

Proposed: April 24, 2014
Approved: April 24, 2014

**Louisiana State Employees' Retirement System
Investment Committee Meeting**

March 27, 2014

The Investment Committee of the Louisiana State Employees' Retirement System met on Thursday, March 27, 2014, in the fourth floor conference room of the Retirement Systems Building located at 8401 United Plaza Boulevard, Baton Rouge, Louisiana. Ms. Janice Lansing, Chair, called the meeting to order at 1:02 p.m. Roll call was conducted by Abby Roshto, recording secretary.

ROLL CALL

Members present: Ms. Connie Carlton; Ms. Beverly Hodges; Mr. Ben Huxen, (designee for Commissioner of Administration); Judge William Kleinpeter; Ms. Janice Lansing; Ms. Amy Mathews, (designee for State Treasurer); Ms. Barbara McManus; Ms. Lori Pierce; Ms. Kathy Singleton; Ms. Shannon Templet

Members absent: Mr. Thomas Bickham; Senator Elbert Guillory; Representative Kevin Pearson

Staff present: Ms. Cynthia Rougeou, Executive Director; Ms. Maris LeBlanc, Deputy Director; Mr. Trey Boudreaux, Assistant Director; Mr. Bobby Beale, Chief Investment Officer; Ms. Tina Grant, Executive Counsel; Mr. Troy Searles, Deputy Chief Investment Officer; Investment Staff: Mr. Jacques Brousseau, Mr. Darren Fournierat, Ms. Celeste Funderburk, Ms. Alisa Lacombe, Ms. Laney Sanders; Mr. Blake Lee, Audit Division

Also present: Mr. Rhett Humphreys, NEPC; Ms. Sarah Shaughnessy, Westwood Global Investments

A quorum was declared present and the meeting opened for business. The Chair called for Public Comment. No one appeared before the Committee for public comment.

REGULAR BUSINESS

The committee considered the minutes of the February 20, 2014, Investment Committee meeting. **Ms. Templet moved, seconded by Ms. Carlton, to approve the minutes of the February 20, 2014, Investment Committee meeting. With no further discussion, and no objections, the motion carried.**

NEW BUSINESS

Emerging Market Portfolio Reviews:

City of London

Mr. Barry Olliff, Founder, and Mr. Todd Fawaz, Head of US Marketing, appeared before the committee to present a portfolio review.

LSV Emerging Market

Mr. Scott Kemper, Partner, and Mr. James Owens, Partner, appeared before the committee to present a portfolio review.

Westwood Global Investments

Mr. Bryan Ward, Principal & Portfolio Manager, and Mr. Ted Sullivan, Director of Marketing appeared before the committee to present a portfolio review.

Vista Equity Fund V – Review and Recommendation

Ms. Sanders reminded the committee of the 2014 Private Equity Strategic Plan, and said that as part of that strategic plan, she is recommending committing \$75 million to the Vista Equity Fund V. Mr. Humphreys stated that NEPC also recommended committing \$75 million to Vista Fund V as part of the 2014 Private Equity vintage year commitments. He also stated that for disclosure purposes, the president of Vista Equity is the brother of Neil Sheth, NEPC partner. **After discussion, Ms. Carlton moved, seconded by Ms. McManus, to commit \$75 million to Vista Equity Fund V. With no further discussion, and no objections, the motion carried.**

Asset Allocation Review and Recommendation

Mr. Humphreys reviewed the process of determining the asset allocation assumptions. He stated that discussions were held between NEPC, Mr. Beale and Investment staff. Mr. Beale stated that staff analyzed LASERS entire fixed income portfolio including fixed income within the Hedge Fund program. Mr. Beale stated that the recommended new allocation should be considered a small change, only decreasing High Yield by one percent and increasing Hedge Funds by one percent, with the understanding that the increase will be in credit oriented strategies. Ms. Matthews and Ms. Hodges expressed some concern over the one

percent increase in alternatives. Mr. Beale stated that this is a small increase in alternatives, which would bring LASERS allocation in alternatives to 24% including commodities. It was also noted that LASERS allocation to alternatives is not unusual or high when compared to other large public plans nationally. Mr. Beale and Mr. Humphreys both recommended Mix 1, which is attached to the minutes. Mr. Humphreys stated that the Investment guidelines would be updated next month with the new mix, if approved. Ms. Rougeou stated she is supportive of the recommendations. After extensive discussion, **Ms. McManus moved, seconded by Ms. Templet, to approve the asset allocation mix one (1) as recommended by staff and consultant. Ms. Mathews and Ms. Hodges objected and the Chair called for a roll call vote. The secretary called the roll and the results are as follows:**

	Yes	No	Abstain
Ms. Carlton	X		
Ms. Hodges		X	
Ms. Mathews		X	
Judge Kleinpeter	X		
Ms. Lansing, Chair (tie only)			
Ms. McManus	X		
Ms. Pierce	X		
Mr. Huxen		X	
Ms. Singleton	X		
Ms. Templet	X		

The motion carried.

Monthly Performance Review

Mr. Beale presented the monthly performance review. He stated that Fiscal-Year-to-Date, as of February 28, the Plan is at 12.2%. Mr. Humphreys reviewed the Flash Report.

OTHER BUSINESS

There was no other business to bring before the committee.

With no further business to discuss, the meeting adjourned at 4:15 p.m.

LASERS 2014: Sample Mixes Increasing Absolute Return Allocation

	Current Target	Mix 1	Mix 2	Mix 3
Large Cap Equities	15%	15%	15%	15%
Small/Mid Cap Equities	12%	12%	12%	12%
Int'l Equities	18%	18%	18%	18%
Emerging Int'l Equities	12%	12%	12%	12%
Total Equity	57%	57%	57%	57%
Core Fixed Income	4%	4%	4%	4%
Domestic High Yield	5%	4%	5%	4%
Opportunistic Credit	2%	2%	1%	1%
Emerging Market Debt	2%	2%	2%	2%
Total Fixed Income	13%	12%	12%	11%
Private Equity	13%	13%	13%	13%
Absolute Returns	7%	8%	8%	9%
Real Assets	3%	3%	3%	3%
Total Alternatives	23%	24%	24%	25%
Global Asset Allocation	7%	7%	7%	7%
Total Other	7%	7%	7%	7%

<i>Expected Return 5-7 Years</i>	7.34%	7.35%	7.35%	7.36%
<i>Standard Deviation</i>	14.9%	14.9%	14.9%	14.9%
<i>Sharpe Ratio</i>	0.39	0.39	0.39	0.39
<i>Expected Return 30 Years*</i>	9.01%	9.03%	9.03%	9.05%

*30 Year returns are modified with staff-provided forecasts for Private Equity/Private Debt returning 13% and Hedge Funds returning 8% (including Macro).