

Worcester Retirement Financial Board Meeting

October 17th, 2019

The Worcester Retirement Board met at 8:00 A.M. on Thursday October 17th, 2019, in the Lincoln Levi Room, Worcester City Hall. Board members Steven Wentzell, John Mahan, and Robert Stearns were present. Mr. Wentzell acted as Chair for the meeting. The Meketa representative was Daniel Dynan. First on the agenda was a brief review of the Board's third quarter 2019 Market performance and world markets review. As of August 31st the Board portfolio is valued at \$995,039,148. Current Asset allocation is within policy range in all asset classes with the exception of Value added Fixed Income. Meketa recommends no asset action. If asset remains out of range then there will be consideration of Investment policy discussion.

Meketa discussed their relationship with Entrust. Meketa stated they had no involvement with the Global Encore Boston event that was planned. Meketa responded to PERACs memo with a letter stating they were not a Placement Agent which would be forwarded to Board at end of day.

The Board met with Lee Munder Small Cap Value representatives Jen Oliver and Todd Vingers. The company has had approximately 7Billion in assets for the last few years with 26 investment professionals and a 5 person small value team. LMCG's portfolio weighs more in Industrials and Financials and less in Energy sector and Communication Services. YTD is up 400bps. Market momentum has slowed. YTD Industrials is up 200bps. Energy outperformed. Materials struggled due to stock specific issues.

Next on the agenda was a conference call review with IFM Investors with associates David Sheldon and David Greenburg on the global infrastructure fund (GIF). Review is as of June 30th 2019. IFM Firm has 98bn across 4 asset classes composed of Private Equity, Debt Investment, Infrastructure Equity, and Listed Equity with 40.6bn making up Infrastructure. GIF itself has 16 portfolio companies across 43 countries. WRB sits in the IFM GIF LP Class A, which is returning 16.4% net and a 7% net cash yield since inception. Net TWR since inception is 16.41% as of September 30th 2019. Top Performers are Manchester Airport Group at 31.6%, Vienna Airport at 25.2%, Freeport Train II at 20.5%, and Indiana Toll Road at 17.9%. IFM discussed recent developments and projects. IRR goal is 10% but averages 4-6%.

Lazard conference call review of the Boards Investment in Emerging Markets Debt (EMD) with Frank Sposato and Darren Madden. Overall Firm investment management has not changed. As of August 31, 2019, 230.8bn in assets for all classes, which is up from prior year. Closed old strategies including Global real-estate, Hedge funds, and Microcap, and redirected resources to Lazard Technology in order to enhance abilities to identify better investment opportunities and run more efficiently. EMD blend strategy platform manages 6bn which the WRB is invested in. Hard Currency is up 13%YTD, Local Currency up 8% YTD. EMD Blend outperformed 50bps YTD. Long term expectations are around 5%. Growth is expected to continue to slow, therefore a conservative stance will be taken.

At 9:40 conference call with Riverside to discuss Boards investment in Private Equity-Buyouts with Peggy Roberts. Their strategy focuses on smaller end of the middle markets in North America, Europe, and Asia. New Fund created where WRB is not invested currently, otherwise Leadership team has not changed. RCAF 00 & RCAF 03 vintages are completed, closing at 1.8 net CoC and 2.1 CoC respectively. REF III has not performed well and will fully exit next year. RCAF V has 5 active platforms, and expected

to sell last platform in 2022 with a 1.4 CoC. RCAF VI is very active 17 platforms, however planning to sell 3 platforms this year. Finally RMCF III with 8 active platforms, last projected exit is 2025. Tech enabled agencies are being highly valued resulting high upcoming CoCs on exit.

American Securities was up next with a conference call with Elizabeth Lawrence for Private Equity review of fund ASP VI. 132 Employees with many internal promotions. Fund IV reached full investment in April 2016, and as of Q2 valued at 22.6% net IRR with a 2x multiple, returned 6.5bn to date. Overall fund is performing well. Planning to sell as much of the portfolio as possible within the next few years.

Next on the agenda was conference call with Ridgemont to discuss boards Private Equity Fund REP II. Within the Team there have been six new hires, as well as a new partner in Tech & Telecom, Anthony Cassano. The Platform is considered at a high level and fully invested as a platform which is diversified 20% T&T, 20% Health, 22% Energy, and 38% BIS. All funds are performing well with exception to J5. As of June 30th 2019 net IRR of 22%.

The Board met with AEW representative Tony Crooks to discuss AEW VI and VII funds. In regards to Fund VII, Fund closed in 2014 total capital raise of \$565m. Strong exits in early in the fund. Two exits expected at the end of 2019 producing an expected return of 110% of capital to investors, and further sales produce an estimated 135% return capital by the end of 2020. Inception to date IRR is 13%. 63% of the fund is newly built apartments and senior housing and doing well. Office and Hotel assets affected by government sequesters. Expected net IRR between 14-15%. Fund VI is fully liquidated as of the 3rd QT. Portfolio achieved a 16.3 net IRR and a 1.9 net equity multiple. \$34m of cash still on books which will be distributed in two parts. In July litigation with partner settled and AEW still pursuing malicious prosecution.

Meketa asked for a Board vote on the securities litigation RFP response. Ranking parameters were discussed and reviewed.

Voted: No more than 2 monitors, BLBG and Saxena White for monitoring. Unanimous.

The Board recessed the meeting at approximately 12:00 p.m.

Respectfully Submitted,

Lisa M. Poske, Executive Secretary

Stephen F. Wentzell, Appointed Member

John F. Mahan, Elected Member

Robert V. Stearns, Ex Officio Member

DNA

Elizabeth A. Early, Elected Member

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Tamara Cullen, Fifth Member