MINUTES OF THE MEETING
PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
BATON ROUGE, LOUISIANA
MARCH 8, 2022

The Board of Trustees met on the above date at the retirement system office at 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: Ms. Kelly Fontenot, Mr. Phillip Bourgoyne, and Mr. Bruce Kelly. Members absent were: Ms. Julia Fisher-Perrier, Representative Julie Emerson 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, Mr. Greg Curran, Actuary, Ms. Denise Akers, Board Attorney, Joey David, Attorney for the House Retirement Committee, and Mr. Keith Reynolds of Segal Marco Advisors (via teleconference).

Upon motion by Mr. Bourgoyne and second by Mr. Kelly, the Board approved the minutes of the December 15, 2021 meeting.

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

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

Investment Recap – 4Q 2021

Summary:
World equity markets were positive in the fourth quarter, as news about the moderating Omicron variant boosted stocks. The PERSLA investment portfolio returned 2.37% for the fourth quarter and 11.08% for the calendar year. It marked the third year in a row of double digit returns. Since year-end, capital markets have been quite volatile due inflation pressures and the anticipation of multiple interest rate hikes from the Fed, continued labor and material shortages, as well as conflict between Russia and Ukraine. Through February, the portfolio is down an estimated 5.5% as both stock and bond indexes are in the red.

CIO Insights:
Higher returns, while naturally desirable, usually come with a warning label something along the lines of "Beware of lower returns in the future!"

I lifted this line from my comments last quarter and while I felt strongly after three years of above average returns we were due for lower returns in the future, admittedly I had no idea the market would fall 10% plus in short order. Where we go from here is dependent upon many unknowns, the largest unknown being the path of the Russian invasion of Ukraine. Seemingly less consequential in comparison to the events in Ukraine are the supply chain issues, inflation, and importantly, the coming response to inflation from the Fed and other central banks across the globe. Of course, down but not necessarily out on the list of unknowns is COVID. Cases have been on the decline and the latest variants less deadly, but the possibility of a turn for the worse is not zero. On the list of things we know are the conditions that typically manifest in past bear markets. In the U.S., bear markets tend to coincide with an overzealous FED, spikes in commodity prices, and/or periods of extreme valuation levels. Of course, an overzealous Fed has the effect of slowing economic growth with a recession the most common end result of any lasting Fed tightening regime. We seem to be on the verge of a bear market conditions hat trick with the market pricing in six FED rate hikes, surging prices in multiple commodities and stocks still priced well above long term averages. At this stage, the stock market correction is well within the range of normal but the list of things that can go wrong outweigh the list of what could go right. In this type of environment and considering our strong funded position, it's prudent to err on the side of caution when considering any potential rebalancing opportunities that might result from a further decline in stocks.

At our previous board meeting, decisions were made to hire XTP to conduct a cost analysis of our equity and fixed income managers along with hiring Aksia to manage an opportunistic allocation to hedge fund managers. I am pleased to report that the contract with XTP has been reviewed, signed and the process kicked off. I am looking forward to seeing the results of their findings later this year. The Aksia contract is still in the review process and I anticipate will be completed sometime during Q2 (our exit window from our current manager is the end of June). As noted at the last meeting, our review of the entire portfolio structure came to its conclusion and we are now focusing on areas of the portfolio where we believe results have been middling as opposed to top of class. If we are doing things correctly, making changes among the existing manager line-up is not something that should occur frequently. There is always a cost in making changes and there is also the tendency for managers to get hired and fired at just the wrong time. Human nature is to make changes when managers are performing poorly. More often than not, this turns out to be a mistake. We have done our best to avoid that mistake by keeping our threshold to making changes high (evidenced by the average tenure of our eleven equity managers at 14 years). The key is to understand the reasons for performance in context of the manager's investment process and to construct a portfolio of managers with complementary approaches. But there also comes a time to revisit, re-think, and cast a net to make sure we are doing the absolute best we can. I have already started this process with the help of our folks at Segal and will keep you informed of our progress.

