MINUTES OF THE MEETING
PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
BATON ROUGE, LOUISIANA
JUNE 20, 2023

The Board of Trustees met on the above date at the retirement system office, 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. Ms. Tully was then asked to call the roll. Members present in addition to those already named were: Ms. Kelly Fontenot, Representative Phillip DeVillier, and Senator Robert Mills. Members absent were: Mr. Phillip Bourgoyne, Ms. Valerie Brolin and Ms. Julia Fisher-Cormier. Also present were Mr. Chris Burke, Chief Investment Officer, Ms. Kristi Spinosa, Assistant Director, Ms. Denise Akers, Board attorney, Mr. Greg Curran, Board Actuary, Ms. Michelle Cunningham and Mr. Patrick Butler of Duplantier, Hrapmann, Hogan and Maher, and Mr. Rob Hungerbuhler of Segal Marco Advisors.

Upon motion by Ms. Fontenot and second by Senator Mills, the minutes of the March 14, 2023 meeting were approved.

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

Chairman Kelly 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, 2022. 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, 2022 was $4,658,944,882 for Plan A and $414,535,459 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 91.74% and for Plan B is 94.26%. Ms. Butler indicated that the Employer's Net Pension Liability would be reflected as a liability for employers in Plan A and Plan B. Ms. Cunningham stated that the money-weighted return for Plan A and Plan B is -11.92% for the year ending 12/31/22.

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. Fontenot asked if DHHM prepared the audit document. Ms. Tully stated that the financial contained within the audit are PERS financials, but DHHM prepares the audit document. Ms. Akers stated that all of the systems that she represents has the audit firm prepare the audit document.

Mr. 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

Upon motion by Ms. Fontenot and second by Representative DeVillier, the Board accepted the audit report for the year ending December 31, 2022 and authorized the execution of the Louisiana Attestation Questionnaire and Louisiana Compliance Questionnaire.

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

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

Summary:
World equity markets were solidly positive during the first quarter of 2023 as recession fears moderated somewhat, fueling the rise in stocks. The PERSLA investment portfolio returned 4.8% for the first quarter. Since the end of the quarter, recession fears have resurfaced and markets have continued to exhibit volatility but have generally moved sideways. Through May, the PERSLA portfolio is up approximately 5.0% YTD.

CIO Insights:
Between the debt ceiling negotiations and all of the buzz about artificial intelligence/Chat GPT etc., there has not been room for the headline writers to squeeze in much else lately. My best guess on the debt ceiling is that it gets resolved at the last minute, or worst-case scenario, a couple of minutes late! Equity markets seem to be discounting a similar outcome by advancing to the top end of their recent range. That said, a last-minute hiccup would likely create a brief but potentially steep downdraft. Short of that, this should be in the rear-view mirror rather quickly. Any final deal will likely aggravate the "edges" of both parties while simultaneously scoring a victory for those sitting somewhere closer to the center of the political spectrum. This is because the final deal will involve…drum roll please…wait for it…COMPROMISE! Imagine that. I am on hold with Ripley's Believe It or Not.

Moving on to hot topic number two, artificial intelligence or AI, Arnold Schwarzenegger's Terminator was set in the year 2029, and in the movie, a human was transported back in time to 1984 to alter the path of history and save mankind from artificial intelligence (AI) gone rogue. Little did we know then that in 2023, there would be real and meaningful discussion surrounding AI and its potential uses and misuses. Setting aside the "Terminator outcome", one recent study by the Brookings Institute estimates that AI may increase productivity at a rate of 2.3% to 3.3% per year over the next 20 years. By comparison, productivity has grown just above 1% per year since 1980. AI has **the potential** to increase efficiencies, automate decisions, accelerate learning, and speed up innovation. Higher productivity, the amount of output produced per hour worked, is the secret sauce to higher profits, lower inflation, and most importantly, rising standards of living. Not to mention it is probably our best chance to work out of our nation's (and the world's!) massive debt load. Let's hope we can figure this out. If not, the "Terminator outcome" might be preferred to the slow burn of declining living standards.

