

**MINUTES OF THE MEETING
PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
BATON ROUGE, LOUISIANA
SEPTEMBER 21, 2021**

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. Chairman Rodrigue then asked Ms. Tully to call the roll. Members present in addition to those already named were: Ms. Tammy Bufkin, Mr. Phillip Bourgoyne, Mr. Bruce Kelly and Senator Robert Mills. Members absent were: Ms. Julia Fisher-Perrier and Representative Julie Emerson. Also present was Mr. Chris Burke, Chief Investment Officer. Participating via conference call were Mr. Greg Curran, Board actuary, Mr. Keith Reynolds and Mr. Rob Hungerbuhler with Segal Marco Advisors, and Ms. Denise Akers, Board attorney.

Upon motion by Ms. Bufkin and second by Mr. Bourgoyne, the Board approved the minutes of the June 22, 2021 meeting.

Chairman Rodrigue noted that the Board would take public comment at this time. No comments were made.

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

Investment Summary – 2Q 2021

Summary:

Equity markets both here and around the globe continued to climb higher as companies and consumers benefitted from the continued reopening of the world's economies. Many domestic stocks hit new highs over the past quarter on the back of monetary and fiscal stimulus. The PERSLA investment portfolio returned 4.8% for the second quarter. Capital markets have generally been positive in July and August pushing the YTD total return of the portfolio in the neighborhood of 10.5%.

CIO Insights:

As we are rounding third on a complete trip around our portfolio structure over the past couple of years, we recently shifted gears by moving an analysis of our fixed income portfolio ahead of the review of the opportunistic sleeve. The change was a result of rapidly changing market conditions in fixed-income (low low rates) and a "cash" build up from taking profits in equities that have been on a one-way ticket up since March of 2020. We will be making some recommendations within the fixed income space based on the results of our IC meeting. Our review of the opportunistic sleeve will resume in Q4 and we fully anticipate having a recommendation prepared for that meeting.

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As a recap, the last two years we started the process of examining each segment of our portfolio structure from a top down and broad asset class level (stocks/fixed income/alternatives). Our objective was to eliminate duplication, inefficiencies, and better align the portfolio's design with the resources we have to effectively manage and monitor the portfolio. One side benefit of this process has been reducing the overall level of fees that comes from having fewer and larger relationships. After working our way thru both equities and fixed income, the alternatives piece was split into three segments, private equity, real estate, and hedge funds (now called opportunistic). After finishing private equity and then real estate, I am happy to report that we will be fully funding the commitment we made to the TA Core Property Fund at the end of this month. Our cash allocation has been temporarily higher than normal awaiting the exact timing of the commitment, and putting this money to work will leave our cash balance closer to the strategic target level of 2%. The last component of our structural review is to evaluate our possibilities within the opportunistic category, and we are well into that process having narrowed the field to five (including our incumbent manager, Blackstone) with the help of Segal and their due diligence team.

In looking at the markets, every passing month is one more tightening of the vice around the FED and its commitment to achieving its dual mandate of full employment and stable inflation. While the unemployment rate has fallen rather quickly, inflation has remained stubbornly high coming in above 5% the past few months. In addition, consumer expectations of future inflation based on a survey by the Federal Reserve Bank of New York have ratcheted up 10 months in a row. So far, the FED has held its ground, insisting that the inflation we are seeing is COVID related and will prove transitory. The last thing the FED wants is for inflation expectations to become ingrained in the psyche of consumers and ultimately influence purchasing behavior. Excluding any potential Black Swan events, the path of inflation, and more importantly, how the Fed reacts (or not) is the most important storyline to follow in terms of potential impact on financial markets. Tune in to Bloomberg or CNBC any day of the week and you will see plenty of smart people making the case for both sides of this coin.
Bottom line...To Be Determined!

