NONVERBATIM MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES, SHERIFFS’ PENSION & RELIEF FUND, HELD AT THE LOUISIANA SHERIFFS’ PENSION FUND OFFICE IN BATON ROUGE, LOUISIANA AT 9:00 AM ON WEDNESDAY, AUGUST 15, 2018.

Active Sheriff William Hilton, President  
Active Sheriff Willy Martin, Vice President

Active Sheriff Jay Russell  
Active Sheriff Greg Champagne  
Retired Sheriff Wayne McElveen  
Retired Sheriff Ken Goss  
Retired Sheriff Wayne Melancon   
Active Deputy Debbie McBeth

Active Deputy Sharon Cutrera

Retired Deputy Don Rittenberry  
 Retired Deputy Ronnie Morse

Retired Deputy Joey Alcede

Executive Director Osey McGee, Jr.

President Sheriff William Hilton called the meeting to order. Ronnie Morseoffered the invocation and Sheriff Willy Martinled the pledge to the American Flag. Roll was called and those in attendance represented a quorum.

Sheriff Hiltonasked audience members to introduce themselves. Others in attendance included Margaret Corely, Senate Retirement Committee Attorney; Robert Klausner, Attorney, Klausner, Kaufmann, Jensen & Levinson; Hal Bradford, Russell; Greg Curran, Actuary, Curran & Co.; Jason Windham, Shobe Financial; and several active and retired parish representatives. Pension Fund staff members in attendance included Assistant Director Keith Duplechain, Lacey Weimer, Chris DeWitt, Roselyn Pitarroand Katie Thiebaud.

Sheriff Hilton and Director McGee gave a special welcome to the newest Board member, Retired Sheriff Wayne Melancon, who was elected to the Board of Trustees at the Louisiana Sheriffs’ Association conference in July. Sheriff Melancon stated that he was honored to be a part of the Board.

Director McGeealso introduced Hal Bradford, Senior Consultant with Russell, who would be working with the Sheriffs’ Pension Fund alongside Bill Madden. McGee noted that Bradford’s professional background included over 20 years of consulting experience in the investment, actuarial and employee benefits fields.

Director McGee also gave an update on Karen McFerrin, wife of Board member Calvin McFerrin, and the status of her health, and asked Board members to continue to pray for the McFerrin family.

## Financial and Market Reports

The first item on the agenda was a performance report and asset allocation review by Executive Director Osey McGee Jr. and Assistant Chief Investment Officer Chris DeWitt. They presented a review of performance and economic information from the beginning of the fiscal year, to date of the meeting, as follows:

**Performance Highlights**

Fiscal Year 2018:

* Global growth continued to lead to market gains throughout most of the Fiscal Year.
  + Sychronized global growth
  + The Dow, S&P, and Nasdaq hit new all-time highs
* While continued gains were seen throughout most of the Fiscal Year, increased volatility has been seen since February.
  + Worries over inflation
  + Increasing Fed funds rate
  + Trade concerns
* Fortunately, these were offset by positive economic news, including:
  + Tax reform
  + Strong earnings seasons
  + High business and consumer confidence
  + Wage growth
* Estimated Return (Net of Fees):
  + First quarter: 3.6%
  + Second quarter: 3.9%
  + Third quarter: 0.0%
  + April: 0.4%
  + May: 0.7%
  + June: (0.1)%
  + Fourth quarter: 1.0%
  + Fiscal Year to Date: 8.6%
* Fiscal Year to Date change in Market Value of Assets:
  + June 30, 2017 (began Fiscal Year 2018): $3,300,985,265
  + Fiscal Year to Date Increase: $289,910,118
  + Fiscal Year End (June 30, 2018): $3,590,895,383

Fiscal Year 2019:

* Positive start to Fiscal Year 2019
  + Led by U.S. Economic Data
    - 4.1% second quarter GDP
    - Better than expected corporate earnings reports
* Estimated Return (Net of Fees):
  + July: 1.8%

McGee and DeWitt also reviewed the Fund’s asset allocation as of the date of the meeting and considered reasons for both optimism and concern in the market going forward.

**Investment Committee**

Investment Committee Chairman Don Rittenberry gave the following Investment Committee Report:

The last meeting of the Investment Committee was called to order at 9:00 AM on July 25, 2018. All members of the Committee were present. Also in attendance was consultant Bill Madden of Russell and staff members serving on the In-House Investment Committee.

The meeting began with a presentation by Erik Ristuben, Chief Investment Strategist for Russell. Erik presented a PowerPoint presentation and discussion on the global economic and market outlook. In his presentation, he discussed recent market volatility and provided Russell’s insight and views for the near term future. This type of information assists the Fund in planning investment strategies for the current and near to immediate future.

Next, Director Osey McGee and Assistant CIO Chris DeWitt presented to the Committee a detailed performance report for the Fiscal Year to date, along with a discussion of the current asset allocation of the Fund.