Back in the office, work on our contract with Barrow Hanley is almost complete, and we look to fund that investment before the end of the June. We have continued to work with Segal to evaluate our international equity investments and will have a recommendation from our Investment Committee to be presented at our Board meeting identifying the next steps in that process. In addition to the international equity allocation, cash management has also been front and center. Our plan crossed from net inflows to net outflows in 2015 with the percentage outflow increasing to over 2% of our assets annually last year. Based on trends this year, the net outflow is likely to be around 2.25%-2.5%. Our typical cash allocation is 2% (we are just below that currently) and throughout the year we look for opportunities to selectively raise cash. We prefer to do this when conditions are in our favor and not wait to become a forced seller. At the end of May, we took advantage of the run up in large-cap growth stocks and raised some cash (0.5%) from Loomis Sayles Large Cap Growth which has been the best performer in our portfolio by far in 2023 (+30% ytd).

Additional Market Observations

The broader U.S. market, as measured by the Russell 3000 Index, rose 7.7% for the quarter. Despite market volatility following the collapse of Silicon Valley Bank (SVB), market sentiment remained optimistic. Large cap stocks (+7.5%) substantially outperformed small cap (+2.7%). The rally was led by expensive growth and technology stocks, while traditional value and cheaper areas including financials and cyclicals were much more challenged. Within small caps, growth (6.1%) also led value (-0.7%); small cap value was the only index to produce negative returns (-0.7%) for the quarter as the exposure to regional banks was a major detractor to results.

Developed international stocks were resilient, posting gains of 8.5% for the MSCI EAFE Index for the quarter. The markets finished strong despite continued interest rate hikes and heightened volatility in the banking sectors. All international sectors, with the exception of Real Estate (-2.1%) generated positive returns for the quarter, as the sector suffered from decreased occupancy rates and increased financing costs. Emerging markets were up 4.0% during the quarter, as the re-escalation of US-China tensions and volatility in U.S. and European banks detracted from the momentum of China's re-opening.

Yields rose on short-term maturities while intermediate to long-term yields declined, further inverting the yield curve as of March 31, 2023. The Federal Reserve hiked rates again in both February and March, though the increase was a modest 25 basis points each compared to the more aggressive rate increases of 2022. The Bloomberg Aggregate Index increased 3.0% for the quarter. Investment Grade Credit posted the highest 1Q total return of 3.5% within the Aggregate Index, while High Yield Bonds generated a return of 3.6%

Private markets took a back seat to the public markets over the last two quarters. That said, some of relative underperformance was simply due to the delay in reporting of December 31 values, as many are just now concluding their routine year-end annual audits.

Real Estate, as measured by the NFI-ODCE Index, returned -3.2% for the quarter. The Income return for the index was 0.8%, while depreciation of assets resulted in a -4.0% return. In the U.S., retail sector appreciation was -0.8%, apartment sector appreciation was -3.1%, office sector appreciation was -5.2% and industrial sector appreciation was -1.7%. For the same time-period, retail sector income was 1.3%, apartment sector income was 1.0%, office sector income was 1.1% and industrial sector income was 0.8%. In the U.S., the return for the first quarter of 2023 by region were: East (-2.2%), Midwest (-1.6%), South (-0.9%) and West (-2.1%).

North American private infrastructure funds returned 2.1% for the fourth quarter and 12.0% over the one-year period ending December 2022. On a relative basis, European infrastructure led in performance throughout the fourth quarter of 2022, returning 9.9%, whereas Global funds posted a 3.9% return.

The total return for private equity funds, comprising performance across all strategies, was -1.8% for the third quarter and -3.7% over the one-year period. As of 9/30/22, the three-, five-, ten- and 20-year returns for US private equity funds were 20.2%, 17.3%, 15.5% and 13.7%, respectively. Globally, private equity funds raised approximately $138 billion across 146 funds in Q4 2022. It is below the average number of funds over the past 20 quarters.