Additional Market Observations:

In the U.S, large cap stocks experienced a reversal from the previous quarters and outperformed small cap stocks. The Russell 1000 Index returned 8.5%, while the Russell 2000 Index gained 4.3%. Value stocks continued their multi-quarter run relative to growth stocks through early May, but the trend reversed for the remainder of the quarter. The Russell 1000 Growth Index (+11.9%) more than doubled the return of the Russell 1000 Value Index (+5.2%). Small cap value stocks continued to beat small cap growth stocks, returning 4.6% and 3.9%, respectively. Almost all sectors within the S&P 500 Index experienced positive returns during the second quarter, with Utilities (-0.4%) being the exception. The Real Estate sector (+13.1%) came out the strongest due to a decline in mortgage rates. Other sectors that performed well were Technology (+11.6%) and Energy (+11.3%), where restored demand for oil increased prices.

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Overseas, the international developed markets returned 5.2%, which trailed the U.S. markets, but outperformed the emerging markets during the quarter. Despite trailing developed markets, emerging markets performance was strong for the quarter, returning 5.1%.

Longer-term yields declined as economic activity in the U.S. rebounded. The Barclays Aggregate Bond Index returned 1.8% for the three-month period. U.S. Investment Grade Corporates had the strongest sector performance of 3.6%. of course, with short term interest rates still pinned to the ground, the 3-month TBill experienced the weakest performance for the quarter, posting a return near zero.

Alternatives have provided positive results in 2021. Hedge Fund strategies rebounded somewhat during the quarter amid increased volatility, select factor reversals, and an increasingly worrisome inflationary environment. Within Private Equity, positive momentum continues with persistent investor demand accompanying ramped-up mergers and acquisitions activity and volumes. Fundamentals in the Real Estate market remain strong for certain property types and investor demand has increases since markets reopened. The low interest rate environment should encourage continued investor flows into core real estate, while higher returning strategies such as core plus, value added and opportunistic strategies remain attractive options for investors. Likewise, the outlook remains favorable in the near term for Infrastructure, as several tailwinds support fundamentals and the asset class continues to display resilience. Increased need for investment and government funding across sectors and regions to boost longer-term economic growth will be supportive of private investment.

Chairman Rodrigue asked Mr. Reynolds and Mr. Hungerbuhler to review investment performance. Mr. Hungerbuhler stated that for the seven months ending 7/31/21, the plan return was 8.7%. The portfolio value as of 7/31/21 is \$5,307,719,586.

Mr. Hungerbuhler stated that the equity managers have outperformed the index for the seven months ending 7/31/21. He indicated that the fixed income and alternative managers have also outperformed their respective indices.

Mr. Reynolds stated that the investment committee interviewed two opportunistic fixed income managers at its last meeting. He indicated that the after interviewing both candidates, it is the investment committee's recommendation to allocate \$200 million to ArrowMark Partners. Mr. Reynolds stated that ArrowMark will manage a customized fund for PERS that seeks to invest in regulatory capital relief transactions entered into with UK, EU and US banks. He explained that ArrowMark will charge an incentive based fee of 0.15%. Senator Mills asked if this was a normal fee arrangement. Mr. Burke stated that in opportunistic fixed income an incentive based fee is not unusual. Upon motion by Mr. Bourgoyne and second by Ms. Bufkin, the Board authorized execution of a contract with ArrowMark Partners to manage \$200 million pending document review and approval of the Board's attorney.

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Mr. Burke next discussed the investment timeline. He stated that he has been working with Mr. Hungerbuhler and Mr. Reynolds on portfolio cost analysis services. He indicated that the review of this service is still underway. Mr. Burke explained that a recommendation will be ready for the December meeting. Mr. Burke also stated that a recommendation on the hedge fund portion of the portfolio will also be made at the December meeting.

Chairman Rodrigue thanked Mr. Burke, Mr. Reynolds and Mr. Hungerbuhler for their presentation.

Upon motion by Mr. Kelly and second by Mr. Bourgoyne, the Board approved retirements for July, August and September of 2021. A handout detailing all retirements for these months was provided to all Board members.

