

Approved Board Minutes

LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND BOARD OF TRUSTEES MEETING TUESDAY, MARCH 3, 2009 NEW IBERIA, LOUISIANA

A meeting of the Retirement Board of Trustees was held on Tuesday, March 3, 2009, at 9:00 AM in New Iberia, Louisiana.

The meeting was called to order by President Michael Thibodeaux, who then called on Bill Hodge to give the invocation. Hart Bourque led the Pledge of Allegiance.

Members Present: President Michael Thibodeaux, Robby Barousse, Louie Bernard, Bill Hodge, Jim Martin, Hart Bourque, Gary Loftin, Cliff Dressel and Ann Ardoin were all present. Also in attendance: Executive Director, Debbie Hudnall; Actuary, Gary Curran; Attorney, Randy Zinna; and Consultant Kari Creighton with Summit Strategies. Members absent: Rep. Joel Robideaux and Sen. Butch Gautreaux. Guest in attendance: Orres LeBlanc, Dot Lundin, and Felicia Ann Hendl.

APPROVAL OF MINUTES: Robby Barousse moved that the minutes of the previous Board meeting be approved as written. Motion seconded by Louie Bernard. **Motion carried.**

COMMENTS BY PRESIDENT: President Thibodeaux thanked everyone for their interest and their attendance and welcomed them to New Iberia.

INVESTMENT CONSULTANT:

Capital Market Overview (Report on file in office) Kari Creighton reported that the market has continued to tumble and there had been a significant decline in the economy. She said that government spending is trying to replace private spending, but this has never worked in the past. She said what we need most in the market right now is confidence. Some good signals are that inflation is still under control; however they do believe that inflation will be rising in the next two to three years. The Board will need to think about putting some inflation protection in the portfolio such as Treasury Inflation Protection Securities (TIPS). She informed the Board there will probably continue to be up days and down days in the market, and that the credit markets are beginning to open up a little bit. The Government is continuing to change the rules in the market place and that is causing a lot of the volatility. Kari reported that for the year, S&P lost 37% and Russell 2000 lost 34% which is the worst year on record since 1931. The month of January was the worst month in history for a number of the bench marks. Treasuries did fairly well, but foreign stocks were down 43% for 2008. Kari proceeded to give an overview of the 4th quarter. The U.S. Treasuries were up almost 9% and luckily the Clerks' portfolio has an index fund so the clerks' treasury weight is very close to the index. The only problem that hurt the fund in treasuries is that Northern Trust participates in securities lending and that collateral pool is having some difficulty with the securities that are being held. So the fund does have some losses coming into the

Approved Board Minutes

Louisiana Clerks of Court Retirement and Relief Fund

Board of Trustees Meeting, March 3, 2009

Page 2

index fund. The Real Estate Market is down about 6.5% for the year, and there is a lagging affect in that appraisals are done on a quarterly basis.

A quick summary of the total fund showed in a universe of plans less than one billion dollars, the clerks' fund was down 14.64% for the quarter ranking in the 79th percentile underperforming the policy index. For the FYTD, down 22% in the 75th percentile; for 3 years – down 3.85% in the 65th percentile; for 5 years - up 1.2% in the 48th percentile and for 10 years – up 2.5% in the 75th percentile.

As to the individual managers for the quarter, US stocks were down 22.69% ranking in the 47th percentile and FYTD – down 30.97% ranking in the 64th percentile. The international managers were down for the quarter 20.16% ranking in the 49th percentile and for FYTD down 34.85% ranking in the 40th percentile. Kari reported that she felt the international managers were doing a good job protecting in the down side and will be a good performing manager going forward. Changes have been made on the domestic equity side of the portfolio by replacing Cap Guardian with QMA. Northern Trust was used as the liquidation manager and the average commission on the transition was one cent per share. The entire cost was \$18,000 on \$52 million. QMA took possession of those assets on February 23rd. Kari reported that relative to peers, the fixed income did well ranking in the 25th percentile for the quarter and FYTD. For the long term, they ranked in the top third quartile.

