



Louisiana State Police Retirement System

Investment Committee Meeting Minutes

Meeting Title	LSPRS Investment Committee Meeting
Date of Meeting	November 21, 2016
Where	9224 Jefferson Highway, Baton Rouge, LA 70809
Start Time	9:30 a.m.

- 1) Chairman, Kevin Marcel called the meeting to order.
- 2) Shelley Sebastian, Administrative Assistant, called roll as follows:

Frank Besson Jr., Office of State Police, Designee – PRESENT
Jay Dardenne, Commissioner of Administration, Appearing Thru
Andrea Hubbard, Designee – PRESENT
John Kennedy, State Treasurer,
Thomas Enright, Designee for State Treasurer, PRESENT
Kevin Marcel, Active Representative – PRESENT
Jay O'Quinn, President, LSTA – NOT PRESENT

The records reflect that the following persons were also present:

Robert Bickham, USB/PaineWebber
Irwin L. Felts, Jr., Executive Director
Kimberly A. Gann, Assistant Director
Shelley Sebastian, Administrative Assistant

The pledge was led by Kevin Marcel and the prayer was led by Irwin Felts.

- 3) Rob Bickham advised the committee that the purposes of today's meeting are as follows:
 1. Annual reviews of consultant, custodial bank and traditional money managers
 2. Review Watch List
 3. Review Asset Allocation and manager performance as of October 31, 2016
- 4) Irwin Felts, Jr. reviewed the performance appraisal for Mr. Bickham, as our consultant. Mr. Bickham received an overall rating of 9 by Irwin Felts, Jr., and a 10 from Kim Gann. Mr. Bickham received these high reviews based on his proactive consulting, availability and overall professionalism in consulting with our system. (Exhibit A on file at the LSPRS office)

JP Morgan received extremely low grades for the year, and as a result they have been replaced by US Bank as our Custodian bank.
- 5) Rob Bickham reviewed the process used in our manager reviews, where each manager is graded on performance, process and personnel factors to provide an overall manager assessment. Mr. Bickham discussed the individual manager scorecards and the manager synopsis. (Exhibit A on file at the LSPRS office)

Mr. Bickham discussed the same process is used to evaluate our total portfolio and the various components that make up our portfolio. In reviewing the total portfolio, he pointed out that overall

fiscal year 2016 was not a good year for the system. Specifically, he pointed out the particularly poor performance of the domestic equity managers. (Exhibit A on file at the LSPRS office)

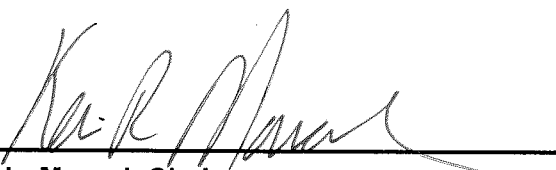
Mr. Bickham discussed the "watch list" pointing out that we currently have Waddell and Reed, Aronson, Johnson and Ortiz, Campbell Timber and Vontobel on the "watch list". Mr. Bickham recommended that we add T. Rowe Price, due to an upcoming manager change, and Iridian, for underperformance, to the "watch list".

- 6) Asset Allocation and Market Value and Returns Summary as of October 31, 2016. The system's breakdown of assets are as follows; Total equities are \$424M making up 61.5% of the portfolio. Fixed income is at \$136M, which is 19.7% of the portfolio and Alternatives are at \$98M, making up 14.3% of the portfolio, and the cash is at \$30M. As far as the Market Value and Returns Summary, total Domestic Equities were up 3.57% fiscal year to date, total International Equity managers were up 4.93% fiscal year to date and the total equities were up 4.02% fiscal year to date. The total Fixed Income managers were up .80% fiscal year to date. For the fiscal year to date, the total portfolio was up 2.65%. (Exhibit B on file at the LSPRS office)
- 7) **Other Business:** Irwin Felps, Jr. discussed with the committee the offer received from CALPERS that was discussed at the September 28, 2016 Investment Committee meeting. An offer made by CAPLERS to buyout LSPRS' timber interest for \$2.1M. The committee made a motion to decline this offer, recommended by Rob Bickham. Mr. Felps advised the committee that a counter offer has been made offering up to 15% premium over the value on the books. Mr. Felps recommended declining this offer as well. Rob Bickham suggested inviting Rob Chlebnikow, Campbell Timber to the January 27, 2017 Investment Committee meeting.

Irwin Felps, Jr. indicated that the annual audit was performed this year by the Legislative Auditors' office. Mr. Felps pointed out that the audit was completed, and that we have received our copy of the audit. The financial aspects of the audit were very good, but there was one report needed for GASB 72 that our custodial bank, JP Morgan, could not provide. As a result, the audit will have a qualified opinion and this was disappointing. However, Mr. Felps reported that he and Kim Gann have spoken to the personnel at US Bank can provide this hierarchy valve chart for next year's audit. Finally, Mr. Felps told the committee that representatives from the Legislative Auditors' office will attend the December 21, 2016 Board meeting to present the audit.

** Let the record reflect that Thomas Enright, State Treasury Designee, was added to the Investment Committee.

- 8) A **MOTION** was made by Frank Besson to adjourn. The **MOTION** was seconded by Thomas Enright. No opposition. The motion passed.



Kevin Marcel, Chairman
Louisiana State Police Retirement System
Investment Committee