

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

*Monday, December 5, 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.

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**Members Present:** Mr. Jeffrey Faulk, Sr., Mr. Eugene Rester, Jr., Ms. Kathy B. Landry, Ms. Colleen Barber, Mr. Henry Yearby, Mr. Philip Walther, Ms. Judith Ann McKee, Ms. Lori Pierce – designee for Mr. John Kennedy – State Treasurer, Ms. Margaret Corley – representative for Senator Barrow Peacock – Chairman, Senate Committee on Retirement, \*Mr. Randy Davis – designee for Mr. Jay Dardenne – Commissioner of Administration

**Members Absent:** Mr. Tom Schedler – Secretary of State, Committee on Retirement member appointed by the Speaker

**Staff Present:** Mr. Charles Bujol – Executive Director, Ms. Carolyn Forbes - Assistant Director, Ms. Lauren Bailey - Executive Counsel, Ms. Larisa Ellard - Internal Auditor, Ms. Laurie Stark – Administrative Assistant V, Ms. Ashley D. Simmons – Executive Staff Officer

**Others Present:** \*Mr. Keith Reynolds, \*Mr. Rob Hungerbuhler and Mr. Jeffrey Boucek (via conference phone) - Segal Rogerscasey, \*Mr. David Livingston, Ms. Betty Crain, \*Mr. Matthew Freedman

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\*Mr. Davis arrived at 9:06 a.m. and left at 12:30 p.m.  
Mr. Reynolds and Mr. Hungerbuhler left at 10:08 a.m.  
Mr. Livingston left at 12:45 p.m.  
Mr. Freedman left at 12:50 p.m.

**DIRECTOR'S ANNOUNCEMENTS**

Mr. Bujol made the following announcements:

- Board officer elections are January 9, 2017. Letters of intent are due December 19, 2016.

- PRSAC approved LSERS' June 30, 2016 actuarial valuation.
- Bids for installing the new chiller in the spring will be received by December 15, 2016.

### **APPROVAL OF AGENDA**

**ON MOTION BY MR. YEARBY, SECONDED BY MR. WALTHER 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.

### **PORTFOLIO PERFORMANCE REVIEW**

Mr. Boucek (via conference phone) discussed funding of the Orleans Capital Energy Opportunities and Kleinwort Benson Water investments. Ms. McKee made a motion which was seconded by Mr. Rester to invest \$25 million to Orleans Capital Energy Opportunities fund and to revisit where the remaining \$25 million would be invested at a later date. Mr. Davis offered a substitute motion to table the discussion regarding the energy and water investments until a new Chief Investment Officer is hired and further informed discussions can be held.

**ON MOTION BY MR. DAVIS, SECONDED BY MS. LANDRY AND CARRIED BY MAJORITY CONSENT**, the Board agreed to table the funding of the energy and water investments until further discussion can be held after the new Chief Investment Officer has been hired. **ROLL CALL:** Ms. Colleen Barber – YES; Mr. Randy Davis – YES; Ms. Lori Pierce – YES; Ms. Kathy B. Landry – YES; Ms. Judith Ann McKee – NO; Mr. Eugene Rester, Jr. – NO; Mr. Philip Walther – YES; Mr. Henry Yearby – NO; Mr. Jeffrey Faulk, Sr. -- NO.  
**YES – 5, NO – 4, ABSTAIN – 0, MOTION PASSED.**

Mr. Reynolds and Mr. Hungerbuhler provided an overview of the market conditions and performance during the third quarter of 2016. This included an audio/visual presentation and three (3) handouts titled: *Analysis of Investment Performance*, *Preliminary Investment Performance as of October 31, 2016* and *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 approved the portfolio performance report.

**CONSIDER FEE SCHEDULE RELATIVE TO J.P. MORGAN DISTRIBUTION MANAGEMENT AGREEMENT**

Mr. Hungerbuhler requested that the Board consider the fee schedule for J.P. Morgan who was chosen as a distribution manager for the 2015 restructuring of Easterly Partners Real Estate Advisors into a publicly traded REIT.

**ON MOTION BY MS. McKEE, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT**, the Board approved the J.P. Morgan fee schedule for the standard flat fee of 60 basis points.

**INVESTMENT MANAGER REVIEWS**

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

Orleans Capital Management

*Emily C. Becker – Senior Portfolio Manager  
Gary L. Welchel – Executive Vice President – Marketing*

**ON MOTION BY MR. YEARBY, SECONDED BY MS. BARBER AND CARRIED BY UNANIMOUS CONSENT**, the Board approved the Orleans Capital performance review report.

Loomis Sayles & Company, L.P.

*Christopher Lazzaro – Client Portfolio Manager*

**ON MOTION BY MR. RESTER, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT**, the Board approved the Loomis Sayles & Company performance review report.

Schroder Investment Management N.A., Inc.

