

## **APPROVED MINUTES**

**LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND  
BOARD OF TRUSTEES MEETING  
WEDNESDAY, JULY 27, 2016  
BATON ROUGE, LOUISIANA  
9:00 a.m.**

A meeting of the Louisiana Clerks of Court Retirement and Relief Fund Board of Trustees was held on Wednesday, July 27, 2016 at 9:00 a.m. in Baton Rouge, Louisiana.

The meeting was called to order by President David Dart. Steve Andrews gave the invocation and Rick Arceneaux led the Pledge of Allegiance.

**MEMBERS PRESENT:**

President David Dart  
Rick Arceneaux  
Steve Andrews  
Robin Hooter  
Mark Graffeo  
Jim Martin  
Kay Bolding  
Holli Vining

**OTHERS PRESENT:**

Debbie Hudnall, Executive Director  
Phineas Troy, Summit Strategies  
Rebecca Wisbar, Attorney  
Gary Curran, Actuary  
Margaret Corley, Senate Retirement  
Annie Smith, House Retirement

**GUESTS PRESENT:**

Bridget Hanna, Frank Borne and Dagmar Hebert.

**PUBLIC COMMENTS:** None

**APPROVAL OF MINUTES:**

Steve Andrews moved that the minutes of May 25, 2016 be approved. Motion seconded by Jim Martin. **MOTION CARRIED.**

**FINANCIAL REPORTS: (ON FILE IN OFFICE)**

Treasurer Robin Hooter reviewed the financial reports for May 2016:

<b>May 2016 -</b>	Monthly Contributions	\$	2,041,262
	Other Additions	\$	54,721
	Investment Gain (Loss)	\$	2,994,977
	Investment Expenses	\$	180,208
	Deductions	\$	(2,971,972)
	Net Income (Decrease)	\$	1,938,780
	<b>Total Investments</b>	<b>\$</b>	<b>498,474,611</b>
	<b>Total Assets</b>	<b>\$</b>	<b>533,053,885</b>

Motion was made by Holli Vining to receive the financial reports. Motion seconded by Rick Arceneaux. **MOTION CARRIED.**

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**Investment Committee**

Mark Graffeo reported that the Investment Committee had met via conference call and asked that Phineas Troy provide the report. Phineas updated the Board on the funding progress of the newest money manager, TS&W. Redemption of Vontobel would occur at the end of the month. Phineas also updated the Board on BREXIT, the United Kingdom's vote to leave the European Union (EU). This decision led to a big draw down in the markets in the later part of June. However, Phineas stated that this process is far from completed and requires negotiation of terms with the EU and the other countries in the EU.

**Summit Strategies Group: (Report on file in office)**

**ECONOMIC UPDATE:** Phineas Troy reported on the Capital Market Update with an increase in almost 300,000 new jobs in June and wages across the country increasing 2.6%, the highest increase since 2008. There was positive GDP of over 1% for the first quarter and continued economic activity.

Phineas commented that in June the asset classes remained relatively flat. Emerging Markets and MLPs were up for the month of June, while UK stocks were down because of BREXIT at the end of June. US Stocks were up 2.5%. This is positive news continuing from the beginning of the year. Bond returns are positive across the board. Real Estate continues to average over 15% for the last 3-5 years, but Summit would not expect those high averages to continue. Phineas pointed out to the Board that the Fund's real estate investments are in large markets including New York City and Chicago, large commerce areas.

**Monthly Investment Performance Review:**

Phineas reported on the Clerks portfolio as of June 30, 2016. He stated that the portfolio as a whole was up 1.9% for the quarter and down ½% for the fiscal year. Despite the tough international market with BREXIT, the international equities, while down, still outperformed the benchmark. Bonds had a strong return for the fiscal year of 5% and MLP's were up 19% for the quarter. Phineas commented that QMA, William Blair and Elk Creek had done well versus their respective benchmarks. Rothschild had struggled during the fiscal year and trailed their benchmark at the end of the fiscal year but continued to be ahead since its inception.

