

APPROVED MINUTES

LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND  
BOARD OF TRUSTEES MEETING  
WEDNESDAY, MAY 21, 2014  
BATON ROUGE, LOUISIANA  
9:00 AM

A meeting of the Louisiana Clerks of Court Retirement and Relief Fund Board of Trustees was held on Wednesday, May 21, 2014, at 9:00 AM in Baton Rouge, Louisiana.

The meeting was called to order by President Diane Meaux Broussard. Tammy Foster gave the invocation and Mark Graffeo led the Pledge of Allegiance.

**MEMBERS PRESENT:**

President Diane Meaux Broussard  
Carl Broussard  
Mark Graffeo  
Tammy Foster  
Gary Loftin  
Hart Bourque  
Cliff Dressel  
Kay Bolding

**OTHERS PRESENT:**

Debbie Hudnall, Executive Director  
Phineas Troy, Summit Strategies  
Gary Curran, Actuary  
Denise Akers, Attorney

**GUEST PRESENT:**

Dot Lundin and Chris Kershaw

**APPROVAL OF MINUTES:**

Cliff Dressel moved that the minutes of March 11, 2014 be approved as presented. Motion seconded by Gary Loftin. **MOTION CARRIED.**

**OATH OF OFFICE**

President Broussard administered the Oath of Office to Kay Bolding for her new term of office.

**COMMENTS BY PRESIDENT:**

President Broussard thanked everyone for their attendance and thanked everyone for allowing her to serve as President.

**FINANCIAL REPORTS: (ON FILE IN OFFICE)**

Financial Reports were distributed for the months of February and March, 2014. Treasurer Mark Graffeo reviewed the financial reports for March 2014.

<b>March 2014 -</b>	Monthly Revenue	\$	1,837,611
	Other Additions	\$	11,269
	Investment Gain (Loss)	\$	3,463,306
	Investment Expenses	\$	( 89,543)
	Deductions	\$	( 2,853,204)
	Net Income (Decrease)	\$	2,369,438
	<b>Total Investments</b>	<b>\$</b>	<b>500,185,166</b>
	<b>Total Assets</b>	<b>\$</b>	<b>500,460,622</b>

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Debbie Hudnall pointed out that the fund a total of \$56.7 net income for the fiscal year as of March 31<sup>st</sup>.

Motion was made by Gary Loftin to receive the financial reports. Motion seconded by Cliff Dressel. **MOTION CARRIED.**

**INVESTMENT COMMITTEE REPORT:**

Gary Loftin reported that the Investment Committee continues to hold monthly conference calls and then deferred the report to Phinney.

Phinney reported that the Investment Committee had discussed the March preliminary Performance and also had discussion on Fixed Income. He said the Investment Committee had a recommendation that he would present a little later in the meeting.

**SUMMIT STRATEGIES: (Report on file in office)** Phineas Troy presented the economic review for the first quarter of 2014 and reported that the US economy continued along its slow path of recovery. He said that the severe winter weather in January and February had a negative impact on economic growth, but demand is expected to increase into the spring and summer months. The unemployment rate was 6.5% as of March, the same level at which it ended 2013. He then discussed the market performance for the first quarter.

Phinney then discussed the Clerks' portfolio for the first quarter. He informed the Board that the total portfolio was in the top 5 percentile for the first quarter and in the 56 percentile for the fiscal year through March. The Fund was up 12.72% for the fiscal year through March. The Fund outperformed the Policy Index by 2.1% for the trailing 3-year period and ranked in the 28<sup>th</sup> percentile versus peers. The Fund outperformed the index by 1.3% and 67 bps, respectively, over the trailing 5 and 10 year periods.

Phinney advised the Board that Summit and the Investment Committee recommended the following portfolio changes:

1. Reallocate TIPS back into the Fund's core/core plus allocation;
2. Add a new strategy - Pyramis Tactical Bond as complement to Pyramis Core Plus
3. Add State Street Barclays Aggregate passive strategy to the portfolio.

