

PROPOSED MINUTES

**LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND
BOARD OF TRUSTEES MEETING
WEDNESDAY, DECEMBER 8, 2021
BILOXI, MS
9:00 AM**

A meeting of the Louisiana Clerks of Court Retirement and Relief Fund Board of Trustees was held on Wednesday, December 8, 2021, at 9:00 am in Biloxi, Mississippi.

The meeting was called to order by President Bridget Hanna. Mark Graffeo 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
Mark Graffeo
Brian Lestage
Dot Lundin

OTHERS PRESENT:

Debbie Hudnall, Executive Director
Jon Breth, AndCo
Chris Brokaw, AndCo
Denise Akers, Attorney

ABSENT:

Barry Ivey
Beth Mizell

GUESTS PRESENT:

Jason Harris, Shane LeBlanc, Chelsey Richard Napoleon, Louis Perret, Jeff Skidmore, Jill Sessions, Melissa Henry, Gerard Hall, Chris Kershaw, Davis Silk, and Dagmar Hebert.

PUBLIC COMMENTS: None

OATH OF OFFICE: President Bridget Hanna administered the oath of office for Dot Lundin, Retired Clerk Member.

APPROVAL OF MINUTES:

Robin Hooter moved that the minutes of the August 3, 2021, meeting be approved. Motion seconded by Randy Deshotel. **MOTION CARRIED.**

A motion was made by Rick Arceneaux to amend the agenda item number 15 "Report of Executive Director" to add generator. The motion was seconded by Mark Graffeo. **MOTION CARRIED.**

MONEY MANAGER PRESENTATIONS:

WCM Investment Management –Ryan Quinn and Daniel Wiechert reported on the Clerks investment in the Focused Growth International Equity Fund. The Clerks position in Fund began October 2020 with a solid start. Daniel commented on the selection effect of stock picks using key metrics that include high quality and durable growth. He noted the timing of the Clerks entry and the strategy of "buy and hold" which leads to a defensive growth anchor to the wind. He discussed the regulation restrictions in China and bottlenecks in shipping ports.

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Fidelity Investments – Earl McKennon and Sarah Weddleton presented on the Core Plus and Tactical Bond investments within the Clerks portfolio beginning with the sensitivity to interest rates. Earl commented on the expectation for the Fed to raise interest rates next year noting the strength of the economy. He continued explaining the credit index spreads and the speed of the both the sell off and the recent rebound. The Clerks Core plus fixed income investment was up 0.37% YTD and the Tactical Bond Fund was up 1.11% YTD as of October 31, 2021. There was discussion regarding inflation and the fund currently has no TIPS or Treasury Inflation-Protected Securities. Jon Breth asked them to comment on Transitory versus Non-Transitory inflation, and if rapid pace of price increases will lead to a permanent mark of high inflation. Earl commented that inflation in general has been due to the pandemic and decline in economic activity. With the reopening of the economy there is no way of projecting how long consumers will spend at these current levels with confidence down to due to inflation. Earl also commented on floating rate leverage loans seeing an increase in demand from the previous year.

LSV Asset Management – Scott Kemper presented on the International Large Cap Value Equity Fund and the Clerks Portfolio as of November 30, 2021, at \$27,176,170 with a 3.7% return since inception of April 1, 2024. He noted stable performance during the difficult period for value stocks. Value stocks performed better in emerging markets citing Chinese regulation on big tech. He explained no changes in their ownership structure or any departures from their team. Scott commented on the extreme spread level of value versus growth at the end of June 2021 caused in part by macro effects including rise of social media. LSV is considered a deep value manager broadly diversified with 193 stocks in the portfolio, country neutral with a control of sector risks at +/-5%. He explained that increased economic activity and the rising rates from the Fed should help to favor value along with modest inflation. There are positive indicators in the portfolio that reflect long term value over growth performance. LSV has outperformed when value is performing well historically but has struggled when growth outperformance is at extreme levels.

Clarion Partners - John Turek reported on the Lions Properties Fund (LPF) and the changes in managers transitioning from the LPF to other positions at Clarion. He noted that LPF outperformed the benchmark. He explained the Fund is overweight in industrial which has benefited from the ecommerce boom and a differentiator with exposure to Life Science with an excess of 17% return. Retail is underweighted with no exposure to regional malls and look to trim potential troublesome assets. John noted that moderately affordable multifamily investments are increasing and are looking into single family unit rentals but seem to be management intensive. He explained that office space in the portfolio is in well populated areas including Culver City, CA and Seattle. A 5% decline was seen in office space with the move from work to home due to the pandemic. He noted the short-term excitement about the reopening of the economy with household savings up and looking to positive GDP growth. He noted a threat with the Feds tapering in an extremely accommodative monetary and fiscal environment along with supply chain issues and inflation. There was discussion regarding alternative property strategies and storage facilities increased demand that comes along with multifamily housing.

