APPROVED MINUTES

LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND BOARD OF TRUSTEES MEETING

TUESDAY, MAY 22, 2012
BATON ROUGE, LOUISIANA
9:00 AM

A meeting of the Louisiana Clerks of Court Retirement and Relief Fund Board of Trustees was held on Tuesday, May 22, 2012, at 9:00 AM in Baton Rouge, Louisiana.

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

MEMBERS PRESENT:
President Lynn Jones
Tammy Foster
Diane Meaux-Broussard
Jim Martin
Hart Bourque
Cliff Dressel
Mark Graffeo

OTHERS PRESENT:
Debbie Hudnall, Executive Director
Jessica Portis, Consultant
Rebecca Wisbar, Attorney
Gary Curran, Actuary

GUEST PRESENT:
Julian Dufreche
John Olivier
Tommy Sullivan
Bud Bergeron
Malise Prieto
Carl Broussard
Darlene Landry

Debbie introduced Attorney Rebecca Wisbar, partner of Denise Akers, who was sitting for Denise who was unable to attend.

Rebecca Wisbar administered the oath of office to Jim Martin.

APPROVAL OF MINUTES:
Cliff Dressel moved that the minutes of the March 6, 2012 meeting be approved. Motion seconded by Hart Bourque. **Motion carried.**

COMMENTS BY PRESIDENT:
President Lynn Jones welcomed the Board members and guest to the meeting. He said he would like to begin a new tradition by starting each meeting with a quote. He quoted Franklin Roosevelt "It is common sense to take a method and try it. If it fails, admit it frankly and then try another, but above all – try something." He announced that his first order of business would be to appoint the new investment committee who would be: Tammy Foster, Jim Martin, Mark Graffeo and Gary Loftin. He reported that Cindy Johnston did a great job hosting the convention because it was really nice and that everyone had a great time. Lynn said that his District Attorney, who swore the officers in, told him that night that the Clerks were some of the nicest people he had ever met and made him feel very welcomed. Lynn said that he was looking forward to a good year because he had all the confidence in those on each of the Boards.

FINANCIAL REPORTS: (ON FILE IN OFFICE)
Jim Martin presented the financial reports for February, March and April 2012 showing a return of $21 million dollars for the fiscal year to date.

FEB 2012-	Monthly Revenue	$ 2,235,834
	Other Additions	$ 40
	Monthly Deductions	$ (2,348,757)
	Investment Gain (Loss)	$ 12,564,278
	Net Income (Decrease)	$ 12,451,395
	Total Investments	**$ 371,837,131**
	Total Assets	**$ 396,104,266**
MAR 2012-	Monthly Revenue	$ 2,272,257
	Other Additions	$ (71,664)
	Monthly Deductions	$ (2,642,633)
	Investment Gain (Loss)	$ 2,958,617
	Net Income (Decrease)	$ 2,516,577
	Total Investments	**$ 374,618,829**
	Total Assets	**$ 398,620,596**
APR 2012-	Monthly Revenue	$ 1,930,953
	Other Additions	$ (44,549)
	Monthly Deductions	$ (2,028,253)
	Investment Gain (Loss)	$ 738,243
	Net Income (Decrease)	$ 597,393
	Total Investments	**$ 375,276,303**
	Total Assets	**$ 399,217,211**

Jim also presented the financial reports for the Retirement Administrative Fund for the months of February, March and April 2012.

FEB 2012 -	**Total Fund Balance**	**$**	**247,262**
	Monthly Revenue		125,096
	Monthly Expenses		151,821
	Net Income (Loss)		(26,725)
MAR 2012 -	**Total Fund Balance**	**$**	**314,937**
	Monthly Revenue		125,101
	Monthly Expenses		57,427
	Net Income (Loss)		67,675
APR 2012 -	**Total Fund Balance**	**$**	**301,393**
	Monthly Revenue		125,121
	Monthly Expenses		241,621
	Net Income (Loss)		(116,501)

Motion was made by Tammy Foster to receive the financial reports. Motion seconded by Mark Graffeo. **Motion carried.**

INVESTMENT COMMITTEE REPORT:
Jessica Portis reported that the Investment Committee held a conference call on April 10 and received an update on the portfolio and begin the discussion of private equities. The next conference call is scheduled for June 6th.

