MINUTES OF THE MEETING
PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
BATON ROUGE, LOUISIANA
JUNE 21, 2022

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. Kelly Fontenot. Members absent were: Julia Fisher-Cormier, Representative Phillip DeVillier, Chairman 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. Becky Fontenot, Assistant Director, Ms. Rebecca Wisbar, Board attorney, Mr. Greg Curran, Board Actuary, Mr. Stephen Brouillette of G.S. Curran & Co., Ms. Michelle Cunningham and Mr. Patrick Butler of Duplantier, Hrapmann, Hogan and Maher, Mr. Rob Hungerbuhler of Segal Marco Advisors, and Mr. Joey David, Legislative Analyst.

Upon motion by Ms. Fontenot and second by Mr. Bourgoyne, the minutes of the March 8, 2022 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. Fontenot and second by Mr. Kelly, the Board agreed to hear the annual audit followed by the actuarial report 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, 2021. 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 total pension liability at December 31, 2021 was $4,504,994,211 for Plan A and $393,510,971 for Plan B.

Mr. Butler reviewed the Statement of Fiduciary Net Position. The plan fiduciary net position as a percentage of total pension liability for Plan A is 110.46% and for Plan B is 114.20%. Ms. Butler indicated that the Employer's Net Pension Liability would be reflected as an asset for employers in Plan A and Plan B. He stated that the money-weighted return for Plan A is 11.287% while the money-weighted return for Plan B is 11.53 for the year ending 12/31/21.

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 Duplantier also conducted the Statewide Agreed Upon Procedures audit. He indicated that there were no findings in the Statewide Agreed Upon Procedures audit.

Ms. Butler indicated that under GASB 68, a schedule of the employer allocation of the net pension liability must also be audited. He stated that this audit has not been completed, but DHHM will try to have this audit completed by August. He 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.

Chairman Rodrigue asked Mr. Greg Curran to present the actuarial report for the year ending December 31, 2021. Mr. Curran next reviewed the actuarial valuation for the year ending 12/31/21. He stated that Plan A had 13,643 active members as of 12/31/21. The number of active members decreased slightly in Plan A. Plan B had 2,367 active members as of 12/31/21. 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 2021 was 10.6% for Plan A and 10.5% for 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 favorable. Withdrawals and retiree deaths were above projected levels while disabilities and salary increases were below projected levels. Retirement and DROP entries were above projected levels. Plan liability gains decreased the normal cost accrual rate by 0.4748%.

The liability experience in Plan B was also favorable. Withdrawals and retiree deaths were above projected levels and disabilities and salary increases were below projected levels. Retirement and DROP entries were above projected levels. Plan liability gains decreased the normal cost accrual rate by 0.7463%.

Mr. Curran stated that the minimum recommended employer contribution rate for Plan A for 2023 is 7.0%. The minimum recommended employer contribution rate for Plan B for 2023 is 5.00%.

Mr. Curran next reviewed the COLA's for Plan A and Plan B. He indicated that the Board is able to grant a COLA to retirees effective 1/1/23.

Mr. Curran indicated that a transfer from Plan A to Plan B 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, 2021 is $334,999 to be transferred from Plan A to Plan B.

Chairman Rodrigue thanked Mr. Curran for his presentation.

Upon motion by Mr. Bourgoyne and second by Mr. Kelly, the Board accepted the audit report for the year ending December 31, 2021 and authorized the execution of the Louisiana Attestation Questionnaire and Louisiana Compliance Questionnaire.

Upon motion by Ms. Fontenot and second by Mr. Bourgoyne, the Board accepted the Actuarial Valuation and Experience Study and adopted the assumptions contained in the valuation for the year ending December 31, 2021.

Upon motion by Mr. Bourgoyne and second by Ms. Fontenot, the Board adopted an employer rate of 11.50% and an employee rate of 9.5% for 2023 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 2023 in Plan B contingent upon the adoption of the actuarial report by PERSAC.

Upon motion by Ms. Fontenot and second by Mr. Bourgoyne, the Board authorized the use of the funding deposit account to fully fund a COLA for retirees age 62 and older as provided by R.S. 11:1937 for both Plan A and Plan B effective January 1, 2023.

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 Ms. Fontenot and second by Mr. Kelly, the Board approved a transfer of $334,999 from Plan B to Plan A.

Chairman Rodrigue thanked Mr. Curran for his presentation.

