

PROPOSED MINUTES

LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND BOARD OF TRUSTEES MEETING WEDNESDAY, NOVEMBER 28, 2018 NATCHITOCHES, 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 28, 2018 at 9:00 a.m. in Natchitoches, Louisiana.

The meeting was called to order by President Steve Andrews. Mark Graffeo gave the invocation and Brian Lestage led the Pledge of Allegiance.

MEMBERS PRESENT:

President Steve Andrews
Brian Lestage
Bridget Hanna
Randy Deshotel
Mark Graffeo
Lynn Jones
Louie Bernard
Rick Arceneaux

OTHERS PRESENT:

Debbie Hudnall, Executive Director
Jon Breth, AndCo.
Chris Brokaw, AndCo.
Phineas Troy, Summit Strategies
John Lake, Summit Strategies
Denise Akers, Attorney
Gary Curran, Actuary
Michelle Cunningham, Auditor

GUESTS PRESENT:

Kim Turlich-Vaughan, David Dart, Tammy Foster, Jeff Skidmore, Susan Racca, Darlene Landry, Mike Thibodeaux, Felicia Ann Hendl, Annette Fontana, Charlie Jagneaux, Chelsey Napoleon, Chris Kershaw, and Dagmar Hebert.

PUBLIC COMMENTS: None

APPROVAL OF MINUTES:

Bridget Hanna moved that the minutes of September 12, 2018 be approved. Motion seconded by Brian Lestage. **MOTION CARRIED.**

FINANCIAL REPORT: (ON FILE IN OFFICE)

Treasurer Randy Deshotel reviewed the financial report for September 2018:

Sept 2018 -	Monthly Contributions	\$ 2,308,224
	Other Additions	\$ (229,722)
	Investment Gain (Loss)	\$ 987,442
	Investment Expenses	\$ 184,512
	Deductions	\$ 3,805,145
	Net Income (Decrease)	\$ (923,713)
	Total Investments	\$ 609,737,047
	Total Assets	\$ 641,564,417

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

SUMMIT STRATEGIES GROUP

Phineas Troy reported that the performance data and history had been transferred from Summit to AndCo. He further reported that the transition was going very well. He thanked the Board for the relationship throughout the years. President Steve Andrews commended Phinney on his service to the Board and how much the Board appreciated all of his work.

Jon Breth and Chris Brokaw with Andco then proceeded to report on the current market update. October was volatile due to the rhetoric around trade and the tariff talks in September. There was an outperformance of growth relative to value with health care and technology returns leading the market. John commented that the total performance was outpacing the policy index. Real estate generated positive returns and MLPs were up for the quarter and were strong addition to the portfolio.

Senator Peacock questioned the assumed rate of return and possible reduction. There was discussion regarding that the assumed rate of return should not drive what the investments are trying to accomplish, with decreases in basis point by 25, the need may arise to re-evaluation asset allocations. A portfolio is not always built to hit the highest return possible. Actuary Gary Curran commented on the expectation that you will have a certain level of return given a particular asset allocation and that allocation inherently has a certain level of associated risk. Phinney stated that one cannot be totally dependent on the other. Jon suggested that looking at long term rate of returns is a much better approach than a short or mid-term rate of return.

MONEY MANAGER PRESENTATIONS

Tortoise Capital Advisors (MLPs) – Tamara Boykin and Brett Castelli reporting that the Clerks have been with Tortoise since April 2011 and have approximately \$16 million assets under management with a performance of 5.6% since inception. Brett reported that there have been very few changes to the company's organization. The fund has outperformed the MLP index by 4.1% since inception. He commented on the benefit from emphasis on larger, investment grade, more stable-fee based structures. There was discussion regarding the fluctuation in MLPS due to the price of oil and the increase in demand of natural gas domestically. Brett also commented on the number of pipelines under construction to help with the bottlenecks in getting drilled crude to refineries. There was also discussion regarding the International production and OPEC.

