. McNamara - Yes

Mr. Keefe - Yes

Mr. Rust - Yes

Mr. Tow - Yes  
Ms. Bramlage - Yes

### **III. GIC Transfer – FY25 Proposed Schedule**

The Chair turned over to Mr. Rust to discuss the FY25 proposed schedule for the GIC fund transfers.

Mr. Rust explained that this vote was to authorize the transfer of funds from the trust to the GIC, intended for retiree benefits. The total amount to be authorized was \$550 million, broken down monthly as per the schedule provided in the participants' book. This transfer is part of the Commonwealth's annual budget process. Mr. Rust invited questions but received none.

There being no further questions, the Chair asked the Board to consider the GIC scheduled transfer for fiscal year 2025.

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

VOTED: To approve the GIC scheduled transfer for fiscal year 2025.

Mr. McNamara - Yes  
Mr. Keefe - Yes  
Mr. Rust - Yes  
Mr. Tow - Yes  
Ms. Bramlage - Yes

### **IV. Investment Report**

The Chair invited Mr. Daniele to give the market update and present the investment report.

Firstly, Mr. Daniele informed that he was joined by Ms. Green and acknowledged Blue Hills, a PRIM Retirement Board client, whose application was up for review.

Next, Mr. Daniele highlighted that Fiscal Year 2024 (ending June 30) was a productive year for the PRIT Fund. The PRIT Fund reached a record balance of \$105.3 billion, surpassing the previous record of \$96.6 billion. The PRIT Fund achieved a 9.9% return, translating to a net gain of \$9.1 billion, with five of the seven asset classes outperforming their benchmarks. Notably, \$6.6 billion was invested in attractive new opportunities during the fiscal year. Mr. Daniele emphasized that the 10% gain in the current environment was a solid accomplishment.

Mr. Daniele highlighted the PRIT Fund's recognition in financial reporting, earning the Certificate of Achievement for Excellence in Financial Reporting from the GFOA for the 19th consecutive year. The PRIT Fund also completed GIPS (Global Investment Performance Standards) compliance, a benchmark for integrity and transparency in the industry, as organized by the CFA Institute. Mr. Daniele also added that PRIM completed over 30 audits, all resulting in unmodified opinions with no findings. These accomplishments were achieved despite a turbulent global investing environment influenced by geopolitical challenges. Mr. Daniele briefly noted additional recognitions and acknowledgments, to be discussed in later comments.

Mr. Daniele reviewed the one-year period performance (gross of fees) by investment strategy, highlighting significant diversification across various strategies. Strong performers included U.S. large-cap equities, emerging market equities, and OCC/OCO opportunities. Challenges were observed in certain areas, notably U.S. Treasury STRIPS (20-year securities), which are generally defensive in turbulent markets. Real estate reported a decline of 6.2% but still outperformed its benchmark, which fared worse, indicating relative strength in a challenging market. Mr. Daniele introduced slide 29, showcasing a one-year period chart illustrating overall consistency in performance across various timeframes. Top-performing categories included equities, while real estate, timber, and global equities were positioned in the middle. Finally, Mr. Daniele invited questions regarding private equity or other specific areas, noting that Emily Green would cover private equity in her segment.

Ms. Green informed that PRIM's private equity portfolio was recently ranked fourth among 200 U.S. public pension funds based on a 10-year performance in the American Investment Council's public pension study. PRIM is the only fund to be consistently in the top five every year of the study, with #1 rankings in 2019, 2018, 2015, and 2013. According to Ms. Green, the portfolio's long-term performance remains robust, with three-year, five-year, and ten-year returns at 10.2%, 19.3%, and 18.5%, respectively. The private equity portfolio has recorded six consecutive quarters of positive performance. She reminded attendees that private equity performance is lagged; the current report reflects data from January to March 2024. Although private equity saw some declines in one-year performance relative to global equities, it is assessed over a longer term (5–7 years for buyouts and growth equity, 7–10 years for venture capital).

Ms. Green continued with the market update for the last quarter, informing that buyouts and growth equity showed positive returns, with growth equity being the strongest sub-asset class. Venture capital remained flat. Co-investments, which make up approximately 10% of the private equity portfolio and involve investing alongside general partners without additional fees, achieved a 14.6% return over the trailing one-year period. In summary, the private equity portfolio reached a new high, growing to \$17.8 billion as of June 30, and it includes 397 active partnerships across funds and co-investments, managed by 104 general partners.

Ms. Green offered to address questions before handing the discussion back to Mr. Daniele.

Mr. Daniele provided additional context on the private equity portfolio's geographic focus, which is primarily in North America and Western Europe. He emphasized the resilience and consistency of PRIM's private equity portfolio, noting its strong performance across various market environments over the last three fiscal years.

Mr. Daniele outlined the fiscal year goals, which include annual plans for each team and the executive leadership, approved by the PRIT Board. According to him, PRIM is exploring the impact of artificial intelligence, particularly large language models, on investment operations and decision-making. Tony Falzone will present on AI at an upcoming Pareac forum. In an initial AI project, PRIM will conduct a test project using a non-financial dataset to explore AI's potential in data search, aggregation, and reporting. PRIM is taking a cautious and methodical approach to implementing AI, prioritizing data security and a limited, defensive application initially.

Lastly, Mr. Daniele informed that PRIM has released a draft update of its Investment Policy Statement (IPS). The IPS update is part of good governance practices and is intended to provide a clear roadmap for investment decisions, ensuring alignment with current industry standards and best practices.

Mr. Daniele opened the floor for questions but did not receive any. He then concluded the investment report.