The Hedge Fund of Funds Composite rose 0.7% during the quarter. In a continuation of performance trends from the previous quarter, Macro funds (-2.4%) underperformed the rest of the hedge fund landscape, while Equity Hedge (+3.0%) and Event Driven (+1.7%) outperformed.

Chairman Kelly asked Mr. Hungerbuhler to deliver the report from Segal Marco Advisors. Mr. Hungerbuhler stated that for the period ending 4/30/23 the fund's return was 5.08%. The portfolio value as of 4/30/23 is $4,838,050,936. Equity and fixed income had positive returns for this period while the alternatives component was slightly negative.

Mr. Burke stated that the investment committee had recently reviewed the international core equity component of the portfolio. He indicated that the investment committee recommends entering into a contract with Arrowstreet Capital. Arrowstreet runs a quantitative international core equity product, specifically identifying linkages between different stocks. Upon motion by Ms. Fontenot and second by Representative DeVillier, the Board authorized execution of a contract with Arrowstreet pending contract negotiations and approval of legal counsel.

Mr. Burke introduced Mr. David Cheng and Mr. Ben Bronson with Aksia. He indicated that Askia is a hedge fund manager for PERS. Mr. Cheng stated that Aksia is approaching its one year anniversary with PERS.

Mr. Bronson reviewed Aksia's investment philosophy. He indicated that Aksia seeks investment results by leveraging their platform. Aksia also focuses on manager quality. Finally Aksia is mindful of investment biases that impair performance. Mr. Bronson stated that the performance for 2022 was 9.5%. Performance for the period ending 4/30/23 was 1.1%.

Mr. Cheng stated that Aksia would continue to evaluate market conditions, optimize the portfolio structure, evaluate new opportunities offered by current co-investment partners and maintain a high bar for new investments. Chairman Kelly thanked Mr. Cheng and Mr. Bronson for their presentation.

Mr. Burke next reviewed the revised investment policy statement that had been emailed to the Board members. He indicated that changes were minimal. Upon motion by Ms. Fontenot and second by Representative DeVillier, 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 to evaluate the international growth equity manager. He stated that the investment committee would meet before the end of the year to interview potential candidates with a recommendation at the December Board meeting.

Mr. Burke provided an update on the XTP cost analysis project. He stated that XTP has found $446,874 in annual savings. Mr. Burke reminded the Board that half of this savings would be maintained by PERS and half would be paid to XTP as their fee for a two year period.

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

Upon motion by Ms. Fontenot and second by Representative Mills, the Board approved retirements for April, May and June of 2023. A handout detailing all retirements for these months was provided to all Board members.

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

Peter J. Hahn, Plaquemines Parish

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

Patricia Alexander, Natchitoches **to** Teachers

Scott Appe, St. Tammany **to** Sheriffs

Rosalyn Arnold, Calcasieu **from** School Employees

Mitchell Babin, Iberville **to** Municipal Employees

Kirsha Barker, Iberville **to** Registrar of Voters

Adrian Bourgeois, St. John **from** State Employees

Nancy Burvant, Jefferson **to** City of New Orleans

David B. Cappel, Jefferson **to** New Orleans Sewerage & Water

Brandi A. Chiasson, Terrebonne **to** Teachers

Gena Clayton, Calcasieu **from** Municipal Employees

Fernanado Davis, St. Tammany **from** Municipal Employees

Craig Harville, Caddo **from** Sheriffs

Jay J. Hebert, Jefferson **to** Municipal Employees

Erin Hinderson, Lincoln DA **to** Teachers

Bill Johnson, GNO Expressway **to** Sheriffs

Kevin B. Krantz, Lafayette **to** Teachers

Danielle R. Kroper, Ouachita **to** State Employees

Merritt Landry, St. Bernard **from** City of New Orleans

Joshua T. May, St. Mary **from** Municipal Employees

Glenn Miller, Tangipahoa **from** State Employees

Jade Robin, Ascension **from** City of Baton Rouge

Andrew Sharp, St. Tammany **to** Sheriffs

Elizabeth Smythe, St. Tammany **from** Teachers

Lorett Swank, Tangipahoa DA **to** Teachers

LaTanya Tibbs, Jefferson **from** State Employees

Cameron Toups, Ascension **from** City of Baton Rouge

Chairman Kelly asked Mr. Greg Curran to present the actuarial report for the year ending December 31, 2022. Mr. Curran next reviewed the actuarial valuation for the year ending 12/31/22. He stated that Plan A had 13,412 active members as of 12/31/22. The number of active members decreased slightly in Plan A. Plan B had 2,314 active members as of 12/31/22. 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 2022 was 4.8% for both plans. 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 2.3%.