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ACTUARY REPORT (on file in office): Actuary Greg Curran presented the actuarial valuation report for fiscal year end June 30, 2021, via video conference. Greg introduced Kenny Herbold, Actuary for the Legislative Auditor, who was also joining via video conference. Greg highlighted the decrease of the valuation interest rate from 6.75% to 6.55% as approved by the Board. Based on the census data provided by the Retirement office, the plan has 2,186 active members including 915 vested members and 127 DROP participants. There are 1,531 members receiving a benefit; 831 former members with contributions on deposit with 73 of those being vested participants due a benefit. He commented on the methods and actuarial assumptions used. He reported that the market value of plan net assets was \$778,388,343 versus the actuarial value of assets of \$719,550,211. The Plan is 80.35% funded. He stated that lowering risk to the plan by lowering the assumed rate of return was a sound Board decision. He reported on the unfunded accrued liability (UAL) with levelized payments to be paid off in 2029. Greg continued to review the excess contributions that were deposited into the Funding Deposit Account. The Funding Deposit Account can be used to pay down the UAL, offset increases in the required employer contribution rate or to pay for COLAs. The Board did authorize a COLA for the retirees effective January 1, 2021, which was paid out of the Funding Deposit Account. He discussed the capital market assumptions and the effect of the Board's decision to lower the assumed rate of return. Greg reviewed the factors that increased the Fund's cost structure including assumption changes, COLAs and plan liability experience loss. He also reviewed those factors that decreased the cost accrual rate including asset experience gain, new members, and the Funding Deposit Offset to fund the 2021 COLA. He commented on the sensitivity of the plan cost in relation to investments. He stated that the minimum required employer contribution rate for fiscal year end 2023 is 21.25%. There was discussion regarding the clerks contributing above the required rate for fiscal year end 2021 and the excess amount that was added to the funding deposit account. He also will be compiling a report to put a history together of the required employer contribution rate versus the rate set by the Board and the excess amount added to the funding deposit account, if applicable. Greg also commented on a possible education class with the Legislative Auditor. A motion was made by Rick Arceneaux to approve the Actuary report as presented for the fiscal year ended June 30, 2021, upon the approval of PRSAC. The motion was seconded by David Dart. **MOTION CARRIED.** Greg stated that PRSAC is anticipated to meet February 9th.

A motion was made by Mark Graffeo to amend the agenda to move to discussion on Proposed Legislation. The motion was seconded by Robin Hooter. **MOTION CARRIED.**

Proposed Legislation: Debbie brought to the Board's attention proposed legislation regarding reverse transfers (R.S. 11:143 (F)). The State Police Retirement System had reached out asking if the Clerks would like to be included in this legislation to excluded from reverse transfers. The District Attorneys have also added to the bill. Attorney Denise Akers commented that she has never been asked to review a reverse transfer during her time as general counsel for the Clerks. Actuary Greg Curran commented that it would be their recommendation to add the exemption for Clerks. Allowing reverse transfers adds risk to the plan. A motion was made by Mark Graffeo that the Clerks Retirement Fund be added to the proposed legislation regarding the exclusion from reverse transfers. The motion was seconded by Robin Hooter. **MOTION CARRIED.**

The meeting recessed for lunch at Noon.

President Bridget Hanna called the meeting to order at 12:45 pm.

FINANCIAL REPORT: (ON FILE IN OFFICE)

Treasurer Rick Arceneaux reviewed the financial report for October 2021:

	October 2021	Fiscal Year-to-Date
Contributions	\$ 2,547,964	\$ 9,964,381
Other Additions	(\$ 208,416)	(\$ 613,081)
Investment Gain (Loss)	\$ 22,864,864	\$ 21,247,110
Investment Expenses	\$ 549,029	\$ 699,765
Deductions	\$ 4,329,294	\$ 7,681,887
Net Increase (Decrease)	\$ 5,633,616	\$ 12,214,756
Total Investments	\$ 750,423,350	
Total Assets	\$ 790,604,963	

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

AUDIT REPORTS: Michelle Cunningham and Jason Montegut with Duplantier, Hrapmann, Hogan and Maher presented the audit report for 2020-2021. She commented on management and 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 the emphasis of matter paragraph regarding the increase in the pension liability based on actuarial assumptions from \$862,128,293 in 2020 to \$911,412,187 in 2021. Michelle further explained the reporting requirements of GASB 34, 40, 67, and 72 and the reasonable estimates used in the audit report regarding the 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.

