

Louisiana School Employees' Retirement System Quarterly Board Meeting

Monday, May 23, 2016
9:00 a.m.

The Louisiana School Employees' Retirement System's Quarterly Board Meeting 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 Board, called the meeting to order at 9:03 a.m. The Board recited the Lord's Prayer and the Pledge of Allegiance. Roll was then called by Ms. Stark.

Members Present: Mr. Jeffrey Faulk, Sr., Mr. Eugene Rester, Jr., Ms. Kathy B. Landry, Ms. Colleen Barber, Mr. Henry Yearby, Mr. Philip B. Walther, Ms. Judith Ann McKee, Ms. Lori Pierce – designee for Mr. John Kennedy – State Treasurer, *Mr. Randy Davis – designee for Mr. Jay Dardenne – Commissioner of Administration, Mr. Joe Salter – designee for Mr. Tom Schedler – Secretary of State

Members Absent: Representative J. Kevin Pearson – Chairman, House Committee on Retirement, Senator Barrow Peacock – Chairman, Senate 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 V

Others Present: *Mr. Jeffrey Boucek and Mr. Keith Reynolds - Segal Rogerscasey, *Mr. Greg Curran – G.S. Curran & Company, Ms. Elizabeth Thornton – Legislative Auditor's Office, *Mr. Hollis G. Milton, Ms. Ruthie Davis, and Ms. Beverly Grant – West Feliciana Parish School Board

- *Mr. Davis arrived at 9:05 a.m.
- *Mr. Curran arrived at 10:21 a.m.
- *Mr. Boucek and Mr. Reynolds left at 10:30 a.m.
- *Mr. Milton, Ms. Davis and Ms. Grant left at 9:53 a.m.

DIRECTOR'S ANNOUNCEMENTS

Mr. Bujol made the following announcements:

- LSERS IT Department has secured the agency's Wi-Fi which now requires a password for access.
- LSERS FY 2016-17 budget, which included the amendment to remove the performance pay adjustments (merit increases) for staff, has been submitted to the Joint Legislative Committee on the Budget.
- Legislative Auditors have held their entrance conference and have begun their audit for fiscal year ending June 30, 2016.
- Ms. Elizabeth Thornton with the Louisiana Legislative Auditors was introduced.
- G.S. Curran & Company's contract ends June 30, 2016 and their new contract will cover two years and includes an increase of \$12,800.

ON MOTION BY MS. McKEE, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT the Board approved the addition of an agenda item (II) to discuss and consider the recommendation of the Department of State Civil Service to suspend the authority to grant performance adjustments for one year beginning June 29, 2016.

APPROVAL OF AGENDA

An amended agenda including an additional item (II) Discuss and Consider Recommendation of the Department of Civil Service to Suspend the Authority to Grant Performance Adjustments for One Year Beginning June 29, 2016 was presented to the Board for approval.

ON MOTION BY MR. YEARBY, SECONDED BY MS. LANDRY AND CARRIED BY UNANIMOUS CONSENT the Board approved the agenda with the additional agenda item.

PUBLIC COMMENTS ON ANY ITEM ON THE AGENDA

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

AUDIT**Zachary Community School Board**

Ms. Ellard provided a review of the internal audit of Zachary Community School Board and then addressed questions from the Board and LSERS administrative staff.

ON MOTION BY MS. LANDRY, SECONDED BY MR. YEARBY AND CARRIED BY UNANIMOUS CONSENT, the Board approved the internal audit report of Zachary Community School Board.

St. John the Baptist Parish School Board

Ms. Ellard provided a review of the internal audit of the St. John the Baptist Parish School Board and then addressed questions from the Board and LSERS administrative staff.

ON MOTION BY MR. YEARBY, SECONDED BY MS. McKEE AND CARRIED BY UNANIMOUS CONSENT, the Board approved the internal audit report of St. John the Baptist Parish School Board.

