

APPROVED MINUTES

LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND BOARD OF TRUSTEES MEETING WEDNESDAY, DECEMBER 4, 2019 NATCHITOCHEs, LOUISIANA 9:00 a.m.

A meeting of the Louisiana Clerks of Court Retirement and Relief Fund Board of Trustees was held on Wednesday, December 4, 2019 at 9:00 a.m. in Natchitoches, Louisiana.

The meeting was called to order by President Brian Lestage. Louie Bernard gave the invocation. There was a moment of silence to remember the late Retired Clerk Hart Bourque. Bridget Hanna led the Pledge of Allegiance.

MEMBERS PRESENT:

President Brian Lestage
Bridget Hanna
Robin Hooter
Rick Arceneaux
Mark Graffeo
Cliff Dressel
Lynn Jones
Louie Bernard
Steve Andrews
Senator Barrow Peacock

OTHERS PRESENT:

Debbie Hudnall, Executive Director
Jon Breth, AndCo
Chris Brokaw, AndCo
Denise Akers, Attorney
Greg Curran, Actuary

GUESTS PRESENT:

Tammy Foster, Shelly Salter, David Dart, Chelsey Napoleon, Johnny Crain, Jr., Charlie Jagneaux, Jeff Skidmore, Melissa Henry, Clyde Ray Webber, Greg Brown

PUBLIC COMMENTS: Tammy Foster introduced Shelly Salter, Clerk-elect in Sabine Parish and thanked the Board for their service.

APPROVAL OF MINUTES:

Bridget Hanna moved that the minutes of August 28, 2019 meeting be approved. Motion seconded by Robin Hooter. **MOTION CARRIED.**

FINANCIAL REPORT: (ON FILE IN OFFICE)

Treasurer Rick Arceneaux reviewed the financial report for October 2019:

October 2019 -	Monthly Contributions	\$ 2,198,590
	Other Additions	\$ (33,809)
	Investment Gain (Loss)	\$ 7,788,959
	Investment Expenses	\$ 532,172
	Deductions	\$ 3,836,009
	Net Income (Decrease)	\$ 5,585,560
	Total Investments	\$ 598,411,219
	Total Assets	\$ 641,725,083

**Louisiana Clerks of Court Retirement and Relief Fund
Board of Trustees Meeting, December 4, 2019
Page 2**

A motion was made by Louie Bernard to receive the financial reports. Motion seconded by Mark Graffeo. **MOTION CARRIED.**

MONEY MANAGER PRESENTATIONS

(1) Quantitative Management Associates (QMA) – Stacie Mintz and Patrick McMenamin provided a brief overview of QMA and the Clerks portfolio investment in US Core Equity. Stacie informed the Board of a recent acquisition of a London-based hedge fund, which doesn't impact the Clerk's portfolio but she wanted to make the Board aware of the acquisition. Stacie reviewed QMA's approach to stock selection employing a quantitative, bottom up stock selection process that favors companies that are a good value, having improving growth prospects and are high quality. She noted the recent performance lag where stocks favorably-priced relative to QMA's fundamentals lagged expensive, low quality stocks, but have started to see a rotation back to reasonably priced stocks favorable to the strategy and expect to see that continue into 2020. Jon Breth questioned what QMA sees as tangible catalysts that are steering the momentum and the move from active to passive investing. Stacie commented that there is not just a single catalyst but multiple ones, including investors really questioning the stocks they are investing in with IPOs. She commented on research on value stocks and the shift from active to passive investing. Jon Breth also questioned if there would be any new future additions to their model. Stacie stated that research development along with artificial intelligence as a trading tool.

(2) Thompson, Sigel and Walmsley (TSW) – J. Shelton Horsley gave a brief overview of TSW's International Equity Large Cap fund. He commented on the firm's growth but also noted that the same team remains in place from the inception of the Clerks investment in 2016. He stated that TSW has recently celebrated its' 50th anniversary. Shelton reported on the strategy of the fund to search out mispriced business with catalysts able to turn the story back in the right direction, being both value oriented and risk aware. He noted that performance since inception has been under the benchmark, but the recent quarters had noted better performance. He noted that market capitalization of TSW is underweight in the larger, more expensive stocks and that poor positioning has not benefited the fund as these types of stock have had a better performance in the recent quarters. He commented on BREXIT and the trade war issues with China. He noted the opportunity with Japanese stocks.

