

PROPOSED MINUTES

LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND BOARD OF TRUSTEES MEETING THURSDAY, DECEMBER 10, 2020 BATON ROUGE, LA 9:00 AM

A meeting of the Louisiana Clerks of Court Retirement and Relief Fund Board of Trustees was held on Thursday, December 10, 2020 at 9:00 am in Baton Rouge, LA.

The meeting was called to order by President Bridget Hanna. Dot Lundin gave the opening prayer followed by the Pledge of Allegiance led by Brian Lestage.

MEMBERS PRESENT:

President Bridget Hanna
Robin Hooter
Randy Deshotel
Rick Arceneaux
David Dart
Lynn Jones
Dot Lundin
Brian Lestage

OTHERS PRESENT:

Debbie Hudnall, Executive Director
Jon Breth, AndCo
Chris Brokaw, AndCo
Denise Akers, Attorney
Greg Curran, Actuary
Michelle Cunningham, Auditor

GUESTS PRESENT:

Joey David with House Retirement Committee, Andy Anders, Johnny Crain, David Ditch, Jason Harris, Chelsey Napoleon, David McElroy with Driehaus, Gary Welchel & Emily Becker with Orleans Capital, Melissa Henry, Greg Brown, Gary Giepert, Belinda Lassalle, Chris Kershaw, Dagmar Hebert, and Davis Silk.

PUBLIC COMMENTS: None

APPROVAL OF MINUTES:

Robin Hooter moved that the minutes of the September 17, 2020 meeting be approved. Motion seconded by Brian Lestage. **MOTION CARRIED.**

ACTUARY REPORT (on file in office): Greg Curran presented the actuarial valuation report for fiscal year end June 30, 2020. He explained the changes in assumptions that the Board had approved prior to the valuation including a substantial change to the mortality tables, while there was no change to the valuation interest rate. He stated the plan is 79.59% funded as of June 30, 2020. He explained the valuation interest rate is set at 6.75% and how changes in that rate affect the overall cost of the plan, noting that the assumptions are not the only piece driving the total cost of the plan. Greg informed the Board of the sensitivity to loss in the investment market and how any return below the assumed rate of return is considered a loss. He highlighted the market value rate of return at 1.9% as compared to the actuarial value rate of return for 2020 at 3.9% due to actuarial smoothing over 5 years. He explained that for every 1% reduction in the assumed rate of return the required employer contribution rate would increase by

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11.87%. He further explained that the sensitivity to this rate increases as the plan matures.

He also noted the ratio of benefits to payroll is 43%; It was at 22% 10 years ago. There was discussion regarding the assumed rate of return and the methodology of calculating that rate by the Legislative Auditor's actuary. The Clerks' Fund has reduced the rate incrementally over time. He explained the short fall in investment earnings attributed to an increase in the normal cost of 2.0725%. Greg also noted there were no changes in legislation affecting the Clerks' Fund during the last session. He reviewed the demographics of the plan with the average retiree age of 71 and a monthly benefit of \$2,441, and the number of retirees has increased by 286 over the last five years with benefits increasing by \$13,518,703 for the same time period.

Greg presented the recommended minimum employer contribution for fiscal year 2022 is 21.25%. He explained the report would be presented to PRSAC and once approved the Retirement Board would then set the employer contribution rate, which can be up to 3% above the minimum required rate.

Greg explained the possible COLA options. The last COLA was granted in 2018 so the Plan does qualify under R.S. 11:243 to issue a COLA, however, due to the investment loss the funding of the COLA is limited to be paid out of the Funding Deposit Account and limited to COLA options provided by R.S. 11:241 and 11:246 at the cost of \$5,192,771 and \$4,491,816, respectively.

Greg stated that \$737,531 was added to the funding deposit account in fiscal year ended June 30, 2020 bringing the total to \$10,803,791. He explained the uses of the funding deposit account and further explained that the unfunded accrued liability is projected to paid off in 2029. He noted that will likely have a favorable decrease to the minimum required employer contribution rate.

