

## **APPROVED MINUTES**

### **LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND BOARD OF TRUSTEES MEETING WEDNESDAY, DECEMBER 7, 2011 BOSSIER CITY, LOUISIANA 9:00 AM**

A meeting of the Louisiana Clerks of Court Retirement and Relief Fund Board of Trustees was held on Wednesday, December 7, 2011, at 9:00 AM in Bossier City, Louisiana.

The meeting was called to order by First-Vice President Lynn Jones. Louie Bernard gave the invocation and Hart Bourque led the Pledge of Allegiance.

#### **MEMBERS PRESENT:**

First-Vice President Lynn Jones  
Tammy Foster  
Jim Martin  
Louie Bernard  
Hart Bourque  
Cliff Dressel  
Gary Loftin

#### **OTHERS PRESENT:**

Debbie Hudnall, Executive Director  
Jessica Portis, Consultant  
Dan Holmes, Consultant

Denise Akers, Attorney

Gary Curran, Actuary

#### **GUEST PRESENT:**

David Dart  
Rick Arceneaux  
Carl Broussard  
Bert LeBlanc  
Greg Brown  
Christine Crow  
Dot Lundin  
Charlie Jagneaux  
Brian Lestage  
Lance Evans

#### **APPROVAL OF MINUTES:**

Louie Bernard moved that the minutes of the July 27, 2011 meeting be approved. Motion seconded by Tammy Foster. **Motion carried.**

#### **COMMENTS BY PRESIDENT:**

First-Vice President Lynn Jones welcomed everyone to Bossier City/Shreveport area and thanked Gary Loftin for the wonderful dinner and moving program that he hosted the previous night. Lynn also thanked the sponsors for participating and being a part of the program. He reported that Mark was still under the weather and probably would not be able to make any of the meetings. Lynn said that Dan Holmes had reminded him that this was the anniversary of Pearl Harbor, and he asked everyone to observe a moment of silence in remembrance of that day. He thanked the guests for their attendance.

**Louisiana Clerks of Court Retirement and Relief Fund**  
**Board of Trustees Meeting, December 7, 2011**  
**Page 2**

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

Jim Martin presented the financial reports for September and October 2011.

Sept. 2011-	Monthly Revenue	\$ 1,922,778
	Other Additions	\$ 24,436
	Monthly Deductions	\$ (2,144,075)
	Investment Gain (Loss)	\$ (17,608,909)
	Total Investments	\$ 326,852,242
	Total Assets	\$ 344,290,546
	Net Income (Decrease)	\$ (33,757,731)

Oct. 2011 -	Monthly Revenue	\$ 1,603,691
	Other Additions	\$ (58,985)
	Monthly Deductions	\$ (1,976,137)
	Investment Gain (Loss)	\$ 21,594,269
	Total Investments	\$ 348,357,403
	Total Assets	\$ 365,453,719
	Net Income (Decrease)	\$ (12,594,894)

Jim also presented the financial reports for the Retirement Administrative Fund for the months of September and October 2011

Sept. 2011 -	Total Fund Balance	\$ 272,368
	Monthly Revenue	\$ 125,090
	Monthly Expenses	\$ 69,950
	Net Income (Loss)	\$ 55,140

Oct. 2011 -	Total Fund Balance	\$ 243,289
	Monthly Revenue	\$ 125,111
	Monthly Expenses	\$ 154,190
	Net Income (Loss)	\$ (29,079)

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

**INVESTMENT COMMITTEE REPORT:**

Chairman Gary Loftin had no report at this time.

**Louisiana Clerks of Court Retirement and Relief Fund**  
**Board of Trustees Meeting, December 7, 2011**  
**Page 3**

**SUMMIT STRATEGIES GROUP: (Reports on file in office)**

**PORTFOLIO AND MARKET UPDATE:** Jessica Portis reported that October was a complete reversal from September with very strong returns out of the equity markets. In September all the equity markets were negative and in October all of the equity markets were positive. The third quarter was a period of time where investors shunned risks. There were many things going on in the third quarter which led to a re-pricing of the equity markets. She reported that the Treasury market really rallied in this same time period while the fixed income markets were a little less dramatic. The 30 year treasury was one of the best performing asset classes. She stated that the diversified portfolio continues to help during this volatile market. She said the message she wanted to leave the Board with is that depending on what news is coming out regarding the macro environment will really drive the overall result of the plan over the short term. Investors are focused on what is going on in Europe. She said their message remains the same as the one in October which is they expect to see continued volatility over the short term until the macro issues start to work themselves out. Summit's perspective of the markets is slower growth not only in the United States but also abroad. They do expect the stocks to rebound over the next couple of years. She said that in order to make money you have to be different from the pack. She told the Board there would be volatility across asset classes and they wanted to spread it out as much as possible, going where the opportunities are.

