

## **APPROVED BOARD MINUTES**

### **LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND BOARD OF TRUSTEES MEETING WEDNESDAY, MAY 25, 2011 PORT ALLEN, LOUISIANA 9:00 AM**

A meeting of the Louisiana Clerks of Court Retirement and Relief Fund Board of Trustees was held on Wednesday, May 25, 2011, at 9:00 AM in Port Allen, Louisiana.

The meeting was called to order by President Mark Graffeo.

Tammy Foster gave the invocation and Hart Bourque led the Pledge of Allegiance.

#### **MEMBERS PRESENT:**

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

#### **OTHERS PRESENT:**

Debbie Hudnall, Executive Director  
Tim Sant, Consultant  
Greg Curran, Actuary  
Denise Akers, Attorney

#### **Guests Present:**

Diane Broussard  
Bill Hodge  
Carl Broussard  
Felicia Hendl  
Julian Dufreche

President Graffeo administered the oath of office to Cliff Dressel and Ann Ardoin.

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

Tammy Foster moved that the minutes of the March 2, 2011 and March 23, 2011 meetings be approved. Motion seconded by Cliff Dressel. **Motion carried.**

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

President Graffeo welcomed everyone to West Baton Rouge Parish and stated that he looked forward to working with everyone in the upcoming year. He said a few things he planned to accomplish this year would be the selection of a Tax Attorney, possibly the computer software upgrade for the Retirement system, and the resolution of the Ad Valorem Tax issue with the City of New Orleans.

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

Debbie Hudnall presented the financial reports on behalf of Treasurer Jim Martin for February, March and April, 2011.

<b>Feb 2011-</b>	<b>Total Assets</b>	<b>\$ 370,191,365</b>
	<b>Total Investments</b>	<b>345,555,150</b>
	<b>FYTD Revenue</b>	<b>84,330,292</b>
	<b>FYTD Expenses</b>	<b>14,424,614</b>
	<b>Net Income</b>	<b>\$ 69,905,677</b>

<b>Mar 2011 -</b>	<b>Total Assets</b>	<b>\$ 373,444,572</b>
	<b>Total Investments</b>	<b>348,133,217</b>
	<b>FYTD Revenue</b>	<b>89,434,410</b>
	<b>FYTD Expenses</b>	<b>16,273,538</b>
	<b>Net Income</b>	<b>\$ 73,160,871</b>

<b>Apr 2011 -</b>	<b>Total Assets</b>	<b>\$ 384,344,249</b>
	<b>Total Investments</b>	<b>360,762,396</b>
	<b>FYTD Revenue</b>	<b>102,274,212</b>
	<b>FYTD Expenses</b>	<b>18,213,146</b>
	<b>Net Income</b>	<b>\$ 84,061,066</b>

Debbie also presented the financial reports for the Retirement Administrative Fund for the months of February, March and April 2011.

<b>Feb 2011 -</b>	<b>Total Fund Balance</b>	<b>\$ 564,524</b>
	<b>FYTD Revenue</b>	<b>5,138</b>
	<b>FYTD Expenses</b>	<b>893,206</b>
	<b>Net Income (Loss)</b>	<b>\$ (888,067)</b>

<b>Mar 2011 -</b>	<b>Total Fund Balance</b>	<b>\$ 490,319</b>
	<b>FYTD Revenue</b>	<b>5,318</b>
	<b>FYTD Expenses</b>	<b>1,309,646</b>
	<b>Net Income (Loss)</b>	<b>\$ (1,304,328)</b>

<b>Apr 2011 -</b>	<b>Total Fund Balance</b>	<b>\$ 305,158</b>
	<b>FYTD Revenue</b>	<b>5,477</b>
	<b>FYTD Expenses</b>	<b>1,343,925</b>
	<b>Net Income (Loss)</b>	<b>\$ (1,338,447)</b>

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

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**INVESTMENT COMMITTEE REPORT:**