A motion was made by Rick Arceneaux to approve the Actuary Report for fiscal year ending June 30, 2020 as presented by G.S. Curran & Co.. The motion was seconded by David Dart. **MOTION CARRIED.**

MONEY MANAGER PRESENTATIONS

Driehaus Capital Management: David McElroy provided a brief overview of Driehaus in the International Small Cap Growth space of the Clerks' portfolio. Driehaus has been part of the Clerks' portfolio since July 2019 and manages approximately \$36 million in the Clerks' portfolio. He noted no interruptions in operations due to COVID 19. In early 2020, Driehaus positioned their portfolio into the technology space and transitioned more into consumer discretionary type stocks during the summer. He explained the portfolio was overweight in the European market while the US Small Cap market had done extremely well in the last half of 2020. He thanked the Board for their trust in Driehaus and looks forward to a future presentation by one of their portfolio managers.

Orleans Capital Management: Gary Welchel and Emily Becker presented an overview of Orleans Capital Management. Orleans has been a part of the Clerks' portfolio since November 2019 in the Fixed Income space. Orleans has \$1.6 billion assets under management with a focus on return of capital and income generation. Emily noted that Orleans has assisted in meeting cash flow needs for the Fund. She commented on their strategy of building a yield advantage versus the benchmark by being both over and under weight in the fixed income space while not predicting interest rates and continuing to re-invest income. She noted a struggle in the 1st Quarter of 2020 but saw outperformance in quarters 2 and 3, with an increase of 45 basis points since inception. She commented that Orleans will maintain a status quo for the Clerks allocation and explained that the same returns were not predicted for the coming year.

President Bridget Hanna thanked both managers for their sponsorship and their work for the Clerks' Retirement Fund.

FINANCIAL REPORT: (ON FILE IN OFFICE)

Treasurer Rick Arceneaux reviewed the financial report for October 2020:

October 2020 (FYTD) -	Contributions	\$ 9,503,014
	Other Additions	\$ 168,469
	Investment Gain (Loss)	\$ 25,122,379
	Investment Expenses	\$ 513,716
	Deductions	\$ 17,964,447
	Net Increase (Decrease)	\$ 16,315,699
	Total Investments	\$ 599,189,959
	Total Assets	\$ 637,931,391

A motion was made by Randy Deshotel to receive the financial reports. Motion seconded by Robin Hooter. **MOTION CARRIED.**

AUDIT REPORT (on file in office):

Michelle Cunningham with Duplantier, Hrapmann, Hogan & Maher, LLP presented the audit report for the 2019-2020 fiscal year. She commented on management's and the auditor's responsibilities. She informed the Board the Fund received the highest and cleanest opinion and the financial statements are materially presented. There were no significant deficiencies or material weaknesses in internal controls and the Fund was compliant with all laws and regulations. She explained an "Emphasis of Matter Paragraph" regarding the increase in the pension liability from \$822,803,946 in 2019 to \$862,128,293 in 2020 due to the change in actuarial assumptions. Michelle further explained the reporting requirements of GASB 34, 40, 67 and 72 and the reasonable estimates used in the audit report regarding fair value of investments, receivables, payables, total pension liability, discount rate to measure total pension liability and long-term rate of return on investments. She then reviewed the required supplementary information.

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Total Assets of \$622,619,815, Total Liabilities of \$1,078,029 with a net position restricted for pension benefits of \$621,541,786. Total Additions for 2020 were \$26,794,657 with the biggest change due to an investment loss of (\$12,246,469). She highlighted an increase in the benefit payments, DROP benefits and Refunds.

Michelle then reported on the census data testing required under GASB 67 noting that the number of retirees is increasing at a faster rate than the active members with the liability increasing faster than the assets used to cover those liabilities. The Retirement Fund according to GASB standards is 72.09% funded which is different than the actuary's valuation. Michelle explained that 3 parishes' census data was tested – St. Tammany, Rapides and Tangipahoa. Two findings were noted in St. Tammany and Rapides. Michelle stated that the next audit will be for GASB 68 which will audit the total pension liability determining the clerk proportionate share of the liability that each Clerks' office will include in their office's financial statements.

Debbie Hudnall asked staff to clarify the findings in St. Tammany and Rapides. Chris Kershaw commented that there were minor differences in the date of hire per the Clerks' records and the date of hire in the Retirement Fund. He stated that the staff was doing further research on these items to make necessary corrections.