West Feliciana Parish School Board

Ms. Ellard provided a review of the internal audit of West Feliciana Parish School Board. Following her review, Mr. Hollis Milton, Superintendent, Ms. Ruthie Davis, Supervisor of Finance & Management and Ms. Beverly Grant, Human Resources Supervisor for the West Feliciana Parish School Board were given the opportunity to address the Board regarding the findings of the internal audit. The Board discussed a proposal to table the approval of the West Feliciana Parish School Board audit and instructed staff to gather additional information from West Feliciana Parish School Board and request a new calculation of the amount owed by the school board for the portion of time that the positions were privatized.

ON MOTION BY MS. LANDRY, SECONDED BY MS. BARBER AND CARRIED BY UNANIMOUS CONSENT, the Board agreed to have the agency's actuary recalculate the amount owed for the period of time that the West Feliciana Parish School Board was out of compliance due to the privatization of two positions.

ON MOTION BY MR. RESTER, SECONDED BY MR. YEARBY AND CARRIED BY UNANIMOUS CONSENT, the Board agreed to table the approval of the internal audit report of West Feliciana Parish School Board until staff receives the new calculation of the amount owed due to the privatization of two positions.

Winn Parish School Board

Ms. Ellard provided a review of the internal audit of Winn Parish School Board and then addressed questions from the Board and LSERS administrative staff.

ON MOTION BY MR. YEARBY, SECONDED BY MS. McKEE AND CARRIED BY UNANIMOUS CONSENT, the Board approved the internal audit report of Winn Parish School Board.

DISCUSS & CONSIDER RECOMMENDATION OF THE DEPARTMENT OF CIVIL SERVICE TO SUSPEND THE AUTHORITY TO GRANT PERFORMANCE ADJUSTMENTS FOR ONE YEAR BEGINNING JUNE 29, 2016

Ms. Bailey provided an overview of the action taken during the April 11, 2016 Special Board meeting to allow staff to make necessary budget adjustments related to the removal of the merit increases from the LSERS 2016-17 budget. She recommended that the Board ratify action taken by administration relative to such removal of the merit increases from the LSERS 2016-17 proposed budget.

ON MOTION BY MS. McKEE, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT, the Board ratified the action taken by the administration relative to the removal of merit increases from the LSERS 2016-17 fiscal year budget.

PORTFOLIO PERFORMANCE REVIEW

Mr. Boucek reviewed the previous discussion regarding the reallocation of the agency's real estate positions by eliminating two managers (Prudential and Principal) and retaining Morgan Stanley Prime Property as the core real estate investment. Remaining funds would be temporarily invested in fixed income. He recommended the terminations proceed in a timely manner. Also, the reinvesting of the remaining funds will be determined at a later date.

Segal recommended that J.P. Morgan be hired as the broker for the liquidation relative to the sale of the Easterly funds instead of Royal Bank of Canada (RBC) who were previously approved to be hired during the April 11, 2016 Investment Committee meeting.

ON MOTION BY MS. McKEE, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT, the Board agreed to the recommendation to select J.P. Morgan as the broker for the liquidation relative to the sale of Easterly funds and allow for further due diligence by Segal.

ON MOTION BY MR. YEARBY, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT, the Board agreed to ratify the actions of staff to accommodate the further consideration of this issue.

Mr. Reynolds provided an overview of market conditions and performance during the first quarter of 2016. This included an audio/visual presentation and two (2) handouts titled: *Analysis of Investment Performance* and *Preliminary Investment Performance as of April 30, 2016*. They then addressed questions from the Board.

ON MOTION BY MS. McKEE, SECONDED BY MS. BARBER AND CARRIED BY UNANIMOUS CONSENT, the Board approved the portfolio performance report.

DISCUSSION OF WATCH LIST

Mr. Reynolds provided an overview of performance for the managers that are on the Manager Watch List, which included a handout titled *Manager Watch List*. They then addressed questions from the Board.

ON MOTION BY MS. McKEE, SECONDED BY MR. YEARBY AND CARRIED BY UNANIMOUS CONSENT, the Board accepted the watch list.

