MINUTES OF THE MEETING
PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
BATON ROUGE, LOUISIANA
JUNE 22, 2021

The Board of Trustees met on the above date at the retirement system office, 7905 Wrenwood Boulevard. Chairman Terrie Rodrigue presided and called the meeting to order at 8:30 a.m. Ms. Dainna Tully, Administrative Director, gave the invocation. Ms. Tully was then asked to call the roll. Members present in addition to those already named were: Mr. Bruce Kelly, Mr. Phillip Bourgoyne and Ms. Tammy Bufkin. Members absent were: Julia Fisher-Perrier, Representative Julie Emerson, Member of the House Retirement Committee and Senator Robert Mills, Vice-Chairman of the Senate Retirement Committee. Also present were Mr. Chris Burke, Chief Investment Officer, Ms. Rebecca Wisbar, Board attorney, Mr. Greg Curran, Board Actuary, Ms. Michelle Cunningham and Mr. Patrick Butler of Duplantier, Hrapmann, Hogan and Maher. Joining the meeting by conference call were Mr. Keith Reynolds and Mr. Rob Hungerbuhler of Segal Marco Advisors, and Ms. Denise Akers, Board Attorney.

Upon motion by Ms. Bufkin and second by Mr. Bourgoyne, the minutes of the March 9, 2021 meeting were approved.

Chairman Rodrigue noted that the Board would take public comment at this time. No one appeared for public comment.

Upon motion by Ms. Bufkin and second by Mr. Kelly, the Board agreed to hear the presentation by Michelle Cunningham and Patrick Butler with Duplantier, Hrapmann, Hogan and Maher at this time.

Chairman Rodrigue welcomed Ms. Cunningham and Mr. Butler of Duplantier, Hrapmann, Hogan and Maher. Ms. Cunningham informed the members that she would review the audit for the year ending December 31, 2020. The system received an unmodified opinion on the basic financial statements. Ms. Cunningham indicated that there were no findings for this year's audit.

Ms. Cunningham stated that Management's Discussion and Analysis gives the reader a good overview of the financial activities of the system. She stated that the plan fiduciary net position as a percentage of total pension liability for Plan A is 104.00% and for Plan B is 106.76%. Ms. Bufkin asked if it is unusual for a pension plan to show the plan fiduciary net position as an asset. Ms. Cunningham said that this is not often seen in pension plans. Ms. Cunningham indicated that the money-weighted return for Plan A is 13.47% while the money-weighted return for Plan B is 13.66% for the year ending 12/31/20.

Mr. Butler indicated that GASB 72 was implemented in the 2016 audit and requires classification of assets as Level 1, Level 2, or Level 3. The most liquid assets such as equities are Level 1, bonds are an example of Level 2, and real estate, private equity and hedge funds are examples of Level 3.

Mr. Butler stated that under GASB 67, a census audit must be conducted. He stated that Duplantier audited four participating employers as part of the census audit. He indicated that for the most part there were only minor findings in the census audit. Mr. Butler stated that the audit of the Statewide Agreed Upon Procedures was waived for 2020.

Ms. Cunningham stated that GASB 75 was implemented for the 2018 audit. She indicated that this is the post employee benefit liability which represents the health insurance costs for retirees of the system. This liability is calculated by the Office of Group Benefits.

Ms. Cunningham indicated that under GASB 68, a schedule of the employer allocation of the net pension liability must also be audited. She stated that this audit has not been completed, but DHHM will try to have this audit completed by August. She indicated that the net pension liability will be recorded as an asset for Plan A and Plan B employers this year.

Chairman Rodrigue thanked Ms. Cunningham and Mr. Butler for their presentation.

Upon motion by Mr. Bourgoyne and second by Mr. Kelly, the Board accepted the audit report for the year ending December 31, 2020 and authorized the execution of the Louisiana Attestation Questionnaire and Louisiana Compliance Questionnaire.