A motion was made by Brian Lestage to approve the audit report as presented. The motion was seconded by Robin Hooter. **MOTION CARRIED.**

Debbie presented the required compliance questionnaire to the Board for their approval. A motion was made by Robin Hooter to approve the questionnaire. The motion was seconded by David Dart. **MOTION CARRIED.**

INVESTMENT COMMITTEE REPORT: No report.

ANDCO:

1. Review of Q3 2020 - Jon Breth commented that in quarter 3 domestic equity markets with large cap stocks outperformed small cap stocks with the S&P 500 returning 8.9%. He stated fixed income had a muted quarter. He noted better performance for TIPS (Treasury Inflation Protected Securities) benefiting from higher inflation expectations. Corporate Bonds up 1.5%. He commented on the investment environment's gravitation to growth-oriented stocks. Jon updated the Board on the end of Elk Creek and the legacy Hedge Fund with Summit/Mercer. Jon noted the good timing of the partial redemption from Clarion, as the portfolio was drawn down. The larger allocation to growth has helped the portfolio as whole. He explained that Hood River and WCM were funded at the end of Q3. LSV was up 17% in the month of November. He explained how Orleans is holding funds earmarked for funding of Principle in early 2021.

Chris Kershaw questioned the underperformance of William Blair's small cap value versus their peer group. AndCo will be reviewing managers in 2021 with consistent underperformance including Segal Bryant & Hamill and William Blair.

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2. Review of Q4 2020 - Jon explained that AndCo is reviewing the overall portfolio allocation as it looks toward the funding of Principle in early 2021. He also noted on the receipts of the liquidation of the Mercer portfolio. In the 4th quarter, overweighted in US equity particularly Westfield, but has shown out performance continuing in the 4th quarter. He noted no formal rebalancing actions needed in the portfolio.

Jon then reviewed the preliminary number for October 31, 2020.

	October 31, 2020	FYTD		October 31, 2020	FYTD
Total Funds Composite	\$ 599,002,365				
US Equity			Hedge Funds		
QMA	\$ 62,221,137	3.95%	Summit Solut.	\$ 27,324,447	2.83%
Rothschild	\$ 36,649,911	5.08%	Real Estate		
Westfield	\$ 77,859,760	10.55%	Clarion	\$ 30,398,825	0.67%
William Blair	\$ 23,711,208	4.29%	Hancock – Cash	\$ 14,174,206	
Hood River	\$ 23,568,046		DROP FUNDS	\$ 34,545,731	
Int. Equity			General Cash Funds	\$ 2,013,921	
WCM	\$ 23,836,699				
TS&W	\$ 25,572,399	1.10%			
LSV	\$ 20,808,908	-1.13%			
Driehaus	\$ 36,194,829	12.31%			
Segall Bryant & Hamill	\$ 32,293,449	9.41%			
Fixed Income					
Pyramis	\$ 66,707,521	1.44%			
Pyramis (Tact)	\$ 36,677,692	2.73%			
Orleans Capital	\$ 61,003,296	0.37%			

APPLICATIONS AND REFUNDS: (On file in office)

Debbie reported that since the September Board meeting there were 8 applications for DROP; 8 applications for regular retirement; and 12 Post DROP retirement applications.

Robin Hooter moved that the applications be approved. Motion was seconded by Brian Lestage. **MOTION CARRIED.**

Debbie further reported there had been a total of 48 refunds in the amount of \$112,411 through November 30, 2020.

EXECUTIVE DIRECTOR REPORT

City of New Orleans Resolution (Exhibit A) - Debbie presented to the Board a resolution in regard to the City of New Orleans to ensure that the 2020 ad valorem taxes would be paid. Debbie provided the Board a brief history on why the resolution is adopted every year. A motion was made by Brian Lestage to adopt the resolution as presented. The motion was seconded by Rick Arceneaux. **MOTION CARRIED.**

Education Hours - Debbie reported that all Board members had met the required education hours for 2019-2020 and a letter to the Retirement Committee Chairmen had been submitted. She also informed the Board that LAPERS had been canceled in 2020 and she is looking to plan for education hours to fulfil the requirement this year.

Legislation - Debbie stated there was no Board sponsored legislation for the upcoming session and she will monitor any bills introduced for their effect on the Clerks.

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Generator - Debbie reported that two quotes had been received for a generator for the office building. The Board had previously approved an amount up to \$20,000. Debbie reported that both quotes greatly exceeded the approved amount. She may try to get revised quotes limiting what parts of the building the generator would power.