Dan Holmes informed the Board that Summit thinks of the asset classes in three distinct buckets.

**Growth**

Quality Equity  
Global Large Cap Equities  
Emerging Market Equities  
High Yield & Emerging Market Debt  
Global Small Cap Equities  
MLP's  
Directional Hedge Funds/  
Abs. Return Hedge Funds  
Private Equity/Private Energy/  
Mezzanine Debt Risk Parity

**INCOME**

International Fixed Income  
Core Fixed Income  
Core Plus Fixed Income  
Bank Loans  
Investment Grade Corporate Bonds  
Core Real Estate  
Private Lending/Senior Secured

**DIVERSIFICATION**

Macro/CTA Hedge Funds  
Energy Commodities  
Treasuries  
TIPS  
Precious Metals

Jessica said that going forward that would mean: rebalancing as necessary; looking for quality equity opportunities; consider dedicated high yield and/or Emerging Market Debt; and emphasize income where possible.

**Louisiana Clerks of Court Retirement and Relief Fund****Board of Trustees Meeting, December 7, 2011****Page 4**

Jessica then gave the following report of the performance of the Clerks' Retirement portfolio stating that the fund was down approximately \$12.6 million from June 30<sup>th</sup>, but for the calendar year the fund is up 2% which is probably the strongest of any of their clients.

**PORTFOLIO PERFORMANCE**

	<b>October</b>	<b>1 Mo</b>	<b>FYTD</b>
<b>Total Investments</b>	\$348,411,726	6.64%	( 3.33%)
<b>US Equity</b>			
QMA	\$ 33,748,501		( 5.05%)
Rothschild	\$ 21,337,449		( 7.02%)
Westfield	\$ 29,193,537		( 7.76%)
Ironbridge	\$ 27,205,702		( 8.39%)
<b>Intl. Equity</b>			
Vontobel	\$ 41,877,366	9.00%	
Mondrian	\$ 8,045,381		(10.75%)
William Blair	\$ 7,838,663		(11.00%)
DFA	\$ 18,452,181		(17.30%)
<b>Fixed Income</b>			
Pyramis	\$ 59,771,079		2.91%
SSgA Tips	\$ 12,222,986		6.46%
<b>Hedge Funds</b>			
Blackstone	\$ 13,437,898		( 2.09%)
Magnitude	\$ 13,965,150		( 0.44%)
UBP	\$ 4,996,437		( 1.65%)
<b>Real Estate</b>			
Clarion	\$ 35,490,829		4.23%
<b>MLP'S</b>			
Harvest	\$ 9,735,481		3.74%
Tortoise	\$ 9,741,076		4.25%
<b>Hancock Cash</b>	\$ 1,352,009		0.00

Jeff Madden with IronBridge Capital Management (SMID Cap Managers) then gave a report to the Board. IronBridge is located in Chicago and they have \$6.2 billion assets under management. He informed the Board that by the end of the year IronBridge will be approximately 90% employee ownership. Clerks' Retirement System allocated money to IronBridge on September 5, 2008. Since inception the annualized return, (gross of fees) as of September 30, 2011, was .63%.

Justin Moscardelli with Westfield Capital Management (Large Cap Growth) followed with a report to the Board. Westfield is located in Boston and they have \$14.9 billion in assets under management as of October 31, 2011 with 18% of funds in the public sector. He said that their performance has been under-whelming this past year, but their 100% employee ownership aligns their interest with those of their clients. The Clerks' Retirement System funded Westfield on August 30, 2010. Their annualized performance ending November 30, 2011 was -1.12% for 1 year but 14.19% since inception. Dan informed the Board that although they had underperformed, they still considered them a top tier manager.

**Louisiana Clerks of Court Retirement and Relief Fund**  
**Board of Trustees Meeting, December 7, 2011**  
**Page 5**

Amit Mukadam with Vontobel Asset Management (International Core Equity Managers) then gave a report to the Board. He thanked the Board for their Business and reported that they were funded in August of 2011. They are located in New York and have \$18.2 billion under management. Amit informed the Board that the Fund's investment objective is capital appreciation by investing in a diversified portfolio consisting primarily of equity securities issued by companies in developed countries and up to 20% of the portfolio may be invested in equity securities issued by companies in emerging markets countries. Their monthly rate of return for the month of October was 8.94% and since inception -4.62%. Amit said they do expect a continued slow down in the first couple of months in 2012. Jim Martin asked if the European countries were doing anything differently in funding their retirement funds. Amit said they were just continuing to kick the can down the road.

