

APPROVED MINUTES

**LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND
BOARD OF TRUSTEES MEETING
WEDNESDAY, NOVEMBER 30, 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, November 30, 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 Cliff Dressel led the Pledge of Allegiance.

MEMBERS PRESENT:

President David Dart
Rick Arceneaux
Steve Andrews
Mark Graffeo
Cliff Dressel
Kay Bolding
Holli Vining

OTHERS PRESENT:

Debbie Hudnall, Executive Director
Phineas Troy, Summit Strategies
Anna Marie Curran, Summit Strategies
Denise Akers, Attorney
Greg Curran, Actuary
Michelle Cunningham, Auditor

GUESTS PRESENT:

Louis Perret, Jon Gegenheimer, Frank Borne, Tammy Foster, Melissa Henry, Brian Lestage, Dagmar Hebert, and Chris Kershaw

PUBLIC COMMENTS: None

APPROVAL OF MINUTES:

Cliff Dressel moved that the minutes of October 26, 2016 be approved. Motion seconded by Steve Andrews. **MOTION CARRIED.**

FINANCIAL REPORT: (ON FILE IN OFFICE)

Controller Chris Kershaw reviewed the financial report for September 2016:

Sept 2016 -	Monthly Contributions	\$	2,085,919
	Other Additions	\$	(30,807)
	Investment Gain (Loss)	\$	4,215,658
	Investment Expenses	\$	183,377
	Deductions	\$	(3,169,236)
	Net Income (Decrease)	\$	2,918,157
	Total Investments	\$	519,003,414
	Total Assets	\$	549,957,282

Motion was made by Rick Arceneaux to receive the financial report. Motion seconded by Mark Graffeo. **MOTION CARRIED.**

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Investment Committee

Mark Graffeo reported that the Investment Committee continues to review hedge funds. It is an educational process and the committee is reviewing the possibility of better returns with less fees.

Summit Strategies Group: (Report on file in office)

ECONOMIC UPDATE: Phinney Troy commented further on the opportunity in hedge funds and the process in the potential investment possibility. Phinney recapped the previous quarters' news including the downturn in the market due to BREXIT and the upturn that occurred in July and August. Jobs continue to be added and the market growth rate is positive. Returns were strong in the first quarter of the fiscal year and emerging markets are up close to 17%, benefiting long term investors who were not scared by short term issues. Anna Marie Curran reported on the increase volatility in the financial markets as of October 2016. There is expectation that the Feds will increase the interest rate. She further stated that there has been positive job growth but economic growth has been slower but at a steadier, more predictable pace. There is an expectation of an increase in inflation with the new incoming President. David Dart questioned about a market correction once the President Elect takes office as the markets have rebounded in November. David also commented on the growth of MLPs.

Monthly Investment Performance Review:

Phinney stated that the Fund is up 4.6% outperforming the benchmark by 1%. The Fund is in the 20 percentile of public plans with less than \$100 M in the country. Fixed income is up 8% from the trailing year. Hedge Funds lagged in performance for the trailing year, but the plan target is to have a consistent return in any market condition. Debbie questioned the performance of Clarion (Real Estate) at the 93 percentile compared to peers and Summit's confidence in Clarion. Phinney stated that the 2008-2009 real estate meltdown hurt performance, however, returns have been positive and that Summit still maintains confidence in Clarion. Debbie further commented on the fund at the 62 percentile since inception with Summit, however noted the 7.67% return exceeded the 7% required rate. Phinney reported on the individual MLP managers and that US equities had double digit returns over the past 12 months. He further commented that there were no concerns in the portfolio, but that Summit along with the Investment Committee would further research hedge funds and the possible additional value to the portfolio.