Chairman Gary Loftin reported that the Investment Committee continues to have monthly conference calls on the first Wednesday of each month. He reported that Summit had presented six new money managers to replace the International Equity Manager – Global Currents on the last conference call and that the committee had narrowed the field to three. On May 24<sup>th</sup>, the Investment Committee met and interviewed three of the proposed money managers: Arrowstreet, Dodge & Cox and Vontobel. After interviewing the money managers, the Committee agreed they were all very good but it was their recommendation to the Board that Vontobel be the new International Equity money manager. He reported that the amount of funds to be transferred would be approximately 40 million dollars. Tim Sant stated what he thought the committee liked about Vontobel was their focus on companies with quality management, where there were relatively safer stocks. Vontobel does not let the index tell them where they should invest and over the long run you wind up with a less volatile portfolio. He reported that it had been a strategy that had been successful in delivering performance above the index return since its inception. Louie Bernard moved that the Board accept the recommendation of the Investment Committee by retaining Vontobel as the International Equity Money Manager and that Debbie be authorized to sign the contracts as approved by Denise Akers. Motion seconded by Cliff Dressel. **Motion carried.**

Hart Bourque thanked the Investment Committee for the work they do.

**SUMMIT STRATEGIES GROUP: (Reports on file in office)** Tim Sant was present representing Summit Strategies on behalf of Dan Holmes and Jessica Portis. Tim presented a proposed amended Investment Policy amending the Policy adopted by the Board on May 5, 2010. The proposals were:

1. VII A. Add (2) Meets or exceeds the return of its Policy Index; such index being comprised of broad market benchmarks reflecting the Board's broad allocation across asset classes.
2. VII A. Amend (3) Meets or exceeds the return of its Allocation Index; such index being comprised of the returns of the various broad market benchmarks assigned to each manager or other indices representing each asset class, each weighted to reflect the Fund's asset allocation on a monthly basis.
3. VII 2. Delete the manager name but leave the Style, Peer Sample, and Benchmark and add:

US Large Cap Value	Large Value	Russell 1000 Value
US Large Cap Growth	Large Growth	Russell 1000 Growth
4. VII. C. Amend 2 to read: It is expected that each passively managed fixed income portfolio achieve an annualized assigned benchmark for the mandate.
5. VII C. Amend 3 by deleting:

Northern Trust	Core	Core	Barclays Aggregate
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And by further deleting the other names of the Money Managers
6. VII D. Amend 4 by Deleting UBP and leaving the Style and Benchmark

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7. VII E. Adding E which would include the Master Limited Partnerships (MLP):
1. Investments in MLP's shall be made only in interest of limited liability partnership vehicles comprised primarily of investments in: domestic midstream and energy infrastructure, MLP's publicly traded on U.S. equity exchanges, including domestic energy-related exchanged traded funds (EFT's).
  2. Both active and passive management approaches are permissible.
  3. Primary emphasis is to be placed on relative rates of return over a market cycle (usually 3-5 years). The MLP portfolio is expected to exceed the respective benchmark by 2% net of fees over a market cycle.
  4. Investment in MLP's will be benchmarked to the S&P's Master Limited Partnership Total Return Index which consists of both equity and private energy. Adding manager, Harvest and Tortoise.

Style	Peer Sample	Benchmark
Active	N/A	S&P MLP Total Return Index

8. VIII. B Amend by adding additional types of Assets:

Exchange Traded Funds  
Master Limited Partnerships

9. VIII. D Amend 3 by amending the following:

Large Cap Domestic Equity	21%
Non-Large Cap Domestic Equity	7%
Core Plus Fixed Income	15%
TIPS	5%
Master Limited Partnerships	5%

10. VIII. Add K:

1. Unless expressly permitted by the Board, the use of leverage, short selling, and the use of options, futures, or swaps is not permitted.
2. Diversification: MLP investments should be broadly diversified by structure asset type (i.e., mining, pipelines, and storage facilities) and geographic location (i.e., west, south, east, and Midwest).
3. In the event an Investment Manager owns a firm-wide basis greater than 5% of all the outstanding voting share of any MLP which the Investment Manager holds in the System's portfolio, the Investment Manager will notify the Board of such level of ownership and continue to keep the Board informed as to the level of ownership as part of its regular quarterly reporting process.

11. VIII Amend K to L, amend L to M

12. VIII Amend by adding M 1. All loans shall be marked-to-market daily.

Collateral on loans is set at 102% of the market value of security for Domestic securities and 105% for – international securities.