Chairman Rodrigue asked Mr. Burke to address the investment summary. The investment summary follows:

1Q21 Investment Summary

Congress passed further stimulus during the first quarter with the $1.9 trillion American Rescue Plan which, coupled with improving economic indicators, helped lead consumer sentiment to its highest level since March 2020. The PERSLA investment portfolio returned 3.1% for the first quarter, led in large part by the Equity portfolio. Capital Markets were broadly positive in both April and May which no doubt helped the investment portfolio. A preliminary estimate through May puts the portfolio gain at approximately 7%.

Increased confidence in the health of the U.S. economy benefitted U.S. stocks typically tied to cyclical recoveries such as value and small cap, as the Russell 2000 (+12.7%) outperformed the Russell 1000 (+5.9%) and value indices outperformed their growth counterparts across the market cap spectrum (Russell 2000 Value +21.2% vs Growth +4.9% and Russell 1000 Value +11.3% vs. Growth +0.9%). All sectors within the S&P

saw positive returns in Q1, with predominately value oriented sectors Energy (+30.9%), Financials (+16.0%) and Industrials (+11.4%) leading the index, while Consumer Staples (+1.2%) and Technology (+2.0%) saw the lowest returns.

Overseas, the international developed markets returned 4.0% during the quarter, which trailed the U.S. markets, but outperformed the emerging markets. The U.K. had a strong quarter, returning 6.2% with the combination of timely fiscal stimulus paired with a successful vaccine rollout, while Japan (+1.6%) faced challenges, primarily from lack of available Covid-19 vaccines. Despite lagging behind developed markets, emerging market performance was positive for the quarter, returning 2.3%.

Longer-term yields were higher during the quarter amid U.S. stimulus and an improving economy. The Barclays Aggregate Bond Index returned -3.4% for the fourth quarter. U.S. High Yield had the strongest sector performance of 0.9%. U.S. Investment Grade experienced the weakest performance during the quarter, returning -4.7%.

Alternatives have also experienced positive results. Segal Marco expects the next 12-18 months to be a favorable time to deploy Private Equity dry powder as transaction volume remains strong. Robust valuations and increased distributions from anticipated deal flow should buoy returns. Real Estate and Infrastructure prospects are, as always, strategy and regional specific, but mostly will benefit from a renewal of economic growth and demand along with advantageous pricing and an improved outlook from certain COVID-impacted sectors, such as lodging, student housing, transportation and leisure. Across Real Assets, flexible strategies that can take advantage of evolving market conditions are favored.

Additional Insight/Commentary Since The Last Board Meeting

As always, there has been plenty going outside of the markets and inside our offices. The focus has been split among implementing the recent decisions within our Alternatives sleeve (private equity and real estate), evaluating the last component of our Alternatives space yet to be analyzed (hedge fund), and also the everyday monitoring of our existing portfolio as it relates to the market environment. The good news is that we are making steady progress on the implementation of our past actions. The private equity investments are set to be rolled up into our separate account with HarbourVest and our real estate decisions are being implemented already. It will likely take until the end of the year for all of the dust to settle but the path forward here is clear.

With respect to the market environment and our portfolio, the one constant is that things change daily. Economic reports, monetary policy, fiscal policy, geopolitical events, natural disasters, man-made disasters, (even tweets!), all impact our market values daily and change the calculus of future returns for our investments. On top of this, our managers react to all of the above and make changes. The world moves at a fast pace. The challenge is to distill the valuable information from all the noise, and to think about the valuable information in the context of our Plan's objectives. Factors that are important from our perspective are the long term trends that play out over years or even decades. Our funding status and realistic target return afford us the ability to be patient and thoughtful in our approach. That said, to get to the "long term" you have to survive a string of "short terms".