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PORTFOLIO PERFORMANCE – October 31, 2016

	2016	1 Mo	FYTD
Total Funds	\$ 511,263,554	-1.34%	3.23%
US Equity			
QMA	\$ 56,667,634	-1.80%	3.15%
Rothschild	\$ 30,063,677	-1.27%	1.45%
Westfield	\$ 36,422,472	-1.40%	3.81%
William Blair	\$ 18,981,687	-2.91%	2.57%
Elk Creek	\$ 17,730,952	-6.99%	4.82%
Intl. Equity			
TS&W	\$ 42,104,162	-1.57%	
LSV	\$ 40,477,130	-0.45%	8.40%
William Blair	\$ 22,858,481	-3.38%	3.94%
AJO	\$ 22,592,406	0.86%	12.65%
Fixed Income			
Pyramis	\$ 51,241,410	-0.45%	1.70%
Pyramis (Tact)	\$ 25,539,462	-0.08%	3.52%
SSgA Ag Bond	\$ 22,326,788	-0.76%	-0.31%
Hedge Funds			
Blackstone	\$ 22,822,657	0.11%	2.33%
Magnitude	\$ 23,170,264	0.60%	2.22%
Real Estate			
Clarion	\$ 53,856,790	0.00	2.09%
MLP'S			
Harvest	\$ 12,313,579	-5.69%	-1.56%
Tortoise	\$ 12,093,985	-4.72%	-2.28%
Whitney – Cash	\$ 17		
DROP FUNDS	\$ 23,633,386		
Cash Funds	\$ 3,966,807		

MONEY MANAGER PRESENTATIONS

Thompson, Siegel & Walmsley, LLC (International Equity) – Mr. Shelton Horsley stated that TS&W is fairly new to the Clerk’s Fund having been funded September 2016 and presented how the TS&W portfolio is managed and that risk is a fundamental consideration when reviewing potential investments and evaluating the risk/return tradeoffs. TS&W’s process is designed to identify undervalued stocks with a catalyst to unlock value. He commented on emerging markets. Debbie questioned the fee schedule. Chris questioned how they value stocks and when to cut losses. Shelton commented on the risk/reward of valuation and the need to “re-underwrite” stocks.

Harvest Fund Advisors, LLC (MLP) - Mr. Nicholas Gaspari stated that the firm had a total of \$11 billion in assets under management. The increased presence of institutional investors into the sector and their client focus on institutional investors like the Clerks had helped increase their assets under management. He reported that as of September 30, 2016 the Clerks had over \$13 million invested with Harvest. Phinney

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questioned the current yield and Nicholas stated that there are two components including yield plus growth with a total average return of 14-15% combined. He discussed the volatility in the oil market. He also reported that the Clerks investment has taken on a balance of risk and reward.

Fidelity Institutional Investors (Fixed Income) – Mrs. Sue Curran and Mr. Beau Coash presented that Fidelity has \$2 trillion in assets managed with half in fixed assets. The core plus and tactical bond strategies managed for the Clerks are strong performers with excess returns over the benchmarks. They are low risk balance to the portfolio but add value where there is opportunity in the markets. Beau explained their dynamic investment technology – RAPIDS- and understanding where risks are at any given time. The TIPS strategy is an inflation fighting security. Phinney questioned the international investment opportunities. Beau commented on small exposure strategies in both Mexico and Brazil. Chris asked for a listing of the bonds rated BBB, BB, CCC that are in the Clerks portfolio. Sue commented that CCC bonds are residential mortgage bonds that have a higher yield with increased risk.

Westfield Capital Management Company LP (US Equity) – Mr. Justin Moscardelli commented on the inception with the Clerks since 2012 and the large cap growth strategy. The investment style is growth at a reasonable price looking for companies who can grow earnings. The Clerks fund market value at October 2016 of \$36 million is gross of fees, so performance would look less if fees were taken into account. He commented on the market performance and since June the market has started to reward growth and hopes that valuation will take a leadership role. He is cautiously optimistic that with a pro-growth agenda and with less regulation money will flow back to the equities and reward Westfield's strategy which over time has been more successful with the focus on growth.

AUDIT REPORTS (on file in office): Michelle Cunningham with Duplantier, Hrapmann, Hogan & Maher, LLP presented the Financial Statement and Compliance Audit report of the Retirement Fund as of the fiscal year ended June 30, 2016. She reviewed both the management's and auditor's responsibilities. She reported that the Fund received an Unmodified opinion, which means the financial statements are materially stated and there were no significant deficiencies or material violations of laws and or regulations. Michelle reviewed the GASB accounting procedures including GASB 72 regarding investments. She also reviewed the supplementary information.

