MINUTES OF THE MEETING
PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
BATON ROUGE, LOUISIANA
MARCH 14, 2023

The Board of Trustees met on the above date at the retirement system office at 7905 Wrenwood Boulevard. Chairman Bruce Kelly presided and called the meeting to order at 8:30 a.m.

Ms. Dainna Tully, Administrative Director gave the invocation. She asked the members to observe a moment of silence for the retirement system's former chairman, C. Reagan Sutton, who died on February 13, 2023.

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 Ms. Valerie Brolin. Members absent were: Ms. 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. Kristi Spinosa, incoming Assistant Director, Ms. Denise Akers, Board Attorney, Mr. Joey David with the House Retirement Committee, and Mr. Keith Reynolds of Segal Marco Advisors.

Upon motion by Mr. Bourgoyne and second by Ms. Brolin, the Board approved the minutes of the December 13, 2022 meeting.

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

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

<u>Investment Recap – 4Q 2022</u>

Summary:
Global equity markets traded higher during the fourth quarter, reflecting softening inflation data and hopes that global rate hikes would be slowing. The PERSLA investment portfolio returned 4.9% for the fourth quarter, and a loss of 12.1% for the calendar year 2022. Since the end of the quarter, markets have notched some small gains. Based on our internal estimates, the YTD return as of early March is approximately 3%.

CIO Insights:
The economy is doing fine. No it isn't. Yes it is. No it isn't. Yes it is. Economists have been sounding like grade-schoolers arguing at recess lately. We seem to be at the weird part of the economic cycle where every data point can be spun in the direction of either a

recession or a recovery and good news is bad news and bad news is good news. The jobs numbers are strong signaling a healthy and well-functioning economy. That's good!

People need jobs. But no, that's bad because the FED will only have to tighten the screws harder making the eventual recession even worse and the layoffs are coming. What about inflation? It has been cooling, right? So that's a good thing as we all could use a break at the pump and the grocery store. Well...no, it's coming down too quickly and that is signally the looming recession ahead. Got it? It's possible that everyone is right and that it's only a matter of timing and magnitude that causes the differences of opinion. Just as sure as night follows day, boom follows bust and vice versa. That's why it's called an economic cycle. This is normal. After all, without the "bust" what would we call it?

Needless to say the tug of war in the markets continues, but it certainly <u>feels</u> like markets want to go up. After stocks (MSCI ACWI Index) were down 7 out of the first nine months of 2022, they have had positive months in three out of the last 5 (thru Feb) with the three positive months all up north of 6%. There seems to be an everlasting supply of buyers ready to jump on the "FED's about done and inflation's under control" recovery bandwagon. When I look at the status of a couple basic indicators; things like the yield curve and the basket of leading economic indicators, and then think about <u>the lagged impact</u> of monetary policy and the amount of fiscal stimulus now compared to the COVID splurge (way less!), throw in valuation metrics and bond yields and then press calculate on the stock market prediction machine; the answer doesn't come back "bull market". Yet for now, the bulls have hope and want on their side along with a war chest of cash. Hope and want are fickle.

Away from the markets and back at the office, our newest manager, T Rowe Price EM Bond has been fully funded as of mid-month January. Work continues with XTP on the cost analysis project of our equity and fixed income managers. Both the good and bad news is that there was not a lot of cost savings to be found. It is a good sign that their findings so far indicate that our fee arrangement with our managers are at least fair and that they have also done a good job also at managing internal costs such as custody, trading, and administrative fees. The parts of the investment management value chain that we do not see or have control over. Bad news in the since we did not uncover a substantial source of new savings. Total savings so far amounts to approximately 0.013% of the assets XTP analyzed. In addition to this, work this quarter focused heavily on a continued look at our international equity space and after meeting with the IC, will have a recommendation to make at the Board meeting.

Additional Market Observations

The broader U.S. market, as measured by the Russell 3000 Index, rose 7.2% for the quarter. However, while October and November returns were strong following reports that broader inflationary pressures were beginning to moderate, shares reversed course in December as more hawkish commentary from the Fed led to falling stock prices. Stylistically, value stocks experienced an exceptionally strong quarter of relative performance versus growth stocks, as weaker growth expectations for 2023 hurt technology and longer duration growth equities. Cyclical sectors generally had an advantage over defensive sectors.