Ms. Tully stated if a retiree chooses a relative of the first degree as an option 4 beneficiary, the Board has established a policy that this type of selection does not need to come before the board for approval. However, if the retiree chooses someone not related in this manner, the Option 4 selection must be brought before the Board for approval. Ms. Tully explained that Charles Berry with Lafayette Consolidated Government has named a fiancé as his Option 4 beneficiary. Upon motion by Mr. Bourgoyne and second by Mr. Kelly, the Board denied Mr. Berry's option 4 payment request.

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

Kimberly D. Landry, State Employees

Valencia C. Williams, Teachers

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

Blair Constant, Jefferson **to** District Attorneys

Joseph Didier, Jr., St. Tammany **from** City of Baton Rouge

Darrin Duhe, St. Charles **from** School Employees

Anthony Esposito, St. Tammany **from** State Employees

Peter P. Farris, Livingston Marshall **to** Municipal Employees

Eric Hart, Jefferson **to** Sheriffs

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Jennifer Hart, Jefferson **from** State Employees

Gina T. Hayes, St. Tammany **from** Municipal Employees

Ronald Johnson, Jr., Jefferson **from** City of New Orleans

Justin Jones, Washington **from** State Employees

David R. Keller, Iberville **from** Municipal Employees

Trilby Lenfant, St. Tammany **to** Municipal Employees

Bryan S. McManus, Jefferson **to** State Employees

Melissa D. McRight, Calcasieu **to** State Employees

Mary L. Murphy, Caddo **from** Teachers & City of Shreveport

Christy Rohner, City Court of Hammond **from** State Employees

Jennifer Rosenbach, Jefferson **to** District Attorneys

Cynthia L. Samuel, St. Tammany **from** Municipal Employees

Ethan Theriot, 15th Judicial District D.A. **to** Clerks of Court

Patrick Wesley, Caddo **from** City of Shreveport

Dawn M. Williams, Richland **to** Sheriffs

LaDonna K. Wing, Calcasieu **from** Clerks of Court

Upon motion by Mr. Bourgoyne and second by Ms. Bufkin, the Board approved the following meeting dates for 2022: **March 8, June 21, September 13, December 13**

Chairman Rodrigue asked Ms. Tully to address the board member election. Ms. Tully stated that Tammy Bufkin's term of office expires on 12/31/21. Ms. Bufkin will be retiring in early 2022 and has decided not to run for another term. Ms. Tully explained that Ms. Bufkin represents the following parishes: Calcasieu, Jefferson Davis, Acadia, Lafayette, St. Martin, Cameron, Vermilion, Iberia and St. Mary. She indicated that the election would be held for the 2022 – 2027 term of office.

Ms. Tully informed the members that Kelly Fontenot of Calcasieu Parish and Christi Kingsley of West Calcasieu Cameron Hospital have expressed an interest in running

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from this district. Upon motion by Ms. Bufkin and second by Mr. Bourgoyne, the Board nominated Ms. Kelly Fontenot of Calcasieu Parish and Ms. Christi Kingsley of West Calcasieu Cameron Hospital to run for the 2022 – 2027 term of office.

Ms. Tully next presented the quarterly report on the operating budget through June 30, 2021. Mr. Kelly asked if the system had protection against cyber threats. Ms. Tully indicated that the system does have cyber security insurance. She also explained that the contractor who provides IT services to PERS monitors the virus protection on all hardware. Any concerns regarding a suspicious email or other inquiries are directed to the system's IT contractor.

Chairman Rodrigue asked Ms. Tully to discuss the employer agreement for the St. Charles Public Defender. Ms. Tully stated that indigent defender boards are allowed by state law to enter into an agreement for participation. She indicated that the St. Charles Public Defender is asking to enter into an agreement effective October 1, 2021 and would cover 3 full time employees. Upon motion by Mr. Bourgoyne and second by Mr. Kelly, the Board approved the agreement for participation with the St. Charles Parish Public Defender.

Chairman Rodrigue asked Ms. Tully to address the LAPERS Virtual Seminar. Ms. Tully reminded the members that additional hours will be provided on the LAPERS website and she encouraged the members to watch all of the educational hours available.

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

Chairman of the Board