Total Assets of \$781,042,509, Total Liabilities of \$2,654,166 with a net position restricted for pension benefits of \$778,388,343. Total additions for 2021 were \$209,202,754 with the biggest change due to investment income of \$167,823,074. She noted increases in Benefit payments, DROP benefits and refunds.

Jason Montegut then reviewed the census data testing required by GASB 67 noting an increase in retirees but a decrease in active membership. Jason reviewed the three parishes' census data testing – Orleans Civil, Iberia Parish and St. Landry Parish. Two findings were noted in Iberia Parish regarding dates of entry. 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.

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A motion was made by Rick Arceneaux to approve the audit reports as presented. The motion was seconded by David Dart. **MOTION CARRIED.**

Debbie Hudnall presented the compliance questionnaire to the Board for their approval. A motion was made by David Dart to approve the questionnaire as presented. The motion was seconded by Brian Lestage. **MOTION CARRIED.**

INVESTMENT COMMITTEE REPORT: Mark Graffeo reported that the investment committee had evaluated QMA and based on that evaluation along with AndCo’s recommendation would be presenting to the Board the proposal to terminate the Fund’s position in QMA and move to a more traditional S&P. He also commented on their review of proposed changes to the Investment Policy document.

ANDCO: Jon Breth provided a market environment review for the 3rd quarter of 2021 highlighting a flat bond market performance with the TIPS index showing a strong return of 5.2% for the quarter over corporate bonds with 1.7% return. He also commented on inflation and the Fed to begin tapering asset purchases and begin the process of evaluating when interest rates would start to rise. Jon then gave the performance update of October 31, 2021:

Performance Update as of October 2021:

	October 31, 2021	FYTD		October 31, 2021	FYTD
Total Funds Including Internal Cash	\$ 788,883,938				
US Equity			Hedge Funds		
QMA	\$ 89,378,096	6.63%	Summit Solut.	\$ 126,755	
Rothschild	\$ 57,883,874	7.15%	Real Estate		
Westfield	\$ 91,374,321	6.58%	Clarion	\$ 34,227,616	6.08%
Earnest	\$ 42,349,610		Principal	\$ 34,194,684	6.43%
Hood River	\$ 41,769,594				
Int. Equity			CASH – Hancock	\$ 598,032	
WCM	\$ 32,990,193	5.91%			
TS&W	\$ 35,354,470	1.31%	CASH - DROP	\$ 35,788,924	
LSV	\$ 28,889,306	-0.12%			
Driehaus	\$ 42,930,076	1.15%	CASH - General	\$ 1,745,426	
Segall Bryant & Hamill	\$ 39,498,134	-7.28%			
Fixed Income					
Pyramis	\$ 88,421,272	0.45%			
Pyramis (Tact)	\$ 43,905,660	0.78%			
Orleans Capital	\$ 47,457,895	-0.13%			

Discussion of QMA Large Cap Core Equity: Jon explained that QMA’s founders were moving towards retirement and had made some significant changes to the underlying investment module. AndCo’s recommends a full liquidation of QMA and to invest those funds in Fidelity’s S&P 500 index pool at a cost of .015 which is less than QMA’s fee. Attorney Denise Akers questioned the review of the contract with Fidelity. After discussion, a motion was made by David Dart to terminate the Fund’s investment with QMA and invest those funds in the S&P 500

index pool with Fidelity authorizing Executive Director Debbie Hudnall to execute all necessary documents to facilitate this transaction upon review by legal counsel. The motion was seconded by Brian Lestage. **MOTION CARRIED.**

Jon further commented on the equalization of the allocation between Westfield and Rothschild. He also commented on the increased allocation to real estate with the investment in Principal as of January 1, 2021. He also noted that in November the capital call from IFM had been received and the US Equity exposure was reduced in QMA and Westfield to fund that capital call to IFM in the amount \$30 million dollars.

Review of Updated Investment Policy (on file in office): Chris Brokaw presented a draft of the Investment Policy Statement. He explained the following changes:

- a. Item III, A, 3 (Page 3) – Remove sentence beginning with “An exception to this provision...” and ending with “third party valuation and custody” as this was geared towards the hedge fund of funds investments that are no longer a part of the Clerks’ portfolio.
- b. Item VII, A, 1 (Page 8) – Remove “(currently 6.75%)”. Not necessary to list the rate.
- c. Item VII, F, 2 (Page 11) – Remove “CPI+5%” and add “a benchmark comprised of 50% MSCI World and 50% Citigroup WGBI”. This changes the benchmark comparison for infrastructure.
- d. Item VIII, B, 5 (Page 12) – Add “Closed-ended or open-ended Private Infrastructure Fund”
- e. Item VIII, D, 3 (Page 13) – Add “Cash” to the Asset Allocation Target schedule with a range of 0-2%.

