

# Approved Board Minutes

**LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND  
BOARD OF TRUSTEES MEETING  
WEDNESDAY, MAY 5, 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, May 5, 2010, at 9:00 AM in Baton Rouge, Louisiana.

The meeting was called to order by President Louie Bernard.

Mark Graffeo gave the invocation and Lynn Jones led the Pledge of Allegiance.

**MEMBERS PRESENT:**

President Louie Bernard  
Mark Graffeo  
Lynn Jones  
Tammy Foster  
Hart Bourque  
Cliff Dressel  
Gary Loftin  
Lauren Bailey, present for Senator Butch Gautreaux

**OTHERS PRESENT:**

Debbie Hudnall, Executive Director  
Kari Creighton, Consultant  
Gary Curran, Actuary  
Randy Zinna, Attorney

**Guests Present:**

Darlene Landry  
Dot Lundin  
Bill Hodge  
Jim Martin  
Greg Brown  
Edmond Kindler  
Chris Crowe

**OATHS OF OFFICE:**

President Louie Bernard administered the oath of office to Second Vice President, Lynn Jones.

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### **APPROVAL OF MINUTES:**

Hart Bourque moved that the minutes of February 9, 2010, be approved as submitted. Motion seconded by Gary Loftin. **Motion carried.**

**COMMENTS BY PRESIDENT:** President Bernard thanked everyone for their attendance and welcomed the new Treasurer, Tammy Foster and Second Vice President, Lynn Jones. He also introduced and welcomed Lauren Bailey, staff attorney for the Senate Retirement Committee. President Bernard reported that the two new members had achieved the required education hours. He complimented and thanked the office staff: Chris Kershaw, Evie Dodge, Angela Gaines, and Dagmar Hebert for the work they do for the Association. He stated that the meeting protocol for this year would be to start on time.

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

Treasurer Tammy Foster presented the financial reports for January, through March.

<b>March 2010 -</b>	<b>Total Assets</b>	<b>\$ 328,842,298</b>
	<b>Total Fund Balance</b>	<b>320,856,487</b>
	<b>FYTD Revenue</b>	<b>66,547,862</b>
	<b>FYTD Expenses</b>	<b>16,639,015</b>
	<b>Net Income</b>	<b>\$ 49,903,847</b>

Debbie presented a copy of the March 2009 financial report showing a fund balance of \$251,164,322 with a net loss of \$81,028,280 compared to March 2010 with a fund balance of \$320,856,487 with net income of \$49,903,847.

Treasurer Foster also presented the financial reports for the Retirement Administrative Fund for the months of January through March.

<b>March 2010 -</b>	<b>Total Fund Balance</b>	<b>\$ 968,430</b>
	<b>FYTD Revenue</b>	<b>1,015,492</b>
	<b>FYTD Expenses</b>	<b>714,373</b>
	<b>Net Income</b>	<b>\$ 301,119</b>

### **PROPOSED BUDGET: (Exhibit 1)**

Debbie presented the attached 2010-2011 Proposed Retirement Administration Budget for consideration. After discussion, Mark Graffeo moved that the Budget be approved. Motion seconded by Cliff Dressel. **Motion carried.**

### **INVESTMENT COMMITTEE REPORT: (Exhibit 2)**

Mark Graffeo asked that Kari comment on the Investment Policy that had been previously discussed. Kari presented a copy of the Investment Policy. She informed the Board that the recommended changes were included. Hart Bourque moved that the Investment Policy be adopted. Motion seconded by Mark Graffeo. **Motion carried.**



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President Bernard said that in compliance with State law he has appointed the following members to the Investment Committee: Mark Graffeo, Chairman; Gary Loftin; Cliff Dressel; and Lynn Jones. He also appointed Bill Hodge; Mike Thibodeaux and Jim Martin as sub-committee members to the Investment Committee. There was discussion as to whether or not the Investment Committee could have conference calls. Randy Zinna informed the Board they are required to comply with the open meetings law.

### **SUMMIT STRATEGIES GROUP: (Report on file in office) Custodial Bank Recommendation**

Kari informed the Board that she and Debbie interviewed both Hancock Bank and Regions Bank as possible Custodial Bank Service Providers. She said it was the recommendation that Hancock Bank be hired as the Custodial Bank effective July 1, 2010. Motion was made by Hart Bourque that Hancock be hired as the Custodial Bank for the Retirement Fund. Motion seconded by Cliff Dressel. **Motion carried.** Kari informed the Board that Randy had already reviewed the contract and the necessary changes had been made and would be ready to sign.

