

Louisiana School Employees' Retirement System
Quarterly Board Meeting

Monday, February 4, 2019

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 9:01 a.m. The Board recited the Lord's Prayer and the Pledge of Allegiance. Roll was then called by Ms. Ashley D. Simmons.

Members Present: Mr. Jeffrey Faulk, Sr., Mr. Eugene Rester, Jr., Ms. Andrea Matte, Ms. Colleen Barber, Mr. Henry Yearby, Mr. Philip Walther, Ms. Penny Brown, Ms. Lori Pierce – designee for Mr. John Schroder – State Treasurer, Mr. Randy Davis* – designee for Mr. Jay Dardenne – Commissioner of Administration, Mr. Joe Salter – designee for Mr. Kyle Ardoin – Secretary of State

Members Absent: Rep. Barbara Carpenter - Committee on Retirement member appointed by the Speaker, Senator Barrow Peacock – Chairman, Senate Committee on Retirement

Staff Present: Mr. Charles Bujol – Executive Director, Ms. Chenfei Zhou - Assistant Director, Mr. Robert Collins - Executive Counsel, Mr. Matthew Freedman – Chief Investment Officer, Ms. LaQuinta Jordan - Internal Auditor, Ms. Ashley D. Simmons – Executive Staff Officer.

Others Present: Mr. Rob Hungerbuhler and Mr. Jeffrey Boucek - Segal Marco Advisors

*Mr. Randy Davis arrived at 9:14.

DIRECTOR'S ANNOUNCEMENTS

Mr. Bujol made the following announcements:

- LSERS mailed 1099R and 1099M forms on January 18, 2019.
- The Public Retirement Systems' Actuarial Committee (PR SAC) met on Wednesday, January 9, 2019 and approved LSERS' 2018 Actuarial Valuation.
- The contract for the engineering work of the 2nd cooling tower was signed and the projected cost for that portion of the work is \$10,813.

- The nomination period for the District 1 Active seat has begun. To date, we have one letter of intent from Mr. Philip Walther. Nominating petitions must be submitted by March 1, 2019, at 4:30pm. If we receive multiple nominations, we will hold that election between May 1st and May 31st. I will announce the results of that election on June 10th.

APPROVAL OF AGENDA

ON MOTION BY MR. YEARBY, SECONDED BY MS. BARBER 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 and Mr. Hungerbuhler provided an overview of the market conditions and performance. This included an audio/visual presentation and a handout titled: *Preliminary Investment Performance as of December 31, 2018*. They then addressed questions from the Board.

INVESTMENT DISCUSSION & RECOMMENDATIONS

Mr. Freedman delivered a presentation titled *Asset Allocation Implementation*, followed by several investment recommendations:

- Redeem Loomis Sales Strategic Alpha and Mellon Global Fixed Income investments; reallocate redemption proceeds to U.S. Treasury bonds.
- Reallocate half of Acadian Emerging Markets Equity and half of Schroder Emerging Markets Multi-Sector Bond Portfolio into an Emerging Markets equity index fund.

During this presentation, Mr. Collins noted that an issue had just recently come to LSERS' attention: the need for LSERS to amend its pension plan to allow for investments in group trusts. Mr. Collins also noted that such an amendment would require that the Board adopt a new rule under the state Administrative Procedures Act, and such a proposed rule would be placed on the Board's March 2019 agenda for the Board to consider starting that rule adoption process.

ON MOTION BY MR. RESTER, SECONDED BY MR. WALTHER AND CARRIED BY UNANIMOUS CONSENT, the Board approved Mr. Freedman's investment recommendations.

INVESTMENT MANAGER PRESENTATIONS

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

Brandes Investment Partners

Christopher J. Garrett, CFA – Director, Institutional Group
Grant Duncan - Director, Institutional Group

Acadian Asset Management, LLC

Scott J. Brymer, CFA – Senior Vice President, Portfolio Manager
Jordan A. Mangan – Assistant Vice President, Senior Client Service Associate

Energy Opportunities Capital Management

Farrell Crane Jr. – Managing Director

DISCUSSION OF WATCH LIST

Mr. Boucek, Mr. Hungerbuhler, and Mr. Freedman provided an overview of the Watch List, including an audio/visual presentation and a handout titled: *Manager Watch List*. They then addressed questions from the Board.

INVESTMENT REPORTS

Mr. Freedman provided the following reports:

Securities Lending
Securities Litigation
Louisiana Broker

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

APPROVAL OF MINUTES

December 3, 2018 - Quarterly Board Meeting

December 4, 2018 - Quarterly Board Meeting

January 7, 2019 – Investment Committee Meeting

January 7, 2019 – Special Board Meeting

ON MOTION BY MR. RESTER, SECONDED BY MS. BROWN AND CARRIED BY UNANIMOUS CONSENT, the Board approved all the minutes listed on the agenda.

2019 LEGISLATIVE SESSION

Mr. Collins provided an overview of the upcoming 2019 Legislative Session which begins at noon on April 8, 2019, and ends on June 6, 2019, at 6 pm. He noted that this will be a fiscal session. Representative Kevin Pearson is sponsoring a remedial legislative bill to correct an error in La. R.S. 11:1142(C), which currently states that an LSERS' member may retire at 62 with 10 years of service. The bill should be amended to state that a member may retire with 5 years of service. He stated that the required two public notices to propose legislation fix the error in La. R.S. 11:1142(C) have now been published.

ADMINISTRATION**Reports**

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

Human Resources Actions and Overtime Report
Administrative Fund – Budget to Actual Quarterly Report
Travel Expenses Reports (Year-to-Date and Staff)
Audit of Employer Allocations and Pension Liability Schedules as of June 30, 2018

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

UPDATE ON DROP/IBRP LA FUND TO SELF-DIRECTED PLAN

Ms. Zhou provided an update on the status of the contracts to the Board.

LEGAL**Reports**

Mr. Collins provided a review of the following reports then addressed questions from the Board:

Litigation Report
Collections Report

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

2018 ANNUAL CONSULTANT EVALUATION RESULTS

Mr. Bujol presented a review of the 2018 Annual Consultant Evaluation Results, then addressed questions from the Board.

OTHER BUSINESS


There was no other business to discuss.

PUBLIC COMMENTS

There were no public comments.

ADJOURNMENT

ON MOTION OF MR. YEARBY, SECONDED BY MS. BROWN AND CARRIED BY UNANIMOUS CONSENT, the Board adjourned at 11:46 a.m.


Charles P. Bujol, Executive Director


Jeffrey Faulk, Sr., Chairman