

APPROVED MINUTES

**LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND
BOARD OF TRUSTEES MEETING
TUESDAY, OCTOBER 23, 2012
WHITE CASTLE, LOUISIANA
9:00 AM**

A meeting of the Louisiana Clerks of Court Retirement and Relief Fund Board of Trustees was held on Tuesday, October 23, 2012, at 9:00 AM in White Castle, Louisiana.

The meeting was called to order by President Lynn Jones. Bill Hodge gave the invocation and Gary Loftin led the Pledge of Allegiance.

MEMBERS PRESENT:

President Lynn Jones
Tammy Foster
Diane Meaux Broussard
Jim Martin
Gary Loftin
Hart Bourque
Cliff Dressel
Mark Graffeo
Bill Hodge

GUEST PRESENT:

John Olivier
Dot Lundin
Rick Arceneaux

OTHERS PRESENT:

Debbie Hudnall, Executive Director
Jessica Portis, Summit Strategies
Gary Curran, Actuary
Denise Akers, Attorney
Michelle Cunningham, Auditor
Chris Kershaw

APPROVAL OF MINUTES:

Cliff Dressel moved that the minutes of the July 25, 2012 meeting be approved. Motion seconded by Hart Bourque. **Motion carried.**

COMMENTS BY PRESIDENT:

President Lynn Jones welcomed everyone to the Board meeting. He stated he hoped everyone enjoyed the accommodations at Nottoway.

President Jones gave his presidential quotes:

When a man has put a limit on what he will do, he has put a limit on what he can do. --- Charles Schwab

FINANCIAL REPORTS: (ON FILE IN OFFICE)

Jim Martin presented the financial reports for June, July, August and September 2012 showing a return of \$18.4 million dollars for the fiscal year to date.

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JUNE 2012 -	Monthly Revenue	\$ 1,659,912
	Other Additions	\$
	Monthly Deductions	\$ (2,327,637)
	Investment Gain (Loss)	\$ 8,617,461
	Net Income (Decrease)	\$ 7,949,736
	Total Investments	\$ 366,826,932
	Total Assets	\$ 390,211,690

JULY 2012 -	Monthly Revenue	\$ 1,665,889
	Other Additions	\$ 58,128
	Monthly Deductions	\$ (2,681,871)
	Investment Gain (Loss)	\$ 5,112,945
	Net Income (Decrease)	\$ 2,681,870
	Total Investments	\$ 371,850,867
	Total Assets	\$ 394,375,166

AUG 2012 -	Monthly Revenue	\$ 1,828,676
	Other Additions	\$ 85,398
	Monthly Deductions	\$ (3,174,161)
	Investment Gain (Loss)	\$ 7,368,412
	Net Income (Decrease)	\$ 3,174,161
	Total Investments	\$ 379,125,367
	Total Assets	\$ 400,481,922

SEPT 2012 -	Monthly Revenue	\$ 1,697,612
	Other Additions	\$ 37,797
	Monthly Deductions	\$ (2,468,257)
	Investment Gain (Loss)	\$ 8,885,224
	Net Income (Decrease)	\$ 8,152,377
	Total Investments	\$ 387,824,635
	Total Assets	\$ 408,631,299

Jim also presented the financial reports for the Retirement Administrative Fund for the months of June, July, August, and September

JUNE 2012 -	Total Fund Balance	\$ 337,522
	Monthly Revenue	125,103
	Monthly Expenses	301,992
	Net Income (Loss)	(176,889)

JULY 2012 -	Total Fund Balance	\$ 228,887
	Monthly Revenue	130,136
	Monthly Expenses	48,970
	Net Income (Loss)	81,165

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AUG 2012 -	Total Fund Balance	\$	275,879
	Monthly Revenue		130,123
	Monthly Expenses		30,958
	Net Income (Loss)		99,165
SEP 2012 -	Total Fund Balance	\$	341,616
	Monthly Revenue		130,107
	Monthly Expenses		64,370
	Net Income (Loss)		65,737

Motion was made by Gary Loftin to receive the financial reports. Motion seconded by Tammy Foster. **Motion carried.**

Debbie pointed out that the Retirement benefit payments were now exceeding the retirement contributions mainly due to the large number people retiring as of July 2012.

