

LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND  
BOARD OF TRUSTEES MEETING  
WEDNESDAY, MARCH 7, 2007  
BOSSER CITY, LOUISIANA

President Cliff Dressel called the meeting to order at 1:00 P.M. Felician Ann Hendl gave the invocation followed by the Pledge of Allegiance by Mark Graffeo.

Members Present: President Cliff Dressel, Jim Martin, Michael Thibodeaux, Mark Graffeo, Felicia Ann Hendl, Charlie Jagneaux, Gary Loftin, Ann Ardoin and Acting Executive Secretary, Debbie Hudnall. Actuary, Greg Curran, Attorney Randy Zinna, and Investment Consultant Kari Creighton, were also in attendance. Members absent: Hart Bourque, Rep. Pete Snyder and Sen. Butch Gautreaux. Visitors present: Allen Blanchard, Bill Hodge, Malise Prieto, Russell Gaspard, and Diane Broussard.

**APPROVAL OF MINUTES:** Jim Martin moved to accept the minutes of the previous meeting as written, motion seconded by Mark Graffeo. **Motion carried.**

**COMMENTS BY PRESIDENT:** President Dressel informed the Board that he along with Jim Martin, Mark Graffeo, Hart Bourque, Debbie Hudnall and Randy Zinna had met with the Attorney General Foti on February 28th to discuss AG Opinion 06-0114. This opinion, which was released on November 9<sup>th</sup> 2006, stated that the payment of all or any portion of the employee contribution to the retirement fund would be additional compensation to the Clerk which would be part of the maximum salary. He informed the Board that the group presented the clerks' point of view on the issue. President Dressel thought it was a very good meeting and that the General had agreed to review the opinion and would let us know during the week of March 12<sup>th</sup> – 16<sup>th</sup> if there would be any amendments to this opinion.

**FINANCIAL REPORTS: (Attachment 1)** Treasurer Mark Graffeo asked the Board to review the November and December reports. He reported as of January 31<sup>st</sup>, 2007, the total Assets of the fund was \$330,373,372. He pointed out that the net change in the current year fund balance is \$13,245,945. He reported that for year to date there was a gain on Sale of Investments of \$6.4 million and in the month of January there was a gain on Sale of Investments of \$3.8 million. He further reported that the fund had paid out some \$9.7 million in benefits in the current year leaving the fund with a net profit of \$13.2 million. Motion by Ann Ardoin and seconded by Charlie Jagneaux to receive the financial reports. **Motion carried.**

**APPLICATION FOR BENEFITS:** After reviewing the applications for benefits, Jim Martin moved that the applications be approved. Motion seconded by Felicia Ann Hendl. **Motion carried.**

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The President pointed out to the Board that fifty-eight members had been refunded \$258,438.16.

**COMMENTS BY INVESTMENT CONSULTANT: (Attachment 2)** Kari Creighton gave an update on the transition from Batterymarch to Lotsoff that occurred in the first part of this year. She reported that our custodian, Northern Trust, handled the transition and the net commissions paid were 1.42 cents per share. The total amount they were trading in both sales and purchases was \$68,992,609. The total cost of the transition was \$236,043. Kari reported that she felt it was a very successful transition.

**(Attachment 3 – Report on file in office)** Kari gave the Economic and Capital Market Highlights for the quarter ending December 31, 2006. The economy grew at a faster pace than expected at the rate of 3.5%. A rebound in consumer spending propelled the economy as gasoline prices fell and wages grew. The unemployment rate ended the quarter at 4.5%. She reported that the unknown right now is the housing market because of the slowdown in the housing market. She reported that the inflation figures are very encouraging with the CPI for the year at 2.5%. The Fed left fed funds rate unchanged at 5.25% and market expectations are that the rate will be left unchanged throughout the first quarter of 2007. In reviewing the Capital Markets, Kari reported that the small cap market continues to dominate the large cap market. She also informed the Board that International markets continue to outperform domestic markets. The best performing benchmark was the emerging markets which ended the 4<sup>th</sup> quarter at 20.2% and for the year 38.6%.

Kari reported that at the end of the year the fund was \$319.2 million. The fund earned almost 5% for the quarter underperforming the index and for the entire year earned 13.6% which also underperformed the index. Over a 3 year period the fund earned 10.7%, 5 year period – 8.6% and 10 year period – 8.8% which is over the required actuarial rate of return of 8%. Return on the investments for the quarter was \$14.4 million and \$37 million for the year.

**Capital Guardian** underperformed for the quarter by 260 basis points and behind the bench mark 290 basis points for the year. In June of 2006, they outperformed the index by 360 basis points

**Quantitative Management** closely tracked the index and median for the quarter and ranked in the top quartile for the last 12 months.

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**Batterymarch**, who we have now terminated, had a nice final quarter outperforming the index by 50 basis points ranking close to top quartile, but for the year continued to trail the index by 210 basis points.

**Brandywine**, International Equity managers, had a nice quarter, returning 9.7%, trailing the index by 60-70 basis points. For the year, they returned 25.4%, trailing the index by 150 basis points. Annualized 2-year performance remained ahead of the index by 360 basis points.

