



Louisiana State Police Retirement System (LSPRS)

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Board Meeting Minutes

Meeting Title	LSPRS Board Meeting
Date of Meeting	April 26, 2023 (Wednesday)
Where	9224 Jefferson Hwy, Baton Rouge, LA (Dr. Bobby E. Smith Boardroom)
Start Time	1:30 p.m.

- 1) Chairman, Frank Besson called the meeting to order.
- 2) Kevin Marcel led the Pledge of Allegiance followed by a prayer led by Alan Verhoef, LSPRS Board member.
- 3) Gretchen Marquez, Administrative Program Specialist, called roll as follows:

Colonel Lamar Davis, Superintendent, Office of State Police, Appearing Through Frank Besson, Designee for Superintendent, PRESENT
Commissioner Jay Dardenne, Division of Administration, Appearing Through Andrea Hubbard, Designee for DOA Commissioner, PRESENT
Representative Vanessa LaFleur, Representing the House Committee on Retirement, NOT PRESENT
Chris LeDay, President, Central State Troopers Coalition, PRESENT
Kevin Marcel, Retired/Active Representative, Vice-Chairman, PRESENT
Senator Ed Price, Chairman, Senate Retirement Committee, Appearing Through Representative Cleo Fields, Designee for Senator, NOT PRESENT
Doris Prudhomme, Surviving Spouse Representative, PRESENT
Treasurer John Schroder, Appearing Through Amy Mathews, Designee for State Treasurer, PRESENT
Walter W. Smith, Retiree Representative, PRESENT
Hackley Willis, Jr., LSTA President, NOT PRESENT
Alan Verhoef, Active Representative, PRESENT

The record reflect that the following persons were also present:

Robin Landa, UBS Institutional Consulting
Racheal Alvey, Griffin & Furman, LLC
Margaret Michel, LSPRS Executive Director
Denise Akers, General Counsel, Akers & Wisbar
Gretchen Marquez, LSPRS Administrative Program Specialist
Tausha Facundus, LSPRS Retirement Specialist
Claire Guidry, LSPRS Retirement Analyst
Doug Hanly, LSPRS Chief Investment Officer
Gregory Curran, Actuary, G.S Curran & Co (appeared after roll call)

- 4) A **MOTION** was made by Kevin Marcel to approve the Board Minutes from the February 15, 2023, Board Meeting. The motion was seconded by Amy Mathews. No opposition. The motion passed. **(See Exhibit A - attached)**

A **MOTION** was made by Alan Verhoef to approve the Investment Committee Minutes from the March 22, 2023, Investment Committee Meeting. The motion was seconded by Andrea Hubbard. No opposition. The motion passed. **(See Exhibit B - attached)**

- 5) Doug Hanly, LSPRS Chief Investment Officer, gave a presentation on the current risk profile of the LSPRS portfolio. He illustrated how equity (or economic growth) risk currently dominates the LSPRS portfolio. He recommends shifting away from equity risk and into absolute return, inflation protection, and income strategies to better diversify the portfolio. He is collaborating with the consultant, actuary, and staff to formally recommend an asset allocation shift at the next Investment Committee meeting. He also spoke on creating due diligence and monitoring checklists to enhance best practices at LSPRS. By speaking with pension CIO's from around the country, he has been able to compile lists that he plans to customize for LSPRS. Lastly, Mr. Hanly spoke on software options that would use artificial intelligence to document, label, and store documents that LSPRS receives. The new software would also be able to take a deeper dive into the portfolio and assess risks. **(See Exhibit C - Attached)**
- 6) Robin Landa, UBS/PaineWebber, presented the Board with the Asset Allocation and Markets Value and Returns Summary as of March 31, 2023. **(See Exhibit D - Attached)** The total equities had a market value of \$631,806,687 equating to 62.0% of the portfolio, the total fixed income of \$183,925,507 being 18.0%, which is well within the min and max target allocation. The total alternative investments were \$183,309,231, being 18.0% of the portfolio, which is slightly below the 19.5% target, and total cash of 2.0% at \$20,639,883. The month ended with a total fund value of \$1,019,681,307.