### **Economic and Capital Market Highlights**

Kari Creighton, Summit Strategies Group, gave a summary of economic and capital market highlights. She reported the GDP came out as a positive number with a 3.2% growth rate in the first quarter following a 5.6% growth rate in the 4<sup>th</sup> quarter which is a very good sign that the economy is on the road to recovery. The market was very strong; also indicating the road to recovery was the S&P 500 with a 5.4% rate of return for the first quarter, Russell 2000 (small cap) a return of 8.9%, and Russell 2000 (value stocks) up 10% for the quarter. The leader in domestic stocks for the year was Russell 2000 (value stocks) which was up 65% for 1 year. The international markets were not quite as strong as the domestic markets for the quarter. The emerging markets were only up 2.4% for the quarter, but were up 81% for the year. Kari said they consider the emerging markets the place to be going forward because that is where the growth will be strongest. The fixed income markets were up 1.8% for the quarter and up 7.7% for the year with the high yield bonds up 4.6% for the quarter and 56% for the year. She stated that investors are now beginning to accept risk. Summit believes that growth will continue to be very slow going forward because unemployment is still at 9.7% and they think Feds will begin to raise interest rates.

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### PORTFOLIO PERFORMANCE

	<i>MARCH</i>	<i>3Month</i>	<i>FYTD</i>	<i>1 YEAR</i>
<b>TOTAL FUND(including cash)</b>	\$320,609,074			
Total Investments	297,172,658	3.85%	18.03%	28.75%
<b>US Equity</b>				
QMA	112,867,303	5.44%	28.95%	49.53%
IronBridge	31,858,918	7.34%	28.29%	52.32%
<b>International Equity</b>				
Global Currents	38,771,447	.92%	24.38%	53.10%
William Blair	4,360,571	4.27%		
Mondrian	4,383,807	3.03%		
DFA	9,256,677	3.40%		
<b>Fixed Income</b>				
Northern Trust	25,615,430	1.98%	6.31%	8.45%
Pyramis	27,217,195	3.11%	13.02%	
TIPS	10,270,291	.55%		
<b>Hedge Funds</b>	12,199,148	2.92%	6.97%	11.40%
<b>Real Estate</b>	20,210,777	1.60%	-12.82%	-22.80%
<b>Securities Lending</b>	161,095	.02%	.09%	.19%

Kari informed the Board that the Clerks Retirement Fund ranked median (52) in the public funds universe whose funds are less than one billion. Kari also related that Debbie had informed her that the Fund had cash available to be invested, but Kari had been holding off because she believes there will be a slight correction in the market. She informed the Board she would like to invest the cash in the International Markets, specifically in small cap and emerging markets. Kari reported that real estate investments had really dragged the returns down, but the good news is that there were positive returns for the first quarter. The write down of the properties in the real estate investments is now being off-set by the income from the properties. She pointed out that Clarion is now ranked in the top 9 percentile as far as performance.

Kari further informed the Board that they were working on moving the allocations toward the policy targets. She said the fund is under weight in fixed income and real estate, but that is off set by the cash that is being held. She said the largest change would be moving from Large Cap Domestic and moving into Small Cap International and Emerging Markets. She said the policy target would be as follows:

Large Cap Domestic Equity	25%
Non-Large Cap Domestic Equity	9%
International Large Cap Equity	14%
International Small Cap Equity	6.5%
Emerging Markets	6.5%
Core Fixed Income	20%
Hedge Funds	10%
Real Estate	10%



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Kari reiterated that since the Retirement Fund had approximately \$112.9 million (38% of the portfolio) invested in large cap core equity – currently managed by QMA – and the new policy target allocation is 24%, Summit recommends further diversifying the large cap core mandate to reduce overall manager risk. The manager search and selection process included an extensive review of the database utilized by Summit and the selection of top and second tier firms that would serve as a good compliment to QMA in the large cap space. Summit recommended that the Louisiana Clerks of Court Investment Committee interview Fiduciary Management, Inc. (large cap core), Rothschild Asset Management (large cap value), and Westfield Capital Management (large cap growth). She recommended that the Board look at 2 different strategies:

1. Only Fiduciary Management Inc. (large cap core) or
2. Combine Rothschild (large cap value) and Westfield (large cap growth)

It was decided that Kari will arrange for the three managers to meet with the Investment Committee on July 19th in Pineville, which would be the day before the Retirement Board meeting.

