NONVERBATIM MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES, SHERIFFS’ PENSION & RELIEF FUND, HELD AT THE LOUISIANA SHERIFFS’ PENSION FUND IN BATON ROUGE, LOUISIANA AT 9:30 A.M. WEDNESDAY, JULY 12, 2017.

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

Active Sheriff Jay Russell  
Active Sheriff Jeffrey Wiley  
Active Sheriff Greg Champagne  
Retired Sheriff Ken Goss

Retired Sheriff Wayne McElveen

Active Deputy Calvin McFerrin  
 Active Deputy Sharon Cutrera   
 Active Deputy Debbie McBeth

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 Morse offered the invocation and Sheriff Jeffrey Wiley led the pledge to the American flag. Roll was called and those in attendance represented a quorum.

Sheriff Hilton asked audience members to introduce themselves. Others in attendance included Annie Smith, Attorney for the House Committee on Retirement; Robert Klausner, Attorney, Klausner, Kaufmann, Jensen & Levinson; Gary Curran, Actuary, Curran & Co.; Dr. Bill Madden, Russell Investments; and several parish representatives. Pension Fund staff members in attendance included Assistant Director Keith Duplechain, Chris DeWitt, Ashley Pridgen and Katie Thiebaud.

Sheriff Hilton read a resignation letter from Retired Sheriff Hal Turner, who was not in attendance at the meeting. However, after the meeting was held, on the same date, Sheriff Turner decided to rescind his resignation and finish his term on the Board.

Sheriff Hilton recognized Representative Greg Miller, member of the House Committee on Retirement and an Ex-officio member of the Board of Trustees designated by the Speaker of the House. Rep. Miller stated that he was happy to be in attendance, and to be a part of the Board. The Director expressed gratitude towards Rep. Miller and said that he was honored to have him as a member of the Pension Fund Board.

Sheriff Hilton called upon Sheriff Greg Champagne to speak about his year-long term serving as the National Sheriffs’ Association President, which had just ended. Sheriff Champagne highlighted his travels serving as president, and Sheriff Hilton thanked him for his service, adding that it takes a seven year plan to become president of the National Sheriffs’ Association.

The first item on the agenda was a conference call with Paul Eitleman, a Senior Investment Strategist for Russell. He provided an insight into the global market outlook for the months ahead.

## Financial and Market Reports

Next, Executive Director Osey McGee, Jr., along with Assistant Chief Investment Officer Chris DeWitt, and Dr. Bill Madden of Russell, 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 2017 First Quarter

* There was a great start to Fiscal Year 2017 led by better than expected U.S. economic data.
  + The Dow, S&P, and Nasdaq hit all-time highs
* The U.S. continued to show promising signs of growth.
  + There were stellar jobs reports, manufacturing growth, better than expected corporate earnings reports and housing growth.
* Positive U.S. economic news easily offset the negative international news.
  + Brexit Fallout
  + Many of the same issues as the last fiscal year
* Much of the volatility in first quarter was caused by speculation over the timing of the next rate hike

Fiscal Year 2017 Second Quarter

* The Markets rebounded after an October selloff
  + There was optimism over surprise election results
    - Anticipating fiscal stimulus/regulation reform
* The U.S. led global economic growth
  + GDP revised up to 3.5%
  + Unemployment rate fell to 4.6%
  + Highest consumer confidence since 2007
  + Increase in manufacturing/non-manufacturing
  + Oil continued to rally
  + OPEC agreed to production cut
* Fed announced rate hike in December

Fiscal Year 2017 – Third Quarter

* Markets continued to rally throughout the quarter
  + There was renewed optimism and confidence regarding fiscal stimulus/reforms
    - It hadn’t led to meaningful spending
  + The Dow hit 20k in January, 21k in March
* U.S. economy continued to improve.
  + Corporate Earnings Growth
  + Healthy Job Growth
  + Consumer confidence increased to highest level since 2001
* The Fed remained cautious in the face of increasing uncertainty
  + The Fed announced a rate hike at their March meeting
* International markets continued to improve despite trade/political uncertainty
  + French election which led to favorable results in May.

