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 TUESDAY, APRIL 17, 2018.

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

Active Sheriff Jay Russell
Active Sheriff Jeffrey Wiley
Retired Sheriff Wayne McElveen
Retired Sheriff Ken Goss
Active Deputy Debbie McBeth

 Active Deputy Sharon Cutrera

 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. Don Rittenberry offered the invocation and Retired Sheriff Wayne McElveen 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 Robert Klausner, Attorney, Klausner, Kaufmann, Jensen & Levinson; 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, Lacey Weimer, Chris DeWitt, Roselyn Pitarro and Katie Thiebaud.

Director McGee gave special recognition to long-time Pension Fund Employee Roselyn Pitarro. Upon her retirement, she was presented with a service award, and McGee thanked her for 34 years of service and dedication to the Pension Fund and its members. The Board and audience responded with standing applause.

Director McGee said a few words to pay tribute to Col. Ward Webb, a District Representative from Ascension Parish, who passed away in March. Sheriff Wiley also spoke very highly of Ward, and thanked McGee for honoring him at the meeting.

Director McGee also informed the Board that Calvin McFerrin’s wife Karen recently had brain surgery because of an aneurism. She was in ICU at the time of the meeting, and would need intensive rehabilitation when she got out. Ronnie Morse offered a prayer for her, and a card was passed around for the Board members to sign to be sent to Calvin and Karen.

## Financial and Market Reports

The first agenda item 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.

Next 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 2018:

* Global growth continued to lead to market gains throughout most of the Fiscal Year.
	+ Synchronized global growth
	+ The Dow, S&P and Nasdaq continued to hit all-time highs
* While continued gains were seen throughout most of the Fiscal Year, there has been increasing volatility since February.
	+ Worries over inflation
		- The Fed believed it would reach its target of 2% inflation in the next year
	+ Increasing Fed funds rate
	+ Trade concerns
		- Talk of tariffs on Chinese imports
	+ Syrian Crisis
* Fortunately, these have been offset by positive economic news:
	+ Tax reform
	+ A strong earnings season expected
	+ High business/consumer confidence
	+ Positive employment data
		- Wage growth
* Additionally, global growth was better than expected
* Much of the volatility was caused by geopolitical risks
	+ The Administration’s actions
	+ North Korea

Performance:

* Estimated Return (Net of Fees)
	+ **First Quarter: 3.6%**
	+ **Second Quarter: 3.9%**
	+ January: 3.3%
	+ February: (2.7)%
	+ March: (0.9)%
	+ April 13th (Estimated): 0.3%
	+ **Fiscal Year to Date: 7.7%**
* Fiscal Year to Date Change in Market Value of Assets
	+ June 30: $3,300,985,265
	+ Fiscal Year to Date: $3,565,473,812

McGee and DeWitt also reviewed the Fund’s asset allocation as of April 13, 2018.

**Investment Committee**

Investment Committee Chairman Don Rittenberry gave the following Investment Committee Report:

The Committee met twice since the last Board meeting. The first meeting was called to order at 9:30 AM on Tuesday, February 20, 2018. Ronnie Morse offered the invocation and Sheriff William Hilton led the pledge to the American Flag. The members present for the meeting represented a quorum.

For the first item on the agenda, Paul Eitleman, CFA and Senior Investment Strategist for Russell presented an economic condition and market outlook to the Committee. Paul addressed recent market volatility, and provided insight into the global economy which helps the Committee plan investment strategies for the future.

Next, Director Osey McGee and Assistant CIO Chris DeWitt presented the Fund’s performance from the beginning of the fiscal year to the date of the meeting. Performance had been strong throughout the year until the markets encountered economic concerns and volatility in February. They estimated a return of 9% +/- at the date of the meeting. Next the Director and Assistant CIO reviewed the Fund’s asset allocation and presented reasons for optimism and causes for concern going forward.

Following the performance discussion, the Director discussed the Fund’s Target Policy Portfolio within the Investment Guidelines. Reminding the Committee of the plan to make additional allocations to Real Estate and High Yield, Director McGee stated that an adjustment needed to be made in the Target Policy for Real Estate. A chart of the Fund’s current Target Policy was shown on PowerPoint to the Committee. Don Rittenberry made a motion for the Committee to authorize the Director to work with consultants to create new targets in some investment areas, and come back to the Committee for the approval of the changes. Retired Sheriff Wayne McElveen seconded, and the motion passed.

