

## APPROVED MINUTES

LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND  
BOARD OF TRUSTEES MEETING  
WEDNESDAY, MAY 25, 2016  
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, May 25, 2016 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 Robin Hooter led the Pledge of Allegiance.

**MEMBERS PRESENT:**

President David Dart  
Rick Arceneaux  
Steve Andrews  
Robin Hooter  
Mark Graffeo  
Cliff Dressel  
Jim Martin  
Diane Meaux Broussard  
Kay Bolding

**OTHERS PRESENT:**

Debbie Hudnall, Executive Director  
Phineas Troy, Summit Strategies  
Denise Akers, Attorney  
Greg Curran, Actuary

**GUESTS PRESENT:**

Lillian Richie, Kim Turlich-Vaughan, Michelle Cunningham, Chris Kershaw and Dagmar Hebert.

**PUBLIC COMMENTS:** None

**OATH OF OFFICE:** David Dart administered the oath of office to Cliff Dressel and Kay Bolding.

Debbie Hudnall reported that Steve Andrews had completed the education hours required of new trustees in order to vote.

**APPROVAL OF MINUTES:**

Cliff Dressel moved that the minutes of March 10, 2016 be approved. Motion seconded by Jim Martin. **MOTION CARRIED.**

A motion was made by Holli Vining to amend the agenda to allow for the Report of the Executive Director to be given at this time. Motion seconded by Mark Graffeo. **MOTION CARRIED.**

**2016-2017 Budget Proposal (On file in office)**

Debbie presented the Board with the proposed 2016-2017 Budget. She commented on the reimbursement from the Retirement Fund to the Association. She reminded the

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Board that Evie Dodge had joined DROP and that she intended to hire a new staff member to train alongside Evie. She asked the Board for their opinion on the possibility of hiring the outgoing Grant Parish Clerk of Court, Davis Silk. Debbie stated that he would be an asset to the Association office with his knowledge of the Clerk's office. The budget includes the proposed salary with a start date of September 1, 2016. The increase in the reimbursement to the Association is mainly for that salary. The reimbursement from the Retirement to the Association on average over seven years has increased 7%. Mark Graffeo asked if it was Debbie's intention to bring him on full time to train with Evie. Debbie responded in the affirmative. Debbie also stated that she will be proposing a 5% increase for the current employees.

Jim Martin commented about speaking with the incoming Grant Parish Clerk and Debbie will contact the incoming Clerk.

A motion was made by Jim Martin to approve the proposed 2016-2017 Budget as presented. Motion seconded by Holli Vining. **MOTION CARRIED.**

**ACTUARY PROPOSAL**

Debbie presented the professional services agreement for actuarial services with G.S. Curran and Company with an increase of \$80 per month from last year, from \$5,570 to \$5,650. She commented on the complexity of GASB 67 & 68 and the different levels of retirement calculations. A motion was made by Mark Graffeo to accept the contract as presented. Motion was seconded by Jim Martin. **MOTION CARRIED.**

**AUDIT PROPOSAL**

Debbie presented the audit proposal for the Retirement Fund for the fiscal year end June 30, 2016 with a range of \$27,153 to \$27,850. She then presented the proposal for the GASB 67 audit for three parishes – Caddo, St. John and First Circuit Court of Appeal- with a range of \$9,800 to \$10,400 and travel cost of \$800 to \$1,200. She presented the proposal for GASB 68 in the amount not to exceed \$5,250. A motion was made by Rick Arceneaux to approve the audit proposals as presented. Motion was seconded by Cliff Dressel. **MOTION CARRIED.**

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

Debbie reported that since the March Board meeting there were 16 applications for DROP; 5 applications for regular retirement; 4 Post DROP retirement applications; and 2 applications for disability retirement. Debbie commented on a correction on a previous retirement application due to service credit. She also informed the Board regarding a deviation from the policy regarding service credit and changes in salary reported on the Retired Clerk from Tensas Parish where the Actuary smoothed the salary over the calendar year and did not reduce service credit as the Clerk was an elected official. Mark Graffeo moved that the applications be approved. Motion was seconded by Robin Hooter. **MOTION CARRIED.**

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Debbie further reported there had been 10 refunds in the amount of \$87,322 and a total of \$860,815 for the year.

**EXECUTIVE DIRECTOR REPORT:**

Debbie shared with the Board a letter from a retired member commending Evie Dodge and Angela Gaines on their assistance provided with a recent address change.

**House Retirement Appointment:** Debbie presented a letter from the House Retirement Chairman appointing Annie Smith and David Gauthier to serve as representatives during Executive Sessions.

