

Worcester Retirement Financial Board Meeting Minutes
August 20th 2020

The Worcester Retirement Board met at 8:30 A.M. on Thursday August 20th, 2020 for their monthly financial meeting through teleconference. All Board members were present. S. Wentzell acted as Chair for the meeting. S. MacLellan and D. Dynan, Meketa representatives were present.

The markets are rebounding and the Boards portfolio is reflecting the position they held before the start of the pandemic.

The Boards portfolio is down 2.5% at the end of July.

The Boards liquidity profile remains consistent. The Board's system liquidity is at 36% daily which is made up of US Equity and Core Fixed Income; 2% weekly, made up of value added fixed income; 46% monthly, made up of Emerging Market and PRIT; 4% quarterly, made up of infrastructure; and 12% is illiquid made up of Private Equity, Natural Resources as well as infrastructure. Meketa will continue to update the board on liquidity on a quarterly basis rather than a monthly.

The portfolio is not out of tolerance range as reflected in the report as of current due to a rebalancing of real estate that took place on July 1st.

The Board placed in the top 3rd of the system in the PERAC performance report.

The Board portfolio is still underperforming YTD with Non-US Equities performing the worst. The only asset class to perform well was Core Fixed Income. Overall the portfolio is not underperforming as much as it may appear due to a timing delay compared to the benchmark. Next quarter we should see Private Equity gains.

In regards to asset allocation and expected returns; the portfolios expected return has declined by 1% over the course of 18 months. The system was at 8.4% ER in 2019 and this year it is at 7.4%. This is not a sign that the portfolio is off target, the Boards Sharpe Ratio has increased from .41 to .45. The portfolio is still on the right track it's just not as strong as it was in previous years.

COVID-19 has caused a market that has become unprecedented. Distressed credit and real estate cycles, challenged markets, as well as continued volatility are expected. Three opportunities were presented for the Board to consider in hopes to offset any future volatility; Co-investment strategies, Continue to diversify real estate allocation with non-core, and elimination of natural resources allocation. The Board discussed all options.

B. Stearns made a motion to do an RFP search for co-investment strategies. Voted (3-0)

There had been 30 respondents to the recent non-core real estate RFP which are currently being reviewed and will be brought up at the next meeting.

B. Stearns made a motion to eliminate natural resources SSGA. Voted (3-0)

The Board adjourned at approximately 9:40 A.M.

Respectfully Submitted,

Lisa M. Poske, Executive Secretary

Stephen F. Wentzell, Appointed Member, Acting Chair

Elizabeth A. Early, Elected Member

John F. Mahan, Elected Member

Robert V. Stearns, Ex Officio Member

Tamara Cullen, Fifth Member