INVESTMENT COMMITTEE REPORT:

Gary Loftin reported that the Investment Committee held a conference call for the month of September. Jessica Portis reported that the Investment Committee was proposing that in order to more effectively utilize time available at meetings, the Investment committee assume responsibility for the selection, retention and termination of investment service providers involved with the System's investments with ratification by the Board. She stated that the Investment Committee would receive the recommendations of the Consultants and after a thorough vetting process with the Consultants, subject to satisfactory resolution of any questions or concerns that the Committee may have, that the Committee will make the decisions as to the selection, retention or termination of investment service provider. Decisions made by the Committee will in turn be presented by the Committee to the full Board of Trustees for its ratification or veto. Jessica said that the markets remain a challenge and Summit felt that because the Board only holds about 4 meetings per year that the Board really needed to be able to focus more on risk and the Investment Committee needed to be able to be more nimble. Denise Akers interjected that a few systems that had been evaluated by the Legislative Auditors had received detailed instructions on what process you should go through in analyzing investments and what issues you should look at. She said she would provide the Board with a list of things they should be looking for in investment service providers so the Board would be certain to be evaluating the right factors that could be documented when they make their reports. Bill Hodge moved that the Investment Committee be authorized to receive recommendations made by the Consultant as to the selection, retention and termination of investment service providers involved with the System's investments, subject to a satisfactory resolution of any questions or concerns that the Committee may have; the Committee will make a decision as to the selection, retention or termination of said providers; decisions made by the Committee will in turn be presented by the Committee to the full Board of Trustees for its ratification or veto. Motion seconded by Hart Bourque. **MOTION CARRIED**

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Tammy Foster moved that the Investment Committee incorporate any factors as necessary to prove their due diligence in making any decisions in the requirements provided by Attorney, Denise Akers. Motion seconded by Cliff Dressel. **MOTION CARRIED.**

SUMMIT STRATEGIES GROUP: (Reports on file in office)

Jessica Portis reported that September was another good month for risk assets and the reason is there has been encouraging economic data. The Unemployment rate decreased a bit and the housing market firmed up a bit causing consumers to believe the economy is headed in the right direction. However, Jessica stated there is still a cloud of ambiguity partly because of the ensuing election, the fiscal cliff, and the slower economic growth we are experiencing. All of these things are making everyone cautious as to where the economy is going to go. She stated that the world economy is growing at 3.3% which is the slowest since 2009 and is forecasted to only be at 3.6% in 2013 which is lower than had been anticipated. The Fed left the overnight lending rate unchanged as of its September meeting, where they stated an intention to keep rates low at least through mid-2015.

Lynn Jones asked that Jessica enlightened the Board on the Fiscal Cliff. Jessica stated that without action by Congress by January 1st the following things will happen:

- Expiration of the Bush tax cuts
- Budget Control Act of 2011 federal spending cuts of \$1.2 trillion over 10 years
 - Split evenly between defense and domestic spending
 - Social Security, federal pensions and veteran's benefits are exempted
- Reversion of Alternative Minimum Tax thresholds to year 2000 levels
- Expiration of the 2% payroll tax cut
- Expiration of federal unemployment benefit extension
- Tax increased associated with ObamaCare

Jessica stated that Summit anticipates that if the Fiscal Cliff hits, then the 2013 economic growth in the United States would be negative and that we would be in a recession and unemployment would increase. She said that history has shown Congress is incapable of agreeing to spending cuts or tax increases, but they are capable of agreeing to "kick the can down the road." She said the risk to portfolios is much greater in the short term as the market tries to anticipate Congress' decision and ultimately digest the outcome. Summit expects an increase in volatility as this issue takes center stage and markets pressure policymakers to reach a resolution. She stated that a reasonable compromise would likely result in a return to "normalcy" as markets return their focus to the macro issues of the day. Summit feels that their clients who have diversified according to Summit's recommendations are generally well positioned for market weakness and/or low growth relative to policy benchmarks.

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Jessica then discussed the Clerks' portfolio showing the fund to be in excess of \$407 million with a return of 5.81% for the fiscal year. That is compared to a policy index of 4.55%. She said the asset allocation is pretty much in line with our long term target.

PORTFOLIO PERFORMANCE

	SEPT	1 Mo	FYTD
Total Funds	\$407,894,364	2.38%	5.81%
US Equity			
QMA	\$ 39,888,156	2.82%	6.93%
Rothschild	\$ 23,075,278	3.14%	7.60%
Westfield	\$ 31,020,626	3.32%	9.25%
Ironbridge	\$ 29,748,367	1.57%	6.08%
Intl. Equity			
Vontobel	\$ 55,033,690	3.49%	8.31%
Mondrian	\$ 8,993,365	3.48%	8.93%
William Blair	\$ 8,450,333	3.28%	7.92%
DFA	\$ 20,847,752	6.43%	7.22%
Fixed Income			
Pyramis	\$ 62,231,923	.47%	2.51%
SSgA Tips	\$ 13,090,619	.51%	2.13%
Hedge Funds			
Blackstone	\$ 14,142,448	1.09%	3.31%
Magnitude	\$ 14,718,139	.87%	2.49%
UBP	\$ 3,726,309	1.55%	2.45%
Real Estate			
Clarion	\$ 39,057,687		2.28%
MLP'S			
Harvest	\$ 11,778,374	1.60%	10.40%
Tortoise	\$ 11,566,562	2.75%	11.08%
Hancock Cash	\$ 577,600		
DROP FUNDS	\$ 15,946,242		
Cash Funds	\$ 3,654,599		

