

Approved Board Minutes

**LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND
BOARD OF TRUSTEES MEETING
WEDNESDAY, OCTOBER 13, 2010
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, October 13, 2010, at 9:00 AM in Baton Rouge, LA.

The meeting was called to order by President Louie Bernard.

Mark Graffeo gave the invocation and Hart Bourque led the Pledge of Allegiance.

MEMBERS PRESENT:

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

OTHERS PRESENT:

Debbie Hudnall, Executive Director
Dan Holmes, Consultant
Jessica Portis, Consultant
Gary Curran, Actuary
Denise Akers, Attorney
Michelle Cunningham, Auditor with Duplantier, Hrapmann, Hogan & Maher

Guests Present:

Christine Crow
Dot Lundin
Chris Kershaw

APPROVAL OF MINUTES:

Gary Loftin moved that the minutes of the July 20, 2010 meeting be approved. Motion seconded by Cliff Dressel. **Motion carried.**

COMMENTS BY PRESIDENT:

President Bernard gave an update of Allen Blanchard stating that Allen remains at home and his health is pretty good, but continues to suffer from his other problems. He asked that everyone keep Allen and Georgie in their thoughts and prayers.

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President Bernard also reported that the LAPERS meeting was a very informative session and that it certainly reinforced the need to be attentive to retirement issues. He said it also emphasized how dependent we are on our consultants because of the complicated and moving target investments continue to be. He also thanked Dan Holmes and Jessica Portis for hosting a dinner while in New Orleans.

President Bernard inquired whether or not sufficient notice had been sent to members as to the new policy that went into affect on August 1st that allowed members to receive five free retirement estimates before incurring a cost of \$20.00 per estimate thereafter. Debbie reported that a letter had been sent to each clerk, a notice had been posted on the website and the notice had been placed on the request for estimation form.

AUDIT REPORT: (On file in office) Michelle Cunningham with Duplantier, Hrapmann, Hogan & Maher reported that the Retirement Fund received the highest and cleanest opinion you can receive. Some of the highlights reported in the audit were: the assets exceeded its liabilities by \$301,692,473; the net assets increased by \$30,068,379 due primarily to the positive market conditions and the employer contributions were 3% higher than the actuarial required amount for fiscal year 2010; employer and employee contributions were \$19,674,572; ad valorem taxes collected were \$7,262,923; funds collected from revenue share totaled \$324,108 and the net appreciation in the fair value of investments reflected a net increase of \$20,504,272 with an annual rate of return of 10.25%. Pension benefits paid to retirees and beneficiaries increased by 6.93% for a total of \$18,263,930. Michelle pointed out that the plan net assets of \$271,624,094 on June 30, 2009 had increased to \$301,692,473 or 11.07% on June 30, 2010. Michelle reported that the net investment income for fiscal year 2010 was \$23,967,936 in comparison to a net loss of \$64,441,163 for fiscal year 2009. Michelle reported that the funded ratio had increased from 79.72% to 80.50% which shows the fund is moving in the right direction. The Louisiana Legislative Auditor had requested that the audit include the status of the compliance audit performed by the Legislative Auditor in which they recommended the Fund adopt procedures to ensure that future investment litigation claims are not duplicated.

Motion was made by Gary Loftin to accept the Audit report. Motion was seconded by Ann Ardoin. **Motion carried.**

Debbie informed the Board that this was the first time ever that the Audit and Actuarial reports were able to be given at the October meeting rather than the December meeting and gave credit to the excellent Association staff and their diligence in making that possible.

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Hart Bourque moved that the Board adopt the following recommendations of the Legislative Auditor in reference to the compliance audit:

1. Monitor the status of all pending claims
2. Deposit all revenues received by the Retirement Fund including any payment which may be duplicative or an overpayment within 72 hours of receipt; and
3. Document the disposition of all funds received by and all refunds used by the Retirement Fund.

Motion was seconded by Cliff Dressel. **Motion carried.**

President Bernard commented that he speaks to the Association staff on a daily basis and that they do a terrific job. He related that he was always amazed at how cohesive the staff was and that he greatly appreciated their efforts.

