

APPROVED MINUTES
LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND
BOARD OF TRUSTEES MEETING
THURSDAY, OCTOBER 24, 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 Thursday, October 24, 2013, at 9:00 AM in Baton Rouge, Louisiana.

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

MEMBERS PRESENT:

President Tammy Foster
Carl Broussard
Mark Graffeo
Lynn Jones
Cliff Dressel
Gary Loftin
Stephanie Little, for Rep. Kevin Pearson
Margaret Corley, for Sen. Elbert Guillory

OTHERS PRESENT:

Debbie Hudnall, Executive Director
Jessica Portis, Summit Strategies
Phineas Troy, Summit Strategies
Gary Curran, Actuary
Michelle Cunningham, Auditor

GUEST PRESENT:

Charlie Jagneaux, Dot Lundin, Rick Arceneaux, Dodi Eubanks, Ron Looney, and Chris Kershaw

APPROVAL OF MINUTES:

Cliff Dressel moved that the minutes of June 11, 2013 be approved as presented. Motion seconded by Gary Loftin. **Motion carried.**

COMMENTS BY PRESIDENT:

President Tammy Foster welcomed everyone to the first Board meeting at the new beautiful Retirement office. She informed the Board with the new technology in the Board room, the meeting would be conducted without Board books although paper copies of financial were provided.

FINANCIAL REPORTS: (ON FILE IN OFFICE)

Treasurer Mark Graffeo presented the financial reports for June, July, August & September.

JUNE 2013 -	Monthly Revenue	\$ 2,095,527
	Other Additions	\$ 55,941
	Investment Gain (Loss)	\$ (8,659,777)
	Investment Expenses	\$ (483,615)
	Deductions	\$ (2,377,434)
	Net Income (Decrease)	\$ (9,369,359)
	Total Investments	\$ 417,237,105
	Total Assets	\$ 445,014,453

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JUL 2013 -	Monthly Revenue	\$ 1,777,560
	Other Additions	\$ 11,688
	Investment Gain (Loss)	\$ 12,267,024
	Investment Expenses	\$ (53,628)
	Deductions	\$ (2,287,871)
	Net Income (Decrease)	\$ 11,714,772
	Total Investments	\$ 430,094,090
	Total Assets	\$ 455,641,441
AUG 2013 -	Monthly Revenue	\$ 1,901,074
	Other Additions	\$ 40
	Investment Gain (Loss)	\$ (7,238,769)
	Investment Expenses	\$ (52,729)
	Deductions	\$ (2,257,740)
	Net Income (Decrease)	\$ (7,648,124)
	Total Investments	\$ 422,763,148
	Total Assets	\$ 447,793,690
SEPT 2013 -	Monthly Revenue	\$ 2,067,540
	Other Additions	\$ (91,493)
	Investment Gain (Loss)	\$ 14,122,068
	Investment Expenses	\$ (180,584)
	Deductions	\$ (2,392,519)
	Net Income (Decrease)	\$ 13,525,011
	Total Investments	\$ 436,658,794
	Total Assets	\$ 461,313,982

Mark pointed out that the net income for 3 months ending September 2013 was \$17,591,659.

Motion was made by Cliff Dressel to receive the financial reports. Motion seconded by Carl Broussard. **Motion carried.**

AUDIT REPORT: (Report on file in office)

Michelle Cunningham with Duplantier, Hrapmann, Hogan & Maher presented the audit report for the fiscal year ending June 30, 2013. She reported the Retirement System received the highest and cleanest opinion you can receive. She reviewed the required changes in the Independent Auditor's Report. She reviewed a few of the financial highlights stating that the assets exceeded its liabilities at the close of the fiscal year 2013 by \$443,430,781 with net position held in trust increasing by \$53,158,439 or 13.62%. The total contributions were \$21,937,111; funds collected from ad valorem taxes were \$8,808,707 an increase of 8.77% from prior year; and total state revenue sharing was \$320,859 a slight decrease from the prior year.

