

Worcester Retirement Financial Board Meeting Minutes
April 21st 2022

The Worcester Retirement Board met at 8:30 A.M. on Thursday April 21st, 2021 for their financial board meeting in the Levi Lincoln chambers at City Hall, Worcester Ma. 10608. Board members E. Early, M. Wally, R. Stearns, and J. Mahan, were present. Meketa representative S. MacLellan was present.

In regards to the current markets; 2021 went well, Real Estate and US Equities had high returns. In 2022 through February every sector was in a decline, in March Bonds and Equities did increase slightly. The main factors that are attributing to this decline include the Russians invasion of Ukraine has created significant uncertainty and increased volatility as well as supply distribution interruptions in natural gas and oil. Due to increasing inflation the Federal Reserve put in policy to raise interest rates, this type of monetary tightening is supposed to help decrease inflation however it still can strain the economy. Finally Covid-19 has decreased in the US and guidelines have been lifted however in other parts of the world this is not that case. Shanghai China has been in a lockdown resulting in no mail and factory closures resulting in supply chain stoppages similar to the beginning of the pandemic.

QTD the portfolio is (3.4). This outperforms the benchmarks (5.7) & (4.5). These numbers don't include private investments, PE will likely increase this amount as well as infrastructure once those numbers are produced. 11% has been the portfolio's average for the last 3 years and 8.2% in the last 10 years, therefore negative returns now should not diminish the portfolio historically. Two areas were highlighted. Real Assets with 1 year returns are 17.3%. The portfolios completion strategies such as the co-investment strategies, they have held their value through the period of volatility.

The portfolio is in line with asset allocation other than PE. This is known and has worked out well due to strong performance. At this time there is no inclination to change asset allocation

The Board met with 6 of their investment managers for fund updates;

SSGA: Presented by Taylor Famiglietti, relationship manager, through teleconference.

In regards to changes; The Global Equity Beta Solutions Group CIO change from Lynn Blake to John Tucker. John worked under Lynn for 20 years. When Lynn retired in June, John took over the roll, there are no system changes expected from this. The CEO of SSGA is retiring this year however plans to stay on until a replacement is named and helped with transition. The new CEO will not be named until end of year. There are no changes to fund strategies or tracking. There are no Russian exposures within the Worcester system portfolio funds. In regards to the Index Strategies, there hasn't been any decreased interest in EM; interest in Real Assets strategies have increased due to supply chain issues, however no changes in regards interest in clients changing from lending to non-lending or index to active at this time. There was question from the Board if the manager has seen de-vesting in fossil fuels and ESG in general among clients, however the call was unexpectedly dropped. Steve MacLellan advised the Board up as far as a few years ago PERAC would not allow requests into fossil fuels however in regards to ESG Mr. MacLellan has not seen any.

Global Infrastructure Partners: Presented by Stacey Jordan and Bryce McLean through teleconference.

There have been no changes in the key personnel with the firm other than adding to the junior teams. The only recent change happened 2-3 years ago years within the GIP IV fund of expansion into Digital infrastructure such as data centers, fiber optics, and cell towers. The largest obstacle the fund identified is their large amount of capital in the infrastructure sector and expanded capabilities of their peers. Since the funds inception GIP was one of the largest funds which allows them to put themselves in a position of fluidity with risk and transactions. However they do have current competitors who are gaining a similar pace. The firm just published a series of presentations which overviewed their perception of combined current affairs resulting in the results that the firm has no direct exposure to Russia. In regards to inflation there is a negative correlation but this expected to be short

term. For the Worcester Systems portfolio, Fund 1 is almost fully liquidated with a 3.2x multiple. Fund III is in the maturing stage, as of 12/31/21 1.7x gross multiple, the only asset that would have negatively affected the fund was one in relation to natural gas in the southern US which was as of 12/31/21 at a .04x cost but has since recovered to .9x. Fund IV is 60% committed, by mid-year expected over 75%. The fund has been actively diversifying.

Income Research and Management: Presented by Johnathan Higley and Scott Pike

There are no significant changes to the firm team, however, as of 1/1/22 there are 12 new shareholders resulting in a total of 71 employee shareholders. There has been no significant changes to the IT team. They recently celebrated their 35th anniversary as firm. No changes to strategy or process since firm inception. The firm identified their greatest obstacle is having an underweight to treasuries which leads to underperformance during sudden unexpected market events however historically underperformance is short term and recovery exceeded the benchmark. The Federal Reserve has been increasing interest rates which have negatively affected fixed income however in the recent month the firm has stayed slightly above the benchmark. As of 3/31/22 the Aggregate portfolio is (4.02) vs the benchmark of (4.15). The TIPS portfolio is 4.08 compared to the benchmark of 3.78. In both funds the system outperformed the benchmark.

Loomis Sayles: Presented by Christopher Lazzaro

There are no significant changes to the investment teams other than last year's change to the CFO April of 2021. Susan Seeker replaced Paul Sherber, this change may or may not have been mentioned at the last meeting. As of Q1 assets are down driven by market action and rebalancing has been occurring however no significant outflows in the Worcester portfolios. The firm stated their greatest obstacle going forward for teams is recession, anything negative with credit would result in a negative correlation with Bank Loans and High Yield. Through the end of the Quarter, the High Yield portfolio has performed in line with expectation, in regards to the benchmark the portfolio QTD is (4.92) vs (4.84); this is due to the High Yield and Emerging Market Credit underperforming due to exposure to Property in China. The Bank Loan portfolio the fund is at a net (.13) vs the benchmark (.17). This portfolio is a very conservative portfolio which has been beneficial long term.

Acadian: Presented by Jennifer Sacs and David Purdy.

At the end of the 1st quarter the firm has 110B AUM. 2021 was their strongest year to date for returns and have continued to see positive performance on an active basis. The only team change is John Chisam, firm Co-CEO is retiring in June 2022. Ross Dowd will be taking on the sole Co-CEO responsibilities going forward. In regards to change in process the firm has re-organized their forecasting model. They have separated out their Peer model. This model looks at relationships between stocks and supply chains that are not easily seen based on ETF, fund alignment, and fund ownership. This model has always been part of the larger model however the firm finds it is significant enough to separate it out and highlight it as a mechanism which would separate them from their peers. The returns for the Worcester Portfolios Small-Cap fund is (6.4), outperforming the benchmark (8.5).

TA Associates: Presented by Michael Libert.

The portfolio is considered healthy at this time with no forecast of changing. The fund is 2/3rds monetized. Net IRR is 41% with a 3.3x gross multiple. There has been no significant changes to the firm's team or strategy and process. They continue to invest in high quality re-occurring investment classes. In regards to the competitive environment, the firm's age helps solidify the fund. The firm believes their selection for investments is quite large compared to competitors which allow easier growth and selection. The acquisition engine that TA has built allows them to be one of the top 5 acquisitive funds in the world.

The Board adjourned at approximately 10:40 A.M.

Respectfully Submitted,

Elizabeth Early, Elected, Chair

Matthew Wally, Appointed

Robert Stearns, Auditor

John Mahan, Elected

Tamara Cullen, 5th Member

Lisa Poske, Executive Secretary
