



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 December 3, 2020 *as approved at the 2/4/21 meeting*

Call to Order:

A meeting of the State Retiree Benefits Trust Fund Board (“SRBTF Board” or “Board”) was held on Thursday, December 3, 2020 via remote participation pursuant to the Governor’s March 12, 2020 “Order Suspending Certain Provisions of the Open Meeting Law, G.L. c. 30A, § 20”.

A quorum being present 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 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 and Attorney Matt Feeney of Murphy, Hesse, Toomey & Lehane, LLP (“MHTL”); Paul Todisco, Francesco Daniele, and Emily Green of the Pension Reserves Investment Management Board (“PRIM”); Jeff Shapiro Deputy Comptroller (“CTR”). Two additional members of the public were present for all or part of the meeting: Sandra Matar from the Town of Bellingham and Maja Bin Saed of Pageant Media.

I. Approval of the August 6th, 2020 Meeting Minutes

The Chair turned to the minutes of the August 6, 2020 meeting.

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

VOTED: To approve the minutes of the August 6th, 2020 Board Meeting.

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

II. Investment Report

The Chair welcomed back Mr. Todisco and invited him and Mr. Daniele to provide brief market and PRIT performance updates.

Mr. Daniele stated that the market quarter ended September 30, 2020, was very strong, and that strength continues as we close out the calendar year. The PRIT Fund now stands at \$80 billion, a new all-time high, despite PRIM also managing assets of participating retirement systems to fund retirement benefits. PRIM issues approximately \$1.5 billion per year for the payment of benefits.

The PRIT Fund was up 6.2% in the third quarter and is now up 7.3% for the trailing 12 months ended September 30, 2020. Private Equity rebounded sharply; it was up nearly 17% year-over-year in the third quarter compared to 4.4% year-over-year last quarter. As expected, a private equity benchmark anomaly that accounted for much of the PRIT Fund's relative underperformance for the fiscal year ended June 30, 2020, reversed itself this quarter, just as it did when this occurred during the Global Financial Crisis in 2008/2009. Equities across the board were very strong, bonds and real assets were weaker for the quarter, but all were positive.

Mr. Daniele noted the markets have improved dramatically as two of the major uncertainties, the national election and the COVID-19 vaccine, have become more defined. The election is over, and we now have a better idea of when a COVID-19 vaccine might be available. PRIM was a very early investor in Moderna through one of its venture capital partners. The Moderna investment is very gratifying to PRIM from both a public health and an investment standpoint.

Mr. Todisco updated the Board on organizational updates. Anthony Falzone has been promoted to Deputy Executive Director / Chief Operating Officer. Deborah Coulter, CPA, who currently serves as Chief Financial Officer, has also been promoted, adding Chief Administration Officer to her responsibilities. For the 15th consecutive year, PRIM was

awarded the GFOA's (Government Finance Officer Association's) Certificate of Achievement for Excellence in Financial Reporting.

Mr. McNamara stated that the private equity gains that PRIM has seen are why funds use this as a hedge, and commended PRIM for making wise choices because not all equity investors see these types of returns. Mr. Todisco agreed and further stated that the longevity of many of the managers and the careful vetting allows PRIM to get these returns.

The Chair asked Mr. Todisco whether this is the first time PRIM has reached \$2 billion with regard to its OPEB managed assets. Mr. Todisco answered in the affirmative and thanked the Commonwealth and municipalities for additional investments over the last two years.

The Chair asked Mr. Todisco if municipalities are regularly making investments. Mr. Todisco has been pleased with the regular inputs local governments have been making despite fiscal uncertainty.

The SRBT Fund returns reviewed were net of fees, versus the PRIT fund performance which are gross of fees. The 1-year return of 6.8% versus 6.7% (benchmark); calendar year to date was -2.2% versus -2.4% (benchmark); 3-year 6.4% versus 6.4 (benchmark); 5-year 8.4% versus 8.2% (benchmark); and 10-year 8.3% versus 7.7% (benchmark). Since the fund's inception in 2001 PRIM has achieved a positive 6.9% return versus the benchmark of 6.5%.