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Michelle reported that the net appreciation in investments was \$43,665,465 as compared to a net appreciation of \$469,829 the prior year. The total return for the year was 14.18%. She informed the Board that benefits paid to retirees and beneficiaries increased by 12.15% over the prior year and DROP benefits paid to participants increased by 118.19% over the previous year. The property, plant and equipment increased by \$780,226 due to the purchase of land and construction of a building. Michelle reported that the plans net position increased by 13.62% (\$443,430,781 as compared to \$390,272,342 the prior year.) She said there were no changes in footnotes, but that next year footnotes would be massive because of GASB 67 and 68. Michelle reported that the fund had a very good year and a very good audit. She thanked the staff for the courtesies that were extended to them. Debbie thanked Chris Kershaw and all the staff for all the work they did in making the audit as easy as possible for the auditors.

Motion was made by Mark Graffeo to approve the Audit Report. Motion seconded by Cliff Dressel. **Motion carried.**

Michelle Cunningham presented the Compliance Questionnaire that been completed as it is in the years past and asked for the Board approval. Tammy Foster moved that the Compliance Questionnaire be approved. Motion seconded by Carl Broussard. **Motion carried.**

ACTUARY REPORT: (On file in office)

Gary Curran gave the actuarial report as of June 30, 2013. He reported to the Board that the number of active employees was continuing to shrink and there was a slight drop in payroll. He stated that only interest was added to the Funding Deposit Account increasing it from \$1,505,286 to \$1,618,182. He said that the unfunded liability is now \$87,579,997 which is beginning to decrease a little but the amount of reduction should begin to accelerate. The market value of the assets as of June 30th was \$443,430,781 with actuarial asset value of \$423,354,992. The ratio of Net AVA to GASB – 25 was 82.86% with a target ratio 71.76%. The actuarial required rate for fiscal year 2015 is 18.5%. He reminded the Board that the unfunded liability which was frozen will be paid off by 2029. He stated that payments on the Fund's unfunded actuarial accrued liability increases by 4.75% each year.

Gary reported they had changed the structure of assumptions related to the payment of benefits to current and prospective DROP participants. For the prior year, all members who entered DROP were assumed to participate for 3 years and to remain in service for one additional year at the completion of DROP at which time they were assumed to retire. The current valuation was based on the assumption that all members who enter the DROP will participate for 3 years; at the completion of participation 2/3 of participants are assumed to retire and 1/3 of participants are assumed to remain in service for 4 additional years and then retire. This assumption produced an actuarial loss which resulted in an increase in normal cost.

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He reported on the two legislative changes in the plan provisions:
Act 170 which changes the target ratio in order to provide for COLA'S and the Board must vote on it by December 31, 2013.

Act 365 – The transfer act which gives members of statewide retirement systems the option to purchase the accrual rate of the receiving system at time of transfer if said accrual rate is greater than the accrual rate of the transferring system. It also allows members to execute a reverse transfer only one time, at the time of retirement or during active service if submitted to the receiving system on or before December 31, 2013.

Gary reported the market value rate of return for 2013 was 12.9% but the actuarial rate of return was 4.9% because of the 5 year smoothing. He informed the Board that the 19.3% loss in 2009 would not be calculated in the next actuarial report. The actuarial return for the last 10 years is 6% and over the last 20 years 6.8% which still lower than the 7.5% required rate.

He informed the Board that the average active member is 47 years old with 12.93 years of service and an annual salary of \$38,672. The plan has experienced a decreased in the active plan population of 160 members over the last 5 years. The average regular retiree is 70 years old with a monthly benefit of \$1,943. It was reported that the number of retirees and beneficiaries receiving benefits from the system increased by 64 during the fiscal year. Over the last 5 years, the number of retirees has increased by 215 and during this same period the annual benefits in payment increased by \$8,121,715. Deaths were significantly above expected levels. Demographics show the younger group is shrinking and the older age is increasing.

Gary said 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 0.56% for the Fund.

The possibilities of COLA's were discussed, but will be discussed in more detail at a later date.