Kari reminded the Board of a current law in place that says 10% of the equity allocation needs to be indexed. QMA has always been considered as that index option and she just wanted to make sure the Board was still comfortable in using QMA as the index option to comply with the current law. Randy Zinna said he had definitely cleared QMA as an index qualifying entity.

Cliff Dressel moved that the report of Summit Strategies Group be accepted. Motion seconded by Hart Bourque. **Motion carried.**

### **COMMENTS BY ACTUARY:**

Gary Curran reported that they had tried to work on some base-line estimates as to what the employer contribution rates would be for the next three to five years based on an 8% rate of return. He reminded the Board there were still many unknown factors and certainly if the Fund maintained the current 18% rate of return on June 30<sup>th</sup> and if the legislation introduced this year passed, the numbers could change dramatically. Based on only an 8% rate of return, the fund would be looking at the following approximate employer contribution increases:

2011 - +2%

2012 - +2%

2013 - +3%

2014 - +2%

2015 - +2%

Gary again reminded the Board these were only estimates and did not take into consideration many unknown factors.

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### **COMMENTS BY ATTORNEY:**

#### **Blackledge**

Randy Zinna reported that J. Arthur Smith, attorney for Mrs. Blackledge, had withdrawn from the case. He further reported that the settlement offer for Mrs. Blackledge is now off of the table.

#### **New Orleans Litigation**

Randy reported that he had no update at this time, but he knew that Alan Breithaupt had been unable to resolve the issue prior to the transition of the new mayor of New Orleans.

#### **Financial Disclosure**

Randy gave an update on the Financial Disclosure reports letting the Board know there would be a hearing by the Ethics Board on May 20<sup>th</sup> or 21<sup>st</sup> on whether or not Clerks have to file the dollar amount or file by range. He said that he was trying to get something in writing from the Ethics Boards; but he felt comfortable in telling the Clerks they could file their report for May 15<sup>th</sup> showing their salary by range. If the Ethics ruled at the May meeting they had to file the dollar amount, the Clerks could just file an amendment.

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

Debbie reported there were nine applications for DROP and five applications for regular retirement. Cliff Dressel moved that the applications be approved. Motion seconded by Mark Graffeo. **Motion carried.**

Debbie further reported there were refunds for the month of April in the amount of \$110,072 and \$669,204 for the fiscal year.

### **REPORT OF EXECUTIVE DIRECTOR:**

#### **Retirement Legislation**

Debbie reported that HB 1126 (affecting new hires and correcting a loop hole in the existing DROP laws) had passed the House floor the previous day and HB 749 will be heard on the House floor later today. She reported that the House Retirement Committee had been very complimentary to the Clerks for taking these steps in trying to save the Fund money. She informed the Board that Senator Gautreaux would be handling the bills on the Senate side. Debbie reported that Senator Gautreaux had introduced SB 594 that would affect investments; however, before filing the bill he had sent copies of it to all retirement systems asking for their input. He had been very receptive of the input and his staff attorney, Lauren Bailey, had then sent out copies of his amendments that removed all opposition. There was brief discussion on proposed legislation for state systems on Defined Benefits versus Defined Contribution plans and the creation of a "Super" investment board.



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Debbie reported that she had received the audit proposal from Dupantier, Hrapmann, Hogan, & Maher in the amount of \$16,060 to \$16,720 which was no increase from the prior year. Mark Graffeo moved that the audit proposal be accepted. Motion seconded by Gary Loftin. **Motion carried.**

Debbie informed the Board to mark their calendars for the LAPERS meeting that will be in New Orleans on September 19<sup>th</sup> – 22<sup>nd</sup> at the Marriot Convention Hotel.

She also informed the Board that she had received a new proposal from Gary Curran for the upcoming year increasing his services to \$2,755 per month. Motion was made by Cliff Dressel that the proposal be accepted. Motion seconded by Gary Loftin. **Motion carried.**

### **OTHER BUSINESS:**

President Bernard discussed the procedures for Executive Sessions in the future. After discussion, Cliff Dressel moved, that in the future, only Board members and those who may be furnishing information to the Board would be allowed to remain in the Executive Session. Motion seconded was by Gary Loftin. **Motion carried.**

Mark Graffeo suggested that in the future that maybe an "Action Item List" could be part of the agenda.

Hart Bourque complimented the President on the decorum of the meeting.

Cliff Dressel moved that the meeting be adjourned. Motion seconded by Lynn Jones.

### **APPROVED:**

  
Louie Bernard, President

### **Respectfully submitted,**

  
Debbie D. Hudnall  
Executive Director