



## 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, May 25, 2022
<b>Where</b>	LA State Police Retirement System Building, 9224 Jefferson Highway
<b>Start Time</b>	9:30 a.m.

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- 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  
Amy Mathews, Designee for Treasurer – PRESENT

The records reflect that the following persons were also present:

Rob Bickham, UBS Institutional Consulting  
David Ainsworth, Blackstone  
Claire Guidry, Retirement Benefits Analyst  
Margaret C. Michel, Assistant Director  
Kevin P. Reed, Executive Director  
Gretchen Marquez, Administrative Specialist

- 3) The Pledge of Allegiance was led by Kevin Marcel and the prayer was led by Kevin P. Reed. No public comments.
- 4) Rob Bickham presented the committee with the UBS House View Presentation – Chief Investment Office GWM, May 2022. Mr. Bickham started by focusing on the Federal Reserve raising the Fed Funds Rate by 50 bps in May 2022, and it is expected they will tentatively raise the rate again in the June and July meetings of the Federal Reserve. He believes the US economy we will avert a recession but the likelihood today, of a recession occurring in the near term, is slightly higher than it was at the beginning of the year. Currently, for the YTD period, the S&P 500 has declined approximately -12% with global equity markets down slightly more. Mr. Bickham noted that UBS believes that if the Fed realizes a reduction in inflation within the 3<sup>rd</sup> and 4<sup>th</sup> quarter, then the Fed will be able to take the accelerator off further raising interest rates. Mr. Bickham focused on Page 8, the “Quilt Chart” of select asset classes’ calendar year performance, noting highest and lowest returns specifically in years 2008 and 2022. On page 26, Mr. Bickham focused on the Central Scenario of the S&P 500, noting a projected index level

of 4,700 by December 2022, while currently the index is at a level of 3,941. **(See Exhibit A - 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 April 30, 2022, noting total investment assets of \$1,049,970,700. Total Equities were \$636M, at 60.6 % of the portfolio, Fixed Income was just above target at 21.2% (or \$222.5M) of the portfolio, and Alternatives were above the allocation target at 17.2% (or \$180.2M). The Money Market fund position represented \$10.8M, or 1.0% of the portfolio. Mr. Bickham will update the next flash report to reflect the new investment policy statement targets that were approved at the April 27, 2022, Board Meeting. Based on the newly revised asset allocation targets, fixed income will be a 16% target instead of 20%. Mr. Bickham noted that real estate has reflected a positive return this year. **(See Exhibit B - attached)**
  
- 6) Rob Bickham focused the committee on the Current Month period of the Returns Summary for the periods ending April 30, 2022. For the current month of April, T Rowe Large Cap Growth Fund is down -14%, S&P 500 down almost -9%, US Mid Cap down -7%, US Small Cap down -10%, with our total domestic equity managers down -9.7%. On the fixed income side, Loomis Sayles Trust was down -3.8%, Brandywine Global was down -7.6%, and the Fixed Income Core managers were each down -3.8%. For the month of April, the portfolio was down -6%, and for the FYD period the portfolio was down -7.8%, although it does not include most of the private equity return information which is expected to be reasonably positive, thus the overall portfolio's return may be somewhat exaggerated on the downside. Mr. Bickham noted that it has been a tough year, while we still have until the end of June to see how the investment markets react and we close out the fiscal year. **(See Exhibit C - attached)**
  
- 7) Robert Bickham introduced David Ainsworth of Blackstone to present the Blackstone Private Credit Fund, BCRED. Mr. Ainsworth focused on page 5 of the BCRED handout **(See Exhibit D - attached)** and mentioned that Blackstone currently has \$915B assets under management in real estate, private equity, hedge fund solutions, and credit and insurance. The BCRED fund has been around since January 2021, it is focused on investing in first lien senior secured loans and underwrites private credit loans for large multi-billion-dollar companies. Mr. Ainsworth stated that the average term of a loan in the BCRED investment portfolio is six years, and Blackstone negotiates a 2 to 3 year non-call provision. After that period, BCRED may be refinanced out, although usually with a penalty to the borrower. Mr. Ainsworth mentioned that the Fund has experienced a historical 8.1% annualized distribution yield. The distribution yield is declared and paid monthly and may be received in cash or reinvested.

The Fund provides for quarterly redemptions, although there are limitations that are be imposed on redemptions. Management fees are charged on the net asset value, not on the gross asset value of the Fund. The question was raised as to why a borrower may select private credit directly with Blackstone versus a traditional bank loan. Mr. Ainsworth stated that it may be more beneficial for the borrower to have a loan underwritten by Blackstone than a traditional bank, because Blackstone does not have to broadly disclose the borrower's private financial statements like a bank may do, and as a provider of private credit they generally have more flexibility in structuring the loan and conveying and tailoring the terms of the loan throughout the loan negotiations and underwriting process.

