The regular meeting of the Retirement Board of Trustees was held in the boardroom of the Retirement Office at 209 St. Ferdinand Street, and was called to order at 10:02 a.m. by Board Chairman Ms. Marsha Hanlon. Members present: Mr. Mark LeBlanc, Sgt. Neal Noel, Mr. Joseph Toups, Mr. David West, and Mr. Brian Bernard. Absent: Chief Richard Sullivan. Staff present: Mr. Jeffrey Yates, Mr. Russell Smith, and Mr. Kyle Drago. Others present: Ms. Denise Akers – legal counsel.

Mr. Kyle Drago formally called the roll.

There was a call for public comments prior to introduction of the first agenda item. There were no public comments.

The chairman began by introducing Item 1, Reading and Approval of Minutes, and noted that there were minutes being considered for approval from the regular meeting of February 28, 2019, and called for a motion.

Motion by Mr. LeBlanc, seconded by Mr. West to suspend the reading of, and approve the minutes of the regular meeting of February 28, 2019 as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 2, Disability, there were no applications for consideration for disability retirement.

The next item on the agenda was Item 3, Benefits Report, and the chairman called on Mr. Yates to present the report. Mr. Yates stated that the report was in order as presented, that the staff would answer any questions, and that the report contained no unusual items.

Motion by Mr. Toups, seconded by Mr. LeBlanc to approve the Benefits Report as presented.

No discussion and no objections.

Motion passed by those members present.

The next item on the agenda was Item 4, DROP Notifications Report, and it was noted that this report was provided for informational purposes only, and no action was necessary.

The chairman then moved to Item 5, Consultant Reports, and under 5A, System Consultant. Ms. Denise Akers stated that CPERS does not really have a strategy for private equity and they would like to see in the asset allocation. They are a global firm with a strong client retention rate in order to maximize investment performance and hold down future employer contribution rates. He noted that nothing was currently wrong with the investments, but that he thought the System needed new ideas, and that Wilshire had disclosed a number of changes they would like to see in the asset allocation.

Mr. LeBlanc stated that CPERS does not really have a strategy for private equity, regarding the overall purpose of PE, and then how much is allocated each year, and what investment strategy and geography is targeted for each allocation. He further stated that the possibilities of new investment ideas and a plan to improve the asset allocation impressed him to the point of making a very difficult motion to the committee to hire Wilshire as the System’s investment consultant. He noted that AndCo was a close second in his opinion, but that he felt it was time for CPERS to look at things a different way. He also noted that Wilshire dates back to the 1970’s, and has a very strong client retention rate. He noted that AndCo was a close second in his opinion, but that he felt it was time for CPERS to look at things a different way. He also noted that

Motion by Mr. LeBlanc to suspend Item 4, and to consider Item 5A, System Consultant, Item 5B, Committee Reports, and Item 5C, Management Consultant.

Motion passed by those members present.

There were no objections.

The chairman then moved to Item 6, Committee Reports, the chairman noted a report under 6B, Investment Committee, and called on Mr. LeBlanc to present the report. Mr. LeBlanc reported that the Investment Committee had met on March 19th to interview and hear presentations from the top three investment consultant firms – AndCo, Wilshire, and Meketa. Mr. Valter Viola of Cortex Consulting was also present at the meeting to assist with evaluating the firms. Mr. LeBlanc stated that he was not impressed with the presentation by Meketa, and noted that they were eliminated from consideration shortly after all the presentations were completed. He noted that AndCo presented first and did an excellent job with the presentation. He also noted that the firm appeared to be scrambling to get its client-to-consultant ratio lower as it pertains to the lead consultant, Mr. Jon Breth. AndCo stressed their independence, which was a key concern when Summit Strategies Group was selected in 1997. Mr. LeBlanc stated that AndCo was certainly qualified for the position, but he was looking for something more, and did not feel than AndCo provided it. He stated that after reading all the materials provided by Cortex, he was most impressed by the presentation of Wilshire, particularly the illustrations of asset allocation and performance using actual CPERS data. The firm dates back to the 1970’s, and has a very strong client retention rate. They are a global firm with a client-to-consultant ratio of about 6:1. He stated that he believed CPERS needs the benefit of a consulting firm that has been around a long time, and should be open to a new way of doing things in the investment area in order to maximize investment performance and hold down future employer contribution rates. He noted that nothing was currently wrong with the investments, but that he thought the System needed new ideas, and that Wilshire had disclosed a number of changes they would like to see in the asset allocation.