Kari reported the two where there were issues were Hedge Funds and Real Estate. Hedge Funds were down 13.65% for the quarter and down 18.44% for the FYTD. Real Estate was down 15.54% for the quarter ranking in the 83rd percentile; down 12.5% for one year ranking in the median and was up 5.65 for the three year period. Jim Martin asked if the fund was in position to go into the recovery, Kari stated that the money managers would be taking advantage of the opportunities.

(Preliminary January Flash Report and the Economy Report on file in office)Kari reported the fund was at \$255.1 million at the end of January being down 3.9% for the month; down 24.6% FYTD and up .41% for the 5 year period. Kari informed the Board that the S&P 500 for 10 years ending 2008 was negative which was the first time since the great depression.

Kari informed the Board that in order to reach the actuarial rate of return, the Board has to take risk. She told the Board the only two reasons to change the allocations of the plan is the time horizon or risk tolerance.

(Capital Markets Snapshot as of 2/25/09 on file in office)

Approved Board Minutes

Louisiana Clerks of Court Retirement and Relief Fund Board of Trustees Meeting, March 3, 2009 Page 3

(S&P 500 Prospective 1 year returns on file in office) Kari told the Board the good news she brought was that history shows that when the S&P drops below 10, the prospective one year return is 20.47%; so historically this is an attractive time to invest.

Kari reminded the Board that initially a redemption request of \$20 million had been placed with ING Clarion; subsequently they decided to handle the redemption queue differently. They are paying the redemption based on the percentage you have in the queue; so the more you have in the redemption queue - the quicker you receive your payout. She recommended to the Board that they place the entire amount in the redemption queue. She said in talking to ING, she doesn't expect any redemptions until the second half of the year.

Jim Martin moved that the full amount of the fund with ING Clarion be placed in the redemption queue. Motion seconded by Cliff Dressel. **Motion carried.**

Kari informed the Board that a redemption request had been placed with Northern Trust for up to 15% twice per month and those funds were also being moved to QMA allowing us to slowly rebalance the fund. Once the allocations have been rebalanced, the Board needs to decide what to do with the fixed income. Pyramis is the manager that has been approved for Core Plus markets, but she has issues with them right now and recommended that the Board hold off with them and she will bring information on TIPS for the next meeting and begin discussing managers. She also recommended that the Board hold off on small cap internationals and emerging markets until there is some stabilization in the markets. Summit thinks domestic markets will improve first followed by European then Asian markets.

(UBP Update – on file in office) Summit has been in discussions with UBP almost on a daily basis to find out where they are with the redemption. She reported UBP is obviously doing everything they can to save their business. Their big issue was the investment in the Madoff Fund which was about 5% of the funds the Board had invested with UBP. They have since put in changes to their investment process and are hiring more employees to separate the risk management from investment management. Kari informed the Board that UBP had made an oral proposal of offering to pay back 50% of the principal that was lost to Madoff over a 5 year period and also pay 2% dividend over the 5 year period for those investors still in the fund and have waived the investment fee for the first quarter of the year. The only reservation Summit has at this time is that they haven't received anything in writing. She said that Summit does believe in UBP and in Hedge Funds.

After discussion, Louie Bernard moved that the UBP's redemption be rescinded subject to the written proposal being approved by Summit. Motion was seconded by Jim Martin. **Motion carried.**

Approved Board Minutes

Louisiana Clerks of Court Retirement and Relief Fund Board of Trustees Meeting, March 3, 2009 Page 4

FINANCIAL REPORTS (On file in office) Treasurer Bill Hodge reported total assets of the Louisiana Clerks of Court Retirement and Relief Fund as of October 31, 2008, of \$338,030,829; November 30, 2008 - \$279,518,005; and December 31, 2008 - \$278,339,812. He also reported on the Retirement Administrative Fund for the months of October through December showing total assets of those months as follows: \$401,059; \$314,543 and \$313,109. Cliff Dressel moved that the financial reports be received. Motion seconded by Ann Ardoin. **Motion carried.**

COMMENTS BY ACTUARY: Gary Curran commented on his calculations of the participants of the 19th Judicial District Court in the Clerks' retirement system. Gary Loftin moved that the Board go into executive session. Motion seconded by Ann Ardoin. **Motion carried.**

Meeting returned into regular session. After discussion, Jim Martin moved that effective January 1, 2009, that the Clerks' Retirement system accept no further participants into the Clerks Retirement and Relief Fund unless they meet the definition of employee as set forth in R.S. 11:1503(4) and further that no person who is not enrolled that does not meet that criteria shall not be accepted from this point forward. Motion seconded by Hart Bourque. **Motion carried.**

Jim Martin moved that we maintain the enrollment of the employees who were enrolled between the period of July 1, 2001, and today's meeting because they were previously accepted. Motion seconded by Bill Hodge. **Motion carried.**

Jim Martin recommended that a letter be sent to the appropriate offices informing them of same.

