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 1:30 P.M.TUESDAY, NOVEMBER 7, 2017.

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

Active Sheriff Jay Russell
Active Sheriff Jeffrey Wiley
Retired Sheriff Hal Turner
Retired Sheriff Ken Goss

Active Deputy Calvin McFerrin
 Active Deputy Debbie McBeth

Retired Deputy Don Rittenberry
 Retired Deputy Ronnie Morse

 Retired Deputy Joey Alcede

Executive Director Osey McGee, Jr.

 Representative Greg Miller, Ex. Officio

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

Sheriff Hilton recognized Representative Greg Miller, member of the House Committee on Retirement and Ex-officio member of the Board of Trustees, and thanked him for attending and for his help in the Louisiana Legislature. He asked audience members to introduce themselves. Others in attendance included Robert Klausner, Attorney, Klausner, Kaufmann, Jensen & Levinson; Gary Curran, Actuary, Curran & Co.; Scott Grimm, Russell Investments; and several parish representatives. Pension Fund staff members in attendance included Assistant Director Keith Duplechain, Lacey Weimer, Chris DeWitt, and Katie Thiebaud.

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

## Financial and Market Reports

Next, Executive Director Osey McGee Jr. and Assistant Chief Investment Officer Chris DeWitt 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:

* There was a great start to Fiscal Year 2018, led by increasing global growth.
	+ The Dow, S&P and Nasdaq hit all-time highs
* The U.S. continued to show promising signs of growth.
	+ 3% GDP
	+ Positive employment data
	+ Manufacturing growth
	+ Better than expected corporate earnings reports
	+ Housing growth
	+ High business/consumer confidence
* Additionally, global growth was better than expected
* Much of the volatility in the first quarter was caused by geopolitical risks
	+ The Administration’s actions
	+ North Korea
	+ International elections

Performance:

* Estimated Return (Net of Fees)
	+ July: 1.7%
	+ August: 0.3%
	+ September: 1.5%
	+ **First Quarter: 3.6%**
	+ October: 1.4%
	+ **Fiscal Year to Date: 5.0%**
* Fiscal Year to Date Change in Market Value of Assets
	+ June 30: $3,300,985,265
		- *First Quarter increase of $109,864,451*
	+ September 30: $3,410,849,716
		- *Second Quarter to date (October 31) increase of $44,523,437*
	+ Fiscal Year to Date: $3,455,373,153

Director McGee and DeWitt also presented reasons for optimism and causes for concern for the fiscal year 2017-2018.

Next on the agenda, Scott Grimm, CFA and Senior Consultant for Russell Investments presented an Asset/Liability Study to the Board members to help the Fund in preparing for rebalancing asset allocation.

Grimm gave an overview of what an Asset/Liability Study is, explaining that the process is similar to the financial planning that individuals do when making a major purchase or contemplating retirement. He stated that the goal of an asset/liability study was to select or confirm appropriate asset allocation that meets objectives of both the Plan and the Plan Sponsors. He summarized the results of the Study to the Board, and presented projected returns and contributions in the Fund’s current investment policy, as well as in more conservative policies.

**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 Committee was called to order at 9:30 on November 1, 2017. The Committee members present represented a quorum.

The meeting began with a performance presentation by the Director, along with Assistant CIO Chris DeWitt and the Russell Team. They gave a detailed presentation for the fiscal year to date, along with a review of global market conditions with reasons for optimism and reasons for concern for the balance of the fiscal year. An updated version of that report was heard earlier in the Board meeting. They also gave an in-depth review of the current asset allocation and market value of assets.

A top priority on the agenda was an Asset/Liability Study presentation by Dr. Bill Madden based on the latest study. Rittenberry explained that it was a forward looking report, and the importance of it was that it furnished the Fund with information that would assist the Board in setting asset allocation to help the Fund earn the optimal return on investments to meet goals, while staying within the Committee’s and the Board’s tolerance for the amount of investment risk the Fund was willing to take. This presentation was also heard earlier in the Board meeting, given by Scott Grimm.

Next on the Investment Committee’s agenda, the Director and consultants presented a rebalancing plan based on Russell’s recommendations to assist the Fund in meeting the challenges and opportunities as global market conditions continued to change.

The Director presented a review of the completed update of the Master Investment Policy & Objectives to the Committee. The Director, along with Chris DeWitt and other staff members worked extensively with Bill Madden and Scott Grimm of Russell to provide a thorough review of the policy and added many new provisions to strengthen the Investment Policy to protect the Fund and give the investment managers more guidance as to the Fund’s expectations. Rittenberry extended a sincere thanks to Bill & Scott for the hours of assistance they gave in the update.

The Committee also heard a report from the Director on the renewal and update of the BNY Mellon Custody Agreement. The contract was complex, and Bob Klausner worked with the Director, Keith & Betty Sibley in coming to acceptable terms in the agreement. Rittenberry added that Klausner represented the Fund very well in working with the Bank’s attorneys on the contract. BNY Mellon has been the Fund’s custodian for many years and does an excellent job.

The Committee conducted a conference call and saw a PowerPoint presentation on opportunistic credit manager Grosvenor’s OCF 5 Fund. This strategy was previously approved but implementation was delayed while the Fund was set up and contract provisions and issues were worked out. The conference call was conducted to obtain current performance on the funds, hear their plans for allocations and discuss the current market environment for this strategy and where the opportunities were.

The last item of discussion was implementation of the previously approved global equity strategy with Numeric.