ACTUARY REPORT: (On file in office) Gary Curran stated that he would like to also compliment the staff because they really worked hard to get the data and reports out as soon as possible and that the data is always very clean. Gary reported that as of June 30, 2010: there are 2,330 active members in the system of whom 1,002 have vested retirement benefits, including 135 participants in DROP; 929 retirees or beneficiaries are receiving retirement benefits; and 457 terminated members have contributions remaining on deposit with the system of which 97 have vested rights for future retirement benefits.

Gary reminded the Board that the unfunded accrued liability of \$58,729,822 was frozen as of June 30, 1989, and was amortized over 40 years with payments increasing at 4.75% per year. Additional payments of \$6,660,792 and accrued interest thereon had reduced the outstanding UAL by \$9,536,353 as of June 30, 2005 and shortened the remaining amortization period to June 30, 2026. However, in 2006 a statutory change was made to re-amortize the then existing balance of the Frozen Unfunded Accrued Liability through June 30, 2029. Unlike other systems, the unfunded liability number is unaffected by the experience of the Clerks' Retirement Fund. If some of the other systems have gains or losses it adds or subtracts to their unfunded liability. Only payments affect the Clerks' unfunded liability. Gary reported they had reviewed their assumptions and the aggregate effect of all changes to assumptions was to increase the Fund's normal cost accrual rate by 1.1385%.

Gary reviewed the 2010 changes in the plan provisions.

Act 101 – Established a new set of retirement eligibility and benefit levels for those hired after January 1, 2011. Those members would be eligible for retirement at age 60 with 12 years of credited service. The regular retirement benefit rate will be 3% of FAC multiplied by the number of years of service. Also, the Act provides that the average compensation period used to determine post-DROP benefit accruals is the lesser of total salary during post-DROP participation divided by the number of months of such service or that used to calculate the member's original DROP benefit.

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ACT 273 – Increases the period of FAC from 36 months to 60 months for those hired prior to June 30, 2006, phased in over a two year period at the rate of one month at a time. The Act also establishes a minimum FAC equal to the dollar value of the FAC as of December 31, 2010. It also sets the period of calculating FAC for post-DROP benefits.

ACT 634 - It adds to the limited provisions of garnishment of retirement benefits for court-ordered restitution, fines, costs of incarceration, probation, or parole imposed as a result of a guilty plea or nolo contendere to the commission of a felony for misconduct associated with person's service as an elected official or public employee.

ACT 874 – It makes certain changes to Public Retirement System's Actuarial Committee. It also sets a deadline for determining the employer contribution rate by the first Monday in February.

ACT 1004 – It provides for guidelines in asset allocation studies, investment policy and selecting investments for all systems and requires quarterly reports on investment results to the House and Senate Retirement Committees.

Gary reported that the net effect of the Acts which changed the benefit structure of the Fund was to reduce the normal cost accrual rate by 2.2439%. He reported the Market Value rate of return for 2010 was 8.7%, but that it is smoothed over a five year period; therefore the Actuarial Value rate of return was 4.1% because of the negative 19.3% for 2009 and negative 6.3% for 2008. The market value rate of return over the last ten years is 2.3% which is significantly under the assumed rate 8%.

Gary further reported that the average active member is 47 years old with 12.59 years of service. The active membership decreased by 41 in the past fiscal year and has experienced an increase population of 56 members over the last five years. The average regular retiree is 71 years old with a monthly benefit of \$1,715. The number of retirees and beneficiaries receiving benefits increased by 35 during the fiscal year and increased by 153 over the last five years.

The plan liability experience for 2010 was favorable because retirement and disabilities were below projected levels, deaths were above projected levels, and salaries increased less than expected. These factors tend to reduce costs. However, DROP entries exceeded projections and withdrawals were below expected levels. In aggregate, liability experience reduced the normal cost accrual rate by 1.0040%.

Gary informed the Board that based on an 8% assumed rate of return, for each percentage under (over) the assumed rate of return on the actuarial value of assets, there will be a corresponding increase (reduction) in the normal cost accrual rate of .51% for the Fund.