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

Investment Recap – 1Q 2022

Summary:
Heightened inflation, tightening monetary policy, and Russia's invasion of Ukraine weighed on global equity markets. Commodity-driven markets outperformed during the quarter as concerns over supply caused by the conflict in Ukraine drove prices up. The PERSLA investment portfolio returned -4.8% for the first quarter. April was another difficult month for both stock and bond investments. May was a roller coaster ride of volatility, but the month ended slightly positive for most public markets. As one might

expect in this backdrop of macro uncertainty, inflation and supply constraints, commodities continue to dominate the return environment. The estimated total return for the portfolio through the end of May was in the neighborhood of -9%.

CIO Insights:
It has been three months on the calendar since our last board meeting, but then why does it feel like an eternity in “market” time? So much has happened in the world that it is becoming harder and harder to decipher on a daily basis. We can still collect all of the dots, but no one seems to be able to connect all the dots. After a clumsy and still in progress exit from the COVID time warp we entered in early 2020, we now find ourselves in an alternate universe that is unrecognizable…or maybe we are just dreaming? If so, it’s not a pleasant dream and someone please wake us up.

To summarize at a high level what has transpired since our last meeting; inflation numbers continue to come in at 40 year highs squeezing consumers pocketbooks, the FED started with a .025% hike in March and followed it up with 0.50% increase in May and another 0.75% in June. Current expectations are for a further 2% plus increase before year end. Stocks have declined another 14% since the end of Q1 (now down about 18% YTD). Bonds are down an additional 6% (YTD losses more than 12%). Interest rates in most corners of the bond market are at the highest level in more than a decade. Needless to say, volatility in stock and bond markets (measured by the VIX and MOVE indices) has increased significantly. The first signs of cracks in corporate profits have started to appear as earnings forecasts for the remainder of the year are beginning to roll over. The war in Ukraine is still unresolved with a reasonable chance of dragging on for months if not years. If the human toll on those immediately impacted were not bad enough, the looming crisis in food and energy building across the rest of the globe has yet to be felt. To top it off, a handful of large corporations, primarily in the tech sector, have announced layoffs in the past couple of weeks. I guess we will find out in short order if there really are two jobs for every job seeker … or not.

The silver lining you ask? Markets tend to be forward looking, meaning all of the afore-mentioned problems are accounted for in current prices. The question now is what surprises are in store for us around the corner? Arguably the most important economic data point to watch is inflation. Current consensus is that headline inflation is peaking (last week’s CPI print was a fresh high) and will begin to gradually decline. How reality conforms to that consensus will likely be a determining factor in the near term direction of the markets.
Outside the craziness of the markets and within the confines of our Baton Rouge office, our internal cost analysis project with XTP is moving along nicely with the cooperation of our managers. Also, we finalized the contract with Aksia and anticipate initial funding to happen in July with the hopes of being fully invested by the end of the year. Speaking of fully funded, we are 90% invested with our relatively new Arrowmark investment (fixed income). Finally, as previously mentioned, with the help of Segal, we are actively evaluating our options in parts of our international equity and emerging market fixed

income allocations. We have prioritized the emerging markets fixed income area and will put our primary focus there in the coming weeks/months.

Additional Market Observations

In the U.S., growth underperformed value across the market cap spectrum as the Federal Reserve began tightening monetary policy, raising the Federal Fund Rate and signaling the end to the Fed balance sheet expansion. Large cap growth stocks returned -9.0% compared to -0.7% for large cap value stocks. Energy (+39.0%) was the strongest sector during the quarter, as oil prices spiked following Russia's invasion of Ukraine. Consumer Discretionary (-9.0%) and Information Technology (-8.4%) lagged as heightened inflation continued to eat away at consumer spending power and the prospect of continued rate hikes. Small cap stocks underperformed large cap while small growth companies declined the most amid the expectation of Fed rate increases. Within small cap stocks, the Russell 2000 Value Index return of -2.4% outpaced the Russell 2000 Growth Index return of -12.6%.

Overseas, the developed international markets declined -5.9% during the quarter as geopolitical events dominated the behavior of equity markets. Pacific ex Japan (+3.8%) outperformed during the quarter despite a volatile and challenging market environment. Europe ex U.K. (-10.0%) lagged the index as the region's close economic ties with Russia and Ukraine impacted market returns. Emerging markets posted the lowest returns (-7.0%) during the quarter.