Web Portal - Debbie informed the Board the web portal project is underway. The Board had approved an amount of up to \$5,000 and the cost was determined to be \$4,500. She stated the Retirement office is looking towards a potential February start date with a possible pilot testing program.

ATTORNEY: Denise Akers stated an issue had been brought to the Retirement office regarding a retiree who had returned to work in the Orleans Parish Civil District Clerk's office. Denise noted the Board had clarified their position on LA R.S. 11:1513 at the February 2020 Board meeting because of a question from another parish. The Retirement system had recently learned that Belinda Lassalle had been working more than the 630 hours allowed by the statute. Denise explained that Ms. Lassalle was aware of the statute and had brought it to her Clerk's attention. At that time the Orleans Civil Clerk then spoke to their attorney and explained to Ms. Lassalle that if she returned to work as an independent contractor, she would not be applicable to that provision. The Clerk's office did not reach out to the Retirement System with any questions.

Denise explained the Retirement System had notified Ms. Lassalle of her benefit overpayment and the amount due to the System. The Clerk's office had also been notified that employer contributions for certain months were due on Ms. Lassalle. The parish had remitted several years and is working to provide the additional information. Mark Graffeo entered the meeting.

Denise further explained to the Board the informal nature of today's conversation with Ms. Lassalle and her attorney, Gary Giepert.

At this time both Ms. Lassalle and Attorney Gary Giepert addressed the Board.

At the conclusion of Ms. Lassalle's and Mr. Giepert's remarks, a motion was made by David Dart to enter into Executive Session. The motion was seconded by Robin Hooter.

A motion was made by David Dart to return to Regular Session and to adopt the administrative hearing procedures as presented. The motion was seconded by Brian Lestage. **MOTION CARRIED.**

A motion was made by Robin Hooter to hire Attorney Sheri Morris as the attorney for the administrative hearing upon her availability. The motion was seconded by Brian Lestage. **MOTION CARRIED.**

There was discussion to proceed with the administrative hearing as soon as possible if Ms. Lassalle requests the hearing.

OTHER BUSINESS: None

COMMENTS BY BOARD TRUSTEES: None.

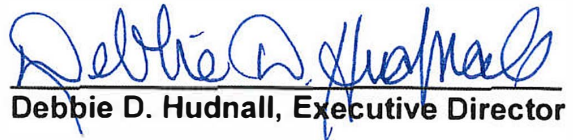
There being no other business, David Dart moved that the meeting be adjourned.
Motion seconded by Rick Arceneaux. **MOTION CARRIED.**

MEETING ADJOURNED.

Approved:


Bridget Hanna, President

Respectfully submitted,


Debbie D. Hudnall, Executive Director

The following resolution was offered by _____ and seconded by _____;

RESOLUTION

A resolution making demand upon the Treasurer of the State of Louisiana pursuant to Louisiana Revised Statutes §11:1561.B that he deduct from revenue sharing funds of Orleans Parish and the City of New Orleans a certain sum due to the Louisiana Clerks' of Court Retirement and Relief Fund under §11:1561.A, as further clarified by a Consent Judgment dated April 26, 2011, and then remit such funds to the Fund forthwith and prior to any distribution of revenue sharing funds to the City of New Orleans or Orleans Parish.

WHEREAS the Louisiana Clerks' of Court Retirement and Relief Fund is entitled to receive, from taxes shown to be collectible by the tax rolls in Orleans Parish, a contribution of a certain percentage of such taxes, which amount is to be remitted periodically and at the same time as disbursement of such taxes to the tax recipient bodies in Orleans Parish;

WHEREAS the City of New Orleans and Orleans Parish are co-terminous and has a consolidated city/parish government, as recognized in *City of New Orleans v. Louisiana Assessors' Retirement and Relief Fund*, No. 2005-2548 (La. 10/1/07), 986 So.2d 1, fn. 14;

WHEREAS no such contribution was received for many years by the Louisiana Clerks' of Court Retirement and Relief Fund from the taxes shown to be collectible by the tax rolls in Orleans Parish;

WHEREAS the City of New Orleans disputed the constitutionality and amount of any contributions directed to be made to the Louisiana Clerks' of Court Retirement and Relief Fund pursuant to §11:1561;

