

## PROPOSED MINUTES

### LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND BOARD OF TRUSTEES MEETING TUESDAY, MARCH 30, 2021 BATON ROUGE, LA 9:00 AM

A meeting of the Louisiana Clerks of Court Retirement and Relief Fund Board of Trustees was held on Tuesday, March 30, 2021 at 9:00 am in Baton Rouge, LA.

The meeting was called to order by President Bridget Hanna. Mark Graffeo gave the opening prayer followed by the Pledge of Allegiance led by Lynn Jones.

A motion was made by Rick Arceneaux to amend the agenda to add Actuary Contract under Agenda Item 11 Actuary. The motion was seconded by Robin Hooter. **MOTION CARRIED.**

#### **MEMBERS PRESENT:**

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

#### **OTHERS PRESENT:**

Debbie Hudnall, Executive Director  
Jon Breth, AndCo  
Chris Brokaw, AndCo  
Steve Gordon, AndCo  
Denise Akers, Attorney  
Greg Curran, Actuary

#### **GUESTS PRESENT:**

Chelsey Richard Napoleon, Kim Turlich-Vaughan, Susan Racca, Connie Desselle, Shelly Salter, Jeff Skidmore, Joey David, Chris Kershaw, Dagmar Hebert.

**PUBLIC COMMENTS:** None

#### **APPROVAL OF MINUTES:**

Robin Hooter moved that the minutes of the December 10, 2020 meeting be approved. Motion seconded by David Dart. **MOTION CARRIED.**

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

Treasurer Rick Arceneaux reviewed the financial report for February 2021:

<b>February 2021 -</b>	Contributions	\$ 2,483,914
	Other Additions	\$ 29,511
	Investment Gain (Loss)	\$ 13,719,346
	Investment Expenses	\$ 184,020
	Deductions	\$ 4,051,953
	Net Increase (Decrease)	\$ 11,996,799
	<b>Total Investments</b>	<b>\$ 681,626,538</b>
	<b>Total Assets</b>	<b>\$ 728,449,381</b>

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A motion was made by David Dart to receive the financial reports. Motion seconded by Dot Lundin. **MOTION CARRIED.**

**INVESTMENT COMMITTEE REPORT:**

**William Blair Action Ratification-** Mark Graffeo reported the Investment Committee took action to terminate William Blair based on information received from William Blair on a recent acquisition of a new management team. Jon Breth with Andco reported on February 10<sup>th</sup> a letter was sent that William Blair was acquiring a new management team to manage the small cap portfolio. Andco, conducting due diligence, learned that William Blair was terminating the existing management team and Andco recommended the liquidation of the Clerks position in that portfolio. Andco recommended investing the proceeds into the Russell 2000 iShares and hold those assets there until a search can be finalized for a replacement manager.

A motion was made by Mark Graffeo to ratify the action taken by the Investment Committee to terminate William Blair and transfer those funds to the Russell 2000 iShares. The motion was seconded by Rick Arceneaux. **MOTION CARRIED.**

**ANDCO:**

Jon Breth introduced Steve Gordon, Partner at Andco. Steve thanked the Board for the relationship with the Clerks. He commented on the existing team in place with Jon Breth and Chris Brokaw. He explained Andco is reinvesting 100% of their profit looking ahead to future growth with the addition of 28 new people within the last 3 years.

**Review of Q4 2020 Performance:** Chris Brokaw reviewed market performance for the 4<sup>th</sup> quarter of 2020 highlighting that the Russell 1000 had its best return in history. The S&P was leading in the first half of 2020 but a 4<sup>th</sup> quarter change showed outperformance in international markets and the strength of foreign currency, which helped in both absolute and relative returns in the portfolio.

Jon Breth reviewed the Clerk's performance reporting the portfolio in its' entirety was up approximately 17.4% for the fiscal year-to-date. The portfolio allocation outperformed the policy index in Q4 2020 with an 11.25% return, generating returns while minimizing risk. He reported funding of the capital call to Principle took place February 2021 with good timing as interest rates are starting to rise. William Blair had been terminated and those funds are invested in the Russell 2000 during the search for a replacement manager in the small cap portfolio space. QMA had reported two of their founders were retiring in 2021, and while there is a long-term relationship with the Clerks, the Investment committee has chosen to place them on watch to see the affect those key retirements have on the management of that fund. Jon reported that Hood River had gotten off to a good start, while Westfield was slightly below the benchmark. He further reported that WCM, TS&W, LSV and Driehaus saw performance in the international space based on their investment strategies. However, Segal Bryant & Hammill would be placed on watch based on a recent ownership change combined with some underperformance. In the fixed income space Jon noted that the Clerks would be adding funds to Pyramis in early 2021 offering a shield against rise in interest rates.