Lately, there has been a lot of noise about inflation. While our managers have differing views on the inflation outlook and position accordingly, we have not reacted. Many pension plans and other "long-term investors" have already made portfolio changes. In my opinion, it is much too soon to know if inflation turns out to be "transitory" or morphs into something akin to the 1970s. How high and how fast inflation goes in addition to whether it is driven more by lack of supply or too much demand will influence which asset classes and investment styles benefit or not. Real estate is a possible winner if inflation is higher but steady in an economy that is gaining employment. Value oriented stocks would likely be a winner in this scenario as well. It turns out we are well positioned in each of those areas. The worst case scenario is inflation so rampant that it impedes economic growth; or stagflation. Unfortunately, there are not of lot of good investment choices to make in that world. Relatively speaking, companies that produce goods and services that are necessities, have strong balance sheets, and have the ability to raise prices will come out on top. Guess what? We have a number of equity managers focused on these types of companies already. The bottom line is that we have an extremely well diversified portfolio built from pieces that will excel in different environments. We won't be complacent, but we will be thorough and patient in our analysis. So while others may have jumped fast and first to position for inflation, we'll watch and see if they land on two feet and solid ground before making any moves.

Chairman Rodrigue asked Mr. Hungerbuhler and Mr. Reynolds to deliver the report from Segal Marco Advisors. Mr. Hungerbuhler stated that for the period ending 3/31/21 the fund's return was 3.12%. The portfolio value as of 3/31/21 is $5,053,169,262. Equities were the strong performer for the first quarter. Mr. Hungerbuhler indicated that fixed income managers have been outperforming the indexes for the first quarter. Alternatives also outperformed the index for the first quarter of 2021.

Mr. Burke next reviewed the investment timeline for the remainder of the year. He stated that he would be working with Segal Marco on changes to the fixed income portfolio. Recommendations for the fixed income portfolio would be discussed at the September board meeting. He indicated that a recommendation on the alternatives portion of the portfolio would be coming at the December board meeting. Mr. Burke stated that an investment committee meeting would be scheduled before the September board meeting.

Mr. Reynolds indicated that the revised investment policy statement had been emailed to the Board members. He stated that the investment policy statement has had changes to streamline the policy. Upon motion by Mr. Kelly and second by Ms. Bufkin, the revised investment policy statement was adopted.

Mr. Burke recommended that the Board allow him to enter into an agreement with Robins Geller Rudman & Dowd for portfolio monitoring services. He indicated that Robins Geller contacted PERS on a securities litigation settlement that had not been received by PERS but was due the system. Mr. Burke stated that with the monitoring services, PERS would have a means of checking to make sure that all of the securities litigation proceeds are received. Upon motion by Mr. Bourgoyne and second by Ms. Bufkin, the Board authorized Mr. Burke to enter into a contract with Robins Geller Rudman & Dowd for portfolio monitoring services.

Chairman Rodrigue thanked Mr. Reynolds and Mr. Burke for their presentation.

Upon motion by Mr. Bourgoyne and second by Mr. Kelly, the Board approved retirements for April, May and June of 2021. A handout detailing all retirements for these months was provided to all Board members. Mr. Bourgoyne asked Ms. Tully to consider notifying vested members when they are eligible to retire. Ms. Tully stated that the system does provide estimates to vested members. The estimate denotes the date of eligibility. Ms. Tully indicated that she would review the office procedures relative to vested members and the possibility of providing a reminder to apply.

Upon motion by Ms. Bufkin and second by Mr. Bourgoyne, the Board approved the following request to purchase prior service when not properly enrolled:

Darla Rye, Ascension, 2/15/91 – 6/30/92

Upon motion by Mr. Kelly and second by Mr. Bourgoyne, the Board approved the following requests for actuarial transfer of service:

Dawn M. Allemand, Assumption & Terrebonne **to** Municipal Employees

Linda C. Broussard, Lafayette **from** Municipal Employees

Kathleen Fradella, Jefferson **from** Clerks of Court

Andrea Frank, 15^{th} Judicial District **from** Sheriffs

Mitchell Gerard, Lafayette **from** Municipal Employees

Alexander Gorman, Jefferson **from** Sheriffs

Christina Green, St. Tammany **from** Teachers

Jodie R. Gwin, Iberia Medical **from** Teachers

Annie R. Hines, Iberia Medical **to** Teachers

Russell Johnson, Tangipahoa **from** State Employees

William Kettler, Jeff Davis D.A **to** Sheriffs

Jessica Laurendine, Jefferson **from** Teachers

Leslie S. Long, St. Tammany **from** State Employees & Teachers

Susan Lowrie, St. Tammany Mosquito **to** State Employees

Paul S. McCasland, Iberia Medical **from** Municipal Employees

Dawn M. Penny, St. Bernard **to** Sheriffs

Timothy J. Poche, St. Tammany **to** Municipal Employees

Eric K. Richard, Cameron **from** State Employees

Lindsey R. Rivenbark, St. Tammany **from** Teachers

Melissa A. Verrett, Livingston Library **from** Teachers

Wydette Williams, Madison **to** Sheriffs

Chairman Rodrigue asked Mr. Greg Curran to present the actuarial report for the year ending December 31, 2020. Mr. Curran next reviewed the actuarial valuation for the year ending 12/31/20. He stated that Plan A had 13,750 active members as of 12/31/20. The number of active members decreased slightly in Plan A. Plan B had 2,387 active members as of 12/31/20. He stated that the number of active members decreased slightly in Plan B from the last valuation. Mr. Curran indicated that the number of retired members has increased in both plans.

Mr. Curran stated that the actuarial rate of return for 2020 was 9.7% for both Plan A and Plan B. He explained that this actuarial rate of return utilizes the five year smoothing technique. Mr. Curran stated that the assumed actuarial rate of return was reduced to 6.4% effective 12/31/20. The inflation rate assumption for both plans is 2.4%.

Mr. Curran stated that the liability experience in Plan A was unfavorable. Withdrawals were below projected levels. Retirement, DROP entries and salary increases were above projected levels. All of these factors tend to increase costs. Disabilities were below project levels and retiree deaths were above projected levels, partially reducing costs. Plan liability losses increased the normal cost accrual rate by 0.6492%.

The liability experience in Plan B was also slightly unfavorable. Retirements were above projected levels and salaries increased at a rate higher than projected. These factors tend to increase costs. Partially offsetting these factors were withdrawals and retiree deaths above projected levels. Plan liability losses increased the normal cost accrual rate by 0.1631%.

Mr. Curran stated that the minimum recommended employer contribution rate for Plan A for 2022 is 10.50%. The minimum recommended employer contribution rate for Plan B for 2022 is 7.00%.

Mr. Curran next reviewed the COLA's for Plan A and Plan B. He indicated that because a COLA was granted effective 1/1/21, the Board is unable to grant a COLA to retirees effective 1/1/22.

Mr. Curran indicated that a transfer from Plan B to Plan A is required to move service credit from one plan to the other so that members can receive one check at retirement. The amount calculated as of December 31, 2020 is $1,579,623 to be transferred from Plan B to Plan A.

Upon motion by Ms. Bourgoyne and second by Mr. Kelly, the Board accepted the Actuarial Valuation and Experience Study and adopted the assumptions contained in the valuation for the year ending December 31, 2020.

Upon motion by Ms. Bufkin and second by Mr. Bourgoyne, the Board adopted an employer rate of 11.50% and an employee rate of 9.5% for 2022 in Plan A contingent upon the adoption of the actuarial report by the Public Employees' Retirement Systems Actuarial Committee (PERSAC). Upon motion by Mr. Bourgoyne and second by Mr. Kelly, the Board adopted an employer rate of 7.50% and an employee rate of 3% for 2022 in Plan B contingent upon the adoption of the actuarial report by PERSAC.

Chairman Rodrigue stated that the Board needs to approve the transfer from Plan B to Plan A as recommended by G.S. Curran & Co. Upon motion by Mr. Kelly and second by Mr. Bourgoyne, the Board approved a transfer of $1,579,623 from Plan B to Plan A.