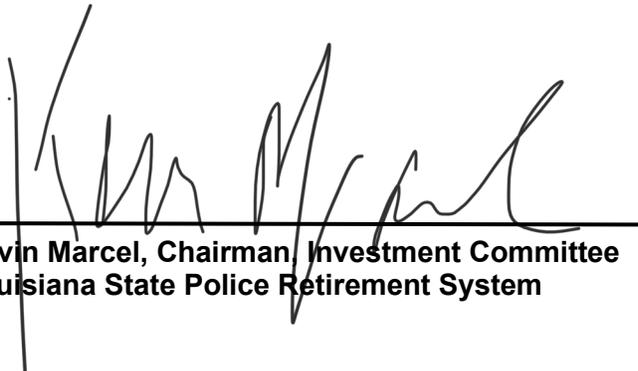
- 8) Kevin P. Reed, Executive Director, discussed the LSPRS Portfolio Cash Flows / MMKT Fund Market Value "Liquidity". **(See Exhibit E - attached)** Mr. Reed focused on the graph that reflected the money market position held in the portfolio. He mentioned that \$7M of our position

in the State Street Global Advisors US Aggregate Bond Index Fund was sold to replenish our cash reserves, thus aligning them more closely with our target weighting. Mr. Reed also noted that at month's end, our money market position is significantly lower due to retirement benefit payments being made at the end of month, and then the portfolio's money market position builds back up throughout the month.

- 9) Kevin P. Reed discussed an actuarial memo from Gregory Curran with G. S. Curran & Co. regarding the Plan's valuation interest rate. **(See Exhibit F - attached)** Mr. Reed focused on the third paragraph which reflects that LSPRS may sustain a negative market rate of return of up to -11.52% for FY 2022, while potentially lowering the VIR and not sustaining an immediate increase to the employer contribution rate. Although, if the portfolio does not have significant investment gains in the years following 2022, the system's employer contribution rate may rise over the coming years, as the system progresses through the actuarial based five-year smoothing method of returns. Mr. Reed expressed that we should continue to look keenly toward reducing the VIR by an additional 0.05%, while being aware and sensitive to the overall financial impact of doing such. As we quantify our fiscal year-end returns, we should determine the feasibility of a further reduction in the VIR. LSPRS's VIR is currently 6.95%.
- 10) Kevin P. Reed directed the committee to the Investment Watch List **(See Exhibit G - attached)** noting no changes. Vontobel, Ivy, and Campbell "On Watch," but at this time we do not anticipate any changes to our current stable of asset managers. Mr. Reed mentioned that the return volatility we have been recently experiencing, although unwanted, is not completely unexpected given global and domestic economic conditions
- 11) Mr. Reed mentioned he was contacted by Doug Ferris, the real estate professional who helped with the acquisition of the LSPRS' office property, who may have a potential buyer for the back lot of our property. However, it is a general commercial development with the property being used for retail or small offices, and the deal would probably not go forward if LSPRS placed covenants limiting the types of use. Mr. Reed suggested a longer-term utilization of the property may be developing it toward a use similar to that which is currently in the general area, while in harmony with our current operations.
- 12) Christopher Lazzaro, Vice President, and Fred Sweeney, Vice President, CFA, of Loomis Sayles joined via Zoom to present a Firm overview as of March 2022. Mr. Lazzaro noted that the Firm's assets were just under \$336B at the end of the quarter, while starting the beginning of the year at \$360B, thus assets have been driven down by market action. Looking toward the future, there will be more attractive yields for reinvestment and prices have come down a bit across the fixed income spectrum. Mr. Sweeney directed the Committee to view page 13 of the presentation **(See Exhibit H - attached)** and mentioned that while the absolute returns are negative, the performance for the YTD period is 84bps above the relative benchmark. Mr. Sweeney mentioned, as reflected on page 15, an excess return of 0.90 relative to the benchmark, which was primarily due to the portfolio manager's positioning the portfolio in anticipation of a rise in interest rates due to COVID, general inflation, and the Russian/Ukrainian war. Looking at the attribution analysis, the securitized sector and cash/equivalents contributed positively to excess return, while high-yield credit and emerging market credit had a negative impact. Mr. Sweeney said performance has been as expected given Loomis Sayles' preparation for the upward shift in interest rates.
- 13) A **MOTION** was made by Amy Mathews to invest \$5M in BCRED (Blackstone Private Credit Fund), with the option to increase the investment up to a maximum of \$10M within 15 months,

subject to the review, approval, and execution of the fund purchase documents by the LSPRS' Executive Director and Legal Counsel. The **MOTION** was seconded by Frank Besson. No opposition. The motion passed.

- 14) A **MOTION** was made by Amy Mathews to adjourn the meeting. The **MOTION** was seconded by Frank Besson. No opposition. The motion passed.

A handwritten signature in black ink, appearing to read "Kevin Marcel", is written over a horizontal line. The signature is stylized and cursive.

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