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Jon updated the Board on the liquidation of the Hedge Fund product with Summit Solutions/Mercer. Partial distributions have been received and the expectation is to be entirely liquidated by the end of 2021. He also commented Real Estate ended 2020 at roughly 5% and performed well relative to core fixed income. He noted secondary markets becoming more attractive and the expected change as the COVID vaccine is administered and the return to face-to-face interaction versus work from home.

**Review of February 2021 Performance Update:**

	February 28, 2021	FYTD		February 28, 2021	FYTD
<b>Total Funds Composite</b>	\$ 682,863,108				
<b>US Equity</b>			<b>Hedge Funds</b>		
QMA	\$ 73,382,935	22.59%	Summit Solut.	\$ 4,933,300	
Rothschild	\$ 47,935,155	28.70%	<b>Real Estate</b>		
Westfield	\$ 75,913,701	25.70%	Clarion	\$ 30,727,036	2.70%
iShares Russell 2000 V	\$ 38,276,878		Principle	\$ 30,000,000	
Hood River	\$ 41,787,390				
<b>Int. Equity</b>			<b>CASH – Hancock</b>	\$ 17,362,127	
WCM	\$ 28,091,044				
TS&W	\$ 32,425,424	28.49%	<b>CASH - DROP</b>	\$ 35,069,066	
LSV	\$ 26,602,197	26.40%			
Driehaus	\$ 39,791,869	38.96%	<b>CASH - General</b>	\$ 9,265,595	
Segall Bryant & Hamill	\$ 39,436,724	33.62%			
<b>Fixed Income</b>					
Pyramis	\$ 71,464,117	2.59%			
Pyramis (Tact)	\$ 37,750,576	5.73%			
Orleans Capital	\$ 46,982,635	-0.52%			

**Recap of rebalancing actions in Q1 2021:** Jon explained that the proceeds from the William Blair termination had been invested in the Russell 2000 iShares and Andco will deliver the search results for a new manager to the investment committee with plans for a recommendation/interviews at the next meeting. He explained the funds from the liquidation of the Hedge Funds had been rebalanced between Rothschild, Pyramis Tactical and Pyramis Core. He also noted the continued cash disbursements from Mercer through Fall 2021. There has also been no date set for the funding of IFM but guidance points to Q3 2021.

**GASB 68 Audit Report (on file in office):** Controller Chris Kershaw presented the GASB 68 Audit Report as prepared by Duplantier, Hrapmann, Hogan & Maher for the fiscal year ending June 30, 2020. This report provides the net pension liability for each parish Clerk’s office that will be included on their audit reports. Chris explained that the Clerks received an unmodified opinion. The net pension liability for fiscal year ended June 30, 2020 was \$240,586,507, which is an increase from 2019. Chris explained that GASB 68 does not affect the funding of the plan and that the Net Pension Liability will be very volatile since the market value of assets depends on a single year. Mark Graffeo asked if the change was all due to investments. Actuary Greg Curran reported that the increase is also due to change in membership and assumptions. A motion was made by Rick Arceneaux to approve the GASB 68 report as presented. The motion was seconded by Robin Hooter. **MOTION CARRIED.** Chris noted that the report would be posted to the Clerks Association website.

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**ACTUARY:**

**Contract:** As so approved by the Board at the start of the meeting, Greg Curran presented the contract renewal for Actuary services at the same rate as the current contract. A motion was made by Rick Arceneaux to approve the contract renewal as presented. The motion was seconded by Mark Graffeo. **MOTION CARRIED.**

**Employer Contribution Rate:** Greg reported that PRSAC had approved the actuary report for fiscal year ended June 30, 2020 compiled by G. S. Curran & Co. The report calculates the minimum required employer contribution rate at 21.25%. He explained the Board can then set the rate up to 3% above the minimum required rate. Debbie Hudnall presented a spreadsheet to the members to show estimates of the employer rate cost at the minimum rate of 21.25%, and two other scenarios at 22.25% and 23.25% for each parish. Greg explained the Board has been paying above the minimum required rate for several years and has added funds to the funding deposit account by doing so.

**Cost of Living Adjustments (COLA's):** Greg reported the Clerks Retirement qualifies to give a COLA and presented the possible COLA options from the actuary report:

Option 1 (R.S. 11:241) –  $(A+B) \times \$1$  – “A” represents the number of years of credited service accrued at retirement and “B” is equal to the number of years since retirement. Targets to retirees who have been retired the longest. Increase of annual benefits of \$593,664, with an increase in net present value of \$5,192,771.

Option 2 (R.S. 11:241/243) – 2% of base to over age 65 with an increase in annual benefits of \$520,560 with an increase in net present value of \$4,491,816.

Greg stated either option would be paid out of the funding deposit account, which has a balance of approximately \$10.8 million. He also explained the actuary report does not include the funding deposit account when calculating the minimum employer rate. David Dart asked if the employer rate were set above the minimum would the excess contributions be deposited in the funding account. Greg stated yes and noted the funding deposit account had increased by about \$1 million dollars last year.