**Retirement Web Portal:** Debbie informed the Board that there were now 421 participants in the myLCRF Retirement portal

**Survivor Overpayment:** Debbie informed the Board of an overpayment that was made to a survivor who passed away but payments were continued to be made to that member. The system runs a death check monthly but this member did not appear on that report. The system has recently upgraded the monthly death check service with enhancements. The system has collected the majority of the overpaid funds with a balance of \$300 remaining. A letter of demand was sent in February 2016 but nothing further has been collected. A motion was made by Cliff Dressel to write off the remaining balance. Motion seconded by Robin Hooter. **MOTION CARRIED.**

**Legislation:**

HB 54 – Debbie reported that HB 54 passed the House Floor. A technical amendment was added in Senate Committee and has to go the Senate Floor, then back to the House Floor for concurrence.

Other Retirement Legislation – Bill by Representative Pearson regarding his appointment as a member of the various Retirement Boards. Debbie also commented on legislation requiring the Executive Director of the Retirement System to file a financial disclosure.

SB 19 – Debbie reported that SB 19 was not pulled, and there was no intent on moving forward with it.

**Retirees Return to Work:** Debbie brought to the Boards attention the number of retirees returning to work and the possible effect on the Fund. She commented on current proposed legislation for the Teachers Retirement System (TRSL) regarding changing the provision of the percentage a retired teacher can earn and the requirement to wait five years before returning to work. Debbie reported on the number of retiree's days worked and the salaries reported in the Clerks system and questioned whether the 60 day limitation is good or if a percentage method would be better. She stated that anytime employees are not paying into the system it affects the system.

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Debbie explained that Clerks are to report the retirees who return to work including the days worked and salary on the monthly contribution report. Debbie has asked that when the auditors audit a parish for GASB 67 that they verify the retirees who have returned to work. She stated this is something the Board might want to monitor.

There was discussion regarding part time employees.

Debbie reported to the Board on the upcoming dates for the LAPERS seminar on September 18-20 in New Orleans and the Summit Client Conference on September 26-27 in St. Louis.

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

Treasurer Robin Hooter reviewed the financial reports for March 2016:

<b>Mar 2016 -</b>	Monthly Contributions	\$ 2,838,074
	Other Additions	\$ (121,033)
	Investment Gain (Loss)	\$ 23,437,709
	Investment Expenses	\$ (199,541)
	Deductions	\$ (2,972,603)
	Net Income (Decrease)	\$ 22,982,607
	<b>Total Investments</b>	<b>\$ 489,047,361</b>
	<b>Total Assets</b>	<b>\$ 525,606,296</b>

Motion was made by Holli Vining to receive the financial reports. Motion seconded by Jim Martin. **MOTION CARRIED.**

**Investment Committee**

Mark Graffeo reported that the Investment Committee had met several times since the last Board meeting and discussed the issue Summit Strategies presented regarding Vontobel and the exit of their CEO and portfolio manager. Phineas Troy commented that Summit Strategies no longer has the conviction in moving forward with Vontobel.

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

**ECONOMIC UPDATE:** Phineas Troy reported on the third quarter 2015 drop and the rebound during the first quarter of 2016 was very volatile with the Dow Jones reported the worst start to the year since 1920. In February 2016, data became available including positive GDP, labor market improvement and companies 4<sup>th</sup> quarter reports. Stable growth and strong economic activity continues. Even though markets were rebounding, the volatility caused interest rates to grow. Real Estate markets are rebounding well. This is the second positive quarter in a row for the portfolio and for markets.

Phineas reviewed the portfolio performance versus the benchmarks with bonds performing well in the 4<sup>th</sup> quarter, however MLPs did not. MLPs average over 5 years still have a 7% return despite the tough environment due to oil prices. In the

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International Equity Portfolio, Vontobel has performed well for the quarter and fiscal year. Summit suggests that this would be a good time to exit their strategy. AJO trailed the benchmark in the last quarter only capturing half of the big uptake.

He further stated there was strong performance in April 2016 up 1.36%. The total fiscal year is down 85 basis points.

Phineas stated that as we approach the end of the fiscal year, the fund won't meet the actuarial required rate of return, but Summit does hope to end either flat or positive for the end of the fiscal year.