(3) William Blair – Stephen Weeks presented an overview of William Blair based in Chicago, 100% employee owned with \$58 billion in assets undermanagement. He commented on the company's culture and that 40% of assets in are the public fund business. Matt Neska highlighted the Small and Small-Mid Cap Value Team. He then reviewed the team's investment philosophy with a balance between attractive valuations and solid fundamentals. Matt further commented on investment performance since inception in 2014. He noted the strong market and the current

**Louisiana Clerks of Court Retirement and Relief Fund
Board of Trustees Meeting, December 4, 2019
Page 3**

YTD performance percentage ahead of the benchmark. He reported on recent buys and sells. Jon questioned what they see as the opportunity in the small cap value space over the next few years versus the recent underperformance. Matt commented on the volatility, the outcome of the trade deals and presidential election.

Jon noted that of the value-oriented managers relative to the S&P 500, QMA and TSW leans towards value. William Blair in the small/small mid-cap space performs better over time. Investors across the markets have moved toward larger stocks. William Blair does that naturally and that is why they have outperformed on a relative basis. If the market makes a turn towards value, the portfolio will benefit.

There was further discussion regarding organic growth, which is companies creating opportunities versus going out and buying those opportunities. Louie Bernard asked for further clarification on BREXIT. Jon stated that the biggest struggle during the past year was whether or not it would be a hard or soft exit. He noted that it appears it will be a soft exit and that has taken the once wide range of outcomes and narrowed that perspective.

INVESTMENT COMMITTEE REPORT: Mark Graffeo reported that the investment committee has continued the education process on a new investment vehicle – private infrastructure and the possibility of transitioning the investment in MLP's to the new private infrastructure investment.

ANDCO (Report on file in office):

Review of Q3 2019 – Jon then reviewed the market environment and the flow of investors moving to the haven of US stocks. He noted that the US dollar is driving returns in international equity. He stated that the recent rebalancing of the portfolio had brought down the international percentage but still anticipates a strong opportunity. He reported on the strong performance in the bond market due to the drop in interest rates creating a bull market for bonds. This created a big impact to fund performance versus the benchmark. He also noted the focus on MLPs allocation changes to make those dollars work better for the portfolio. He then reviewed several of the individual manager's performance including Rothschild and Westfield. He expressed concern with Elk Creek's reaction to the market volatility and noted the negative performance continuing into quarter 3.

Chris Brokaw commented on the modeling of the portfolio for US equities and the ways to quantify the different expectation among the assets classes noting that small cap is about 1% more than large cap. The weighting is a result of portfolio managers who are repositioning investments on an active basis.

Jon further reported on the outstanding year for fixed income and further reported on the trailing of MLPs in the current environment that has led to the opportunity to look at other investment opportunities.

**Louisiana Clerks of Court Retirement and Relief Fund
Board of Trustees Meeting, December 4, 2019
Page 4**

Debbie questioned the total fund's composite as of September 2019 in the 65 percentile as related to the peer group. Jon stated that the below median performance was based on the equal weighted international and US stock, which led to modest allocation changes in the portfolio.

Review of October 2019 Performance

	October 31, 2019	QTD	FYTD
Total Funds	\$ 599,047,068	1.56%	1.28%
US Equity			
QMA	\$ 71,207,858	2.46%	2.86%
Rothschild	\$ 39,016,103	1.25%	2.98%
Westfield	\$ 40,677,574	3.76%	3.02%
William Blair	\$ 22,545,889	0.89%	0.04%
Elk Creek	\$ 22,164,437	2.73%	-4.70%
Int. Equity			
TS&W	\$ 41,608,034	4.20%	4.08%
LSV	\$ 42,368,515	5.03%	4.82%
Driehaus	\$ 31,347,592	--	4.30%
Segall Bryant	\$ 31,895,811	2.87%	-2.40%
Fixed Income			
Pyramis	\$ 62,522,608	0.36%	2.56%
Pyramis (Tact)	\$ 34,606,774	0.51%	3.12%
Orleans Capital	\$ 28,918,089		
Hedge Funds			
Summit Solut.	\$ 43,767,995	0.68%	-0.13%
Real Estate			
Clarion	\$ 55,518,833	--	1.66%
MLP'S			
Harvest	\$ 15,463,637	-5.53%	-10.29%
Tortoise	\$ 14,964,162	-6.04%	-11.77%
Hancock – Cash	\$ 425,762		
DROP FUNDS	\$ 30,619,454		
Cash Funds	\$ 10,613,794		

Senator Peacock questioned how alternative investments are valued. Jon stated that for the Clerks portfolio MLPs are daily traded thus easily priced; Real Estate is appraised quarterly with no private equity exposure in the portfolio; Hedge Funds price discovery is pretty consistent on a monthly basis but also verified annually.

