

Worcester Retirement Financial Board Meeting Minutes

April 29th 2021

The Worcester Retirement Board met at 8:30 A.M. on Thursday April 29th 2021 for their financial meeting through teleconference. Board members S. Wentzell, R. Stearns, and E. Early were present. S. Wentzell acted as Chair for the meeting. Meketa representatives S. MacLellan and Daniel Dynan were present.

In regards to the portfolio liquidity, a third of the portfolio remains as a daily liquid made up of US Equity, International Equity, and Core Fixed Income.

The portfolio is underweight in US Equity compared to PRIT which is important in regards to daily liquidity. S. MacLellan recommends a rebalance of 2% from International Equity to US Equity.

R. Stearns made a motion. E. Early second. Voted: to move 2% of International Equity to US Equity 3-0.

Meketa will be issuing RFP's for any contracts approaching the 7-year contract term limit in compliance of Section 23B.

The portfolio is in IPS range with exception to Natural Resource which is expected.

The portfolio is up 1.5% YTD as of 2/28/2021. Domestic Equity, Developed Equity, and EM Equity are above benchmark. Real Assets were heavily impacted by the pandemic and isn't expected to improve until later in the year.

The Board had 4 managers present for presentations.

Patrick Hearne was present to present SSGA. At the end of March the firm had \$3.59T in assets under management. The Boards portfolio is part of their Defined Contribution sector which makes up 20% of SSGA's allocation. The Business leadership team has not changed within the firm. Lori Heinel took over as Global CIO on the Global Investment team for Rick LaChai. In regards to performance the portfolio is invested in 7 strategies; Natural resources will have a zero balance due to recent liquidation. For the period of 4/1/21 to 3/31/21 the starting balance of \$133,399,401 had an increase of market value to \$214,090,532 with positive return rates throughout the strategies.

GIP was presented by Noah Keys. The Board Portfolio is invested in 3 funds within the firm. There have been no significant changes to their investment strategies or processes. There has been to changes to the GIP Senior Team; Tufan Erinbilgic on the London sector and Jim Amine to the New York sector. GIP I is a completed 2007 vintage fund that had a 23% Gross IRR, therefore no changes. GIP III currently has \$15.8bn in committed capital and has a current Gross IRR of 12%. In regards to future aspects the market is very competitive and Keys is confident in their ability to compete given their team, history, scale, and differentiated strategies. In regards to how the pandemic will affect future returns Keys explained that the firms position in renewable energies and market experience will help them through future market changes.

John Higley and Scott Pike presented IR&M. There have been no significant changes to the firm & investment team, and there has been no changes to the investment strategy or process. As of 3/31/21 the Aggregate portfolio outweighed the benchmark by 200 bps; being underweight in treasury and overweight in corporate sectors helped influence this increase. The Aggregate portfolio outperforms the benchmark by .16% in yield increase, and 27 in spread. The portfolio has a high value rated at AA- and 2/3rds of the assets are AAA. The

pandemic has created much volatility in the market, however, Pike stated as an investor that is what the firm looks for to find new opportunities which has benefited the firm. In regards to the TIPS portfolio, there has been strong return of 8% due to inflation and outperformed the benchmark.

Loomis Sayles was presented by Cheryl Stober, Brian Hobin, and Todd Vandam. Loomis currently has \$345.7bn in assets. There has been a new position added to the team, a Chief Equities Diversity and Inclusion Officer Marques Benton, and a new CFO Susan Seeker. Todd presented the High Yield portfolio. The major team change within this portfolio was 40+ Year member Dan Fuss stepped back into an advisory role vs a manager. Performance has been very positive with a 27.24% return which outperformed the benchmark by 3.53%. Cheryl presented the Bank Loans portfolio. The team is the same and no recent changes, and there has been no changes in the investment process and the fund remains diversified. The performance has been in line with the benchmark.

Final presenter was Julie Snaman and David Purdy for Acadian for the Non-U.S. Small Cap Equity fund. There have been no significant firm member changes and there is a continuance of working from home. The portfolio is up 6% over the benchmark. The portfolio is diverse with overweight's in materials, software, healthcare equipment and pharma; underweights in transportation, utilities, banks, and real-estate which has been the biggest driver of success.

The Board reviewed their asset allocation and risk analysis. In comparison to PRIT, the Board Portfolio is more aggressive with a 7.2 IRR, SD of 14.0 and a 53.3 Probability of earning 6.9% . This can be compared to PRIT with 6.9% IRR SD 12.8 and <50% probability of earning 6.9%. PRIT has a 11% allocation to Other/Hedge funds/ Portfolio completion where Worcester has 0. Meketa recommends changing the rage to 0-5 to provide the board with a better opportunity to invest if they wish.

The Board reviewed the three co-investment managers previously interviewed.

R. Stearns made a motion to adjust the asset allocation tables from 3% from Natural Resources to Other/Hedge funds/ Portfolio completion. E. Early Second. **Voted 3-0**

R. Stearns made a motion to invest \$39M into the other/Hedge funds/ Portfolio completion asset class with \$26M to Old Farm and \$13M to Entrust co-opportunistic funds. S. Wentzell Second. **Voted 3-0.**

The Board adjourned at approximately 11:30 A.M.

Respectfully Submitted,

Lisa M. Poske, Executive Secretary

Stephen F. Wentzell, Appointed Member, Acting Chair

Elizabeth A. Early, Elected Member

DNA

John F. Mahan, Elected Member

Robert V. Stearns, Ex Officio Member

DNA

Tamara Cullen, Fifth Member