Ms. Landa directed the Board to view the Market Value and Returns Summary as of March 31, 2023. **(See Exhibit E - Attached)** She noted that for the current month column, many investments had a negative return. However, looking at the Quarter-To-Date column, investments had very positive returns. Total domestic equities were 0.16% for the current month and 6.06% for the quarter. Total equity managers were 0.85% for the current month and 6.45% for the quarter. Total fixed income managers were 2.62% for the month and 3.25% for the quarter. Overall, the total fund was 0.97% for the current month, 4.49% for the fiscal year-to-date and 7.31% for the trailing 10 year.

Robin Landa presented the committee with the UBS House View Presentation – Chief Investment Office GWM, April 2023. Ms. Landa started by focusing on the years 2022 and 2023 of the “Quilt chart” of select asset classes’ calendar year performance. **(See Exhibit F - Attached)** For 2022, she stated that it was not the best year for the markets, including fixed income. For 2023, there is obvious improvement through March of this year.

Focusing on page 9 of the House View, Ms. Landa directed the Board to view the graph of drawdowns from 1945 compared to 2022-2023. Focusing on 60% stocks and 40% bonds, Ms. Landa noted that that specific portfolio was down 30% in 1945, while it is down 13% currently. The maximum drawdown in 2022-2023 is down 19%, depicting that the markets still have a recovery period. **(See Exhibit G - attached)**

Focusing on the Central Scenario, Ms. Landa noted that she believes inflation will slow and there will be no rate cuts in 2023. Volatility will remain elevated due to consumer spending and sentiment. In terms of real numbers, there is a December forecast of the S&P 500 being down 6.2%. Additionally, there may be more Fed interest rate hikes at 25 bps or 50 bps. **(See Exhibit H - attached)**

- 7) Margaret Michel directed the Board to view the revised investment policy. The maximum real estate was increased from 10% to 12.5%. This is a standstill investment policy but the growth in real estate that LSPRS experienced has increased our percentage there. This is a recognition of that to keep us in line with policy without having to sell out of real estate. **(See Exhibit I - attached)**

A **MOTION** was made by Amy Mathews to accept the policy change. The motion was seconded by Kevin Marcel. No opposition. The motion passed.

Ms. Michel brought to the Board the concept of the Investment Committee having more decision-making power instead of having to bring the recommendations for motions to the Board after each committee meeting. Ms. Hubbard also mentioned that everyone still has an opportunity to come to the Investment Committee meetings, as well as Board meetings, but will not have a vote as a visitor.

A **MOTION** was made by Dorris Prudhomme to authorize the Investment Committee to allocate investments within the parameters of the investment policy statement and authorize staff to act upon such allocations. The Board will be presented with all such allocations through the Investment Committee minutes. The motion was seconded by Kevin Marcel. No opposition. The motion passed.

- 8) Racheal Alvey, Griffin & Co., LLC, presented the Cash Disbursements for the months ending January 31, 2023, February 28, 2023, and March 31, 2023. The total disbursement for January was \$177,269.44 due to a Loomis quarterly fee, UBS investments fee, and contributions refund. Ms. Alvey noted that there was nothing unusual during February and the total disbursement was \$53,176.41. For March, the total disbursement was \$63,574.87 due to a computer cost and Exigo software upgrade fee. **(See Exhibit J - attached)**

Ms. Alvey then reviewed the Statement of Fiduciary Net Position/Balance Sheet for the month ending March 31, 2023, noting cash held in the bank was \$287,164, and Total Investments was \$1,019,210,290. Total Liabilities were at \$3,436,186 bringing the Net Position to \$1,018,172,211. The Statement of Changes in Fiduciary Net Position/Income Statement was reviewed next. Ms. Alvey focused on the Fiscal Year-To-Date column with Total Revenues at \$89,497,105.62. The Total Expenses were at \$67,185,859.28, bringing the Net Income to \$22,311,246.34, which was largely related to the unrealized gain/loss with investments. **(See Exhibit K - Attached)**

