

APPROVED MINUTES

LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND
BOARD OF TRUSTEES MEETING
WEDNESDAY, MARCH 8, 2017
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, March 8, 2017 at 9:00 a.m. in Baton Rouge, Louisiana.

The meeting was called to order by President David Dart. Kay Bolding gave the invocation and Steve Andrews led the Pledge of Allegiance.

MEMBERS PRESENT:

President David Dart
Steve Andrews
Robin Hooter
Mark Graffeo
Cliff Dressel
Kay Bolding
Rep. Barry Ivey

OTHERS PRESENT:

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

GUESTS PRESENT:

Frank Borne, Annie Smith, Dagmar Hebert, and Chris Kershaw

OATH OF OFFICE: David Dart administered the oath of office to new Board Member Representative Barry Ivey.

PUBLIC COMMENTS: None

APPROVAL OF MINUTES:

Cliff Dressel moved that the minutes of November 30, 2016 be approved. Motion seconded by Steve Andrews. **MOTION CARRIED.**

GASB 68 (report on file in office): Michelle Cunningham with Duplantier, Hrapmann, Hogan and Maher presented the GASB 68 audit report on the allocation of the net pension liability for participating employers. The Clerks received an unmodified opinion with no significant deficiencies or material violations. The report provides the information that the Clerks need to include in their audit report for the net pension liability and change in net pension liability. Michelle discussed the employer allocations as the proportionate share calculated based on historical contributions. She further explained that the net pension liability increased from the previous year due to the loss in the investment portfolio at June 30, 2016 in addition to other factors. She explained how the Clerks will include these numbers on their audit reports as deferred outflows (asset), inflows (liability) and pension expense. Michelle reviewed the supplementary schedules. She explained that GASB standards allow for the use of the 2016 numbers on the Clerks 2017 audit.

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Cliff Dressel moved to approve the GASB 68 reported as presented. Motion seconded by Kay Bolding. **MOTION CARRIED.**

FINANCIAL REPORT: (ON FILE IN OFFICE)

Treasurer Robin Hooter reviewed the financial report for January 31, 2017:

Jan 2017 -	Monthly Contributions	\$ 10,833,346
	Other Additions	\$ 32,073
	Investment Gain (Loss)	\$ 9,746,499
	Investment Expenses	\$ 293,217
	Deductions	\$ (3,258,340)
	Net Income (Decrease)	\$ 17,060,362
	Total Investments	\$ 530,804,891
	Total Assets	\$ 568,424,220

Debbie reported that the ad valorem taxes from New Orleans had been received and that as of March 1st all ad valorem taxes had been received. Mark questioned if the contributions received have been able to cover the monthly benefit payments. Chris Kershaw stated that currently contributions are not enough to offset the benefit payments. Representative Ivey asked what percentage the Clerks receive in ad valorem taxes. Debbie reported that it is one quarter of one percent, which is less in comparison to the percentage received by other retirement systems. Greg Curran stated that the amount of ad valorem received was slightly less than the amount projected by the actuary.

A motion was made by Mark Graffeo to receive the financial report. Motion seconded by Steve Andrews. **MOTION CARRIED.**

Investment Committee

Mark Graffeo reported that the Investment Committee continues to review hedge funds and the possible investment with a product offered by Summit Strategies. The committee is continuing to explore and better understand the product. He commented on the possibility of lower fees and comparable returns to the current hedge funds. Phinney Troy provided more information on the fund. Debbie stated that Summit did not approach the Board about this fund, but that other clients of Summit mentioned the idea at a recent conference that the Board had attended. Representative Ivey asked how long the fund had been in place. Phinney stated that Summit Solutions, which is a vehicle they created, had been in place for approximately one year, but Summit has been investing for their clients in a direct program for 10 years. Attorney Denise Akers commented on the possible conflict with Summit Strategies as the Retirement Fund's consultant. She commented on the committee's prudence in researching and studying the option. Mark concluded that the committee wanted to inform the Board of its continued progress.