Additional Market Observations:
U.S. equities capped off a banner year with a solid final quarter of 2021. The S&P 500 Index gained 11.0% for the three-month period and finished 2021 with 70 record high closes and a return of 28.7%. U.S. large cap growth stocks experienced the strongest results for the quarter, returning 11.6%, while large cap value stocks gained 7.8%. The opposite was true within small cap stocks, as the Russell 2000 Value Index return of 4.4% outpaced the Russell 2000 Growth Index return of 0.0%. Real Estate (+17.5%) and Information Technology (+16.7%) were the strongest sectors within the S&P 500 Index, as the demand for industrial warehousing positively correlated with the growth surrounding e-commerce. Alternatively, the Financials (+4.6%) and Energy (+7.9%) sectors lagged, as low long-term interest rates hindered profit margins and oil demand faltered.

Overseas, the international developed equity markets increased 2.7% for the quarter, which trailed the U.S stock market, but outpaced the emerging markets return of -1.3%, which was dragged down by U.S. dollar strength and country specific issues. The U.K. was gained 5.6% for the quarter, while Japan declined 4.0% following the election of Prime Minister Fumio Kishida, and was unable to recover fully in December when the country was hit by its first imported case of the Omicron variant. Emerging markets tumbled due to concerns over slowing economic growth, increasing Covid-19 case counts in the Chinese market (the index's largest country weight), and geopolitical tensions between Russia and much of the western world regarding military buildup near Ukraine. Both the international developed and emerging markets lagged the U.S. stock market materially for the year.

The fourth quarter was relatively quiet for high-grade bond investors. Give the lack of volatility in the market, it was difficult for managers to find ways to outperform the index for the quarter. Bond yields fell for much of the quarter, before turning a bit higher in December in response to the Fed's announcement to begin tapering asset purchases in December, and to begin raising interest rates in the first half of 2022. The Bloomberg Aggregate Bond Index was flat overall for the three-month period and finished the year with a return of -1.5%, while U.S. High Yield bonds experienced stronger performance, gaining 0.7% for the quarter and 5.3% for the year. The standout category for 2021 was TIPS (+6.0%), which benefitted from positive principal adjustments as inflation moved higher throughout the year.

Alternative investments continue to project improving fundamentals and positive momentum with near-term performance anticipated to meet or modestly exceed expectations. Within Hedge Funds, the HFRI Fund Weighted Composite returned 0.5% in the fourth quarter and 10.3% for the year. Event Driven funds were the strongest performers during both time periods. Private Equity remains on an upward trend as economies continue their emergence from COVID-19. Recent vintages of venture capital managers have outperformed buyout and growth managers. Private Real Estate and

Infrastructure experienced double-digit performance in 2021, coupled with increasing capital inflow and deal activity.

Chairman Rodrigue asked Mr. Reynolds to present the investment performance reports from Segal Marco Consulting. Mr. Reynolds stated that the market value of the portfolio was $5.193 billion as of January 31, 2022. Mr. Reynolds stated that the plan's return was 11.08% for 2021. He reviewed performance for January of 2022. For the month of January, the portfolio return was -3.41%. Mr. Reynolds indicated that the twenty year return for the plan was 7.4% on an annualized basis. Mr. Reynolds reviewed the performance of all managers for the periods ending 1/31/22.

Mr. Burke introduced Todd Rittenhouse and Bhavin Manek of Mondrian Investment Partners who joined the meeting via Zoom. Mr. Burke indicated that Mondrian invests in international small cap equities for PERS. Mr. Rittenhouse stated that Mondrian is an independent employee owned investment firm. He indicated that the firm manages approximately $60 billion in assets.

