

APPROVED MINUTES
LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND
BOARD OF TRUSTEES MEETING
WEDNESDAY, JULY 25, 2012
LAKE CHARLES, LOUISIANA
9:00 AM

A meeting of the Louisiana Clerks of Court Retirement and Relief Fund Board of Trustees was held on Wednesday, July 25, 2012, at 9:00 AM in Lake Charles, Louisiana.

The meeting was called to order by President Lynn Jones. Diane Meaux Broussard gave the invocation and Cliff Dressel 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
Carl Broussard
Karen Culbertson

OTHERS PRESENT:

Debbie Hudnall, Executive Director
Chris Granger, Legislative Assistant to
Senator Elbert Guillory
Jessica Portis, Summit Strategies

Gary Curran, Actuary
Denise Akers, Attorney

APPROVAL OF MINUTES:

Hart Bourque moved that the minutes of the May 22, 2012 meeting be approved. Motion seconded by Cliff Dressel. **Motion carried.**

COMMENTS BY PRESIDENT:

President Lynn Jones welcomed everyone to the Board meeting and to his home turf. He said the Clerks had not been to Lake Charles since the 2007 Conference. He welcomed Bill Hodge as the new Board member representing the retirees.

President Jones gave his presidential quotes:

I have never in my life learned anything from any man who agreed with me.

By: Dudley Field Malone

To avoid criticism, say nothing, do nothing, and thus be nothing

By: Danny Caul

If the facts don't fit the theory, change the facts.

By: Albert Einstein

He reminded everyone of the Clerks' Institute in Marksville beginning August 7th. He urged everyone to bring as many deputies as possible because the 2012 Legislative Acts will be discussed.

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FINANCIAL REPORTS: (ON FILE IN OFFICE)

Jim Martin presented the financial reports for May 2012 showing a return of \$21 million dollars for the fiscal year to date.

| | | |
|------------------|--------------------------|-----------------------|
| MAY 2012- | Monthly Revenue | \$ 1,800,691 |
| | Other Additions | \$ 37,568 |
| | Monthly Deductions | \$ (1,976,343) |
| | Investment Gain (Loss) | \$ (16,817,449) |
| | Net Income (Decrease) | \$ 4,302,297 |
| | Total Investments | \$ 358,389,754 |
| | Total Assets | \$ 382,262,270 |

Jim also presented the financial reports for the Retirement Administrative Fund for the months of May 2012.

| | | |
|-------------------|---------------------------|-------------------|
| MAY 2012 - | Total Fund Balance | \$ 272,437 |
| | Monthly Revenue | 125,114 |
| | Monthly Expenses | 51,112 |
| | Net Income (Loss) | 74,002 |

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

INVESTMENT COMMITTEE REPORT:

Jessica Portis reported that the Investment Committee held a conference call at the beginning of June to further discuss the Asset Liability study that was presented at the May Board meeting. The Committee also had further education on Private Equities as a possible new asset class. The Committee did not meet in July but will in August where they will continue the discussion.

SUMMIT STRATEGIES GROUP: (Reports on file in office)

PORTFOLIO UPDATE:

Jessica Portis reported there was a bit of a weakening global economic landscape over the month of June. May was a difficult month but June was a much better month. The last day of June allowed for the markets to put together a competitive return. The US unemployment rate was at 8.2% in June as a modest 80,000 jobs were added. The number was lower than expected and continues to have trouble keeping pace with the 200,000 jobs a month that is needed in order to keep up with the population growth. GDP was 1.7% for the first quarter of 2012. Equity markets did rebound in June following a negative May; however, equity indices were negative for the second quarter. Jessica reported that treasuries rallied with risk aversions, but over the long term, fixed income markets do cause her some concern.