Debbie reminded the Board the funding deposit account can be used to not only pay COLA's, but to reduce the employer contribution rate and to pay on the unfunded accrued liability (UAL). The UAL is set to be paid in 2029 and the Retirement system makes levelized payments each year. The last COLA granted was in 2018.

Attorney Denise Akers stated some systems look to COLA's that benefit older retirees with lower benefits.

There was discussion regarding inflation, system returns and further discussion regarding granting a COLA and setting the employer contribution rate. A motion was made by David Dart to set the employer contribution rate for fiscal year 2021-2022 at 22.25%, which is above the minimum required rate. The motion was seconded by Brian Lestage. **MOTION CARRIED.**

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A motion was made by Mark Graffeo to grant COLA Option 1 based on R.S. 11:241 to be paid from the funding deposit account. The motion was seconded by Lynn Jones. **MOTION CARRIED.**

Greg explained the an update for the changes to the actuarial equivalence factors (on file in office) that would be used by the system to in calculations and valuations effective July 1, 2021. Based on the mortality change assumptions, these factors had been updated but the Board needs to approve these factors. A motion was made by David Dart to amend the agenda to add “actuarial equivalence factors” under Actuary. The motion was seconded by Mark Graffeo. **MOTION CARRIED.** A motion was made by Mark Graffeo to adopt the factors as presented. The motion was seconded by David Dart. **MOTION CARRIED.**

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

Debbie reported that since the December Board meeting there were 13 applications for DROP; 10 applications for regular retirement; and 21 Post DROP retirement applications.

Robin Hooter moved the applications be approved. Motion was seconded by Rick Arceneaux. **MOTION CARRIED.**

Debbie further reported there had been a total of 82 refunds in the amount of \$867,570 through March 31, 2021.

**EXECUTIVE DIRECTOR REPORT**

**City of New Orleans – Ad Valorem:** Debbie provided a brief history of the lawsuit and settlement reached in 2011 with the City of New Orleans regarding the payment of Ad Valorem taxes. At the previous meeting, the Board passed a resolution, that if the City does not pay, the retirement fund can get the amount due from the revenue sharing funds from the state. The City of New Orleans is supposed report to the retirement system the amount to be remitted in mid-January. The City did not provide that amount because of computer failure issue and they did not know when they would have the amount.

Debbie reached out to Attorney Alan Briethaupt, who handled the settlement for the Clerks, to write a letter to the City regarding payment of these funds. Debbie asked the Board to ratify her signing of the contract with the Attorney at the rate of \$325/hour and associate of \$225/hour. The contract was signed on March 25<sup>th</sup> to expedite the letter to be sent to the City. A motion was made by Mark Graffeo to ratify the action of Executive Director Debbie Hudnall and approve the contract for Attorney Alan Breithaupt. The motion was seconded by Brian Lestage. **MOTION CARRIED.**

Debbie stated the City contacted the Retirement office the day they received the letter to say they were contacting our office about the amount that would be paid. The letter provided 20 days to respond.

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**Education Hours:** Debbie informed the Board she would be working on providing these education hours to the trustees. She also said there was no information on whether LAPERS would be held in 2021.

**Legislation:** Debbie stated there was no Board sponsored legislation to report. Both Actuary Greg Curran and Attorney Denise Akers knew of no legislation that would affect the Clerks system at this time.

**Madoff Victim Fund:** Debbie reported that Retirement Fund has received approximately 80% of the amount lost. In December 2020, the Fund received its 6<sup>th</sup> payment with the expectation to receive additional funds.

**Web Portal -** Debbie informed the Board the web portal project for parishes to submit contributions and payments electronically is almost completed and ready for testing.

**ATTORNEY**

**Lassalle:** Attorney Denise Akers stated the administrative hearing had been held on March 8<sup>th</sup>. Denise explained she had written the opinion which was approved and officially sent to the parties on March 22<sup>nd</sup>. Ms. Lassalle would have 30 days in which to appeal to the 19<sup>th</sup> JDC. Debbie reported the retirement system is withholding her monthly benefit to apply to the balance due.

**OTHER BUSINESS:** Actuary Greg Curran stated the COLA motion needed to be clarified as to the effective date. A motion was made by Mark Graffeo the COLA option be granted retro actively back to January 1, 2021. The motion was seconded by Lynn Jones. **MOTION CARRIED.**

**COMMENTS BY BOARD TRUSTEES:** None.

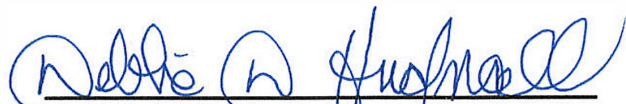
There being no other business, Robin Hooter moved the meeting be adjourned. Motion seconded by Brian Lestage. **MOTION CARRIED.**

**MEETING ADJOURNED.**

Approved:

  
Bridget Hanna, President

Respectfully submitted,

  
Debbie D. Hudnall, Executive Director