Total Assets were \$532,640,272, Total Liabilities of \$1,419,278 with a net position restricted for pension benefits of \$531,220,994. She reported that there was a decrease in assets from 2015 to 2016 but that was similar across the board for all retirement systems.

She further reported that the biggest change was in investment commitments and the Investments by fair value measurements using Levels 1, 2, and 3. There are also investments reported at the Net Asset Value. She commented on the fair value

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investment footnotes including the addition of unfunded commitments, redemption frequency and redemption notice period.

Michelle stated that the employer's net pension liability is the amount that is allocated to each of the clerk's office has increased for 2016 as compared to 2015. The auditors also conduct census data testing to audit the net pension liability. There were three parishes who were tested, Caddo, First Circuit Court of Appeal, and St. John the Baptist. There were no findings with Caddo and First Circuit, however the findings of St. John were not a material issue to affect the net pension liability number. Michelle stated that the GASB 68 report would not be available until next spring.

Debbie commented on the audit report in regard to the issues of incorrectly reported salaries and contributions along with not reporting all employees. There was discussion on how to proceed to correct the issues with review and training at the Parish level. A motion was made by Mark Graffeo to send the Controller to St. John to research and gather more information on the situation and to train the parish staff on proper reporting procedures. Motion was seconded by Cliff Dressel. **MOTION CARRIED.**

Mark Graffeo moved to approve the audit report as presented. Motion seconded by Rick Arceneaux. **MOTION CARRIED.**

Rick Arceneaux moved to approve the compliance questionnaire as presented. Motion seconded by Steve Andrews. **MOTION CARRIED.**

ACTUARY REPORT (On file in office): Greg Curran presented the Actuarial Valuation as of June 30, 2016. He reviewed the demographic data including 2,208 active members, 1,235 retired and survivor members, 81 terminated members due a deferred benefit and 500 terminated members due a refund. He reviewed the actuarial methods and assumptions used to prepare the report. He presented the analysis of the actuarially required contributions and the factors that determine the minimum required employer contribution rate. He commented on the estimated ad valorem taxes being decreased from the prior year due to the recent flooding event. There was also an adjustment including for the Orleans Parish Ad Valorem decrease in the year 2018. The minimum recommended employer contribution rate for fiscal year 2018 is 17.50%. The Board has previously set the rate above the minimum required rate and will wait for PRSAC's approval of the actuary valuation before making the decision on the employer contribution rate. Greg commented on payroll growth and the leveled payments on the Unfunded Accrued Liability (UAL). There were no changes in the assumptions used and the actuarial rate of return remains at 7%. He commented on the risks and the relationship between normal cost and attaining the actuarial rate of return. As the plan matures, the more volatile the employer contribution rate is when markets are up/down. A fully funded plan is most acceptable to investment losses. He commented on the conservative measures the Board had taken in leveling the UAL payment and lowering the actuarial rate of return. He stated the report does not take into account any future COLAs (Cost of Living Adjustments) payments as the system issuing COLAs is unpredictable. Greg further stated that if the Board adopted a policy to only pay COLAs through the funding deposit account, then they would not take COLAs into account

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when determining the employer contribution rate. Debbie Hudnall asked if the Board should consider adopting a policy that any future COLAs be paid only from the funding deposit account. She further stated that the criteria for being able to pay a COLA would have to be met in order to do so. Greg wanted to present the topic to the Board for future consideration.

He further reported that the actual number of retirees and DROP participants were above projected levels and that the number of deaths were below projections. Salary increases were below expectations. There was discussion on the assumption regarding the number of retirees. Greg said there was no change in the assumption based on the cyclical nature of the Clerk's term. Greg also stated that ensuring all parishes are reporting all members who should be included is important. Greg stated that the System is not eligible to pay a COLA at this time.

A motion was made by Cliff Dressel to accept the actuary report as presented. Motion was seconded by Mark Graffeo. **MOTION CARRIED.**

Debbie brought to the Board the proposal for the benefit calculator that was presented at the October meeting. After further review and discussion with Greg Curran, she asked that the Board approve the proposal including the integration option with the new system. A motion was made by Cliff Dressel to approve the proposal for the benefit calculations of \$34,000 including the integration option. Motion was seconded by Rick Arceneaux. **MOTION CARRIED.**

APPLICATIONS AND REFUNDS: (On file in office)

Debbie reported that since the October Board meeting there were 11 applications for DROP; 10 applications for regular retirement; 5 Post DROP retirement applications; and no applications for survivor retirement. Holli Vining moved that the applications be approved. Motion was seconded by Cliff Dressel. **MOTION CARRIED.**

Debbie further reported there had been 47 refunds in the amount of \$413,546 for the fiscal year.

