



Minutes of the PRIM Compensation Committee Remote Meeting
Tuesday, November 19, 2024

Committee members attending:

- Treasurer Deborah Goldberg, Chair
- Robert Brousseau
- Patrick Brock
- Catherine D'Amato
- Marian Tse

The PRIM Compensation Committee meeting was called to order at 11:30 a.m. Chair Treasurer Goldberg announced that the meeting was being held in accordance with the provisions of Massachusetts Acts of 2022, Chapter 22, which was most recently amended on March 29, 2023, to include an extension of the 2020 Executive Order 'Suspending Certain Provisions of the Open Meeting Law' until March 31, 2025. All members of the Committee that participated did so remotely via audio/video conferencing, and public access to the deliberations of the Committee were provided via telephone, with all documents referenced at the meeting available to be viewed on PRIM's website (www.mapension.com). At the start of the meeting, the names of the members participating remotely were announced.

I. Approval of the Minutes (Voting Item)

The PRIM Compensation Committee approved (unanimously) by roll call vote the minutes of its November 16, 2023 meeting.

II. Executive Director's Report

Michael G. Trotsky, CFA Executive Director and Chief Investment Officer, told the Committee he was pleased to report that PRIM's compensation plan is working well. He added that PRIM has assembled a nationally recognized team that consistently delivers innovation and strong results with no turnover in FY 2024. He reminded the Committee that salary ranges were updated three years ago (2021) and approved by the Board. PRIM's Compensation policy requires that the salary ranges be updated at least every four years. He mentioned that Adam Barnett from McLagan, PRIM's Compensation consultant, would provide their analysis and recommendations for salary ranges. PRIM managers work diligently with Michelle Witkes, PRIM's Director of Human Resources, and Anthony Falzone, Deputy Executive Director/Chief Operating Officer, to ensure that each employee is compensated appropriately in their Board-approved range based on their performance, qualifications, and experience. PRIM spends a lot of time ensuring that everyone is compensated fairly. He reminded the Committee that in November of 2022, McLagan completed a pay equity study, which the Administration and Audit Committee reviewed, indicating there were no pay equity discrepancies.

Mr. Trotsky added that the PRIM team continues to be recognized nationwide for its performance and innovation successes. Organizationally, PRIM has assembled a group of highly trained, experienced, and dedicated employees. After adding three new full-time employees and eight seasonal interns in the last year, we are 70 people strong. Six of the eight new employees are diverse in terms of race and/or gender, and all the interns are diverse. Today, 63% of PRIM's workforce is diverse, and 52% of our workforce is female.

Mr. Trotsky said he is very proud of the team, which now includes 31 master's degrees, 17 CFAs, 6 CPAs, and 4 JDs. He added that he is also proud of PRIM's long-term success and innovation. PRIM is a high-performing fund with a high degree of professionalism and transparency. PRIM has become a sought-after career destination for some of the brightest and most qualified investment professionals. PRIM receives thousands of well-qualified applicants for its job openings. There is no better compliment than when the best and brightest want to work at PRIM.

Mr. Trotsky added that for several years, the Board has supported expanding staff to support our growing investment program and the many additional projects underway. The Compensation Committee's work and consistent support have been invaluable in creating a stable and rewarding environment for PRIM employees.

Mr. Trotsky added the following points:

1. **PRIM must maintain the stability of its highly performing staff to maintain strong performance.** PRIM has received consistent national recognition for its innovative, low-cost, high-performing investment program.
2. **PRIM has one of the leanest investment staffs among top U.S. public pension plans.** In 2021, according to the National Association of State Retirement Administrators (NASRA), PRIM operates as one of the leanest public pension plans in the country regarding staffing compared to more than twenty of the largest public plans in the U.S.
3. **Compensation is a very small component of our overall cost structure at PRIM – approximately 3.8 percent.** More than 90 percent of our cost structure goes to outside investment managers, consultants and other service providers.
4. **PRIM competes mainly with the private sector for its investment and other staff.**
5. **PRIM utilizes data from the McLagan consulting firm to guide its decisions.** McLagan is the leading compensation consulting firm for financial services firms. McLagan's clients include over 60 public funds, over 50 endowments and foundations, over 150 investment management firms, over 50 banks and over 50 insurance companies.

Mr. Trotsky concluded his remarks by thanking the Committee for its continued support over the years. The plan works well and helps recruit and retain the talent PRIM needs to deliver the strong results and innovation vital to the mission to grow the pension assets and ensure that the 300,000 beneficiaries will receive the retirement benefits they have earned.

III. Presentation of Compensation Data and Analysis (Voting Item)

Treasurer Goldberg introduced Adam Barnett and Ashley McGuire from McLagan to present their findings and recommendation.

Mr. Barnett began by mentioning the update reflects the normal/on-going pay governance process that the PRIM Board adopted in 2012. In particular, PRIM is expected to complete a compensation review at least every four years. PRIM's salary ranges were last reviewed three years ago, in November of 2021.

