

**Worcester Retirement Monthly Board Meeting**  
**February 16<sup>th</sup> 2023**

The Worcester Retirement Board met at 8:30 am on Thursday February 16<sup>th</sup> through teleconference for a financial meeting.

Board Members R. Stearns, M. Wally, and J. Mahan were in attendance as well as S. Maclellan, Board Investment consultant, from Meketa Investment Group. E. Early joined the meeting at 8:47. Two unnamed journalists were also in attendance.

Regarding the 4<sup>th</sup> Quarter; performance for the Board portfolio was positive however YTD was negative. All sectors declined during December, led by consumer discretionary and technology with defensive sectors declining less. For the quarter, most sectors were up led by energy and industrials. Inflation still remains elevated but did decline from 6.5% from 7.1%

Current YTD performance as of December 31<sup>st</sup>, 2022; the portfolio is at (-8.4) %. This is not ideal however it does outperform the benchmarks ((-13.0) & (-17.3) respectively). In comparison to PRIT (-10.8) the portfolio outperformed by 2%. The Portfolios allocation to Private Equity and Real assets, and Real Estate attributed to these gains.

Estimated portfolio performance through January 31<sup>st</sup>, 2023, is 3.3% and closer to 4% YTD for February. Private Market investments are not included due to timing of reporting.

Asset allocation was presented and is currently more conservative compared to the PRIT however this has been beneficial and stable. The portfolio is within target ranges for policy targets with exception of the overweight in Private Equity which had been beneficial, and the Board acknowledges.

S. Maclellan requested authorization to issue an Infrastructure RFP, another must be issued to keep up with allocation. M. Wally made a motion to approve Meketa to issue an Infrastructure RFP and present results to the Board mid-year. R. Stearns 2<sup>nd</sup>. Voted to approve (3-0).

The Board had 6 Managers presented to the Board.

SSGA's portfolio review was presented by Patrick Hearne.

At the end of 2022 SSHA had \$3.48 Trillion in assets with 551B being defined benefits. Their index ranges from Equity, Fixed income, Cash, Alternatives, and Multi asset. The class the portfolio falls into is Equity. Regarding changes there is a new President and CEO Yie-Hsin Hung, she joined this past December. This would not affect the portfolio. Overall strategies have not changed. At the end of 2022 the total portfolio invested funds had an estimated market value of \$174,192,985.

Eaton Vance's portfolio review was presented by Rachel Carey and Brad Godfrey.

There has been no major changes since the last meeting at the end of last year. John Bower, a co-director of the team announced his retirement 2/2024, he will be key in transitioning Kyle Lee, a team portfolio manager who has been with the company since 2007, into the co-director position. This will not affect the day to day performance.

They have outperformed their benchmarks peers every year since their inception. A unique feature of the funds strategy is it maintains a US treasury duration at 0 years. US Dollar denomination Emerging Markets debt bonds, sovereign or cooperate, are issued as a spread to us treasury. Their peers usually have 3 years of US treasury duration, but their strategy is always at 0 which is a key structural

component of their strategy. This strategy would struggle against competitors is the US Treasury yields significantly drop, the portfolio may lag.

Regards to the macro environment, they believe the environment has turned to become supportive of EM Debt. In looking recent months performance, it supports this claim for the asset class.

IR&M's portfolio review was presented by Jonathan Higley, Scott Pike.

There have been no significant changes to the firm or investment changes. They have \$89 billion in assets. The Aggregate portfolio last year's performance resulted in a loss of (-7.9) however this did outperform the benchmark of (-8.36). Month to Date the portfolio is positioned at a gain of 3.33 which also outperforms the benchmark of 3.08. When asked how the macro environment affects the asset class their response was; fixed income is in a much better position than a year ago. Federal reserve is expected to increase rates slightly and keep them at an elevated level for some time which would support the investment grade fixed income portfolio which should maintain elevated yields. If the reserve does result in a downturn, they still expect positive this to have a positive influence on fixed income assets.

Regards to risks the portfolio is close to the benchmark. If lower rated securities outperformed, that would negatively impact the portfolio on a relative basis, but they don't think that is high probability. They state their current position with sectors and quality of their funds are very suitable for this environment.

AEW's portfolio review was presented by Tony Crooks and Emily Marigols.

There were no significant changes to the team. There has been no change in process, however strategy changes with cycles. Fund IV, V, and VI are all fully realized and liquidated. Fund VII has had a return 120% of the capital call with a net IRR of 10.5%. This fund focuses on Office, Senior housing and Residential. The Real Estate fund has 3 assets remaining, and is expected to close 08/2024 or liquidate with 11% return.

Fund IX is newer and has a current net IRR of 9% and having strong returns since inception and are confident with the way the fund is structured. This fund is focused largely (60%) industrial, medical, and residential.

AEW is introducing a new fund, Fund X. This fund represents how they see the market today and for what is to come for opportunity set. They state there is an increasing amount of distressed capital structures which they can help restructure. This fund will also focus on Bank Loans. Banks are tightening their underwriting and financial conditions and they see this as a promising opportunity.

Acadian's portfolio review was presented by Heather Mazzarella and Anna Papush.

As of December, the firm has 94B in assets with Non-US Small Equity having 8.5B. There are no significant changes to the team since last year. There have been no significant changes to the strategy or process.

With performance, 2022 was faced with challenges and saw negative returns in most asset classes. The year ended with negative return of (-19.1)% which outperformed the benchmark of (-21.4)%. Currently through January the portfolio is at a gain of 7.1%.

When facing obstacles and challenges to outperform the benchmark, their focus is of working on diligent research, data sets, and constantly improving and involving their process. There is a growing concern is inflation and recession which is an obstacle not only in the macro environment but the asset class as a whole. With their past history they state they have endured this before and believe they are well positioned to endure if it were to happen again and bounce back as they have in the past.

Loomis Sayles' portfolio review was presented by Joseph Beuparlant, Cheryl Stober, and Dave Zalinsky.

Loomis has 282.1B in assets, due to negative market actions in 2022 they did see their asset base decrease. In regards to the team they did partake in a voluntary separation program based on age and years of service which was aimed at people close to retirement age. 29 employees took advantage of

this, however none of them were portfolio managers or in senior management positions. This cut company costs and provided internal promotion opportunities.

Regarding performance, there were negative returns for the year for high yield. However, this year there has been a positive return so far.

Regarding Bank Loans fund they had a positive 1.5% return. The fund outperformed the market overall however did lag compared to their benchmark peers.

After the Presentation S. Maclellan gave a short review and advised the board they believe the portfolio is well positioned. Due to rising interest rates causing portfolio returns to increase and the Board may need to reposition and re allocate funds which would not happen until later in the year.

R. Stearns was surprised by the returns and thanked Meketa for their continued services.

S. Maclellan stated there may be upcoming discussions by PERAC to discuss investment regulations which the Board may want to comment on such as involving the due diligence meetings and it may pose a good opportunity to discuss change to such meetings that would benefit the Board.

The Board adjourned at 10:30 a.m

Elizabeth Early, Chair/Elected Member  
Matthew Wally, Appointed Member  
Robert Stearns, Ex-Officio Member  
John Mahan, Elected Member  
DNA | Tamara Cullen, Elected Member