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Summit Strategies Group: (Report on file in office)

ECONOMIC UPDATE: Phinney commented that the start of 2017 saw markets up unanimously across the globe even after the 4th quarter saw markets pull back due to uncertainty around the election. Small Caps were up over 9%. Emerging markets were down in the 4th quarter as well as US Bonds down 3%. Interest rates rose during the 4th quarter and Real Estate had a positive 1.8% return. The Federal Reserve did raise interest rates in December 2016 by 25 basis points. The Fed focused on the strength and stability of the labor market in the US. Wage growth was up 2.9% and GDP was very strong for the quarter up 3.5%. MLPs had the largest return for 2016 of 18%.

Monthly Investment Performance Review: Phinney reported on the Clerks portfolio for the year 2016 with the total fund just under \$550 million. There were positive returns for US equities. International equities slight behind the benchmark. William Blair had a tough 2016 but had rebounded so far in 2017. William Blair over the past 5 years is up over 1.70% compared to the benchmark. Summit is confident with their portfolio. Debbie commented on the ranking amongst peers of Real Estate. Phinney stated that Clarion is a diversified manager and has underperformed the benchmark for the last 5 years, however has a survivorship bias, as many managers went out of business during the 2008 crisis and that Summit still has confidence in Clarion.

PORTFOLIO PERFORMANCE – January 31, 2017

	2017	1 Mo	FYTD
Total Funds	\$ 531,049,296	1.90%	7.67%
US Equity			
QMA	\$ 56,007,288	1.57%	11.35%
Rothschild	\$ 30,498,500	0.80%	9.91%
Westfield	\$ 33,774,760	4.39%	11.15%
William Blair	\$ 21,921,701	-0.50%	18.46%
Elk Creek	\$ 19,749,652	3.34%	16.75%
Intl. Equity			
TS&W	\$ 43,349,962	2.58%	
LSV	\$ 42,843,714	2.76%	14.73%
William Blair	\$ 25,833,625	3.23%	3.54%
AJO	\$ 30,558,993	6.28%	15.65%
Fixed Income			
Pyramis	\$ 50,748,704	0.62%	0.72%
Pyramis (Tact)	\$ 25,561,161	0.86%	3.61%
SSgA Ag Bond	\$ 21,872,625	0.20%	-2.33%
Hedge Funds			
Blackstone	\$ 23,460,684	1.00%	5.19%
Magnitude	\$ 23,018,136	1.01%	1.54%
Real Estate			
Clarion	\$ 54,122,136	0.00%	3.58%
MLP'S			
Harvest	\$ 13,717,604	3.27%	9.67%
Tortoise	\$ 13,602,017	4.09%	9.91%
Whitney – Cash	\$ 408,034		
DROP FUNDS	\$ 23,767,769		
Cash Funds	\$ 2,534,990		

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Mark commented on interest rates rising and how that will affect stock investments. Phinney stated that companies such as Wal-Mart and Coca-Cola may take a hit if interest rates rise and investors may move into bonds to get a more stable return. Those companies paying dividends at some point will saturate the market as people are willing to pay a higher price to get the dividend. Mid-cap/growth focuses companies, for example tech companies, who don't pay dividend but reinvest in the company, may experience growth as in previous year investors have been skittish.

Debbie questioned how many interest rate hikes Summit projects the Fed to make this year. Phinney projects it would likely be one to two increases. David asked about the effect of the Trump election. Phinney stated that there is anticipation that the President will be able to get many things done with the Republican controlled Congress; however, there is a factor of geo-political events.

ACTUARY REPORT (On file in office): Greg Curran reported that the Clerks report had been approved as submitted by PRSAC. He reported to the Board that the Legislative Auditor has hired a consultant and has had much more activity. There have been conversations regarding the funding of COLAs. The big push in the actuarial community is that the valuation should assume COLAs will be given. Greg reviewed the COLA history of the Clerks Retirement with the last COLA in 2014. The current statutory framework limits COLAs. The Board has been conservative in the past handling the impact of the cost of COLAs to the plan. Representative Ivey questioned if the fund was required to actuarially fund a COLA. Greg commented that the COLA is factored into the computation of the Employer Contribution rate. He stated that using the funding deposit account would provide a better method by increasing assets and liabilities with no impact on the employer rate. The idea is that if there will be a future COLA it should be included in the valuation. Greg commented that the Board could consider a policy that they intend to pay COLAs through the funding deposit account. Representative Ivey commented that he is concerned with how all systems fund COLAs and would prefer to see a uniform policy for state-wide systems on the payment of COLAs. Debbie questioned if there could be a uniform way as all the state-wide systems are very unique.

