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, DECEMBER 5, 2018.

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

Active Sheriff Jay Russell
Active Sheriff Greg Champagne

Active Sheriff Jeff Wiley
Retired Sheriff Wayne McElveen
Retired Sheriff Ken Goss
Retired Sheriff Wayne Melancon
Active Deputy Debbie McBeth

 Active Deputy Sharon Cutrera
 Active Deputy Calvin McFerrin

Retired Deputy Don Rittenberry
 Retired Deputy Ronnie Morse

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 Robert Klausner, Attorney, Klausner, Kaufmann, Jensen & Levinson (through conference call); Dr. Bill Madden, 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, Betty Sibley, Chris DeWitt, and Katie Thiebaud.

Retired Sheriff Wayne McElveen announced that after serving since the 1990s, he had made the decision to retire from his position on the Board of Trustees. A letter from Sheriff McElveen was passed around for Board members. He was given a standing applause and several Board members expressed words of gratitude for his many years of service.

Director McGeealso gave special recognition to Attorney Bob Klausner, who joined the meeting through conference call, for his work especially with in line of duty death benefits for surviving family members, which he does free of charge.

## 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 2019 – First Quarter:

* The Fund ended Fiscal Year 2018 with 8.6% Net of Fees return
	+ It was a difficult, volatile year, but it ended very positively.
	+ Outperformed valuation interest rate of 7.4%
	+ Began Fiscal Year 2019 with $3,590,895,383 Market Value Assets
* Global growth continued to lead to market gains throughout most of the First Quarter.
	+ The Dow, S&P, and Nasdaq hit new all-time highs
* This was led by positive U.S. economic news:
	+ Tax reform
	+ Strong earnings seasons
	+ Excellent GDP growth
	+ High business and consumer confidence
	+ Positive employment data

Fiscal Year 2019 – Second Quarter:

* While continued gains were seen throughout most of the First Quarter, October headed towards correction territory.
	+ Spike in treasury yields
	+ Worries over inflation
	+ Increasing Fed funds rate
	+ Trade concerns
	+ European political uncertainty
* Increased volatility has continued to be seen in the Second Quarter of this Fiscal Year.
* There has been a partial recovery from the selloffs in October and November
	+ U.S. economy continued to strengthen
	+ Mid-term elections came out as expected.
	+ Corporate earnings reports were better than expected.
	+ Dovish comments from Fed chairman
	+ Temporary halt to tariff hikes
		- Uncertainty of terms of agreement
* Estimated Returns (Net of Fees):
	+ July: 1.8%
	+ August: 0.9%
	+ September: 0.2%
	+ First Quarter: 3.0%
	+ First Quarter Market Value Assets: $3,688,869,028
	+ October: (5.1)%
	+ November: 1.2%
	+ Fiscal Year to Date: (1.1)%
	+ Fiscal Year to Date Market Value of Assets: $3,516,208,600

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 Committee was called to order at 9:00 AM on November 14, 2018. Five members of the Committee were in attendance, representing a quorum. Also in attendance were Dr. Bill Madden and Alexandra Sollers from the Russell Consultant team; Jason Windham, Shobe Financial; and staff members serving in the In-House Investment Committee.

For the first item on the agenda, Paul Eitleman, Senior Investment Strategist for Russell, presented a global economic outlook and market outlook to the Committee through conference call. These outlook sessions assist the Committee in planning investment strategies and are very helpful. Paul addressed recent U.S. market volatility. He stated that despite down days, he did not see signs of an imminent slow down. He also provided insight into global economy and investment strategies for the months ahead.

Next, Director Osey McGee and Assistant CIO Chris DeWitt presented a thorough performance report of the Fund for the first quarter and fiscal year to date. The Director and Assistant CIO also presented the Fund’s asset allocation and reasons for optimism and causes for concern going forward.

For the next item on the agenda, Kerry Galvin, CFA, who specialized in analyzing Hedge Fund managers, along with Dr. Bill Madden, gave a presentation on a Hedge Fund manager search. Director McGee prefaced the presentation, stating that the Fund was looking into adding an additional Hedge Fund manager for further diversification. The Fund’s current Hedge Fund managers were Corbin and Blackstone, which Russell maintained their highest rank on.

The potential new candidates were Aetos Alternatives Management, BlackRock Alternative Advisors, Grosvenor Capital Management and Magnitude.

