

Worcester Retirement Financial Board Meeting Minutes
October 21st 2021

The Worcester Retirement Board met at 8:30 A.M. on Thursday October 21st, 2021 for their financial board meeting through teleconference. Board members, S. Wentzell, R. Stearns, and E. Early, and J. Mahan were present. S. Wentzell acted as Chair for the meeting. Meketa representative S. MacLellan and D. Dynan was present.

Equity markets broadly declined in September due to continued supply chain issues weighed on US equities. Treasuries also declined given inflation. This year's sector trends are increasing in energy and financials which is the opposite of last year. Inflation continues to be an issue however the portfolio is diverse and positioned well to handle changes.

The Portfolio is on target for EM Equity but 2% below in International Developed Equities. Meketa recommended a rebalance of 1% to even out the spread between EM and Developed EM which would result in a 13M transfer from PRIT EM to SSGA EAFE.

One other observation is that Private Equity is out of the policy range by 1%. This is because PE performance has done very well in PE, but also due to transaction activity slowing in 2020. Two options presented are to increase the range, or, to retain the range and just keep notation that it is recognized

September 30th the portfolio was down (1.8%) ,however, performance has increased in October which would bring the portfolio up to be similar to the end of August.

In regards to 8/31/21 the Portfolio was up 12.8% which is higher than the benchmarks. Equities are performing well with PE up 20.1 and DE 21.0, Core Fixed income is not, with a (0.2) return at the end of August however is up 1.7 YTD. Overall the portfolio is surpassing the benchmarks.

Meketa reviewed a Memo provided in regards to Eaton Vance's management team changes. Meketa and the Board discussed.

The Board had a series of Manager Meetings;

Rachel Carey and Brad Godfrey joined the meeting to present Eaton Vance. The representatives discussed the recent team changes and assured the Board that the changes would not result in any investment processes. The team discussed its competitive advantages such as their opportunity set, risk factors, and access to markets. The systems portfolio had strong performance; it outperformed the benchmark 180 basis points since inception resulting a net excess return rate of 4.15%.

David Greenberg and Michelle Cameron presented for IFM. There have been no changes to the investment team. There have been no changes to the firm's strategies, the firm is consistent with selling opportunistically, keeping the portfolio diverse in core infrastructure and mitigating risk. In regards to the systems portfolio the Net return since inception is 12.3% and 14.6% within the last year.

Tony Crooks and Emily Margolis presented for AEW. There have been no significant changes to the team or firm strategy. Fund VII is in liquidation with a forecasted Net IRR of 11.5% with a 1.4 multiple; 23 investments sold with 9 remaining with a primary focus in senior housing, but also sectors in Hotel, Retail, and office. Fund IX closed this year with \$474M capital allocated to the fund. Property diversification focuses on Industrial (41%) and Residential (31%), with the remaining in Medical (21%) and Hotel (8%), the projected Net IRR for the fund is 14%.

Walter Dick and Tom Scanlon presented for Ascent. There has been no team or strategy changes. Fund III final sale was in Q2 and had a final 1.1M Liquidation on 6.30.21 ending in a Net IRR of 3.6% with a 1.2 Multiple. Fund IV has one remaining investment and is at a current total net IRR of (27%) and all forecasted outcomes result in no increase of capital value. Fund V has a current Net IRR of 8.1% with \$50M distributed to date. Fund VI has a current Net IRR of 2.4% and 94% of capital has been called to date.

S. Wentzell left the meeting at 10:15; R. Stearns took on role of chair.

Brian Schneider presented for Northstar there has been no changes in the firm's team, strategy or process. As of 6/30/2021; Fund III is fully realized with a Net IRR of 10.9%, Fund IV is also fully realized with a Net IRR of 10.8%. Fund V is currently in harvesting mode with a current Net IRR of 8.2%, this fund had \$585M invested and has a current value of \$964M.

James McGuigan presented for CIPEF. As of 6/30/2021 \$3.5M in realized gains of its original \$7.5M commitment; there is \$5M in unrealized. There are 11 investments remaining of the fund. James discussed the different liquidation plans/scenarios with plans to close funds over a 4 year period with last sales in 2024.

Meketa discussed a Small Cap Value search. The current manager is Lee Munder and the System has been invested with them since 2009. The degree of excess return over the value benchmark has diminished and been underwhelming. Their performance has been positive but also less as time continues. Their efficiency ratio has been negative over the last 5 trailing years. The system must issue an RFP due to the terms of Chapter 176, and the Board will have the option to retain Lee Munder or proceed with a new manager. Alternatively the Board may elect to index US Small cap Equity exposure to the rest of the US equity portfolio.

The Board had 22 respondents for Core Bonds and TIPS RFP; a review may be presented for December's meeting.

Voted: Terminate Lee Munder Small Cap value and Transfer funds to the Russell 2000 Index. **3-0** by roll call vote.

Voted: Rebalance \$13M (1%) from EM Equity to EAFE Equity. **3-0** by roll call vote.

The Board adjourned at approximately 11:00 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
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Tamara Cullen, Fifth Member