Rothschild Asset Management (US Equity-Large Cap Value) – Mary Jane Cullinan presented that the Clerks have been with Rothschild since August 2010 and the portfolio has over \$36 million in current assets. Rothschild is a family owned company with a recent rebranding of the name to Rothschild and Co. Management. She commented on the investment philosophy – “Our expertise is derived from bottom-up stock selection targeting attractive valuations and expectational upside.” She reported

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that the CEO has moved on to other endeavors but there have been no changes in regard to the investment process. Mary Jane stated that the return since inception is 14%, which is just slightly above the benchmark. She further commented on stock trends, prices and the tough time investors face due to a potential interest rate increase.

Segall, Bryant & Hamill (SBH) (International Equity – Emerging Markets) – Clark Koertner stated that the firm is a growing firm with 40 partners. SBH has a client service model with a consistent portfolio management leading to consistent performance. The Clerks portfolio with SBH began in March of 2018 and the fund has experienced a negative return since inception. He discussed the impacts on the emerging markets especially the trade war with China. He further commented on their investment approach being systematically diversified and risk aware looking for healthy companies that are mispriced versus their peers. He commented on the outlook for the next 6 months being volatile not seeing much difference in emerging markets until China and the current administration provide clarity. This environment is good for an active manager with risk controls in place. Clark further explained the tight risk control with SBH and that their fee is performance based.

Westfield Capital Management (US Equity – Large Cap Growth) – Justin Moscardelli stated that the Clerks and Westfield have an 8- year relationship. He reported that there have not been many changes to the firm. He reported that the firm is healthy with over \$13 billion in assets on behalf of 250 clients. The Clerks portfolio is just above \$36 million and has experienced a positive return of 15.4% since inception. He discussed their disciplined strategy of growth and reasonable price. The fund has slightly outperformed the benchmark Russell 1000 Growth in the current year. There was discussion regarding the possibility of changing their fee structure and Justin stated that Westfield was open to discussions regarding this possibility.

ANDCO (Report on file in office): Jon Breth and Chris Brokaw provided the update for the Clerks portfolio as of October 31, 2018.

PORTFOLIO PERFORMANCE – October 31, 2018

	2018	1 Mo	FYTD
Total Funds	\$ 565,385,065	-6.08%	-3.42%
US Equity			
QMA	\$ 64,265,985	-7.92%	-0.88%
Rothschild	\$ 34,619,272	-5.52%	0.06%
Westfield	\$ 36,791,151	-9.39%	-1.96%
William Blair	\$ 21,350,034	-10.21%	-6.91%
Elk Creek	\$ 22,933,085	-12.32%	-5.07%
<i>Continued on next page</i>			

	2018	1 Mo	FYTD
Intl. Equity			
TS&W	\$ 43,749,037	-8.36%	-7.47%
LSV	\$ 44,035,024	-8.38%	-6.73%
William Blair	\$ 27,196,009	-12.54%	-14.45%
Segall Bryant	\$ 28,531,732	-9.23%	-11.84%
Fixed Income			
Pyramis	\$ 56,049,943	-1.03%	-0.54%
Pyramis (Tact)	\$ 30,714,448	-1.20%	0.08%
SSgA Ag Bond	\$ 25,988,143	-0.79%	-0.77%
Hedge Funds			
Summit Solut.	\$ 43,179,490	-1.60%	0.00%
Real Estate			
Clarion	\$ 53,809,613	0.00%	2.09%
MLP'S			
Harvest	\$ 16,292,386	-9.53%	-3.95%
Tortoise	\$ 15,879,381	-7.87%	-5.07%
Hancock – Cash	\$ 336		
DROP FUNDS	\$ 26,919,025		
Cash Funds	\$ 4,708,113		

Jon brought to the Board's attention several revisions, mainly terminology, to the Investment policy that would be reviewed and prepared for the next meeting. There was also discussion regarding the rate of return and if a change to the investment policy would be needed. AndCo will review and provide additional information at the next meeting.

At this point in the meeting, Debbie Hudnall asked that both Jon and Chris with AndCo. step out of the meeting.

