

LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND  
BOARD OF TRUSTEES MEETING  
WEDNESDAY, February 27, 2008  
MARKSVILLE, LOUISIANA

A meeting of the Retirement Board of Trustees was held on Wednesday, February 27, 2008, at 1:00 PM in Marksville, Louisiana.

The meeting was called to order by First Vice President Michael Thibodeaux, who then called on Ann Ardoin to give the invocation. Cliff Dressel led the Pledge of Allegiance.

**Members Present:** First Vice President Michael Thibodeaux, Robby Barousse, Mark Graffeo, Felicia Ann Hendl, Hart Bourque, Gary Loftin, Cliff Dressel and Ann Ardoin were all present. Also in attendance: Executive Secretary, Debbie Hudnall; Actuary, Gary Curran; Attorney, Randy Zinna; and Consultant, Kari Creighton. Members absent: President Jim Martin, Rep. Joel Robideaux and Sen. Butch Gautreaux. Visitors present: Diane Broussard and Bill Hodge

**APPROVAL OF MINUTES:** Gary Loftin moved to accept the minutes of the previous Board meeting as written, motion seconded by Felicia Ann Hendl. **Motion carried.**

**COMMENTS BY INVESTMENT CONSULTANT:** Kari Creighton distributed (**Attachment 1**), a Presidential Election Year Market Return Chart showing that since 1928, there were only 3 of the last 20 Presidential election years in which there was a negative market return. She said that if history repeats itself, all hopes are that this year will end in positive territory since it is a presidential year; however, the clerks plan year ends June 30<sup>th</sup>.

Kari distributed a Capital Market Snapshot (**on file in office**) which showed the performance as of February 22, 2008. She reported that the only segment able to pull out positive returns was the Emerging Markets and there is still a lot of ground to make up. She reported that we still had not moved into the Core Plus mandate, but that we probably would in the next quarter or so.

Kari then distributed the fourth quarter report (**on file in office**). She reported that the economy continued to grow a very slow pace. She reported that CPI was up over 4% over the past 12 months. The Feds lowered the fed funds rate by 50 basis points during the fourth quarter to 4.25% and are expected to lower prime by another 50 basis points at the March meeting.

Louisiana Clerks of Court Retirement and Relief Fund  
Board of Trustees Meeting, February 27, 2008  
Page 2

Kari pointed out there were a lot of negative returns in the equity market, but there was a stark contrast between large cap growth and small cap value for the year. She also pointed out to the Board that the ultra risky section of the markets, Emerging Markets, were up 5% for the quarter and 42% for the year while the ultra safe segment of the market, represented by the Treasuries were up 4% for the quarter and 9% for the year. She reported that large caps continue to out perform small caps for the quarter with 130 basis points of spread for the quarter and 700 basis points for the year. Internationals have done very well for the plan having out performed the S&P 500 by 160 basis points for the quarter and 6% for the year. Kari stated that last year served as a reminder that what works in the long run doesn't work in the short term and that the Board should focus on the long term.

Kari reported that the fund was down about 2% for the quarter and up 6.2% for the calendar year. The fund did under-perform the indices as well as the median public fund. The problems came from two things: two managers had the worst impact on the returns by underperforming their bench marks – Capital Guardian and Lotsoff. The rest of the managers worked perfectly. Relative to the median public fund, the reason the fund underperformed – the international equity allocation is slightly below the median and the small cap allocation is a little above the median fund. The internationals did well and the small cap underperformed. The fund lost 6.2 million for the quarter, but for the calendar year the fund picked up 19.2 million.

**Capital Guardian:** For the quarter, Capital Guardian was down 6% when the bench mark was down only 3.3%, so they underperformed by 270 basis points for the quarter and for the 12 month period, they were behind 300 basis points. Kari reported that over the last 3-years annualized period, their performance is 130 basis points behind the index and they are expected to perform 150 basis points above the index. She reported that performance concerns continue and she will continue to watch closely.