For the next item on the agenda, the Director reviewed the rebalancing plans approved at the last Investment Committee meeting and updated the Committee on its progress. As a part of this rebalancing plan, additional funds would be moved into High Yield Debt. The Director explained that the Fund’s current High Yield Debt manager, Guggenheim, was facing problems with their senior management, although their High Yield Debt team was at that point, unaffected and remained a 4 ranking with Russell. The Director and Russell thought it would be a good idea to put additional allocations to a new manager that would complement Guggenheim, but could also stand alone if confidence was lost with Guggenheim.

The main goal for this Investment Committee meeting was to select candidates from searches put together by Russell to bring before the Committee to interview for both High Yield Debt and Value Added Real Estate.

Scott Grimm presented a review of High Yield manager candidates. A focus of his presentation was what kind of exposures the committee wanted their manager to have. These exposures were U.S. Centric, Global, or Global/Multi Sector. The managers reviewed were Post Advisory (U.S. Centric), Hermes (Global) and Barings (Global/Multi Sector). He reviewed each manager and its strategies in detail.

After reviewing the managers, Scott stated that Russell recommended Hermes and Barings because of their global structure.

The Director also stated that he would recommend bringing in Hermes and Barings to interview. Ronnie Morse made a motion to bring in Hermes and Barings to interview before the Committee at the next Investment Committee meeting. Sheriff William Hilton seconded the motion and it passed.

After a break for lunch, Scott Grimm gave another presentation to review new Real Estate managers as a part of the rebalancing plan to move additional funds into Value Added Real Estate. The Fund’s current managers were Russell Real Estate Equity Fund and JP Morgan. Russell was recommending adding another manager for diversification.

The mangers reviewed were: Metlife, ACORE, (Private Real Estate Debt Strategies) AEW and Centerbridge (Private Real Estate Equity Strategies). He again reviewed each manager and its strategies in detail. Scott recommended that to make a decision, the Committee should determine risk and return objectives for this exposure.

The Director stated that he was looking for something with safe return that would keep the Fund protected in times of difficulties. He recommended only bringing in Metlife, who gave better downside protection.

Sheriff Hilton made a motion that the Committee bring in Metlife to interview and see if the Fund could come to terms with them. Sheriff McElveen seconded, and the motion passed.

The Committee agreed to meet again on March 6, 2018 to conduct the interviews. The Director thanked the Committee for their attendance and dedication.

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

Ronnie Morse reported on the next meeting, as follows:

Chairman Don Rittenberry called the meeting to order at 9:15 AM on Tuesday, March 6, 2018. Ronnie Morse offered the invocation and Sheriff William Hilton led the pledge to the American Flag.

The main objective of this meeting was to interview manager finalists for High Yield Debt and Real Estate Debt and select candidates to recommend to the Board for hiring.

The first manager to present was Global High Yield manager Hermes Investment Management. Presenting on behalf of Hermes was Mitch Reznick, CFA, Co-head of Credit and Head of Credit Research, and Mark Miller, Executive Director, Institutional. Hermes proposed a separately managed account with LSPRF. They reviewed the Hermes’ team, their investment process and their strategies, and discussed fees.

Next on the agenda was a presentation from Barings, another High Yield manager. Presenting for Barings was Cameron Chambers and his colleague. They highlighted Barings’ investment philosophy, process and portfolio, as well as their performance, and discussed fees.

After the High Yield managers’ presentations, the Committee discussed their recommendation to the Board. After discussion the Committee, in concurrence with the Executive Director and Russell Consultants, felt that Barings, a global/multi sector manager, would be the best fit with the Pension Fund’s current portfolio. Sheriff William Hilton made a motion to recommend hiring Barings to the Board. Ronnie Morse seconded, and the motion passed.

The Committee took a short break for lunch.

After lunch, Real Estate Debt manager Metlife Investment Management presented their Commercial Mortgage Income Fund to the Committee. Mike Roch and Tom Metzler gave a brief overview of Metlife, discussed their Mortgage Income Fund in great detail, and reviewed closed transactions with the Committee.

After Metlife’s presentation, the Dr. Bill Madden commented that Metlife was also a part of Russell’s Real Estate Equity Fund, which the Pension Fund participates in. He added that although Metlife may not provide extremely high returns, they would provide low risk and good diversification. The Director concurred and added that the Board had previously approved an initial allocation of $30 million to this strategy.