International markets also rallied sharply in the fourth quarter, reducing some of the significant declines experienced earlier in 2022. The U.S. dollar helped the non-U.S. story, with the first sustained declines off several strong years of post-pandemic appreciation. But in addition to positive currency impacts, the worst fears of citizens freezing in developed countries due to natural gas shortages and lack of energy for manufacturing were not realized. In addition, China's reversal of zero-COVID-19 policies provided a strong tailwind for looking over the horizon at a strong rebound in demand. With China as the world's second-largest contributor to world GDP, this is a strong incentive for more positive growth. For the quarter, the MSCI EAFE Index returned 17.3%, while the MSCI Emerging Markets Index gained 9.7%.

The fourth quarter brought some welcome relief to the fixed income markets in what was otherwise an extremely difficult year. With the exception of very short rates, which were pushed higher by two additional hikes in the overnight Federal funds rate during the period, most interest rates were essentially unchanged in the fourth quarter. The result was a relatively calm quarter, with bond investors content to collect their coupon income, which was notably higher in the fourth quarter than at any time in nearly 15 years. The Bloomberg Aggregate Index increased 1.9% for the quarter. High Yield had the strongest performance for the quarter at 4.2%.

Private markets performed better than public markets in 2022, thanks to the lag in valuation adjustments. That being said, there were downward revisions, and the outlook is more nuanced for 2023.

Within Real Estate, cap rates expanded across all property sectors throughout the year, albeit from very low levels, and are expected to rise further. Higher interest rates impacted what is a leveraged asset class and will underpin the outlook for borrowing, refinancing and operating costs. Although fundamentals are strong for almost all property types (the exception being office), a recession would lead to reduced demand, increased vacancies and lower rents.

Infrastructure was positive in 2022, and the outlook for that sector continues to be healthy. This is due to both good income (including some increases due to inflation adjustments) and strong tailwinds for funding projects from legislation passed around the globe. In the U.S., the $400 billion Inflation Reduction Act is the first major infrastructure bill passed in decades and includes incentives for investment as well as outright grants.

While private equity saw downward revisions in the second half of 2022, the magnitude was much less than what occurred in the public markets. Despite the virtual shutdown of the IPO market in late 2022, the early prognostications for revisions in the worst-hit sectors, like venture capital, have, not materialized so far. Continued strength in areas of the private equity market, like middle market buyouts, and better valuations for purchases (particularly for add on investments for existing holdings) is positive.

Hedge funds have benefited from their flexibility, given that they are not as purely directional as other types of strategies. Funds with exposure to the long/short credit space have been successful, as have strategies that have taken advantage of tactical positioning.

Chairman Kelly asked Mr. Reynolds to present the investment performance reports from Segal Marco Consulting. Mr. Reynolds stated that the market value of the portfolio was $4.85 billion as of January 31, 2023. Mr. Reynolds stated that the plan's return was -12.06% for 2022. He reviewed performance for January of 2023. For the month of January, the portfolio return was 4.79%. Mr. Reynolds reviewed performance for all managers for the periods ending 1/31/23.

Mr. Burke informed the Board that the currency program managed by P/E Investments was started in December of 2020. He indicated that the currency program has had a net gain of $110,724,337 through 2/28/2023. Mr. Burke introduced Mr. Warren Naphtal, Mr. Bruce George and Mr. Ty Taylor of P/E Investments. Mr. Naphtal stated that P/E Investments was founded in 1995 and currently manages $14.7 billion in assets. He stated that 90% of the funds under management are in a currency strategy.

Mr. Naphtal indicated that PERSA utilizes two strategies: a passive hedge strategy and a low volatility overlay. He stated that since account inception in December of 2020, the passive strategy has had a net return of 15.64%. The low volatility overlay has contributed an additional 7.04% net return since inception.

Chairman Kelly thanked Mr. Naphtal, Mr. George and Mr. Taylor for their presentation.

Mr. Burke discussed the investment committee's recommendation regarding the international value equity manager search. He stated that the committee interviewed two candidates and recommends hiring Barrow Hanley Global Investors for this $125 million commitment. Upon motion by Mr. Bourgoyne and second by Ms. Fontenot, the Board authorized execution of a management contract with Barrow Hanley for the international value equity mandate pending legal counsel's approval of the contract.

Mr. Burke next reviewed the cost analysis project undertaken by XTP. He stated that XTP has not found a lot of inefficiencies in its review of the active managers. Mr. Burke informed the Board that the total savings found by XTP is $331,254. He also indicated that XTP has negotiated a new fee schedule with Aberdeen and that will result in additional savings. Mr. Burke recommended that XTP now review all managers that have been working with PERS for 2 years or more. Ms. Akers stated that the current contract would allow XTP to review additional managers.

