



Louisiana State Police Retirement System (LSPRS)

9224 Jefferson Highway, Baton Rouge, LA 70809

(225) 295-8400 or (800) 256-5210

Fax: (225) 295-8408

Investment Committee Meeting Minutes

| | |
|------------------------|--|
| Meeting Title | LSPRS Investment Committee Meeting |
| Date of Meeting | Wednesday, July 27, 2022 |
| Where | LA State Police Retirement System Building, 9224 Jefferson Highway |
| Start Time | 8:30 a.m. |

-
- 1) Investment Committee Chairman, Kevin Marcel called the meeting to order.
 - 2) Gretchen Marquez, Administrative Specialist, called roll as follows:
Frank Besson Jr., Designee for Superintendent – Vice-Chairman – PRESENT
Andrea Hubbard, Designee for Commissioner of Administration – PRESENT
Kevin Marcel, Chairman – PRESENT
Vacant, President LSTA – NOT PRESENT
Treasurer John Schroder or Amy Mathews, Designee – NOT PRESENT

The records reflect that the following persons were also present:

Rob Bickham, UBS Institutional Consulting (via ZOOM)
Margaret C. Michel, Assistant Director
Kevin P. Reed, Executive Director (via ZOOM)
Gretchen Marquez, Administrative Specialist
Walter Smith, Retiree Representative (Arrived after roll call)

- 3) The Pledge of Allegiance was led by Kevin Marcel and the prayer was led by Margaret Michel. No public comments.
- 4) Rob Bickham presented the committee with the UBS House View Presentation – Chief Investment Office GWM, July 2022. Mr. Bickham started by focusing on the “Quilt chart” of select asset classes’ calendar year performance. On the column for the year-to-date period ending June 2022, Mr. Bickham noted that no asset class has a positive rate of return for the first six months of this year. However, the next column to the right, the 1999-2022 annualized returns, shows positive returns for all classes over the long-term. Mr. Bickham discussed the range of returns of the 60/40 portfolio throughout the years, specifically down -20.3% in 2008 during the great financial crisis but was up 21.9% in 2009. **(See Exhibit A - attached)**

Mr. Bickham then focused on the “Quilt chart” of calendar year returns and compounded annual growth rates for various asset classes (total returns) which has more sub-asset classes than the previous quilt chart. He stated that commodities is the only class that has so far produced a positive return for 2022. **(See Exhibit B - attached)**

Mr. Bickham then directed the Committee to view page 9 of the House View that shows the returns for most all asset classes, reflecting that all have negative returns for YTD 2022, with the exception of MLPs, which is a proxy for energy prices. **(See Exhibit C - attached)** Regarding GDP growth, Mr. Bickham stated that the 2022 forecast has lower expectations than the 2021 estimate across the various world economies. **(See Exhibit D - attached)** Mr. Bickham stated that this graph depicts what may be a technical recession in the future, with the Feds projecting a 50/50 likelihood of a US recession. Mr. Bickham then focused on page 16 of UBS House View, which estimates fed funds rates through December 2022. **(See Exhibit E – attached)** The biggest contributors to the higher rates are fuel, commodities, shelter prices and wages, which are still very high. By December 2022, the market projected estimates indicate that the Fed fund rate will increase to possibly 3.25% from 1.75% today.

On page 20 of the UBS House View, Mr. Bickham focused on the Central Scenario, noting that inflation will eventually fall toward the end of the year. **(See Exhibit F – attached)** Additionally, the scenario depicts that the global economy is slowing but a recession is avoided. This time next year, Europe will also be less reliant on Russia for energy. By December 2022, the Central scenario forecast for the S&P 500 is an index level of 3,900, while currently the index is at a level of 3,781. **(See Exhibit G – attached)**