## **V. Administrative Issues**

### **A. Consideration of Blue Hills Regional Technical School District Application**

The Chair invited Ms. Hesse to give an update on the Blue Hills Regional Technical School application package that was received by the Board earlier. Ms. Hesse commented that all necessary documents for the Blue Hills Regional Technical School District have been prepared. MHTL office, which had represented the District in other matters, arranged for another attorney to draft the attorney's letter to avoid any conflicts of interest. The District initially appropriated \$50,000 into the fund, and the Declaration of Trust was filed in mid-August. The District is expected to be ready for funding by December 1, and everything appears to be in order.

Mr. Daniele noted that the selection process was competitive, involving another party in addition to PRIM. He mentioned this competitive process might become more common in the future. Ms. Hesse agreed, stating that while PRIM has a strong offering, it is beneficial to consider other options to ensure the best choice for investments. She highlighted that PRIM's strengths should help it remain a strong contender even in competitive situations.

With no questions from the board, the Chair requested a motion to approve the inclusion of Blue Hills Regional Technical School District into the SRBT Fund.

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

VOTED: To approve the Investment Agreement between the SRBTF Board and the Blue Hills Regional Technical School and to accept them as a participating unit in the SRBTF.

Mr. McNamara - Yes

Mr. Keefe - Yes

Mr. Rust - Yes

Mr. Tow - Yes

Ms. Bramlage - Yes

Ms. Hesse continued to give an update on the legal matters. She informed that the effective date for the Pathfinder Regional Tech Trust declaration has passed, with an initial funding amount of \$114,447 approved previously by the board. Ms. Hesse suggested that Mr. Daniele and Ms. Green coordinate with the relevant teams for timely execution.

Based on the updated security guidance released by the Department of Labor, extending it to include health trusts, not just retirement funds, Ms. Hesse recommended issuing a notice to those invested in PRIT (Pension Reserves Investment Trust) to document the fund's due diligence. According to her, there has been an increase in litigation targeting health funds, underscoring the need for strong cybersecurity measures. Ms. Hesse suggested the board receive an update from PRIM on their compliance and develop a user-friendly summary for distribution to involved entities. In line with previous discussions, Ms. Hesse emphasized the importance of PRIM providing updates on fraud prevention measures, particularly since board employees do not handle funds directly.

The Chair suggested coordinating with Mr. Daniele to set up a presentation from PRIM on cybersecurity and fraud prevention for the next meeting. Francesco agreed and mentioned the custodial and audit processes in place, which regular audits are conducted for cities and towns, which PRIM responds to annually. Mr. Daniele proposed presenting a case study on PRIM's cash management and fraud prevention processes at the next board meeting.

Next, Ms. Hesse followed up on the board's previous request concerning PRIT's (Pension Reserves Investment Trust) fraud insurance policy. Ms. Hesse asked Mr. Daniele to

confirm if PRIT carries a fraud insurance policy or is self-insured. She emphasized the importance of having this documented in the minutes to close any open questions.

Lastly, Ms. Hesse shared the news of her upcoming induction into the American College of Employee Benefits Council in Washington, D.C., to be celebrated the following evening. Board members congratulated her on this accomplishment.

## **B. RFR Legal Services Result**

The Chair provided an overview of the recent Request for Responses (RFR) for legal services, as the board's current legal contract was expiring at the end of the year. She reminded the Board that the goals were to engage more than one firm to ensure a backup for legal matters, and to establish a three-year contract with two optional one-year extensions, potentially extending the contract up to five years.

The Chair announced that the Board selected Matt Feeney's firm, Feeney & Feeney, as the primary legal service provider. Ms. Hesse and MHTL will continue providing legal services on an hourly basis for additional needs or any conflicts requiring alternate representation. The Chair expressed gratitude to Francesco for his assistance during the RFR process. She also reminded the Board that MHTL will remain the board's legal counsel through the end of the year, with legal responsibilities transitioning to Feeney & Feeney beginning next year. Board members expressed support and no additional questions were raised regarding the transition of legal services. The Chair thanked both Mr. Feeney and Ms. Hesse for their contributions and looked forward to a smooth transition.

## **C. Chair Announcement**

The Chair announced her upcoming retirement from the Commonwealth and, as a result, her departure from the board. She will serve through mid-November and is working with the Treasurer's office to select her successor as board chair. The Chair expressed her gratitude to the board, describing her tenure as a valuable and enjoyable experience. She acknowledged the support of the Treasurer's office in the transition process. The Chair also recognized Ms. Goretti Rica for her significant contributions to the board's organization and stability. She highlighted Ms. Goretti Rica's role in turning around board operations, improving organization, and creating confidence in passing on responsibilities to a new chair.

The Chair also noted the recent achievements, including securing legal services and stabilizing board processes, which she felt left the board well-positioned for a smooth transition. Board members extended their congratulations and well-wishes to Ms. Bramlage for her retirement, expressing gratitude for her leadership and

contributions to the board. The Chair then specifically thanked Mr. McNamara and the Comptroller's Office for their close collaboration with the board, ensuring smooth operations and effective support. She also acknowledged Andrea Wadsworth and her team for their assistance in the RFR process, highlighting their invaluable role in a successful outcome.

## **VI. Adjournment**

There being no further business, a motion was made by Mr. McNamara, and duly seconded by Mr. Rust, to adjourn the meeting at 10:01 a.m.

Mr. McNamara - Yes

Mr. Keefe - Yes

Mr. Rust - Yes

Mr. Tow - Yes

Ms. Bramlage - Yes