Fiscal Year 2017 – Fourth Quarter:

* Global markets continued to increase in the fourth quarter.
  + There was optimism over tax reform and positive geopolitical events
* International markets outpaced domestic
  + Lower valuations
    - LSPRF benefited from domestic to international rebalancing
  + Improving economic conditions
  + Less political risk
    - Favorable election results
* The U.S. economy continued to improve
  + Unemployment rate continued to fall
  + Corporate earnings exceeded expectations
  + Economic strength led to a June rate hike

Performance

* Estimated Return (Net of Fees):
  + July equaled 2.8%
  + August equaled 0.5%
  + September equaled 0.6%
  + **Fiscal Year First Quarter equaled 4.0%**
  + October equaled (1.2)%
  + November equaled 1.2%
  + December equaled 1.4%\*
  + **Fiscal Year Second Quarter equaled 1.4%**
  + **First Half Fiscal Year equaled 5.4%**

\*Historic high for LSPRF – First month-end closing over $3 Billion

* + January equaled 1.8%
  + February equaled 2.0%
  + March equaled 0.7%
  + **Fiscal Year Third Quarter equaled 4.6%**
  + April equaled 1.1%
  + May equaled 1.4%
  + June equaled 0.5%
  + **Fiscal Year Fourth Quarter equaled 3.1%**
  + **Estimated Fiscal Year to Date equaled 13.7%**

They reviewed the Fund’s current asset allocation and reported estimated total Fund investment assets to be $3,296,226,109.48 at 06/30/2017. They also presented reasons for optimism and causes for concern for the fiscal year.

**Investment Committee**

Investment Committee Chairman Don Rittenberry gave the following report to the Board on the Investment Committee’s last meeting:

The last meeting of the Investment Committee was called to order at 9:00 AM on June 14, 2017. The Committee members present at the meeting represented a quorum. Also in attendance was Scott Grimm of Russell Investments, Actuary Gary Curran, and Pension Fund staff members that serve on the In-House Investment Committee.

The meeting began with a detailed performance report by the Director and Assistant CIO, Chris DeWitt. They also gave an in-depth asset allocation review of the Fund’s portfolio, and reviewed causes for optimism and concern going forward. An updated version of this report was given earlier in the Board meeting.

Following the performance review, the Director updated the Committee on Winslow Capital, the Large-Cap Value manager that was placed on watch in March. He reported that Winslow’s performance had improved drastically from the underperformance in 2016, beating the benchmark fiscal year-to-date. The Director, along with the In-House Investment Committee and Russell, has had monthly conference calls with Winslow to update monthly performance. The Director recommended continuing the monthly conference calls to monitor Winslow’s performance. The last conference call occurred two weeks after the Committee meeting, with Winslow providing another favorable update on performance.

The Director also updated the Committee on Large-Cap Growth manager Wellington, who was recently downgraded from a 3 to a 2 in Russell’s ranking system. This was due to a change in the manager’s strategy. A discussion with both Wellington and the Russell Analyst who made the ranking change was planned. Scott Grimm agreed with the decision to wait before looking for a new manager, and stated that Russell would be monitoring the effect that the change had on the portfolio.

Next, Paul Eitelman, Russell Investment Strategist for North America, joined the Committee on conference call to provide an economic and market review. He gave a detailed review and outlook of the global markets to assist the Committee in planning future investment activities.

The main focus of the Committee meeting was to hire a Global Equity Manager. Two finalists were chosen at the Committee’s meeting in March to be brought in to interview before the Committee. They were Alliance Bernstein and Numeric Investors.

The first presentation was from Alliance Bernstein, a fundamental style manager. They were represented by David Dalgas, CIO, Mark Buckley, Portfolio Specialist, and Craig Schorr, Managing Director. Alliance Bernstein gave a thorough presentation, providing a firm overview, insight into their stock selection process with a couple of examples, and past performance with a comparison to the Fund’s current Global Equity Manager, Wellington.

Next, the Committee heard from Numeric Investors, a quantitative manager. Shanta Puchtler, President and CEO, and Michael Callahan, Managing Director, presented on behalf of Numeric. They also provided a detailed presentation on the firm, their security selection process, and past performance.

After hearing both presentations, the Committee discussed the two finalists. Following the discussion, the Committee made a recommendation on the hiring of a Global Equity Manager.

Without any further business to consider, the Investment Committee adjourned at noon.

Following Don Rittenberry’s report, Ronnie Morse, Vice Chairman of the Investment Committee, gave the following presentation on the Committee’s recommendations:

The Committee heard two impressive presentations from Alliance Bernstein and Numeric Investors. In choosing between two high quality managers from the Global Equity mandate, the Committee focused on the fit with the Fund’s current Global Equity manager, Wellington. After looking at the style and cap-size of each portfolio, the Committee determined that Numeric Investors was a better fit and provided more diversification with the current Global Equity manager.

A motion was made recommending the hire of Numeric Investors and to make a $50 million allocation to the strategy.

Upon negotiations with the Director, Numeric agreed to lower the management fee from 75 to 68 basis points, which will result in substantial savings for the Fund.

