

APPROVED MINUTES

LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND BOARD OF TRUSTEES MEETING WEDNESDAY, MARCH 27, 2013 BATON ROUGE, LOUISIANA 9:00 AM

A meeting of the Louisiana Clerks of Court Retirement and Relief Fund Board of Trustees was held on Wednesday, March 27, 2013, at 9:00 AM in Baton Rouge, Louisiana.

The meeting was called to order by President Lynn Jones. Tammy Foster gave the invocation and Hart Bourque led the Pledge of Allegiance.

MEMBERS PRESENT:

President Lynn Jones
Tammy Foster
Diane Meaux Broussard
Hart Bourque
Mark Graffeo
Bill Hodge

OTHERS PRESENT:

Debbie Hudnall, Executive Director
Phineas Troy, Summit Strategies
Chris Fox, Summit Strategies
Denise Akers, Attorney
Gary Curran, Actuary

GUEST PRESENT:

Rick Arceneaux
Carl Broussard
Jeremy Evans
Julian Dufreche
John Oliver

Dot Lundin
Frank Borne
Chris Kershaw

APPROVAL OF MINUTES:

Cliff Dressel moved that the minutes of November 28, 2012 be approved as presented. Motion seconded by Bill Hodge. **Motion carried.**

COMMENTS BY PRESIDENT:

President Jones welcomed everyone to Baton Rouge and then Cliff Dressel read a quote and asked Bill, Tammy and Debbie to read quotes that he had furnished in honor of the President's tradition.

President Jones thanked everyone for the opportunity to serve as President and thanked them for their service for the past year. He then gave his last quote for his final Retirement Board Meeting:

"A conclusion is simply the place where someone got tired of thinking."

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FINANCIAL REPORTS: (ON FILE IN OFFICE)

Debbie presented the financial reports for November and December 2012 as well as January and February 2013.

NOV 2012 -	Monthly Revenue	\$ 1,823,431
	Other Additions	\$ 78,314
	Monthly Deductions	\$ (2,350,774)
	Investment Gain (Loss)	\$ 4,332,776
	Net Income (Decrease)	\$ 3,883,747
	Total Investments	\$ 390,951,737
	Total Assets	\$ 411,221,633

DEC 2012 -	Monthly Revenue	\$ 1,905,231
	Other Additions	\$ 0
	Monthly Deductions	\$ (2,667,943)
	Investment Gain (Loss)	\$ 4,317,002
	Net Income (Decrease)	\$ 3,554,291
	Total Investments	\$ 395,079,408
	Total Assets	\$ 414,773,913

JAN 2013 -	Monthly Revenue	\$ 10,036,907
	Other Additions	\$ 21
	Monthly Deductions	\$ (2,666,859)
	Investment Gain (Loss)	\$ 13,996,483
	Net Income (Decrease)	\$ 21,366,552
	Total Investments	\$ 408,974,191
	Total Assets	\$ 436,154,537

FEB 2013 -	Monthly Revenue	\$ 2,119,268
	Other Additions	\$ 40
	Monthly Deductions	\$ (2,477,981)
	Investment Gain (Loss)	\$ 2,680,145
	Net Income (Decrease)	\$ 2,321,471
	Total Investments	\$ 411,563,276
	Total Assets	\$ 438,465,584

Debbie advised the Board that the monthly benefits being paid are continuing to grow. She also informed the Board that all Ad-Valorem Taxes had been collected; including City of New Orleans, which had to be taken from their Revenue Sharing Funds, based on a previous resolution on file with the State Treasurer's office.

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Debbie also presented the financial reports for the Retirement Administrative Fund for the month of November and December 2012 and for January and February 2013.

NOV 2012 -	Total Fund Balance	\$	313,598
	Monthly Revenue		130,122
	Monthly Expenses		53,045
	Net Income (Loss)		77,077
DEC 2012 -	Total Fund Balance	\$	347,743
	Monthly Revenue		130,109
	Monthly Expenses		95,963
	Net Income (Loss)		34,145
JAN 2013 -	Total Fund Balance	\$	323,267
	Monthly Revenue		130,124
	Monthly Expenses		154,600
	Net Income (Loss)		(24,476)
FEB 2013 -	Total Fund Balance	\$	285,861
	Monthly Revenue		130,085
	Monthly Expenses		167,491
	Net Income (Loss)		(37,406)

Motion was made by Tammy Foster to receive the financial reports. Motion seconded by Hart Bourque. **Motion carried.**

INVESTMENT COMMITTEE REPORT

In Gary Loftin's absence, Mark Graffeo reported that everything was going well and that the committee continues to work with Summit.