WHEREAS the Louisiana Clerks' of Court Retirement and Relief Fund and the City of New Orleans reached a compromise in that certain matter styled "Louisiana Clerks' of Court Retirement and Relief Fund versus City of New Orleans, et al," Cause No. 415,496 on the docket of the 19th Judicial District Court in and for the Parish of East Baton Rouge, which compromise is memorialized by a Consent Judgment signed by the Court on April 26, 2011 and provided previously to the Treasurer of the State of Louisiana;

WHEREAS the Louisiana Clerks' of Court Retirement and Relief Fund desires to enforce its right pursuant to Louisiana Revised Statutes §11:1561.A, as further clarified by the aforementioned Consent Judgment, to collect such contributions from Orleans Parish taxes;

WHEREAS Louisiana Revised Statutes §11:1561.B and the Consent Judgment authorize and empower the board of trustees of the Louisiana Clerks' of Court Retirement and Relief Fund to submit a resolution to the state treasurer making demand that the monies due to the Fund be deducted from revenue sharing dollars that would otherwise be distributed within Orleans Parish;

WHEREAS Louisiana Constitution Article 7, §26 provides that the revenue sharing funds distributed to Orleans Parish shall be distributed in said Parish by the city treasurer of New Orleans and revenue sharing appropriations to be distributed in Orleans Parish are directed to the City of New Orleans:

Section 1. BE IT RESOLVED that the Louisiana Clerks' of Court Retirement and Relief Fund does hereby demand, pursuant to Louisiana law (including without limitation Louisiana Revised Statutes §11:1561), that the Treasurer of the State of Louisiana deduct the sums calculated as set forth hereinbelow and any additional sums that the authorized representative identified below may subsequently certify on behalf of the board of trustees from any revenue sharing dollars that would otherwise be distributed to the City of New Orleans or Orleans Parish in 2020, particularly including without limitation those revenue sharing dollars to be distributed to the city treasurer of New Orleans; and, that such sums be paid to the Louisiana Clerks' of Court Retirement and Relief Fund forthwith and prior to any distribution of revenue sharing funds during 2020 to the City of New Orleans or within Orleans Parish.

Section 2. BE IT FURTHER RESOLVED that the Louisiana Clerks' of Court Retirement and Relief Fund does hereby certify, pursuant to Louisiana Revised Statutes §11:1561.B, that an additional contribution will be due from the *ad valorem* taxes shown to be collectible for 2020 by the tax rolls located in Orleans Parish in an amount to be calculated by applying a contribution rate of .250% (.00250) to a certain portion of *ad valorem* tax collections, namely forty-five (45%) of the total *ad valorem* tax collections, made by the CITY OF NEW ORLEANS for said year. By way of example, and to illustrate such calculation, if *ad valorem* tax collections during 2020 total \$500,000,000, then the contribution required for the 2020 calendar-tax year shall be \$562,500. The aforementioned calculation method is set forth in the April 26, 2011 Consent Judgment, including without limitation the provisions and example contained in Item #5 of Paragraph FIRST of the Consent Judgment, and shall be applied to the actual tax collections made during 2020. This additional contribution shall also be due from the first revenue sharing dollars appropriated for delivery in 2021 to the City of New Orleans or Orleans Parish. The calculation method will change in future years as set forth in the Consent Judgment.

Section 3. BE IT FURTHER RESOLVED that the Louisiana Clerks' of Court Retirement and Relief Fund does hereby authorize and empower Deborah D. Hudnall, its Executive Director, to forward this resolution to the State Treasurer at an appropriate time to ensure timely collection of all sums due; to certify on behalf of the board of trustees of the Louisiana Clerks' of Court Retirement and Relief Fund the precise amount of the additional contribution sum due from taxes collected by the City of New Orleans in 2020, with said amount to be based on collection information obtained from the City of New Orleans pursuant to the procedure set forth in the April 26, 2011 Consent Judgment; and, to take all other action reasonably necessary to enforce its right to collect these sums and to require remittance of these funds by the State Treasurer from revenue sharing funds.

This Resolution having been submitted to a vote, and the vote thereon was as follows:

YEAS:

NAYS:

ABSENT:

And the resolution was declared adopted on this, the ____ day of _____, 2020.

_____, Secretary

_____, Chairman