This will have the portfolio going forward with 50% Pyramis Core Plus; 25% Pyramis Tactical Bond and 25% State Street Barclays Aggregate Bond Index.

Tammy Foster moved that the recommendations of the Investment Committee in reference to the Fixed Income by approved. Motion seconded by Mark Graffeo. **MOTION CARRIED.**

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Phinney then reported on the Preliminary Flash Report as of April 30, 2014 and stated that the unemployment rate fell to 6.3% in April, its lowest level since September 2008.

**PORTFOLIO PERFORMANCE**

	<b>2014</b>	<b>1 MO</b>	<b>FYTD</b>
<b>Total Funds</b>	\$500,427,062	.46%	13.23%
<b>US Equity</b>			
QMA	\$ 52,017,840	1.14%	21.73%
Rothschild	\$ 30,117,660	.89%	24.02%
Westfield	\$ 38,991,828	-0.62%	23.08%
William Blair	\$ 16,817,238	-2.57%	
Elk Creek	\$ 16,437,634	-4.54%	
<b>Intl. Equity</b>			
Vontobel	\$ 36,692,353	1.09%	13.02%
LSV	\$ 30,611,625	2.23%	
Mondrian	\$ 12,809,452	0.56%	20.07%
William Blair	\$ 12,202,374	-2.96%	16.20%
DFA	\$ 21,467,582	.66%	8.18%
<b>Fixed Income</b>			
Pyramis	\$ 68,524,827	.91%	4.65%
SSgA Tips	\$ 12,441,458	1.36%	1.94%
<b>Hedge Funds</b>			
Blackstone	\$ 20,962,461	0.05%	6.75%
Magnitude	\$ 20,686,493	-0.49%	3.92%
UBP	\$ 1,696,873	0.09%	1.86%
<b>Real Estate</b>			
Clarion	\$ 42,990,284	0.00%	7.98%
<b>MLP'S</b>			
Harvest	\$ 17,421,404	3.40%	18.94%
Tortoise	\$ 17,522,460	3.52%	23.42%
<b>Whitney -Cash</b>	\$ 2,423,174		
<b>DROP FUNDS</b>	\$ 18,786,157		
<b>Cash Funds</b>	\$ 8,805,885		

**ACTUARY REPORT:**

Gary Curran presented a new contract for G.S. Curran & Company. He informed the Board that because of the new GASB 67 & 68 requirements and because of the benefit calculations complexities now they were being forced to request a monthly increase from \$3425 per month to \$5,570 per month. He also said because of GASB 67 they would have to re-calculate the 2013 actuary report and that would be a one-time cost of \$4000. There was discussion as to breaks in services was one of the reasons why the benefit calculations are now so complicated. Gary Curran informed the Board that GASB 67 & 68 had nothing to do with the funding of the plan but the numbers would be included in the financial statements of the Fund for 2014. He reminded the Board that under GASB 68 the liabilities of the Fund would have to be included in the individual Clerks' offices financial statements. Motion was made by Cliff Dressel to approve the

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new contract of the actuary. Motion was seconded by Carl Broussard. **MOTION CARRIED.**

There was further discussion about the complexities of benefit calculations and how breaks in service were causing issues. Gary Loftin moved that the office staff work with the actuary and attorney in bringing a policy recommendation to the Board for the July meeting to try to simplify calculations when there are breaks in service and variations in salaries. Motion was seconded by Tammy Foster. **MOTION CARRIED.**

Gary Loftin asked Gary Curran why GASB 67 & 68 is better than what is currently in place, what affect does it have on the Retirement system and what affect does it have on the individual clerks' offices. Gary Curran stated that he didn't know if there would be a lot of good coming from GASB 67 & 68, but a lot of constituencies were pushing for it. He said that it was not an actuary standard but it is an accounting standard. He said that they are trying to get more comparative standards. He stated that it does not affect the funding of the system at all, but the numbers would be included in the financial statements of the retirement systems and the individual employers' offices.

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

Debbie reported there were 13 applications for DROP; 9 applications for regular retirement; 13 for post drop retirement; and 1 survivor application. Gary Loftin moved that the applications be approved. Motion was seconded by Hart Bourque. **MOTION CARRIED.**

Debbie further reported there had been 71 refunds for the fiscal year in the amount of \$612,991.

