

APPROVED MINUTES

LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND BOARD OF TRUSTEES MEETING WEDNESDAY, JULY 30, 2014 BOSSIER CITY, LOUISIANA 9:00 AM

A meeting of the Louisiana Clerks of Court Retirement and Relief Fund Board of Trustees was held on Wednesday, July 30, 2014 at 9:00 AM in Bossier City, Louisiana.

The meeting was called to order by President Diane Meaux Broussard. Holli Vining gave the invocation and Gary Loftin led the Pledge of Allegiance.

MEMBERS PRESENT:

President Diane Meaux Broussard
Carl Broussard
Holli Vining
Mark Graffeo
Tammy Foster
Gary Loftin
Hart Bourque
Kay Bolding

OTHERS PRESENT:

Debbie Hudnall, Executive Director
Jessica Portis, Summit Strategies
Phineas Troy, Summit Strategies
Gary Curran, Actuary
Denise Akers, Attorney

GUEST PRESENT:

Dot Lundin, David Dart, Doug Welborn, Greg Brown, and Karen Culbertson

APPROVAL OF MINUTES:

Gary Loftin moved that the minutes of May 21, 2014 meeting be approved as presented. Motion seconded by Hart Bourque. **MOTION CARRIED.**

COMMENTS BY PRESIDENT:

President Broussard thanked everyone for their attendance and thanked Gary Loftin for setting everything up.

FINANCIAL REPORTS: (ON FILE IN OFFICE)

Financial Reports were distributed for the months of April and May 2014. Treasurer Mark Graffeo reviewed the financial reports for May 2014. Mark pointed out that total investment income through May was \$66.6 million.

APR 2014 -	Monthly Revenue	\$ 2,061,429
	Other Additions	\$ (92,270)
	Investment Gain (Loss)	\$ 3,048,910
	Investment Expenses	\$ (401,734)
	Deductions	\$ (2,459,667)
	Net Income (Decrease)	\$ 2,156,668
	Total Investments	\$ 472,936,890
	Total Assets	\$ 502,613,976

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May 2014 -	Monthly Revenue	\$	2,194,362
	Other Additions	\$	(340,724)
	Investment Gain (Loss)	\$	8,451,839
	Investment Expenses	\$	(144,781)
	Deductions	\$	(2,433,966)
	Net Income (Decrease)	\$	7,726,730
	Total Investments	\$	481,292,729
	Total Assets	\$	510,337,658

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

INVESTMENT COMMITTEE REPORT:

Gary Loftin yielded to Jessica Portis to give the Investment Committee report.

Jessica reported the Investment Committee held a conference call on July 9, 2014 to discuss: update on fixed Income transition; May preliminary performance; June market returns; and change to William Blair Small Cap Value Addendum to the Statement of Investment Policy regarding REITs.

It was reported that currently the Fund's addendum to the Statement of Investment Policy for William Blair restricts the market value of all Real Estate Investment Trust (REITs) in the portfolio to no more than 10% of the portfolio's total market value. At the end of the second quarter 2014, REITs made up approximately 14.5% of the Russell 2000 Value Index. Keeping the existing REITs restriction of 10% in place would mean William Blair would be forced to remain significantly underweight to the REIT portion of the benchmark, regardless of the their view on the sector. William Blair had asked for the ability to hold at least the benchmark weight in REITs and slightly overweight position if they elect to do so. The Committee asked that the Board ratify their recommendation to adopt a change to the addendum to say that: William Blair shall not allow the market value of all Real Estate Investment Trusts in the portfolio to exceed 125% of the percentage weighting of all Real Estate Investment Trust held in the Russell 2000 Value Index. Mark Graffeo moved that the previously stated recommendation of the Investment Committee be approved. Motion seconded by Gary Loftin. **MOTION CARRIED.**

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SUMMIT STRATEGIES: (Report on file in office)

Phinney Troy gave the Economic Update as of June 30, 2014.

Phinney then reported on the Preliminary Flash Report as of June 30, 2014 with \$491,386,816 investments and preliminary rate of return for fiscal year ending June 30, 2014 of 17.71%.

