



## Louisiana State Police Retirement System (LSPRS)

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### Investment Committee Meeting Minutes

<b>Meeting Title</b>	LSPRS Investment Committee Meeting
<b>Date of Meeting</b>	Wednesday, March 22, 2023
<b>Where</b>	LA State Police Retirement System Building, 9224 Jefferson Highway
<b>Start Time</b>	9:30 a.m.

- 1) Investment Committee Chairman, Amy Mathews, called the meeting to order.
- 2) Gretchen Marquez, Administrative Assistant, called roll as follows:  
Frank Besson, Designee for Superintendent – Vice-Chairman – PRESENT  
Andrea Hubbard, Designee for Commissioner of Administration – PRESENT  
Amy Mathews, Chairman – PRESENT  
Representative Vanessa LaFleur, member – NOT PRESENT  
Alan Verhoef, member – PRESENT

The records reflect that the following persons were also present:

Rob Bickham, UBS Institutional Consulting (via ZOOM)  
Doug Hanly, Chief Investment Officer  
Margaret C. Michel, Executive Director

- 3) The Pledge of Allegiance and prayer was led by Alan Verhoef. No public comments.
- 4) Amy Mathews welcomed Doug Hanly as the Chief Investment Officer for the System.
- 5) Rob Bickham directed the committee to look at the flash report including the Asset Allocation and the Market Value and Returns Summary as of February 28, 2023, noting total investment assets of \$1,010,127,150. Total Equities were just below the allocation target at 62.0% (or \$626.5M) of the portfolio. Fixed income was just above target at 17.7% (or \$179.2M) of the portfolio, and Alternatives were below target at 18.2% (or \$184.2M). The Money Market fund position represented \$20.1M, or 2.0% of the portfolio. **(See Exhibit A - attached)**

Rob Bickham focused the committee on the current month column, stating that markets performed very well in January; however, markets were negative in February. Focusing on the fiscal year to date period of the returns summary for the period ending February 28, 2023. In the fiscal year to date column, total equity managers returned 7.81%, domestic equity managers returned 8.41%, and international equity managers returned 6.50%. The total fixed income managers were down -1.05%. The total fund for the fiscal year to date period had a total rate of return of -3.49%. Mr. Bickham stated that the return is better than the previous year but below the 6.95% that we are trying to meet. Mr. Bickham noted that the trailing 10-year return sits at 6.96%. **(See Exhibit B - attached)**

Amy Mathews asked Mr. Bickham if the System requested to get any money back from real estate due to being over-exposed. Mr. Bickham stated that we have not requested any money because we wanted to go through the asset allocation study before we made any decision.

- 6) Mr. Bickham directed the Committee to view page 3 of the 2023 UBS Capital Market Assumptions Update. **(See Exhibit C - attached)**. Strategic assumptions are approximately 5 to 7-year calculations in terms of what we expect in the markets in the economic cycle. Equilibrium assumptions are over multiple business cycles, approximately 20 years. Mr. Bickham noted that, on cash, we project 2.4% with an equilibrium assumption and 2.6% with a strategic assumption. Regarding US Corporate Investment Grade Fixed Income, projections for this year are nearly doubled what they were last year mainly due to the Fed fund rate and long-term bond rates. Among other funds Mr. Bickham noted were high yield fixed income, large-cap equity, emerging markets, hedge funds, private equity and real estate.

Mr. Bickham directed the Committee to view page 5 of the UBS 2023 Capital Market Assumptions Update. **(See Exhibit D - attached)**. The graph shows the updated returns relative to the previous returns of last year. Cash has increased to approximately 2.3%. US Government Fixed Income has increased to almost 4%. US Investment Grade Fixed Income has increased to 4.25%. US Large-Cap Equities has increased to 6.4%.

- 7) Rob Bickham reviewed the Investment Portfolio Asset Allocation Studies, beginning with the Equilibrium CMAs. **(See Exhibit E - attached)**. Mr. Bickham focused on Page 4 where Returns for US Cash was projected to be 2.43%, US Corporate High Yield 6.40%, US Equity – Core being 8.57%, Private Equity being 10.92%, and Commodities was at 6.36%. He also discussed the standard deviation, a measure of volatility, of the various asset classes.