Motion was made by Lynn Jones to approve the actuarial report. Motion seconded by Gary Loftin. **Motion carried.**

Gary briefly discussed GASB 67 and 68 stating that it had nothing to do with the funding of the plan but would require the pro-rata share of assets and liabilities to be included on the financial statements of the contributing employers in 2015.

INVESTMENT COMMITTEE REPORT

Jessica Portis reported that the committee had held monthly conference calls and discussed the economic conditions and were continuing to monitor the asset allocation.

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SUMMIT STRATEGIES (Report on file in office)

Jessica Portis gave the Economic and Capital Markets update for September. She said the governmental shut down was the first in 17 years and that it will have an impact on GDP over the next couple of quarters. She reported that the GDP had increased 2% in the developed economies and 5% in the emerging economies. The Fed left the overnight lending rate unchanged (0-0.25). She went on to highlight the various sectors of the market.

Phineas Troy gave an update on the Clerks' Retirement Fund portfolio stating that the Fund had returned 4.55% for the fiscal year slightly trailing the index but for the trailing year up 12.81% and slightly ahead of the index. US equities had the highest rate of return for the fund at 7.16% for the fiscal year. He said we continue to see strong positive returns on the Real Estate portfolio with 2.65% for the fiscal year and 12.17% for the trailing year. Jessica addressed the international markets and said we would continue to monitor those managers along with the fixed income managers.

PORTFOLIO PERFORMANCE

	SEPT 2013	1 MOS	FYTD
Total Funds	\$459,245,003	3.36%	4.55%
US Equity			
QMA	\$ 44,958,755	2.80%	5.21%
Rothschild	\$ 25,603,431	3.47%	5.43%
Westfield	\$ 34,951,970	4.94%	10.33%
Ironbridge	\$ 35,286,558	4.75%	7.92%
Intl. Equity			
Vontobel	\$ 62,804,990	4.56%	5.55%
Mondrian	\$ 11,860,901	7.08%	11.17%
William Blair	\$ 11,772,496	7.33%	12.11%
DFA	\$ 21,262,180	7.39%	7.14%
Fixed Income			
Pyramis	\$ 62,195,615	1.30%	1.06%
SSgA Tips	\$ 12,288,684	1.45%	.69%
Hedge Funds			
Blackstone	\$ 20,024,076	0.93%	1.97%
Magnitude	\$ 19,957,865	0.72%	0.26%
UBP	\$ 2,176,638	-0.63%	-0.58%
Real Estate			
Clarion	\$ 42,035,746	2.65%	2.65%
MLP'S			
Harvest	\$ 14,781,211	2.35%	0.91%
Tortoise	\$ 14,341,507	2.53%	1.01%
Whitney -Cash	\$ 490,179		
DROP FUNDS	\$ 18,743,128		
Cash Funds	\$ 3,709,077		

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Phinney then gave an international equity update. The developed international equities (11.6%) led and emerging equities (5.8%) lagged. Emerging markets continue to struggle and underperformed for the quarter. Summit expects continued growth in emerging markets. They believe there will be slowing economic growth in developed economies and higher economic growth in emerging economies. They expect ongoing government intervention and periodic moments of high volatility. They suggest investors to monitor valuations on developed markets and public equities and suggest that they be overweight in emerging market equities. They also believe investors should emphasize broad diversification and focus on active management and quality. They feel investors should hedge against volatility by utilizing tactical trading strategies. Jessica said there are no perfect benchmarks, but they will discuss with the investment committee what the appropriate benchmark should be. Summit feels that the international global small cap equities, domestic large cap equities and domestic global small cap equities are overvalued.

APPLICATIONS AND REFUNDS: (On file in office)

Debbie reported there were 16 applications for DROP; 7 applications for regular retirement; 13 for post drop retirement; and 1 survivor retirement. Gary Loftin moved that the applications be approved. Motion was seconded by Mark Graffeo. **Motion carried.**

Debbie further reported there had been 32 refunds for the fiscal year in the amount of \$282,848.

EXECUTIVE DIRECTOR REPORT

Debbie reported that with the new GASB 67 & 68 being implemented, the Legislative auditors are requiring additional information and forms to be completed by the actuaries and Gary Curran is in the process of working on those.