13. VIII. Amend M to N

Gary Loftin moved that the Board adopt the new Investment policy including the amendments as worked out between Tim Sant and Denise Akers. Motion was seconded by Hart Bourque. **Motion carried.**

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Tim reported there was an article in the Bloomberg Report referring to the Louisiana Municipal Police Retirement referring to it as a "Runaway Public Pension" and discussed the matters in regard to Randy Zinna. The article also alleged that Summit Strategies collected commission on the transaction of the Board investing in Hedge funds. The editor of Bloomberg then agreed to correct the story, clarifying that the arrangement between Summit and the Pension fund was fee based and not commission based. Summit wanted to make sure the Board was aware of the article and of the corrections and to answer any questions if the Board had any in that regard. Tim then gave the capital market highlights. He reported that despite political turmoil overseas, surging oil prices, and a natural disaster that had evolved into a nuclear catastrophe, market returns were strong in the first quarter of 2011. He reported that it had been a very positive environment over the past 12 months. The equity markets were volatile during the quarter but showed little effect on returns by quarter end. He reported that at the end of June 30, 2010 the fund was at \$287 million and as of March 31, 2011, the fund was at \$360 million having a very strong return. He reported that for the year to date the fund ranked 16<sup>TH</sup> in comparison to the peer group, although disappointing for 3 years and 5 years ranking in the 92<sup>nd</sup> and 95<sup>th</sup> percentile. The ten-year return ranked 57<sup>th</sup> compared to the peer group. Tim reported that as of April 30<sup>th</sup> there was approximately \$361 million in investments with a return of 26.54% for the fiscal year.

Tim presented and recommended to the Board a rebalancing of the assets by reducing the domestic equity allocation by approximately 6%. They recommended that \$14 million be redeemed from QMA Domestic Large Cap Equity and \$7 million from Ironbridge Domestic Small/Mid Cap. Further, they recommended funding \$10.5 million to the MLP managers, Harvest and Tortoise to target 5.25 million each; and fund \$10.5 million to Real Estate manager, ING Clarion. The next contribution date for ING is July 1, 2011. Hart Bourque moved that the Board approve the rebalancing recommendation of Summit. Motion was seconded by Lynn Jones. **Motion carried.**

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PORTFOLIO PERFORMANCE			
	APRIL	1 MO.	FYTD
<b>Total Investments</b>	\$360,827,427	2.65%	26.54%
<b>US Equity</b>			
QMA	\$ 51,355,060	2.93%	35.38%
Rothschild	\$ 23,576,223	2.03%	
Westfield	\$ 32,957,090	2.14%	
Ironbridge	\$ 37,912,475	2.76%	44.91%
<b>Intl. Equity</b>			
Global Currents	\$ 44,410,073	5.59%	31.01%
Mondrian	\$ 6,094,104	6.64%	42.58%
William Blair	\$ 5,777,017	6.01	41.09%
DFA	\$ 23,683,933	3.57%	35.81%
<b>Fixed Income</b>			
Pyramis	\$ 62,515,660	1.45%	6.43%
SSgA Tips	\$ 11,355,353	2.50%	6.50%
<b>Hedge Funds</b>			
Blackstone	\$ 11,330,395	1.15%	
Magnitude	\$ 11,452,291	1.29%	
UBP	\$ 6,208,515	1.63%	9.59%
<b>Real Estate</b>			
ING Clarion	\$ 23,201,920		21.11%
<b>MLP'S</b>			
Harvest	\$ 4,098,331		
Tortoise	\$ 4,117,862		

**ACTUARY REPORT:** Greg Curran recommended that the Board set a policy that the transition language in Section 3 of Act 273 of the 2010 Regular Session does not apply to those whose first employment making them eligible for membership in the system that began on or after July 1, 2006 and clarifying that such individuals should have their "Monthly average final compensation" calculated under R.S. 11:1503(7).

Gary Loftin moved to go into executive session to discuss a retiree application. Ann Ardoin moved to second the motion. **Motion carried.**

The Board went into executive session.

Motion was made by Gary Loftin to return back into regular session. Motion seconded by Tammy Foster. **Motion carried.**

Gary Loftin moved that because the Board is confident that R.S. 11:1503 (7) should be interpreted that Section 3 of Act 273 of the 2010 Legislative Session does not apply to those whose first employment making them eligible for membership in the system on or after July 1, 2006; that the Board adopt the following policy: Those individuals whose first employment making them eligible for membership in the system began on or after July 1, 2006 should have their final average compensation calculated based on R.S.

