



Louisiana State Police Retirement System

Investment Committee Meeting Minutes

Meeting Title	LSPRS Investment Committee Meeting
Date of Meeting	September 28, 2016
Where	9224 Jefferson Highway, Baton Rouge, LA 70809
Start Time	9:00 a.m.

- 1) Chairman, Kevin Marcel called the meeting to order.
- 2) Shelley Sebastian, Administrative Assistant, called roll as follows:

Frank Besson Jr., President, LSTA – PRESENT
Jay Dardenne, Commissioner of Administration, Appearing Thru
Andrea Hubbard, Designee – PRESENT
Kevin Marcel, Active Representative – PRESENT
Jay O'Quinn, President, LSTA – PRESENT
Bobby E. Smith, Retiree Representative – NOT PRESENT

The records reflect that the following persons were also present:

Robert Bickham, USB/PaineWebber	Kameron George, US Bank
Kenneth Delecki, US Bank	Steven Richter, US Bank
Irwin L. Felps, Jr., Executive Director	Shelley Sebastian, Administrative Assistant

The pledge was led by Kevin Marcel and the prayer was led by Irwin Felps.

- 3) Rob Bickham advised the committee that the main purposes of today's meeting is as follows:
 - a. Securities Lending Presentation, US Bank
 - b. Review the Asset Allocation and Market Value and Returns Summary as of August 31, 2016
 - c. Review the "watch list"
 - d. Timber offer – Letter of Intent
 - e. Investment policy changes

- 4) **Securities Lending** – Rob Bickham indicated to the committee that we were inviting US Bank Representatives to make a presentation on Securities Lending because we have changed custodial banks and because many trustees are not familiar with securities lending. Mr. Bickham said the committee needs to understand the fundamentals of securities lending, especially the risks involved in the process. The securities lending presentation was given by Kenneth Delecki, Sr. Managing Director, Steven Richter and Kameron George, US Bank. (Exhibit A on file at the LSPRS office)

A **MOTION** was made by Jay O'Quinn to approve LSPRS to enter into a Securities Lending program with US Bank utilizing the Prime Fund. The **MOTION** was seconded by Frank Besson. No opposition. The motion passed.

- 5) Rob Bickham reviewed the Asset Allocation and Market Value and Returns Summary as of August 31, 2016. Mr. Bickham pointed out that the fund's total assets are \$692M. The system's breakdown

of assets is as follows; Total equities are \$408M making up 58.9% of the portfolio. Fixed income is at \$130M, which is 18.9% of the portfolio and Alternatives are at \$97M, making up 14.1% of the

portfolio, and the cash is at \$56M. As far as the Market Value and Returns Summary, total Domestic Equities were up 5.26% fiscal year to date, total International Equity managers were up 3.90% fiscal year to date and the total equities were up 4.87%. The total Fixed Income managers were up 1.55% fiscal year to date. For the fiscal year to date, the total portfolio was up 3.17%. (Exhibit B on file at the LSPRS office)

6) Watch List Review - Rob Bickham reviewed the following watch list with the committee;

- Aronson, Johnson, Ortiz – Performance issues
- Campbell Timber – Performance issues
- Vontobel – Organizational changes
- Waddell & Reed – Organizational changes

Mr. Bickham advised the committee members that the annual money manager reviews will be presented at the November 16, 2016 Investment Committee meeting.

7) Portfolio rebalancing: Rob Bickham reviewed the latest re-balancing with the committee. 2% of the total fund was split between the two Foreign Developed market, \$6.5M each for Wellington and Templeton; 1% to the foreign emerging markets which is \$3.25M each for Brandes and Vontobel, 1% to Fixed Income which is \$6.5M to Loomis Sayles and \$10M to PAPEF IX, private equities.

8) Irwin Felps, Jr. reviewed the Letter of Intent for Timber Interest from CALPERS. (Exhibit C on file at the LSPRS office)

Rob Bickham recommended declining the \$2.1M buyout, and Irwin Felps concurred with the recommendation of the consultant.

A **MOTION** was made by Frank Besson to decline the \$2.1M buyout from CALPERS. The **MOTION** was seconded by Andrea Hubbard. No opposition. The motion passed.

9) Irwin Felps, Jr. reviewed the small cap investment policy guidelines as it applies to Waddell & Reed, the first guideline on Exhibit A states: "As a general rule, at the time of purchase, all securities will contain a market capitalization of less than \$2 billion." The proposed change would read, "Under normal circumstances, the account will invest primarily in the securities of companies whose market capitalization at the time of purchase are within the market capitalization range of companies included in the Russell 2000 Growth Index" (Exhibit D on file at the LSPRS office)

A **MOTION** was made by Jay O'Quinn to accept the proposed change to guideline #1 of the Small Cap Investment Guideline. The **MOTION** was seconded by Frank Besson. No opposition. The motion passed.

10) Other Business: Rob Bickham reviewed the current LSPRS Investment Policy as it applies to Orleans Capital, Fixed Income. The policy allows only for A-rated or better securities. The three are suggested changes; (Exhibit E on file at the LSPRS office)

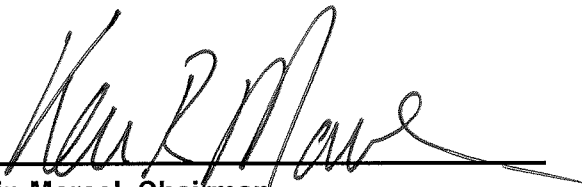
1. Allow for a small and defined percentage weighting to BBB-rated corporate bonds within the portfolio.
2. Allow for investment in BBB-rated securities while retaining an overall portfolio quality of AA.

3. Maintain current investment policy but consider a benchmark that does not include BBB rated securities for a truer performance comparison.

A **MOTION** was made by Frank Besson to change the current investment policy allowing future investments weighting to BBB-rated corporate bonds instead of A-rated or better securities. The **MOTION** was seconded by Jay O'Quinn. No opposition. The motion passed.

Mr. Bickham advised the committee he would prepare the new policy statement to be presented to the Board at the October 19, 2016 meeting.

- 11) A **MOTION** was made by Frank Besson to adjourn. The **MOTION** was seconded by Jay O'Quinn. No opposition. The motion passed.



Kevin Marcel, Chairman
Louisiana State Police Retirement System
Investment Committee