SUMMIT STRATEGIES GROUP: (Reports on file in office)
PORTFOLIO AND MARKET UPDATE:
Jessica reported to the Board that for the first quarter equities were strong with a 13.3% return most of which was from the US portfolio. The entire fund was up 8.04% for the 1st quarter placing them in the 57 percentile. She reported the entire fund was up 4.01% for the fiscal year to date resulting in the Fund being in the 28 percentile. Jessica pointed out that the MLP's were up 16.10% year to date, placing the Fund in the first percentile. She also reported the Real Estate up 10.55% for fiscal year to date. She said that having exposure to things outside equities had been extremely beneficial to the portfolio. She reported it was a very solid first quarter for the retirement system.

THE ECONOMY:
Jessica reported that it was a dramatically different backdrop for the economy for the month of April and continuing month to date in May. She stated that the euphoria of the first quarter had been corrected over the last six weeks. Equity markets were negative for April. Six of the ten economic sectors within the S&P 500 were negative. Financial stocks as well as technology stocks were the worst performers even though they were the best performers in the first quarter. Most indices had strong double digit returns for the first four months of the year; which was more than expected to get out of equity market for the entire year, so there was no surprise that there was a pullback in terms of the performance that had been generated. They still feel that a lot of the macro economic issues that have been talked about over the past couple quarters are still bubbling and that nothing has been done to address them. The good news is that fixed income markets did well for April.

Jessica reported that as for as the Asset Allocation, the fund was overweight in US equities and underweight in International equities which had benefited the fund because international equities had underperformed the US equities. Despite equities being down over the course of the month of April, the total fund was able to generate a positive return of 17 basis points which was better than the policy index. The reason is that the MLP's did well along with the fixed income and Hedge funds were positive. The return for the fiscal year as of April 30th was 4.18% which was better than the policy index.

Jessica reported that things had gotten worse in terms of the economic situation. She said that last week was the worst week on record so far in 2012. She said that a very rough estimate that she did just before the meeting for month to date in May, looking only the broad markets and leaving everything else constant as of April, the fund would have about a 15 to 20 million dollar decline in market value for the month of May. This shows that the market value can move very dramatically based on short term fluctuations in the markets; however, we are looking for the longer term performance making sure the portfolio is positioned to weather the storms.

PORTFOLIO PERFORMANCE

	April	1 Mo	FYTD
Total Investments	$398,357,356	0.17%	4.18%
US Equity			
QMA	$ 38,293,361	-0.85%	7.74%
Rothschild	$ 21,736,968	-0.78%	5.14%
Westfield	$ 30,226,683	-0.79%	2.62%
Ironbridge	$ 29,771,792	0.01%	0.25%
Intl. Equity			
Vontobel	$ 50,117,653	0.85%	
Mondrian	$ 8,803,042	1.33%	-2.34%
William Blair	$ 8,392,804	0.92%	-4.70%
DFA	$ 20,914,855	-3.27%	-15.37%
Fixed Income			
Pyramis	$ 60,017,135	1.16%	6.92%
SSgA Tips	$ 12,677,137	2.02%	10.42%
Hedge Funds			
Blackstone	$ 13,811,842	0.17%	0.63%
Magnitude	$ 14,363,023	0.14%	2.40%
UBP	$ 4,490,238	-0.21%	-0.26%
Real Estate			
Clarion	$ 37,621,578		10.01%
MLP'S			
Harvest	$ 11,270,250	2.82%	20.10%
Tortoise	$ 10,952,687	1.50%	17.21%
Hancock Cash	$ 1,830,807		0.03%

Asset Liability Study: (on file in office) Jessica advised the Board that Summit had performed an Asset Liability Study based on the information they had received from the actuary and then they formulated projections. She said that Summit does this so they can find out if there is any information to be garnered by looking at the liabilities to know how they should be investing the portfolio. The evaluation has an asset side and a liability side. The asset size generally is enlarged by contributions and returns on investments and the benefit payments make the assets smaller. Currently, contributions are about $30 million and the benefit payments are about $24 million annually. As of June 30, 2011, the liability side was approximately $524 million and the normal costs or benefit accruals make the liability number get larger each year and then the benefit payments reduce the liabilities because they are being paid each year. We assume that the liability level grows at an 8% level every year. The difference between the market value and the liability is about 72%.