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 0.6068%.

The liability experience in Plan B was also favorable. Withdrawals and retiree deaths were above projected levels and disabilities were below projected levels. Retirement and DROP entries were above projected levels and salary increase were slightly above projected levels. Plan liability gains decreased the normal cost accrual rate by 0.1618%.

Mr. Curran stated that the minimum recommended employer contribution rate for Plan A for 2023 is 7.5%. The minimum recommended employer contribution rate for Plan B for 2023 is 5.25%.

Mr. Curran next reviewed the COLA's for Plan A and Plan B. He indicated that the Board is not able to grant a COLA to retirees effective 1/1/24 because a COLA was granted effective 1/1/23.

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, 2022 is $14,666 to be transferred from Plan A to Plan B.

Chairman Kelly thanked Mr. Curran for his presentation.

Upon motion by Senator Mills and second by Ms. Fontenot, the Board accepted the Actuarial Valuation and Experience Study and adopted the assumptions contained in the valuation for the year ending December 31, 2022.

Upon motion by Ms. Fontenot and second by Senator Mills, the Board adopted an employer rate of 11.50% and an employee rate of 9.5% for 2024 in Plan A contingent upon the adoption of the actuarial report by the Public Employees' Retirement Systems Actuarial Committee (PERSAC). Upon motion by Ms. Fontenot and second by Senator Mills, 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.

Chairman Kelly 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 Senator Mills, the Board approved a transfer of $14,666 from Plan B to Plan A.

Chairman Kelly thanked Mr. Curran for his presentation.

Chairman Kelly asked Ms. Tully to discuss the contract for legal services. Ms. Tully stated that Ms. Akers will retire on June 30, 2023. She informed the Board that Ms. Akers has served as general counsel for PERS for the past 23 years. Ms. Tully stated that Ms. Spinosa could help with legal questions that come up on a day to day basis, but she would recommend that the Board contract with outside counsel to assist with legal matters that Ms. Spinosa would not have time to handle. Ms. Tully recommended that the Board enter into a contract with Laura Gail Sullivan as general counsel. She stated that Ms. Sullivan has over 20 years of experience with retirement law and Ms. Sullivan would honor Ms. Akers current hourly rate of $250 per hour. Ms. Tully stated that Ms. Sullivan will retire from the Louisiana Senate effective July 16, 2023 and would be available to represent the system on July 17, 2023. Representative DeVillier asked if Ms. Sullivan was already retiring or if she had been approached to serve as general counsel. Ms. Tully stated that Ms. Sullivan had decided to retire to help take care of a family member and the opportunity to work on contract for the retirement system was secondary to her decision. Upon motion by Ms. Fontenot and second by Representative DeVillier, the Board authorized the Administrative Director to enter into a contract for legal services with Laura Gail Sullivan.

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 resolutions had been signed by the governor:

HCR 70 of 2023 by Rep. Beaullieu – Requires state and statewide retirement systems to report investment management companies who discriminate against the fossil fuel industry through ESG policies. Report is due 10/1/2023. Effective 5/24/23

HCR 110 of 2023 by Rep. Miguez – Urge and request state and statewide retirement systems to not allow ESG policies to influence their investment decisions. Effective 6/7/23

Representative DeVillier asked that the system report any costs associated with the reporting required by an act of the legislature. Representative DeVillier expressed concern with legislation that would mandate inclusion or exclusion of particular investments. Ms. Tully stated that any mandate to exclude or include particular types of investments could have a direct impact on the retirement system's investment returns. She reminded the Board that PERS does not receive any state funding. Any shortfall in funding caused by a legislative mandate would have to be borne by the participating employers.