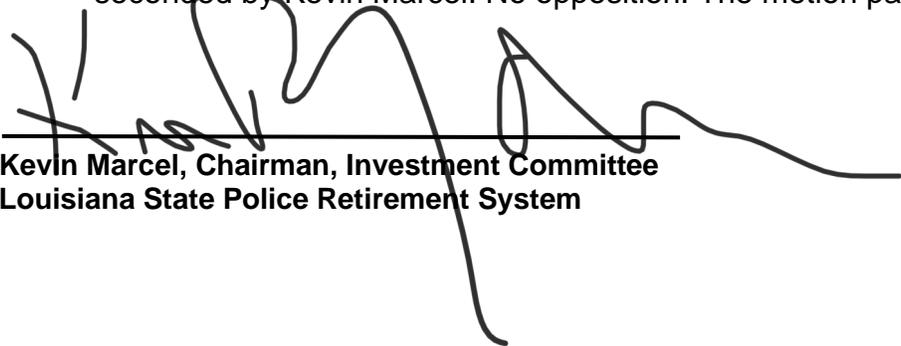
- 5) Rob Bickham directed the committee to look at the flash report including the Asset Allocation and the Market Value and Returns Summary as of June 30, 2022. He noted that we are slightly below our US Large Cap targeted allocation of 25% at 23.6%. US Small Cap is basically on target at 9.9% with the actual target being 10%. US Mid Cap is above target of 5.0% with a current weighting of 6.4%, and international equities at 12.8% of the 15% target allocation. Total equities are at 58.3% of the 62.5% target allocation. Fixed income currently over-weighted, being 21.0% with a target of 16.0%; while this overweighting is due to both changing the policy earlier in the year from a fixed income target of 20% to 16%, coupled with the most recent decline in equity values. Regarding alternatives, real estate is at 10.5% of the target 7.5%, having rallied over the past twelve months. Private equity is at 6.5% of the targeted 10.0%, the target weighting having recently been revised upward. **(See Exhibit H – attached)**
- 6) Rob Bickham focused the committee on the Returns Summary for the periods ending June 30, 2022. Focusing on the Fiscal Year To Date column, T Rowe Price is down -29.39%, while providing a 15.39% compounded annualized return since our initial investment date. State Street Global Advisors Russel 1000 Value Fund is down -6.82%, State Street Global Advisors S&P 500 Index Fund is down -10.65%, and the State Street Global Advisors Mid Cap fund is down -14.66%. Ivy Investments was down -30.51%, while this was actually better relative to its benchmark. Fisher Investments was down -17.50%. Total Domestic Equity Managers are down -18.66% for the Fiscal Year to Date period. **(See Exhibit I – attached)**

Regarding our international equity managers, the State Street Global Advisors international index fund was down -19.21%, Wellington was down -25.77%, Templeton was down -15.68%. Overall, total equity managers were down -20.00% for the fiscal year to date period. Regarding our fixed income managers, for the fiscal year to date period, Loomis Sayles was down -12.63%, Brandywine was down -17.56%, Orleans Capital was down -10.48%, and SSGA Aggregate Index was down -10.33%. Overall, fixed income was down -12.82%. Looking toward our alternative investments, while much of the current pricing data is forthcoming, the Real Estate sector provided the best recent performance, with JP Morgan Strategic Property Fund being up

27.55%, and PRISA Real Estate Fund being up 27.78%; and, in total, alternative investments were up 24.37%, although not all managers reflect current pricing valuations. For the FYTD period, the total investment portfolio was down -12.19%. From inception (since 1990), the total investment portfolio has had an annualized rate of return of 7.35%.

Mr. Bickham then focused on the total portfolio performance & values page and mentioned that even though it has been a tough year, the 10-year annualized return for the investment portfolio is 7.71%. **(See Exhibit J - attached)**

- 7) Kevin Reed mentioned that we are over-weighted on fixed income due to the recent significant selloff in the equity markets, additionally, over the past two years we have actively rebalanced the portfolio, thereby reducing our equity positions while investing sale proceeds in the fixed income sector, funding alternative investments, and providing liquidity for retiree benefit payments. Additionally, we recently lowered the fixed income target weighting from 20% to 16%. He noted that funds awaiting future deployment within the alternative asset sub-classes are current invested, temporarily housed, in our fixed income sector. We will be reallocating some of these earmarked dollars to our recent Blackstone BCRED investment, along with future commitments toward BCRED, and other prospective alternative investments. Additionally, Rob and I are actively discussing rebalancing some sectors of the portfolio, while awaiting more current pricing of our alternative investments.
- 8) Kevin Reed mentioned the retirement benefit payments continue to increase. Namely, the recurring benefits are increasing due to more troopers retiring at higher salaries and associated retirement benefits. Additionally, the 2% regular and 2% supplemental PBI increased the ongoing benefit payout by approximately \$90,000/month starting with July 2022 payments. We did raise liquidity over the last two weeks to fund future benefit payments and a portion will be used to fund the BCRED investment. After this month's payouts, we will traverse back down to maintaining the target of 2.0% portfolio liquidity.
- 9) Regarding the watch list, Mr. Bickham stated that Campbell is still on watch but our investment with Campbell is "burning off." Ivy is also still on the watch list due to the Macquarie acquisition. They will both stay on the watch list until we do formal reviews later this year. Additionally, Vontobel is still on the watch list due to the portfolio manager changes, while we view the portfolio manager changes as a positive.
- 14) A **MOTION** was made by Andrea Hubbard to adjourn the meeting. The **MOTION** was seconded by Kevin Marcel. No opposition. The motion passed.



Kevin Marcel, Chairman, Investment Committee
Louisiana State Police Retirement System