OPPORTUNISTIC FIXED INCOME EDUCATIONAL PRESENTATION

An hour-long educational component regarding Opportunistic Credit was presented to the Board via telephone conference call by the following representatives of Segal Rogerscasey:

Mr. Alan Kosan – Senior Vice President, Head of Alpha Investment Research
Mr. Greg Moore – Vice President, Head of Traditional Research
Mr. Francois Otieno – Director, Fixed Income
Mr. Brendan Jones – Senior Analyst, Fixed Income

STAFF REPORTS

Mr. Saik provided the following reports:

Securities Lending
Louisiana Broker
Securities Litigation

ON MOTION BY MS. McKEE, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT, the Board approved the reports.

APPROVAL OF MINUTES**February 15-16, 2016 - Quarterly Board Meeting**

ON MOTION BY MR. RESTER, SECONDED BY MR. YEARBY AND CARRIED BY UNANIMOUS CONSENT, the Board approved the minutes of the February 15-16, 2016 Quarterly Board meeting.

March 14, 2016 – Investment Committee Meeting

ON MOTION BY MR. RESTER, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT, the Board approved the minutes of the March 14, 2016 Investment Committee meeting.

March 14, 2016 – Special Board Meeting

ON MOTION BY MR. WALTHER, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT, the Board approved the minutes of the March 14, 2016 Special Board meeting.

April 11, 2016 – Investment Committee Meeting

ON MOTION BY MR. YEARBY, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT, the Board approved the minutes of the April 11, 2016 Investment Committee meeting.

April 11, 2016 – Personnel Committee Meeting

ON MOTION BY MR. RESTER, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT, the Board approved the minutes of the April 11, 2016 Personnel Committee meeting.

April 11, 2016 – Special Board Meeting

ON MOTION BY MR. RESTER, SECONDED BY MS. LANDRY AND CARRIED BY UNANIMOUS CONSENT, the Board approved the minutes of the April 11, 2016 Special Board meeting.

ACTUARIAL SCIENCE EDUCATIONAL PRESENTATION

Mr. Curran presented an educational presentation focused on actuarial science.

ON MOTION BY MR. RESTER, SECONDED BY MR. YEARBY AND CARRIED BY UNANIMOUS CONSENT, the Board approved the Actuarial Science presentation by Mr. Curran which included an audio/visual/handout entitled *Actuarial Funding Methods for Defined Benefit Plans*.

ADMINISTRATION

Ms. Forbes provided a review of the Human Resources Action report then addressed questions from the Board.

ON MOTION BY MR. YEARBY, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT, the Board approved the Human Resources Actions report.

Ms. Forbes further provided a review of the following reports then addressed questions from the Board.

Travel Expenses Reports (Year-to-Date and Staff)
Overtime Report

Ms. Forbes provided an overview of the audit report of the employer allocations and pension liability schedules as of June 30, 2015 then addressed questions from the Board.

ON MOTION BY MR. RESTER, SECONDED BY MS. BARBER AND CARRIED BY UNANIMOUS CONSENT, the Board approved the audit report of the employer allocations and pension liability schedules.

2016 REGULAR LEGISLATIVE SESSION UPDATE

Ms. Bailey provided an update of the 2016 Regular Legislative Session.

ON MOTION BY MS. McKEE, SECONDED BY MR. YEARBY AND CARRIED BY UNANIMOUS CONSENT, the Board approved the 2016 Regular Legislative Session update.

LEGAL

Litigation Report

Ms. Bailey provided a review of the litigation report which included a handout titled *Litigation Report As of May 19, 2016*. She then addressed questions from the Board.

ON MOTION BY MS. LANDRY, SECONDED BY MS. BARBER AND CARRIED BY UNANIMOUS CONSENT, the Board approved the litigation report.

Collections Report

Ms. Bailey also provided a review of the collections report.

OTHER BUSINESS

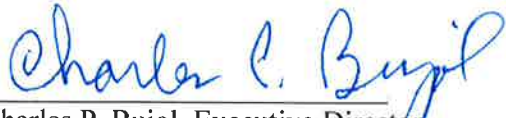
There was no other business to discuss.

PUBLIC COMMENTS

There were no public comments.

ADJOURNMENT

ON MOTION OF MR. YEARBY, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT, the Board adjourned at 12:45 p.m.



Charles P. Bujol, Executive Director



Jeffrey Faulk Sr., Chairman