**Quantitative Management Associates (QMA):** For the quarter, QMA finished ahead both the index and median peer by 70 basis points, although still negative, ranking in the top quartile and added 100 basis points above the index over the last 12 months. No issues.

Louisiana Clerks of Court Retirement and Relief Fund  
Board of Trustees Meeting, February 27, 2008  
Page 3

**Lotsoff:** This is the other area in which the fund had problems with - the small and mid-cap area of the portfolio. It is a relative new manager for the fund and they were down 6.2% for the quarter, 190 basis points behind the bench mark. Kari reported that Summit's management research group has some serious issues with the firm and some of their changes. She also informed the Board that she was very concerned with the amount of assets they have lost in their SMID cap assets. She said the Clerks' Retirement fund now represents about 30% of their SMID cap assets.

**Brandywine:** The Portfolio finished the quarter 120 basis points ahead of the index and 10 basis points ahead of the median. Brandywine trailed the index by 300 basis points for the year and ranked 81<sup>st</sup> in the peer sample. Annualized 3-year performance led both the index and peers by 60-130 basis points, ranking above the median. She said she would be expecting more alpha in the future.

**Northern Trust:** Kari informed the Board that it was a great decision to stay with Northern Trust as the fixed income managers for now and not move forward with the Core Plus mandate. She said she would probably be moving in that direction in June. Kari related that she thought the fixed income area would be where you see the most growth. Northern Trust Index is performing as expected, just ahead of the index in all periods shown and ranking at or near median and also in the top third for the recent quarter and one year.

**ING Clarion:** The Real Estate Managers have done extremely well, earning 1.8% for the quarter and ranking in the top third versus peers. They were 140 basis points ahead of the index for one year. For the annualized 3-year period, they trailed the index by 70 basis points, but ranked above median versus peers. Over the past 12 months, the fund picked up over 17% return on real estate.

**UBP:** The newest edition to the fund, the Hedge Fund was up 1.1% for the quarter.

Kari reported that the total portfolio was down about 3% for the month of January and for the fiscal year to date, the fund is down about 2.5% to 3%.

**Plan Review: (on file in office)** Kari then presented the Board with a Plan Review to possibly adjust the asset allocation. She informed the Board that it would be very

Louisiana Clerks of Court Retirement and Relief Fund  
Board of Trustees Meeting, February 27, 2008  
Page 4

difficult to hit the 8% rate of return without having a huge allocation in the international and emerging markets, which the Board would not want to do. Kari recommended that the Board increase the international to 45% of the total equity which would represent a change from 11% to 18% of the total fund. She further recommended decreasing large cap from 38% to 24%; and small cap from 11% to 9%. She said that diversifying the portfolio in this manner would take away the 60.6% risk that is currently in the Large Cap Core down to 35.6% and would only increase the international risk from 16.6% to 29.1%. Her recommendation would be to move forward with a manager search for both emerging markets and international small caps.

After much discussion, Hart Bourque moved to adopt Kari's recommendation which is to increase the international fund from 11% to 18%, decrease large cap from 38% to 24% and small cap from 11% to 9% and additionally move forward with a manager search for both emerging markets and international small cap. Motion seconded by Cliff. **Motion carried.**

Kari informed the Board that she would put into writing her recommendations in moving money from Cap Guardian to QMA to present to the Board.

**Lotsoff: (on file in office)** Allison Brink, Managing Director, gave an update on Lotsoff and informed the Board that even though the funds were down about 10%, they still thought the way they were doing things was the way to go about it. She reported that their high for their SMID funds in 2006 was 325 million and fell to \$112 million on December 31<sup>st</sup> of which 32 million were the clerks' funds. Don Reid, Managing Director, informed the Board that their assets under management are 4.4 billion and then gave a review of 2007 and the outlook for 2008.

Kari informed the Board that she had spoken to Iron Bridge who was the other money manager that had given the Board a proposal on SMID funds, and they were willing to take over the fund on a performance base fee. Kari recommended that the Board move in that direction.