Debbie reminded the Board that they would have to make a decision by December 31, 2013, whether or not they would proceed under Act 170 to grant COLA'S or remain under the current provisions of law. She advised the Board that the attorneys were continuing to review all the facts pertaining to the issues.

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APPOINTMENTS:

Debbie presented a letter from Senator Elbert Guillory appointing Margaret Corley, attorney for the Senate Committee on Retirement and Laura Gail Sullivan, Senate Council, as his representatives at executive sessions of the Board. She also presented a letter from Representative Kevin Pearson appointing Stephanie Little, attorney for the House Committee on Retirement as his representative at executive sessions of the Board.

Debbie presented a letter of request from Denise Akers for a slight increase in their hourly rates by \$5.00 increasing the rate to \$215 per hour. This represents a 3% increase. Gary Loftin moved that the increase be approved. Motion seconded by Mark Graffeo. **Motion carried.**

Debbie gave an update on the 25th Annual LAPERS Seminar in New Orleans. She reported that 6 members of the Board had attended along with Chris Kershaw and herself. She also reported that the annual report on the required education hours had been submitted and that all Trustees had received the required number of hours. Debbie also informed the Board that LATEC would be having a seminar in New Orleans on February 26th – 28th.

BUILDING UPDATE:

Debbie reported that the listing agreement had expired with the Realtor on the Bricksome property. She said there had only been 2 showings. She had spoken to the Realtor about the possibility of renting the property. The Realtor said rental rates could range from \$9 to \$12 per square foot, but the rental market is pretty saturated in that area at this time. He doesn't feel that reducing the price would increase the interest at this time. Gary Loftin moved that the Retirement Board recommend to the Association Board that they renew the listing contract with the Realtor and re-evaluate at the end of 6 months. Motion seconded by Mark Graffeo. **Motion carried.**

Debbie reported that they had moved into the new building on August 5th and everything has been working very smoothly. She said she could say enough on how hard the staff had worked in moving into the new building and kept their regular work up to date. She said the staff had moved the entire office except for one day when two men were hired and paid \$250 to move some furniture. She stated that the building came in under the cost of the bid and was she was pleased to announce that the construction cost of the building was \$107.81 per square foot which is an excellent price in the Baton Rouge market. She reported that the recording technology in the Board room would allow for not only audio recording, but anything displayed on the screen was captured along with the audio that is recorded directly to the computer system.

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Debbie reported that new furniture and fixtures were purchased except for two offices. She also reported they had used the photos from Lynn Jones' Courthouse book for the artwork and thanked Lynn for providing those photos.

COMPUTER SYSTEM UPDATES:

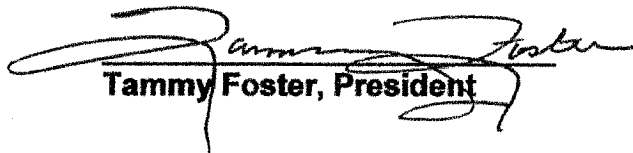
Debbie said they were still running dual systems and hoped they would be able to eliminate the old system in the near future. She said that they had been running the retirement payroll out of the new system and that part was working fine. She said the staff had been great in being willing to work with the new system even though they had to duplicate their work which includes all the monthly posting of contributions into both systems. She reported that that had weekly meetings with the vendor and continued to narrow the task list.

Debbie reminded the Board that the Open House would be that afternoon from 5:00 pm to 7:00 and hoped everyone could attend.

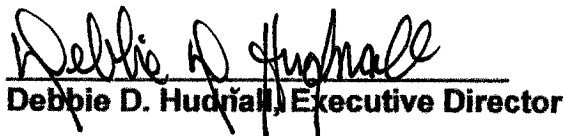
There being no other business; motion made by Cliff Dressel to adjourn. Motion seconded by Gary Loftin. **MOTION CARRIED.**

MEETING ADJOURNED.

Approved:


Tammy Foster, President

Respectfully submitted,


Debbie D. Hudrial, Executive Director