INVESTMENT COMMITTEE REPORT

Report and Recommendation on Request for Proposals-Investment Consultant:

Debbie reported that 14 proposals had been received. The proposals were reviewed by staff and a summary of each was compiled. Mark Graffeo stated that the Investment Committee had met and reviewed the summary and had narrowed the proposals down to 4 – AON Hewitt, Marquette Associates, AndCo, and Segal Marco. The committee didn't feel that it would be necessary to have the other companies spend the time and expense to interview. Mark stated that the committee would recommend AndCo as the investment consultant for the Retirement Fund. Attorney Denise Akers informed the Board that they are not legally obligated to interview based on an opinion from the Attorney General. The Board has already received Summit's recommendation, developed its own RFP and vetted the other proposals. Her opinion was that the Board's fiduciary obligation would be satisfied for this process.

Louie Bernard commented that he thought proceeding with interviews would show that the Board's due diligence was thorough. Brian Lestage asked Phinney how Summit determined its recommendation of AndCo. Phinney stated that AndCo had the public fund experiences and a geographic footprint of location in relation to clients. Attorney

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Denise Akers commented on her experience working with Andco for other systems, including ROVERS and Assessors. Debbie Hudnall pointed out to the Board the effort AndCo has already brought to the table with a fee reduction for one of the current money managers and a review of the investment policy, working only as the Interim consultant.

After discussion, a motion was made by Mark Graffeo to authorize the Executive Director, Debbie Hudnall to execute contract documents with Andco as the Investment Consultant for the Clerks Retirement Fund with a one-year contract approval to be reviewed by both Debbie and Attorney Denise Akers. Motion was seconded by Bridget Hanna. **MOTION CARRIED.**

Gary Curran commented on his previous work with AndCo. He stated that their research analyst headcount is a little lower than some firms. Debbie stated that they had questioned AndCo in regard to that headcount and AndCo is continually adding staff. Auditor Michelle Cunningham noted that AndCo has had a large addition of clients over the last few years but have lost only 21. She also commented that the categorization of employees may differ between firms.

The Board asked that AndCo rejoin the meeting at this time. President Andrews informed AndCo that the Board had chosen to approve them as the Investment Consultant. Jon Breth thanked the Board for their confidence in AndCo and looks forward to continuing the relationship.

John Lake with Summit Strategies explained that the hedge fund portfolio will remain with Summit/Mercer.

President Andrews thanked the Board, Investment committee and Association staff for their work on this RFP and selection process.

Recessed for Lunch

President Steve Andrews called the meeting to order at 1:00 pm

ACTUARY REPORT (On file in office) – Gary Curran presented the Actuary report for the fiscal year ended June 30, 2018. He reported that payroll had increased from 2017 and that benefit payments had also increased. He also reminded the Board that the payments on the frozen accrued liability had been levelized. He reported that the COLA that was approved and paid at the beginning of 2018 had been paid out of the funding deposit account and thus a decrease in that account. He discussed a reduction in the valuation interest rate. Last year the rate was at 7%. This valuation has been completed based on 6.75%, which he felt more prudent. The cost doesn't exceed the current contribution rate. The sensitivity of this number depends on the investment market. The actuary report used the actuarial value of assets whereas the audit report requires the market value of assets, but he stated that there isn't much difference between the two. He commented on the risk sensitivity to gains/losses on investments and the effect on the assumed rate and earnings. Gary commented on the

increase risk that plans face due to maturity over time with the increased number of retirees the cost falls to the active populations. He mentioned the possibility of an investment policy change to ensure that part of the portfolio is used as cash flow to cover retiree benefit payments. However, this option is not feasible at this time without a huge cost to the plan. He stated that the average retiree is 70 years old with a monthly benefit of \$2,355. The plan liability experience was neutral for 2018. He reported a .37% reduction in the levelized payment because of the increase in payroll. The ad valorem taxes will decrease as a percentage of payroll due to change in the amount received from New Orleans based on the settlement, which has already been figured in this valuation. He reported that a COLA cannot be given this coming year because one had already been granted in the previous year.

Gary Curran reported that the current employer contribution rate is 19%. The projected rate for 2019 is 18.75%.

