

APPROVED MINUTES

**LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND
BOARD OF TRUSTEES MEETING
WEDNESDAY, MAY 13, 2009
BATON ROUGE, LOUISIANA**

A meeting of the Retirement Board of Trustees was held on Wednesday, May 13, 2009, at 9:00 AM in Baton Rouge, Louisiana.

The meeting was called to order by President Robby Barousse, who then called on Louie Bernard to give the invocation. Mark Graffeo led the Pledge of Allegiance.

Randy Zinna administered the oath of office to Andy Barousse and Mark Graffeo.

Members Present: President Robby Barousse, Louie Bernard, Mark Graffeo, Bill Hodge, Michael Thibodeaux, Hart Bourque, Gary Loftin, Cliff Dressel and Andy Barousse were all present. Also in attendance: Executive Director, Debbie Hudnall; Actuary, Greg Curran; Attorney, Randy Zinna; and Consultant Dan Holmes with Summit Strategies. Members absent: Rep. Joel Robideaux and Sen. Butch Gautreaux. Guest in attendance: Dot Lundin, Allen Blanchard Jim Martin, Bert LeBlanc and Jerry Smith. Debbie introduced the new employee of the Clerk's Association, Renee Graff, who will serve as the Controller for the Association. Debbie said she was very pleased to have her on board.

APPROVAL OF MINUTES: Hart Bourque moved that the minutes of the previous Board meeting be approved as written. Motion seconded by Michael Thibodeaux. **Motion carried.**

COMMENTS BY ATTORNEY: Randy reported there might have been a break in the New Orleans Tax Litigation because the city of New Orleans had paid the Assessors directly approximately \$900,000 without going to the State Treasury. These monies were for the 2008 tax year. He reported that supposedly the Sheriffs had worked out a plan to forgive taxes from past years in order to receive money in the future. Randy said there would be some activity on behalf of the clerks in this quarter. Debbie asked if the Board could go to the State Treasurer for monies due the Clerks' Retirement system and Randy said he had a meeting scheduled with the Treasurer to discuss that.

Randy reported that HB 561 had passed the House Retirement Committee and would be heard on the House floor that afternoon. That bill would allow the Retirement Board to decide how any additional employer contributions would be distributed. He also reported on proposed legislation by Hunter Green which would allow for a Venture Capital Tax Credit Program that would be guaranteed by the state that he thought would be a bad bill for the Clerks' retirement system. He informed the Board that there was no legislation introduced to consolidate the state-wide systems or to terminate the DROP program for state-wide systems only for state systems.

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Randy reported that he would finish up on the Mondrian contract as soon as possible.

Debbie reported to the Board that she had received a letter from the Judicial Administrator of the 19th Judicial District Court requesting that the Board delay the effective date of requiring their new hires to join another retirement system until January 1, 2010. She reminded the Board that at the March 3, 2009 meeting, the Board had voted that the Clerks' Retirement System should not accept any further participants into the plan unless they met the definition of employee as set forth in R.S. 11:1503(4). After discussion and based on the recommendation of the attorney, Hart Bourque moved that the Board maintain their prior action of requiring all new participants to meet the definition of employee as set forth in R.S. 11:1593(4) effective January 1, 2009. Motion seconded by Cliff Dressel. **Motion carried.**

Debbie further reported to the Board that she had received a certified letter from J. Arthur Smith, an Attorney representing Mary Ellen Blackledge, one of the former employees of the Clerk's office of the First Circuit, re-submitting the retirement application that had been previously denied. Mr. Smith wants to come before the Board to discuss the application. Randy said the application is not in order, but they are entitled to an administrative procedure hearing and it could be set up for the next Board meeting.

Debbie also informed the Board that she had received a copy of a letter that was sent to LASERS from another former employee of the First Circuit, Barbara Bucklin. The Retirement System had refunded contributions to the First Circuit for the period she was ineligible and they had sent the employee's portion to Mrs. Bucklin rather than LASERS. Mrs. Bucklin is trying to get into LASERS and Debbie just wanted to make the Board aware of this issue.

