

**APPROVED MINUTES**

**LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND  
BOARD OF TRUSTEES MEETING  
WEDNESDAY, JUNE 28, 2017  
BATON ROUGE, LOUISIANA  
9:00 a.m.**

A meeting of the Louisiana Clerks of Court Retirement and Relief Fund Board of Trustees was held on Wednesday, June 28, 2017 at 9:00 a.m. in Baton Rouge, Louisiana.

The meeting was called to order by President David Dart. Holli Vining gave the invocation and Rick Arceneaux led the Pledge of Allegiance.

**MEMBERS PRESENT:**

President David Dart  
Rick Arceneaux  
Steve Andrews  
Robin Hooter  
Mark Graffeo  
Cliff Dressel  
Kay Bolding

**OTHERS PRESENT:**

Debbie Hudnall, Executive Director  
Phineas Troy, Summit Strategies  
Rebecca Wisbar, Attorney  
Greg Curran, Actuary

**GUESTS PRESENT:**

John Lake with Summit Strategies, Bridget Hanna, Kim Turlich-Vaughan, Frank Borne, Annie Smith, Margaret Corely, Dagmar Hebert, and Chris Kershaw.

**PUBLIC COMMENTS:** None

**APPROVAL OF MINUTES:**

Cliff Dressel moved that the minutes of March 8, 2017 be approved. Motion seconded by Steve Andrews. **MOTION CARRIED.**

**FINANCIAL REPORT: (ON FILE IN OFFICE)**

Treasurer Robin Hooter reviewed the financial report for May 31, 2017:

<b>May 2017 -</b>	Monthly Contributions	\$ 2,012,195
	Other Additions	\$ (242,790)
	Investment Gain (Loss)	\$ 5,246,305
	Investment Expenses	\$ 54,446
	Deductions	\$ (3,185,449)
	Net Income (Decrease)	\$ 3,775,816
	<b>Total Investments</b>	<b>\$ 557,210,837</b>
	<b>Total Assets</b>	<b>\$ 591,522,667</b>

A motion was made by Cliff Dressel to receive the financial report. Motion seconded by Steve Andrews. **MOTION CARRIED.**

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**2017-2018 BUDGET PROPOSAL**

Chris Kershaw presented a review of the projected current year against the current year budget. (Exhibit A)

Chris then presented the proposed 2017-2018 Budget (Exhibit B) which reflects an increase in administration expenses, depreciation (non-cash item) and a one-time actuary programming fee for the benefit calculation software. He also projects a slight increase in investment and custodial fees.

A motion was made by Holli Vining to approve the 2017-2018 Budget Proposal as presented. Motion was seconded by Cliff Dressel. **MOTION CARRIED.**

**AUDIT PROPOSALS**

Controller Chris Kershaw presented the Audit Proposals from Duplantier, Hrapmann, Hogan and Maher for the following:

Retirement Fund Financial Audit – 3 year proposal with rate between \$27,800 and \$29,950.

GASB 67 – 3 year proposal with rate between \$800 and \$1,200. This is the census data testing of 3 parishes. The parishes of Ascension, Bossier and Jefferson will be tested this year.

GASB 68 – 3 year proposal at rate of \$6,800. This audit determines the prorated liability to all parishes in the retirement system.

LLA Statewide Agreed-upon Procedures - 3 year proposal with rate between \$1,970 and \$2,180.

Chris reported that the audit fees for last fiscal year were \$27,153 for financial audit, \$10,400 for GASB 67 and \$5,250 for GASB 68.

A motion was made by Steve Andrews to approve the 3 year audit proposals for the financial audit, GASB 67, GASB 68 and the LLA Statewide Agreed-upon procedures as presented. Motion was seconded by Holli Vining. **MOTION CARRIED.**

**Investment Committee**

Mark Graffeo reported that the Investment Committee has discussed the hedge funds and review of money manager, AJO. The investment committee would like to make the recommendation to move the funds from the current Hedge Fund managers into the product offered by Summit Strategies. Phinney Troy introduced John Lake with Summit Strategies who oversees the Hedge Fund management and has twenty plus years with Summit. John commented on the fee savings of Summit Solutions and the removal of the middle man money manager. He reviewed the asset allocations of growth, income and diversification and the role of hedge funds in the portfolio. Phinney reported on the projected savings with Summit Solutions versus the current portfolio hedge funds with managers, Blackstone and Magnitude. David Dart commented that the investment committee has been diligently and thoroughly evaluating this opportunity. Phinney went

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on to compare the combination of growth, income and diversity (GID) as compared to the Clerks current strategy.

Mark commented on the possible conflict of interest and further explained his level of comfort because of the relationship that the Retirement Board has established with Summit Strategies over the years. He commented on the evaluation process the investment committee has done to review this option and that the savings potential could be substantial.