Chairman Rodrigue thanked Mr. Curran for his presentation.

Chairman Rodrigue asked Ms. Tully to discuss the 2021 meeting schedule. Ms. Tully indicated that the next meeting is scheduled for 9/14/21 which is the last day of the LAPERS Seminar. Ms. Tully recommended that the Board move the September meeting to 9/21/21. Upon motion by Mr. Bourgoyne and second by Mr. Kelly, the Board rescheduled the September meeting to 9/21/21.

Ms. Tully next discussed the hour rate change proposed by Akers & Wisbar, LLC. She stated that currently the hourly rate paid to Akers & Wisbar is $240. The firm has proposed an hourly rate of $250 beginning January 1, 2022. Upon motion by Ms. Bufkin and second by Mr. Kelly, the Board approved the hourly rate of $250 payable to Akers & Wisbar effective 1/1/22.

Chairman Rodrigue asked Ms. Tully to address the application effective date for Brian Romero with Iberville Parish. Ms. Tully indicated that Mr. Romero applied to enter DROP on May 25, 2020. The application was never received by the retirement system. Ms. Tully indicated that Mr. Romero's account showed up as an exception when the audit for 2020 was being performed because no employee contributions had been remitted. She stated that Iberville Parish had included him on the DROP report even though they had not received a letter verifying that he had been enrolled in DROP. Ms. Tully informed the Board that a copy of the original application was received May 13, 2021. She stated that the Board would need to authorize approval of a DROP entry of May 25, 2020. Upon motion by Ms. Bufkin and second by Mr. Bourgoyne, the Board approved a DROP entry date of May 25, 2020 for Brian Romero.

Upon motion by Mr. Kelly and second by Mr. Bourgoyne, the discussion relative to Lori Franovich's retirement calculation was moved to executive session due to attorney client privilege.

Ms. Tully next presented the quarterly report on the operating budget to the Board. The budget was presented for informational purposes.

Chairman Rodrigue asked Ms. Tully to provide a legislative update. Ms. Tully indicated that the following bills had been signed by the governor:

Act 138 by Rep. LaCombe – allows certain employees of the Louisiana School Board Association to enroll in Teachers Retirement System. Effective 6/11/21.

Chairman Rodrigue asked Ms. Tully to discuss the annual conference schedule. Ms. Tully informed the Board members that NASRA is planning to hold a virtual conference. She indicated that she would register anyone who wanted to attend virtually. Ms. Tully also indicated that the LAPERS Seminar would be held at the New Orleans Marriott from 9/12 – 9/14/21.

Upon motion by Mr. Kelly and second by Mr. Bourgoyne, the Board entered into executive session to discuss the following matters: Collection of Retiree Overpayment to Dorothy Williams; Investment Manager Contract Revision; and retirement calculation for Lori Franovich. Upon motion by Mr. Kelly and second by Mr. Bourgoyne, the Board returned from executive session.

Upon motion by Mr. Kelly and second by Ms. Bufkin, the Board authorized Akers and Wisbar to file suit relative to the overpayment to Dorothy Williams to unwind the donation made by Mikell Williams of property received from the estate of Dorothy Williams.

Upon motion by Mr. Kelly and second by Mr. Bourgoyne, the Board approved the following resolution regarding investment manager contracts:

It has been and will continue to be the standard business practice of the Parochial Employees' Retirement System (PERS) that PERS does not waive the right to a jury trial, does not waive venue in Louisiana courts or submit to jurisdiction of courts outside of Louisiana.

Upon motion by Ms. Bufkin and second by Mr. Bourgoyne, the Board agreed to ratify the retirement calculation for Lori Franovich prepared by PERS staff and approved by G.S. Curran & Co. and authorized the director to provide notice to Ms. Franovich of her right to an administrative hearing before the Board.

Upon motion by Mr. Kelly and second by Mr. Bourgoyne, the meeting was adjourned.

____

Chairman of the Board