Phineas commented on Westfield and its' types of growth investments, i.e. tech companies and those with earnings based goals that do not pay dividends. Since the date of inception, Westfield has a positive return; however, Summit will meet with Westfield in the future and research possibilities moving forward. He further reported on the timing of the redemption of Vontobel at the end of July and the new manager, TS&W.

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**PORTFOLIO PERFORMANCE – June 30, 2016**

	<b>2016</b>	<b>1 Mo</b>	<b>FYTD</b>
<b>Total Funds</b>	\$ 496,164,283	-0.05%	-0.46%
<b>US Equity</b>			
QMA	\$ 54,936,304	-0.11%	4.11%
Rothschild	\$ 29,633,015	0.14%	1.43%
Westfield	\$ 35,084,245	-2.24%	-2.29%
William Blair	\$ 18,505,677	0.65%	1.22%
Elk Creek	\$ 16,915,797	-0.91%	-9.89%
<b>Intl. Equity</b>			
Vontobel	\$ 40,634,135	-1.86%	1.55%
LSV	\$ 37,341,618	-5.39%	-11.22%
William Blair	\$ 22,070,258	-3.22%	-0.33%
AJO	\$ 20,055,512	5.22%	-14.71%
<b>Fixed Income</b>			
Pyramis	\$ 50,385,658	1.67%	5.48%
Pyramis (Tact)	\$ 24,671,511	1.61%	4.41%
SSgA Ag Bond	\$ 22,395,100	1.80%	6.03%
<b>Hedge Funds</b>			
Blackstone	\$ 22,314,715	-0.95%	-0.61%
Magnitude	\$ 22,619,609	-1.80%	-0.91%
<b>Real Estate</b>			
Clarion	\$ 53,684,332	1.98%	12.49%
<b>MLP'S</b>			
Harvest	\$ 12,508,315	5.17%	-17.25%
Tortoise	\$ 12,375,617	5.14%	-14.54%
<b>Whitney – Cash</b>	\$ 32,866		
<b>DROP FUNDS</b>	\$ 22,595,364		
<b>Cash Funds</b>	\$ 10,470,347		

Phineas then provided information on how interest rates affected returns over the past thirty years with investments in cash, bonds and stocks. He commented on the cyclical nature of investments and portfolio diversification. He reported on the labor market and inflation rates. He also reported on investment philosophy and presidential elections, with short term volatility but not a major long term impact on the markets.

**ACTUARY:** Gary Curran commented on the effect part-time employees and retirees returning to work have on the system. He stated that MERS was the first statewide system to address the issue of retirees returning to work and the payment of employee and employer contributions on those retirees. Margaret Corley commented that the Legislature likes the MERS bill and sees that being something to pursue in the future.

There was discussion regarding the threshold of 20 hours to be a member in the system, final average compensation and low growth of payroll. Gary will continue to review but the Legislation passed this year to provide for a level payment on the UAL was related to the same issue with low payroll growth. Gary stated his concern on payroll shrinkage and that the headcount of members is almost identical to ten years ago.

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Holli Vining questioned about other systems that have options to retire at any age with 30 years of employment. Gary commented that the impact of cost would be those who were immediately eligible and that you take into account the age of entry. Debbie Hudnall stated that this calculation had been done previously and the expense to the system was significant.

#### **APPLICATIONS AND REFUNDS: (On file in office)**

Debbie reported that since the May Board meeting there were 6 applications for DROP; 7 applications for regular retirement; 32 Post DROP retirement applications; and 2 applications for disability retirement. Rick Arceneaux moved that the applications be approved. Motion was seconded by Mark Graffeo. **MOTION CARRIED.**

Debbie further reported there had been 12 refunds in the amount of \$144,062 and a total of \$1,068,211 for the year.