Jon reported that the contract and side letter agreement with Principle is nearly finalized. He also informed the Board that the withdrawal planned from TSW was not needed for cash flow at the end of the calendar year.

Review of Candidates for Global Infrastructure to identify finalists – Jon Breth presented the Private Open-end Infrastructure Manager Analysis. He reported that three managers had been reviewed including IFM Investors (IFM), Brookfield Asset Management (BAM) and J.P. Morgan Asset Management (JPM). There was discussion regarding the investment teams, strategy and differentiation factors including liquidity and fees. Jon noted that this investment would make up approximately 15% of the Clerks portfolio. AndCo's recommendation to the Board is to allow presentations by JPM and IFM at the next meeting. A motion was made by Rick Arceneaux to approve AndCo's presentation recommendation of JPM and IFM at the next meeting. Motion seconded by Mark Graffeo. **MOTION CARRIED.** Senator Peacock abstained.

ACTUARY REPORT (On file in office) – Greg Curran presented the Clerks actuarial valuation as of June 30, 2019. He reported that his office will also be completing an experience study in the 1st quarter of 2020. He noted the Fund's resilience to the reduction in the assumed rate over the last decade from 8% to the current 6.75%, which he feels remains within the reasonable range. He reported on the inherent risks to the methodology of a stable plan but noted that payroll appears to have stabilized along with the additional collection of employer contributions on rehired retirees. He reported that the Fund is just over 81% funded. He noted the sensitivity to the rate of return for each percentage under the assumed rate of return, there would be a corresponding increase in the actuarially required contribution of 0.74% as a percentage of payroll. He also stated that the ratio of benefits to payroll is 41%. He also noted the sensitivity to the change in the valuation interest rate. A reduction from 6.75% to 5.75% would result in an addition of 11.34% to the minimum actuarially required employer contribution rate, however, he could project the possibility of the plan to decrease the valuation interest rate by a quarter of a percent, but is not recommending any changes at this time. He also reported no changes in the plan provisions for the fiscal year.

Greg continued his report reviewing cost of living adjustments (COLAs). He stated that the last COLA given was in 2018 from the 2017 valuation. Senator Peacock questioned why COLAs are not included in the valuation. Greg explained that no system in Louisiana is fully automated to pay COLAs and have proven inconsistent as to when COLAs are granted. The Clerks have paid COLAs out of the funding deposit account. However, it is good stead not to value COLAs in the plan due to timing situations and the possible scenario of creating more COLAs because you include the assumption that a COLA will be granted. Senator Peacock mentioned the possibility of the Board adopting a policy that all COLAs will be paid for from the funding deposit account and there was further discussion on the wording of that policy. No action was taken.

Greg informed the Board that the frozen unfunded accrued liability would be paid off in the next decade (2029). He also noted that additional funds were added to the funding deposit account because the Board elected to maintain the Employer Contribution Rate at 19% as opposed to the minimum required rate of 18.75%.

Greg stated that the minimum required employer contribution rate for fiscal year 2021 is 19%. Mark Graffeo asked Greg about the Board's ability to increase the minimum required rate by up to 3%. Greg noted the ability to do so is included in the Fund's

**Louisiana Clerks of Court Retirement and Relief Fund
Board of Trustees Meeting, December 4, 2019
Page 6**

statutes. He informed the Board that PRSAC will meet in early 2020 to adopt the report and the Louisiana Legislative Auditor would not be completing a separate valuation. Greg explained to the Board that the experience study and its' impacts that will be completed in the 1st quarter of 2020 would provide more information that would be useful in evaluating the possibility of increasing the employer contribution rate.

A motion was made by Robin Hooter to adopt the 2019 Actuary Report as presented by Greg Curran. The motion was seconded by Steve Andrews. **MOTION CARRIED.**

At this time there was a brief recess for lunch.

AUDIT REPORTS (on file in office) – Controller Chris Kershaw presented the audit reports prepared by Duplantier, Hrapmann, Hogan & Maher, LLP. for the 2018-2019 fiscal year. He commented on management's and auditor's responsibilities. He stated that the Fund received the highest and cleanest opinion and that the financial statements are materially presented. There were no significant deficiencies or material weaknesses in internal controls and the Fund was compliant with all laws and regulations. He commented on no new reporting requirements from GASB and that estimates are reasonable in the audit report as well as the fair value of alternative investments. He then reviewed the required supplementary information.