Ms. Alvey reviewed the Budget Summary for three months ending March 31, 2023, focusing on the Over/Under Budget in last column. Ms. Alvey stated that we were under in all categories except for two. Ms. Alvey noted that we were over budget in the miscellaneous row due to one vendor switching to an annual invoice. Travel was also over budget but is now adjusted for next year to account for this change. The Salaries-Regular category was for the vacant CIO position but will start to level out as we get closer to June 30, 2023. Ms. Alvey stated that we were under budget with a Total Operating Budget of \$837,373. **(See Exhibit L - Attached)**

A **MOTION** was made by Amy Mathews to accept the financial reports. The motion was seconded by Walter Smith. No opposition. The motion passed.

- 9) Margaret Michel presented the Board with a 2023 legislative update. Senate Bill 18 (SB18), House Bill 47 (HB47), and Senate Bill 201 (SB201) have a direct impact on LSPRS. SB18 made it through Senate Retirement and will be heard in Senate Finance on Monday. HB47 is pending civil law and is a Constitutional Amendment. HB47 would provide that one-time funds would go to LASERS, TRSL, and LSPRS to pay down debt. SB201 would provide for statewide boards and Commissions that meet more than 6 times a year to have 1/3 of meetings be held remote. Other bills moving through that are of interest are House Bill 170, Senate Bill 114, Senate Bill 121, House Bill 236, House Bill 34, House Bill 37, House Bill 43, House Bill 44, and Senate Bill 17. **(See Exhibit M - Attached)**
- 10) Ms. Michel discussed the new LSPRS Office Policy and Procedure Manual. The manual update was presented at the last Board meeting. Feedback from the Board has been incorporated in the new version. One modification included changing the categorization of compensatory time, which

is now more in line with State Civil Service rules. Additionally, compensatory time for unclassified employees is now the same as for classified employees, which puts LSPRS in line with similar agencies. A new policy added to the manual includes a statement that the LSPRS policies shall be updated in a strategic manner. Included in the Board packet is a memo that states each policy and procedure with their applicable review schedule. Additions may be put into appropriate places if need be. **(See Exhibit N -Attached)**

A **MOTION** was made by Amy Mathews to accept the changes and addition of LSPRS Schedule for Review. The motion was seconded by Andrea Hubbard. No opposition. The motion passed.

- 11) Ms. Michel directed the Board to view the trustee handbook. The handbook was reviewed and updated to eliminate legacy language and be more in line with best practices. Kevin Marcel mentioned that the handbook says it will be reviewed every five years and inquired as to if the trustee handbook was part of the schedule for review policy that is every four years. Ms. Michel mentioned that it is part of the review and will update the policy review to reflect the addition. **(See Exhibit O -Attached)**

A **MOTION** was made by Kevin Marcel, with the one amendment mentioned above, to update the handbook for trustees. The motion was seconded by Dorris Prudhomme. No opposition. The motion passed.

- 12) Ms. Michel directed the Board to view the Standard Operating Procedures (SOP) Manual. A 15-month project was put in place to enumerate every step that occurs in the LSPRS office and to create a manual on operational procedures. Tausha Facundus presented a presentation to the Board that showed each standard operating procedure, occurrence rate, and the ability to click on each SOP in the spreadsheet for easy access. Ms. Facundus mentioned that the SOP will be a continuing work in progress where procedures will be updated as necessary. **(See Exhibit P - Attached)**

A **MOTION** was made by Alan Verhoef to approve the standard operating procedures manual. The motion was seconded by Kevin Marcel. No opposition. The motion passed.

- 13) A **MOTION** was made by Amy Mathews to **enter** Executive Session on pending litigation regarding the Sebastian v. LSPRS matter and potential litigation. The motion was seconded by Dorris Prudhomme. No opposition. The motion passed.