A motion was made by Mark Graffeo to move the funds currently invested with the Hedge Fund money managers into the program offered by Summit Strategies, Summit Solutions and to further give the Executive Director, Debbie Hudnall the authority to execute all documentation in order to facilitate that transition. Motion was seconded by Cliff Dressel. **MOTION CARRIED.**

**Summit Strategies Group: (Report on file in office)**

**ECONOMIC UPDATE:** Phinney presented the monthly economic and capital market update commenting that the political environment is less uncertain. He stated that companies have reported their earnings from the end of the 1<sup>st</sup> quarter with profits up over 15% mainly energy related sector. He reported on increase consumer spending and the low unemployment rate of 4.3% with the labor market seeing continued improvement. He reported on a negative return for MLPs with low oil prices, but Summit still sees the value MLPs add to the portfolio.

**Monthly Investment Performance Review:** Phinney reported on the Clerks portfolio for the month ended May 2017 with the total fund just over \$557 million with a fiscal year to date increase of 13.18%. He commented on the strong equity market and that the International Market was outpacing the US market.

Phinney reported on AJO (Emerging Markets manager) and their zero based performance fee. He explained that the investment strategist partner in charge of the emerging market strategy had left the company. Summit wanted to bring this to the Board's attention. Debbie stated that she had received a letter from AJO notifying that AJO's fees would be reduced in half for the remainder of the year and by 20% thereafter. Phinney reported that while AJO's strategy is quantitative, it is not necessary to make an immediate move, but that Summit would likely present suggested alternatives at the end of the year.

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**PORTFOLIO PERFORMANCE – May 31, 2017**

	<b>2017</b>	<b>1 Mo</b>	<b>FYTD</b>
<b>Total Funds</b>	\$ 557,332,288	0.93%	13.18%
<b>US Equity</b>			
QMA	\$ 59,264,057	0.67%	17.82%
Rothschild	\$ 30,987,367	-0.86%	11.67%
Westfield	\$ 37,594,014	3.40%	23.72%
William Blair	\$ 21,526,476	-3.02%	16.32%
Elk Creek	\$ 20,867,017	-1.20%	23.36%
<b>Intl. Equity</b>			
TS&W	\$ 48,043,638	3.49%	
LSV	\$ 47,350,337	3.48%	26.80%
William Blair	\$ 29,359,845	4.10%	18.09%
AJO	\$ 33,435,510	2.25%	26.53%
<b>Fixed Income</b>			
Pyramis	\$ 52,019,367	0.70%	3.24%
Pyramis (Tact)	\$ 26,255,521	0.75%	6.42%
SSgA Ag Bond	\$ 22,350,809	0.78%	-0.20%
<b>Hedge Funds</b>			
Blackstone	\$ 24,063,972	0.70%	7.89%
Magnitude	\$ 23,619,701	0.48%	4.20%
<b>Real Estate</b>			
Clarion	\$ 49,993,692	0.00%	6.30%
<b>MLP'S</b>			
Harvest	\$ 15,293,205	-4.46%	3.54%
Tortoise	\$ 15,307,404	-4.09%	4.62%
<b>Whitney – Cash</b>	\$ 357		
<b>DROP FUNDS</b>	\$24,823,342		
<b>Cash Funds</b>	\$ 7,188,952		

**ACTUARY REPORT:** Debbie presented to the Board the proposed contract for Actuarial Services from G.S. Curran & Co for the 2017-2018 fiscal year increasing from \$67,800 to \$70,200. Greg commented that it is an increase from the prior year's contracted price, but while there are efficiencies in the review of calculations, the volume of those calculations continues to increase. A motion was made by Cliff Dressel to approve the 2017-2018 contract as presented. Motion seconded by Holli Vining.  
**MOTION CARRIED.**

**Policy Amendment – Calculating Final Average Compensation and Creditable Service:** Debbie commented on the policy previously adopted by the Board. She asked that this item be tabled until the next meeting to allow the staff to meet with the Actuary to discuss and develop the amendment.

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**APPLICATIONS AND REFUNDS: (On file in office)**

Debbie reported that since the March Board meeting there were 21 applications for DROP; 7 applications for regular retirement; and 23 Post DROP retirement applications. David asked about the number of disability retirees. Greg reported that as of 2016 there were 18 disability retirees. Rick Arceneaux moved that the applications be approved. Motion was seconded by Mark Graffeo. **MOTION CARRIED.**

Debbie further reported there had been 100 refunds in the amount of \$915,421 for the fiscal year.

