



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*

MINUTES

State Retiree Benefits Trust Board of Trustees

Minutes of the Board Meeting of

December 12, 2024

As approved by The Board at the 03.13.2025 meeting

I. Call to Order:

A meeting of the State Retiree Benefits Trust Fund Board (SRBTF Board or Board) was held on Thursday, December 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: Henry Clay, Theresa Flynn, William McNamara, William Keefe, and James Rust. 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: Francesco Daniele and Emily Green of the Pension Reserves Investment Management Board (PRIM); Katherine Hesse, Veronica Turovsky Genin, and Linda Champion of Murphy, Hesse, Toomey & Lehane, LLP; Matthew Feeney of Feeney and Feeney Law, LLP; and Ingrid Goretti Rica of the SRBTF.

II. Election of New Board Chair

The meeting commenced with a warm welcome and appreciation for attendees. Henry Clay introduced himself and emphasized his commitment to working with the team to move the program forward. He emphasized the program's significance and its focus on open disclosures, an aspect often scrutinized by rating agencies, highlighting open communication as a critical component of disclosure statements and a remaining priority. Mr. Clay acknowledges a continuous increase in healthcare costs and its impact on public entities and is committed to bringing as many public entities as possible into the program to address this ongoing liability.

Mr. Clay shared insights from a recent conversation with the new legal counsel that will be joining the SRBTF in January. He described the transition as straightforward and positive, with seamless collaboration with Ms. Bramlage.

With that being said, Mr. Clay reminded the Board that the election of the new SRBTF chair was the next item in the agenda. Ms. Flynn expressed full support for a motion to nominate the new Chair.

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

VOTED: To nominate Henry Clay as SRBTF Board Chair.

Mr. McNamara - Yes
Mr. Keefe - Yes
Mr. Rust - Yes
Ms. Flynn - Yes
Mr. Clay - Abstained.

The Chair thanked the board members for their support and emphasized his availability for questions or concerns, whether related to the Commonwealth's cash flow or other matters.

III. Approval of the September 12, 2024 Meeting Minutes

The Chair reviewed the minutes and found them straightforward. After highlighting discussions on PRIM and Blue Hills as notable topics, the Chair asked the Board to consider the minutes of the September 12, 2024 board meeting.

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

VOTED: To approve the minutes of the September 12, 2024 board meeting.

Mr. McNamara - Yes
Mr. Keefe - Yes
Mr. Rust - Yes
Ms. Flynn - Yes
Mr. Clay - Yes

IV. Investment Report

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

Firstly, Mr. Daniele welcomed the group and expressed appreciation for Ms. Bramlage's efforts, wishing her a well-deserved retirement. Mr. Daniele inquired if the materials were received via email or if sharing the screen would be preferred. The Chair confirmed screen sharing was preferable.

After sharing his presentation screen, Mr. Daniele provided an overview of the quarterly performance updates, noting that they follow the PRIM's, Investment Committee's, and Board schedules, and that October statements will be sent to SRBTF participants, but there will be no October commentary provided at this meeting.

After explaining that the updates will cover core beliefs, portfolio performance, and private equity performance (which will be covered by Ms. Green as previously discussed), Mr. Daniele highlighted the September quarter's pre-funded return of 4.4% net of fees and the trailing 12-month return is 16.4%, amounting to an investment gain of \$15.6 billion. These performance results were celebrated, and further asset allocation update will be provided to the group at the next meeting. This work is being finalized through the fourth quarter by Maria Garrihan and Mike McElroy's team.

Moving on, Mr. Daniele highlighted several recent recognitions, including the Lifetime Achievement Award received by Michael, who was also nominated for the Power 100 List. The organization achieved GIPS compliance for the 7th consecutive year, a designation only a few public plans in the country have attained. GFOA Achievement for Excellence in Financial Reporting was achieved for the 19th consecutive year. Finally, Mr. Daniele emphasized the organization's commitment to enhancing performance, transparency, and integrity in reporting.

