

Worcester Retirement Financial Board Meeting Minutes October 15th 2020

The Worcester Retirement Board met at 8:30 A.M. on Thursday October 15th, 2020 for their financial meeting through teleconference. All Board members were present. S. Wentzell acted as Chair for the meeting. S. MacLellan and D. Prockter, Meketa representatives were present.

The Boards Emerging Debt Fund with Eaton Vance should be finalizing within the next few weeks, paperwork is being worked out with Eaton Vance. Morgan Stanley did acquire Eaton Vance since board decision to take on the fund, but there is no expected strategy or team changes and is overall seen as a neutral change.

Per the prior financial meeting, SSGA Natural Resources funds been reallocated from the portfolio via payroll funding and invested into equities in SSGA.

The Opportunistic co-investing RFP posted within last couple days. Six to eight responses are expected, and will most likely be reviewed in December or January.

Markets are very unpredictable. Covid-19 and the elections will determine the markets. Covid-19 cases are rising globally, Europe is shutting down again. As cases rise and lockdowns take effect, markets will be affected negatively.

As of 8/31/20, markets are up excluding the MSCI EAFE at (4.6)%. Information Technology is doing very well with an increase of 34%. Energy is down 39.6%

The Boards portfolio is very diverse and seen as adequately spread, however with such unpredictable markets, if there are broad downturns, the Board could expect negative outcomes.

At 8:50 gar Chung from Pension and Investments joined the teleconference.

For 3rd Quarter the portfolio is up 4% but down 1.2% YTD. At the beginning of October funds are doing well and projected to be up 1.6%

The portfolios liquidity profile is very healthy with 1/3 being daily liquid.

Performance through August shows Domestic Equities up 6.6% YTD though Small Cap is performing poorly. The portfolio has an overweight in small cap. International Developed Market Equity performed above the benchmark this QTR and YTD by a couple basis points. IRM is performing poorly however now has bounced back to their benchmark this QTR. The Portfolio has trimmed down with funds phasing out.

In July the Board put out a RFP for Non-Core Real Estate with a commitment for 15M. There were 31 responses, all of high quality. Four out of the 31 were rated as most advantageous; AEW, Berkeley, PCCP, and Acentirs. After Discussion of the 4 strongest respondents E. Early motioned to interview AEW and PCCP at November board meeting. **Voted:** at the November Meeting to interview AEW & PCCP. (4-0)

The Board had their manager review with LMCG, IFM, TA, and Ascent.

Todd Vingers and Jenna Oliver presented for LMCG. There are 6.4B in assets with 1.5B in small cap value. The firm has been stable YTD with no personnel turn over. With Covid-19 work from home had been a seamless transition, they already had full support for at home work before pandemic hit. They closed their non-us Business due to poor productivity. Overall the firm invests in High Quality Companies at a discount. They have doubled in comparison to the benchmark on return on assets. During the 1st Quarter stress they reevaluated the portfolio and eliminated anything that would not hold up if market stress continued long term, such as aerospace. They bought new companies, such as Yeti a company who specializes in Thermoses/Tumblers, which was considered risky however it had turned out well short and long term. They trimmed defensive holdings such as BJs. BJ's did well very quickly which they had a profit and sold quickly. YTD Staples and Energy Did very well compared to benchmark. Healthcare did not do well due to the firm's lack of exposure to biotech, and Consumer Discretionary.

David Greenberg & Campbell Holman presented for IFM. The portfolios had a total 35M total commitment which has been drawn over 3 cap calls. The portfolio was originally set up to reinvest distributions into the fund and to date 7M has been reinvested. The firm aims for a NRR of 8-12%, currently the portfolio is 12.26% net of fees Time Weighted Return since inception. As of 6/30 GIF fund has 28.3B in assets covering 17 portfolio companies. This year Return for IF and USLP Class A funds are 3.8 & 4.5% respectively. Covid-19 has had a big impact. The team has been working from home and slowly moving back into office but the majority remain at home. Investments were hit hardest in transportation sector, which is 50% of their portfolio, such as airports. As of 6/30 airport investments have a tentative recovery date of 2023 to get back to 2019 levels. Seaports were down 10-30% at peak of pandemic due to impacts such as shipping from Asia. Seaports have a 18-24 month recovery time to get back to pre Covid levels.

Bill Christ presented for TA. The firm is doing very well. Fund TA XII up 17.7% YTD with a Net IRR of 34.4 as of 6/30/20. Even through Covid performance is positive. The 2019 Fund was a slow starter and dipped but has rebounded. Software Investments have performed very well and held through Covid. Due to technical difficulties the call was suddenly dropped and was not resumed.

Walter Dick & Tom Scanlon presented for Ascent. All of the firms companies were impacted by Covid- 19; many had reduction in team size and salaries. Funds AVP V & VI are down -10.2%. There has been decline in LP interest which resulted in stopping fundraising efforts and changing focus fully on managing Ascent funds for optimal outcomes. There will be no new investments. They have stopped collecting fees on AVP III and exploring exit opportunities; there is a Net IRR 3.6%. AVP IV has one remaining company BryterCX, There is no increase in capital account value for this entity and they are looking to exit soon. AVP V has a Net IRR 6.7% with 97% of the capital called. There was a distribution of 50M to date and they plan to exit two companies of the fund by end of 2021. Finally AVP VI in growth mode, 90% Capital called with a current 1.4% net IRR.

The Board adjourned at approximately 10:15 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