Terry Matlock and Abel Mojica with Tortoise Capital Advisors (MLP's Master Limited Partnerships) followed with his report to the Board. Tortoise is located in Kansas and has \$7.2 billion under management. They formed in 2002 on the hill of the .com bubble. He said they had a rough go in the 3<sup>rd</sup> quarter but that November and December had recovered very nicely. He said the finding of the shale has been a game changer. Abel informed the Board that they have a long-term, buy and hold investment philosophy. Their performance showed a rate of return of 9.19% as of October 31<sup>st</sup> with a 1.28% rate of return since inception which was April 2011. When Dan asked Abel what kept him awake at night, his response was "regulatory threats". Abel informed the Board that MLP's don't pay taxes and that they really can't tax them, but if they did it would only be a drop in the bucket.

**ACTUARY REPORT:** Gary Curran commented on a recent article in the paper about the evaluation method of one of the state plans and said that he wasn't sure what they were up to. They talked about the possibility of reducing the funding of the plan by changing their evaluation method, but he said the funding would still have to be paid one way or the other.

Gary mentioned that he needed to do a little housekeeping from the previous Board meeting as to the assumptions used for actuarial equivalence. He said that traditionally when they changed the mortality tables and/or interest rates, they made changes to option factor calculations. He said when he looked at changing the option factor calculations, he had a lot of reservations because as mortality tables change it has the tendency to increase the option conversion factor and that would mean paying out more and more in terms of benefits. He said his advice at this time is to stick with what we have in terms of option factors. This also came into play with the attorneys ensuring the plan maintains its qualified status with the IRS because one of the requirements is that you definitely state what you are using in terms of assumptions either in the plan document or the Registry. Hart Bourque moved that the following Assumptions Used For Actuarial Equivalence be adopted. Motion seconded by Louie Bernard. **Motion carried.**

**Louisiana Clerks of Court Retirement and Relief Fund**  
**Board of Trustees Meeting, December 7, 2011**  
**Page 6**

**Assumptions Used for Actuarial Equivalence**

SYSTEM NAME: Clerks of Court Retirement & Relief Fund

Effective Date: December 6, 2011

Annuities Due/Immediate: Immediate

Valuation Interest Rate: 8.00%

Valuation Mortality:

<u>RP 2000 Combined Healthy Male Table (Set Back 3 years)</u>	Male Members
<u>RP 2000 Combined Healthy Female Table (Set Back 1 years)</u>	Female Members
<u>RP 2000 Combined Healthy Male Table (Set Back 3 years)</u>	Male Beneficiaries
<u>RP 2000 Combined Healthy Female Table (Set Back 1 years)</u>	Female Beneficiaries
<u>RP 2000 Combined Healthy Male Table (Set Back 3 years)</u>	Male Retirees/Survivors
<u>RP 2000 Combined Healthy Female Table (Set Back 1 years)</u>	Female Retirees/Survivors
<u>RP 2000 Disabled Lives Male Table</u>	Male Disabled Retirees
<u>RP 2000 Disabled Lives Female Table</u>	Female Disabled Retirees

Unisex Blends of Mortality Rates:

<u>1994 Uninsured Pensioners table set back 1 year &amp; val. Int.</u>	Option 1/Option 2/Option 3 Factors
<u>Unisex - Participants 55% Male/ Beneficiaries 45% Male</u>	Joint & Contingent Survivor Annuities
<u>Same as Option 1/Option 2/Option 3 Factors</u>	Option 4 Factors
<u>N/A</u>	IBO Lump Sum Conversion
<u>Cash Refund Lifetime Annuities based upon option mortality and interest and participant unisex blend</u>	DROP Balance Annuity Conversion
<u>N/A</u>	Early Retirement Reduction Factors
<u>Sex Distinct Disabled Retiree Mortality and valuation interest</u>	Disability Financial Award Lifetime Equivalences

**Louisiana Clerks of Court Retirement and Relief Fund**

**Board of Trustees Meeting, December 7, 2011**

**Page 7**

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

Debbie reported there were 14 applications for DROP and 3 applications for regular retirement. Cliff Dressel moved that the applications be approved. Motion seconded by Gary Loftin. **Motion carried.**

Debbie further reported there had been 54 applications for refunds for the fiscal year in the amount of \$345,286.

**REPORT OF EXECUTIVE DIRECTOR**

**Computer System:** Debbie reported that they were continuing to do their due diligence as to a new computer system.

**Imaging Proposal:** Debbie presented a proposal from the Windward Group to convert approximately 26 rolls of microfilm to digital images because the microfilm reader is becoming unusable. She said the proposal was for approximately \$5000. Louie Bernard moved that the proposal be accepted. Motion seconded by Hart Bourque. **Motion carried.**

**NEW APPLICATION:** Debbie presented the Board with a copy of the new Application for Retirement/DROP/POST DROP that had been approved by Denise Akers. The new application included a place for the spouse to sign off on the selection of the Option if applicable.