AUDIT REPORT: Michelle Cunningham, auditor with Duplantier, Hrapmann, Hogan & Maher presented the audit report for the fiscal year ending June 30, 2012. She reported the Retirement System received the highest and cleanest opinion you can receive. She stated that the System's assets exceeded its liabilities by \$390,272,342. The net assets had increased by \$12,188, 387 or 3.22%. Michelle said that was better than any of the other Systems she had seen. The contributions to the plan had decreased due to a decrease in salaries and the total of ad valorem taxes was a slight increase. Michelle reported the net appreciation in the fair value of investments was \$469,829 as of June 30, 2012 as compared to a net appreciation of \$64,403,968 as of June 30, 2011. This is a result of relatively flat maker for fiscal year 2012 an extremely positive market for fiscal year 2011. Pension benefits paid to retirees and beneficiaries increased by \$1.6 million or 8.37%. The DROP benefits paid to participants increased by \$402,571 or 26.43% over the previous year because of more DROP participants retiring. Michelle reported that Net Assets had increased from \$378,083,955 in 2011 to \$390,272,342 in 2012. She also pointed out that the Funding Deposit Account had increased by \$901,628. Michelle pointed out on the Schedule of Funding Progress that the funded ration was 82.05%.

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President Lynn Jones thanked Debbie and the Association staff for the work they do so that the Retirement System does receive an excellent audit report. Debbie thanked Chris Kershaw for the work he does as the controller for the Retirement System. Jim Martin moved that the 2012 Audit Reported be approved. Motion seconded by Gary Loftin. **MOTION CARRIED.**

Debbie presented the Compliance Report to the Board for approval. Mark Graffeo moved that the Compliance Report be approved. Motion seconded by Cliff Dressel. **MOTION CARRIED.**

ACTUARY REPORT: Gary Curran reported that at the last Retirement Board meeting they had discussed reducing the valuation interest rate from 8% to 7.75%. Subsequent to the meeting, they did more quantitative work to try to determine where best to set that rate. The implications are the lower it is the higher your contributions are in the short run. He said they took the System's investment policy and collected information from Summit and 8 or 9 other consultants to get a consensus on what expectations are for returns on each of the asset classes. They used this information to get the best estimate range for the best valuation interest rate. That range is the range in which returns are more likely to fall than not. It is a 50% chance the rates will fall within that range and 50% chance it will fall above or below that range and this is a minimum standard although those standards will be changing in the near future. The range for the Clerks' system is 6% to 8.4% and you can select anywhere within that range. He reported that they calculated the center point and it would be 7.25%, but they are recommending the 7.5% interest rate because they felt it is doable. Gary reported that because of other changes to the plan, it did not cause that much of a short term increase in contributions and the evaluation for year ending 2012 was based on that valuation interest rate. Gary said this will have the impact of giving the System a little more maneuvering room and not require them to reach out for risky investments. He said this new valuation interest rate is very positive for the system. Gary reported that the plan population as of June 30, 2012 is 2,269 active members (including DROP); 1000 retired members and survivors; 92 terminated vested members and 387 terminated members due a refund. The active members had reduced by 57 from the prior year while the number of retirees had increased by 25. The total payroll for 2012 was \$87,238,557 which was a reduction from the prior year of \$87,403,148. The ratio of net AVA to GASB is 82.05%.

Gary reminded the Board that in 1989 when the Board started funding the system on actuarial basis, the unfunded liability was frozen at \$58,719,822 and was amortized over 40 years with payments increasing at 4.75% per year. He said that over the next 5 or 6 years, the Board might want to address reducing the 4.75% amortization rate. Historically, the Board started amortizing the unfunded liability and made some additional payments in 1999 through 2002 which helped to reduce the outstanding balance. In 2005, because of the increase in cost the Board re-amortized it back out to 2029 again. Gary said they reduced the salary increase assumption from 6% to 5.75% per year and changed the assumption that DROP participants will retire after one year

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of post DROP service credit. In prior valuations, all DROP participants were assumed to retire at the end of the specified DROP period.