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11;1503(7) without the transitional time as described in Section 3 of Act 273 of the 2010 Legislative Session.” Motion was seconded by Cliff Dressel. **Motion carried.**

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

Debbie reported there were 11 applications for DROP, 7 applications for regular retirement, and 2 applications for disability retirement. Cliff Dressel moved that the applications be approved. Motion seconded by Ann Ardoin. **Motion carried.**

Debbie further reported there had been 101 applications for refunds for the fiscal year in the amount of \$858,258 as compared to 90 refunds in the amount of \$669,204 for the same time period the prior year.

**REPORT OF EXECUTIVE DIRECTOR**

**AUDIT PROPOSAL: (On file in office)**

Debbie presented the Board with an Audit Proposal from Duplantier, Hrapmann, Hogan & Maher in an amount that would range between \$16,060 and \$16,720 which is the same as the prior two years. Debbie also reported that she had the Controller, Chris Kershaw, contact all of the other retirement system to find out how much they pay for audit fees in order to do a comparison and found that the Audit Proposal was comparable to the other systems fees. Gary Loftin moved that Duplantier's Audit Proposal be accepted. Motion was seconded by Cliff Dressel. **Motion carried.**

**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.

**Legislation** – Debbie reported that she and Chris have been monitoring all retirement legislation whether or not it applied to the Clerks' system or not because if they learn of something that might be helpful or detrimental to the Clerks' system, they can bring it to the attention of the Board. She reported that HB 270 which was the Clerks' bill that deals with health insurance for retirees had passed the House and was yet to be heard by Senate Judiciary A. She also reported that SB 12 which would create a second tier for all systems had been pulled by the author Butch Gautreaux.

**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.

Debbie reminded the Board about the email she had sent out notifying the Clerks that retirees that had been rehired for the 60 days are not required to pay Social Security but are required to pay Medicare tax.

**ATTORNEY:** Denise Akers reported that she, Mark Graffeo and Debbie had interviewed three tax attorneys: John Weiler, Bob Tarcza and Bob Schmidt. She

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reported that they were all very well qualified. She said that after interviewing the three candidates, they recommended that Bob Tarcza be retained on an hourly basis on an as needed basis. Cliff moved that Denise and Debbie be authorized to negotiate a contract with Bob Tarcza. Motion seconded by Louie Bernard. **Motion carried.**

Gary Loftin moved that the Board go into Executive Session to discuss the following matters:

Docket No. 593,182, Div O, Mary Ellen Blackledge vs Louisiana Clerks of Court Retirement and Relief Fund and Debbie D. Hudnall as Administrator and Director of the Louisiana Clerks of Court Retirement and Relief Fund 19<sup>th</sup> JDC

And

Docket No. 532242, City of New Orleans, et al vs The Louisiana Clerks of Court Retirement and Relief Fund et al, 19<sup>th</sup> JDC

Motion was seconded by Ann Ardoin.

**The Board went into executive session.**

Lynn Jones moved that the Board return back into regular session. Motion seconded by Tammy Foster. **Motion carried.**

**The Board returned into regular session.**

President Graffeo announced that after many years a settlement agreement had been reached between the Louisiana Clerks of Court Retirement and Relief Fund and the City of New Orleans over the payment of ad valorem taxes.

Lynn Jones moved that the Board adopt the Resolution as presented by our Attorney Allen Breithaupt with the language he proposed. Motion seconded by Gary Loftin.

**Motion carried. (Resolution on file in office)**

Louie Bernard said that he would like to comment that the Investment Committee meets and goes over information for hours at a time and saves the Board a lot of time and he thanked the Investment Committee for their commitment. He said he hoped the Board would always have the dedication to ask questions and to maintain their oversight and accountability of the Retirement Fund.

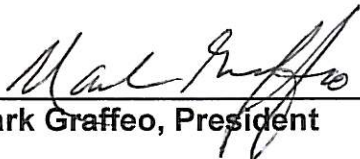


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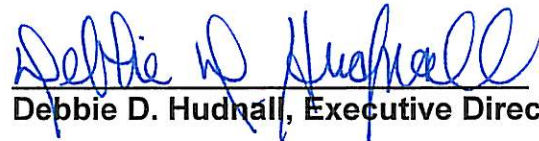
There being no further business to come before the Board, Hart Bourque moved that the meeting be adjourned. Motion seconded by Ann Ardoin.

**MEETING ADJOURNED.**

**APPROVED:**

  
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Mark Graffeo, President

**Respectfully submitted,**

  
\_\_\_\_\_  
Debbie D. Hudnall, Executive Director