Total Assets \$642,865,653, Total Liabilities \$1,660,895 with a net position restricted for pension benefits of \$641,204,758. He reported that Net Investment income had decreased. Benefit payments had increased while DROP benefits, Refund and Member Transfers had decreased from the prior fiscal year. He noted an increase in retirees from 2018 to 2019. He then reviewed the net pension liability of employers with the discount rate of 6.75%, which is used to calculate that total pension liability and is expected to reflect the real long- term rate of return. Total pension liability of \$822,803,946, with the employer's net pension liability of \$181,599,188. Both of which increased from 2018 to 2019.

Chris then reviewed the census data testing that was conducted to audit the net pension liability. There were three parishes selected: East Baton Rouge, Ouachita and Acadia. There were three findings in one of the parishes tested that had to do with discrepancies on hire dates between the parish's personnel file and the retirement system's data. Chris stated that the staff was doing further research on these three items to make necessary corrections. He then reviewed the Statewide Agreed Upon Procedures. A new area was tested on the Written Policies and Procedures for Disaster Recovery/Business Continuity. Chris reported there were no findings.

A motion was made by Steve Andrews to approve the audit report as presented, along with the required compliance questionnaire. The motion was seconded by Louie Bernard. **MOTION CARRIED.**

APPLICATIONS AND REFUNDS: (On file in office)

Debbie reported that since the August Board meeting there were 15 applications for DROP; 4 applications for regular retirement; and 10 Post DROP retirement applications and 1 application for survivor retirement.

Bridget Hanna moved that the applications be approved. Motion was seconded by Mark Graffeo. **MOTION CARRIED.**

Debbie further reported there had been 5 refunds in the amount of \$30,697 for the month of October 2019. Total refund for the fiscal year end June 30, 2020 were \$412,707.

EXECUTIVE DIRECTOR REPORT

City of New Orleans – Resolution (Exhibit A): Debbie presented to the Board a resolution in regard to the City of New Orleans to ensure that the 2019 ad valorem taxes would be paid. Mark Graffeo moved to adopt the resolution as presented. Motion was seconded by Rick Arceneaux. **MOTION CARRIED.**

Education Hours – Debbie reported that all Board members had met the required education hours for 2018-2019 and a letter to the Retirement Committee Chairmen had been submitted.

Legislation – Debbie stated that there was no Board sponsored legislation for the upcoming session.

Senate Appointment Letter - Debbie presented to the Board a letter from Senator Barrow Peacock appointment Margaret Corley, Kelsey Rome and Laura Gail Sullivan as his representatives at executive sessions.

ATTORNEY: No report

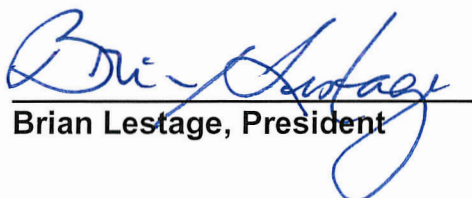
OTHER BUSINESS: None.

COMMENTS BY BOARD TRUSTEES: None.

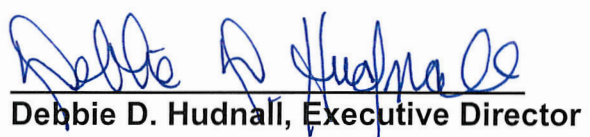
There being no other business, Steve Andrews moved that the meeting be adjourned. Motion seconded by Rick Arceneaux. **MOTION CARRIED.**

MEETING ADJOURNED.

Approved:


Brian Lestage, President

Respectfully submitted,


Debbie D. Hudnall, Executive Director

The following resolution was offered by _____ and seconded by _____;

RESOLUTION

A resolution making demand upon the Treasurer of the State of Louisiana pursuant to Louisiana Revised Statutes §11:1561.B that he deduct from revenue sharing funds of Orleans Parish and the City of New Orleans a certain sum due to the Louisiana Clerks' of Court Retirement and Relief Fund under §11:1561.A, as further clarified by a Consent Judgment dated April 26, 2011, and then remit such funds to the Fund forthwith and prior to any distribution of revenue sharing funds to the City of New Orleans or Orleans Parish.

