MINUTES OF THE MEETING PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
BATON ROUGE, LOUISIANA,
SEPTEMBER 17, 2024

The Board of Trustees met on the above date at the Renaissance Hotel in Baton Rouge, La. Chairman Bruce Kelly presided and called the meeting to order at 8:30 a.m. Mr. M. Larry Richard gave the invocation. Ms. Spinosa was then asked to call the roll. Members present in addition to those already named were: Mr. Phillip Bourgoyne, Mr. M. Larry Richard, and Ms. Bridgette Horton. Members absent were: Ms. Kelly Fontenot, Senator Bob Owen and Representative Josh Carlson. There was a quorum.

Also present were Mr. Chris Burke, Chief Investment Officer, Ms. Michele Perez, Chief Operating Officer, Ms. Laura Gail Sullivan, Board attorney, Mr. Greg Curran, Board Actuary, Mr. Rob Hungerbuhler of Segal Marco Advisors.

Chairman Kelly noted that the Board would take public comment at this time. No one appeared for public comment. Chairman Kelly asked if there were Board member conflicts to be disclosed; none were reported.

Mr. Bourgoyne moved to approve the minutes of the March 12, 2024, meeting; the motion was seconded and approved unanimously.

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

Since June 30, 2024, volatility has increased as the markets wait for the Fed to provide some guidance on upcoming rate cuts. Through the month of August, the PERSLA investment portfolio has returned approximately 8.5% year-to-date. CIO Insights To cut or not to cut, that is the question. Well, that was the question. The latest payroll figures for August recast the question into whether to cut a quarter or to cut a half of percent at the September 18th Federal Reserve Board meeting. The answer to the question depends on which boogie man the FED fears more...the deteriorating jobs and employment numbers boogie man or the reigniting inflation one. The inflation rate has been steadily moving lower and is now sub 3%, but that remains well above the FED's self-imposed 2% target. Meantime, the monthly payroll figures have steadily declined to a 3-month average of 116K per month from well over 300k in early 2023.

There remains no question that parts of the economy are showing signs of slowing. The FED's response at the meeting on the 18th will give us an indication as to which boogie man they think is hiding under the bed and which is still lurking outside the house waiting to enter. Back in the office and away from the markets, the Board adopted new asset allocation targets at the June meeting by reducing equities to 47% and increasing the allocation to fixed income to 37%. The Fixed Income allocation is split between "Return Seeking" strategies which are more closely tied to the fortunes of the economy and "High Quality" strategies which tend to provide greater diversification to our equity market exposure. Given our move at the beginning of this year that added to our high-quality allocation, we elected to search for a return-seeking approach that would complement our existing managers. This will be discussed in more detail later in the meeting.

August Market Update - To celebrate the end of summer, markets took us on a rollercoaster ride in August. After tremendous volatility early in the month, the rollercoaster slowed and came to a stop, with positive results for most global stock markets by the time the ride was over. Fixed income markets were positive on the back of lower rates and continued the trend of positive returns for bonds over the last four months. Although the early month declines were precipitated by weakness in labor data, the trend of most economic data has remained intact. Inflation continues to trend toward the Federal Reserve's 2% target, GDP continues to be positive, albeit slightly lower than earlier in the year and consumer spending remains positive. All of which portend a supportive backdrop for the Federal Reserve to consider cutting interest rates in September. While futures markets are projecting eight interest rate cuts through 2025, that may prove excessive, barring any materially negative surprises on the labor or economic front.

Equity Markets: As is often the case, there are more than just one or two economic factors driving the market. The early month large declines and increased volatility resulted from a combination of factors, including an unwind of the Japanese carry trade, and the concentrated tech/AI trade falling back to earth. As we have discussed in previous monthly reviews, the equity markets this year have largely been driven by the stocks of a concentrated number of growth/technology related companies. The early August declines were led by these growth/technology stocks, while the first half underperformers, namely small stocks and value stocks were up. Although small cap stocks were down in August (the Russell 2000 was down 1.5%; up 10.4% year to date), they are still outperforming so far in the second half of the year (see chart below). Large cap value stocks outperformed large cap growth stocks in August (Russell 1000 Value 2.7%, Russell 1000 Growth 2.1%). Source: FactSet As for outside of the US, both the Developed and Emerging Market indices were up, with the 3.3% return for the MSCI EAFE Index leading all markets in the month of August. Emerging Markets were up 1.6%, helped by the decline in the dollar during the month.