Debbie brought to the attention of the Board again that she still has not been able to collect the employer portion for a certain period of time for Arthur Morrell and asked if it should be turned over to Randy at this time. Randy said he would handle the matter.

COMMENTS BY PRESIDENT: President Robby Barousse reported that HB 84 – Term Limit Bill had been converted to a study bill. He also reported that HB 150 (car allowance bill) which is a local bill for Iberia Parish and Acadia Parish, had passed the House committee and he hoped this bill would pave the way for other clerks that might want to introduce a local bill at a later date. Robby said that it was an honor to have his father, Andy Barousse, to now serve on the Retirement Board.

Andy Barousse said it was a pleasure to be able to serve on the Board again.

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INVESTMENT CONSULTANT: Capital Market Overview Dan Holmes was present on behalf of Summit Strategies. He reported that 2008 was a terrible year; however April had good performances and so far was continuing in May. He informed the Board that in the fast pace world that we live in today; it is very difficult to try to focus on the long term. He reported on the Bull & Bear Markets since 1900. **(Report on file in office)** From September 15th to November 24th the market was off 40% in that nine week period and the equity markets were off about 60%. Now just since March, equities are up about 30%. The two factors that started the markets to move back up this year is that housing starts actually went positive in February and some big banks announced they were making profits this quarter. Now that the government is stating with some certainty what their plans are for getting us out of this mess has certainly helped. There is a market consensus now that there will be positive uptakes in the second half of this year. The equity markets tend to forecast that six to nine months ahead of time. However, in the meantime there will be continued volatility. Dan informed the Board it will take a while to get the fund back to where it was. He stated that just as the market over re-acted on the down side last year; it is also over reacting in the upside so far this year. It is good that it is beginning to catch back up, but told the Board not to expect 20% to 30% returns every quarter because the market will begin to slow down and volatility will continue.

The Economy (Report on file in office) Unemployment hit 8.9% in April, the highest level since 1983, and Summit thinks it will go to 10%. Consumer prices fell a little in March; energy prices have stabilized somewhat and in the mean time, inflation will be moderate. The Fed left the overnight lending rate unchanged in April. Equity markets continued the strong rally that began in March, rebounding significantly in April. S&P 500 was up 9.57%; small caps were up 15%; international stocks were up over 12%; and emerging markets were up over 16%. It is possible for the markets to have a positive return this year even though the economy is slow. Dan reported that the "stuff" that got creamed last year is the "stuff" that is doing well this year. Within the Fixed Income sector, cash and treasuries were the only things that remained positive last year. The market has over re-acted to corporate bonds. Corporate bonds are now abnormally high and corporate bonds will be another opportunity. Moving into Pyramis (a core plus portfolio) will pay off for the fund.

With inflation going to rise, the Board needs to look at Treasury Inflation-Protected Securities (TIPS). Dan said that Summit is recommending to all of their clients to take some of their bond money and put it in TIPS because there is no credit risk. He said the time to go into them is now while they are cheap. The government has only issued 23 TIPS and they cost five basis points. Ultimately, you would probably have a permanent allocation in TIPS because you always want to have some inflation protection. Dan said there are glaring opportunities in the market place, and Summit is trying to identify those for the Board.

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Preliminary Performance Report (Report on file in office) Dan said the numbers may change a little because a couple of the managers had not reported yet. The total fund composite was up 5.85% for the month of April. The month of March the fund was down 7.25% which is a turn around of over 12%. For the fiscal year ending March, the fund was down 27% and at the end of April; the fund was down 23%. For one year, the fund is down 25.72%. The fund does lag the benchmarks. The US Equity Composite as compared to the Russell Index lags 75 basis points for fiscal year to date. The majority of active managers underperformed last year. When asked what the Board should expect of their money managers, Dan said over a market cycle of 3 to 5 year period, the managers should outperform the bench mark and at least rank median versus peers.