As of September 30th, 2020, the combined SRBT Fund assets were \$2.11 billion.

III. Operations Report

Mr. Daniele stated that the City of Worcester may likely be ready to submit final paperwork for the February meeting. The Chair asked what the city uses now, and Mr. Daniele stated that they just have a simple deposit account.

Mr. Moyer updated the Board that East Bridgewater was not able to submit some needed materials, so he will ask them to complete for February as well.

Municipal Contracts

Mr. Moyer stated that Bellingham was able to revise their trust agreement and other documents and is ready to be voted on. Mr. Feeney agreed and stated the effective date

for the trust will be December 17th. The Chair confirmed that the initial investment will be \$250,000.00.

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

VOTED: To approve the Investment Agreement between the SRBTF Board and the Town of Bellingham and to accept the Town of Bellingham as a participating unit in the SRBTF as of December 17th, 2020.

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

IV. Administrative Issues

A. Policies & Procedures Update

The Chair asked Mr. Moyer to update the Board on the updates to the Policies and Procedures. Mr. Moyer stated that he had asked MHTL to compile a version with all of their suggested edits / changes that reflected the discussions over the summer. He then did a document comparison and updated the cover memo, which were attached with the meeting materials. These additional changes mostly reflect clarifications and suggestions made by Mr. Feeney and Ms. Hesse.

The Chair asked the Board if there were any questions or suggestions. Mr. Parsons suggested that under Section 7.2 there should be language specifying that there be a competitive process for bidding, with which the Chair agreed. Mr. Parsons also clarified that a reference in Section 2 is to the Bylaws, not this document.

The Chair suggested that he had more small consolidation edits that he has to the document that he will pass along to Mr. Moyer.

Ms. Hesse stated that the Board can vote on these matters today. Mr. Moyer thanked the Board for their careful attention to this and will compile all the changes and update the Board's documents to reflect them.

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

VOTED: To amend the SRBTF Board’s Policies and Procedures as indicated in the submitted edits as well as Mr. Parsons and the Chair’s additional suggestions.

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

B. Board Contracts

1) Legal Services

Mr. Moyer stated that the Board has one remaining option to extend the legal services contract with MHTL. He proposed that the Board exercise this remaining option and set up an RFP for next calendar year. The Chair concurred and asked if there were any questions.

Mr. Gervasio asked if the Board needs to do anything to activate the option. The Chair stated that the Board doesn’t need to implement any additional procurement steps.

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

VOTED: To exercise the last remaining year on the legal services contract with MHTL.

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

Mr. Favorito - Yes

Ms. Hesse thanked the Board for their confidence and looks forward to continuing the relationship with the SRBTF.

2) Insurance Brokerage

Mr. Moyer stated that he has submitted an RFI for insurance brokerage that is included in the meeting materials. The Chair asked if there are any firms registered with the state and Mr. Moyer advised he has checked with Operational Services Division and they do not.

C. Legislative Update

The Chair stated that the recently released FY 2021 state budget contains a similar provision for 10% of the tobacco settlement payment as previous years. Mr. Gervasio will advise regarding which A&F budget analyst works with SRBTF.

D. SRBTF Calendar, Meeting Times

Mr. Moyer presented the proposed meeting dates and times for calendar year 2021. The Chair expects to meet virtually in February, with the next meeting being scheduled for February 4, 2021 at 9:30am.

V. **Other Business**

Mr. Moyer updated the Board that the Comptroller's office has changed contractors for the annual OPEB audit from AON to Deloitte.

VI. **Adjournment**

There being no further business, a motion was made by Mr. McNamara and duly seconded by Mr. Parsons, to adjourn the meeting at 10:37 a.m.

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

Mr. Rust	Yes
Mr. Favorito-	Yes