Worcester Retirement Financial Board Meeting
April 16th, 2020

The Worcester Retirement Board met at 8:30 A.M. on Thursday, April 16th, 2020, remotely through teleconference. Board members Stephen Wentzell (chair), Elizabeth Early, John Mahan, and Robert Stearns were present. Daniel Dynan and Steven McLellan attended as the Meketa representatives.

The Board discussed the recent impact the Coronavirus has had on the markets. U.S. Equities down about 15%, Develop Markets down 21%, Yen down around 20%. Bonds have been protective. Aggregate bonds and Tips up 5%. We are in a bare market. Markets exceeded the VIX index. Energy declined, the most due to Oil markets being under pressure not only due to Coronavirus, but also due to OPEC+ supply cuts and tensions between Russia and Saudi Arabia. US Jobless claims have jumped to 6M. This has contributed to market volatility. Due to such uncertain markets there is a high expectation of fluctuations in the days to come.

At 9:10AM member of the public, Gar Chung, joined the open meeting.

The Worcester Retirement System is estimated to be down 10% at the end of March. Estimated through April would be a gain of 3.7%, Down 7% YTD.

The Board received 23 responses for their Emerging Markets Debt $32M RFP. Many strong contenders in pool and very possible upgrade opportunity. Current manager is only rated as advantageous. 5 managers rated as highly advantageous and recommend any of the 5.

Voted: Interview 3 candidates (Aberdeen, Wellington, Eaton Vance) 4-0 Tentative date of interviews; June Financial Meeting.

Meketa proposed a rebalancing of Emerging Markets Debt of 11M into High Yield and Bank Loans to be revisited later in the meeting.

9:30 SSGA presentation from Patrick Hearne and Arman Palian.

> SSGA's firm is stable and strong. At the end of March there was just over $133M in the aggregate portfolio. All funds are as expected. S&P 500 Flagship NL Fun tracking almost 13 basis points since inception, S&P Midcap tracking about 11 basis points since inception, and 14 from the Russell 1000. Non-US Funds provided some tax advantages and the index will reflect this. Due to current environments, the company's first priority is health and safety and all can efficiently work from home. As far as investments, there are no big concerns at the moment on current portfolios. They are a global firm which gives them an advantage.

9:40 GIP presentation from Jim Jenkins.

> $74B in management with 31 portfolio companies with over 200 professionals with a slow growth. Over 400 institutional investors. GIP invests with Infrastructure companies, high quality companies with long-lived assets. Downside protection is seen as key vs upside potential. Taken stronger assessments of environmental safety and health and hold high ESG principals. They have a strong senior staff with only one retirement in last few years.
>
> GIP I formally terminated in March. One element of value left in the fund comes from an old investment in litigation. Valued at 38M and there are hopes for investors to get a payout from that. 23% GIRR - 17% NIRR - 3.2X multiple of invested capital.
>
> GIP III has 8 investments and about 85% invested, reserved, or committed, therefore there is room to add an investment or two. As of 3/31 GIRR 6%, NIRR 2%. This reflects decline in value form year end of 1.8B or 12% in total valuation decline.

In regards to Coronavirus, all staff working remotely since December 16th. As a firm they are very pleased with the efficiency of working from home.

10:10 IR+M presented by Angela Meringoff and Scott Pike.

Rocky first qtr. with market volatility, but otherwise firm is in good shape. Since inception, 22 Basis points of excess returns compared to the Barclays aggregate. Compared to the benchmark in March, Worcester out yields .84 % which is up from the average .2 %. Looking at sector breakouts, Worcester is underweight in government, but overweight in all others compared to the benchmark. Treasury is underweight, however higher in TIPS and Government Guaranteed. Very comfortable in the exposures that are selected. Have ability to add more to portfolio and more liquidity. TIPS have been close to the index. The Stagey is to be to the index plus a little. However should not expect a lot out of performance.

10:25 Loomis presented by Michael Finocchi and Ken Johnson and Michael Claywitter.

In current environment almost all staff working remotely and have a smooth transition. In regards to High Yield market, sold off about 12%, 11 ½ through the month of March. Spreads widen about 500 Basis points for the quarter and 400 in month of March alone. Examining the risk coming into the year, the fund has a lot of liquidity, primarily in cash, which ended up being helpful. In the portfolios about 8% was added to High Yield exposure. A lot of uncertainty related to the pandemic, however policy response has helped the markets functions.

Coming into March, the Bank Loans were the strongest seen since 2018. Prices are around par. Entering March and the pandemic, Bank loan mutual funds were selling fast. Bank loans started looking cheap, then the federal plans came out and helped the markets. For the end of April, Bank Loans up 8-9% and continue. Average BB is 93, lowest being low 80%. Most of the net is BB rated portfolios. Loomis' average price is about 91.

Gar Chung left the meeting

Voted: Rebalance $11M out of Lazzard and moved split $5.5M to Loomis High Yield and $5.5 to Loomis Bank Loans. 4-0

10:50 Acadian presented by Charles Johnson, Heather Mazzarella, and Jennifer Sachs

There are no broad organizational changes other than an added Director of Global Equity research. In regards to Portfolio characteristics, valuation is relative to the MSCI EAFE Small Cap Index; this portfolio tilts more towards the smaller caps than the index. This exposure in regards to 2019, value stocks did poorly, small caps generally underperformed 1st few quarters of 2019. Very Diversified portfolio. Biggest overweight is in Japan for software, as well as Israel for banks and software, Canada for Real Estate and Entertainment, Ireland for Pharma. Underweight in UK for Real estate. Underweight in capital goods and transportation.

2.2% annual return since inception. 2019 Difficult year down 1%. Copper and steel went against the portfolio, however Software went well. 2020 outperforming by 1.6%. The diversity of the portfolio has helped this, such as being underweight in energy but having significant stand in pharma's. Outlook is uncertain in these times, and difficult to gauge. Models leaning towards value and less volatile countries.

The Board recessed at approximately 11:15 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

DNA

Tamara Cullen, Fifth Member