*John Mensack, CFA – Investment Director  
Anthony Williams – US Institutional Business Development Director*

**ON MOTION BY MS. LANDRY, SECONDED BY MS. BARBER AND CARRIED BY UNANIMOUS CONSENT**, the Board approved the Schroder performance review report.

**INVESTMENT REPORTS**

Ms. Forbes provided the following reports:

Securities Lending  
Securities Litigation  
Louisiana Broker

**ON MOTION BY MS. LANDRY, SECONDED BY MS. BARBER AND CARRIED BY UNANIMOUS CONSENT**, the Board approved the Securities Lending, Securities Litigation and the Louisiana Broker reports.

**ADMINISTRATION****Reports**

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

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

**ON MOTION BY MR. RESTER, SECONDED BY MS. LANDRY AND CARRIED BY UNANIMOUS CONSENT**, the Board approved the Human Resources Actions, Travel Expenses (Year-to-Date and Staff) and Overtime reports.

**Approval of Interest Assumptions**

Ms. Bailey provided a review of the revised interest assumption rates clarifying effective dates and asked that the interest assumption rates be adopted.

**ON MOTION BY MR. RESTER, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT**, the Board adopted the new interest assumption rates.

**AUDIT****Wireless Security**

Ms. Ellard provided a review of the internal audit of LSERS Wireless Security and then addressed questions from the Board and LSERS administrative staff.

**ON MOTION BY MR. RESTER, SECONDED BY MR. YEARBY AND CARRIED BY UNANIMOUS CONSENT**, the Board approved the internal audit report of LSERS wireless security report.

**RET Annual Salary**

Ms. Ellard provided an overview of the annual salary compliance report for fiscal year 2014-15 and then addressed questions from the Board and LSERS administrative staff.

**ON MOTION BY MR. YEARBY, SECONDED BY MS. BARBER AND CARRIED BY UNANIMOUS CONSENT**, the Board approved the annual salary compliance report for fiscal year 2014-15.

**Audit Plan**

Ms. Ellard provided an overview of the Audit Plan for 2017 and then addressed questions from the Board and LSERS administrative staff.

**ON MOTION BY MR. RESTER, SECONDED BY MR. YEARBY AND CARRIED BY UNANIMOUS CONSENT**, the Board approved the 2017 Audit Plan.

**Audit Charter**

Ms. Ellard provided an overview of LSERS Internal Audit Charter for 2017 and then addressed questions from the Board and LSERS administrative staff.

**ON MOTION BY MR. RESTER, SECONDED BY MS. BARBER AND CARRIED BY UNANIMOUS CONSENT**, the Board approved the 2017 LSERS Audit Charter.

**LEGAL****2017 Legislative Session Bulletins**

Ms. Bailey provided an overview of the 2017 Legislative Session bulletins. The 2017 Regular Session of the Louisiana Legislature will begin April 10, 2017 and end June 8, 2017. If the Board is interest in pursuing any retirement legislation, the advertisements for bills must be submitted to the Advocate by February 2, 2017.

**Litigation Report**

Ms. Bailey provided a review of the litigation report which included a handout titled *Litigation Report as of November 22, 2016*. She then addressed questions from the Board.

**Collections Report**

Ms. Bailey provided a review of the collections report.

**ON MOTION BY MS. LANDRY, SECONDED BY MS. BARBER AND CARRIED BY UNANIMOUS CONSENT**, the Board approved the litigation and collections reports.

**DISCUSSION & MARKET RATE ADJUSTMENTS FOR UNCLASSIFIED EMPLOYEES**

As previously instructed by the Board, Mr. Bujol provided an overview of the comparisons of the current market rates for the positions of the Executive Director, Assistant Director, Chief Investment Officer and Executive Counsel around the United States with those of some of the Louisiana state and statewide retirement systems. The comparisons included the larger retirement systems and those of similar in size to LSERS.

**ON MOTION BY MS. LANDRY, SECONDED BY MR. WALTHER**, the Board considered an option for paying the total of \$142,241.00 which would be spread out in two equal payments of \$71,120.50 per year for two years. **ROLL CALL:** Ms. Colleen Barber – YES; Ms. Lori Pierce – NO; Ms. Kathy B. Landry – YES; Ms. Judith Ann McKee – NO; Mr. Eugene Rester, Jr. – NO; Mr. Philip Walther – YES; Mr. Henry Yearby – YES; Mr. Jeffrey Faulk, Sr. – NO.  
**YES – 4, NO – 4, ABSTAIN – 0, MOTION FAILED.**

Ms. Bailey tendered her resignation letter to Mr. Faulk and Mr. Bujol effective January 3, 2017. Mr. Faulk read the resignation letter to the Board then thanked Ms. Bailey for her service.

**ADJOURNMENT**

**ON MOTION OF MS. McKEE, SECONDED BY MR. RESTER AND CARRIED BY UNANIMOUS CONSENT**, the Board adjourned at 1:57 p.m.

  
Charles P. Bujol, Executive Director

  
Jeffrey Faulk, Sr., Chairman