Next on the agenda, the Director reported on High Yield manager Guggenheim after reports of organizational conflict. Russell continued to report that they were a very large manager and the conflicts were not impacting their High Yield strategy used by the Pension Fund. Dr. Bill Madden added that Russell continued to think highly of the manager.

Director McGee and Dr. Bill Madden reported on long-term manager Suffolk, a Large-Cap Growth manager who had been underperforming their benchmark recently. The In-House Investment Committee brought their client representative and their portfolio manager in to review the reasons for the underperformance. Dr. Madden participated in the review and discussion with the portfolio manager.

Next, the Director gave a report on rebalancing progress for plans that were previously approved by the Board after Russell recommended reducing U.S. Equity, with the first withdrawal in January of this year and again in July. Further reductions were planned depending on market conditions. (A PowerPoint presentation by the Director and Assistant CIO followed the Committee reports.)

The last item on the agenda for the Investment Committee meeting was a review and discussion of the Fund’s Target Policy weights as discussed at the last Board meeting. The Director and staff and Russell proposed making minor changes to allow further diversification and risk exposure to put the Fund more in line with the global economy and markets.

That concluded the Committee report. Next, Ronnie Morse presented the Committee’s recommendations as follows:

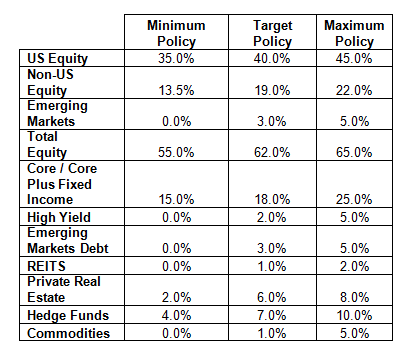
The Committee’s recommendations took into consideration the global market issues and uncertainty in the near term future, and the concern and outlook by consultants and other economists of a near term market correction and the probability of the next economic recession materializing in late 2019 or 2020. The recommendations were as follows:

* Recommendation concerning hiring an additional High Yield manager and increasing the Fund’s allocation to High Yield Debt be delayed for the near term future until the market picture is more clear on the threat of a near term recession. The Committee will come back to the Board again before increasing this allocation.
* After meeting with High Yield Manager Guggenheim at the Pension Fund office, Russell and the Director and staff recommended retaining this manager and to continue to watch any further developments and performance closely. Consultants continue to have confidence in the manager’s High Yield strategy capability and organizational conflicts do not appear to be a problem at this point.
* After bringing in long-time Large Cap manager Suffolk to discuss underperformance of their benchmark, the Director, staff and Russell’s view is that underperformance is primarily due to their more defensive strategy, and they have been a top performing manager under different market conditions. If the predicted recession occurs, their defensive nature should provide the Fund an advantage. In discussions of the performance, the Director and In-House Committee negotiated a fee reduction from 55 bps to 50 bps effective July 1, 2018. This fee reduction was expected to have a positive impact on net performance as well as a cost savings to the Fund. In addition, the manager will be required to report to Chris DeWitt in monthly conversations that will be reported to the In-House Investment Committee and the Investment Committee.
* In the last item on the agenda, the Committee recommended approval of the changes in the Fund’s Target Policy weights to provide changes that will increase the Board’s flexibility in non-U.S. or international markets and other minor changes.

Director McGee and Assistant CIO Chris DeWitt gave a PowerPoint presentation on rebalancing progress since the last Board meeting, on plans previously approved by the Board to reduce U.S. equities as recommended by Russell. Progress was as follows:

* Withdrawls:
  + $10 million from Ceredex
  + $20 million from Mellon Large Cap Index
  + $4 million from Mellon Large Cap Value Index
  + $16.5 million from Russell Small Cap Fund
  + $12 million from Suffolk
  + $25 million from T.Rowe Price
  + $12 million from Wellington
  + $17 million from Winslow Capital
  + Total withdrawals equaled $116.5 million
* Allocations:
  + $30 million to Ashmore
  + $43 million to Grosvenor (Committed capital partially called)
  + $25 million to JP Morgan (Committed capital in queue)
  + $30 million to Metlife (Committed capital in queue)
  + $50 million to Numeric
  + $15 million to Russell E.M. Equity Fund
  + Total allocations equaled $193 million

Next, the Director presented an update to the Fund’s Target Policy, to put the Fund more in line with the global economy and markets. The proposed policy weights were as follows:



Ronnie Morse made a motion to approve the Committee’s recommendations, including the recommendation to adopt the new target policy portfolio. Don Rittenberry seconded, and the motion passed.[[1]](#endnote-2)

**Actuarial Discussion**

Director McGee began an actuarial estimates presentation and discussion by addressing the many questions that are asked at the end of a fiscal year, for example, what will the employer contribution rate be, and how is the soundness of the Fund? McGee explained that final answers would be available when the actuarial valuation was completed, which was typically by December.

