

**Louisiana School Employees' Retirement System**  
**Quarterly Board Meeting**

*Monday, December 1, 2014*

9:00 a.m.

The Board of Trustees of the Louisiana School Employees' Retirement System convened in the boardroom (Room 100) of the Louisiana School Employees' Retirement System Building, located at 8660 United Plaza Blvd., Baton Rouge, Louisiana. Mr. Jeffrey Faulk, Sr., Chairman of the Board, called the meeting to order at 9:00 a.m. The Lord's Prayer and Pledge of Allegiance were recited. Roll was called by Ms. Stark.

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**Members Present:** Mr. Jeffrey Faulk, Sr., Ms. Judith Ann McKee, Mr. Eugene Rester, Jr., Ms. Kathy B. Landry, Ms. Betty Crain, Mr. Henry Yearby, Mr. Philip B. Walther, Mr. Joe Salter - designee for Mr. Tom Schedler - Secretary of State, Ms. Ashlee McNeely - representative for Ms. Kristy Nichols - Commissioner of Administration, Ms. Amy Mathews - designee for Mr. John Kennedy - State Treasurer

**Members Absent:** Senator Elbert L. Guillory - Chairman, Senate Committee on Retirement, Representative J. Kevin Pearson - Chairman, House Committee on Retirement

**Staff Present:** Mr. Charles Bujol – Executive Director, Ms. Carolyn Forbes - Assistant Director, Ms. Lauren Bailey - Executive Counsel, Mr. Christopher Saik - Chief Investment Officer, Ms. Larisa Ellard - Internal Auditor, Ms. Laurie Stark – Administrative Assistant

**Others Present:** Mr. Jeffrey Boucek, Mr. Rob Hungerbuhler, and Mr. Keith Reynolds - Segal Rogerscasey

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**DIRECTOR'S ANNOUNCEMENTS**

Mr. Bujol made the following announcements:

- the December Crossroads newsletter which includes the changes in the monthly direct deposit notifications will be mailed soon;
- the administration hall is currently being renovated.

**APPROVAL OF AGENDA**

The agenda was presented to the Committee for approval.

**ON MOTION BY MR. YEARBY, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT** the Board approved the agenda.

**PUBLIC COMMENTS ON ANY ITEM ON THE AGENDA**

Mr. Faulk called for public comment on any item on the agenda. There were no comments.

**MANAGER PERFORMANCE REVIEW**

Mr. Boucek and Mr. Hungerbuhler provided a review of manager performance, which included a handout titled *Analysis of Investment Performance* for period ending September 2014. They then addressed questions from the Board and LSERS administrative staff.

**ON MOTION BY MR. RESTER, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT**, the Board approved the Investment Performance Review.

**DISCUSSION OF WATCH LIST**

Mr. Boucek and Mr. Reynolds provided an overview of performance for the managers that should be placed on the Manager Watch List. Those managers are as follows: Wasatch Advisors, Walter Scott & Partners, Ltd., Mondrian Investment Partners, Inc., and Principal Global Investors. A handout titled *Manager Watch List* was provided.

**ON MOTION BY MS. LANDRY, SECONDED BY MS. McKEE AND CARRIED BY UNANIMOUS CONSENT**, the Board approved the LSERS Manager Watch List.

Mr. Boucek and Mr. Saik discussed at length the structure change of the Easterly Partners (U.S. Government Properties Income and Growth Funds I and II) fund. Easterly has elected to turn their privately held funds into a publicly-traded REIT (Real Estate Investment Trust) and is expected to file for an IPO (Initial Public Offering) on December 22, 2014. The deadline for investor consent is December 18, 2014. They must receive 66% consent in Fund I and 50% consent in Fund II in order to proceed. The benefits were discussed and it was recommended that the Board grant the Executive Director authority to act on their behalf and consent to the Easterly Partners' IPO based on further due diligence.

**ON MOTION BY MS. LANDRY, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT**, the Board agree to authorize the Executive Director to act on behalf of the Board pursuant to investment authority granted under R.S. 11:1181 relative to the Easterly IPO (initial public offering) based upon further due diligence.