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

After reviewing the potential new candidates, the Director recommended eliminating BlackRock and selecting Aetos, Grosvenor and Magnitude as finalists, and having Russell check with them to make sure they were willing to agree with the terms of Louisiana law in their contracts.

For the final item on the agenda, the Director and Dr. Bill Madden conducted an asset allocation and rebalancing review. Russell recommended the following allocations by calendar year end:

* $35 million to EAFE Index Fund (Non-U.S.)
* $15 million to Emerging Market Debt
* $10 million to Emerging Market Equities

These would all be additions to existing strategies.

Ronnie Morse made a motion to accept the recommendations and move the money out to these strategies by year end. His motion also included giving the Director the authority to stop the moves if the market took a turn that would be detrimental. Sheriff Hilton seconded, and the motion was approved.

That concluded the Investment Committee’s recommendations.

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

Next on the agenda, Dr. Bill Madden led a discussion on the Hedge Fund manager search. In his presentation to the Committee, Dr. Madden reviewed LSPRF’s Hedge Fund portfolio performance objectives, which included adding diversification, downside protection in the case of extreme market losses, and low volatility. He reviewed the Fund’s current Hedge Fund portfolio allocation, and proposed modifications to the portfolio. He also reviewed the proposed candidates, as mentioned in the Investment Committee recommendations. The Director recommended referring the 3 managers back to the Investment Committee and allowing the Committee to make the decision on what manager to hire. The Board concurred, and Ronnie Morse made the motion to accept the Director’s recommendation to allow the Committee to make the decision on what Hedge Fund manager to hire. Sharon Cutrera seconded the motion, and it passed.

The Director and Actuary Greg Curran gave a detailed presentation on the highlights of the Fund’s actuarial valuation report for the Fiscal Year 2018. A hard copy of the actuarial valuation was provided to the Board members.

Retired Sheriff Wayne McElveen made a motion to accept the Actuarial Valuation Report. Calvin McFerrin seconded, and the motion passed.[[2]](#endnote-3)

Next, Actuary Greg Curran and Dr. Bill Madden gave a presentation on setting the liability discount rate. Dr. Madden stated that Russell would continue to strongly recommend using an arithmetic average for calculating the discount rate, over a long time period. Calvin McFerrin made a motion to accept the recommendations, and Sheriff Jay Russell seconded. The motion passed.[[3]](#endnote-4)

Director McGee asked the Board to approve a resolution adopting the Audit Compliance Questionnaire required yearly as a part of the Fund’s audit, and to authorize the Director to sign it. A motion was made by Sheriff Wiley and seconded by Calvin McFerrin to approve this as a part of a group, approving the resolution for the audit compliance questionnaire, as well as applications for reciprocal recognition of service and transfers, and applications for retirement, backdrop, disability, and survivor benefits. The motion passed.[[4]](#endnote-5)

Director McGee gave a brief report to date on the yearly audit, stating that as of the date of the meeting, the audit was going well and there were no findings so far to report.

For informational agenda items, Director McGee stated that he was working on a schedule of Board meetings for the upcoming year 2019, and that it would be furnished to Board members shortly after the first of the year.

President Hilton requested a motion to approve the minutes of the August 15, 2018 Board meeting. Don Rittenberry made the motion and Ronnie Morse seconded. the motion passed.

**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. The following motions were made:

1. Sheriff Wayne McElveen made a motion to accept the recommendation of the Executive Director and Fund Counsel to accept the resolution of the outstanding membership and enrollment issue and to authorize the Executive Director to execute a settlement agreement. Ronnie Morse seconded, and the motion passed.[[5]](#endnote-6)
2. Sheriff Wayne McElveen made a motion to ratify the decision of the Executive Director and Fund Counsel to pursue lead Plaintiff status in Evoqua securities litigation together with Bernstein Litowitz Berger and Grossman, LSPRF securities counsel. Calvin McFerrin seconded, and the motion passed.[[6]](#endnote-7)

**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 December 5, 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. Actuarial Valuation Report [↑](#endnote-ref-3)
3. Setting the Liability Discount Rate [↑](#endnote-ref-4)
4. Approval of Audit Compliance Questionnaire Resolution, Applications for Reciprocal Recognition of Service and Transfers, and Applications for Retirement, BackDROP, Disability, and Survivor Benefits. [↑](#endnote-ref-5)
5. Resolution of the Outstanding Membership and Enrollment Issue [↑](#endnote-ref-6)
6. Pursue lead plaintiff status in Evoqua securities litigation [↑](#endnote-ref-7)