#### **EXECUTIVE DIRECTOR REPORT:**

**Cash Flow:** Debbie brought to the Board's attention the increase in current retirement payments versus the previous year. The office continues to watch cash flow with increased outflow. She reported that DROP funds had also increased. Debbie asked Chris Kershaw to compile a cash flow projection through the end of 2016 and it indicated cash would be close but sufficient until taxes begin coming in. It may be necessary to review investments and dividend payments re-invested in the future to fund the retirement payments.

Mark Graffeo asked if Gary Curran knew of any other systems experiencing this same issue. Gary commented that the more mature systems do face this issue where monthly contributions are not enough to offset the retirement benefit payments and when looking into investments, liquidity is an important issue. He commented that the Board had been proactive in regard to this issue by maintaining the employer contribution rate above the minimum required rate. Jim Martin asked further about projecting the employee and employer contributions as related to the previous discussion on part-time employees.

#### **Legislation:**

Debbie reported on several Acts from the 2016 session:

Act 176 – Legislation requiring actuary notes to be filed early

Act 410 – Requirement that the Executive Director of a retirement system file a financial disclosure

Act 460 – Reports to the Legislative Auditor

Act 621 – House Retirement Chairman Appointee

Act 650 – Clerks Legislation to re-amortize the UAL payment making it a level payment

HSR 2 – Study practices regarding actuarial assumptions

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**Member Issue:** Debbie explained to the Board about an issue with a member who was asked by a Clerk to retire and refused to file for retirement. Debbie sent a letter to the member explaining how the insurance would terminate and the retirement benefit could be delayed if application was not made within 90 days of the eligibility date. Debbie reported that the member did submit the required paperwork for retirement and insurance.

**New Employee:** Debbie reported to the Board that starting September 1, 2016, Davis Silk would begin working alongside Evie and that Angela would move into the remaining empty office.

**Retirees Return to Work:** There was further discussion on retirees returning to work and the effect on the system. There was also further discussion on part time employees and how clerks' offices do not pay contribution on either part time employees or retirees returning to work. Gary Curran stated that he can look at the member trends as he compiles the actuary report. David Dart commented on the possible workforce reductions to innovations in technology.

Debbie reported to the Board on the upcoming dates for the LAPERS seminar on September 18-20 in New Orleans and the Summit Client Conference on September 26-27 in St. Louis.

**ATTORNEY:** Rebecca Wisbar had no matters to report at this time.

**ACTUARY PRESENTATION:** At this time, Gary Curran presented an educational hour regarding the Clerks' Fund Experience in order to fulfill the actuary requirement for those trustees in attendance.

**OTHER BUSINESS:** Debbie raised the question about how the legislature looks at enhancements to benefits. Margaret Corley stated that during the previous session there was one bill brought by the Sheriffs for an enhancement for those officers slain by intentional acts of violence; Other than that her members are not very receptive to benefit enhancements.

Gary Curran commented that the fiscal year end investment loss of approximately one-half percent may not affect the plan due to the smoothing over five years and that the Board has been conservative in trying to keep employer contribution rates low.

Jim Martin suggested that a line be added to the monthly retirement contribution report to collect information on the number of employees not subject to retirement contributions, in order that this information can start being collected and tracked for future reference.

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**COMMENTS BY BOARD MEMBERS:** No comments.

There being no other business, Rick Arceneaux moved that the meeting be adjourned.  
Motion seconded by Jim Martin. **MOTION CARRIED.**

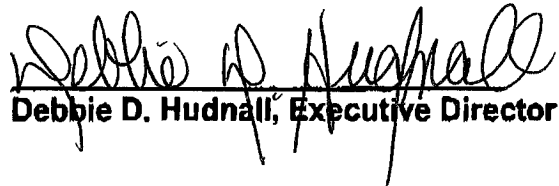
**MEETING ADJOURNED.**

**Approved:**



**David Dart, President**

**Respectfully submitted,**



**Debbie D. Hudnall, Executive Director**