Mr. Bickham then directed the Committee to view page 6 of the Equilibrium CMA **(See Exhibit F - attached)**. He noted that as an assumption moves to the right on the graph, it is picking up more risk. In turn, it may potentially have higher expected returns.

Mr. Bickham then directed the Committee to view page 8 of the Equilibrium CMA **(See Exhibit G - attached)**. An analysis was carried out on the current allocation, the previous allocation from about a year ago, and another allocation with a new proposal.

Mr. Bickham recommended a change in the investment portfolio's asset allocation, so as to decrease the Hedge Funds from 2% to 0%, and uplift real estate from 8% to 10%. Page 9 of the Equilibrium CMA gives a line depiction of current versus proposed percentages. **(See Exhibit H - attached)**.

Mr. Bickham asked Amy Mathews what she was currently seeing across the State on the hedge fund side. Ms. Mathews stated that essentially everyone in the State is getting out of hedge funds if they have not already and putting that money into private debt or private equity.

8) Due to time restrictions, the asset allocation presentation was paused to meet with David Ainsworth of Blackstone. Mr. Ainsworth gave an overview of Blackstone Total Alternatives Solution (BTAS) and Blackstone's performance through the fourth quarter of 2022. Mr. Ainsworth mentioned that BTAS is the most diversified strategy at their firm. The fund launched in January 2019 and the investment period ended in January 2022. Blackstone Total Alternatives Solution's diversification includes 7% credit, 34% real estate assets, 42% private equity, and 17% opportunistic investments. Mr. Ainsworth also discussed Blackstone Strategic Partners IX's performance through the third quarter of 2022. Blackstone Strategic Partners IX started in October 2021 and has 100 total deals closed. Blackstone Strategic Partners IX diversification includes 62% leveraged buyout, 25% venture and growth equity, 11% fund of funds, 2% other, and less than 1% in credit and real estate. Finally, Mr. Ainsworth discussed Blackstone Private Credit Fund. The strategy seeks to provide income by focusing on senior secured loans with favorable terms. The portfolio comprises of 100% floating rate loans with an average loan to value of 44%.

9) Mr. Bickham resumed discussion of asset allocations.

Based on page 8 of the strategic asset allocation, an alternative recommendation from Mr. Bickham is to keep the current allocations and increase the maximum allocation to real estate to 12.5% from the current 10.0% maximum. and keep the real estate target at 7.5%. **(See Exhibit I - attached)**.

A **MOTION** was made to make a recommendation to the Board to keep everything as is regarding the portfolio allocations but to change the 10.0% real estate maximum to 12.5% maximum. The motion was seconded by Alan Verhoef. No opposition. The motion passed.

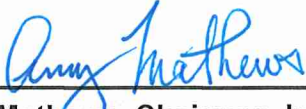
10) Doug Hanly mentioned that he and Ms. Michel have had discussions on implementing software enhancements to improve the pension's exposure management, risk management, performance analytics, and document management systems. Mr. Hanly has scheduled meetings with the pension's active managers and plans to review the pension's overall risk attributes.

11) Margaret Michel directed the committee to the Investment Watch List **(See Exhibit J - attached)**. Portfolio Advisors was added on February 10, 2023, to the watch list due to being acquired by FS Investments. The addition was solely due to organization, not performance.

A **MOTION** was made by Frank Besson to add Portfolio Advisors to the watch list. The motion was seconded by Alan Verhoef. No opposition. The motion passed.

12) Margaret Michel spoke about the prospective scheduling of asset manager presentations. Mr. Bickham mentioned that it would be beneficial to have Vontobel, Brandes, and Brandywine come in first since they are all international. This would occur at the May investment meeting. T. Rowe Price would present at a future meeting.

- 13) A **MOTION** was made by Alan Verhoef to adjourn the meeting. The motion was seconded by Andrea Hubbard. No opposition. The motion passed.



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Amy Mathews, Chairman, Investment Committee  
Louisiana State Police Retirement System