

APPROVED MINUTES
LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND
BOARD OF TRUSTEES MEETING
WEDNESDAY, JULY 27, 2011
LAFAYETTE, LOUISIANA
9:00 AM

A meeting of the Louisiana Clerks of Court Retirement and Relief Fund Board of Trustees was held on Wednesday, July 27, 2011, at 9:00 AM in Lafayette, Louisiana.

The meeting was called to order by President Mark Graffeo. Jim Martin gave the invocation and Louie Bernard led the Pledge of Allegiance.

MEMBERS PRESENT:

President Mark Graffeo
Lynn Jones
Tammy Foster
Jim Martin
Cliff Dressel
Hart Bourque
Ann Ardoin
Gary Loftin
Louie Bernard

OTHERS PRESENT:

Debbie Hudnall, Executive Director
Jessica Portis, Consultant
Gary Curran, Actuary
Denise Akers, Attorney
Bob Tarcza, Attorney

Guests Present:

Dot Lundin
Christine Crow
Felicia Ann Hendl

APPROVAL OF MINUTES:

Tammy Foster moved that the minutes of the May 25, 2011 meeting be approved. Motion seconded by Cliff Dressel. **Motion carried.**

COMMENTS BY PRESIDENT:

President Mark Graffeo welcomed everyone and thanked them for their attendance. He introduced Bob Tarcza, tax attorney, and said that he looked forward to working with him. He announced that Dan Holmes was not able to be present today due to illness and that he had just been released from the hospital the previous day. President Graffeo welcomed Jessica Portis back and congratulated her on the new addition to her family, Layla Noel Portis.

FINANCIAL REPORTS: (ON FILE IN OFFICE)

Jim Martin presented the financial reports for May and June 2011.

May 2011-	Total Assets	\$ 380,367,829
	Total Investments	356,704,477
	FYTD Revenue	100,077,259
	FYTD Expenses	19,991,999
	Net Income	\$ 80,085,260

Louisiana Clerks of Court Retirement and Relief Fund
Board of Trustees Meeting, July 27, 2011
Page 2

June 2011 -	Total Assets	\$ 377,949,814
	Total Investments	356,966,367
	FYTD Revenue	99,900,934
	FYTD Expenses	22,199,171
	Net Income	\$ 77,701,763

Jim also presented the financial reports for the Retirement Administrative Fund for the months of May and June 2011. He noted that a surplus had been carried over from the prior year and that the Board had intentionally drawn that fund balance down.

May 2011 -	Total Fund Balance	\$ 168,805
	FYTD Revenue	5,560
	FYTD Expenses	1,317,119
	Net Income (Loss)	\$ (1,311,560)

June 2011 -	Total Fund Balance	\$ 376,309
	FYTD Revenue	305,616
	FYTD Expenses	1,376,621
	Net Income (Loss)	\$ (1,071,006)

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

INVESTMENT COMMITTEE REPORT:

Chairman Gary Loftin stated there was no Investment Committee report.

SUMMIT STRATEGIES GROUP: (Reports on file in office)

Jessica Portis distributed the final copy of the Investment Policy that had been approved at the May board meeting and finalized with the help of Denise Akers.

Market Overview: Jessica reported that it continues to be a very volatile market environment. She said that the first quarter was met with great optimism by investors. The second quarter investors started looking at things that could be detrimental to the markets and the markets went into a seven week slide. During the last two weeks of June, the markets rallied and helped June to be better than expected. The markets still have not reached the peak of 2007 and the volatility is expected to continue. She said that the rate of return for 2012 will not be as good as those of 2011. Jessica stated that the portfolio is designed to have some parts participating in whatever economic cycle the market may be in: growth, inflation or deflation.

Louisiana Clerks of Court Retirement and Relief Fund

Board of Trustees Meeting, July 27, 2011

Page 3

She gave the Board the following update of the roadmap of the portfolio for 2011.

- **Fund the Hedge Fund of Funds**
Magnitude and Blackstone funded January 2011
- **Bring Real Estate portfolio to target**
Additional contribution made on July 1, 2011 to Clarion
- **Diversify portfolio with addition of MLPs**
Harvest and Tortoise funded in May 2011, additional funding occurred on July 1, 2011
- **Rebalance to further fund new International Equity targets**
Developed International Equity below target; mostly in Large Cap segment
Vontobel replacing Global Currents on August 1, 2011
Plan additional contribution from Domestic Equity portfolio upon Completion of transition
Additional contributions made to International Small Cap in June and July
Emerging Markets Equity weight near target
- **Consider strategies to diversify Fixed Income portfolio**
Further fund TIPS mandate over time
Consideration of Global Fixed Income or Emerging Market Debt mandates

Jessica then gave the following report of the performance of the portfolio.

