

Worcester Retirement Financial Board Meeting

April 25, 2019

The Worcester Retirement Board met at 8:35 A.M. on Thursday April 25, 2019, in Room 310B Worcester City Hall. Board members John Mahan, Robert Stearns, Tamara Cullen and Elizabeth Early were present. Mr. Stearns acted as Chair for the meeting. The Meketa representative was Steve MacLellan. First on the agenda was a brief review of the Board's first quarter 2019 Market performance and world markets review. As of March 31st the Board portfolio is valued at \$946,649,822. Current Asset allocation is within policy range in all asset classes with the exception of Value added Fixed Income. The PRIT General Allocation is still 9% below the 35% policy but within range.

The Board heard from HY and Bank Loan RFP finalists. First presenting to the Board was Octagon Credit Investors representatives Peter Kenny and Lauren Basmadjian. The Firm was founded in 1994 and has close to 25 years of experience managing Bank Loans. Octagon's Senior Secured Credit Fund has ranked 2nd, 7th and 4th on 1, 3, and 5 year total return basis. Average quality is B+. The firm focuses entirely on the HY and Bank Loans with \$20 billion under management. Liquidity is monthly with a 15 day notice before end of month. Funds are available by the end of the subsequent month. Strategy is flexible and opportunistic.

DDJ Capital Management representative John Sherman was next on the schedule to review his firms HY product. The firm is 100% privately held by 22 Equity owners. The firm is located in Waltham with 54 employees. The investment vehicle is DDJ Capital Management Group Trust- High Yield Investment Fund with \$6 billion invested in this product. Average credit quality is triple C. They invest in middle market companies (defined as \$ 1-3 billion companies). He offered Ancestry.com as one of the names they hold. They perform in-depth due diligence on issues before investing with a long term mentality.

Next the Board met with Loomis Sayles representatives Todd VanDam and Mike Klawitter. Loomis currently manages the HY and Bank Loan portfolios for the Board. The HY Full Discretion product has over \$7 billion in assets. The team manages several investment strategies with similar investment mandates. Average credit quality for this product is BB with over 800 issues in the portfolio.

The Loomis Bank Loans Commingled Trust is a diversified portfolio with more than 250 positions in the Trust. The investment objective is to outperform the index over a full credit cycle. The average credit quality is double B minus. There is over 10 billion in the bank loan sector over several strategies. The firm has a very conservative approach to managing the portfolio building the portfolio from the bottom up.

Next on the agenda was a conference call review of the Board's investment in TA XII private Equity buyout fund with Brian Conway, chairman. This is a 2016 vintage year fund that has 45 remaining investments in the fund. Per their report 100% of investments are on or ahead of plan. Briefly discussed the 4 "problem" companies in the portfolio. Expect to be 95% invested by mid-2019. As of 12/31/2018 the net IRR is reported at 28.5%.

RMK conference call to review the Board's investment in Select I, Select II and Balanced B Fund took place next at approximately 10:50 a.m. with Jim McBride and John Lang. Select I a 2004 vintage year has had 2 one year extensions to the Fund. The Counce property was sold in February and Worcester should see a distribution in the next quarter. TN Uplands property is the one remaining property. The buyer recently backed out of the purchase. Currently working with another buyer and hope to complete transaction in three tranches over the next 12 month. Select II is currently marketing the last US property. It is a weak market for the Brazilian properties. Have a buyer with a 15 month purchase scenario for one of the properties. The Balanced B Fund is well past extension dates. One remaining property in the Fund. The property has both hardwood and softwood in two states.

At 11:10 the Board met with IR&M representatives Amy DiMarzo and Ed Ingalls. The Board currently has \$65.8million invested in an Aggregate Bond Portfolio and \$36.1 million in Intermediate TIPS portfolio. They gave a brief market update of slowing global growth. Short term yields have risen above zero. In the first quarter they took advantage of demand for corporates and trimmed bonds that outperformed. Maintained overweight to ABS and CMBS. Outperformed the index slightly for the first quarter. The Intermediate TIPS portfolio performance matched the index in the first quarter.

Meketa asked for a Board vote on their rebalancing recommendation.

Voted: To rebalance \$5million from Lazard EMD to PRIT General Fund. Unanimous.

The Board recessed the meeting at approximately 11:35 a.m.

Respectfully Submitted,

Elizabeth A. Early, Executive Secretary and Elected Member

DNA
Stephen F. Wentzell, Appointed Member and

John F. Mahan, Elected Member

Robert V. Stearns, Ex Officio Member and Acting Chair

Tamara Cullen, Fifth Member