### **EXECUTIVE DIRECTOR REPORT:**

**Audit Proposal** – Debbie reported that she and Chris Kershaw had met with Michelle Cunningham with Duplantier, Hrapmann, Hogan & Maher to discuss their 2014 audit proposal. Again because of GASB 67 and 68 there are new guidelines in place. Debbie explained that the new guidelines would require employers' payrolls to be audited. There is a formula as to the number of offices to be audited each year and for the year ending June 2014 – three clerks' offices payroll would have to be audited. The offices that would be required this year will be St. Tammany Parish, Supreme Court and New Orleans Criminal Clerk. The total for the audit of these three offices would cost \$8500 - \$9800 and this would be paid by the Retirement Fund. Additionally, with the implementation of GASB 67, the audit of the retirement fund would range from \$25,860 to \$26,400. The estimated fee for GASB 68 would range from \$6,200-\$6900. Debbie informed the Board that the auditors initially were going to require seven offices to be audited at the cost of \$22,000, but after she and Chris had explained the controls that were in place they agreed to reduce the number to three offices. After discussion, Mark Graffeo moved that the audit proposal of Duplantier, Hrapmann, Hogan & Maher for 2014 be approved. Motion seconded by Tammy Foster. **MOTION CARRIED.**

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**Computer System Upgrade** – Debbie reported that as of January 1, 2014 the staff is working solely on the new computer system. She reported that they hope to have on-line reporting for contributions in the near future.

**Summit Strategies Client Conference** - Debbie brought to the Board's attention that Summit will once again host a Client Conference on September 10-11, 2014 in St. Louis. It will be immediately following LAPERS Conference.

**Contribution Reports** - Debbie reported there had been some issues with Clerks reporting everything properly on the contributions reports. She stated that in the past, previous legal counsel had advised that student workers who only worked in the summer could be classified as a seasonal employee because they were not a regular employee and did not have to be included in the retirement system. She said there was also an issue where a clerk classified an employee as a probation employee and failed to enroll them in the Retirement system but did include them in the Health Insurance program. She said there were also issues with some Clerks failing to report retirees who had returned to work properly. After further discussion, Gary Loftin moved that Denise Akers review the law and bring policy recommendations back to the Board. Motion seconded by Cliff Dressel. **Motion carried.**

**DROP POLICY** - Debbie reported that breaks in service were also causing issues in DROP. She said that the Retirement office had a policy that if there was no salary reported for a given month there was no DROP deposit made for that month. She said that no one was able to provide a copy of a written policy, but was told was the way it had always been done. Debbie said she had asked Denise to draft a DROP policy to present to the Board today. The policy drafted by the attorney is as follows:

The Board of Trustees of the Clerks' of Court Retirement and Relief Fund ("LCCR") is given the authority to determine all questions of qualification as to participation in the system and to construe and administer the provisions of the retirement plan at La. R.S. 11:1542. This Board exercises that power now to construe the provisions of the retirement plan contained at La. R.S. 11:1501 et seq. with regard to the LCCR Deferred Retirement Option Plan (DROP) participation.

To participate in the LCCR DROP, a person must be an employee and can participate for only thirty-six months. Because "employee" is defined as "any regular employee ....who works more than an average of twenty hours per week," it is the policy of this Board to interpret that provision to require the following for any DROP participant to receive the DROP payment for a particular month of the thirty-six month DROP period: the DROP participant must average more than twenty hours per week paid time (whether worked or taken as paid leave) for any monthly payroll reporting period in order for that participant to receive the monthly retirement benefit for that month into the Deferred Retirement Option Plan-Fund account in that participant's name. Regardless of whether that DROP participant meets the threshold requirement for receipt of benefits for a particular month, that month is counted towards the thirty-six month limit.