A motion was made by Rick Arceneaux to approve the Actuary Report as presented by Gary Curran. The motion was seconded by Brian LeStage. **MOTION CARRIED.**

AUDIT REPORTS

Michelle Cunningham with Duplantier, Hrapman, Hogan & Maher presented the audit reports for the 2017-2018 fiscal year. She commented on management's and auditor's responsibilities. She stated that the Fund received the highest and cleanest opinion and that the financial statements are materially presented. She noted that the total pension liability number did increase due to the reduction in the rate of return and the cost of the COLA. There were no significant deficiencies or material weaknesses in internal controls and the Fund was compliant with all laws and regulations. She commented on no new reporting requirements from GASB and that estimates are reasonable in the audit report as well as the fair value of alternative investments. Michelle then reviewed the required supplementary information.

Total Assets \$629,535,473, Total Liabilities \$1,097,822 with a net position restricted for pension benefits of \$628,437,651. She reported that Net Investment income had decreased. The total deductions increased from 2017 due to the payment of the COLA and an increase in the number of retirees. DROP benefits decreased from 2017 to 2018 and refunds also decreased. Net Income \$34,760,068 with the biggest change being in the net investment income. There was an increase in active members as well as retirees. She reviewed the net pension liability of employers with the discount rate of 6.75%, which is used to calculate that total pension liability and is expected to reflect the real long-term rate of return. Total pension liability of \$794,767,702, with the employer's net pension liability of \$166,330,051. Both of which increased from 2017 to 2018 due to a change of assumptions and the payment of the COLA.

Michelle then reviewed the census data testing that was conducted to audit the net pension liability. There were three parishes selected: Lafayette, Calcasieu and Terrebonne. There were no findings in any of the parishes tested. She then reviewed the Statewide Agreed Upon Procedures. They were required to only test those areas

that had findings in the previous year. Written Policies and Procedures had been updated and there were no findings in this current audit period.

A motion was made by Louie Bernard to approve the audit report as presented. The motion was seconded by Lynn Jones. **MOTION CARRIED.**

Rick Arceneaux moved to approve the compliance questionnaire as presented. The motion was seconded by Mark Graffeo. **MOTION CARRIED.**

APPLICATIONS AND REFUNDS: (On file in office)

Debbie reported that since the September Board meeting there were 10 applications for DROP; 6 applications for regular retirement; and 12 Post DROP retirement applications.

Rick Arceneaux moved that the applications be approved. Motion was seconded by Mark Graffeo. **MOTION CARRIED.**

Debbie further reported there had been 42 refunds in the amount of \$317,741 for the fiscal year.

EXECUTIVE DIRECTOR REPORT:

City of New Orleans Resolution (Exhibit A) – Debbie presented to the Board a resolution in regard to the City of New Orleans to ensure that the 2018 ad valorem taxes would be paid. Randy Deshotel moved to adopt the resolution as presented. Motion was seconded by Rick Arceneaux. **MOTION CARRIED.**

Education Hours – Debbie reported that all Board members had met the required education hours for 2017-2018 and a letter to the Retirement Committee Chairmen had been submitted. She also noted the special additional language required to appear on the agenda for those agenda items that will count towards the fulfillment of the education requirement.

Senate Appointment Letter - Debbie presented to the Board a letter from Senator Barrow Peacock appointment Margaret Corely, Kelsey Rome and Laura Gail Sullivan as his representatives at executive sessions.

ATTORNEY: No report.

OTHER BUSINESS: No other business.

COMMENTS BY BOARD TRUSTEES: None

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

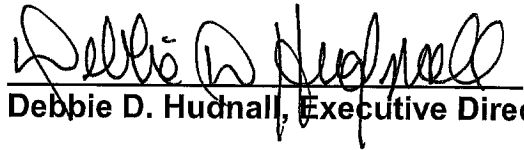
MEETING ADJOURNED.

Approved:



Steve Andrews, President

Respectfully submitted,



Debbie D. Hudnall, Executive Director

EXHIBIT A

The following resolution was offered by _____ and seconded by _____;

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 2018, 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 2018 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 2018 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 2018 total \$500,000,000, then the contribution required for the 2018 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 2018. This additional contribution shall also be due from the first revenue sharing dollars appropriated for delivery in 2019 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 2018, 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:

NAYS:

ABSENT:

And the resolution was declared adopted on this, the ____ day of _____, 2018.

_____, Secretary


_____, Chairman