Gary Curran informed the Board that he is not a fan of making estimates, but based on the investment activity he felt that it was necessary to make estimate on the impact of the losses to the fund in reference to contributions. His estimate is based on the numbers as of January 31, 2009, which was an estimated loss to the fund of seventy-seven million dollars measured from June 30th. He reminded the Board that the actuary evaluations are based on the fund earning interest at the rate of 8%. When the investment performance is measured against the expected performance it creates a loss of \$106 million. That translates into an increase of 15.25% employer contribution. The time delay from the prior year would add approximately an additional one percent.

Approved Board Minutes

Louisiana Clerks of Court Retirement and Relief Fund Board of Trustees Meeting, March 3, 2009 Page 5

If there is no change in the investment performance by June 30th, these will be the rates the system is facing, which is in the range of what other systems are looking at also. Gary reported that they are expecting to see contributions of most state-wide systems in the twenties. Gary reminded the Board that these are not hard numbers and should not be relayed to third parties. He said we would probably want to look at these numbers again on March 31st.

After discussion, Hart Bourque moved that the employer contribution be increased by 3% effective July 1, 2009, if the 3% can be applied toward the employer contribution increase on July 1, 2010. Motion seconded by Gary. **Motion carried.**

Jim Martin moved the Board introduce legislation that would allow the 3% increase effective on July 1, 2009, to apply toward the July 2010 employer contribution. Motion seconded by Gary Loftin. **Motion carried.**

COMMENTS BY ATTORNEY: Attorney Randy Zinna reported that he is working on the New Orleans litigation and is currently working on discovery. He will have additional information at the May meeting. He further reported that he would have the Mondrian contract in place when it is needed. He reported there was a class action suit against Leman Brothers and he had submitted a claim on behalf of the Clerks in which he expected some type of recovery.

APPLICATION FOR RETIRMENT BENEFITS: Debbie presented the Board with 15 DROP applications, and 8 regular retirement applications. Jim Martin moved that the applications be approved. Motion seconded by Bill Hodge. **Motion carried.**

REFUNDS: Debbie reported there were 16 refunds made from November through January in the amount of \$70,467.24 and a total of \$384,942.12 for the year.

EXECUTIVE DIRECTOR'S REPORT: Debbie pointed out a news article wherein State Police's employer contribution will increase from 27.3% to 41.3%; Louisiana State Employees' Retirement System will change from 18.5% to 18.6%; Teachers Retirement System employer rates will remain at 15.5%; and School Employees' rates will go down from 17.8% to 17.6% as compared to the clerks' 11.75%.

Approved Board Minutes

Louisiana Clerks of Court Retirement and Relief Fund

Board of Trustees Meeting, March 3, 2009

Page 6

Debbie brought to the attention of the Board of an Ethics opinion that had been rendered that prohibits certain persons from providing public servants with food, drink or refreshment valued in excess of \$50 for a single event. She reported that LAPERS was in the process of asking the Ethics Board for a re-consideration on this issue.

Debbie reminded the Board that Hart's seat would be up for election this year.

UPDATE ON NEW RETIREMENT COMPUTER SYSTEM: She reported that she still had not proceeded any further at this time on the new retirement computer system.

OTHER BUSINESS: President Michael Thibodeaux informed the Board that this was his last meeting and told them it had been an honor to serve as President and thanked them for their participation throughout the year. Debbie reported that the next Retirement Board meeting would be in Baton Rouge on May 13th.

Motion made by Ann Ardoin to adjourn. Motion seconded by Bill Hodge. **Motion carried.**

APPROVED:



Michael Thibodeaux
President

Respectfully submitted,



Debbie D. Hudnall
Executive Director