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Carl Broussard moved that the DROP policy prepared by the attorney be approved. Motion seconded by Cliff Dressel. **MOTION CARRIED.**

Debbie said that staff had been drafting new contribution reports to send to the clerks to try to make sure they were as simple and precise as possible, but wanted to wait until the DROP policy was approved to do so. She said they would now send the new forms out next week along with a copy of the new DROP policy.

**LEGISLATION** – Debbie reported there was currently no legislation that would affect the Clerks' Retirement Fund.

**PRSAC REPORT** – Debbie provided the Board with a copy of the PRSAC schedule of employer contributions of all of the State and Statewide Retirement systems.

**2015 BUDGET – (Exhibit A)** Mark Graffeo presented the proposed budget for 2015. After discussion, Hart Bourque moved that the 2015 Budget be approved. Motion seconded by Cliff Dressel. **MOTION CARRIED.**

**COMMENTS BY BOARD MEMBERS**

Hart Bourque thanked everyone for their support and kind words during his illness.

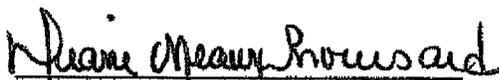
Cliff Dressel congratulated the President on the good job for her first meeting.

Debbie congratulated Carl Broussard as a newlywed.

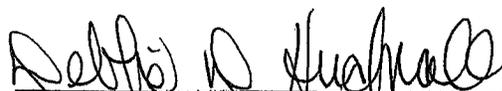
There being no other business; motion made by Cliff Dressel to adjourn. Motion seconded by Hart Bourque. **MOTION CARRIED.**

**MEETING ADJOURNED.**

Approved:

  
Diane Meaux Broussard, President

Respectfully submitted,

  
Debbie D. Hudnall, Executive Director

**Louisiana Clerks' of Court Retirement Fund 2014-2015 EXHIBIT A**

**Budget**

7/1/2014

	<b>ACTUAL BUDGET</b>	<b>PROPOSED BUDGET</b>
	<b>2013-2014</b>	<b>2014-2015</b>
<b>RECEIPTS:</b>		
Rental Income - Association	\$20,200.00	\$ 20,600.00
Rental Income - Insurance	10,100.00	10,300.00
Interest Income	20,000.00	25,000.00
<b>Total Receipts</b>	<b>\$ 50,300.00</b>	<b>\$ 55,900.00</b>
<b>Administrative Expenses</b>		
Actuary Fees	\$ 45,000.00	\$ 75,000.00
Advertising	0.00	500.00
Auditing Fees	19,200.00	43,100.00
Bank Charges	14,000.00	10,000.00
Building Insurance	0.00	5,500.00
Building Maintenance		4,500.00
Depreciation (non-cash)	2,500.00	0.00
Doctors Fees	1,000.00	2,000.00
Fiduciary Insurance	20,000.00	20,000.00
Legal Fees	20,000.00	12,000.00
Meeting Expense	8,000.00	10,000.00
Miscellaneous	500.00	1,200.00
Office Equipment	3,500.00	0.00
Office Supplies and Printing	1,500.00	2,000.00
Other Professional Fees	1,200.00	2,000.00
Per Diem	3,375.00	3,375.00
Postage	2,000.00	2,500.00
Programming Fees	18,000.00	18,000.00
Reimbursement to Assoc.	300,000.00	300,000.00
Travel and Seminar	10,000.00	12,000.00
<b>Administrative Expenses</b>	<b>\$ 469,775.00</b>	<b>\$ 523,675.00</b>
<b>Investment Expenses:</b>		
Consultant Fees	\$ 110,000.00	\$ 130,000.00
Custodial Fees	40,000.00	50,000.00
Investment Managers	2,200,000.00	2,600,000.00
<b>Total Investment Expenses</b>	<b>\$ 2,350,000.00</b>	<b>\$ 2,780,000.00</b>
<b>TOTAL EXPENSES</b>	<b>\$ 2,819,775.00</b>	<b>\$ 3,303,675.00</b>
<b>NET INCOME (Loss)</b>	<b>\$ (2,769,475.00)</b>	<b>\$ (3,247,775.00)</b>

Budget Adopted on this date: \_\_\_\_\_