PORTFOLIO PERFORMANCE

	June	3 Mos.	FYTD
Total Investments	\$357,364,003	.84%	24.30%
US Equity			
QMA	\$ 50,004,139	.22%	31.82%
Rothschild	\$ 22,947,854	(0.69%)	
Westfield	\$ 31,649,318	(1.91%)	
Ironbridge	\$ 29,568,160	(0.45%)	40.38%
Intl. Equity			
Global Currents	\$ 42,774,029	1.70%	26.18%
Mondrian	\$ 6,011,697	5.20%	40.66%
William Blair	\$ 8,593,366	2.54%	36.48%
DFA	\$ 22,313,224	(-2.42%)	27.95%
Fixed Income			
Pyramis	\$ 62,963,655	2.18%	7.19%
SSgA Tips	\$ 11,481,014	3.64%	7.68%
Hedge Funds			
Blackstone	\$ 11,171,519	(-0.27)	
Magnitude	\$ 11,510,430	1.80%	
UBP	\$ 6,252,379	2.35%	10.36%
Real Estate			
Clarion	\$ 24,106,068	4.15%	26.13%
MLP'S		1 Mo	
Harvest	\$ 7,634,466	1.80%	
Tortoise	\$ 7,600,186	1.66%	

Louisiana Clerks of Court Retirement and Relief Fund
Board of Trustees Meeting, July 27, 2011
Page 4

Debbie distributed a report showing the Market Value rate of return and the Actuarial Value rate of return for the past 16 years.

<u>Year</u>	<u>Market Value</u>	<u>Actuarial Value</u>
1996	12.9%	13.6%
1997	15.1%	13.7%
1998	22.4%	12.2%
1999	10.5%	14.9%
2000	4.2%	11.0%
2001	-1.5%	4.2%
2002	-3.0%	-0.3%
2003	2.9%	-0.9%
2004	12.3%	2.9%
2005	8.7%	7.2%
2006	11.5%	16.7%
2007	14.3%	10.2%
2008	-6.3%	7.9%
2009	-19.3%	-6.1%
2010	8.7%	4.1%
2011	*24.3%	

*** Unofficial**

ACTUARY REPORT: Greg Curran thanked and congratulated Debbie and her staff for being the first retirement system to get the end of year data into them which would allow them to get the Clerks' report out first. Greg said they had prepared a preliminary calculation based on a 2011 annual return of 23.8% which resulted in an actuarial rate of 6.1%. Depending on multiple factors, they project an increase of 1% or less in the employer contribution for 2012. He also informed the Board that assuming the portfolio had a rate of return of 8% for 2012, the employer contribution for 2013 could increase by 2 to 2 ½%. He reminded the Board that by them making the change to phase in from 36 months final average compensation to 60 months final average compensation had helped the fund. Greg said that the Clerks' retirement system would look good among the community of retirement systems.

Legislation: Greg gave a brief overview of Retirement Legislation for 2011, but really had no affect on the Clerks' system. He discussed HCR 135 which requests that the 13 retirement systems jointly submit a report on the nature of irrevocable decisions and on proposals for allowing members and retirees to revoke certain elections under certain circumstances. He said that they would provide information to try to prevent the revocations from happening.

Louisiana Clerks of Court Retirement and Relief Fund
Board of Trustees Meeting, July 27, 2011
Page 5

APPLICATIONS AND REFUNDS: (On file in office)

Debbie reported there were 10 applications for DROP and 7 applications for regular retirement. Gary Loftin moved that the applications be approved. Motion seconded by Cliff Dressel. **Motion carried.**

Debbie further reported there had been 112 applications for refunds for the fiscal year in the amount of \$918,722 as compared to 101 refunds in the amount of \$743,869 for the same time period the prior year.

REPORT OF EXECUTIVE DIRECTOR

Debbie thanked Denise for her prompt response and help to finalize on the Vontobel contract.

Debbie distributed a copy of the PRSAC recommended employer contribution rates for fiscal year 2011-2012.

Computer System Upgrade – Debbie reported that the Association staff continues to do their due diligence on a new retirement system before making any recommendations to the Board.