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

As discussed in the Committee report, the main focus of the meeting was the Asset/Liability Study presented by Russell and the Fund’s plans for rebalancing the portfolio. The rebalancing plan focuses on beginning to reduce US Equity and to concentrate efforts on additional allocations to alternative assets and Non US Equity where Russell believes greater opportunities would exist looking forward. While there was very good performance for the past year, the Committee believed it may be prudent to increase the Fund’s portfolio diversification in other areas over time. This was considered more of a defensive move as the global markets continued to change.

The Director, along with consultants, prepared a PowerPoint presentation that more fully explained the rebalancing plans for the Board’s consideration and approval. This was presented upon the completion of the recommendations report.

The Committee also reviewed an updated version of the Master Investment Policy and Objectives presented by the Director. Morse described the policy as the most detailed and comprehensive Investment Policy the Fund has had, and the Committee approved a motion recommending the Board approve the new version of the Policy when it is presented later on the agenda. It was reviewed by legal counsel Bob Klausner, who also recommended approval.

Next on the agenda, the Director presented a review of the renewal and update of the BNY Mellon Custody Agreement. Renewal of this complex contract was discussed and authorized at a recent Board meeting. Both the Director and Legal Counsel recommended approval and authorization for the Director to sign the contract.

Next, the Committee approved a motion to implement Grosvenor’s Fund, OCF 5. This was discussed in further detail in the rebalancing recommendations presentation.

In the last item on the Committee’s agenda, the Committee also approved a motion to recommend to the Board implementation of the global equity manager contract with Man Numeric, selected from a recent search, and included in this recommendation was Board authorization for the Director to enter into the contract in consultation with legal counsel. More details were presented in the rebalancing recommendations presentation.

Director McGee then presented rebalancing recommendations as follows:

* Allocate $50 million to global manager Numeric (a manager approved previously by the Board), withdrawn from a Mellon Capital Short Duration Bond Fund
* Allocate $33 million to opportunistic credit manager Grosvenor, withdrawn from in-house cash
* Allocate $20 million to Emerging Market Debt, withdrawn from U.S. Equities
* Allocate $15 million to Emerging Market Equities withdrawn from U.S. Equities
* Allocate $30 million to Value-Added Real Estate withdrawn from U.S. Equities
* Allocate $12.5 million to High-Yield Debt withdrawn from U.S. Equities

Director McGee explained that this rebalancing would be done in 3 increments, with these amounts representing 1/3 of what would be moved, and the rest would be completed over a period of 180 days, dependent upon market conditions.

The Director said that the Investment Committee voted to approve these recommendations, and he asked Board to approve of them as well. He also asked the Board to include in their approval for the Director, along with assistance from In-House Investment Committee and consultants, to decide where in U.S. Equities to withdraw from.

Sheriff Hilton made a motion to accept the Investment Committee’s recommendations. Ronnie Morse seconded the motion, and it passed.[[1]](#endnote-2)

Next on the agenda was the adoption of the updated Master Investment Policy and Objectives, which set guidelines, and responsibilities for staff, consultants and money managers.Sheriff Willy Martin made a motion to adopt the new Master Investment Policy and Objectives. Debbie McBeth seconded, and the motion passed.[[2]](#endnote-3)

Next, the Director informed the Board that it was time to renew the Custody Agreement with BNY Mellon. He stated that the staff and legal counsel worked extensively with BNY Mellon to come to an agreement that staff and legal counsel were satisfied with and recommended.

Ronnie Morse made the motion to renew the Custody Agreement with BNY Mellon. Calvin McFerrin seconded, and the motion passed.[[3]](#endnote-4)

Director McGee asked the Board to approve a resolution adopting the Audit Compliance Questionnaire required yearly as part of the Fund’s audit, and to authorize the Director to sign it. Retired Sheriff Hal Turner made the motion, and Retired Deputy Joey Alcede seconded. The motion passed unanimously.[[4]](#endnote-5)

For informational agenda items, the Director congratulated Retired Sheriff Wayne McElveen and Active Sheriff Jeff Wiley for their re-election to the Board in September. He discussed with the Board plans for deputy elections and re-elections in January, as well as Board Candidate Training in January.

The Director also informed the Board members that the Fund’s actuarial valuation would be completed before Thanksgiving, and he asked if the Board could meet again in December to hear the actuarial valuation report and presentation, and allow the Executive Committee to meet in January to go over audit report results. Discussion amongst the Board members ensued, and the Board agreed to meet again on Dec. 18th, and to allow the Executive Committee to meet in January to hear the audit report.

President Hilton requested a motion to approve of the Board meeting minutes from the July 12, 2017 meeting. Don Rittenberry made a motion and Calvin McFerrin seconded. The motion passed.[[5]](#endnote-6)

Calvin McFerrin made a motion to accept the following items:

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

Sheriff Willy martin seconded, and the motion passed.[[6]](#endnote-7) **Executive Session**

President Hiltonmade a motion for the Board to go into Executive Sessionto receive advice from Counsel related to legal matters, specifically disability litigation.

**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.

**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 November 7, 2017.

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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. Adoption of New Master Investment Policy and Objectives [↑](#endnote-ref-3)
3. Renewal of BNY Mellon Custody Agreement [↑](#endnote-ref-4)
4. Adoption of Resolution for Audit Compliance Questionnaire [↑](#endnote-ref-5)
5. Approval of 7/12/2017 Board Meeting Minutes [↑](#endnote-ref-6)
6. Approval of Applications for Reciprocal Recognition of Service and Transfers and Applications for Retirement, BackDROP, Disability and Survivor Benefits [↑](#endnote-ref-7)