EXECUTIVE DIRECTOR REPORT:

Cash Flow: Debbie commented on the cash to be received from the approved rebalance recommendation. She also stated that ad valorem taxes and revenue sharing payments will start to be received in December.

Contribution Reports: Debbie reported that the updated contribution reports were sent to all Clerks and that 67 part time employees not subject to retirement were reported on the new section that was added to the report for those who reported on the new form.

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Court of Appeal: Debbie stated that in 2010 there was an issue of what system the Court of Appeals employees were to be enrolled. A policy was adopted and the employees could be transferred into the Clerks system in 2011 based on a 2.5% accrual rate. A letter was received from a 4th Circuit Court Judge stating there had been an administrative error on several employees who were initially placed in LASERS and subsequently transferred to the Clerk's system. When they transferred from LASERS they transferred at 2.5% accrual rate, but with the passage of Act 365 of 2013, they can now transfer at 3.33% if eligible. Debbie has spoken to LASERS and they would discuss this issue further.

Imaging Proposal: Debbie presented a proposal in the amount of \$8,250 to migrate the scanned images from the old scanning software to the current retirement system. A motion was made by Holli Vining to approve the proposal as presented. Motion was seconded by Steve Andrews. **MOTION CARRIED.**

Resolution – City of New Orleans (Exhibit A): Debbie asked the Board to adopt the annual Resolution in regard to the City of New Orleans to ensure that the 2016 ad valorem taxes would be paid. Holli Vining moved that the Resolution attached in Exhibit A be approved. Motion seconded by Mark Graffeo. **MOTION CARRIED.**

ATTORNEY: Denise Akers reported that one section of the system's audit report requires the income of the agency head to be included. Some of the other systems felt the executive director should not be listed as the agency head. Denise met with the Legislative Auditor's office and it was agreed that the Chairman of the Board would be considered the agency head. Denise commented on the income amounts to be included. Mark Graffeo questioned the liability to the system in listing the Chairman as the agency head. Denise stated that it was only for disclosure purposes in the audit report and that no additional legal authority is given to the Chairman because they are disclosed as the agency head. Mark Graffeo moved that the recommendation of the Attorney to list the Chairman of the Board as the agency head for audit disclosure purposes be approved. Motion was seconded by Cliff Dressel. **MOTION CARRIED.**


OTHER BUSINESS: No other business.

COMMENTS BY BOARD TRUSTEES: No comments.

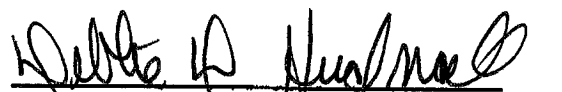
There being no other business, Cliff Dressel moved that the meeting be adjourned. Motion seconded by Mark Graffeo. **MOTION CARRIED.**

MEETING ADJOURNED.

Approved:


David Dart, President

Respectfully submitted,


Debbie D. Hudnall, Executive Director

The following resolution was offered by Holli Vining and seconded by Mark Graffeo;

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 2016, 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 2016 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 2016 by the tax rolls located in Orleans Parish in an amount to be calculated by applying a contribution rate of .375% (.00375) 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 2016 total \$500,000,000, then the contribution required for the 2016 calendar-tax year shall be \$843,750. 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 2016. This additional contribution shall also be due from the first revenue sharing dollars appropriated for delivery in 2016 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 2016, 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.

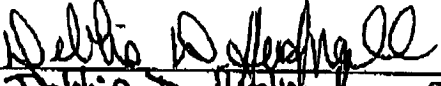
This Resolution having been submitted to a vote, and the vote thereon was as follows:

YEAS: 7


NAYS: 0

ABSENT: 4

And the resolution was declared adopted on this, the 30th day of November, 2016.



Debbie D. Hanna, Secretary



David Dert, Chairman