Mr. Burke reviewed the investment timeline for 2023. He stated that the investment policy statement would be presented at the June board meeting. Mr. Burke indicated that a recommendation on an international core manager may be presented at the June 2023 meeting and a recommendation on an international growth manager may be presented at the September 2023 meeting.

Upon motion by Ms. Fontenot and second by Ms. Brolin, the Board approved retirements for January, February and March of 2023. A handout detailing all retirements for the quarter was provided to all Board members.

Upon motion by Ms. Brolin and second by Mr. Bourgoyne, the Board approved the following purchase of prior service:

Blake O'Quain, Calcasieu, 6/27/22 – 1/7/23

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

Lonnie Taix, Jefferson Parish

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

Jessica Brown, Pt. Coupee Hosp. **to** State Employees

Amanda Burford, Ouachita **from** Clerks of Court

Rebecca Caminita, St. Charles D.A. **from** Clerks of Court

David B. Cappel, Jefferson **to** N.O. Sewerage & Water Board

Salley Cooper, DeSoto & Sabine D.A. **to** State Employees

Heather Elias, Rapides **from** Sheriffs

David Illgen, Jefferson **from** N.O. Sewerage & Water Board

Jerone Jackson, Lincoln **from** Sheriffs

Tasha Killcrease, Livingston **to** Firefighters

Peggy Lancon, Iberia Medical **to** Sheriffs

Rebecca D. Lee, 21st Indigent Defender DA **from** State Employees

Rachel Louque, St. James **to** Teachers

William M. McGoey, St. Bernard **to** State Employees

Randolph Mullin, Ascension **from** City of Baton Rouge

Henrietta M. Palmisano, Tangipahoa **from** State Employees

Michael C. Pope, Rapides **from** Clerks of Court

Leslie K. Robin, St. Landry **to** Teachers

Megan R. Tharp, Iberville D.A. **to** Sheriffs

Michael B. Theriot, Cameron **from** State Employees

Chairman Kelly asked Ms. Tully to discuss the quarterly report on the 2022 operating budget. Ms. Tully presented a report on the 2022 budget and indicated that the report is for informational purposes.

Chairman Kelly asked Ms. Tully to discuss the 2022 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 was delivered to Curran Actuarial.

Chairman Kelly 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, 2023. Ms. Tully indicated that the members can either mail or fax this form to the Ethics Board.

Chairman Kelly asked Ms. Tully to discuss the participating employer agreement for Iberia Parish Convention & Visitors Bureau. Ms. Tully indicated that the Iberia Parish CVB is currently participating through Iberia Parish. The bureau 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. Brolin and second by Mr. Bourgoyne, the Board approved the request for Iberia Parish Convention & Visitors

Bureau to execute a participating employer agreement with the Board effective January 1, 2023.

Chairman Kelly asked Ms. Tully to present the 2023 Legislative Update. Ms. Tully stated that there is no board sponsored legislation and there have not been any bills filed that affect PERS.

Chairman Kelly asked Ms. Tully to discuss the contract for scanning services. Ms. Tully explained that she had reached out to C.F. Biggs to get a proposal for scanning all retiree files. She indicated that C.F. Biggs had scanned a sample of the retiree files and the images were clear and easy to access. Ms. Tully stated that C.F. Biggs had submitted a proposal to scan all retiree records for under $80,000. Ms. Fontenot asked if the Board is required to get additional quotes. Ms. Akers stated that an Attorney General opinion has been issued stating that the retirement systems are not required to receive multiple bids. Ms. Brolin asked if the scanning software would be updated. Ms. Tully stated that she would make certain that software maintenance would be included. Upon motion by Mr. Bourgoyne and second by Ms. Fontenot, the Board authorized Ms. Tully to enter into a contract for scanning services after an additional quote is received from another company.

Chairman Kelly asked Ms. Tully to provide an update on the staff compensation study. Ms. Tully stated that she had contacted SSA Consultants to get a cost on conducting a study of staff salaries. She indicated that SSA estimated that the cost to conduct the compensation study would be $3,300. Upon motion by Ms. Fontenot and second by Mr. Bourgoyne, the Board authorized Ms. Tully to execute a contract with SSA Consultants to conduct a compensation study for employees of the retirement system.

Chairman Kelly 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 2023:

1. National Association of State Retirement Administrators (NASRA) Annual Conference, Broomfield, CO, 8/5 - 8/9/23
2. LAPERS Seminar, New Orleans, Louisiana, 9/10– 9/12/23

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

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Chairman of the Board