

**MINUTES OF THE MEETING
PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
BATON ROUGE, LOUISIANA
MARCH 9, 2021**

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. Tammy Bufkin, 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, Mr. Greg Curran, Actuary (via teleconference), Ms. Denise Akers, Board Attorney (via teleconference), and Mr. Keith Reynolds of Segal Marco Advisors (via teleconference).

Upon motion by Ms. Bufkin and second by Mr. Kelly, the Board approved the minutes of the December 8, 2020 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. Reynolds to address the investment summary. The investment summary follows:

4Q20 Investment Summary

While the economic recovery slowed in the fourth quarter due to renewed virus intensity, the financial markets performed extremely well on positive vaccine news, expectations of additional fiscal stimulus, and continued extraordinarily easy monetary policy from the Federal Reserve.

The PERSLA investment portfolio returned 11.4% for the fourth quarter, led in large part by the Equity portfolio. Capital markets were modestly negative in January but advanced once again in February to record levels.

Within U.S Equities, the S&P 500 Index gained 12.2% for the quarter, and finished the year up 18.4%. Every sector in the S&P 500 Index experienced positive returns for the quarter. Despite being the worst performing sector for the full year, Energy was the top performer for the quarter, returning 27.8%. Technology remained the best performing sector for the year. Value stocks outperformed growth stocks across market caps for the fourth quarter, although growth significantly outperformed value for the year. The differential in 2020 returns between value and growth stocks was the largest in at least a

March 9, 2021, page 2

quarter century. Small caps led large cap stocks during the quarter, as the Russell 2000 Index increased a staggering 31.4%. The small cap index returned 20.0% for the calendar year.

Overseas, the United Kingdom and European Union also posted strong returns for the quarter, as their respective markets reacted positively to the announcement of a Brexit trade deal and several COVID-19 vaccine approvals. The International Developed Markets increased 16.1% for the quarter and 7.8% for the year, as represented by the MSCI EAFE Index. A seemingly sustained economic recovery in China, firmer prices for various types of commodities and a sliding U.S. dollar helped propel Emerging Markets equities even higher, as the MSCI EM Index gained 19.7% for the quarter and 18.3% for the full year.

Within the Fixed Income markets, the Barclays Aggregate Index increased 0.7% for the fourth quarter and 7.5% for the year, with yields ending the 2020 at historic lows. A risk-on environment during the quarter helped push Investment Grade Corporate Debt up 3.1%, while U.S. Corporate High Yield gained 6.5%. One of the better performing fixed income segments in 2020 was Treasury Inflation Protection Securities (TIPS), which returned 11%. TIPS were only outdone by longer duration securities, which had rallied during the first half of 2020 as rates plummeted, but were negative for fourth quarter of the year.

With the more V-shaped recovery, private investment opportunities appear to have also stabilized, or even recovered, fairly rapidly. Within Hedge Funds, the HFRI Fund Weighted Composite gained 10.7% in the fourth quarter. The potential for heightened volatility creates an environment where nimble long/short managers can add value. Private equity should benefit from low-for-longer interest rates with cost of capital quite minimal for the foreseeable future. Distributions are expected to remain positive given improving conditions and exit values. While dry powder is still elevated, this has not been a deterrent to returns thus far. Likewise for Real Estate, the markets should also benefit from low interest rates, especially as investors seek higher-yielding assets. This demand is likely pushing prices higher and moderating the fairly substantial amount of dry powder that has been prevalent of late.

Additional Insight/Commentary Since The Last Board Meeting

The end of 2020 and the first couple of months of this year have been busy as usual. We are methodically working our way through the entire portfolio from a structure and framework perspective, and after this quarter's review of the Real Estate area, will only have the hedge fund space left to examine. Our existing line-up of real estate managers has six separate investments managed by five different managers. The longest tenured manager being PGIM (almost 15 years) and the most recently hired coming on board in 2015. After discussions and reviews with Segal's real estate due diligence expert, we came away with the realization that we had an excellent group of managers, and any

March 9, 2021, page 3

restructuring could be accomplished within the five managers we already do business with. Ultimately, the recommendation of the Investment Committee aligns us more closely with the sectors of the market Segal believes positioned to do well in the future, increases our geographic and sector diversification, more evenly distributes our investments across our remaining managers, lowers our overall fee structure, and will greatly reduce our operational and administrative burden once four of our current closed end funds wind down.

In addition to the Real Estate restructuring, we are continuing to work with PERSLA's attorneys to finalize the agreement between HarbourVest and PERSLA on the private equity separate account that the board approved last quarter. We are hopeful to finish up the documents before the end of March, but if not, certainly prior to the June board meeting.

