The Louisiana School Employees' Retirement System (Plan) is administered by a Board of Trustees (Board) and maintained to provide benefits for participants and beneficiaries in accordance with the Plan provisions. Plan Staff (Staff) will generally coordinate the day to day investment related activities through the Chief Investment Officer on behalf of the Board.

I. General Considerations

The Board will engage the services of Investment Managers who possess the necessary specialized resources and expertise to assure that the Plan has the highest probability of achieving competitive results at appropriate levels of risk. It is the intention of the Board to allow the Investment Managers full discretion within the scope of these mutually agreed upon investment guidelines and the Fund's Plan Document.

Each Investment Manager (Manager) shall discharge its responsibilities as a fiduciary with respect to assets under its management in accordance with this Statement of Investment Policy (Policy) and all applicable laws, including federal and state securities laws.

Also, this Policy allows for pooled investment vehicles (mutual funds and/or commingled funds) that are deemed to be suitable investments regarding Plan assets. Any pooled investments will generally follow this Policy, although the Board recognizes that pooled vehicles are formally governed by their respective guidelines, prospectuses and investment contracts.

II. Function

The function of this Policy is to establish a clear understanding between the Board and the Plan's Managers regarding the investment policies and objectives of the Plan. It is intended that this Policy will provide meaningful guidance and the necessary flexibility to manage the assets of the Plan.

This Policy may be changed from time to time by the Board after consideration of the advice and recommendations of Plan staff and professionals. All modifications to this Policy shall be in writing and approved by the Board.

The Board may grant Manager(s) a waiver of any of the terms of this Policy when it is the Board's discretion that such a waiver is believed to be in the best interest of the Plan. Waivers may be specific as to Manager(s), time and/or criteria, or of unlimited duration and/or general in nature. All waivers shall be in writing and approved by the Board.

III. Basic Premises

1. Because the Plan is a defined benefit pension plan, a long-term investment horizon is warranted, given the Plan's liability characteristics and the actuarial valuation process that smoothes annual fluctuations in investment performance. Moderate short-term fluctuations in the market value of the Plan should not influence the investment structure under normal circumstances.

2. The purchase and sale of all investments are the sole and direct responsibility of each Manager pursuant to the discretion granted herein and as granted pursuant to the Manager Agreement.

IV. Investment Objectives

Investment results will be evaluated over three to five-year market cycles and will focus on total results. The Plan may not necessarily maintain exposure to every asset class outlined below.

1. The Plan's total return is expected:

    To achieve an annualized rate of return that exceeds the rate of return produced by the Blended Index (48% Russell 3000 Index, 15% MSCI EAFE (Net), 19% Barclays U.S. Aggregate, 10% Barclays Global Aggregate, 8% NCREIF Index), before fees are deducted.

2. Each Style-Specific Large Capitalization Equity Investment portfolio is expected:

    To achieve an annualized rate of return that exceeds the rate of return produced by their respective Russell 1000 style index by a minimum of 1.0%, before fees are deducted.

3. Each Passive Large Capitalization Equity Investment portfolio is expected:

    To achieve an annualized rate of return that matches the rate of return produced by the S&P 500 Index.

4. Each Passive Mid Capitalization Equity Investment portfolio is expected:

    To achieve an annualized rate of return that matches the rate of return produced by the S&P 400 Index.

5. Each Small Cap Equity Investment portfolio is expected:

   To achieve an annualized rate of return that exceeds the rate of return produced by their respective Russell 2000 style index by a minimum of 1.5%, before fees are deducted.

6. Each International Equity Investment portfolio is expected:

   To achieve an annualized rate of return that exceeds the rate of return produced by the MSCI EAFE Index by a minimum of 1.5%, before fees are deducted.

7. Each Long/Short Equity Investment portfolio is expected:

   To achieve an annualized rate of return that exceeds the rate of return produced by the S&P 500 Index by a minimum of 2.5%, before fees are deducted.

8. Each Investment Grade Fixed Income Investment portfolio is expected:

   To achieve an annualized rate of return that exceeds the rate of return produced by the Barclays Aggregate Bond Index by a minimum of 0.5%, before fees are deducted.