**Monthly Investment Performance Review:**

**PORTFOLIO PERFORMANCE – April 30, 2016**

	<b>2016</b>	<b>1 Mo</b>	<b>FYTD</b>
<b>Total Funds</b>	\$ 495,699,315	1.36%	-0.95%
<b>US Equity</b>			
QMA	\$ 54,213,734	0.27%	2.75%
Rothschild	\$ 29,148,089	0.93%	-0.23%
Westfield	\$ 35,368,873	0.49%	-1.50%
William Blair	\$ 18,093,241	1.31%	-1.04%
Elk Creek	\$ 16,868,734	2.72%	-10.14%
<b>Intl. Equity</b>			
Vontobel	\$ 40,947,495	0.46%	2.23%
LSV	\$ 39,807,327	3.19%	-5.36%
William Blair	\$ 22,690,772	0.76%	2.26%
AJO	\$ 19,778,237	0.58%	-15.89%
<b>Fixed Income</b>			
Pyramis	\$ 49,503,974	1.38%	3.64%
Pyramis (Tact)	\$ 24,194,138	2.29%	2.39%
SSgA Ag Bond	\$ 21,991,983	0.38%	4.12%
<b>Hedge Funds</b>			
Blackstone	\$ 22,288,618	0.77%	-0.69%
Magnitude	\$ 23,049,489	0.37%	0.97%
UBP			
<b>Real Estate</b>			
Clarion	\$ 52,766,345	0.00%	10.30%
<b>MLP'S</b>			
	\$ 11,519,509	10.82%	-23.79%
Tortoise	\$ 11,584,804	9.64%	-20.00%
<b>Whitney – Cash</b>	\$ 1,883,952		
<b>DROP FUNDS</b>	\$ 22,830,595		
<b>Cash Funds</b>	\$ 10,336,635		

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Phineas commented on the core international equity manager search to replace Vontobel. Summit is not as confident in Vontobel since the exit of their CEO. Summit presented seven possible replacements candidates and reviewed their companies. Summit provided a correlation analysis between the seven candidates and LSV, which Summit considers the compliment investment manager to Vontobel. Summit looked at performance in relation to the benchmark and up market capture performance as well as consistency in outperforming the benchmark. Summit recommends Thompson, Siegel & Walmsley (TS&W) with consistency, high competitive long term returns, and the best compliment to LSV. TS&W's fees are lower than currently with Vontobel as compared the other candidates.

A motion was made by Mark Graffeo to approve the recommendation of the Investment Committee and Summit Strategies Group to divest the funds in Vontobel and invest in Thompson, Siegel & Walmsley (TS&W) pending approval of the legal documents. Motion seconded by Jim Martin. **MOTION CARRIED.** Phineas stated that Summit would like to notify Vontobel in July 2016.

### **GASB 68 (on file in office)**

Michelle Cunningham with Duplantier, Hrapmann, Hogan and Maher presented the GASB 68 audit report. This report includes all the information that the Clerks need to include in their audit reports for the net pension liability and change in net pension liability. She stated this would be a high level presentation of the report. The Fund received a clean opinion. She discussed the employer allocations as the proportionate share calculated based on contributions. She explained how the employers pick these numbers up on their audit reports as deferred outflows (asset), inflows (liability), and pension expense. She further explained the footnotes and how the outflows/inflows are amortized. Michelle reviewed the supplemental schedule regarding the ad valorem and revenue sharing of the system that has to be reported as income. She also commented on the disclosure regarding the sensitivity to change in the discount rate.

Jim Martin questioned how this reporting would affect the individual Clerks' financial audit. Michelle commented that the end user will likely only look at the Net Pension Liability.

Chris Kershaw stated that this report is as of June 30, 2015. The Clerks current audit as of June 30, 2016 would use the 2015 report, which is allowed by the rules of GASB 68.

A motion was made by Holli Vining to accept the GASB 68 audit report as presented. Motion seconded by Cliff Dressel. **MOTION CARRIED.**

Michelle stated this report would be available on the Clerks' Association website as well as the Legislative Auditor's website.

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**ACTUARY:** Greg Curran had nothing to report at this time but stated that he would leave copies of their GASB report that the auditors used for their audit at the Association office, but it was not necessary to review that information with the Board.

**ATTORNEY:** Denise Akers had no matters to report at this time.

**OTHER BUSINESS:** None

**COMMENTS BY BOARD MEMBERS:** No comments.

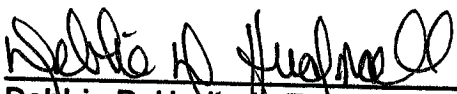
There being no other business, Jim Martin moved that the meeting be adjourned. Motion seconded by Cliff Dressel. **MOTION CARRIED.**

**MEETING ADJOURNED.**

**Approved:**

  
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David Dart, President

**Respectfully submitted,**

  
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Debbie D. Hudnall, Executive Director