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Jessica reported that the four quarters of the last year continued to be volatile. She said the portfolio is slightly overweight in US equities and underweight in International equities. She reported that we are slightly overweight in MLP's and Real Estate, but still within the bands of the investment policy statements. She said we may need to move some of those funds around. She said it had been a benefit to the portfolio being underweight in International Equities. Lower growth and financial crisis in Europe is what hit the portfolio the hardest. Jessica stated that moving monies from equities to MLP's had been beneficial to the portfolio. She said also moving monies from fixed income to Real Estate had been a good move. She said the Board should continue to look at asset allocation for the new fiscal year. Hedge funds have not performed as well as expected, but Summit continues to feel confident in Hedge funds and having someone to react more quickly to the markets than traditional managers will play out over the longer term. She said there are a couple of managers that have lagged over the fiscal year and the one that stands out the most is Westfield, a US equity manager. There had been some stock specific issues that have caused their portfolio to lag. She said they will probably have them in again to speak to the Board. She said that Summit continues to have confidence in Westfield. IronBridge has also underperformed and they will probably bring them back in to speak to the Board. Jessica informed the Board that the International money managers had done well in comparison to their indices except for DFA who did underperform a little over 5%. She said that Summit still believes the low cost approach that DFA offers, the exposure to small caps and value will play out. She said Summit will be considering if a diversifying emerging market should be added at a future date and she would be bringing back a recommendation. She said that in terms of priority, she wanted to focus on Westfield and IronBridge, and DFA. Jessica reminded the Board that UBP is still in liquidation mode and that we only have \$3.6 million with them. She said Summit still has conviction in the managers that are in the portfolio, but would just like to have a few managers to come speak to the Board for their comfort level. Jessica said if the Board decided to increase the asset allocation in emerging markets that they would recommend looking at one that would be a growth manager to compliment DFA who is a value manager. Gary Loftin asked if there would be a time that the fund would have too many money managers. Jessica said there is not a hard number, but that you wanted the fund to have exposure to a lot of different types of asset classes. She said that if the Board does decide to invest in private equities, that there would be a whole lot of new managers over the time you are building that portfolio because you make commitments every year, and make commitments to multiple private equity managers. Jessica said that in this environment, where you don't know if you are headed toward inflation or deflation, having the ability to shift money from one asset to another asset is beneficial.

MARKET UPDATES:

Jessica reported that for month to date, July had been a fairly decent month. She said that growth in the developed world is expected to remain low. She said there is still uncertainty in the Eurozone; there is high consumer and government debt burden; there is muted employment growth; governments have to support the markets and corporate earnings are strong despite the headwinds.

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Jessica said that GDP growth for emerging markets is expected to be 6.3% by 2017 so the Board needs to make sure they capture that because developed economies, in aggregate, are expected to grow at 2.5%. The emerging markets have more money and less debt and they are looking to put capital to work. Jessica stated they Summit feels that extreme volatility has moderated but markets remain unsettled because the equity volatility spikes keep renewing fears

PORTFOLIO PERFORMANCE

| | June | 1 Mo | FYTD |
|---------------------|---------------|-------------|-------------|
| Total Funds | \$388,843,373 | 2.42% | 1.87% |
| US Equity | | | |
| QMA | \$ 37,303,648 | 3.96% | 4.95% |
| Rothschild | \$ 21,445,597 | 4.77% | 3.73% |
| Westfield | \$ 28,394,319 | 1.64% | -3.60% |
| Ironbridge | \$ 28,043,789 | 1.72% | -5.57% |
| Intl. Equity | | | |
| Vontobel | \$ 48,437,157 | 5.06% | |
| Mondrian | \$ 8,255,758 | 2.66% | -8.41% |
| William Blair | \$ 7,830,301 | 2.77% | -11.09% |
| DFA | \$ 19,443,073 | 4.52% | -21.32% |
| Fixed Income | | | |
| Pyramis | \$ 60,706,987 | .36% | 8.15% |
| SSgA Tips | \$ 12,817,398 | -.55% | 11.64% |
| Hedge Funds | | | |
| Blackstone | \$ 13,691,756 | -.05% | -.24% |
| Magnitude | \$ 14,368,890 | .16% | 2.44% |
| UBP | \$ 3,637,113 | -1% | .87% |
| Real Estate | | | |
| Clarion | \$ 38,608,554 | 2.86% | 13.16% |
| MLP'S | | | |
| Harvest | \$ 10,669,005 | 2.41% | 13.69% |
| Tortoise | \$ 10,412,800 | 2.73% | 11.43% |
| Hancock Cash | \$ 2,737,888 | | 0.03% |
| DROP FUNDS | \$ 15,656,622 | | |
| Cash Funds | \$ 6,043,679 | | |