At the completion of these reports, Sheriff Willy Martin made a motion to approve the Investment Committee’s recommendations. Sheriff Jeff Wiley seconded, and the motion passed.[[1]](#endnote-2)

**Actuarial Discussion**

Director McGee began an actuarial presentation and discussion by addressing the many questions that are asked at the end of a fiscal year, for example, will there be a cost of living increase? 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 in the 2017 Fiscal Year, the Fund used the assumed rate of return of 7.5%, and that it was exceeded, ending the year with an estimated 13.7% return Net of Fees. He and Actuary Gary Curran explained the 5 year smoothing method that the Pension Fund uses, and how additional earnings and losses are spread over 5 years. Director McGee added that the Fund increased its total Fund investable assets by an estimated $407,589,700.

McGee and Curran also explained how declining capital market assumptions have caused pension funds across the U.S. to decrease their valuation interest rates. The current year’s valuation interest rate will be 7.4%, and the plan in place is to continue to reduce the interest rate until it is at 7%.

The Director and Actuary estimated that this year would have a relatively neutral effect on the employer contribution rate, plus or minus .5% of the current required rate. Director McGee reminded the Board that the Fund was currently collecting a contribution rate higher than the required rate, for Funding Deposit Account reserves.

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 final point of discussion in the actuarial presentation was COLAs. Director McGee said that in order to grant a COLA, the Fund must beat the target rate of return, and have enough excess investment earnings above the actuarial rate of return to pay the lifetime cost of a COLA, which as far as the Fund knew at the time of the meeting, would not be met, due to catching up from two slower previous years. McGee did add that the Fund increased its investable assets by an estimated $407,000,000.

The Director stated that if early estimates were confirmed, there would be an estimated $55 million in Funding Deposit Account reserves. He stated that he was hopeful that the Board would be in the position to grant a minimum of a 2% COLA, pre-paid from the Funding Deposit Account, to all eligible retirees that would be effective January 1, 2018.

For a legislative update, the Director informed the Board that the Pension Fund did not sponsor any legislation, and additionally, there was no legislation in the 2017 Louisiana Legislative session that would impact the Sheriffs’ Pension Fund.

Next on the agenda, the Director asked for a motion from the Board to adopt the new actuarial agreement for 2017 from the Fund’s actuary, G.S. Curran & Co. Legal Counsel Robert Klausner added that he reviewed the agreement and approved of it. Sheriff Jeff Wiley made the motion to adopt the new agreement. Retired Sheriff Ken Goss seconded, and the motion passed.[[2]](#endnote-3)

The Director asked the Board for input on the annual required Board Educational Training Retreat. He reminded the Board members that the 16 hours of training needed to be completed by August 31st. McGee also stated that the Golden Nugget Hotel and Casino in Lake Charles offered the Pension Fund a very reasonable room rate. After discussion, Don Rittenberry made a motion to hold the retreat at the Golden Nugget Hotel and Casino in Lake Charles, Louisiana on August 28th – 30th.

Director McGee also discussed Board candidate training and sheriff elections. To be eligible to become a member of the Board of Trustees, a candidate must have 8 hours of pre-training, and more potential candidates needed to complete these hours. McGee hoped to set a date for this training sometime after the Louisiana Sheriffs’ Association Conference at the end of July. He also informed the Board that Active Sheriff Jeff Wiley and Retired Sheriff Wayne McElveen would be up for reelection at the LSA meeting in September.

Next, he reminded the Board members of the upcoming Louisiana Sheriffs’ Association Conference, being held in Destin, Florida July 30th – August 3rd, and the Pension Fund Seminar being held there on August 2nd.

President Hilton requested a motion to approve of the Board meeting minutes from the March 28, 2017 meeting. Don Rittenberry made a motion and Ronnie Morse seconded. The motion passed[[3]](#endnote-4)

Calvin McFerrin motioned to accept the following items:

1. Applications for reciprocal recognition of service and transfers
2. Applications for retirement, backDROP, disability, and survivor benefits

Ronnie Morse seconded, and the motion passed.[[4]](#endnote-5)

**Adjourn**

With no further business to consider, the Director thanked everyone for attending and invited guests and Board members to stay for lunch downstairs. Sheriff William Hilton adjourned the meeting[[5]](#endnote-6).

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 July 12, 2017.

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Sheriff William Hilton,President

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Osey McGee, Jr. Executive Director

Motions and Concurrences:

1. Approval of Investment Committee Recommendations [↑](#endnote-ref-2)
2. Adoption of 2017 Actuarial Agreement [↑](#endnote-ref-3)
3. Approval of 3/28/17 Board of Trustees Meeting Minutes [↑](#endnote-ref-4)
4. Applications for Reciprocal Recognition of Service and Transfers

   Applications for Retirement, BackDROP, Disability, and Survivor Benefits [↑](#endnote-ref-5)
5. Adjourn [↑](#endnote-ref-6)