SUMMIT STRATEGIES (Report on file)

Lynn introduced Chris Fox with Summit Strategies, who has been with Summit for over 20 years and Phineas Troy. Phineas said that Jessica sends her regards but that she had a scheduling conflict. Chris then began the economic update. He explained that it is important to review what has happened in the past and what is currently happening. Almost all the markets did exceptionally better in 2012 than 2011. That is why there is a substantial growth in assets. He reported that 14% of 2012's 16% return came in the first 10 weeks of 2012. Chris continued to explain that interest rates continuously rose until summer of 1982 and since then the interest rates have continued to fall and falling interest rates are fantastic for risk assets.

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He said that the consensus is that there will be low growth but despite that, the stock markets through the end of February were up 6-8%. Interest rates are forced lower because the Treasury is buying the bonds issued. The first two months of 2013 have been strong based on the liquidity and the Fed keeping the interest rates low. He reported that foreign banks are also injecting liquidity in a similar way. Expected growth rates are higher in emerging markets and that is the one place that looks good in comparison to the stock market. An interesting dynamic in the world is that emerging markets do not have big piles of debt and are looking good fundamentally; Developed markets do have debt and don't have the high growth expectations. As long as growth stays low, those banks in developed markets will continue to inject liquidity into their economies.

Chris reported that the Fed has said that when unemployment rate falls below 6.5% is when they will consider stopping the liquidity injections into the markets. The number of people in the work force continues to fall. Unemployment is still 3.8 million jobs down since this decrease began in 2008. Chris informed the Board that diversification is key and not taking any more risk than where the Fund is currently. Markets will look more at what the Fed is doing than any individual market and/or bank.

Phineas gave the performance overview for the fund for the fourth quarter of 2012. As of December 31, 2012, the total investment fund composite was \$395 million dollars, a 1.9% return for the quarter slightly trailing the index. The Fund ranked in the 34th percentile amounts its peers. For the year 2012 the total fund was up over 14%, which is 2% higher policy index and ranked in the 21st percentile. Allocation of Global equities was 56.3% as of year-end. Domestic equities were positive in fourth quarter, up over 17% and ranked in 1st quartile versus their peer group. In the fourth quarter, International equities, were the biggest lag, but were still the largest performers for 2012, returning over 20.8%. Fixed income and hedge funds were both positive and outperformed the benchmarks in both 4th quarter and year 2012. Real Estate had positive returns of 2.7% in fourth quarter, 10.9% for the year. MLPs had strong 2012, even though negative return in 4th quarter, which was due to the MLP group having a sell-off in fourth quarter, based on fears regarding the fiscal cliff. MLPs are one of the best performers starting off 2013.

Phineas then reviewed the performance of the Funds for the beginning of 2013:

(chart continues on following page)

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PORTFOLIO PERFORMANCE

	FEB	1 Mo	FYTD
Total Funds	\$411,663,870	0.60%	12.35%
US Equity			
QMA	\$ 42,761,847	1.26%	14.63%
Rothschild	\$ 25,196,714	1.61%	17.49%
Westfield	\$ 33,117,811	0.60%	16.64%
Ironbridge	\$ 32,749,292	1.13%	16.78%
Intl. Equity			
Vontobel	\$ 59,325,301	-0.21%	17.05%
Mondrian	\$ 10,046,474	1.56%	21.69%
William Blair	\$ 9,302,141	2.01%	18.80%
DFA	\$ 22,302,078	-1.68%	14.70%
Fixed Income			
Pyramis	\$ 62,921,775	0.58%	3.65%
SSgA Tips	\$ 13,095,311	0.03%	2.17%
Hedge Funds			
Blackstone	\$ 14,785,926	0.58%	8.01%
Magnitude	\$ 15,342,214	0.66%	6.84%
UBP	\$ 3,926,629	0.00%	7.96%
Real Estate			
Clarion	\$ 39,377,787		5.07%
MLP'S			
Harvest	\$ 13,309,194	2.90%	24.75%
Tortoise	\$ 12,885,991	1.47%	23.75%
Hancock Cash	\$ 1,217,387		
DROP FUNDS	\$ 17,865,618		
Cash Funds	\$ 7,036,580		