9. Each Opportunistic / Distressed Fixed Income Investment portfolio is expected:

   To provide a meaningful premium over the investment grade fixed income market reflecting the risk and associated fees with this investment. Therefore the portfolios will be expected to achieve an annualized rate of return which exceeds the Barclays Aggregate Bond Index by 3% over the long term, before fees are deducted.

10. Each Global Fixed Income Investment portfolio is expected:

    To achieve an annualized rate of return that exceeds the rate of return produced by the Barclays Global Aggregate Bond Index un-hedged by a minimum of 1.5%, before fees are deducted.

11. Each Real Estate Investment portfolio is expected:

    To achieve an annualized rate of return that exceeds the rate of return produced by the NCREIF Index by a minimum of 1.0%, before fees are deducted.

12. Each Private Equity Investment portfolio is expected:

    To provide a meaningful premium over the public equity market reflecting the risk and associated fees with this investment. Therefore the portfolios will be expected to achieve an annualized rate of return which exceeds the S&P 500 Index by 3% over the long term, before fees are deducted. It is recognized that this benchmark is unlikely to be met in the initial years of the investment, as Private Equity returns often present a "J-curve" investment return pattern.

13. Each Hedge Fund Investment portfolio is expected:

    To provide a meaningful premium over the public equity market reflecting the risk and associated fees with this investment. Therefore the portfolios will be expected to achieve an annualized rate of return which exceeds the underlying benchmark by 1.5% over the long term, before fees are deducted, at a lower volatility. The respective benchmark shall be related to the specific strategy employed (i.e. Russell 2000 for multi strategy equity funds etc.).

The volatility of each portfolio is not expected to materially exceed the volatility experienced by their respective benchmarks. Volatility is measured as the standard deviation of returns, utilizing quarterly total rates on the portfolio's aggregate assets.

Each Manager's investment performance will be reviewed regularly. Total rates of return on market value will be calculated, including interest income and both realized and unrealized capital gains and losses. Comparisons of rates will be made with the respective market indices. The system's total return, net of fees, will be compared to the actuarially assumed rate of return.

V. Asset Allocation

Asset Category	**Range**	**Target**
Domestic All Cap Equity	20 - 35%	20%
International Equity	20 - 35%	30%
Total Equity	45 - 65%	55%
Fixed Income	10 – 20%	15%
Global Fixed Income	5 - 15%	10%
Real Estate	2 - 10%	8%
Private Equity	2 - 10%	8%
Opportunistic / Other	0 - 6%	4%
Cash Equivalents	0 - 3%	0%

The asset allocation ranges for the Plan are:

Hedge Funds shall be included in the allocation range related to the funds strategy asset class (domestic or international, equity or fixed income).

Ongoing rebalancing of the portfolio and adherence to the above asset allocation ranges will be coordinated by Staff and the Investment Consultant (Consultant). It is required by statute, that the total equity exposure of the fund is limited to no more than 65% of the total market value of the fund, provided that at least ten (10%) percent of the total equity portfolio is invested in one or more index funds, that seek to replicate the performance of the chosen index, and that a portion of the International Equity exposure be invested in a "terror-free index fund" as defined in Act 352 sec. 316 of the 2007 regular session.

VI. General Limitations and Requirements

1. In placing portfolio transaction orders on behalf of the Plan, the Managers will use their best efforts to obtain the best execution of orders. Managers are expected to comply with the "Commission Guidelines" as adopted by the Board on May 21, 2012. The Managers will disclose all commissions and other fees and expenses paid, and any consideration received from a party other than the Plan with regard to the management of the Plan portfolio.

2. The majority of fixed income investments, other than short-term paper, shall be limited at purchase to investment grade as established by one or more of the nationally recognized bond rating services. Investment Grade managers' fixed income portfolios may invest in fixed income asset sectors or classes that are outside of the Barclays Aggregate Index (domestic managers) or the Barclays Global Aggregate Index (global managers) up to 25%, at market. However, each individual sector (i.e., Investment Grade non-dollar, emerging market, high-yield, private mortgages, etc.) is limited to 10%, at market. Emerging market bonds are defined here as securities issued by Governments, Agencies or Corporations domiciled outside the United States which are not rated Investment Grade by any of the nationally recognized bond rating services.