Upon motion by Senator Mills and second by Ms. Fontenot, the Board approved the following policy for retiree COLA's:

Policy for Granting Cost-of-Living Adjustments

The Board of Trustees for the Parochial Employees' Retirement System of Louisiana (PERS) recognizes that it has the authority to grant cost-of-living adjustments

(COLAs) for its retirees and beneficiaries. The Board of Trustees has utilized the COLA provision in accordance with R.S. 11:1937 and has funded that COLA utilizing the Funding Deposit Account established under R.S. 11:243

Based upon the recommendation of its actuary, and to ensure the actuarial soundness of the system, the Board of Trustees unanimously agreed to adopt the Funding Deposit Account method as its preferred mechanism to fund COLAs.

The Funding Deposit Account receives funds when the employer contribution rate set by the Board is higher than the actuarially required contribution.

Accordingly, the Board agreed that the following parameters are prerequisites to granting a COLA:

- The balance in the Funding Deposit Account for the plan for which a COLA is considered must have a sufficient balance to pre-fund the amount of the COLA granted.
- The funded ratio for the plan in which the COLA is granted must be at least 70%.
- If the funded ratio is between 70% and 80%, the Board may grant a COLA if the above conditions are met, and no COLA was granted in the three most recent fiscal years.
- If the funded ratio is between 80% and 90%, the Board may grant a COLA if the above conditions are met, and no COLA was granted in the two most recent fiscal years.
- If the funded ratio is 90% or greater, the Board may grant a COLA if the above conditions are met, and no COLA was granted in the most recent fiscal year.

The Board therefore instructs its actuary to account for COLA funding based on this policy.

Nothing in this policy should be construed as a limitation on the Board's authority to allocate monies from the Funding Deposit Account for purposes other than the payment of COLAs.

Adopted this 20th day of June, 2023.

Chairman Kelly asked Ms. Tully to discuss the Board policy for holidays. Ms. Tully stated that the Board approves holidays for the system staff at the December Board meeting each year. Ms. Tully informed the Board that the governor has declared July 3 and July 4 as a holiday for the state. Ms. Tully indicated that the current Board holiday schedule gives the staff of the retirement system July 4th as a holiday, but she would like for the Board to consider also granting July 3. Chairman Kelly stated that this would be a one-time change to the holiday schedule. Upon motion by Ms. Fontenot and second by Senator Mills, the Board granted July 3 and July 4 as a holiday for the retirement system staff.

By unanimous motion, the Board adopted the following resolution for Becky Fontenot's retirement:

RESOLUTION

WHEREAS, *BECKY FONTENOT was first employed by the Parochial Employees' Retirement System of Louisiana on May 6, 2002, and,*

WHEREAS, *BECKY FONTENOT has served the membership of the Parochial Employees' Retirement System of Louisiana for over 21 years, and,*

WHEREAS, *BECKY FONTENOT will retire from the Parochial Employees' Retirement System of Louisiana effective June 1, 2023.*

NOW, THEREFORE BE IT RESOLVED, *by the Board of Trustees of the Parochial Employees' Retirement System of Louisiana, convened in regular session this 20th day of June, 2023, that this body does hereby and by these present, congratulate and thank BECKY FONTENOT for the performance of her duties in a manner commensurate with the highest standard of public service.*

BE IT FURTHER RESOLVED *that this expression of gratitude and appreciation to BECKY FONTENOT be spread upon the minutes of the Board of Trustees of the Parochial Employees' Retirement System of Louisiana.*

BATON ROUGE, LOUISIANA, THIS THE 20th DAY OF JUNE, 2023

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

Broomfield, Colorado from 8/5 – 8/9/23. 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 Roosevelt Hotel from 9/10 – 9/12/23.

Upon motion by Ms. Fontenot and second by Senator Mills, the meeting was adjourned.

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Chairman of the Board