Fixed Income: In August, the Bloomberg Aggregate Index returned 1.4%. With four consecutive months of positive bond performance, the Bloomberg Aggregate Index is solidly in the green at 3.1% year to date. Yields closed lower (prices up) again behind the consensus that a rate cut would come in September. The ten-year Treasury bond closed August at a yield of 3.91%, matching levels seen in early January and near the low of early August of 3.78%. The two-year Treasury also closed at 3.91%, meaning a flat yield between the 2's to 10's. Long duration bonds were the best performers again this month with a return of 2.0%, bringing the quarter to date to 5.7% (although year to date the return is only 0.4%). Non-US bonds also performed well with a return of 2.4% for the Global Aggregate Index.

Mr. Burke then presented the Investment Committee recommendation. The recommendation is to move funds from equity in order to transition them into a fixed income allocation thereby reducing risk. This reallocation will provide not only additional return potential to the fixed income allocation but also limit and lower portfolio volatility by reducing the equity allocation. The committee reviewed the presentations of three best-in-class managers; it recommends an investment of $200 million with Partner's Group. A motion was made, properly seconded, and all members present voted in favor, subject to Ms. Spinosa's legal approval of the contract terms.

Next, Mr. Burke introduced Matt Buxton and John O'Shea from Loomis Sayles, specifically to discuss Large Cap Growth. Mr. Burke also noted that Loomis manages three different investment mandates for PERS. Discussion was had on strategy and performance.

Mr. Burke then updated those present on other investment business. The first item addressed the investment timeline. He stated that at the December Board meeting, our exposure in China will be addressed as will Aberdeen, one of our emerging market managers. Mr. Burke next requested that the Board approve the purchase of new investment software by Finbourne Technology at a cost of $75,000. He further stated that this would replace additional software he uses with Chase and omit that cost of roughly $39,000. Ms. Spinosa noted that this is a currently unbudgeted investment expense and would be part of the operating budget, like the investment consultant contract, not paid directly from investments like management fees.

A motion was made, properly seconded, and the Board unanimously approved purchase of the software, pending Ms. Spinosa's review of the contract.

Agenda items seven and eight were then heard. Upon motion by Mr. Richard and second by Ms. Horton, the Board approved retirements for July, August, and September 2024. A handout detailing all retirements for these months was provided to all Board members.

Upon motion and second, the Board approved requests for actuarial transfer of service from July, August, and September 2024. A handout detailing all transfers (in and out) for these months was provided to all Board members.

Mr. Kelly then informed the Board the Mr. Phillip Bourgoyne's term ended in December and inquired if he was running for reelection. Mr. Bourgoyne stated that despite his interest in the system, his new position with his parish made continued service a problem. He mentioned to the Board that someone else in his office may be interested. Ms. Spinosa reminded the Board that our auditors conduct elections at a cost of about $10,000. This item will be in the 2025 budget presented in December. Discussion was had, and it was decided that the Board would take formal action in December to set an election timeline to be concluded before the March 2025 meeting.

Ms. Spinosa and Ms. Perez then addressed the Board on the status of technological upgrades. Ms. Spinosa stated Ms. Perez has taken the lead in implementing these upgrades. Exigo Communication Services has been engaged to provide full wrap around IT support. This will include revamping of our phone and internet services, security monitoring, moving to Microsoft 365, and coordination with the AS400 pension software hosting provider.

Ms. Perez also informed the Board that the website has been completely redone, and all forms have been updated and posted. She stated that the new analyst, London Baudoin, has done a superior job with the website without having to engage outside support.

Ms. Spinosa then informed the Board that Miss Perez is gathering three bids from providers to begin the imaging of active member files. We have not been pleased overall with the quality of the current provider, so we may make a change. We are currently not contracted with them for imaging of active files. Our contract with them has been fulfilled. A recommendation will be presented at the next meeting.

Ms. Spinosa then told the Board that we will be moving to virtual reference numbers to accept more ACH payments from employers in an organized manner. We will also be moving away from the printing in-house of 900 benefit checks per month. Discussion was had on the need for direct deposit of all members. Upon motion and second, the Board unanimously agreed to mandate direct deposit. Ms. Spinosa noted that this project will take time, but staff will move forward as directed.