They assume that the number of retirees will increase over time, but retirees will also be replaced as active employees so they assumed the active number of employees will remain the same. Assuming actual experience is the same as the assumptions over the next 10 years, they project that the current benefit payments of $24 million would increase to $54 million by 2021. They assumed that contributions of $30 million will remain stable throughout that same period. She reminded the Board that contributions are 2 pieces: a portion of the contribution goes toward paying down the unfunded liability and a portion that goes toward the new benefit accruals. Currently, the cash flow is greater than the outflows, but as more people retire and benefit payments increase, the cash flows will begin to turn negative. By the end of the projection period, net cash outflows are roughly 4% of assets that is with maintaining an 8% rate of return. Gary Curran reminded everyone that there are many variable factors that go into all aspects.

The conclusions based on their baseline projections: Funded status is expected to improve to 87% by July 1, 2022, assuming:

Annual return of 8%

Required contributions of $349 million

If 8% annual return is not achieved, the funded status at the end of the period will be lower and contributions requirements will be greater. Jessica informed the Board that achieving a return of 8% will be difficult in this environment because there are very few asset classes that provide a return in excess of 8% with exception of many of the illiquid alternatives. She stated that this situation emphasizes the need for adequate diversification beyond a traditional stock/bond portfolio. The plan's current target allocations represents a well-diversified mix of assets, but the expected 10 year return for the current portfolio is 7.20%. She said that modifications to the current portfolio could enhance the expected return and reduce the volatility through additional diversification. The recommended portfolio has a 10 year expected return of 7.5% and a lower standard deviation than the current portfolio due to additional diversification. This is accomplished by: decreasing the TIP's allocation to 2% from 5%; increasing the Core Plus allocation to 18%, from 15%; adding a 5% private equity allocation and increasing the MLP allocation to 7.5% from 5%. She said she was not expecting the Board to take any action today because the report was meant to be informative and a good chance to look at how things could evolve over time. She thought it would be a useful tool for the investment committee as they continue to have discussions on asset mixes. She said the investment committee would continue to have those discussions and would come back to the Board with any recommendations.

ACTUARY REPORT: Gary Curran stated that the required 8% rate of return continues to give them some concern when you see that Summit's expected return rate over a 10 year period is significantly lower. He said he didn't think that by itself indicates that the rate needs to be changed, because our time frame is a lot longer than 10 years, but it is one element of the picture. He said they were working on developing a decision process now whether or not they think that rate is attainable. He said he would probably have something by the next meeting. He said they are probably biased toward lowering the rate by one-half percent. He said they wanted to make sure that there was not so much pressure put on investments so that Funds would be increasing risk in order to try to reach those goals.

Gary also reminded the Board about the possible new GASB standards that would require each clerk to include the assets and liabilities of the Retirement Fund on their financial statements. This would mean that the actuary would have to do an evaluation for every individual participant group in the fund. He said there might be a final statement issued in June by the Feds. Michelle Cunningham said she thought it had been pushed back another year.

APPLICATIONS AND REFUNDS: (On file in office)
Debbie reported there were 10 applications for DROP; 6 applications for regular retirement; 1 application for disability retirement; and 1 application for survivor benefit. Mark Graffeo moved that the applications be approved. Motion seconded by Cliff Dressel. **Motion carried.**

Debbie further reported there had been 113 applications for refunds for the fiscal year in the amount of $1,033,638.

SITE SELECTION COMMITTEE: Tom Sullivan, Chairman, gave a brief overview of the Site Selection Committee's recommendation that had been previously reported to the Association. The Committee consisted of Tom Sullivan, Lynn Jones, Mark Graffeo and David Dart. He reported that in 2010 and 2011, the Executive Committee had recommended in their Strategic Planning Report that the Association begin looking into the possibility of a new Association building. It was the consensus of the Association Board that another building was needed to house the operations of the Clerks' Association, Retirement and Insurance operations. The Committee had asked Scott Guidry, a Commercial Realtor who had spoken to the Association Board, to compile a list of buildings and sites that met the criteria of what was needed. The Site Selection Committee toured a number of buildings and sites and their recommendation was that a 4000 square foot site be purchased on Jefferson Highway and a new building be constructed. He reported that it was his recommendation that the Association tie this property up as soon as possible because it was a site that wasn't even on the market at time and he was concerned it might not be available for long. The Association had a conference call and authorized Tom to negotiate a purchase agreement and Debbie to sign the documents.