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Gary stated that the Board would have to analyze whether or not the 8% rate of return will be obtainable in the future or if it will have to be reduced. He said that a really good year would force contribution rates down. He then suggested reducing the 8%, perhaps by .25%.

Dan Holmes said the 10 year assumed rate of return for domestic equities is 7.5% and the forecast for bonds is about 4% at most. That combined return will fall short of the 8%.

Gary informed the Board that the Actuarial Valuation for fiscal year ending 2010 has determined that the minimum recommended employer contribution rate for Fiscal Year 2012 would be 17%. He suggested that the Board take no action at this time, but wait until later in the year when they have more experience on investments. He also informed the Board that the Fund did not meet the criteria to grant a cost of living raise for retirees and that he expected that legislation would be required in the future in order to grant a COLA. Mark Graffeo moved that the Actuarial Valuation be approved. Motion seconded by Cliff Dressel. **Motion carried.**

Debbie reported that they had received an inquiry as to DROP annuity accounts. She said there are only two people in the past that had chosen DROP annuities and at the time it was based on 8% return. She said the Board may want to have Gary make some recommendations as to what factors any new annuity rates should be tied. Gary said he would have proposals for the next meeting.

FINANCIAL REPORTS: (ON FILE IN OFFICE)

Treasurer Tammy Foster presented the financial reports for July and Aug 2010.

July 2010 -	Total Assets	\$ 314,582,483
	Total Fund Balance	314,581,772
	FYTD Revenue	16,162,369
	FYTD Expenses	1,825,311
	Net Income	\$ 14,337,058
Aug 2010 -	Total Assets	\$ 307,368,281
	Total Fund Balance	307,367,725
	FYTD Revenue	10,598,799
	FYTD Expenses	3,475,787
	Net Income	\$ 7,123,011

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Treasurer Foster also presented the financial reports for the Retirement Administrative Fund for the months of July and August 2010.

July 2010 -	Total Fund Balance	\$ 1,491,847
	FYTD Revenue	1,110
	FYTD Expenses	50,078
	Net Income (Loss)	\$ (48,968)

Aug 2010 -	Total Fund Balance	\$ 1,395,089
	FYTD Revenue	2,101
	FYTD Expenses	86,870
	Net Income (Loss)	\$ (84,768)

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

INVESTMENT COMMITTEE REPORT:

Mark Graffeo reported that at the last Board meeting, the Investment Committee was charged with interviewing Hedge Fund to Fund managers to invest 10% of the portfolio. The Investment Committee had a conference call in which they reviewed several possible managers with Summit Strategies. Based on that review of Summit analysis, the Investment Committee met on October 12th to interview four possible money managers. Present: Mark Graffeo, Lynn Jones, Gary Loftin, Debbie Hudnall, Jessica Portis and Dan Holmes. Presentations were made on behalf of Prisma Capital Partners, Magnitude Capital, Blackstone Alternative Asset Management, and Evanston Capital. After a very lengthy interview process and recommendations by Summit Strategies, the Investment Committee recommended to the Retirement Board that Blackstone Alternative Asset Management and Magnitude Capital be retained as the Hedge Fund to Fund money managers. Mark related to the Board that Blackstone's style is the "middle of road style" and Magnitude has a different style and philosophy by trying to take advantage of market disconnects. The Investment Committee felt that these two fund managers would compliment one another.

Mark moved that Blackstone and Magnitude be hired as Hedge Fund to Fund money managers. Motion seconded by Lynn Jones. **Motion carried.**

SUMMIT STRATEGIES GROUP: (Report on file in office) Dan Holmes, Managing Director, introduced himself to those who did not know him. Dan was the consultant for the Clerks' system prior to Kari. He explained to the Board about Kari deciding to terminate her employment to stay home with her daughter and he apologized for not being able to attend the Board meeting in July because of a prior commitment. He informed the Board that he and Jessica Portis would be handling the Clerks' account and explained that Jessica would be handling it more on a day-to-day basis. He acknowledged that the Board had seen several changes in a short period of time with having a new attorney and also losing Kari at the same time and apologized for any

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problems it may have caused. Dan informed the Board that because of the sea of changes in the investment environment, the demand for information has grown with everyone needing information in real time. He said that Summit had increased staff and was continuing to do so. Dan said that he wanted to be proactive with the Investment Committee having monthly conference calls. He assured the Board that the Clerks were very important to Summit Strategies and they wanted to continue the great working relationship.