Mr. Kelly next asked Ms. Spinosa to present her administrative director's report. She discussed the addition of two new walls which created two additional offices. One on the third floor for Mr. Burke, and the division of the former director's office to split it in two for the newest analyst and the additional one planned for 2025. Ms. Spinosa said Mr. Burke was chosen to occupy the office on the third floor since he mainly works independently and with outside managers. Ms. Perez now occupies his old office on the first floor. This maintains a management presence in that area and keeps her near vital services that are being refined to promote efficiency.

Ms. Spinosa also informed the Board of recent upgrades to fire safety measures and outdoor lighting. Most of these upgrades were mandated by local ordinance. She also informed the Board that there are upcoming interior maintenance needs that will be in the 2025 budget, specifically, repair of several areas of damaged sheetrock and painting.

At the request of Chairman Kelly, Ms. Spinosa presented updated copy of the PERS organizational chart. The latest version looks slightly different, but the only substantive changes were the addition of the chief operating officer position and the two new retirement analyst positions. Discussion was had among the Board, Ms. Sullivan, Mr. Burke, and Ms. Spinosa. Specifically, on the interactions between the Director and CIO duties. Mr. Kelly asked Mr. Burke how things worked daily under the prior administrative director. Mr. Burke responded that it was always understood that the Board set his salary and had the power to hire and fire him, but that on a daily basis he kept Ms. Tully informed of whether or not he would be in the office, what his budget needs were, etc., and they frequently discussed financial issues, and the approval of transactions. He also stated that while the administrative director was part of many discussions, she did not direct or overrule investment decisions. Ms. Spinosa stated that nothing has changed, and she does not anticipate anything changing regarding the relationship between those two positions. She further stressed that only the Board makes investment decisions, staff and consultants only make recommendations per Title 11. However, she did note that the administrative director has several duties that are solely the responsibility administrative director, and that in all other systems the director is the point of contact for other agencies, staff, and especially the legislature.

Chairman Kelly then asked Ms. Sullivan about her knowledge of the organizational structure of her other retirement systems. She stated that while she did not have formal knowledge of their exact organizational charts, that it was the practice that the CIO was technically overseen by the director, although CIOs typically retain some level of direct access to Boards on investment-related decisions, while still including the director. She opined that a single point of contact is critical, especially with the legislature and with staff. Additional discussion was had and Chairman Kelly asked Ms. Sullivan to give an update on the law in this area at the next meeting.

Ms. Spinosa next gave a report on budget status. Overall, we remain under budget and anticipate remaining so for the rest of the fiscal year. She did also note that some categories are over budget due to upgrades in technology and the previously mentioned changes to the building structure. Part of these technological upgrades include twelve new computers necessary to secure outside IT support going forward. She referenced the hardware lifecycle report produced by the new consultant. These additional computers are needed because the current units are outside of the serviceable age. This is critically important as we move forward with imaging and away from a fully paper process. Mrs. Perez notified the Board that she will monitor the hardware life cycle and develop a plan so that we do not have to make large purchases at one time going forward. Upon motion and second, the Board unanimously approved the hardware purchase.

Ms. Spinosa also informed the Board that she does anticipate the need to fill the second new analyst position as there is sufficient volume to justify such a position. The cost will be included in the 2025 budget.

She then gave a brief recap of the 2024 LAPERS Conference. She also informed the Board that the next LAPERS conference will be on September 7 - 9, 2025, at the Westin in New Orleans. Additionally, the PERS Annual Administrative Training will be held on October 8th, 2024, at the Renaissance Hotel in Baton Rouge. We currently have nearly 100 registrants. This is an exceptional response based on our history. She also informed the Board that this year's agenda will be structured differently from past events. It will focus on the life cycle of a member from enrollment to retirement.

Ms. Spinosa next addressed proposed meeting dates with the Board. Mr. Kelly requested that she have those dates provided in December for a formal vote.

There was no other new business.

The next meeting will be December 10th, 2024, at 8:30 am at PERS Headquarters. Upon motion, second, and a vote of approval, the meeting was adjourned.

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Bruce Kelly, Chairman

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Kristi Spinosa, Admin. Director