Gary briefly reviewed the 2012 legislative acts. In comparing the market rates of returns, Gary said he thinks you will continue to see the big swings from the upside to the downside. He reported that over the past 10 years the market value rates of return was 5% and for the last 20 years the rate of return was 6.6%. Demographics show that the average active member of the Clerks' System is 47 years old with 13.20 years of service an annual salary of \$38,448. A review of the active census by age indicates that over the last 10 years the population in the under-fifty age group has decreased significantly while the proportion of active members over-fifty increased. The percentage of members with service of at least 25 years has increased significantly. The average regular retiree is 71 years old with a monthly benefit of \$1838. Over the last 5 years, the number of retirees has increased by 175 and the annual benefits over same time period increased by \$6,340,175. Gary reported that the actuarial employer contribution rate required for fiscal year beginning July 1, 2013 is 18.50%. He informed the Board that they had determined that based on current assets and demographics, for each percentage under (or over) the assumed rate of return on the actuarial value of assets, there will be a corresponding increase (or reduction) in the normal cost accrual rate of 0.54% for the Fund. He reported that PRSAC would have to approve the report at their January meeting. Gary said that the report was much better than they originally thought it was going to be because they thought the contribution rate was going to be north of 20%. He also said because the Board had elected to maintain the employer contribution rate last year at 17.25%, it allowed for approximately \$900,000 to be added to the Funding Deposit Account. He further reported to the Board that because the fund had not met the target ratio the Board could not grant COLA's for retirees. Gary informed the Board that with changing the valuation interest rate it will affect the option factors and they will need to be changed based on actuarial equivalents. He said it will also affect transfers, purchases and other collateral issues so he recommended that those changes all be made effective July 1, 2013 in order to have time to make those changes. Tammy Foster moved that the Actuarial Report be accepted. Motion seconded by Cliff Dressel. **MOTION CARRIED.**

Gary distributed a copy of a table which is the factors relative to the actuarial equivalents (**Exhibit A**) that the Board needs to adopt effective July 1, 2013. Motion was made by Jim Martin. Motion was seconded by Gary Loftin. **MOTION CARRIED.**

APPLICATIONS AND REFUNDS: (On file in office)

Debbie reported there were 17 applications for DROP; 5 applications for regular retirement; 3 for post drop retirement and 1 for disability retirement. Tammy Foster moved that the applications be approved. Motion seconded by Mark Graffeo. **Motion carried.**

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Debbie further reported there had been 30 applications for refunds for the fiscal year in the amount of \$204,337.39.

REPORT OF EXECUTIVE DIRECTOR:

BUILDING COMMITTEE: Debbie reported that property was purchased on October 11, 2012. She stated that the first advertisement for construction would be in the paper on October 25th and for the next consecutive 2 weeks. There would be a mandatory pre-bid conference on November 9th and bids would be opened on November 20th. She reported that all of the parking had been poured and only the driveway was not poured, but would be in the next few days. She passed around a copy of the drawings that had been approved by the building committee. She said the bid documents require that the building be completed within 180 days and they would hope to break ground within 30 days of granting the contract. She said the Finance Committee would be discussing funding options as soon as the contract had been awarded.

COLA REPORT: (Report on file in office) Debbie reported that each of the Directors of the State and State-wide Retirement Systems had to attend a joint Senate and House Retirement Committee meeting to discuss the history of COLA's and the prospect of COLA's in the future. She presented the Board with the history of COLA'S granted by the Clerks' Retirement System and a response to the Chairman of the Senate Retirement Committee in reference to COLA's. She said on one hand you have Legislators wanting to grant COLA'S and on the other hand you have Legislators wanting to reduce benefits and reduce the unfunded liability. She said it appears to be some mixed concerns among Legislators.

Computer System: Debbie reported that she had signed the contract as previously authorized by the Board for the new retirement computer system. She reported that the programmer that had written the software for the Assessors' Retirement System had taken his staff that was working with him at CMA and formed his own company which is EXIGO and that is who the contract is with. She said he is currently working on the conversion process. She reminded the Board that 5 years ago they had authorized her to enter into a contract with Southwest Computer Systems for \$125,000. She postponed signing the contract because of the complaints she was hearing from their customers. She said they had subsequently worked with Pension Gold, a nation wide company, in looking at their system but had received a quote that was in excess of \$300,000. The contract with EXIGO is approximately \$30,000 and is a local company that is about 2 blocks from the office.

Ex Officio Members: Debbie furnished the Board with a copy of a letter from Representative Kevin Pearson appointing Malerie Cacibauda, secretary for the House Committee on Retirement, as an additional person to Stephanie Little to represent him at executive sessions of the Board.