The Economy (On file in office) Jessica Portis reported on the status of the economy. She reported there were three major issues that continue to drive the performance of the market place. First major issue is unemployment still remains at 9.6% and it is the longest period of time that unemployment has maintained this elevated rate since 1948. The good news is that corporations have quite a bit of cash on their balance sheets and they need to be encouraged to begin to spend that cash and hire new employees. The second major issue is the weak housing numbers that came out in September despite the fact that we have the lowest interest rates on records. The third issue is that the consumer, as well as government, is over leveraged. September was a very good month with risk assets outperforming over the quarter and corporations are healthier than they have been in a long time. The equity market experienced the best September since 1939 as the S & P 500 gained almost 9%. International stocks were up just under 10% with Emerging markets returning 11%. Treasury yields fell across the intermediate range of the curve in September, placing upward pressure on intermediate bond prices. Longer duration bonds performed the worst. In September, high yield bonds returned 3% as spreads tightened.

Jessica reported the market value of the Clerks' portfolio as of September 30, 2010 was \$326.4 million. The portfolio was over weight in domestic equities and under weight in internationals and hedge funds based on the new target ratio. She said they would be working toward meeting the new target ratios. She further reported that the Fund had now exited Northern Trust fixed income moving the funds to Pyramis.

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PORTFOLIO PERFORMANCE

	MARCH	JUNE	SEPT.	1 MON	3 MOS	FYTD
TOTALFUND(Including cash)	\$320,609,074	\$299,895,018	\$326,367,630			
Total Investments	297,172,658	283,041,529	\$309,397,897	6.62%	9.07%	9.07%
US Equity						
QMA	\$112,867,303	\$ 99,485,001	\$64,436,778	9.54%	11.09%	11.09%
Rothschild			\$19,440,002	7.79%		
Westfield			\$26,706,543	11.30%		
IronBridge	31,858,918	29,191,654	\$33,116,058	10.88%	13.43%	13.43%
International Equity						
Global Currents	\$ 38,771,447	\$ 33,898,579	\$38,224,584	8.85%	12.76%	12.76%
William Blair	4,360,571	4,094,489	\$4,797,423	10.12%	17.17%	17.17%
Mondrian	4,383,807	4,274,069	\$5,077,915	10.45%	18.81%	18.81%
DFA	9,256,677	14,331,056	\$17,218,851	12.01%	20.15%	20.15%
Fixed Income						
Northern Trust	\$ 25,615,430	\$ 19,187,805	\$14,232,206	.03%	2.32%	2.32%
Pyramis	27,217,195	37,035,683	\$46,654,050	..69%	3.62%	3.62%
TIPS	10,270,291	10,662,394	\$10,926,229	.60%	2.47%	2.47%
Hedge Funds	12,199,148	\$ 10,541,295	\$7,839,835	-.01%	.63%	.63%
Real Estate	20,210,777	\$ 20,156,597	\$20,581,124		6.9%	6.9%
Securities Lending	161,095	\$ 182,908	\$146,300			

Capital Markets and Investment Structure: Dan Holmes reported on the Capital Markets Snapshot and Investment Structures. He reported that September was the fifth consecutive month where the equity market had changed in the opposite direction by more than 5% which continues to show the volatility in the market place today. Summit does not believe that volatility is going away. Even though jobs remain low and don't seem to be going away soon, the market has continued to rally. Non-Asian and non-Japan will be where the economic growth is going forward. Dan informed the Board that the recession is waning and on fundamental basis, US companies are doing better. He said that last week, the 2-year Treasury note hit an all time low. He reported that TIPS in the portfolio should help with inflation. Dan related to the Board that at the beginning of the year, Summit identified three economic themes could possibly happen:

1. Global Grown Environment – where you have normal economic grown of 3%
2. Environment of Stagflation – similar to what we had in the early 70's with high Unemployment or
3. Double-dip recession

Summit's Investment Themes are: We are in markets with no clear direction so:

Diversify the portfolio's sources of return

Emphasize income producing strategies that buffer volatility

Asset and risk diversification are important

Expose portfolio to strategies that win in either inflationary or deflationary periods

Equity beta and fixed income beta alone will not get you there

Quality wins in the end – Patient investors will be rewarded.

