

Proposed: February 9, 2015
Approved: February 9, 2015

ASSET TRANSFER COMMITTEE
Created by the Cooperative Endeavor Agreement
For the Merger of the Harbor Police Retirement System (HPRS) into the
Louisiana State Employees' Retirement System (LASERS)

December 12, 2014

The Asset Transfer Committee met on Friday, December 12, 2014, in the fourth floor conference room of the Retirement Systems Building located at 8401 United Plaza Boulevard, Baton Rouge, Louisiana. The meeting began at 10:40 a.m. Roll call was conducted by Caye Weaver, recording secretary

ROLL CALL

Members present: Mr. Robert Beale, Chief Investment Officer - LASERS; Ms. Janice Lansing, Chair, Investment Committee - LASERS; Mr. Jim Ruckert, Chief Financial Officer - Port of New Orleans; Chief Robert Hecker, Chair – HPRS

Also present: Ms. Maris LeBlanc, Deputy Director - LASERS; Mr. Darren Fournerat, Assistant Chief Investment Officer - LASERS; Ms. Laney Sanders, Assistant Chief Investment Officer - LASERS; Mr. Randy Roche, Attorney - HPRS; Mr. Frank Jobert, Trustee - HPRS; Mr. J. Michael Orlesh, Attorney – Port of New Orleans

A quorum was declared present and the meeting opened for business.

NEW BUSINESS

1. Organization of the Committee

Ms. LeBlanc advised the committee that the first order of business would be to choose a Chair. **Mr. Ruckert moved, seconded by Ms. Lansing, to nominate Chief Hecker as Chair of the Asset Transfer Committee. With no further discussion, and no objections, the motion carried.** Chief Hecker assumed the position of Chair.

Chief Hecker then called for Public Comment. Hearing none, the Chair moved to the next item on the agenda.

2. Discussion of the Assets of the Harbor Police Retirement System

Chief Hecker noted that Frank Jobert is the Trustee of the HPRS primarily responsible for investments. Mr. Jobert distributed the most recent report from the HPRS consultant summarizing the assets of the HPRS. Chief Hecker stated that the HPRS Board had already begun discussion on the liquidation of the system's assets and that the majority of the assets can be liquidated within a couple of days, with the time line for liquidating in June, 2015.

Chief Hecker noted the funds which will require a more lengthy liquidation process:

- Ironwood, for which the redemption had been requested, but would take till the end of June to liquidate, and
- GoldenTree

Chief Hecker then discussed several investments which will likely need to be transferred to LASERS, as full liquidation by June is unlikely:

- CA Core Fixed Income, a Commonwealth Fund involved in a bankruptcy proceeding,
- Americus, a real estate fund, and
- Equitas Evergreen, which is in the liquidation process, but has funds held in a side pocket.

Mr. Roche asked if amending the contracts of the illiquid funds to transfer the funds from HPRS to LASERS would be possible. Mr. Beale agreed that such a transfer could occur and stated that LASERS staff will discuss that possibility with the fund managers. He also suggested that since Americus is a real estate fund it is not unusual to take longer to liquidate. Mr. Beale suggested that HPRS inquire whether other partners in the fund would be interested in purchasing the HPRS partnership share, which is relatively small. He indicated that he would need to discuss the details of the transition, including dates, with Americus.

Mr. Beale indicated that from his review the remaining assets appeared very liquid, with the possible exception of Ivy Asset Strategy, an alternative investment. He suggested monitoring that one.

Mr. Ruckert raised the merits of liquidating all assets as soon as possible, considering market conditions. Mr. Jobert stated that the HPRS Investment Committee met the day before and had a similar discussion. Given the system's now short-term horizon, they are seeking input from the Port of New Orleans since it will become responsible for funding. Mr. Jobert noted that capital preservation is now the primary objective of the HPRS. Various safe investment choices were discussed.

Mr. Orlesh questioned the wisdom of the HPRS continuing to retain an investment consultant, given the liquidation process. Mr. Jobert agreed

that continuation of that relationship might not be necessary. He noted that the HPRS consultant had no suggestions on how best to handle the liquidated funds.