Mr. Daniele informed the Board that the portfolio reached \$110 billion in assets. This figure represents net inflows (contributions from participants minus withdrawals) plus growth, with net draw typically observed in a typical year. He emphasized the importance of balancing risk, return, and cost in managing the portfolio. The focus is on reducing expenses where possible to ensure cost-effectiveness over time, recognizing that future market returns are unpredictable. Mr. Daniele also introduced Project Save, an initiative aimed at reducing costs within the fund. He noted that further updates will be provided in future meetings.

Next, Mr. Daniele provided a summary of the market performance. He highlighted strong performance in equity markets with returns ranging between 6-9% across different regions. Emerging markets outperformed U.S. markets, led by small-cap stocks and the "Magnificent Seven" driving U.S. performance. Bonds had a positive quarter with core fixed income and credit-sensitive bonds rising 3.5-6%. One-year returns for core and value fixed income ranged between 12-13%. Despite an absolute decline of 4.9%, real estate outperformed its benchmark, attributed to high-quality asset selection, especially in industrial, medical office, and data centers. Timberland performed strongly, returning 10.1% in the alternatives bucket, outperforming the market index. Hedge funds performed well, with directional hedge funds

leading the pack. Notably, none of the hedge fund managers were significantly invested in the "Magnificent Seven," suggesting their effectiveness in diversifying away from big tech.

Mr. Daniele handed over to Ms. Green to cover the private equity performance and portfolio composition and to provide insights into the 930 private equity performance.

Ms. Green provided a private equity portfolio overview, noting that the portfolio's composition is approximately 75% buyouts, 15% growth equity, and 10% venture capital, with 95% of the portfolio focused on North America and Western Europe. Also, Co-investments, making up about 10% of the private equity portfolio, involve investing alongside general partners without additional fees, contributing to cost savings. On its performance, Ms. Green mentioned that the private equity portfolio had its seventh straight positive quarter, driven by a rebound in the market after the lows of 2022 and 2023. Global M&A activity increased nearly 30% in the first nine months of 2024, with buyout volumes rising by 24%. In Q2 2024 (April–June), private equity was up 1.5%, outperforming US small caps and MSCI Europe but lagging US large caps. Buyouts drove performance, while growth and venture portfolios were flat. Over the trailing one-year period, private equity was up 7%, largely due to buyouts. Distributions in Q2 totaled \$535 million, surpassing contributions, and the portfolio reached a new high watermark with assets growing to \$18 billion (16.3% of the PRIT Fund). Lastly, Ms. Green informed that the buyout strategy focuses on small- and mid-cap (Smid) and mega-cap companies. For Q2 2024, Smid buyouts rose by 2%, and mid- and large-cap buyouts increased by 0.5%. Over the past year, Smid buyouts were up 9.1%, and mid- and large-cap buyouts increased by 6.4%.

Mr. Daniele added that the fund is highly selective in choosing managers, with only 1% of the managers who apply gaining access to the portfolio. He emphasized that the portfolio aims to work with top-tier managers, ensuring that high standards are maintained. Moreover, Mr. Daniele offered to provide more detailed insights into specific components or sub-segments of the portfolio if necessary. He extended an invitation to any attendees who would like a closer review or a deeper dive into any particular part of the portfolio.

The Chair expressed his satisfaction with the thorough update, thanking Mr. Daniele and Ms. Green.

V. Administrative Issues

A. SRBTF Calendar - CY25 Proposed Meeting Schedule.

The Chair acknowledged the proposed dates for the calendar year 2025 that were shared by Ms. Goretti Rica, noting that there was a minor error where the year was not updated, but the days and months were correct. The final decision on the dates will be reviewed in 2025, though no issues were anticipated.

Ms. Goretti Rica clarified that she would be sending out invitations for the meetings in advance. Invitations will ensure all participants are aware of the meeting dates and have them in their calendars.

Ms. Flynn inquired whether the meeting dates required a vote. The Chair confirmed that approval of the meeting dates was not a voting item and as long as the dates are sent out in advance, any issues that arise can be addressed later.

VI. Adjournment

There being no further business, the Chair initiated the adjournment of the meeting and asked for a motion to adjourn. A motion was made by Mr. Keefe, and duly seconded by Mr. McNamara to adjourn the meeting at 10:05 a.m.

Mr. McNamara - Yes

Mr. Keefe - Yes

Mr. Rust - Yes

Ms. Flynn - Yes

Mr. Clay - Yes