Mr. Manek stated that Mondrian utilizes a value approach which emphasizes yield and future real growth in dividends. He indicated that the performance characteristics seek to produce meaningfully high real returns; aim to preserve capital during global market declines; and produce lower volatility returns than the index and most other managers. Mr. Manek stated that the portfolio style used by Mondrian was out of favor in 2021. The defensive portfolio lagged due to its exposure to well capitalized companies with steady long term cash flow.

Mr. Manek indicated that the exposure to utilities, automotive component suppliers and companies in Hong Kong attributed to the underperformance. He stated that Mondrian will hold the utilities companies because they are attractively valued. Mondrian has added to positions in industrial stocks because it is their belief that pent up demand and low inventory will support recovery in this sector. Mr. Manek explained that positions in Hong Kong have been trimmed.

Mr. Manek next provided the outlook of Mondrian. He indicated that while Mondrian is optimistic of the continuation of global economic expansion, they believe the market environment is likely to be volatile around growth, inflation and policy expectations. He stated that Mondrian will seek to maintain the portfolio's defensive value performance charteristics.

Mr. Burke asked Mr. Manek to comment on the Russian invasion of Ukraine. Mr. Manek stated that Mondrian has no direct exposure to Russia or Ukraine. He stated that the models used by Mondrian are adjusted to take into account the conflict between the two countries and its economic impact. Mr. Burke thanked Mr. Rittenhouse and Mr. Manek for their presentation.

Mr. Burke reviewed the investment timeline for 2022. He stated that the investment policy statement would be presented at the June board meeting. Mr. Burke indicated that an analysis of developed foreign equity holdings would be conducted prior to the September meeting and recommendations would be provided.

Upon motion by Mr. Kelly and second by Ms. Fontenot, the Board approved retirements for January, February and March of 2022. Mr. Bourgoyne abstained. A handout detailing all retirements for the quarter was provided to all Board members.

Chairman Rodrigue asked Ms. Tully to discuss the Option 4 payment for Darlene Caronna. Ms. Tully explained that this payment is coming before the Board because Ms. Caronna is not related to the beneficiary she would like to designate. Ms. Tully indicated that the beneficiary named is a partner of Ms. Caronna, but they are not legally married. Mr. Curran stated that the Board's policy on Option 4 benefits was created to limit the plan's exposure to risk. Ms. Akers reminded the Board that as fiduciaries, they must make the best decision for the plan. Upon motion by Mr. Bourgoyne and second by Ms. Fontenot, the Board denied the Option 4 payment requested by Darlene Caronna.

Upon motion by Mr. Bourgoyne and second by Mr. Kelly, the Board approved the following purchases of prior service:

Dean Gentile, Sr., West Baton Rouge Parish, 2/17/97 – 7/01/97

Alan Utley, Rapides Parish, 2/02/20 – 12/05/20

Upon motion by Mr. Bougoyne and second by Ms. Fontenot, the Board approved the following requests for actuarial transfer of service:

Jeffrey P. Barthelemy, Greater N.O. Expressway **to** State Employees

Wendy Baudoin, La. School Board Assoc. **to** Teachers

Lauren Brinkman, Tangipahoa **to** Municipal Employees

Alexandra G. Carter, Jefferson & St. John **to** State Employees

Cameo A. Collins, Calcasieu **from** Municipal Employees

Mark A. Davis, Tangipahoa **to** State Employees

Penny Davis, 12th Judicial District DA **to** District Attorneys

Kate Flanagan, Jefferson **from** Clerks of Court

Sydney Hodges, 42nd Judicial District DA **from** Clerks of Court

Mark Masters, Caddo Parish DA **from** State Employees

Lorrie Toups, St. Charles & Jefferson **to** Municipal Employees

Christy L. Ybarra, St. Charles **from** Clerks of Court

Chairman Rodrigue asked Ms. Tully to discuss the quarterly report on the 2021 operating budget. Ms. Tully presented a report on the 2021 budget and indicated that the report is for informational purposes.