   Opportunistic / distressed fixed income portfolios may invest in securities rated below investment grade however the aggregate total of all below investment grade fixed income securities in all portfolios shall not exceed 10% of total fixed income plan assets, at market. The majority of these securities shall be senior secured positions within the capital structure.
   It will be expected that debt securities of any single credit will not exceed 5% (1% for below investment grade, 2.5% for opportunistic/distressed portfolios) at market value, of each fixed income portfolio. Modest, short-term deviations from all of the percentage limits defined herein due to cash flow or downgrades will not be considered violations of this policy.

However, investment managers should promptly report such deviations to the system's investment staff. The Board recognizes that modest additional custody costs may be incurred by investing in these sectors, especially in non-dollar issues. However, Investment Managers will be expected to achieve any exposure on a management fee neutral basis. Also, the use of Futures, options and swaps will be permitted, as long as they are not used to lever the portfolio; that is, the net exposure to securities and derivatives is not greater than the market value of the portfolio. The average quality rating of each Manager's portfolio shall be equal to A or better.

3. Common stock investments (both domestic and international) in any single company shall be limited to 5%, at market, of equity assets under management, and 2% of the company's total outstanding equity. In the event that any company weight exceeds five percent (5%) of the investment manager's specific benchmark index, investments in that company are allowable up to one hundred twenty percent (120%) of the Index weight. Common stock is defined to include securities convertible into common stock.

4. Long/Short equity portfolios should strive to maintain a market neutral risk (beta of 1.0) when compared to the portfolio's benchmark. Short positions should not exceed 30% of the Managers' funded mandate at cost. Short positions in any single company shall be limited to 3%, at market, of the portfolio value.

5. ADR's and foreign securities traded on major U.S. exchanges will be allowable investments; however, in domestic equity portfolios, they will be limited to a maximum of 10% at market.

6. The international equity portfolio should maintain reasonable diversification across countries, industries and companies. Smaller capitalization stocks and/or mutual funds are allowable investments, as long as the exposure is "fee neutral" (no additional fees) to the Plan. Emerging market exposure is allowable, however, is limited to 15%, at market, of the International equity portfolio.

7. Opportunistic/Other: occasionally certain asset classes offer compelling opportunities to deliver oversized returns due to inefficiencies in markets. The inefficiencies can be caused by liquidity or other perceived problems resulting in the asset being "out of favor" or otherwise distressed. Investment in these assets may be short term in nature and not part of the long term structure of the overall portfolio.

   Allocation is specifically designed to accommodate a variety of non-traditional asset classes such as, but not limited to, timber, agriculture, infrastructure, commodities and natural resources. Each of the asset managers would have their own appropriate benchmark.

Managers may use a variety of investment structures such as partnerships, equity (public or private), debt and hedge funds to access the asset class. Due to the smaller dollar investment and the need for diversification a fund of funds structure is preferred.

8. The Managers will be responsible for voting all proxies issued in connection with stock over which such Manager has investment authority or control, unless directed otherwise by the Staff. All such votes must be cast in the best interest of the system's beneficiaries.

9. The Managers, except those specifically managing Long/Short portfolios, will not engage in investment transactions involving short sales, purchases on margin, derivative securities which provide leveraged exposure of the underlying index, precious metals or commodities. However, use of currency futures, options or forward contracts to hedge international portfolio currencies is allowable.

10. A Manager may not act or receive commissions or other fees as a broker, dealer, underwriter, or principal, whether directly or through a related or affiliated entity, with respect to any Plan assets.

11. A Manager may not assign or delegate any of its duties to another party without providing written notification to the Staff.