LAPERS - Debbie reported that LAPERS' seminar would be September 18 -20, 2011 at the Roosevelt Hotel in New Orleans and reminded everyone they needed to attend in order to obtain their required educational hours.

ATTORNEY: Denise Akers introduced Bob Tarcza, who the Board had hired as the Tax Attorney for the Fund.

TAX ATTORNEY: Bob informed the Board that he would not normally attend Board meetings unless he was asked and right before the session starts. He stated that Congress usually passes tax legislation toward the end of the year and that he would usually come to a Board meeting and report on Congress' tax legislation. If changes need to be made for any reason, he would usually attend a meeting in December or January to advise the Board of any changes that need to be made.

Bob presented the Board with a memorandum outlining the initial review of the Clerks' plan along with some recommended changes that he suggested for the next legislative session. He said that most of the suggestions were technical and really would not have to be passed until 2013, but since 2013 is a fiscal session – he recommended that they be introduced in the 2012 session. Bob reported he had completed the evaluation of the Clerks' Retirement system for compliance with the Internal Revenue Code and that in general, the Fund is fairly up-to-date with the qualification requirements of the Code and related regulations. He said they had identified several provisions which will need

Louisiana Clerks of Court Retirement and Relief Fund
Board of Trustees Meeting, July 27, 2011
Page 6

to be added to the plan document in order to ensure the Fund's continued compliance. He made the following recommendations:

- 1. Benefit Calculation Limits** - A qualified governmental plan must comply with the limitations in the Code, there are limits on the amount of compensation that can be taken into account when calculating an employee's retirement benefit. The limit is \$245,000 for 2011. Even if the vast majority of the Fund's participants are not in danger of violating this limit, the plan document should include a provision that complies with the compensation limits.
- 2. Notice of Eligible Rollover Distributions** - A qualified governmental defined benefit plan must make available the direct trustee-to-trustee transfer of eligible rollover distributions under the Code. The Fund currently meets this requirement. In addition to requiring the availability of direct trustee-to-trustee transfers, the Code also requires the plan administrator to provide written notice to any recipient of an eligible rollover distribution. The Fund could achieve compliance with these requirements via the adoption of an administrative rule setting out the duties of the plan administrator.
- 3. Provisions for Military Personnel** - The Fund must also make amendments to comply with two federal acts relating to the pension rights of military personnel: the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") and the Heroes Earnings Assistance and Relief Tax Act of 2008 ("Heart").
- 4. Disability Retirement** - The Fund's disability retirement provisions, while not in direct conflict with the Code, should be amended to reduce the tax liability of certain members. The current options are problematic because they leave open the question of whether certain disability benefits are taxable. He informed the Board there should be two separate plans for those whose disability is work related and those whose disability is not worked related. He further informed the Board that Regular Retirement is considered community property and Disability Retirement is separate property.
- 5. Administrative Rulemaking** - Many of the amendments to the Fund's plan document that are required by the Internal Revenue Code and related IRS regulations could be made through the adoption of administrative rules. He recommended legislation that would provide that any amendment which is required solely due to changes in the Internal Revenue Code may be enacted through the Louisiana Administrative Code.
- 6. Definitely Determinable Benefits and Actuarial Assumptions** - Another requirement imposed by the Code is that benefits payable under the Fund be definitely determinable from the plan document, rather than subject to employer discretion. The Fund's plan document will need to contain a provision removing discretion over actuarial assumptions from the Board of Trustees or any actuary employed by the Board.

Louisiana Clerks of Court Retirement and Relief Fund
Board of Trustees Meeting, July 27, 2011
Page 7

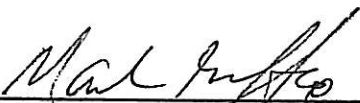
Bob informed the Board that the Fund would have to re-apply for a determination letter in two years, so the Board would want to have the Plan document in order. It was discussed that Bob would be invited to come back to the October or December meeting to finalize the possible legislation.

Other Business: Gary Loftin reported that the December Board meetings would be December 6, 7, & 8 in Shreveport at the Courtyard Marriot and that he was busy finalizing the plans.

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

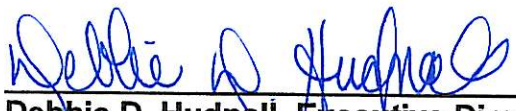
MEETING ADJOURNED.

APPROVED:



Mark Graffeo, President

Respectfully submitted,



Debbie D. Hudnall, Executive Director