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Wilshire did a great job presenting their ideas in a concise way and with enthusiasm, also noting that Wilshire does not respond to every RFP they receive, but only to the ones they believe would be a good fit. Mr. West stated that his perspective was different because he was much newer to the Board, but he too was glad that Cortex was brought into the RFP process to provide insight into the proposing firms. He noted that AndCo was a top quality firm, and that he was not as concerned about the client to consultant ratio, but he was hoping they would come with more fresh ideas and energy such as Wilshire did. He echoed some of Mr. LeBlanc’s comments about Meketa’s lack of ideas, and the offer for lowering their fees in return for coordinating meetings with another local client. Mr. West stated that for him it came down to AndCo and Wilshire, and Wilshire got the nod because of their presentation. He also stated that he still had questions regarding the independence issue, and the onboarding process. Mr. Toups agreed that he had ruled out Meketa after their presentation, but that he preferred the presentation of AndCo over that of Wilshire. He noted that AndCo was truly independent compared to Wilshire, which had some potential for conflicts of interest. He believed AndCo’s presentation was more energetic than the other two, and that the team leaders for CPERS were there in addition to the owner of the firm. Regarding new ideas, he noted that AndCo had brought new ideas to the committee in the recent past, but being interim consultants they were reluctant to push those ideas too far, with the committee’s position of no new changes until a permanent consultant was named. There was a brief discussion regarding the potential for conflicts with Wilshire, specifically the information shared between the separate businesses of Wilshire, and how Wilshire would disclose whether or not they directly or indirectly receive money from investment managers they recommend to consulting clients. Mr. LeBlanc noted that Cortex had secured additional data from Wilshire addressing how conflicts of interest were addressed with clients, and that had given him some comfort. He stated that he liked the recommendations from Wilshire such as adding another layer of real estate investment, and substituting a less volatile investment than MLP’s, with more of an infrastructure base. Mr. Yates stated that he agreed that Meketa was not impressive, but that AndCo had made some portfolio recommendations, but did not feel they could proceed until they were hired as investment consultant. He noted that in the interim, AndCo had done an excellent job, and although they were similar in some respects to Summit, they seemed more progressive in their investment ideas. Mr. Yates noted the impressive list of clients for Wilshire, but also echoed the potential for conflicts of interest unless safeguards were in place. He stated that it was difficult to be unbiased for him and Mr. Smith because they have worked closely with AndCo and know the quality and integrity of the firm. Mr. Smith gave his impressions, agreeing that Meketa should be excluded based on their presentation. He noted that given the investment consultant’s duties of positioning the portfolio in the optimum posture, selecting investment managers, and assisting the staff with reporting, he could not really determine a winner between AndCo and Wilshire. It was agreed that a site visit to Wilshire might be in order following the hiring process.

Motion by Mr. LeBlanc, seconded by Mr. West to hire Wilshire Consulting as the System’s permanent investment consultant.

No discussion and no objections.

Motion passed by those members present.

Mr. LeBlanc thanked everyone who participated in this important and difficult process and decision.

Moving to Item 7, Staff Reports, the chairman noted that under Item 7C there were invoices from the Law Offices of Akers & Wisbar, LLC, which Mr. Smith verified as being in order as presented.

Motion by Mr. LeBlanc, seconded by Mr. Bernard to approve payment for the charges to the Law Offices of Akers & Wisbar, LLC as presented.

No discussion and no objections.

Motion passed by those members present.