ACTUARY REPORT: Gary Curran reminded the Board that their evaluation is based on a 5 year smoothing and that in the upcoming evaluation they will be dropping off the 2007 14.3% rate of return and replacing it with 2012's rate of return of approximately 2%. Additionally, the fund still has the loss of 2009 which is still working. He said that their best estimate right now is the cost pressure on the bottom line of the asset side of the equation will be somewhere around 3.6% of pay. He said that doesn't mean they expect the contribution rate to increase that much because they anticipate liability gains. He said that total liability gains last year amounted to about 2% and that he would expect something somewhere in that range this year as well. That would leave you with an estimated 1.6% increase in cost. The other factor is that the employer has been contributing 1% more than was required so that helps some. Gary informed the Board that they also need to consider changing the evaluation interest rate of 8%. He said as they have been telling the Board, they have been concerned about that rate for a number of years and they recommend that it be reduced from 8% to

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7.75%. He said he would like to see it at 7.5%, but he thought the more prudent thing to do is to reduce it to 7.75%. Internally, they have to develop the best estimate range for the future earnings of the fund which is the range, more probable than not, and the evaluation interest rate needs to be inside that range. The current rate is still within that range, but it is at the end of the range as the center point of that range is in the low 7's. Gary said that he didn't have any confidence that it would get much better in the next 3 to 4 years. The impact on cost on that item would be somewhere around 2.5%. He said they may be able to offset some of the cost by changing the way they are calculating liabilities in terms of the DROP plan. Gary said that it is never an easy call when to make the change, but he thought it was better to do it now rather than later. Gary Loftin asked if the Board should go ahead and reduce the required rate of return to 7.5% now. Gary Curran said the cost would be too expensive to reduce it by half of a percent and he would not be coming back to the Board to reduce it further for another 3 to 4 years. He said there would be collateral issues in reducing the required rate of return. He said that the option factors for the plan; it would reduce those very slightly therefore making them less favorable to the members. It will also have a marginal increase in a transfer to the system because the liabilities are more expensive. It will also reduce to the cost of repaying refunds. The collateral issues are very small in comparison to the central issue of getting the cost structure where it needs to be. Gary said because the required contribution rate is currently 16.25% he said that the employer rate could be approximately 20.5% effective July 2013. He said there are still some unknown factors. He said they are going to revisit some of the ways they are calculating liabilities on DROP retirement and may be able to release some reserves and that would help the situation somewhat. He said there is currently an assumption built into DROP that people will terminate after they finish DROP. He said most people do terminate upon completion of DROP, but some do not. He said as those people remain employed after DROP, they produce an actuarial gain and they were looking at capitalizing on those gains. Gary said they would base the evaluation on 7.75% and the Board could adopt the assumption rate at the time of the evaluation report.

APPLICATIONS AND REFUNDS: (On file in office)

Debbie reported there were 9 applications for DROP; 10 applications for regular retirement; and 18 for post drop retirement. Gary Loftin moved that the applications be approved. Motion seconded by Cliff Dressel. **Motion carried.**

Debbie further reported there had been 130 applications for refunds for the fiscal year in the amount of \$1,197,152.

BUILDING COMMITTEE: Debbie reported that the Association Board and Insurance Board had all approved going forward with the new building and transferring the Purchase Agreement to the Retirement Board. The Building Committee & Finance Committee had been appointed and she was trying to post updates on the Clerks' only website. She reported that the appraisal came back at \$7,000 less than the agreed

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upon amount and that Dr. Couvillion agreed to accept the appraised amount. She said she had met with Architect Scott Ritter with Ritter Maher Architects who is the Architect for Dr. Couvillion. The Building Committee has recommended the hiring of his firm. His contract has been sent to the attorney for review. She reported she had presented the Architect with a list of office space needs in order for him to have an idea. She informed the Board because of the "architectural burden" the actual space could be 4000 square feet more or less. She received a draft of the condominium documents and had sent those to the attorney to review. She said they had been delayed by all of the rain, but they had just started pouring concrete for parking.

Debbie asked that the Board pass a resolution authorizing Mark Graffeo or Lynn Jones to sign any required documents to purchase the property or construct the building.