PORTFOLIO PERFORMANCE

	2014	1 MO	FYTD
Total Funds	\$ 517,307,144	2.07%	17.71%
US Equity			
QMA	\$ 54,419,762	1.93%	27.35%
Rothschild	\$ 31,366,041	2.37%	29.03%
Westfield	\$ 41,016,935	2.00%	29.48%
William Blair	\$ 17,620,696	3.87%	
Elk Creek	\$ 17,461,974	5.97%	
Intl. Equity			
Vontobel	\$ 37,745,715	1.41%	16.38%
LSV	\$ 31,334,017	1.34%	
Mondrian	\$ 12,969,045	-0.60%	21.56%
William Blair	\$ 12,589,631	1.41%	19.89%
DFA	\$ 22,921,200	2.61%	15.50%
Fixed Income			
Pyramis	\$ 41,324,992	0.22%	6.18%
Pyramis (Tac)	\$ 20,079,846	1.36%	1.94%
SSgA Ag Bond	\$ 20,728,585		
Hedge Funds			
Blackstone	\$ 21,372,884	0.75%	8.84%
Magnitude	\$ 20,997,879	0.30%	5.48%
UBP	\$ 1,301,253	2.42%	5.00%
Real Estate			
Clarion	\$ 44,043,546	2.67%	10.87%
MLP'S			
Harvest	\$ 19,502,837	7.42%	33.15%
Tortoise	\$ 19,758,953	7.16%	39.17%
Whitney -Cash	\$ 2,861,026		
DROP FUNDS	\$ 19,074,389		
Cash Funds	\$ 6,845,939		

Jessica Portis then presented a market update and discussed annualized one, five and ten year equity market returns - discussing the US equity market, International equity market, U.S. economy and the interest rate environment. They also discussed the Consumer Sentiment Index prepared by the University of Michigan. Summit then reviewed their report in rating the different investments as to being undervalued, fairly valued and overvalued.

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ACTUARY REPORT:

Gary Curran reported that they were currently involved on re-working of calculations of liabilities for the 2013 under the new GASB standards and then looking forward to the 2014 year end. The beginning number for 2014 will be under the new standards. He said that one of the key issues when the liabilities are calculated is what interest rate to use. Gary said it was important because the total liabilities will be chopped up and then allocated to the clerks to be included on their financial statements. He said that the standards call for a projected long term rate of return being established and it has to be demonstrated in the audit report how you arrived at that rate of return. He said a 10 year estimate had been received by Summit, but he said it would be up to the auditors to accept that estimate or not. He said their estimate for the next 10 years is in the high sixes, but the funding rate is currently 7.5%. He said how much difference you can have in those two numbers is indeterminable and the auditors were not willing to speak to that. Gary said he could not do his calculations until he is furnished with the projected interest rate. He said it would be much easier to have those numbers to be the same. He said the funding rate could be lowered, but it does have a cost to do so. Gary informed the board that because of the performance of the fund this year, there could be an offset on the cost. Gary said that it could raise questions if you had the projected rate at 6.8% and funding rate at 7.5%. He said the rate of inflation used by Summit made the difference in the two rates. Gary said to reduce the funding rate from 7.5% to 7.25% would be a cost of about 2.5%. After discussion, Mark Graffeo moved that the funding value interest rate be reduced from 7.5% to 7.25%. Motion seconded by Holli Vining. **MOTION CARRIED.**

ATTORNEY: Denise reminded the Board that at the last meeting they had given her two assignments. One was how to define employee, i.e. seasonal employees, high school employees. After much discussion, it was decided that Denise would meet with Debbie and staff to work on a proposal to submit at the next Board meeting.

Denise reminded the Board that the second assignment she had been given was to research law on final average compensation because of the problems with breaks in service of employees causing complications in retirement calculations. After discussion, Gary Curran suggested that this matter be deferred while a case study (dual calculations) is being done by his office so the reform of the procedure doesn't cause unintended consequences.

APPLICATIONS AND REFUNDS: (On file in office)

Debbie reported there were 7 applications for DROP; 4 applications for regular retirement; 10 for post drop retirement. Gary Loftin moved that the applications be approved. Motion was seconded by Tammy Foster. **MOTION CARRIED.**

Debbie further reported there had been 84 refunds for the fiscal year in the amount of \$725,801.

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EXECUTIVE DIRECTOR REPORT:

Debbie briefed the Board on the new reporting forms that had been developed and sent to the Clerks along with a copy of the new DROP policy that had been adopted at the last Board meeting.

Debbie informed the Board that Senator Guillory had appointed Margaret M. Corley, attorney for the Senate Committee, and Laura Gail Sullivan, Senate Council, as his representatives at executive sessions of the Board. Further, that Representative Pearson had appointed Stephanie Little, attorney for the House Committee on Retirement, to serve as his representative at executive sessions of the Board.

She reminded the Board of the upcoming LAPERS Seminar and the Summit Strategies client meeting. Debbie asked for permission for Chris Kershaw to attend the Summit Strategies client meeting which was granted by the Board.

OTHER BUSINESS: No other business.

COMMENTS BY BOARD MEMBERS: No comments.

There being no other business; motion made by Tammy Foster to adjourn. Motion seconded by Holli Vining. **MOTION CARRIED.**

MEETING ADJOURNED.

Approved:


Diane Meaux Broussard, President

Respectfully submitted,


Debbie D. Hudnall, Executive Director