Increase the allocation to emerging markets, in order to capitalize on the growth opportunities in those regions

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APPLICATIONS AND REFUNDS: (On file in office)

Debbie reported there were 18 applications for DROP, and 4 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 42 refunds for the fiscal year in the amount of \$402,740 as compared to 31 refunds in the amount of \$218,904 for the same time period the prior year

Debbie reported she had received an inquiry about a retiree who had passed away and the retiree's beneficiary had passed away less than a year later leaving employee contributions still in the fund. She had asked Denise Akers for her opinion on the status of the funds. Denise said that she would like to do additional research and would report back to Debbie.

REPORT OF EXECUTIVE DIRECTOR:

Debbie reported there were issues as to certification of employees of the Clerk's office for the First Circuit Court of Appeal. Debbie said it may be premature to address this matter at this time because Denise was awaiting a response from the Attorney General. Chris Crow said that an attorney from the Attorney General's office wants to set up a meeting with Chris, Denise and Debbie. Debbie said they would report back to the Board after the meeting.

Debbie raised the issue of possible legislation for:

Re-employment of a Retiree

Population levels set out in retirement laws

Definition of Minor Child

She informed the Board that she had spoken to Gary Curran on these issues and he suggested that Legislative staff may address the population issues after the census. Gary thought that the definition of a minor child may need to be addressed in the future, but because it could be a cost to the system the Board might want to wait. Debbie said a question had come up about the re-hiring of a retiree. She said that Denise had rendered an opinion that the retiree could be re-hired but retirement benefits would be suspended after the 60 days.

Debbie asked to be allowed to purchase computer software from the Windward Group for \$2500 which would allow for records to be designated that had been previously scanned and microfilmed. Cliff Dressel moved that she be allowed to purchase the software. Ann Ardoin seconded the motion. **Motion carried.**

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Debbie asked for the authority to convert images to microfilm for security purposes at the cost of three cents per image; however she would not know the number of images until the previously discussed software had been purchased. The Board recommended that the conversion to microfilm be postponed until a number is determined.

She informed the Board that the new retirement handbook would soon be posted on the website.

Debbie presented a letter from a Clerk asking that a request be submitted to the Board on behalf of an employee requesting the Board to issue a letter verifying that the Clerks' Retirement System is not a public retirement system but is a private system. Denise Akers stated that the Clerks' Retirement System is indeed a public retirement system and as such that letter could not be written. Cliff Dressel moved that our Denise Akers, write an opinion letter that can be furnished to that employee. Motion seconded by Hart Bourque. **Motion carried.**

Cliff Dressel moved that the Board go into Executive Session to discuss those items listed on the agenda to be discussed in Executive Session. Motion seconded by Mark Graffeo. **Motion was unanimous. The Board went into Executive Session.**

Mark Graffeo moved to return into regular session. Motion seconded by Gary Loftin. **Motion carried. The Board returned into regular session.**

Hart Bourque moved that the request for disability retirement discussed in the Executive Session be denied based on the physician's opinion. Motion seconded by Ann Ardoin. **Motion carried.**

Cliff Dressel moved to accept the recommendation of the settlement proposal submitted by Alan Breithaupt. Motion seconded by Mark Graffeo. **Motion carried.**

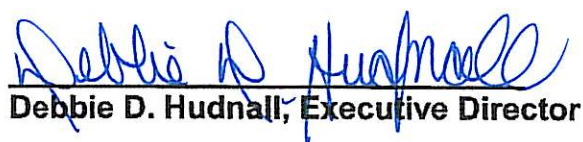
Hart Bourque moved that the meeting be adjourned. Motion seconded by Lynn Jones.

APPROVED:



Louie Bernard, President

Respectfully submitted,



Debbie D. Hudnall, Executive Director