Both the front and tail end of the yield curve rose significantly during the quarter, as the Federal Reserve increased the Fed Funds Rate in March and indicated future rate increases in 2022. All sectors except cash delivered negative returns for the quarter. The Bloomberg U.S. Aggregate Bond Index returned -5.9%. Interest rates increased significantly in the U.S., Canada, and the UK, but remain relatively low in Europe and Japan. The U.S. dollar depreciated relative to the yen and British pound but appreciated relative to the euro.

Alternative assets continue to provide diversification benefits relative to public markets, albeit in part due to the lag in marking prices to market. Hedge funds are appealing given the high level of uncertainty in so many facets of the economic landscape. Hedge fund strategies generally produced negative performance results during the quarter, but preserved capital much better than equity markets. Private equity managers continued to provide steady returns; however, rising interest rates are anticipated to impact transaction and exit activity due to increased borrowing costs and the effect of correspondingly higher discount rates on enterprise valuations. Within Real Estate, fundamentals should continue to support the industrial, multifamily and niche sectors, while retail and office are likely to remain a drag on performance. Infrastructure provides good income and inflation-hedging characteristics, so it is expected to continue adding both diversification and return potential.

Chairman Rodrigue asked Mr. Hungerbuhler to deliver the report from Segal Marco Advisors. Mr. Hungerbuhler stated that for the period ending 4/30/22 the fund's return was -9.24%. The portfolio value as of 4/30/22 is $4,861,041,340. Equities and fixed income have had negative returns. Alternatives were the bright spot with positive returns through April.

Mr. Burke reviewed the revised investment policy statement that had been emailed to the Board members. He indicated that changes were minimal. He stated that the alternatives allocation has been increased slightly. Also, the two new investment managers and their benchmarks were added to the IPS. Upon motion by Mr. Bourgoyne and second by Ms. Fontenot, the revised investment policy statement was adopted.

Mr. Burke next reviewed the investment timeline for the remainder of the year. He stated that he would be working with Segal Marco on evaluating emerging market debt and foreign developed equity managers. Recommendations for the emerging market debt portfolio would be discussed at the September board meeting. He indicated that a recommendation on the foreign developed equity managers 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. Burke provided an update on the XTP cost analysis project. He stated that XTP has analyzed over 15,000 transactions and reviewed 200 plus documents. Mr. Burke indicated that XTP will prepare a report on each manager for his review.

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

Upon motion by Mr. Kelly and second by Mr. Bourgoyne, the Board approved retirements for April, May and June of 2022. A handout detailing all retirements for these months was provided to all Board members.

Upon motion by Mr. Bourgoyne and second by Ms. Fontenot, the Board approved the following request for reciprocal recognition:

Michael Gorbaty, State Employees

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

Trevis V. Adams, Terrebonne **to** Sheriffs

Janet Ardoin, Lafayette **from** Teachers

Denice Blair, 22nd JDC & St. Tammany **from** Municipal Police

Salome Boyd, Jefferson **from** City of New Orleans

Nathan C. Cobb, Pointe Coupee **from** City of Baton Rouge

Colleen Conley, Jefferson **from** Sheriffs

Michael S. Danon, St. Charles DA **to** District Attorneys

William S. Dykes, 21st Judicial Ind. Def. **to** State Employees

Angela Hall, Webster **to** Registrar of Voters

Ronnie Perkins, II, Iberia **from** Municipal Employees

Timothy J. Smith, St. Tammanyl **from** State Employees

Tila Stansel, W. Cal. Cam. Hosp. **from** Teachers

Mallory Stephens, 16th Judicial Dist. D.A. **to** Assessors

Bradley Stevens, 21st JDC Indigent Defender **to** District Attorneys

Tabitha Tabor, St. Charles D.A. **from** State Employees

Erik J. Willis, Iberville **from** Teachers

Nacole Wilson, Tangipahoa & Livingston **to** State Employees

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 248 of 2022 by Sen. Mills – PERS amended into the portion of this bill that would allow for the plan to hold up to 10% in cash. Effective 6/30/22.

Chairman Rodrigue asked Ms. Tully to discuss the annual conference schedule. Ms. Tully informed the Board members that NASRA will hold its annual conference in Long Beach, California from 8/6 – 8/10/22. She indicated that she would register anyone who is interested in attending. Ms. Tully also indicated that the LAPERS Seminar would be held at the New Orleans Marriott from 9/18 – 9/20/22.

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

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Chairman of the Board