

Worcester Retirement Financial Board Meeting
February 14, 2019

The Worcester Retirement Board met at 8:00 A.M. on Thursday February 14, 2019, in Room 401 Worcester City Hall. All Board members were present. Mr. Wentzell acted as Chair for the meeting. First on the agenda were the Actuary RFP respondent interviews.

The Board met first with Linda Bournival of KMS Actuaries LLC of Manchester NH. Her firm has significant presence in the Public Sector and in M.G.L. Chapter 32 world since 1988. She spoke of her resources and team as well as a fresh prospective on our System. If her firm were to be selected the work would include a free audit of prior results, a complete review of actuarial assumptions. All KMS work product is high quality and undergoes Peer Review. She is the owner of the firm. In 2017 the firm hired a fully credentialed actuary that works remotely from VA. In June 2018 her son joined the firm upon graduation as an actuarial professional. Cybersecurity risk and continuity of the firm were discussed.

The Segal Company representative Kathy Riley was next before the Board. She reviewed the team and the process briefly. Spoke of setting the actuarial assumption and managing volatility in the appropriation. A discussion of pension risk as well as Actuarial Standard of Practice Number 51 and required disclosures ensued. Since the Board is very familiar with K. Riley and The Segal Company the discussion centered on assumptions and managing volatility.

At approximately 9:30 a.m. the Board was joined by Meketa representatives Dan Dynan and Steve MacLellan to interview the two Infrastructure Fund finalists. Brookfield Infrastructure Fund IV representatives Scott Mueller, Andrew Killian and Scott Peak were first before the Board. This is the firm's fourth fund in a series of private infrastructure funds with an investment approach that has been executed for nearly 20 years. Senior management team averages 20 years of industry experience with 13 years with Brookfield. Focus is on transportation, renewable power, utilities and energy infrastructure. They have invested in more than 100 infrastructure transactions since 2000. They invest in high quality core assets in sectors where its operating experience gives them a competitive edge. Feel they have demonstrated the ability to invest throughout different market cycles. Brookfield has only had one exit from their prior Funds.

Global Infrastructure Partners representative Jim Jenkins joined the meeting to review the RFP submission to the Board for Fund IV. The Board is invested in Fund I and III. GIP has a dedicated team that creates operational value and drives growth. The Fourth Fund size is \$17.5 billion and a hard cap of \$20 billion. The initial close was in Q4 2018. Fund will make between 10 and 15 investments targeting gross returns of 15%- 20%. In Fund I there were 12 investments and to date 10 exits. Fund II has 11 investments and to date 4 exits. Fund III has 8 investments to date. Key to value creation lies in strategic well timed exits.

The Board discussed both Funds. Meketa feels that both are superior managers in this investment sector. GIP however is superior in their demonstration of successful exits. Based on this the Board voted as follows:

Voted: To commit \$15 million to Global Infrastructure Fund IV pending PERAC approval. Unanimous.

Meketa reviewed the year end investment performance. The system performance net of fees was -3.2%. Performance was negative across all asset classes with the exception of Private Equity, Real Assets and Real Estate. Numbers reflect Private equity as of 9/30. The big detractors for the Board performance in relation to PRIT have been Value Added Fixed Income and Private Equity.

The Board currently has 2 RFP's outstanding, High Yield and Bank Loans. The Board will interview Loomis Sayles and Octagon Credit Investors for the Bank Loans mandate. Loomis Sayles and DDJ Capital will be interviewed for the High Yield Mandate. Both interviews will take place in April since the March meeting already has a full agenda.

.

A High Yield and Bank Loans RFPs will be issued in the coming week by Meketa. An RFP is required under c.176 every 7 years. An RFP has been issued for custody services. Three responses have been received and are currently being evaluated by Meketa. Board would like to narrow the field to two finalists before scheduling interviewing.

The Board recessed the meeting at approximately 10:25 a.m.

Respectfully Submitted,

Elizabeth A. Early, Executive Secretary and Elected Member

Stephen F. Wentzell, Appointed Member and Acting Chair

John F. Mahan, Elected Member

Robert V. Stearns, Ex Officio Member

Tamara Cullen, Fifth Member