The proposal was then presented to the entire Association at the Convention and the Association voted that they proceed with the new building and that they look further into the funding of the new building.

President Lynn Jones stated that Michelle Cunningham, auditors for the Association and Retirement Funds, had been asked to perform a cost analysis on the construction of a new building compared to renting a building.

Michelle Cunningham presented a cost analysis to the Board. **(Exhibit A)** Michelle presented to the Board a 25 year comparison to renting a building and building a building. She pointed out to the Board that the rental buildings did not include conference rooms or include the building out cost. She informed the Board it was an advantage to building your own building because after 25 years you would have an asset rather than paying out rent for 25 years and then not owning an asset. Michelle reported that the most ideal situation is to put the building on the Retirement Fund's books having them own the building. It would be a governmental entity so you would not pay property taxes. Additionally, since it is owned by the Retirement System, the Retirement can then rent it to the Association and Insurance and that portion of the building would be considered an investment portion. That portion will always be marked at fair market value, so that you get an appreciation in the value of the building as the value increases over time. A portion would be an investment asset and a portion would be an operating asset that would depreciate over a long period of time. Gary Curran informed the Board that even if the building cost $1 million and had no rental income, it would not have a material impact on the Retirement Fund. Jessica Portis informed the Board that the Fund currently has $37.6 million in real estate investments.

Michelle informed the Board that the current Association building is on the Association books, and that if the Retirement Board wanted to, they could buy the building from the Association and consider it an investment and then mark it up to fair market value on the Retirement's books and either rent it out or sell it. She said in order for the Retirement Fund not to foot the entire cost of building, the Association and Insurance could put up some money toward the building. She said the cleanest way to do that is to still have it owned by the Retirement Fund, but if the Insurance put up $100,000 toward the building it would be considered lease hold improvements on the insurance book.

After much discussion, Jim Martin moved that the Retirement Board report to the Association Board and Insurance Board that after consideration from the actuary and auditors that the Retirement Board move forward with the purchase of the pad site and the construction of a new building in accordance with those recommendations that the property and building be owned by the Retirement Board and that the Purchase Agreement be assigned from the Association Board to the Retirement Board and the remuneration from the other Boards will be worked out a later date. This motion is subject to the approval of the Association Board and Insurance Board. Motion seconded by Tammy Foster. **Motion carried.** Diane Meaux Broussard voted Nay.

Tammy asked that an update on the building be maintained on the Clerks' website.

REPORT OF EXECUTIVE DIRECTOR

Audit Proposal: Debbie presented an audit proposal for the year ending June 30, 2012 from Duplantier, Hrapmann, Hogan & Maher, LLP for a cost of $17,600 to $18,400. Tammy Foster moved that the proposal be approved. Motion seconded by Cliff Dressel. **Motion carried.**

Attorney Proposal: Debbie presented a proposal from Akers & Wisbar, LLC to increase their hourly rate from $200 to $210 as of January 1, 2013. Cliff Dressel moved that the increase be approved. Motion seconded by Mark Graffeo. **Motion carried.**

Computer System: Debbie reported that the Assessors who are using the same company for their retirement software is planning to go on line this month with the new software. Debbie reported she is still working with CMA in moving forward with the new software, but waiting for the Assessor to have more of the bugs worked out.

Direct Deposits: Debbie further reported that currently 24 clerks are making direct deposits for their retirement payments. She reported that 2 entities have continued to be late in their payments and have had to make interest payments for being late.

City of New Orleans Update: Debbie reported that after about 15 to 20 years in not receiving ad valorem taxes from the City of New Orleans, we finally received the complete payment on the settlement and should be receiving ad valorem taxes in the future from the City of New Orleans in accordance with the settlement.

Legislation: Debbie gave the following Legislative update on retirement bills affecting the Clerks' Retirement Fund that had passed or probably would pass:

HB 41 (Clerks bill) Provides relative to the federal tax qualification laws had been Passed

HB 9 & 10 Forfeiture of retirement benefits by public employee or elected official who is convicted of felony acts associated with his office.