Debbie asked if the Board should be concerned if over a 10 year period, a manager is still not meeting the bench mark. Dan said you should certainly look at the reason because there may be some rational why they haven't met the bench mark. In looking at individual managers, Dan said Summit takes full responsibility in recommending Cap Guardian to the Board because they had such poor performance. Summit had recommended either Lotsoff or IronBridge and the Board had previously chosen Lotsoff and now after one year has replaced Lotsoff with IronBridge who is doing well. When asked about Clarion meeting the bench mark, Dan said their bench mark was not a good comparison. Dan said Summit feels terrible about the performance of Cap Guardian and Lotsoff and he thought the new managers would go a long way in fixing that. The costs of securities lending had also hurt the portfolio with the index fund. Additionally, Global Currents when compared to their peers, have less emerging market exposure. The clerks' funds has had less allocation in equities, international equities and emerging markets over a period of time. That has penalized performance to a certain extent. There is an emerging market money manager search pending and there is a need for the fund to have exposure to the emerging markets. Summit is recommending to their clients that 25% of their international markets be emerging markets. Asia is where the major portion of profit will be made going forward where there is economic growth. There should be a gradual increase into the international over a 12 month period. The portfolio's large cap will be increased to 25% and the small cap reduced to 9% for the long term asset allocation target.

Global Currents, international money managers, are slightly above for the fiscal year to date and a little behind for the month; basically in line with the bench mark over the 3 year time period.

Fixed Income portfolio is being moved into Pyramis which should be very helpful. The underperformance in fixed income is due to securities lending.

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UBP was up 40 basis points for the month and down 17% for the fiscal year to date, but above the bench mark and for the 1 year time they are slightly above the bench mark. The issue is - what is the expectation of hedge funds? The expectation of hedge funds is that over a period of time, they fall between equities and fixed income. If it hadn't been for Madoff, our recommendation for UBP would have remained the same because they are a good performing manager. Summit was extremely disappointed in UBP despite UBP knowing what the issues were; they still went forward and invested with Madoff. Summit has now recommended across the board to all of their clients that they pull all of their money out. UBP paid 36% of the exposure to the Retirement Fund in April and will continue to pay it down to about 60% by the end of the year and the balance being paid off next year. It will depend on the liquidity of the underlying managers. The good news is the UBP lowered their fee for managing the portfolio from 85 basis points to 50 basis points.

Dan summarized the funds performances as follows: the fund had a number of very good years with absolute return leading up to 2000. The fund was in the top quartile for a number of years and above median a number of years. Of course 2008, the fund was in the third quartile. The amount of funds in equities hurt performance. The performance of the domestic equity managers was terrible. Dan said he thought the new manager line-up is now good. Dan reported the fund can dig out of the hole by making the manager changes that have been made and re-adjusting the asset allocation.

TIPS (Treasury Inflation-Protected Securities) (Report on file in office) Dan informed the Board that TIPS is needed in the portfolio reasons he had spoken about and for reasons in the handout and passive is the way to do it. Summit feels State Street is the best passive manager they could find because they have access to the entire TIPS market and can do it at the cheapest rate. Through Summit's due diligence, they looked at passive and active managers and their recommendation is there should be a 5% allocation and that it be funded with proceeds from Northern Trust. Summit looked at Barclays and Income Research & Management, but they felt State Street would be best. After discussion, Louie Bernard moved that there be a 5% allocation of funds from the fixed income manager, Northern Trust, to TIPS to be managed by State Street with a manager fee of 5 basis points. Motion seconded by Cliff Dressel. **Motion carried.** This will begin when Randy approves the contract.

Dan suggested that having only quarterly meetings in this environment is difficult. He suggested that an investment committee be appointed and that the committee be delegated the duty to make investment decisions on quicker basis. Debbie informed the board that R.S. 11:1542(21) states: the Board of Trustees shall establish an Investment Advisory Subcommittee composed of not less than 4 board members which shall monitor the investment of system assets including the rate of return thereon, and make

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such reports and recommendations regarding those investments as requested by the Board. Dan said if anyone had video conferencing capabilities, the committee could easily hold conferences with Summit and money managers.