Continuing to Item 7D, the chairman noted an invoice from the Law Offices of Tarcza & Associates, and called on Mr. Yates who stated that the services were for addressing the reclamation of an Irish tax that had been paid on CPERS’ investments.

Motion by Mr. West, seconded by Mr. LeBlanc to approve payment for the charges to the Law Offices of Tarcza & Associates, LLC as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 7F, there were a number of investment manager invoices for the Board’s review and verified by Mr. Smith to be in accordance with the manager contracts.

Under Item 7G, Cash Activity Report, it was noted that the report will be deferred until after the actuarial report is received.

The next item on the agenda was Item 8, Unfinished Business, and the chairman noted Item 8A, Update on Action Taken Regarding Withdrawal Liability and CPERS Ordinance Language Changes, and recognized Mr. LeBlanc. Mr. LeBlanc stated that he and Mr. Toups had drafted a memo to the Metro Council regarding the need for changes to the CPERS ordinances to address withdrawal liability. Mr.
Yates had also sent a formal request to the interim Parish Attorney, Mr. Andy Dotson, for a legal opinion supporting the ordinance changes. The Board had passed a motion to ask the Metro Council to approve changes to the CPERS ordinances that would recognize withdrawal liability for any geographical area that withdrew from City-Parish governance, and provide a payment method for the withdrawal liability. He stated that even if the Metro Council chose not to move forward with the recommended ordinance language changes, it was important that the Board, as fiduciaries of the trust, placed the Council on notice as to the possible adverse effects of taking no action. He also stated that both he and Mr. Toups would be talking one-on-one to Council members. Mr. Toups stated that he would like to receive the Parish Attorney’s opinion prior to placing an item on the Council agenda. Mr. Yates noted that the Parish Attorney’s office had called him and acknowledged receipt of the opinion request, and had asked for the supporting documents, which he had provided. Mr. LeBlanc recommended having a Council item introduced at the end of April for a public hearing in May with special legal counsel Bob Klausner and the actuarial consultant, Ms. Shelley Johnson present. In answer to a question from Mr. Bernard, Mr. LeBlanc stated that if the ordinance language is changed as proposed, CPERS’ actuary would determine the amount of liability due from St. George, and the method of making the required payments to the City-Parish. Mr. LeBlanc reiterated that some of the Metro Council members would be brought up to speed on this issue. He stated that regardless of the Parish Attorney’s position on the matter, attorneys Bob Klausner and Denise Akers could be present to speak in favor of the resolution. Mr. Toups stated that he thought the ordinance change was needed even if the Parish Attorney recommended a state statute addition to provide for the withdrawal liability. It was noted that it may be too late to tack on the needed language to a state senate or house bill. Ms. Hanlon stressed that the Board could advise the Metro Council on what it felt was needed, but the decision would have to be made by the Council.

Moving to Item 9, New Business, the chairman noted there were no items on the agenda.

Under Item 10, Administrative Matters, there were no matters to address.

The chairman then continued to Item 11, Police Guarantee Trust Matters, and under 11A, PGT Benefits Report, Mr. Yates stated that there was one item on the report, and that it was in order as presented.

Motion by Mr. LeBlanc, seconded by Mr. Bernard to approve the PGT Benefits Report as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 11B, the chairman noted that the PGT DROP Notifications Report was provided for the Board’s information, and that no action was required.

There were no matters under Item 11C, Consultants’ Reports.

There were several investment manager invoices under Item 11D.1 for the Board’s review and verified by Mr. Smith to be in accordance with the manager contracts.

Under Item 11D.2 there were no items to address.

Under Item 11D.3, PGT Cash Activity Report, it was noted that the report will be deferred until after the actuarial report is received.

Under Items 11E New Business, and 11F Unfinished Business, and 11G, there were no items to address.

Seeing no further items on the agenda, the chairman called for a motion to adjourn.

Motion by Mr. Toups, seconded by Mr. LeBlanc to adjourn at 10:49 a.m.

No discussion and no objections.

Motion passed by those members present.