SB 2 Provides for attendance of legislative staff at executive sessions of retirement Meetings
SB 16 Provides for education for trustees of public retirement system boards
SB 24 Provides for re-employment of employees of Orleans Civil Clerk

ATTORNEY: Rebecca Wisbar reported that US Treasury Department Notice 2012-29 dealing with Normal Retirement Age invites public comment and it was their recommendation that this be referred to our tax attorney, Bob Tarcza. Tammy Foster moved to accept the recommendation of our attorney. Motion seconded by Cliff Dressel. **Motion carried.**

Debbie reported that the erroneous payment of retirement by one of the clerks had been corrected.

Mark Graffeo moved that the Board go into Executive Session to discuss a possible litigation. Motion seconded by Tammy Foster. **Motion carried.**

Board went into Executive Session

Jim Martin moved that the Board return into regular session. Motion seconded by Cliff Dressel. **Motion carried.**

Board returned into regular session.

OTHER BUSINESS:
No other business.

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

MEETING ADJOURNED.

APPROVED:

Lynn Jones, President

Respectfully submitted,

Debbie D. Hudnall, Executive Director

EXHIBIT A

LOUISIANA CLERKS OF COURT

RETIREMENT AND RELIEF FUND

ASSOCIATION

INSURANCE TRUST

RENT VS BUILD

Louisiana Clerks of Court Retirment and Relief Fund
Louisiana Clerks of Court Insurance Trust
Louisiana Clerks of Court Association

RENT VS BUILD

RENT	Sq Feet	Rate PSF	Yearly Rent	Year 1 -5	Year 6 -10	Year 11 -15	Year 16 -20	Year 21 -25	Total
4315 Bluebonnet Blvd Suite A	4,127	18.00	74,286.00	371,430.00	390,001.50	409,501.58	429,976.65	451,475.49	2,052,385.22
CAM, Insurance, Taxes		4.25	17,539.75	87,698.75	92,083.69	96,687.87	101,522.27	106,598.38	484,590.95
			91,825.75						2,536,976.17
9035 Bluebonnet Suite 2	3,282	17.00	55,794.00	278,970.00	292,918.50	307,564.43	322,942.65	484,413.97	1,686,809.54
CAM, Insurance, Taxes		4.25	13,948.50	69,742.50	73,229.63	76,891.11	80,735.66	121,103.49	421,702.39
			69,742.50						2,108,511.93
18212 East Petroleum	2,868	17.00	48,756.00	243,780.00	255,969.00	268,767.45	282,205.82	296,316.11	1,347,038.39
CAM, Insurance, Taxes		4.25	12,189.00	60,945.00	63,992.25	67,191.86	70,551.46	74,079.03	336,759.60
			60,945.00						1,683,797.98

Other Issues:
Build out cost
No conference room in any of the above noted buildings

Louisiana Clerks of Court Retirment and Relief Fund
Louisiana Clerks of Court Insurance Trust
Louisiana Clerks of Court Association

RENT VS BUILD

BUILD

	Sq Feet	Cost per Sq Foot	Total Bld Cost	Year 1 -5	Year 6-10	Operating Cost Year 11 - 15	Year 16 -20	Year 21 - 25	Total
Land			272,000.00						
Construction	4,000	100	400,000.00						
			672,000.00						672,000.00
Operating Cost									
Condo fees	4,000	0.97	3,880.00	19,400.00	20,370.00	21,388.50	32,082.75	33,686.89	126,928.14
Insurance			5,683.00	28,415.00	29,835.75	31,327.54	46,991.31	49,340.87	185,910.47
									984,838.60
Land			272,000.00						
Construction	4,000	125	500,000.00						
			772,000.00						772,000.00
Operating Cost									
Condo fees	4,000	0.97	3,880.00	19,400.00	20,370.00	21,388.50	32,082.75	33,686.89	126,928.14
Insurance			5,683.00	28,415.00	29,835.75	31,327.54	46,991.31	49,340.87	185,910.47
									1,084,838.60

Louisiana Clerks of Court
Retirement and Relief Fund
Association
Insurance Trust

Building Cost Comparison:

	Current	Projected New Building
Expense		
Condominum Fees	2,400	3,875
Electricity	3,000	7,000
Insurance	3,198	5,683
Storage	2,856	-
Janitorial	2,700	5,000
Maintenance Building	5,000	4,800
Meeting rooms	4,740	-
Travel cost - Attorney - Association	625	-
Travel cost - Attorney - Retirement	3,000	-
Travel cost - Actuary	800	-
	28,319	26,358