



Louisiana State Police Retirement System

Investment Committee Meeting Minutes

Meeting Title	LSPRS Investment Committee Meeting
Date of Meeting	January 23, 2019
Where	9224 Jefferson Highway, Baton Rouge, LA 70809
Start Time	9:30 a.m.

- 1) Chairman, Kevin Marcel, called the meeting to order.
- 2) Kimberly A. Gann, Assistant Director, called roll as follows:
Frank Besson Jr., Designee for Superintendent, Committee Vice-Chairman – PRESENT
Andrea Hubbard, Designee for Commissioner of Administration – PRESENT
Amy Mathews, Designee for Treasurer – PRESENT (arrived after roll call)
Kevin Marcel, Active Representative, Committee Chairman – PRESENT
Jay O'Quinn, President LSTA – PRESENT

The records reflect that the following persons were also present:

Robert Bickham, UBS/PaineWebber
Irwin L. Felts, Jr., Executive Director
Kimberly A. Gann, Assistant Director

The pledge was led by Kevin Marcel, and the prayer by Irwin Felts, Jr. No public comments.

- 3) Rob Bickham's opened the meeting by noting that we accomplished many things in 2018. We will discuss those things under item 6 on the Agenda (2018 Priorities). In this meeting we will also look at our priorities for 2019 as well as review our asset allocation ending December 31, 2018. Mr. Bickham informed the committee that December has been the worst investment month since the 1930s. The portfolio lost approximately \$40M in December alone.
- 4) The committee discussed the 2018 Priorities (See Exhibit A). Irwin Felts stated that item 1) Rebalance the portfolio, went well. In item 2) Analyze International & Emerging Market Managers, all four managers made presentations. Rob Bickham provided additional information on emerging markets and we ultimately found that this area of the market looked the same across all managers. In the end we are looking for protection on the downside and both managers in the emerging market area did this well. In Item 3) Review Liquid Alternatives there was much discussion regarding liquidity. This will be an on-going discussion as we discuss new investment opportunities. Rob Bickham noted that he estimates cash calls of approximately 20% per year as of now. Item 4) Private Equity was one of the most important things that we accomplished last year. We developed a satellite program in which we are adding about \$10M per year. Rob Bickham distributed a Private Equity report (See Exhibit B) showing commitments vs. cash called vs. distributions over the period of the investments. Since 2011 approximately \$17M has been called by the 3 managers with a remaining balance to be called of \$43M. The \$43M includes the three new managers: Carlyle, Blackstone, and Brookfield. Amy Matthews requested that this report be categorized. And lastly item 5) Review Real Estate Allocation resulted in adding \$5M to the global real estate area.

At this time Rob Bickham also distributed an Annual Returns and Intra-Year Declines report (See Exhibit C). This report gives the committee a view of the volatility of the market over the past 38 years.

- 5) The committee discussed the 2019 Investment Priorities (See Exhibit D). The priorities include: 1) Continue Implementation of Private Equity Satellite Program: Rob Bickham stated that we will continue to look for opportunities. He indicated that we may see more non-us based opportunities this year. 2) Asset Allocation Study: Mr. Bickham announced that UBS will be releasing new capital market assumptions in February. The last time they released new assumptions was in 2017. Many things have occurred since then. After this release we will look at and discuss our asset allocation and suggestions that UBS may have for changes, if any. 3) Continue Monitoring Emerging Market Managers. 4) Evaluate Fixed Income Options: As rates move up this may be a good time to evaluate this area to perhaps add some value to the portfolio. 5) Cash Flow Analysis: Mr. Bickham stated that our cash flow needs (liquidity) is an item that should be discussed. The committee agreed that LSPRS staff should contact Greg Curran and discuss/study the cash flow of the system and report the findings at the March meeting.
- 6) In the committee's review of the rebalancing of the portfolio it was agreed that December was not a good month. This essentially rebalanced the portfolio. There was discussion of other system's rebalance strategy to place more in fixed income in consideration of what the market may do in the coming months. Kimberly Gann questioned this strategy. She noted that we have a process that we follow, without trying to "guess" what the market will do at any given point. It is her opinion that this has worked well for us in the past. Irwin Felps agreed noting that we can be strategic, but we must stick to our process.
- 7) Rob Bickham reviewed the asset allocation with the committee (See Exhibit E). As stated before December was not a good month for the markets. For December the system had a loss of -5.04%. The fiscal year to date return is at -6.89%. The good news is that since inception we are at 7.24% which exceed our expected rate of return. As of December 31, 2018, the system's holds assets of \$800,076,413.

Current Watch List: Vontobel, Brandes, Campbell

- 8) In other business Irwin Felps advised the committee that PRSAC met at the beginning of January to discuss the actuarial reports issued by the 4 state systems. This year the Legislative Actuary prepared reports on the systems as well. The assumptions used were very different in the system reports vs. the Legislative Actuary's reports. If PRSAC had accepted the Legislative Actuary's report it would have cost the state an additional \$3B. In the end the committee accepted the reports of the system actuaries.
- 9) A **MOTION** was made by Jay O'Quinn to adjourn. The **MOTION** was seconded by Frank Besson. No opposition. The motion passed.



Kevin Marcel, Chairman, Investment Committee
Louisiana State Police Retirement System Committee