Tammy Foster moved that a resolution be passed authorizing Mark Graffeo or H. Lynn Jones, II to sign any and all documents related to the anticipated purchase of a certain condominium unit, together with all privileges and appurtenances thereunto in the condominium regime situated on Lot A-1, Inniswold Estates, located in Section 70 & 58, T-7-S, R-1-E, Greensburg Land District, East Baton Rouge Parish, Louisiana, including but not limited to any assignment and any and all other documents necessary to purchase the property in the name of this system and any and all other documents required for the construction of the building on said property. Motion was seconded by Gary Loftin. **MOTION CARRIED.**

Gary Loftin said that he is in support of moving forward with the building and had informed his district representative he was in support, but he just wanted to be on record that although the Retirement Fund would be paying for the building, he wanted the other two entities to have some type of financial obligation toward the building either toward construction price, in paying rent or buying furniture. Gary was informed that both Boards agreed to participate in the financial end of the building in an amount to be determined.

Debbie further informed the Board that the Investment Policy needed to be amended in reference to Real Estate Investments to add that: investments in real estate shall be made only in property occupied by the Louisiana Clerks of Court Retirement and Relief Fund on or after July 1, 2012 in addition the other current language in the investment policy. Motion was made by Gary Loftin to so amend the Investment Policy. Motion seconded by Hart Bourque. **MOTION CARRIED.**

REPORT OF EXECUTIVE DIRECTOR

Actuary Proposal: Debbie presented a proposal G.S. Curran & Company for the actuarial service beginning July 1, 2012. She said that it included an increase from \$2,935 per month to \$3,425 per month. Gary explained that the System had become more complicated because there are 3 plans within the system. Hart Bourque moved that the proposal be approved. Motion seconded by Jim Martin. **Motion carried.**

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Ex Officio Members: Debbie presented the Board with copies of a letter from Senator Elbert Lee Guillory appointing Margaret M. Corley as his representative at executive sessions of the Retirement Board. She also presented a letter from Representative Kevin Pearson appointing Stephanie Little as his representative at executive sessions of the Board.

Computer System: Debbie reported that she is awaiting CMA to complete the work for the Assessors Retirement System and then they will begin on the Clerks' system.

Legislation: Debbie reported that she had previously given the Board a list of the Legislative Acts passed affecting the Clerks' Retirement system, but she said she had included a copy of the Acts in their handout for them to review. She said she wanted to point out Act 718 which increases the educational requirement hours. She said in order to have enough educational hours; they would need all of the educational hours at the LAPERS seminar in September and other additional hours. She asked that those who would be attending LAPERS to fill out the LAPERS' registration form.

Debbie also distributed to the Board an invitation from Summit to attend a "Client Conference" in St. Louis on September 19th immediately following the LAPERS' seminar. Jim Martin moved that the Retirement Board attend the "Client Conference" in St. Louis in order to fulfill their education requirements. Motion was seconded by Tammy Foster. **MOTION CARRIED.**

IRS – Normal Age Retirement: Debbie reported that the Board had asked her to contact Bob Tarcza, our tax attorney, to see if we should give public comment on the IRS Normal Retirement Age. She reported that the attorney recommend that we offer no comments.

ATTORNEY: Denise Akers briefly discussed Act 515 which was a bill filed by the District Attorney's retirement system. She said she would talk to Gary Curran about it and bring it up at the next meeting if it needed to be discussed. Denise said that everything else had already been taken care of that she had on her list.

COMMENTS BY BOARD MEMBERS: Chris Granger, Legislative Assistant to Senator Guillory, said that Senator Guillory asked that he report to the Board that it had been a very difficult session. Senator Guillory wanted everyone to know that not one bill passed this year hurt a Louisiana worker. He stated that retirement bills were amended sometimes 6 to 8 times before they passed out of committee. He reported that the State still has \$19 billion unfunded accrued liability that Louisiana owes. He said that next year the legislature would ask everyone in every system to pay a little more, hopefully 1% more. Senator Guillory thinks he has found a new revenue stream that could be dedicated to paying down the unfunded liability faster and allow for COLA's to be paid faster.

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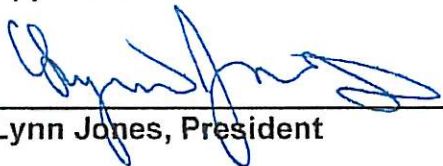
OTHER BUSINESS:

No other business.

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

MEETING ADJOURNED.

Approved:



Lynn Jones, President

Respectfully submitted,



Debbie D. Hudnall, Executive Director