Emerging Markets (Report on file in office) Dan reminded the Board there was an emerging market money manager search pending. Summit had previously recommended that Batterymarch and DFA be interviewed. Batterymarch has subsequently raised the dollar amount on their co-mingled funds and the fee on their mutual fund is extremely high; also a number of their portfolio managers have left. Dan said his recommendation now would be to interview a firm by the name Acadian with a cheaper fee of 75 basis points. The reason they were not recommended before was because they were closed to business. Dan recommended that the Board bring Acadian and DFA to interview at the next quarterly meeting. Dan stated that DFA will hold over 2000 stocks in the fund and Acadian will hold about 200. He informed the Board that in 2008 emerging markets were down 50%, this year they are up 17%; 2003 – up 55%; 2004 - up 25%; 2005 - up 34%; 2006 – up 32%; 2007 – up 39%. Summit is recommending exposure to emerging markets where there will be economic growth in different parts of the world. He suggested that Kari give the recommendation as to the amount to invest in emerging markets. After discussion, Mark Graffeo moved that the Investment Committee interview the money managers and report the recommendations to the board at the August Board meeting. Motion seconded by Andy Barousse.
Motion carried.

Hedge Funds (Report on file in office) Dan reminded the Board that they are currently redeeming from UBP, but Summit feels the fund should maintain a Hedge Fund allocation despite the fact the Board is redeeming funds from UBP. Hedge Fund managers are not doing anything magical, they are looking for opportunities. Summit feels Hedge Funds remain relevant. There will be more regulations going forward and the Hedge Fund industry is taking the bull by the horn and creating a self-regulatory organization. Hedge Funds will no longer deal with funds that are self administered or don't have some third party valuing the books. Dan said that Summit's recommendation eventually will be to let UBP pay back the funds over time and then find one or two funds to fund Hedge Fund managers to replace UBP and get back into the Hedge Fund strategy.

Debbie brought to the attention of the Board a letter by David Livingston a representative of Entrust Capital Inc., who is a Hedge Fund manager, asking that their firm be allowed to make a presentation to the Board. After discussion, it was the consensus of the Board that all money managers go through the same channels and procedures through the consultants, Summit Strategies.

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Dan informed the Board that the performance of the fund is not satisfactory to Summit. He wanted the Board to know that if at any time they had any questions, they should certainly free to contact him

FINANCIAL REPORTS (On file in office) Treasurer Bill Hodge reported total investments of the Louisiana Clerks of Court Retirement and Relief Fund as of January 2009, at \$226,812,773 with a total fund balance of \$257,272,273. February's total investments were \$217,134,868 with a total fund balance of \$245,845,687. March's total investments were \$223,092,613.34 with a total fund balance of \$251,164,392. He also reported on the Retirement Administrative Fund for the months of January through March showing total assets of those months as follows: \$444,055; \$529,800 and \$427,678. Debbie informed the Board that the money manager's fees were down because their fees are based on the amount of investments; therefore no monies were transferred to the Administrative Fund for the month of March. Cliff Dressel moved that the financial reports be received. Motion seconded by Andy Barousse. **Motion carried.**

Amended Budget 2008-2009 Administrative Expense Fund (Attachment A) Debbie presented an Amended Budget for 2008-09 to the Board with the following changes:

1. Reduce transfers from Retirement Fund to Administrative Fund from \$2,166,000 to \$1,985,500
2. Increase Meeting Expense from \$4,000 to \$6,500
3. Reduce Office Equipment from \$3000 to \$500
4. Reduce Investment Managers Fees from \$1,600,000 to \$1,400,000

Motion was made by Bill Hodge to approve the Amended Budget. Motion seconded by Gary Loftin. **Motion carried.**

Budget 2009-2010 Proposed Budget (Attachment B) Debbie presented a proposed budget for 2009-2010. She pointed out the major changes from the previous year's budget was the reduction in the transfer from the Retirement Fund to Administrative Fund from \$2,166,000 to \$2,016,000 and increasing the reimbursement from the Administrative Fund to the Association from \$249,600 to \$291,600. Motion made by Gary Loftin to approve the 2009-2010 Budget. Motion seconded by Andy Barousse. **Motion carried.**

