

State Retiree Benefits Trust Board of Trustees
Minutes of the Meeting of
December 8, 2022

Call to Order:

A meeting of the State Retiree Benefits Trust Fund Board (“SRBTF Board” or “Board”) was held on Thursday, December 8, 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, Theresa Flynn, James Rust, John Parsons, and Michael Tow.

Also present for all or part of the meeting were: Bianca Ortiz-Wythe of the SRBTF; Attorneys Katherine Hesse and Matthew Feeney of Murphy, Hesse, Toomey & Lehane, LLP (“MHTL”); Francesco Daniele and Emily Greene of the Pension Reserves Investment Management Board (“PRIM”); and Jeffrey Moyer of the Office of the State Auditor.

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

I. Approval of the September 12, 2022 Meeting Minutes

Mr. Favorito asked the Board to consider the minutes of the September 12, 2022 meeting.

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

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

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

II. Status of Board Chair and Other Members

Mr. Favorito stated he would like to review the status of the Board members. Currently, there are ongoing transitions and preparations for the incoming Healey Administration. Mr. Favorito notified board members of Mr. Gervasio's departure from the Board and ANF, leaving his Board seat empty until filled by the incoming administration.

Mr. Favorito also informed the Board that he has accepted a new role and will be stepping down from the SRBTF and the Retirement Board in early January. He reported that the process to find his replacement is ongoing.

In the context of transitions, Mr. McNamara stated that the Comptroller position is appointed by the Governor and that his term expires in January. However, he will continue in his role until there is an appointment or reappointment by the Governor. Mr. McNamara added that this should not create any disruptions for future meetings.

Mr. Favorito thanked Mr. McNamara and shared that he hoped he would be reappointed as Comptroller.

Mr. Favorito asked if any of the Board members had any questions or comments.

Mr. Tow thanked Mr. Favorito saying he was grateful to for service and for spearheading the Board. Mr. Moyer also thanked Mr. Favorito for his leadership with the Board.

Mr. Favorito asked Ms. Flynn if she knew the status of her seat as she is a designee from the current Baker administration. She responded that she did not.

III. Investment Report

Mr. Favorito invited Mr. Daniele to update the Board on PRIM, investment performance and the financial markets.

Mr. Daniele started by stating that market volatility continues as a result of world events. However, the PRIT fund continues to show a strong relative performance, outperforming peer groups in the market.

For the September quarter, Mr. Daniele spoke to the broad series of issues PRIM is watching closely such as COVID, as well as the stark increase in the flu and respiratory illnesses. Mr. Daniele also spoke to concerning economic issues such as higher interest rates, inflation that remains decades high, tighter monetary policy and the war between Ukraine and Russia.

Mr. Daniele stated that for the quarter ending September 30th marked the third consecutive quarter of market decline. Mr. Daniele informed the Board that for the quarter the PRIT fund was down 4.7% net, a 60/40 mix was down 6%. The PRIT team has been actively identifying new opportunities. PRIT deployed 6.9 billion in the last fiscal year, a 58% increase from the previous year. For this current quarter, PRIT will deploy an estimated \$800 million up to capital to new ideas.

Mr. Daniele paused his presentation and asked the Board if there were any questions regarding market performance.

Mr. Daniele highlighted that the PRIT fund has received a GIPS compliance recognition for the fifth year in a row. Mr. Daniele stated that only four other public pension funds in the U.S. go through the process of being GIPS compliant. For the 17th year in a row, PRIM was awarded the Government Finance Officer Association's Certificate of Achievement for Excellence in Financial Reporting. PRIM's private equity portfolio was ranked #3 by the American Investment Council.

Mr. Daniele transitioned his presentation to discuss PRIT fund performance. For the one-year period ending in September, the fund was down 9.6%. Mr. Daniele stated that many of those returns have already been recaptured. The 3, 5, and 10-year numbers are strong on a relative and absolute basis. Mr. Daniele proceeded to discuss the PRIT fund annualized returns by asset class.

Mr. Daniele then shared the data for the one-year performance of the SRBT fund returns. He stated that the fund has close to \$3 billion in assets. Mr. McNamara asked about crypto exposure in the portfolio. Mr. Daniele responded that the fund does not have any direct exposure. Concerning FTX, Mr. Daniele stated that a specific manager utilized by PRIM owns an allocation which is negligible and very small in nature, about .00004% of the overall PRIT Fund.

Mr. Favorito thanked Mr. Daniele for his presentation and asked if there were any questions from the Board.

IV. Operations Report Municipal Contracts & Outreach

Mr. Daniele informed the Board that the town of Arlington is back in the process of applying to the SRBTF fund. They have some technical issues and he expects a vote to join sometime in the Spring of 2023.

Mr. Favorito asked Mr. Feeney if he would talk to the status of the Central Mass Educational Collaborative.

Mr. Feeney informed the Board that there were some minor issues with the Collaborative's application. First, there were some legal issues that needed to be clarified related to the application of the statute's requirements as applied to an educational collaborative which is not structured like a city or town. Second, there needs to be a vote before the Collaborative can proceed with their application. Mr. Feeney reassured the Board that the vote should happen by the next Board meeting in February.

Mr. Feeney addressed the matter concerning the town of Arlington. Specifically, he explained that Arlington passed special legislation several years ago, prior to the Mass Municipal Modernization Act in July 2017, which updated the OPEB statute. He stressed that the biggest issue concerning the town's application is that the special legislation authorizes the Arlington Retirement Board to handle all the OPEB investments for the town. However, this would be inconsistent with the SRBTF's requirements that a legislative body needs to adopt G.L. c.32B Section 20 in order to become a client of the SRBTF. Mr. Feeney stated further that Arlington could end up being the OPEB Board if they make that decision, but their structure as it currently stands is problematic in terms of what the SRBTF Board requires. Ultimately, they have to restart the process. The town is likely to vote on the issue in the future.

Mr. Favorito asked if there was any known competition to the SRBTF and OPEB investing. Mr. Daniele responded no. There is more competition on the RFP side. Very rarely does he see requests for proposals for OPEB assets. Mr. Daniele stated he's not quite sure if it is a competition question or a budgetary one.

Mr. Favorito asked the Board if there were any questions.

Mr. Favorito asked Mr. Daniele if PRIM was experiencing any additional payments being made from existing clients. Mr. Daniele responded no. Typically, additional payments are tied to appropriations and made as end of year contributions in July. Mr. Daniele added that there are very few if any redemptions being made.

Mr. Favorito asked the Board if there were any questions. Mr. Favorito thanked Mr. Daniele for his presentation.

Mr. Tow left the meeting

V. 2023 Proposed Meeting Dates

Mr. Favorito informed the Board that the next meeting would take place on February 9th, 2023. Mr. Favorito asked Board members to notify Ms. Ortiz-Wythe of their status once they learned if they would be reappointed or not by Governor Healey.

Mr. Favorito asked Ms. Ortiz-Wythe if she had any other updates to share with the board. She responded no.

VI. Adjournment

There being no further business, a motion was made by Mr. McNamara and duly seconded by Ms. Flynn, to adjourn the meeting at 10:05 a.m.

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