**DEFERRED COMPENSATION:** Debbie informed the Board that she had been presented an issue as to whether or not Deferred Compensation was considered a form of retirement or if it is considered a Savings. If it is considered retirement, it could possibly reduce Social Security benefits for those eligible. She had spoken with Connie Stevens at Great West and Connie said it was considered a savings that was a voluntary savings that was to supplement retirement; therefore it would not affect Social Security benefits. Debbie had written a letter that could be used for any members applying for Social Security.

Debbie informed the Board there have been a few parishes that have been consistently paying their retirement more than 10 days after the first of the month. She said she had spoken to Denise and that the law mandates they pay the interest penalty. Debbie said she felt it was her responsibility to apprise the Board of the issue and to make them aware of the law. She said to help accommodate the payments being paid in a timely manner; they would be able to pay the contributions by direct deposit beginning in January. After discussion, Gary Loftin moved that the interest penalty be imposed beginning in January if contributions are not paid by the 10<sup>th</sup> of the month in accordance with law, that the direct deposit become voluntary January 1, 2012 and further that the direct deposit become mandatory July 1, 2012. Motion seconded by Hart Bourque. **Motion carried.**

**Louisiana Clerks of Court Retirement and Relief Fund  
Board of Trustees Meeting, December 7, 2011  
Page 8**

**ATTORNEY: (Exhibit A)** Denise Akers reminded the Board that they had authorized Bob Tarcza to draft the necessary proposed legislation. A copy was distributed to each Board member. She said it still needs an additional change in order to be in compliance addressing the spousal waiver. She said that she recommends that Option 4 could be selected if you had been married more than a year and that you would have to get your spouse to sign the waiver.

Tammy moved that the plan document be amended to meet the requirements of the IRS in regard to joint survivor annuities and specifically to include the spousal waiver requirement and to fashion language that would require Option 4 to be included. Motion seconded by Louie Bernard. **Motion carried.**

Hart Bourque moved that the Board go into Executive Session in order to discuss two issues that could possibly lead to litigation. Motion seconded by Gary Loftin. **Motion carried.**

**The Board went into Executive session.**

Hart Bourque moved to return to regular session. Motion seconded by Cliff Dressel. **Motion carried.**

**The Board returned to Regular Session.**

Tammy Foster moved that Denise Akers be instructed as general counsel for the Board to confer with Actuary Gary Curran to address a payroll issue that has come to the attention of the Board and for her to design a letter to address to this particular office, directing this employer to produce the requisite payroll documentation needed in order for the Board to address the issue. Motion seconded by Jim Martin. **Motion carried.**

There being no further business to come before the Board, Cliff Dressel moved that the meeting be adjourned. Motion seconded by Hart Bourque.

**MEETING ADJOURNED.**

**APPROVED:**

  
Lynn Jones, First Vice President

**Respectfully submitted,**

  
Debbie D. Hudnall, Executive Director

Regular Session, 2012

House Bill No. \_\_\_\_\_

By: \_\_\_\_\_

AN ACT

To amend and restate La. R. S. \_ 11:1522, 1532, and 1533; to enact La. R. S. \_ 11:1518, 1521.2 and 1522.1 relative to the Louisiana Clerks' of Court Retirement and Relief Fund to provide for compliance with applicable federal tax qualification requirements and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. Section 1533 of Chapter 2 of Subtitle III of Title 11 of the Louisiana Revised Statutes of 1950 is hereby amended by adding Subsection F to read as follows:  
F. As of January 1, 2012, any and all amendments required primarily for the purpose of maintaining this pension plan's continued compliance with the Internal Revenue Code and the regulations thereunder may be enacted through the Louisiana Administrative Code.

Section 2. Chapter 2 of Subtitle III of Title 11 of the Louisiana Revised Statutes of 1950 is hereby amended by adding Section 1518 to read as follows:  
§1518. Reemployment of a member under IRC §414(u)  
A. The qualified military service of a member who has been reemployed under the terms of IRC §414(u) shall be treated, for vesting and benefit accrual purposes, as service completed under R. S. 11:1514, provided the member remits to the Fund any employee contributions which would have been required but for the member's leave of absence to perform qualified military service.  
B. Effective January 1, 2007, in the case of a member who dies while on a leave of absence to perform qualified military service as described in IRC §414(u), the member's beneficiary shall be entitled to any benefits (other than benefit accruals

## EXHIBIT A

relating to the period of qualified military service) that would have been provided under the plan had the member resumed and then terminated employment on account of death, in accordance with IRC §401(a)(37).

Section 3. , Chapter 2 of Subtitle III of Title 11 of the Louisiana Revised Statutes of 1950 is hereby amended by adding Section 1521.2 to read as follows:

Sec. 1521.2. Maximum Compensation Taken Into Account

A. For the purposes of calculating any benefit payable under this plan, any compensation in excess of the limits set forth in Internal Revenue Code Section 401 (a)(17) shall be disregarded.

B. This subpart shall not apply to members who enrolled in the plan on or before January 1, 1996.