Ronnie Morse made a motion to recommend hiring Metlife to the Board, and Sheriff Wayne McElveen seconded. The motion passed.

Without any further business to consider, Sheriff William Hilton made a motion for the Investment Committee to be adjourned.

Morse reported that since the Committee met, after contract negotiations with Metlife, the Director was able to obtain a substantial fee reduction, resulting in a fee of .62 basis points. Metlife agreed to aggregate the Fund’s investment in the Metlife Fund with Russell’s relationship in the Fund. This gave a significant amount of leverage in Metlife’s fee scale and was approved by legal counsel Bob Klausner.

Morse also added that due to problems with Barings inability to deliver on the strategies they originally offered in their presentation, the Committee would continue to work with them and revisit the issue at the next Board meeting.

Sheriff Willy Martin made a motion to approve of the recommendation of the Committee to hire Metlife, authorizing the Director to enter into contracts with Metlife in consultation with Legal Counsel. Don Rittenberry seconded, and the motion passed.[[1]](#endnote-2)

**Executive Committee**

Ronnie Morse gave the following Executive Committee Report:

The Committee met with Bill Stamm, partner of the Fund’s auditing firm Duplantier, Hrapmann, Hogan and Maher on January 24, 2018 to receive and review the results of the annual audit for the fiscal year ending June 30, 2017. The audit was completed timely and submitted to the Legislative Auditor by the December 31, 2017 deadline.

The auditor’s financial analysis of the Fund reflected that the Plan net assets, or fiduciary net position, increased for the fiscal year to $3,328,367,000, an increase of $417,901,000 over the 2016 level of $2,910,466,000. A strong year of performance by the Fund, along with the long-term positive impact of major benefits reform legislation effective 2012 continued to produce a positive trend for the growth and funding of the LSPRF for the year ended June 30, 2017. The Fund fared well due to actions taken by the Board in previous years, along with a number of very solid investment gains since the recession and the assistance provide by the actuarial funding methods employed by the Fund that have provided support to the year’s results and assist the Fund to continue the path of strengthening the Fund for the long-term future.

The report and presentation by the auditor reflected the auditor’s opinion as follows:

1. The audit was a “clean, unqualified” audit report, which is the best opinion available.
2. There were no findings or deficiencies to report in the audit.
3. The audit reflects the opinion that the financial statements present fairly, in all material respects, the financial position of the Sheriffs’ Pension and Relief Fund as of June 30, 2017 and 2016, and the respective changes in financial position for the years ended, in accordance with accounting principles generally accepted in the U.S.
4. There were no deficiencies in internal controls over financial reporting identified.
5. The results of the auditor’s test disclose no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Summary of Auditor’s results:

1. The opinions issued on the financial statements of the Fund for the years ended June 30, 2017 and 2016 were unmodified.
2. Internal Control:
	1. Material Weaknesses: None Noted
	2. Significant defiencies: None Noted
3. Compliance and other matters:
	1. Noncompliance material to financial statements: None Noted

Findings required to be reported under Generally Accepted Governmental Auditing Standards:

 None

Summary of Prior Years Findings:

 None

The Auditors were complimentary of the growth in assets and progress of the Fund over the years and compared LSPRF very favorably to other Plans they audit.

In addition, they were complimentary of the cooperation and courtesy they received from the staff and noted that there was no information requested that was not made available to them.

The Management’s Discussion and Analysis:

This part of the audit is the responsibility of the Fund and is prepared each year by the Director. This is a thorough analysis of the Fund’s operations, progress over time and other information useful in evaluating the Fund and the actions taken by the Board to maintain a sound financial position in the future. The Auditors have reviewed and approved this discussion.

The auditors reported that they have no unofficial recommendations for improvement in operations that are not official findings. They were complimentary of the staff.

Morse concluded the report by stating that again this year, the Committee believed the Fund could not have achieved a better report.

Director McGee explained the new Agreed Upon Procedures Audit, required by the Legislative Auditor for every public agency in Louisiana. This audit looked at things like written policy and procedures, budgeting, purchasing, credit cards and receipts, payroll, personnel, contracting, travel expense and reimbursements, Board and Committee minutes, and more.

The Director described two findings from this new audit and their solutions. The first was that the Fund’s current ethics policy, which requires staff to take an online ethics course yearly, did not have a system to monitor potential ethics violations. New policy requires staff to attest by signature that they have read the office ethics policy and have not violated it.