Finally, there were the customary calls with our existing managers, who without exception when asked what keeps them up at night, answered with some version of the inflation boogeyman poking his head out from under the bed, spooking both the bond and stock markets in the process. While the inflation boogiemans have been in hibernation for well over 30 years, let's just say it is possible; unlikely, but possible. Powerful disinflationary forces such as technology, globalization, demographics and mountains of debt all line-up to counter the near term inflationary concerns being generated primarily by the world's ultimate helicopter parents, our government and the FED (we the people are the children!). Together, they are embracing MMT, Modern Monetary Theory (some call it the Magic Money Theory) which espouses the view point that a budget at the government level is unnecessary for countries that have the luxury of being a reserve currency and can print their own money such as the U.S. In other words, what our government spends (and has to borrow) can be printed by the FED with no limit. Wow! The possibilities are endless. The only concern should be the well-being of our countrymen...UNLESS...the inflation boogiemans come back. At that point, MMT would suggest the FED to stop purchasing the debt (my question is who would purchase our mountain of debt at that point? Or we would see rates back to 1981 levels?). I envision MMT backers saying at that point something along the lines of, "well, in theory we said it was a theory". My concern is this theory could negatively impact our reality at PERSLA. The conditions on the ground today are unique and extreme in many ways. No one knows or can predict how this will all play out. The path forward will be determined by future actions of our policy makers and market participants' reactions to those policies. Our best choice is to stay as diversified as possible, re-balance when appropriate to capture excess returns as they are earned, and consider investments whose returns are independent of factors influencing stocks and bonds. Stay tuned...

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 \$4.897 billion as of January 31, 2021. Mr. Reynolds stated that the plan's

March 9, 2021, page 4

return was 12.95% for 2020. He reviewed performance for January of 2019. For the month of January, the portfolio return was -0.27%.

Mr. Burke stated that the next item on the agenda is a recommendation from the investment committee. He indicated that the real estate portfolio currently consists of six managers. He recommended that the Board consider reducing the number of managers to three or four. Mr. Burke stated that it is the recommendation of the investment committee to allocate \$100 million to TA Realty Core Property Fund, increase the allocation to PRISA II to \$100 million and allocate \$50 million to Oaktree VIII. Mr. Reynolds indicated that there would be lower fees that would result from the new allocation. Upon motion by Mr. Bourgoyne and second by Ms. Bufkin, the board authorized an allocation of \$100 million to TA Realty Core Property Fund, increasing the allocation to PRISA II to \$100 million and an allocation of \$50 million to Oaktree VIII.

Mr. Burke stated that he has been talking to a firm that would conduct a third party expense review. He indicated that Segal is performing due diligence on this third party. Mr. Burke stated that this item would be addressed at a later board meeting.

Mr. Burke introduced Greg Zavoyna and Brian Giuliano from Brandywine Global Investment Management. Mr. Burke stated that Brandywine manages a global fixed income fund for PERS. Mr. Giuliano stated that Brandywine invests with a long term view with a value orientation. He indicated that they do actively manage currency exposures to protect principal and enhance returns.

Mr. Giuliano next reviewed the investment process. He explained that Brandywine wants to find value and also find the information opportunity. Mr. Giuliano indicated that they will evaluate country, currency, duration and credit when reviewing investment themes to construct the bond portfolio.

Mr. Burke asked if Brandywine sees inflation as a problem. Mr. Giuliano indicated that Brandywine does see inflation coming. He stated that the Fed is looking for inflation. Mr. Burke asked how much can the government continue to spend and what impact does this have on our economy. Mr. Giuliano stated that government deficits can be larger for a lot longer than you think if you look at Japan. He indicated that experimenting with monetary policy does concern Brandywine. Mr. Burke thanked Mr. Zavoyna and Mr. Giuliano for their presentation.

Mr. Burke reviewed the investment timeline for 2021. He stated that the investment policy statement would be presented at the June board meeting. Mr. Burke indicated that the hedge fund portion of the portfolio would be reviewed at the September meeting and the fixed income portfolio would be reviewed at the December meeting.

March 9, 2021, page 5

Upon motion by Mr. Kelly and second by Mr. Bourgoyne, the Board approved retirements for January, February and March of 2021. A handout detailing all retirements for the quarter was provided to all Board members.