After much discussion, Robby Barousse moved to terminate Lotsoff and to hire Iron Bridge on a performance base fee. Motion was seconded by Cliff Dressel. **Motion carried with Mark Graffeo voting no.**

Louisiana Clerks of Court Retirement and Relief Fund  
Board of Trustees Meeting, February 27, 2008  
Page 5

**FINANCIAL REPORTS: (Attachment 2)** Treasurer Mark Graffeo presented the financial reports as of December 31, 2007, reporting total assets of \$387,025,036 and a total fund balance of \$351,986,673. He reported total year to date revenue of \$13,746,587 and total year to date expenditures of \$10,208,716 plus administrative expenses of \$148,869 for a net profit of \$3,389,000. Motion by Cliff Dressel and seconded by Gary Loftin to receive the financial reports. **Motion carried.**

Debbie gave the Ad Valorem tax report update showing that \$4,910,887 had been collected through January. **(Report on file in office)**

**APPLICATION FOR BENEFITS:** After reviewing the applications for benefits, Gary Loftin moved that the applications be approved. Motion seconded by Robby Barousse. **Motion carried.**

**REFUNDS:** Debbie reported that \$442,338 had been refunded to members from July through January.

**COMMENT BY ACTUARY:** Gary Curran reported with the 5 year smoothing, the down market should have little impact on the fund for the year. He also said the Board might want to think about reducing the 8% rate of return requirement in the future.

**COMMENTS BY ATTORNEY:** Randy Zinna reported that the Class Action settlement with WorldCom had been resolved with Northern Trust and that he had presented a \$36,000 check to Debbie before the meeting.

Randy further informed the Board that since the assessor's had won their case with the City of New Orleans, the Sheriffs had reached a compromise and that he would pursue a compromise on behalf of the clerks. He said that he and Gary Curran were trying to obtain information from 2004 and 2005.

He also reported that he was pursuing overpayments of three deceased members and may have to file small claims suit against the parties in order to collect.

Randy reported that the legislation that the Board had previously approved: DROP at age 55; Disability Retirement and the Employer Contribution Rate Adjustment had been drafted and advertised and that he was looking for authors for the bills. Debbie gave a brief overview of the Special Legislative Session dealing with financial disclosures. She reported that each member of the Retirement Board would have to file a financial disclosure.

Louisiana Clerks of Court Retirement and Relief Fund

Board of Trustees Meeting, February 27, 2008

Page 6

Randy discussed the education requirements for the Board members. Debbie informed the Board that most other retirement Board members had 5 and 6 years terms and that they might want to consider extending the terms of the members of the Clerks' Retirement Board because just as a member was learning a little about investments, it was time for them to get off of the Board. Cliff Dressel moved that legislation be introduced to extend the terms of office of the elected Clerk Board members to 5 years. Motion seconded by Robby Barousse. **Motion carried.**

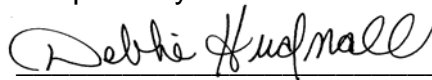
Randy also reported that the statewide retirement systems were still pursuing the Terror-Free Index Fund as mandated by law, but because LASERS and the Teachers retirement system decided to do their investments in-house, it had caused a problem for the statewide systems.

**Executive Director's Report:** Debbie reported that everything was moving along at the office and that most of the renovations had been completed and the imaging was continuing to be done by the Windward Group. She informed the Board that the office was now using remote bank deposits so the staff didn't have to waste time in the Baton Rouge traffic going to the bank and if the checks were input by 5 p.m., the money was considered deposited as of that day. She informed the Board that it was working very well. She asked that the Board ratify their prior approval of the purchase of the automatic folder. Mark Graffeo moved that the purchase be approved. Motion seconded by Hart Bourque. **Motion carried.**

Debbie discussed the Retirement Fact sheet that she would be presenting the Joint House and Senate Retirement Committee. **(Attachment 3)**

Robby Barousse moved that the meeting be adjourned

Respectfully submitted:



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Debbie D. Hudnall  
Executive Director