Greg also commented on the future possibility of the Legislative Auditor creating a valuation report for the Fund and to have both presented to PRSAC.

Greg also stated that the Legislative Auditor questioned the rate of return at 7% commenting that it could be lower. Greg defended the Clerks rate and the added conservatism the Board has taken to protect the plan for the future. Phinney stated that the average across the country for public retirement systems is 7.5%.

Greg stated that the valuation has a minimum employer contribution rate of 17.5% and the Board has the right to set the rate between 17.5% and 20.5%. He recommended the Board maintain the rate at 19.0%. A motion was made by Cliff Dressel to maintain the employer contribution rate at 19.0% for the fiscal year beginning July 1, 2017. Motion was seconded by Steve Andrews. **MOTION CARRIED.**

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APPLICATIONS AND REFUNDS: (On file in office)

Debbie reported that since the November Board meeting there were 19 applications for DROP; 16 applications for regular retirement; 17 Post DROP retirement applications; 1 application for disability retirement and 1 application for survivor retirement. Cliff Dressel moved that the applications be approved. Motion was seconded by Kay Bolding. **MOTION CARRIED.**

Debbie further reported there had been 71 refunds in the amount of \$664,905 for the fiscal year.

EXECUTIVE DIRECTOR REPORT:

IRS Tax Determination Letter: Debbie reported that the letter had been received with a favorable determination. The tax attorney would be working on some administrative policies that may be presented at the next board meeting that would require assumptions be posted on the website for members to view.

19th JDC: Debbie informed the Board of an issue brought by the 19th JDC regarding those members who were grandfathered into the Clerks Retirement, who want to retire from the Clerks system, be rehired in their same position and join LASERS. Debbie provided some history on the legislation that was passed in 2001 to grandfather those from the 19th JDC who were already in the Clerks system and the court reporters transcripts. Attorney Denise Akers informed the Board of two scenarios that had been brought by the 19th JDC. Even though the administrator of the 19th JDC was receptive to the responses provided by Debbie and Denise, Debbie wanted to inform the Board in the event of possible litigation.

Retirees return to work: Debbie stated that a new contribution report had been sent to the Clerks in order to report the hours instead of days that a retiree works each month. She provided a report showing the total salaries paid to retirees in 2016 was \$888,305 with over 28,904 hours worked.

Representative Ivey asked if this was unique to the Clerks. There was discussion on retirees returning to work and part time employees who are not subject to retirement. There was discussion on the 20 hour minimum to be a member of the system and the 60 day limit on retirees. There was discussion of the payment of employer contributions on retirees returning to work. Greg suggested that they could look into it further and opportunities to look into possible legislation.

Agreed Upon Procedures Report: Debbie stated that there has not yet been an engagement letter for GASB 67, but that Duplantier, Hrapmann, Hogan and Maher had agreed to perform the audit for the same amount as previous year in the range of \$10,600 and \$11,600. They will select three parishes to audit payroll and would like to begin work in May. The Board authorized Debbie to sign agreement and authorize auditors to begin the audit.

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Chris Kershaw updated the Board on the items found with St. John the Baptist Parish from the previous year's GASB 67. He visited the parish and is currently reviewing the payroll detail records and the possibility of members that should have been added to the retirement system, as well as errors in the retirement and social security withholdings. He will update the Board once his review is complete.

ATTORNEY: No report at this time.

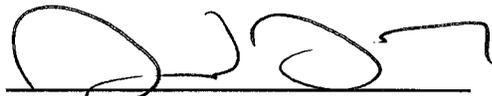
OTHER BUSINESS: No other business.

COMMENTS BY BOARD TRUSTEES: President Dart welcomed Representative Ivey to the Board.

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

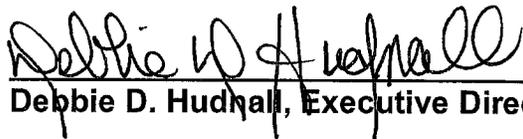
MEETING ADJOURNED.

Approved:



David Dart, President

Respectfully submitted,



Debbie D. Hudnall, Executive Director