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

Melinda Olsen, Jefferson Parish, 2/23/19 – 11/10/19

Dean Pitre, Terrebonne Parish, 8/18/19 – 4/18/20

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

Danielle Arceneaux, St. Mary **to** Teachers

Annette Bryant, Natchitoches **to** Municipal Employees

Bradley Dean, Bossier Parish Communications **from** Firefighters

Melynda Carpenter, Calcasieu **to** Municipal Police

Sara Fawsett-Gary, Iberia & Lafayette **to** Municipal Employees

Sandra Files, Jefferson **to** State Employees

Blake Fogelman, St. John **to** State Employees

Adrian Genre, West Baton Rouge **from** Municipal Employees

Timothy Hitt, Terrebonne **from** State Employees

Christine Ibert, St. Mary Library **from** Municipal Employees

Guy McInnis, St. Bernard **from** Teachers

Grey Moore, St. Tammany **to** Sheriffs

Shawn Rice, GNO Expressway **to** Municipal Police

Brigid Stevens, GNO Expressway **to** Municipal Police

Richard Stokes, Bossier **to** Sheriffs

March 9, 2021, page 6

David Terribile, Ascension **to** Teachers

Tabitha Tucker, DeSoto EMS **to** Sheriffs

Bruce E. Watson, Ouachita **to** Municipal Employees

Christopher Welker, St. Charles **from** Municipal Employees

Chairman Rodrigue asked Ms. Tully to discuss the quarterly report on the 2020 operating budget. Ms. Tully presented a report on the 2020 budget.

Chairman Rodrigue asked Ms. Tully to discuss the 2020 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. Ms. Tully indicated that Mr. Curran will be looking for an opportunity to lower the assumed rate of return in the 2020 actuarial valuation.

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, 2021. 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 Benefits Administrator position. Ms. Tully indicated that the position of Benefits Administrator is currently not filled. She recommended that Cari Hill be promoted to this position at the time she attains 5 years of service in May. Upon motion by Mr. Bourgoyne and second by Ms. Bufkin the Board approved reinstatement of the position of Benefits Administrator and authorized the Director to fill the position.

Chairman Rodrigue asked Ms. Tully to discuss the request from Sulphur Parks and Recreation regarding the effective date of DROP. Ms. Tully indicated that the DROP application was received 11/23/20 with an effective date of 10/1/20. Ms. Tully stated that under the Board's policy, the application could only be made retroactive to 10/23/20 without Board approval. She informed the Board that Sulphur Parks was unable to find a notary due to COVID and the hurricanes that damaged the area to complete the member's DROP application. Upon motion by Mr. Bourgoyne and second by Mr. Kelly, the Board approved an effective date of 10/1/20 for the DROP application of Peter Vincent.

Chairman Rodrigue asked Ms. Tully to discuss the effective date of a retirement application received from Plaquemines Parish. Ms. Tully stated that the retirement application was received March 5, 2021 with an effective date of January 1, 2021. Ms.

March 9, 2021, page 7

Tully indicated that the envelope is postmarked December 11, 2020. She stated that this is an unusual delay for mail delivery. Ms. Tully indicated that under the Board's policy, the application can only be backdated to February 5, 2021 without the Board's approval. Upon motion by Mr. Bourgoyne and second by Ms. Bufkin, the Board approved an effective date of 1/1/21 for the retirement of Cynthia Dugas.

Chairman Rodrigue asked Ms. Tully to present the 2021 Legislative Update. Following is a summary of the bills presented to the Board:

LEGISLATIVE UPDATE

HB 22 by Rep. Lacombe – would allow the Louisiana School Board Association to enroll in Teachers Retirement System. LSBA is currently a member of PERS.

Ms. Tully recommended that the Board take a neutral position on HB 22. Mr. Curran suggested that an amendment be requested to require that actuarial liability be paid for those members who terminate coverage with PERS. Ms. Tully asked Mr. Curran to draft the proposed amendment and she would forward to Rep. Lacombe. Upon motion by Ms. Bufkin and second by Mr. Kelly, the Board authorized a neutral position on HB 22 with the proposed amendment.

Ms. Tully stated that there is one other piece of legislation that has not been introduced at the time of the meeting. She indicated that Senator Abraham wants to introduce legislation to allow retirees to return to work in a full time capacity and not have their retirement benefit reduced. The retiree would have to have been retired for three years, be age 65 or older and have credit for 30 years or more in their benefit computation under the proposed legislation. Ms. Tully indicated that a review of the database shows approximately 900 retirees could qualify for this proposed legislation. Ms. Tully indicated that there is an actuarial cost to this bill since retirees would continue to receive full benefits and a full time paycheck. Upon motion by Mr. Bourgoyne and second by Ms. Bufkin, the Board elected to oppose Senator Abraham's bill that would permit PERS retirees to return to work for a participating employer and to continue to receive a retirement benefit.

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 2021:

1. National Association of State Retirement Administrators (NASRA) Annual Conference, Pittsburg, PA, 8/7 - 8/11/21
2. LAPERS Seminar, New Orleans, Louisiana, 9/12– 9/14/21

March 9, 2021, page 8

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

Chairman of the Board