A **MOTION** was made by Kevin Marcel to **exit** Executive Session. The motion was seconded by Amy Mathews. No opposition. The motion passed.

A **MOTION** was made by Amy Mathews to authorize the Executive Director to engage Bob Tarza as tax counsel. The motion was seconded by Andrea Hubbard. No opposition. The motion passed.

- 13) A **MOTION** was made by Kevin Marcel to approve the Benefits Change Report, in globo. The motion was seconded by Walter Smith. No opposition. The motion passed. **(See Exhibit Q - Attached)**

- 14) In other business, Ms. Michel mentioned that Exigo, the company who is upgrading the Pension Management Software, has expended the hours that were originally expected in the project and will need an additional 427 hours, which will be \$17,812.50 for LSPRS. The System would be billed as Exigo utilizes work hours.

LSPRS has a new logo. Mr. Hanly was able to find a company to create a logo for LSPRS for \$300. The LSPRS website is undergoing a revision. Ms. Michel has received five different quotes on updating the website for an average of \$10,000, with the highest at \$25,000 and the lowest at

\$5,000. Four of the companies are built on WordPress, which is what LSPRS already has. The fifth company is built on Squarespace, which is a low-cost operating system, is more secure, and a \$5,000 bid. The new system will be running by July at the latest and LSPRS employees will be able to upload documents to the website. The monthly cost will also go from our current NetShapers \$75 fee to \$39 with Squarespace.

Offsite storage of legacy paper documents has been viewed and a destruction form has been submitted for applicable documents. State Archives has approved the document destruction which will remove our monthly storage fee. Documents that are not able to be destroyed will be scanned into the LSPRS database first and will proceed with paper document destruction at a later time.

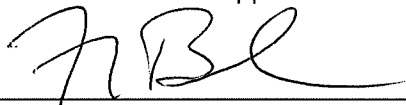
Doug Hanly has talked to two different document scanning vendors. One vendor, Iron Mountain, quoted the job for \$10,000-\$15,000. They will package all LSPRS files, wrap in tamper-free proof with a RFID tag and transport to a HIPAA-compliant facility in Dallas. Once scanned, the documents will be put into searchable PDFs. The hard copy documents will then come back to LSPRS to be held for a time. The goal is to eventually become paper free.

In other news, Ms. Michel mentioned that she would be seeking opportunities for continued education in the areas of leadership and supervision. She will also be presented on the fiduciary duty at the upcoming NCPERS meeting in New Orleans and looks forward to seeing what NCPERS has to offer to our trustees. Additionally, Ms. Michel mentioned that she is looking at options for upgrading the LSPRS furniture. The visitor chairs in the CIO office and the Executive Director's chairs and desk were moved here when the office was built.

Ms. Michel also mentioned that Denise Akers will be retiring June 30th of this year. She advised that she would like the Board to make a motion to authorize the Executive Committee to consider a contract for a new general counsel moving forward. Ms. Akers stated that she is willing to pass her applicable forms and files to Mr. Hanly and Ms. Michel and meet with the new attorney to give any information possible.

A **MOTION** was made by Alan Verhoef to authorize the Executive Committee to consider contracts relative to replacement for general counsel. The motion was seconded by Dorris Prudhomme. No opposition. The motion passed.

- 15) Ms. Michel reminded the Board to complete financial disclosures by May 15th. Disclosures are included in the Board packet, and they are also available online.
- 16) Ms. Marquez directed the Board to view the educational training sheet that showed the current hours of each board member. She mentioned that if any member believes they should have more hours than are listed, contact her with the hours and certifications. Ms. Michel mentioned sending in online Ethics training for public servants to receive credit.
- 17) A **MOTION** was made by Amy Mathews to adjourn the meeting. The motion was seconded by Dorris Prudhomme. No opposition. The motion passed.



Frank Besson, Chairman
Louisiana State Police Retirement System
Board of Trustees