Mr. Barnett provided a brief review of the section of the PRIM Board's Compensation Policy on salary ranges, which defines the peer group as approved by the Board and requires a review of the salary ranges at least every four years.

Mr. Barnett explained that the net result of the update is approximately 2-6% change per annum, depending on the position. He also explained that some housekeeping was done to add a new position and to provide more flexibility within the ranges for growth within a specific position.

Some additional points Mr. Barnett made were as follows:

- Current salary range midpoints are, on average, 8% below the targeted 75th percentile of other public funds.
- Market salary levels increased significantly since 2021 as organizations managed through a period of relatively high inflation and labor markets scarcity.
- PRIM is located and operates in Boston. In this major financial area, the cost of living is high, unlike many other funds operating in more regional locations.

Treasurer Goldberg added that PRIM also operates in a major financial center where PRIM competes with private sector firms for talent, and the competition in the marketplace is much higher.

Catherine D'Amato asked if the list of positions in the proposed pay bands included all the roles at PRIM.

Mr. Barnett answered that the proposed pay bands did include all the roles at PRIM.

Ashley McGuire provided additional context, adding that the ranges were adjusted to provide growth within each position and overlap from one position to another.

Ms. D'Amato asked if management has the authority to go over the max of the pay range?

Mr. Falzone answered that the Board approved compensation philosophy contains a process if an employee is placed outside the range.

The Compensation Committee voted (unanimously) by roll call vote to recommend to the PRIM Board that the Board approve the Fiscal Year 2025 Compensation Range Update as set forth on Page 3 of Appendix B, and further to authorize the Executive Director to take all actions necessary to effectuate this vote.

IV. Administration and Audit Committee Chair's Report on the Executive Director's Fiscal Year 2024 Performance Evaluation

Administration and Audit Committee Chair Robert Brousseau presented to the Committee a brief summary of the Board's August 14, 2024, evaluation of the Executive Director. Mr. Brousseau told the Committee that the overall performance was characterized as "outstanding plus." Mr. Brousseau referred to the transcribed evaluation contained in the draft Board meeting minutes, and reviewed the comments from the Board's evaluation of the Executive Director on August 14, 2024, and read through several of the quotes provided in the expanded agenda.

V. Executive Director's Fiscal Year 2024 Individual Performance Component (Voting Item)

Treasurer Goldberg explained the Committee's responsibility to recommend to the Board the Executive Director/Chief Investment Officer's Individual Performance Incentive Multiplier for Fiscal Year 2024, based upon the evaluation by the Board at its August 14, 2024, meeting.

Mr. Brousseau explained the mechanics of the voting item, and reminded the Committee that they recommended, and the Board approved, that the Executive Director receive a “1.00” Performance Multiplier for Fiscal Years 2014 - 2023, and that Fiscal Year 2014 was the first year that the current Incentive Compensation Plan was in place.

The Committee unanimously agreed that given the PRIM Board’s evaluation of his performance as “outstanding,” Mr. Trotsky’s Individual Performance Incentive Multiplier should be set at 1.0 for the fiscal year ending June 30, 2024.

The Compensation Committee voted (unanimously) by roll call vote to make a recommendation to the PRIM Board to set the Executive Director/Chief Investment Officer’s Individual Performance Multiplier to 1.0.

VI. Executive Director’s Salary Adjustment (Voting Item)

Treasurer Goldberg explained the Committee’s responsibility to recommend to the Board the Executive Director/Chief Investment Officer’s compensation.

Treasurer Goldberg mentioned that the Compensation Committee and Board have recognized over the years that the Executive Director/Chief Investment Officer’s accomplishments, experience, and performance require that his salary be toward the top of the pay range. With updated data from McLagan, the Executive Director/Chief Investment Officer has dropped down in the range, and adjustments would be needed to move him back into the appropriate part of the pay range.

Treasurer Goldberg added that it could not be done all at once. Adjustments could be made over the next couple of years, provided the high level of performance continues.

For the discussion, Mr. Brousseau moved that the Executive Director/Chief Investment Officer’s salary be adjusted by 2.7% (\$15,000).

Mr. Brousseau then reminded the Committee that the Executive Director/Chief Investment Officer had dropped down in the pay range, requiring an adjustment to his salary. He added that moving him back into the top portion of the salary range would require several adjustments.

Patrick Brock commented that the proposed amount is less than he would like to give but understands the proposed increase allows for significant future increases while keeping the salary within the range.

Marian Tse commented that she agreed with the amount, and it allows for adjustments in the next few years.

The Compensation Committee voted (unanimously) by roll call vote to make a recommendation to the Board to increase the Executive Director’s salary by \$15,000 (2.7%) to \$565,000, effective December 1, 2024.

The PRIM Compensation Committee meeting adjourned at 12:08 p. m.

List of documents and exhibits used during the meeting:

- *Minutes of the PRIM Compensation Committee Meeting of November 16, 2023*
- *McLagan Presentation – Compensation Data and Analysis*
- *Draft Minutes of the Board’s Fiscal Year 2024 Performance Evaluation of the Executive Director*