The Director stated that the goal of the presentation was to provide preliminary estimates on the fiscal year’s effect on the Fund’s cost structure, and the impact on areas of interest such as the employer contribution rate, the actuarial rate of return, the growth in plan assets, the Funding Deposit Account impact, and the possibility of meeting COLA requirements. All information presented was estimated and subject to change at the completion of the actuarial valuation.

Director McGee explained that Fiscal Year 2018 was a difficult year with positive outcomes at Fiscal Year End. The Fund’s estimated return was 8.6% Net of Fees on investments. This exceeded the target rate of return of 7.4%.

Total investable assets increased from $3,300,985 at June 30, 2017 to an estimated $3,587,939,521 at June 30, 2018, for a total increase of an estimated $286,954,256. This was after paying $180.5 million in benefits to members, and another historic high for the Fund at Fiscal Year End close.

McGee also discussed in further detail the Fund’s 7.4% target rate of return. Because of declining capital market assumptions, the Fund began gradually reducing the assumed rate of return in 2012, with the plans to reduce to 7% over time. The rate will drop to 7.25% for the new fiscal year beginning July 1, 2018.

Director McGee reviewed the purposes of the Funding Deposit Account as follows:

* The Fund can reduce the unfunded accrued liability as prescribed in R.S. 11:105
* Reduce the present value of future normal costs,
* Reduce or “buy down” the employer contribution rate during difficult economic times when contribution rates rise, to help protect the plan sponsors, the Sheriffs and their budgets.
* Pre-fund permanent benefit increases (COLAs) for retirees

The Director stated that if early estimates were confirmed, there would be an estimated $53 million in Funding Deposit Account reserves. In addition, due to the positive year, no increase was expected in employer contribution rate, and possibly another decrease for the coming year at July 1, 2019.

Director McGee concluded by discussing how the year’s positive results will increase Funding Deposit Account resources available to help offset and control employer contribution rates resulting from the next period of unfavorable market and economic conditions for future years. With economists predicting the next recession to occur in late 2019 or 2020, the Fund is managed to be prepared.

For the next item on the agenda, the Director asked Actuary Greg Curran to comment on the current valuation, and the Comprehensive Actuarial Review. Greg said that the Fund’s valuation for the current year is underway. He and Director McGee discussed the previous year’s Comprehensive Actuarial Review done by the Louisiana Legislative Auditor, who, because of different approaches with shorter term estimates, recommended that the Sheriffs’ Pension Fund have a target rate of return of 5.75%. Last year’s valuation completed by G.S. Curran & Co. was accepted by PRSAC, however the Board was made aware that the Legislative Auditor could perform its own valuation of the Fund to present to PRSAC in the near future.

**Informational Items:**

For informational agenda items, Director McGee gave a report on the LSA conference held in Destin, Florida. Sheriff Martin was re-elected as Vice President of the Board, and Sheriff Greg Champagne was re-elected to the Board. Retired Sheriff Wayne Melancon replaced former Board member Hal Turner. They were congratulated and thanked for their service.

Director McGee informed the Board that deputy Board member elections would be held soon at the Pension Fund office.

Board members were reminded and given details of the Board Education Retreat being held the following week at L’Auberge Baton Rouge.

As the final informational item, the Director reported on the training session for prospective Board candidates which was held at the Pension Fund office in June.

President Hilton requested a motion to approve the following agenda items:

1. Minutes of the 4/17/2018 Board Meeting
2. Applications for reciprocal recognition of service and transfers
3. Applications for retirement, backDROP, disability, and survivor benefits

Don Rittenberry made the motion to approve them. Debbie McBeth seconded, and the motion passed.**[[2]](#endnote-3)**

**Executive Session**

President Hilton made a motion for the Board to go into Executive Sessionto receive advice from Counsel related to:

* Executive session as permitted by RS 42.17(A)(10) to receive advise from counsel relating to RS 11:2174 on matters which are privileged under RS 44:4.1 C and Louisiana Code of Evidence Art. 506 to take possible action thereafter in open session.

**Regular Session**

The Board returned to Regular Session. The Counsel stated that the record should show that no actions or motions were taken during Executive Session.

Ronnie Morse made a motion to adopt the advice of legal counsel received in executive session, and to authorize him to take such actions as are necessary to fully implement the advice. Debbie McBeth seconded, and the motion passed. [[3]](#endnote-4)

**Adjourn**

With no further business to consider, Sheriff William Hilton adjourned the meeting.

I hereby certify to the best of my knowledge and belief that the above and foregoing is a true and correct synopsis of the proceedings of the meeting of the Board of Trustees on August 15, 2018.

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Sheriff William Hilton,President

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Osey McGee, Jr. Executive Director

Motions and Concurrences:

1. Investment Committee Recommendations [↑](#endnote-ref-2)
2. Approval of 12/18/2017 Board Meeting Minutes, Applications of Reciprocal Recognition of Service and Transfers, and Applications for Retirement, BackDROP, Disability, and Survivor Benefits. [↑](#endnote-ref-3)
3. Adopt Advice of Legal Counsel [↑](#endnote-ref-4)