Mr. Orlesh also asked if there was an advantage of transferring the liquidated cash to LASERS. Mr. Beale indicated there would be no advantage and could complicate the merger process. He recommended that managers should be advised of the liquidation strategy. Because of the method of calculating their fees, it is in the manager's best interest to trade carefully since they are paid based on average amount of assets. The custodian should have safe cash like investments that might provide earnings. Mr. Beale offered to help the HPRS Board members to evaluate investment options. Ms. LeBlanc indicated that the LASERS staff could assist in a consultant like role and still allow HPRS to hold its own assets, facilitating the proper credit at the time of the merger.

Mr. Ruckert agreed to provide further guidance from the Port of New Orleans, but indicated his preference for liquidation.

Chief Hecker stated he would contact the HPRS custodian bank to see what suggestions they could provide for the liquidated funds. Mr. Beale stated that he would be happy to review their suggestions. He suggested that the custodian might have a money market fund which would be an option. Ms. LeBlanc asked to keep Mr. Ruckert involved in the discussions. Mr. Ruckert agreed to provide the names of the institutions used by the Port for comparison purposes.

3. Determination of Assets to be Liquidated

After the discussion above, **Mr. Ruckert moved, seconded by Ms. Lansing, to liquidate all assets that can be liquidated at the current time, with the exception of CA Core, Americus, and Equitas. With no further discussion and no objections, the motion carried.**

4. Determination of Assets to be Transferred to LASERS

Chief Hecker stated the three funds that cannot be liquidated at this time are CA Core, Americas, and Equitas. **Mr. Ruckert moved, seconded by Mr. Beale, to officially transfer CA Core, Americus, and Equitas to LASERS, effective July 1, 2015, unless they can be liquidated prior to that date. With no further discussion, and no objections, the motion carried.**

5. Discussion of Timing of Transactions

Mr. Beale stated that the timing has been covered in other discussions. Chief Hecker asked about the final payment that HPRS will make to their retirees. He stated that the fund pays retirees on the 28th of the month, LASERS pays on the first. Ms. LeBlanc stated she would coordinate with the LASERS Chief Financial Officer to get the projections for that time. She suggested that HPRS proceed with the last payment, making sure to reserve enough funds to cover the payment. Mr. Beale stated June 28th is a Sunday, Chief stated the payments would go out on the 26th.

OTHER BUSINESS

Ms. LeBlanc distributed a folder of proposed correspondence for the HPRS members to educate them on the transition. She also suggested the committee establish the next meeting date. Ms. LeBlanc stated the LASERS February meetings are February 26 & 27, if the committee would like to meet then.

Ms. LeBlanc asked that HPRS verify the description of benefits in the letters she distributed. She stated the letters should come from LASERS. It was agreed that Chief Hecker would be the contact person listed in the letters and that they would be mailed after the first of the year.

Chief Hecker stated that the HPRS would maintain a relationship with their attorney, third party administrator, and custodian bank. He indicated that at its next meeting the HPRS would discuss possible termination of the agreement with their investment consultant. Mr. Beale suggested maintaining a relationship with the custodian bank for at least a couple of months after July 1 since their assistance will be needed for the valuation. He also recommended keeping a side account for monies coming in after the transfer to LASERS.

Chief Hecker stated the HPRS is associated with a number of fraud litigation firms. He plans to write a letter to them terminating the relationships, but making arrangements to have any future settlements transferred to LASERS. Mr. Roche indicated that future checks may be made payable to "HPRS" or "Chief Hecker" which will need to be endorsed over to LASERS. It was recognized that these residual payments are typically small.

Mr. Ruckert stated that a year-end audit will still need to be done. Chief Hecker asked who would pay for the auditor. Mr. Beale stated that the Port should be obligated to pay. Ms. LeBlanc stated she would talk to the Legislative Auditor.

With no further business to discuss, the meeting adjourned at 11:45 a.m.