Chris Fox then presented additional information about DFA, Emerging Markets manager. Summit has been in discussions with them and will continue to evaluate along with the Investment Committee. Summit's general thought is that it may be time to look for another company with fewer assets under management, which does the same thing DFA does, but that doesn't have the huge boulder to push up the mountain. Mark Graffeo questioned that if DFA said they were going to shut the product down to any new funds would that change Summit's opinion. Chris responded that Summit would be real interested in hearing them make that statement. President Lynn Jones asked about a time line regarding an answer to the questions. Chris said he would hope to have an answer by the end of the 2nd quarter. Emerging markets is a unique space and it is not that gigantic of a market. Summit did not anticipate the growth DFA would have selling through financial planners. Summit will bring possible new companies to the Investment Committee for review and recommendation to the Board. No action by the Board is required at this time.

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ACTUARY REPORT: Gary Curran discussed numerous bills that affected State and some statewide systems along with the following proposed bills that affect the Clerks' System:

HB 61 – Rep. Badon – Applies to all State and Statewide systems and provides for a divided benefit. It applies if a monthly rate of pay is 30% more than the average pay for the preceding 12 months. It probably wouldn't happen very frequently, but could have a negative impact on the benefits. Debbie reported that all other systems were opposing the bill. Hart Bourque moved that the Board go on record to oppose HB 61. Motion seconded by Bill Hodge. **MOTION CARRIED.**

SB 14 – Sen. Martiny – Applies to all systems regarding transfers. He said it has the potential to create additional work. If you transfer from one system to another and the systems have different accrual rates, this bill gives you the right to purchase the difference. It would involve another set of calculations. Gary said his office had never made a separate charge for this but eventually increases costs may require it in the future. Debbie informed the Clerks that we don't have many transfers

SB 10 – Sen. Guillory - Target Ratio. This is an "elect-in" bill. Board can elect to adopt the new provision or to remain under the old provisions. If the Board opts in to the provision, the Board could provide COLA's annually, if the fund is 90% funded; every other year if 80% to 90% funded and every third year if 70% to 80% funded. If this bill passes, the Board will have to elect the option by December 31, 2013.

HB 60 – Rep. Talbot – Applies to all systems. It would prohibit anyone from retiring from any State or Statewide system and then joining another State or Statewide system. Cliff Dressel moved that the Board oppose HB 60, seconded by Mark Graffeo. **Motion Carried.**

APPLICATIONS AND REFUNDS: (On file in office)

Debbie reported there were 15 applications for DROP; 7 applications for regular retirement; 12 for post drop retirement and 1 for disability retirement. Tammy Foster moved that the applications be approved. Second by Hart Bourque. **Motion carried.** Debbie further reported there had been 69 refunds for the fiscal year in the amount of \$570,641.

EXECUTIVE DIRECTOR REPORT

BUILDING UPDATE: Debbie reported the new building was on schedule and everything was going well. She said they had started the interior painting. She reported she was in the process of obtaining furniture proposals. Debbie reported there had been three change orders, two increased costs and one decreased by \$8,000. Original

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Bid price was \$436,000 and with the change orders it is \$431,000. She said there could be additional change orders. Debbie reported that so far the building process in working with architects, contractors, and interior designer has all gone smoothly.

President Jones reported that he had visited the site and that the meeting space will be sufficient to host meetings for all Clerks.

Debbie reported the contract had a 6 month completion date which would be July 7th and everything seemed to be on target.

Debbie informed the Board that she has been in contact with Realtor Scot Guidry about listing the current Bricksome office building. Scot had provided a price estimate of the property value. Cliff Dressel made a motion to recommend to the Association Board that the Bricksome office be listed for sale. The list price was discussed and it determined to allow the Realtor to set the list price. Motion seconded by Bill Hodge.
Motion Carried.

CITY OF NEW ORLEANS: Debbie reported that we have received the Ad-Valorem taxes from the City of New Orleans via the State Treasurer's office in the amount of \$377,000. She said it cost \$2000 in attorney's fees to collect the funds.

COMPUTER SYSTEM UPDATE: Debbie reported that the Association office staff is continuing the system upgrade process. The staff is still working on dual systems. The programmers were having to write the software for the DROP portion of the system because their software for the Assessors didn't have a DROP module because the Assessors only have BACK DROP. Debbie complimented the staff for their diligent work on the new system while still having to maintain their work on the old system.