**EXECUTIVE DIRECTOR REPORT:**

**Agreed upon Procedures Report:** Chris Kershaw reported to the Board that he had visited St. John in regards to the findings on the previous year's GASB 67 audit report. He reviewed the procedure on the monthly reporting requirements. He stated that there were issues with the hourly paid employees but materially correct numbers were reported. Parish has since moved to an outsource payroll provider, however, he is working with the Parish to resolve remaining reporting issues.

**2017 Legislation Update:** Chris then presented a summary on retirement legislation including HB9, HB32, HB33, HCR 46, SB8 and SB3. Margaret Corely and Annie Smith also commented on the 2017 Legislative Session.

Debbie presented possible legislative options for the upcoming 2018 session including exemption of the Clerks Retirement from R.S. 11:417 (State Retirement, LSERS, LSP and MPERS – Members employed in other state or public employment) and R.S. 11:723 (Teachers – Parochial exemption – Members employed in other state retirement). Both Margaret and Annie stated that 11:417 would not apply to the Clerks Retirement as it would have to be one of the specifically listed systems. Greg commented on the need to exempt the Clerks from 11:723 as to the possible erosion of the plan and errors this may cause having other outside the definition of the plan's membership.

A motion was made by Cliff Dressel to amend R.S. 11:723 to exempt the Clerks Retirement Fund. Motion by seconded by Kay Bolding. **MOTION CARRIED.** Margaret stated that if the Clerks find an author for the bill, she and Annie can handle the draft and advertising for the next session.

**Retirees return to work:** Debbie reported to the Board that between January and May 2017 there had been \$350,900 paid in salaries to retirees returning to work and that 120 part-time employees had been reported. She commented on the cost of the retirement system and as the active membership declines, the more clerks have to pay for those who are contributing. There was discussion regarding the size of the clerks offices, as well as, when is the time to address this issue and how to address it. Greg stated that while not a huge cost to the plan, it does have an impact and the need to dis-incentivize people retiring earlier only to immediately to return to work as a retiree. He commented on the various scenarios and approaches that could be made to address the issue.

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The idea is to have a reasonable approach allowing retirees to be rehired but to possibly lessen or eliminate the incentives to do so. David commented on the trend the Board has been tracking regarding the rehire of retirees and part time workers. A motion was made by Cliff Dressel to have the Actuary and staff present recommendations regarding retirees returning to work and part time employees at the next Board meeting. Motion was seconded by Mark Graffeo. **MOTION CARRIED.**

**Required Accounting Policies:** Debbie brought to the Board the LLA Agreed Upon procedures required policies to be put in place. She commented that she is currently working with the Auditor to develop these policies and does not have anything to present to the Board. Debbie asked that the Board authorize both she and Chris to continue their work with the auditor to develop these policies. A motion was made by Steve Andrews to authorize the continued work on these policies. Motion was seconded by Holli Vining. **MOTION CARRIED.**

Debbie also informed the Board that the annual LAPERS seminar would be held September 17-19 in New Orleans and that more information would be forthcoming.

**ATTORNEY:** Debbie presented an email received from Denise Akers regarding a fee increase for the 2017-2018 fiscal year by 4.5% to \$230 per hour. A motion was made by Cliff Dressel to approve the rate increase. Motion was seconded by Kay Bolding . **MOTION CARRIED.**

**OTHER BUSINESS:** No other business.

**COMMENTS BY BOARD TRUSTEES:** President Dart stated that this was his last meeting to serve as President and he thanked the Board for the honor to serve in this position.

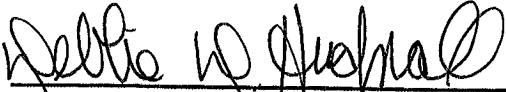
There being no other business, Mark Graffeo moved that the meeting be adjourned. Motion seconded by Cliff Dressel. **MOTION CARRIED.**

**MEETING ADJOURNED.**

Approved:

  
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David Dart, President

Respectfully submitted,

  
\_\_\_\_\_  
Debbie D. Hudnall, Executive Director

Louisiana Clerks' of Court Retirement Fund  
 Actual to Budget  
 FYE 2017

**EXHIBIT A**

	7/1/2016 - 5/31/2017 <b>ACTUAL</b>	June 2017 Estimate	7/1/2016 - 6/30/2017 Projected	7/1/2016 <b>ACTUAL BUDGET</b>	<b>BUDGET Difference Favorable (Unfavorable)</b>
				<b>2016-2017</b>	
<b>Income</b>					
Rental Income - Association	20,042	1,822	21,864	21,436	428
Rental Income - Insurance	10,076	916	10,992	10,718	274
Interest Income	41,221	7,000	48,221	30,000	18,221
<b>Total Receipts</b>	<b>71,339</b>	<b>9,738</b>	<b>81,077</b>	<b>62,154</b>	<b>18,923</b>
<b>Administrative Expenses</b>					
Actuary Fees	62,225	5,650	67,875	75,000	7,125
Advertising	0		0	500	500
Auditing Fees	42,803		42,803	45,000	2,197
Bank Charges	10,361	711	11,072	10,000	(1,072)
Building Insurance	5,825		5,825	6,000	175
Building Maintenance / Fees	7,056	3,712	10,768	11,000	232
Depreciation (non-cash)	26,499	2,717	29,216	0	(29,216)
Doctors Fees	350		350	5,000	4,650
Fiduciary Insurance	20,243		20,243	20,000	(243)
Legal Fees	8,363		8,363	25,000	16,637
Meeting Expense	10,088	1,000	11,088	7,000	(4,088)
Miscellaneous	250		250	1,200	950
Office Equipment			0	0	0
Office Supplies and Printing	516		516	2,000	1,484
Other Professional Fees	2,094		2,094	2,000	(94)
Per Diem	2,175	675	2,850	3,375	525
Postage	1,340		1,340	2,500	1,160
Programming Fees	13,083	980	14,073	15,000	927
Reimbursement to Assoc.	366,667	33,333	400,000	400,000	0
Travel and Seminar	13,520		13,520	15,000	1,480
<b>Administrative Expenses</b>	<b>593,468</b>	<b>48,778</b>	<b>642,246</b>	<b>645,575</b>	<b>3,329</b>
<b>Investment Expenses:</b>					
Consultant Fees	97,204	33,000	130,204	130,000	(204)
Custodial Fees	38,898	13,000	51,898	50,000	(1,898)
Investment Managers	2,064,083	750,000	2,814,083	3,000,000	185,917
<b>Total Investment Expenses</b>	<b>2,200,185</b>	<b>796,000</b>	<b>2,996,185</b>	<b>3,180,000</b>	<b>183,815</b>
<b>TOTAL EXPENSES</b>	<b>2,793,653</b>	<b>844,778</b>	<b>3,638,431</b>	<b>3,825,575</b>	<b>187,144</b>
<b>NET INCOME (Loss)</b>	<b>(2,722,314)</b>	<b>(835,040)</b>	<b>(3,557,354)</b>	<b>(3,763,421)</b>	<b>206,067</b>

# EXHIBIT B

## Louisiana Clerks' of Court Retirement Fund Budget

	7/1/2016	7/1/2017	
	<b>ACTUAL</b>	<b>PROPOSED</b>	
	<b>BUDGET</b>	<b>BUDGET</b>	<b>BUDGET</b>
	<b>2016-2017</b>	<b>2017-2018</b>	Difference
<b>Income</b>			
Rental Income - Association	21,436	21,900	464
Rental Income - Insurance	10,718	11,000	282
Interest Income	30,000	40,000	10,000
<b>Total Receipts</b>	<b>62,154</b>	<b>72,900</b>	<b>10,746</b>
<b>Administrative Expenses</b>			
Actuary Fees	75,000	75,000	0
Advertising	500	500	0
Auditing Fees	45,000	50,000	5,000
Bank Charges	10,000	12,000	2,000
Building Insurance	6,000	6,500	500
Building Maintenance / Fees	11,000	12,000	1,000
Depreciation (non-cash)	0	30,000	30,000
Doctors Fees	5,000	4,000	(1,000)
Fiduciary Insurance	20,000	22,000	2,000
Legal Fees	25,000	20,000	(5,000)
Meeting Expense	7,000	8,000	1,000
Miscellaneous	1,200	1,200	0
Office Equipment	0	0	0
Office Supplies and Printing	2,000	2,000	0
Other Professional Fees	2,000	2,500	500
Per Diem	3,375	3,375	0
Postage	2,500	2,500	0
Programming Fees	15,000	50,000	35,000
Reimbursement to Assoc.	400,000	420,000	20,000
Travel and Seminar	15,000	12,500	(2,500)
<b>Administrative Expenses</b>	<b>645,575</b>	<b>734,075</b>	<b>88,500</b>
<b>Investment Expenses:</b>			
Consultant Fees	130,000	135,000	5,000
Custodial Fees	50,000	55,000	5,000
Investment Managers	3,000,000	3,250,000	250,000
<b>Total Investment Expenses</b>	<b>3,180,000</b>	<b>3,440,000</b>	<b>260,000</b>
<b>TOTAL EXPENSES</b>	<b>3,825,575</b>	<b>4,174,075</b>	<b>348,500</b>
<b>NET INCOME (Loss)</b>	<b>(3,763,421)</b>	<b>(4,101,175)</b>	<b>(337,754)</b>

Budget Adopted on this date: \_\_\_\_\_