**Froley Revy**, fixed income managers, trailed the index by 170 basis points for the quarter, but for the year returned 12.1% outperforming by 10 basis points. However, she reported receiving discouraging news from them recently. Their parent company, First Republic, was purchased by Merrill Lynch. The sale will be completed in July. They had about \$3.3 billion in assets, but because they are losing their largest client, they will be down to about \$1.3 billion in assets and are terminating a large number of their team. Kari said that it is her recommendation that we find another place for this allocation. She suggested that the Board look at Hedge funds and that the Board have a separate Hedge fund education meeting and then to discuss the possibility of Hedge funds.

A Board meeting was tentatively set for March 21<sup>st</sup> in Baton Rouge at 1:00 p.m., if Dan Holmes, is available for a Hedge fund education program.

**Northern Trust**, fixed income managers, is performing as expected.

**ING CLARION**, real estate investors, earned 15% for the year and 16.6% over the last 2 years annualized.

Russell Gaspard, a retired clerk, was a guest at the meeting and thanked the Board for granting a COLA for the retirees.

**(Attachment 4 – Report on file in office)** At this time Kari introduced Scott Harris and Doug Wolski with ING Clarion. Mr. Harris gave the Board an overview of their organization. The head of the company is located in the Netherlands and they manage about \$800 billion in assets and are the world's largest real estate investment management firm. They manage about \$46 billion in the United States. They have 60 offices throughout the United States including 10 regional and 50 local offices. They have over 30.4 million square feet of commercial space under direct property management and approximately 5,000 multi-family units.

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Mr. Harris reported that for the past ten to fifteen years, they have had a tremendous run in the real estate market. He reported that the Clerks' Retirement fund is invested in a very low risk portfolio. He reported that the outlook for real estate in the near future is still very, very good.

Scott Wolski gave a fund overview for ING Clarion. He reported that the return objective is 8% - 10% over a complete market cycle and that they have a 12% rate of return since the inception of the fund 7 years ago. ING Clarion's net assets as of December 31, 2006 were \$3.6 billion of which the Clerks' Retirement fund has \$33,239,512 invested.

**COMMENTS BY ATTORNEY:** Randy Zinna reported that we had made some progress in getting a commitment for a meeting to resolve the various issues in New Orleans. Randy also reported that he thought the meeting with Attorney General Foti was quite positive.

**COMMENTS BY ACTUARY: (Attachment 5)** Mr. Greg Curran reported that the PRSAC had approved the Actuarial report of the Clerks' Retirement fund and the Retirement System should receive a letter stating the committee had approved reducing the employer contribution from 16.75% to 11.75%. He reported that the committee had also approved the COLA for the retirees. Greg advised the Board that from their calculations based on the year ending June 30, 2006; it would increase the employer contribution by 1% to change the DROP age from 56 to 55.

Charlie Jagneaux moved that the employer contribution be reduced from 16.75% to 11.75% as recommended by the Actuarial report and approved by the PRSAC. Motion seconded by Mark Graffeo. **Motion carried.**

**(Attachment 6 - Report on file in office)** The President then called upon Kari Creighton to give her presentation on the Core Plus Fixed Income Manager Search. She informed the Board they had approved placing \$56 million into a Core Plus fixed income in order to get a higher targeted rate of return and to diversify the fixed income allocation. The current market yield is 5.4% and we are looking to boost that up. Top-performing core managers can add between 50 and 75 basis points. She had narrowed the managers down to five and recommended that the Board interview 2 or 3 of the 5 managers. After much discussion of the proposed managers, Charlie Jagneaux moved that the Board accept Kari's recommendation to hire Pyramis. Motion was seconded by Ann Ardoin. Gary Loftin made a substitute motion that the Board interview the top 2 managers: Pyramis and Stone Harbor. Motion seconded by Mark Graffeo. **Motion carried.**

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**Unfinished Business:** Debbie Hudnall reported to the Board that the Death Check Verification had been performed by the Berwyn Group and only came back with one name that matched, however the match was for a survivor.

**New Business:** Debbie reported that at the last Board of Director's meeting a motion was made that the Association pay a stipend to Attorney Randy Zinna, for the extra work that he had been performing on behalf of the Clerks, in the amount of \$4,500. This amount was to be shared equally by all 3 Boards and each Board would reimburse the Association for the payment. Debbie asked that the Board of Trustees consider the possibility of the Retirement Fund paying 60% and the Association and Insurance paying 20% each. Motion was made by Mark Graffeo that the Retirement Board reimburse the Association for 60% of the stipend which would be \$2,700. The motion was seconded by Felicia Hendl.

**Motion carried.**

Debbie further reported that Dale Atkins had asked her to ask the Board if they would have any opposition if she introduced legislation that would extend the number of days a retiree could work in the hurricane affected areas because of the difficulty she was having in finding employees. After much discussion, the Board agreed they would not be in opposition to the legislation as long as there was no cost to the system.

Debbie advised the Board that John Hunt had reviewed the insurance on the Association office, its operations and activities. He noted that there was a \$500,000 Employee Fidelity/Dishonesty bond on each of the 3 entities and he thought only one bond was necessary and suggested that we ask our auditor. Michelle Cunningham and Randy Zinna both agreed only one bond was necessary. The Board authorized Debbie to make the necessary changes.

**Comments:** Ann Ardoin thanked the Board for the COLA for the retirees.

Charlie Jagneaux moved to adjourn. Motion seconded by Ann Ardoin.

**Motion carried**

Respectfully submitted,

Debbie D. Hudnall  
Acting Secretary

