



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 Fund Minutes of the Board Meeting of March 14, 2024

As approved by The Board at the 06/13/2024 meeting

Call to Order:

A meeting of the State Retiree Benefits Trust Fund Board (“SRBTF Board” or “Board”) was held on Thursday, March 14, 2023, 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 and participating remotely were: Kathleen Bramlage, James Rust, Thomas Smith-Vaughan, Theresa Flynn and William Keefe, who was introduced to the Trustees as the new member of the Board, representing the Public Employee Retirement Administration Commission (PERAC). 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, and Ingrid Goretta Rica of the SRBTF.

I. Approval of the December 7, 2023 Meeting Minutes

The Chair asked the Board to consider the minutes of the December 7, 2023 meeting.

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

VOTED: To approve the minutes of the December 7, 2023 Board Meeting.

Mr. Keefe - Abstained

Mr. Rust -	Yes
Ms. Flynn -	Abstained
Mr. Smith-Vaughan -	Yes
Ms. Bramlage-	Yes

II. Investment Report

The Chair invited Mr. Daniele to give the market update. Mr. Daniele handed it over to Ms. Green.

Ms. Green talked about the various recognitions that the PRIT fund has received recently and the success of PRIM in asset management. She highlighted PRIM's core belief against making tactical, short-term asset allocation decisions in response to market changes, focusing on engineering a strategic, long-term asset allocation strategy designed to perform well in varying market conditions.

Ms. Green praised the asset allocation research program at PRIM, led by Maria Garrahan, Director of Research. This program integrates both quantitative and qualitative insights aiming for a 7% actuarial rate of return over the next ten years and no cumulative drawdown greater than 20% in the next three years. For 2024, the board approved minor changes to asset allocation, including a 1% increase in the value-added fixed income range to 6-12% (previously 5-11%), a 1% decrease in the global equities range to 31-41% (previously 32-42%) and within value-added fixed income, focus will be placed on consumer credit, corporate credit, and real estate debt, which are categorized as other credit opportunities. This sub-asset class is noted for higher credit sensitivity, lower interest rate risk, and reduced liquidity.

There being no questions, Ms. Green asked Mr. Daniele to take over following the discussion.

Mr. Daniele provided an update on the PRIM performance, focusing on the quarterly review. Despite global challenges, the market has remained strong. The PRIT fund saw impressive returns in 2023, with a 6.2% increase for the quarter and 11.4% increase for the calendar year. PRIM's success was possible due to its strategy involving small tactical changes annually while staying the course with a long-term strategic allocation. Although the economy defied predictions of a recession in 2023, experiencing growth, falling inflation, and strong market performance, PRIM's portfolio demonstrated strong absolute returns, thanks to PRIM's internal team focus on researching networks and the valuable insights from Connie Everson into supportive factors for equities. Mr. Daniele concluded with a summary of market trends, including GDP growth, mortgage activity, and corporate earnings. He reiterated the difficulty of predicting markets but expressed satisfaction with the strong performance in 2023.

Mr. Daniele asked if there were any questions and went on to briefly discuss municipal outreach and ongoing portfolio management.

Mr. Daniele highlighted Blue Hills Regional District as a current client, with a meeting scheduled to discuss a possible application. Positive feedback is anticipated. Also, PRIM is in discussions with the Minuteman Regional and the Path Finders Tech regarding potential engagement. However, Mr. Daniele reminded the Board that the process of client onboarding varies, as demonstrated by experiences with Arlington and Sharon. Finally, Mr. Daniele mentioned the Massachusetts Collectors and Treasurers Association (MCTA) being in touch. PRIM has previously presented at their events and plans to continue outreach efforts, recognizing their influence in decision-making regarding financial offerings.

Mr. Daniele invited the attendees to ask questions or seek clarification on client engagement updates. The Chair thanked Mr. Francesco for his presentation.

III. Operations Report

The Chair invited Ms. Hesse to discuss the addition of Cape Light to the fund.

Ms. Hesse provided an update on the ongoing operations, specifically highlighting the efforts made in reviewing and coordinating with counsel for various entities over the past three months. She brought attention to the Cape Light application, confirming that all necessary documents had been signed and submitted.

The Cape Light process began approximately a year ago, involving a significant investment close to their entire OPEB liability. Due to the compact structure and the number of participating entities, Mrs. Hesse explained that there is currently no plan for additional funding beyond the initial amount, however a statement has been issued by Cape Light indicating periodic reviews of the funding situation.

Mr. Daniele praised the diligence and persistence of Cape Light Compact and their attorney, Erin O'Toole, in navigating the investment of their OPEB assets over the past two to three years. He commended their effort in joining the SRBTF and aggregating their assets.

Ms. Hesse acknowledged Erin O'Toole's contributions, emphasizing her crucial role in ensuring compliance and comfort with the statutory requirements for investment, which were not directly addressed at the time the statute was adopted.

Having no further questions concerning the Cape Light Compact, the Chair invited the Board to consider their application.

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

VOTED: To approve the Investment Agreement between the SRBTF Board and the Cape Light Compact/JPE and to accept the Cape Light Compact/JPE as a participating unit in the SRBTF as of March 14th, 2024.

Mr. Keefe - Yes
Mr. Rust - Yes
Ms. Flynn - Yes
Mr. Smith-Vaughan - Yes
Ms. Bramlage - Yes

IV. Other Issues

Ms. Hesse updated on the cleanup matters related to the towns of Sharon and Arlington. Of Arlington, an issue about a missing document which had been signed but lost was resolved. Of Sharon, a problem arose due to a counsel letter based on faulty information. A new counsel letter correcting the adoption date from September to December has been drafted, with the 90-day period concluding on March 4. This letter confirms that all is in order with the pre-existing trust. A revised declaration of trust for Sharon will be sent to Ms. Goretti Rica and Mr. Daniele for file maintenance, ensuring all necessary documentation is updated and in order.

Ms. Hesse also reported having a lengthy meeting with representatives from Path Finders Tech. They discussed inclusion of their application in the upcoming meeting agenda. Path Finders Tech, being a regional school district, has infrequent meetings, but there is anticipation of having their package ready for the June meeting, or September at the latest.

V. Adjournment

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

Mr. Keefe - Yes
Mr. Rust - Yes
Ms. Flynn - Yes
Mr. Smith-Vaughan - Yes
Ms. Bramlage - Yes