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COMMENTS BY ACTUARY: Greg Curran informed the Board that they had previously been given the estimate of the employer contribution rate of 28% effective July 2010, based on the January 2009 market value of asset and based on the valuation methods in place today. They have now prepared an update on the estimated employer contribution rate effective July 1, 2010, based on the April 30, 2009 market value of assets of \$263,000,000, that rate would be 27%. Greg stated that realizing this is an extreme increase; they were looking at ways in assisting the Board. The Board could reduce benefits possibly for new hires, increase employee's contributions or the legislature could spread the unfunded liability over 40 years, but that would only help for a short term. As actuaries, they would not like to see the unfunded liability spread out further. However, for the new valuation of the fund, they would like to utilize a new method of smoothing the assets to accomplish some of these goals. The modification would maintain the process of averaging the earnings over a 5 year period, but would alter the maximum and minimum limits related to the market values from 110% and 90% to \$115% and 85%. Using this new method of valuation based on the April 30th value of \$263,000,000, the employer contribution rate would be 21% effective July 2010 instead of 27%. The Retirement Board would have to approve this method and then PRSAC would also have to approve the method.

APPLICATION FOR RETIRMENT BENEFITS: Debbie presented the Board with 14 DROP applications, and 5 regular retirement applications. Louie Bernard moved that the applications be approved. Motion seconded by Cliff Dressel. **Motion carried.**

REFUNDS: Debbie reported there were 31 refunds made from February through April in the amount of \$234,934 and a total of \$619,876 for the year.

EXECUTIVE DIRECTOR'S REPORT: Debbie reminded the Board of R.S. 11:1542(21) which provides for an Investment Advisory Subcommittee composed of no less than 4 members. President Barousse appointed the following members: Bill Hodge, Mark Graffeo, Michael Thibodeaux, and Gary Loftin.

Debbie presented the contract proposal on behalf of G. S. Curran and Companies for the new fiscal year at the same rates as the prior year. Gary Loftin moved that the contract be approved. Motion seconded by Hart Bourque. **Motion carried.**

She then presented the audit proposal by Duplantier in the amount of \$16,060 to \$16,720 which is a little less than the prior year. Louie Bernard moved that the audit proposal be approved. Motion seconded by Mark Graffeo. **Motion carried.**

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Debbie presented the Board with a copy of a 2009 General Information form on the Retirement System that Renee had prepared at the request of the Legislature. **(Report on file in office)**

She also reminded the Board of the LAPERS Retirement Seminar scheduled for September 20 – 23 at the Hilton Hotel in New Orleans that they should attend in order to receive their required education hours. She related to the Board that although they had previously approved acquiring a new retirement system, she was not in a hurry to move forward at this time because she wanted Renee to learn the old system so with her auditing back ground she could help with the design of the new system.

Debbie advised the Board that she had just received a letter of resignation from Dannette who would be retiring on May 31st. Debbie said everyone appreciated her many years of dedication.

Comments of Board Members

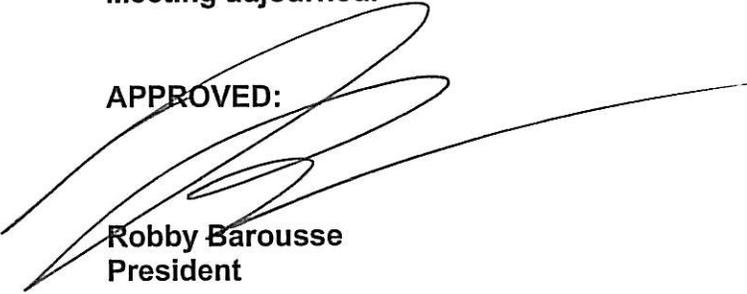
Hart said he was glad to have Dan Holmes present at the meeting.

Louie stated that he had an issue, but in the interest of time, he would put his concerns in a letter and send it to Dan and that either he or Kari could address it at the next meeting.

Mark Graffeo moved that the meeting be adjourned. Motion seconded by Michael Thibodeaux.

Meeting adjourned.

APPROVED:


**Robby Barousse
President**

Respectfully submitted,


**Debbie D. Hudnall
Executive Director**