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LAPERS: Debbie reported that the LAPERS Seminar had been very successful and reportedly one of the best they had ever had. Those in attendance from the Clerks' Retirement System were: Lynn Jones, Mark Graffeo, Tammy Foster, Hart Bourque, Chris Kershaw and herself. Immediately following the LAPERS Seminar, Tammy Foster, Hart Bourque, Chris Kershaw and herself went to Summit's First Annual Client's Seminar. She reported that it was also an excellent seminar. She stated that she had always been confident that Summit was doing an excellent job for the Clerks' Retirement System, but it was very re-assuring to meet many of Summit's other clients. She said that Summit has about 64 clients and about half of the clients were there. She said it was re-assuring to meet all of Summit's staff and watch them in action on how they are an organization that works as a family in the best interest of their clients.

EDUCATION REPORT: Debbie informed the Board that all of the regular Board members had met their educational hours and that it had been submitted to the Legislature as required by law.

LEGISLATION: Debbie informed the Board that any proposed legislation would be discussed at the meeting in November. She reported that the only legislation inquiries she had received, so far, was in reference to the System maintaining any employee contributions paid by the clerk in the System if the employee left employment prior to being vested. She said they would need Denise and Gary to look at that possible proposal.

DROP FUNDS: Debbie informed the Board that those DROP funds that were self-directed in Great West Guaranteed Fund by the members had been receiving 3.5% interest, but the interest rate had dropped to 2.5% effective October 1, 2012.

ATTORNEY: Denise Akers said that some of the members had questioned why the Legislator continues to increase the number of educational hours mandated for Trustees; she reported that according to Legislative Auditors, the Board cannot simply rely on the consultants to make decisions for the Board. She said the responsibility lies with the Board and therefore the Board has to really understand the decisions they make and why they make them. She said she wanted to make sure that when the Board is voting on an issue that the minutes reflect that they have considered all of the pertinent factors. Denise also informed the Board that she would send a copy of the Attorney General's opinion that the Retirement Board is not bound by the Public Bid laws in reference to awarding the contract on the new building, but it was still their fiduciary responsibility to accept a bid that was in the best interest of the System.

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OTHER BUSINESS:
No other business.

There being no further business to come before the Board, Cliff Dressel moved that the meeting be adjourned. Motion seconded by Jim Martin.


MEETING ADJOURNED.

Approved:



Lynn Jones, President

Respectfully submitted,



Debbie D. Hudnall, Executive Director

EXHIBIT A

System: Clerks of Court Retirement and Relief Fund

Effective Date: July 1, 2013

Category	Mortality Table		Interest Rate	Annuity Type	Unisex Sex Distinct	% Male
	Male Mortality Table	Female Mortality Table				
Valuation - Active Mortality	2000 RP Combined Healthy Male Table set back 3 years	2000 RP Combined Healthy Female Table set back 1 year	7.50%			
Valuation - Retired Mortality	2000 RP Combined Healthy Male Table set back 3 years	2000 RP Combined Healthy Female Table set back 1 year	7.50%			
Valuation - Beneficiaries	2000 RP Combined Healthy Male Table set back 3 years	2000 RP Combined Healthy Female Table set back 1 year	7.50%			
Valuation - Survivor Mortality	2000 RP Combined Healthy Male Table set back 3 years	2000 RP Combined Healthy Female Table set back 1 year	7.50%			
Valuation - Disabled Mortality	2000 RP Disabled Lives Mortality Table for Males	2000 RP Disabled Lives Mortality Table for Females	7.50%			
Transfers / Purchases	Valuation Mortality	Valuation Mortality	7.50%			
Disability Award Lifetime Equivalences	2000 RP Disabled Lives Mortality Table for Males	2000 RP Disabled Lives Mortality Table for Females	7.50%	immed	U	15%
Option 1 Factors	2000 RP Combined Healthy Male Table	2000 RP Combined Healthy Female Table	7.50%	Immed	U	25%
Option 2 & 3 Factors	2000 RP Combined Healthy Male Table	2000 RP Combined Healthy Female Table	7.50%	Immed	U	25%
Option 4 Factors	2000 RP Combined Healthy Male Table	2000 RP Combined Healthy Female Table	7.50%	Immed	U	25%
Drop Balance Life Annuity Conversions	2000 RP Combined Healthy Male Table set back 3 years	2000 RP Combined Healthy Female Table set back 1 year	*	immed	U	15%
Drop Balance Annuity Certain Conversions	N/A	N/A	*	immed	N/A	N/A

* Lesser of valuation interest rate or Moody's seasoned AAA rate as of the last date of the preceding fiscal year (as published in the Federal Reserve statistical release)