EMPLOYER CONTRIBUTION RATE: Debbie reminded the Board that Gary Curran had given the Actuary report at a previous meeting and the actuarial required employer contribution rate was 18.5%. PRSAC has approved the recommended rate. Tammy Foster moved that the employer contribution rate be set at 18.5%. Motion seconded by Mark Graffeo. **Motion carried.** The Association office will send letters to the Clerks informing them of the new rate effective July 1, 2013.

FINANCIAL DISCLOSURE REPORTS: Debbie reminded the members that their Financial Disclosure reports are due no later than May 15, 2013, unless they were filing a tax extension. If they are filing an extension, they would have to file an affidavit with the Ethics Board. Board members do need to include that they are a trustee of the Retirement Board.

Debbie informed the Board that the Legislative Auditors were requested by a resolution to do a study of the investments of all the State and State-wide Retirement Systems. The report notes that the State systems have had better returns over a longer period of

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time than the State-wide systems. Another interesting note was in regard to the funding status, Clerks Retirement System in 1989 was 42-43% funded and has been on a steady incline since then. Some of the other systems have declined by greater percentages. Mark Graffeo commented that the State systems returns are not much higher than the State-wide systems, just by several bases points. The report also notes the composition of the Board members.

SELF-DIRECTED PLAN: Debbie introduced Connie Stevens, with Great West Retirement Services. She reported the Clerks started the Self-Directed Plan with Great West in 2008 and now has a total of \$16.8 million of DROP funds invested with Great West. She presented an overview of Great West and the Clerks Self-Directed plan. The majority of funds are in the Fixed fund. That fund was paying 3.5% but is now paying about 2.5%. Connie then introduced a new investment feature the Plan could offer, Great West Secured Foundation. It is a variable annuity, with a guaranteed income component. It protects your dollar investment or benefit base, and never decreases due to poor market performance. It locks in the value on the anniversary of the invested funds. If you choose to take your money out, then you take out the market value. At a certain point, you enter the Guaranteed Annual Withdrawal phase and are guaranteed to have income for the rest of your life. There is a fee for this plan approximately 1% and an operating expense of 2%. Connie asked that the Board consider adding this as an investment option. She said it might be a good fit for some, but not for others. She would not recommend anyone invest all of their DROP money in the Secured Foundation Fund, but still maintain some in the other funds in case they needed the liquidity. The plan offers a single and joint life expectancy payout, with the youngest person being 55 years of age.

Debbie explained that the Board currently offers 24 different investment options and the Great West Secured Foundation would offer yet another enhanced option. Cliff Dressel moved that the Board add the Great West Secured Foundation to the available investment options in the Plan, second by Hart Bourque. **Motion Carried.**

Debbie then presented the Audit Proposal for fiscal year end 2013 from Duplantier, Hrapmann, Hogan and Maher. The fee for the 2012 audit was \$18,400 and the 2013 proposed fee is \$19,200, a 4% increase. Last year, Chris Kershaw contacted several other Retirement systems to verify that the fees were in line. Cliff Dressel made a motion that Duplantier, Hrapmann, Hogan and Maher be retained to provide audit services for the fiscal year end 2013, seconded by Bill Hodge. **Motion Carried.**

ATTORNEY: Denise Akers stated that there was nothing to report at this time.

Cliff Dressel noted that the tentative Board meetings set for June conflicted with the Nuts and Bolts Education conference in Florida. Debbie said they would work on obtaining new dates.

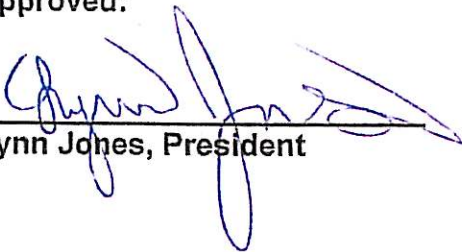
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Carl Broussard lead discussion on the upcoming Clerks Legislative Day to be held on Tuesday, May 14, 2013 at the Pentagon Barracks.

There being no other business; Motion made by Hart Bourque, seconded by Cliff Dressel to adjourn.

MEETING ADJOURNED.

Approved:


Lynn Jones, President

Respectfully submitted,


Debbie D. Hudnall, Executive Director