The second finding involved the Fund’s travel and reimbursement policy, which states that vehicle mileage reimbursement should not exceed the cost of travel by normal airfare. Due to oversight, a Board member was reimbursed for his vehicle mileage despite airfare being a cheaper option. The member repaid the small amount. New expense reports require the Board member to sign that they have taken or requested reimbursement for the most advantageous travel method possible. It also requires a staff member to sign that they have reviewed the expense report and that all requested expenses are allowed.

Director McGee added that the Fund’s auditors commented that this was the least number of findings in all of the Agreed Upon Procedures Audits they had performed.

Don Rittenberry made a motion to approve the Executive Committee’s report on the audit. Sheriff Willy Martin seconded, and the motion passed.[[2]](#endnote-3)

Next, Assistant Director Keith Duplechain explained the four audit engagements for the next fiscal year needing the Board’s approval: the regular financial statements audit, the agreed upon procedures audit, the GASB 67 audit and the GASB 68 audit. Each engagement reflected a small cost increase. Legal Counsel Bob Klausner commented that he reviewed the engagements, and he and Director McGee recommended approval. Wayne McElveen made a motion to approve and adopt the four audit engagements. Ronnie Morse seconded the motion, and it passed.[[3]](#endnote-4)

Also needing approval and adoption was the Actuarial Contract for the next fiscal year, an official signed agreement with G.S. Curran and Company that the Fund signs each year for the annual actuarial valuation, as well as monthly calculations and other needs of the Fund. The Director complimented the work of the Curran’s, and recommended Board approval of the contract. Ronnie Morse made a motion to approve of the Actuarial Contract, and Joey Alcede seconded. The motion passed.[[4]](#endnote-5)

Next, Director McGee informed the Board members of a Comprehensive Actuarial Review of the Fund’s actuarial valuation done by the Legislative Auditor earlier in the year. In this review, the Legislative Auditor recommended that the Sheriffs’ Pension Fund reduce its actuarial rate of return to 5.75%, and also asked each system to include in their cost structure the cost of granting a cost of living increase, even if the cost of living increase was not given. McGee reminded Board members that the Pension Fund’s last COLA granted was prefunded from the Funding Deposit account, which adds no liability.

Director McGee’s opinion, based on the advice of G.S. Curran and Company, and support of the members of PERSAC (who approved the Fund’s valuation done by G.S. Curran and Company), was that the Fund was on the right path in slowly reducing its valuation interest rate, and that there was no reason to include the cost of a COLA in the Fund’s contribution rates. The Board members concurred.

For a brief legislative review, Director McGee reviewed two bills opposed by the Sheriffs Pension Fund. He reported that these bills were pulled from Committee by the author, and thanked Senator Barrow Peacock and Representative Kevin Pearson for their support during the session.

**Informational Items:**

For informational agenda items, Director McGee reminded the Committee of the Financial Disclosures required by the Louisiana Board of Ethics due on May 15, 2018.

He also reminded the Board of the upcoming LSA conference in Destin, Florida, and asked for suggestions on the presentation that the Fund gives at the conference annually.

The Board discussed possible venues for its annual education retreat in August. McGee also stated that the required training session for prospective Board members would be held sometime in May or June.

President Hilton requested a motion to approve the following agenda items:

1. Minutes of the 12/18/2017 Board Meeting
2. Applications for reciprocal recognition of service and transfers
3. Applications for retirement, backDROP, disability, and survivor benefits

Sheriff Willy Martin made the motion to approve them. Ronnie Morse seconded, and the motion passed. **[[5]](#endnote-6)**

**Executive Session**

President Hilton made a motion for the Board to go into Executive Session to receive advice from Counsel related to:

* Intel Litigation
* Bristol-Meyers Squibb Litigation[[6]](#endnote-7)

**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.

Sheriff Wayne McElveen made a motion to adopt the advice of legal counsel, to go forward with the two securities litigation cases. Ronnie Morse seconded, and the motion passed.

**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 April 17, 2018.

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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. Approval of Executive Committee Report [↑](#endnote-ref-3)
3. Adoption of Audit Engagements [↑](#endnote-ref-4)
4. Adoption of Actuarial Contract [↑](#endnote-ref-5)
5. Approval of 12/18/2017 Board Meeting Minutes, Applications of Reciprocal Recognition of Service and Transfers, and Applications for Retirement, BackDROP, Disability, and Survivor Benefits. [↑](#endnote-ref-6)
6. Executive Session [↑](#endnote-ref-7)