VII. Investment Manager "Watch List"

Periodically, a situation may emerge where it is necessary to place an investment manager on a "Watch List", which is defined as a list of managers that the Board should review in greater depth. Conditions that may trigger placement on the Watch List include, without limitation:

- The manager significantly deviates from its stated investment style in a manner that is inconsistent with the Board's expectations for the manager;
- The manager experiences turnover of key members of the investment professional staff;
- The manager experiences a significant event such as, but not limited to, change of control, a large quarterly loss, or the disclosure of SEC or other federal investigations or inquiries into the manager's operations;

- Any other event that could affect the manager's ability to perform its investment management responsibilities;

- A rating downgrade by the investment advisor; or

- If any three of the following occur: (i) the manager underperforms its respective benchmark over a rolling three year time period; (ii) the manager underperforms its respective benchmark over a rolling five year time period; (iii) the manager falls below median relative to peers over a rolling three year time period; (iv) the manager falls below median relative to peers over a rolling five year time period.

Once a manager is placed on the Watch List, the Board will instruct the investment advisor to conduct a due diligence review and provide a recommendation to the Board. As a general rule, if a manager remains on the Watch List for four consecutive quarters the manager will be terminated, however, the Board, in its discretion, may decide to retain the manager. Nothing herein shall eliminate the Board's right to terminate a manager at any time if it is determined to be in the best interest of fulfillment of their fiduciary responsibilities.

VIII. Corporate Governance Strategy of Constructive Engagement

Act 352 sec. 314 requires that each retirement system become "constructively engaged: in the "corporate governance" of the companies held in international portfolios having facilities, or employees, or both located in a prohibited nation (subject companies) as defined in R.S. 312(B)(2); currently Iran, North Korea, Sudan and Syria.

1. LSERS and its' asset managers will make an effort to identify the portfolio subject companies by reviewing and analyzing publicly available information.

2. Participate in formal and informal groups or alliances of other retirement systems for the purpose of influencing the subject companies to cease having facilities, employees, or both in any prohibited nation.

3. Make available to other retirement systems a list, including shares/par value, or subject companies held in the portfolio, for the purpose of compiling a common ownership list.

4. Communicate to current and future international asset managers the systems' desire that they contact the management of the identified companies and encourage them to cease doing business with the prohibited nations, including the possibility of divesting the holdings.

5. Separately or jointly with other systems notify subject companies of the requirements of Act 352, their status regarding the statute, and inform them that they may become subject to divesture.

IX. Communications and Reporting

1. The Managers shall issue a report at least quarterly, reviewing its progress, investment strategy and actions on behalf of the Plan to the Staff and Consultant. All trades shall be reported to the staff on a daily basis.

2. The Managers are expected to communicate or meet with the Staff and Consultant to review the portfolio and to discuss investment results in the context of these guidelines periodically upon request. At all times, however, the Managers are encouraged to have open communication with the Staff and Consultant on all significant matters pertaining to investment policies and the management of the Plan's assets.

The Managers shall promptly notify the Staff and Consultant of any material change in ownership or control of its organization, change in any key personnel, any litigation and any inquiries by regulatory agencies.

X. Quiet Period

Upon selection of interview candidates by the Board, there will be no contact by any manager with a product suitable for the mandate with LSERS staff or Board members unless requested by LSERS staff or the investment consultant. Nothing herein shall prohibit routine communication with LSERS staff by current managers relative to their current mandate which is necessary for the daily operations of LSERS.

XI. Policy Review

The Board will review this Policy periodically and whenever a major change is apparent or necessary. Such review may be caused by:

1. A fundamental change in the design of the Plan;

2. Significant revisions to the expected long-term trade-off between risk and reward on key asset classes, dependent upon basic economic/political/social factors;

3. Shortcomings of the Policy that emerge in its practical operation of significant modifications that are recommended to the Board by the Staff or Plan professionals;

4. Significant changes in the legal and/or regulatory environment.

* * * * * *

The above Statement of Investment Policy is hereby found acceptable to both the Investment Managers and the Board of the Louisiana School Employees' Retirement System.

Jeffrey Goodly Jr.
Chairman of the Board

10/2/17
Date