WHEREAS the Louisiana Clerks' of Court Retirement and Relief Fund is entitled to receive, from taxes shown to be collectible by the tax rolls in Orleans Parish, a contribution of a certain percentage of such taxes, which amount is to be remitted periodically and at the same time as disbursement of such taxes to the tax recipient bodies in Orleans Parish;

WHEREAS the City of New Orleans and Orleans Parish are co-terminous and has a consolidated city/parish government, as recognized in *City of New Orleans v. Louisiana Assessors' Retirement and Relief Fund*, No. 2005-2548 (La. 10/1/07), 986 So.2d 1, fn. 14;

WHEREAS no such contribution was received for many years by the Louisiana Clerks' of Court Retirement and Relief Fund from the taxes shown to be collectible by the tax rolls in Orleans Parish;

WHEREAS the City of New Orleans disputed the constitutionality and amount of any contributions directed to be made to the Louisiana Clerks' of Court Retirement and Relief Fund pursuant to §11:1561;

WHEREAS the Louisiana Clerks' of Court Retirement and Relief Fund and the City of New Orleans reached a compromise in that certain matter styled "Louisiana Clerks' of Court Retirement and Relief Fund versus City of New Orleans, et al," Cause No. 415,496 on the docket of the 19th Judicial District Court in and for the Parish of East Baton Rouge, which compromise is memorialized by a Consent Judgment signed by the Court on April 26, 2011 and provided previously to the Treasurer of the State of Louisiana;

WHEREAS the Louisiana Clerks' of Court Retirement and Relief Fund desires to enforce its right pursuant to Louisiana Revised Statutes §11:1561.A, as further clarified by the aforementioned Consent Judgment, to collect such contributions from Orleans Parish taxes;

WHEREAS Louisiana Revised Statutes §11:1561.B and the Consent Judgment authorize and empower the board of trustees of the Louisiana Clerks' of Court Retirement and Relief Fund to submit a resolution to the state treasurer making demand that the monies due to the Fund be deducted from revenue sharing dollars that would otherwise be distributed within Orleans Parish;

WHEREAS Louisiana Constitution Article 7, §26 provides that the revenue sharing funds distributed to Orleans Parish shall be distributed in said Parish by the city treasurer of New Orleans and revenue sharing appropriations to be distributed in Orleans Parish are directed to the City of New Orleans:

Section 1. BE IT RESOLVED that the Louisiana Clerks' of Court Retirement and Relief Fund does hereby demand, pursuant to Louisiana law (including without limitation Louisiana Revised Statutes §11:1561), that the Treasurer of the State of Louisiana deduct the sums calculated as set forth hereinbelow and any additional sums that the authorized representative identified below may subsequently certify on behalf of the board of trustees from any revenue sharing dollars that would otherwise be distributed to the City of New Orleans or Orleans Parish in 2019, particularly including without limitation those revenue sharing dollars to be distributed to the city treasurer of New Orleans; and, that such sums be paid to the Louisiana Clerks' of Court Retirement and Relief Fund forthwith and prior to any distribution of revenue sharing funds during 2019 to the City of New Orleans or within Orleans Parish.

Section 2. BE IT FURTHER RESOLVED that the Louisiana Clerks' of Court Retirement and Relief Fund does hereby certify, pursuant to Louisiana Revised Statutes §11:1561.B, that an additional contribution will be due from the *ad valorem* taxes shown to be collectible for 2019 by the tax rolls located in Orleans Parish in an amount to be calculated by applying a contribution rate of .250% (.00250) to a certain portion of *ad valorem* tax collections, namely forty-five (45%) of the total *ad valorem* tax collections, made by the CITY OF NEW ORLEANS for said year. By way of example, and to illustrate such calculation, if *ad valorem* tax collections during 2019 total \$500,000,000, then the contribution required for the 2019 calendar-tax year shall be \$562,500. The aforementioned calculation method is set forth in the April 26, 2011 Consent Judgment, including without limitation the provisions and example contained in Item #5 of Paragraph FIRST of the Consent Judgment, and shall be applied to the actual tax collections made during 2019. This additional contribution shall also be due from the first revenue sharing dollars appropriated for delivery in 2020 to the City of New Orleans or Orleans Parish. The calculation method will change in future years as set forth in the Consent Judgment.

Section 3. BE IT FURTHER RESOLVED that the Louisiana Clerks' of Court Retirement and Relief Fund does hereby authorize and empower Deborah D. Hudnall, its Executive Director, to forward this resolution to the State Treasurer at an appropriate time to ensure timely collection of all sums due; to certify on behalf of the board of trustees of the Louisiana Clerks' of Court Retirement and Relief Fund the precise amount of the additional contribution sum due from taxes collected by the City of New Orleans in 2019, with said amount to be based on collection information obtained from the City of New Orleans pursuant to the procedure set forth in the April 26, 2011 Consent Judgment; and, to take all other action reasonably necessary to enforce its right to collect these sums and to require remittance of these funds by the State Treasurer from revenue sharing funds.

This Resolution having been submitted to a vote, and the vote thereon was as follows:

YEAS:

NAYS:

ABSENT:

And the resolution was declared adopted on this, the ____ day of _____, 2019.

_____, Secretary

_____, Chairman