**IMPLEMENTATION OF THE INTERNATIONAL EQUITY TARGET ALLOCATIONS**

Mr. Boucek provided an analysis of the proposed changes to the International Equity structure. The recommendations are as follows: 1) terminate the Earnest Partners, 2) rebalance Walter Scott & Partners, Ltd. portfolio from 5.3% of the total fund to 4.5%, and 3) redistribute the funds into a newly hired International Large Cap Value manager. This manager is to be hired in early 2015. A handout titled *International Equity Structure Overview* was provided.

**ON MOTION BY MS. McKEE, SECONDED BY MS. MATHEWS AND CARRIED BY UNANIMOUS CONSENT**, the Board approved the recommendation to terminate Earnest Partners by utilizing the MSCI EAFE Index for the International Large Cap Core mandate. The role of Earnest Partners is to be eliminated.

**ON MOTION BY MR. RESTER, SECONDED BY MR. YEARBY AND CARRIED BY UNANIMOUS CONSENT**, the Board approved the recommendation to rebalance the Walter Scott & Partners, Ltd. portfolio by taking the overall allocation down to 4.5% of the total fund and redistribute the funds to the EAFE index.

**PRESENTATION RELATIVE TO INTERNATIONAL EQUITY MANAGER INTERVIEWS**

Mr. Reynolds provided an overview of the search parameters that were used to create the list of candidates for the MSCI EAFE Value Index manager that is being sought to replace the terminated International Large Cap Value Equity Manager (Thornburg). The candidates are: LSV Asset Management, Mondrian Investment Partners Limited, Morgan Stanley Investment Management Inc., and Todd Asset Management LLC. A handout titled *International Large Cap Value Search* was provided.

**ON MOTION BY MR. RESTER, SECONDED BY MR. YEARBY AND CARRIED BY UNANIMOUS CONSENT**, the Board agreed to continue the process relative to the International Large Cap Value search with the elimination of Morgan Stanley Investment Management Inc. and LSV Asset Management from the list of candidates. Segal Rogerscasey will return in February 2015 with two additional firms for consideration along with Mondrian Investment Partners Limited and Todd Asset Management LLC.

**INVESTMENT REPORTS**

Mr. Saik provided the following reports and then addressed questions from the Board and LSERS administrative staff:

Trade Allocation  
Investment Transaction  
Securities Lending

**ON MOTION BY MS. LANDRY, SECONDED BY MS. McKEE AND CARRIED BY UNANIMOUS CONSENT**, the Board approved the Trade Allocation, Investment Transaction and Securities Lending reports.

#### **INVESTMENT POLICY COMPLIANCE**

Mr. Saik provided the Investment Compliance report and then addressed questions from the Board and LSERS administrative staff.

**ON MOTION BY MS. McKEE, SECONDED BY MS. LANDRY AND CARRIED BY UNANIMOUS CONSENT**, the Board approved the Investment Policy Compliance report.

#### **INVESTMENT MANAGER REPORTS**

The following Investment Managers provided their presentations and then addressed questions from the Board, Investment Consultant, and LSERS administrative staff:

##### Schroder Investment Management

*David Harris - Senior Investment Director*

*Neil Sutherland - Portfolio Manager*

*Rene Madden - Head of Institutional Client Support, North America*

*Anthony Williams - Institutional Business Development Director*

**ON MOTION BY MS. LANDRY, SECONDED BY MR. YEARBY AND CARRIED BY UNANIMOUS CONSENT**, the Board approved Schroder Investment Management's annual manager review.

##### Orleans Capital Management

*Emily C. Becker - Portfolio Manager*

*Gary L. Welchel - Executive Vice President - Marketing*

**ON MOTION BY MR. YEARBY, SECONDED BY MS. CRAIN AND CARRIED BY UNANIMOUS CONSENT**, the Board approved Orleans Capital Management's annual manager review.

##### Hamilton Lane

*Jackie Rantanen - Principal*

*Napoleon Stephenson, Jr. - Managing Director*

**ON MOTION BY MR. YEARBY, SECONDED BY MS. LANDRY AND CARRIED BY UNANIMOUS CONSENT**, the Board approved Hamilton Lane's annual manager review.

**OTHER BUSINESS**


There was no other business to discuss.

**PUBLIC COMMENTS**

There were no public comments.

**ADJOURNMENT**

**ON MOTION OF MR. RESTER, SECONDED BY MR. YEARBY AND CARRIED BY UNANIMOUS CONSENT**, the Board adjourned at 11:26 a.m.

  
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Charles P. Bujol, Director

  
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Jeffrey Faulk, Sr., Chairman