A motion was made by David Dart to adopt the updates to the Investment policy as presented. The motion was seconded by Mark Graffeo. **MOTION CARRIED.**

APPLICATIONS AND REFUNDS: (On file in office)

Debbie Hudnall reported that since the August Board meeting there were 17 applications for DROP; 7 applications for regular retirement; and 12 Post DROP retirement applications.

Robin Hooter moved the applications be approved. Motion was seconded by David Dart. **MOTION CARRIED.**

Debbie further reported there had been a total of 46 refunds in the amount of \$535,250 through November 2021.

Debbie informed the Board Evie Dodge would be retiring effective February 1, 2022.

EXECUTIVE DIRECTOR REPORT

Education Hours: Debbie reported that all trustees had completed the required education hours for 2020-2021 and the summary of those hours had been submitted to the legislature. She noted the possible opportunity for education hours at the upcoming LATECH seminar in February, as well as the available online LAPERS Seminar.

Madoff Victim Fund: Controller Chris Kershaw gave an update on the funds recovered from the Madoff Victim Fund. The Fund has received approximately \$1.2 million dollars of the \$1.5 million loss suffered. He expects that is possible additional funds will still be recovered.

City of New Orleans – Resolution Ad Valorem (Attachment A): Debbie informed that Board that in previous years the Board has adopted a resolution if the City of New Orleans does not remit the Ad Valorem payment timely, the resolution will then be filed with the State Treasurer to recoup those funds out of their State Revenue Sharing. A copy of the resolution was presented to the Board. A motion was made by David Dart to adopt the resolution as presented. The motion was seconded by Randy Deshotel. **MOTION CARRIED.**

Software Update: Debbie informed the Board that she has received a proposal for an update to the AHRMS software used by the Retirement System. She explained that State Police and Assessors also use the same software. The software provider, Exigo, has provided a proposal to upgrade the system with a rewrite and enhancements. Debbie explained that she and staff met with the other systems to discuss the upgrades and formed a user group. The proposed total cost was approximately \$100,000 to be split between the three entities. She explained that State Police has decided to move forward with the project but she has not received an update from Assessors. The original cost of the software was \$30,000. A motion was made by David Dart to approve the AHRMS software rewrite and enhancements up to a cost of \$50,000. The motion was seconded by Rick Arceneaux. **MOTION CARRIED.**

Generator: Debbie reminded the Board that at the previous December meeting, there was discussion on installing a generator at the Association office. The Board had approved an amount up to \$20,000. However, the quotes received both exceeded that approved amount. Debbie further explained that there had been numerous power outages at the Association including having to close for a week due to Hurricane Ida. After discussion, a motion was made by David Dart to increase the amount approved for a generator to \$50,000. The motion was seconded by Rick Arceneaux. **MOTION CARRIED.**

ATTORNEY

Belinda Lassalle vs. Louisiana Clerks' of Court Retirement and Relief Fund: Attorney Denise Akers informed the Board the Judge had upheld the Clerks decision and signed the judgment on September 29th and it was mailed out on October 15th. Ms. Lassalle had until October 26 to file a motion for a new trial, which she did not. She had 30 days to file a suspensive appeal and has until December 27 to file a devolutive appeal. Debbie also informed the Board that Ms. Lassalle has not worked more than the 630 hours allowed by law and that her monthly retirement benefit is being withheld and applied to the balance she owes the Fund.

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OTHER BUSINESS: None

COMMENTS BY BOARD TRUSTEES: None.

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

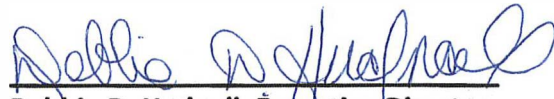
MEETING ADJOURNED.

Approved:



Bridget Hanna, President

Respectfully submitted,



Debbie D. Hudnall, Executive Director

The following resolution was offered by David Dart and seconded by Randy Deshotel;

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 2021, 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 2021 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 2021 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 2021 total \$500,000,000, then the contribution required for the 2021 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 2021. This additional contribution shall also be due from the first revenue sharing dollars appropriated for delivery in 2022 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 2021, 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: 9

NAYS: 0

ABSENT: 0

And the resolution was declared adopted on this, the 8th day of December, 2021.

_____, Secretary

_____, Chairman