Chairman Rodrigue asked Ms. Tully to discuss the 2021 actuarial and audit reports. Ms. Tully stated that the auditing firm has begun the census audits at selected parishes and will be in the retirement office to begin field work in April. Ms. Tully stated that the file with the data for the retirement system will be delivered to G. S. Curran & Co. within the next week. Mr. Curran stated that the 2021 investment rate of return will result in an actuarial gain for the plan. He indicated that other plan experience may or may not result in a gain for the plan.

Chairman Rodrigue asked Ms. Tully to review the financial disclosure forms for Board members. Ms. Tully provided each Board member with a copy of the Personal Financial Disclosure Tier 2.1 form that is required to be filed with the Louisiana Ethics Board by May 15, 2022. Ms. Tully indicated that the members can either mail or fax this form to the Ethics Board.

Chairman Rodrigue asked Ms. Tully to discuss the participating employer agreement for Tangipahoa Parish Coroner. Ms. Tully indicated that the Tangipahoa Parish Coroner is currently participating through Tangipahoa Parish. The coroner will be handling payroll and benefits separately from the parish and requires a separate employer agreement to remit contributions directly to PERS. Upon motion by Ms. Fontenot and second by Mr. Kelly, the Board approved the request for Tangipahoa Parish Coroner to execute a participating employer agreement with the Board effective April 1, 2022.

Chairman Rodrigue asked Ms. Tully to present the 2022 Legislative Update. Following is a summary of the bills presented to the Board:

LEGISLATIVE UPDATE

HB 25 by Rep. McCormick – would prohibit a retirement system from investing in companies having policies that prohibit: 1) investing in energy companies; 2) doing business with energy companies; and 3) entering into contracts with energy companies or with any class or group of companies within the energy sectors.

SB 9 by Sen. Mills – this is a technical corrections bill for MERS. We could amend into the section that allows for the plan to hold up to 10% in cash.

SB 51 by Sen. Mizell – adds a second commissioner to the 22nd JDC. Part of this bill removes the provision for the commissioner and any employees of the commissioner to participate in PERS.

Ms. Tully recommended that the Board oppose HB 25. She stated that prohibiting investment managers from investing in particular sectors may affect plan performance. She indicated that the Board has never put restrictions on investment managers. Upon motion by Mr. Kelly and second by Mr. Bourgoyne the Board authorized Ms. Tully to communicate the Board's opposition to HB 25.

Upon motion by Mr. Kelly and second by Mr. Bourgoyne, the Board authorized amending into SB 9 to allow PERS to hold up to 10% in cash. Ms. Tully indicated that she would communicate with Senator Mills to ask that PERS be amended into the bill to permit up to 10% be held in cash.

Mr. Curran suggested that the Board ask for an amendment to SB 51 to pay the actuarial liability for the removal of the commissioner of the 22nd JDC. Ms. Tully stated that she would contact Senator Mizell to ask that the 22nd JDC's commission remain a member of PERS or if the commissioner is no longer allowed to participate in PERS that an amendment be added to require that PERS would receive the actuarial liability related to the removal of this position from participation. Upon motion by Mr. Kelly and second by Mr. Bourgoyne, the Board authorized Ms. Tully to communicate the Board's opposition to SB 51 unless the author agrees to amend the bill to allow the commissioner of the 22nd JDC to continue to participate in PERS or to require payment of the actuarial liability if the commissioner no longer participates in PERS. An amendment to require payment of the actuarial liability will be placed in Title 11.

Chairman Rodrigue asked Ms. Tully to discuss the annual conference schedule. Ms. Tully stated that each Board member is allowed to attend one national conference and all trustees can attend the LAPERS Seminar in New Orleans. Following is a list of conferences that the Board members are able to attend in 2022:

1. National Association of State Retirement Administrators (NASRA) Annual Conference, Long Beach, CA, 8/6 - 8/10/22
2. LAPERS Seminar, New Orleans, Louisiana, 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