

**APPROVED MINUTES**

**LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND  
BOARD OF TRUSTEES MEETING  
WEDNESDAY, AUGUST 28, 2019  
BATON ROUGE, LOUISIANA  
9:00 a.m.**

A meeting of the Louisiana Clerks of Court Retirement and Relief Fund Board of Trustees was held on Wednesday, August 28, 2019 at 9:00 a.m. in Baton Rouge, Louisiana.

The meeting was called to order by President Brian Lestage. Mark Graffeo gave the invocation and Steve Andrews led the Pledge of Allegiance.

**MEMBERS PRESENT:**

President Brian Lestage  
Bridget Hanna  
Robin Hooter  
Rick Arceneaux  
Mark Graffeo  
Lynn Jones  
Steve Andrews

**OTHERS PRESENT:**

Debbie Hudnall, Executive Director  
Jon Breth, AndCo  
Chris Brokaw, AndCo  
Rebecca Wisbar, Attorney  
Greg Curran, Actuary

**GUESTS PRESENT:**

Jeff Skidmore, Randy Briggs, Kim Turlich-Vaughan, Margaret Corely and Dagmar Hebert.

**PUBLIC COMMENTS:** None

**APPROVAL OF MINUTES:**

Steve Andrews moved that the minutes of May 22, 2019 meeting be approved. Motion seconded by Rick Arceneaux. **MOTION CARRIED.**

**FINANCIAL REPORT: (ON FILE IN OFFICE)**

Treasurer Rick Arceneaux reviewed the financial report for June 2019:

<b>June 2019 -</b>	Monthly Contributions	\$ 2,380,327
	Other Additions	\$ 166
	Investment Gain (Loss)	\$ 26,101,404
	Investment Expenses	\$ 691,466
	Deductions	\$ 3,719,238
	Net Income (Decrease)	\$ 24,071,193
	<b>Total Investments</b>	<b>\$ 602,174,151</b>
	<b>Total Assets</b>	<b>\$ 641,842,922</b>

There was discussion regarding cash flow through the end of the calendar year.

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

**INVESTMENT COMMITTEE REPORT:** Mark Graffeo reported that the investment committee has continued the monthly conference call discussions on asset allocation and education on private infrastructure investment.

**ANDCO (Report on file in office):** Jon Breth provided background information on the reconfiguration of the real estate asset allocation. AndCo has recommended the addition of a core plus real estate manager to compliment Clarion. Two managers had been selected to present to the Board: Principal Enhanced Property Fund and JP Morgan Special Situations Property Fund. Jon commented that Attorney Denise Akers & Rebecca Wisbar had reviewed both managers contracts. He provided a timetable of the transition after selection to funding.

### **Money Manager Presentations**

**Principal Enhanced Property Fund -** At this time, Bill Grayson and Todd White gave a presentation on Principal commenting on the strategy of property investments in non-gateway markets. The fund launched in 2004 with two return objectives – deliver an annual dividend of 4-6% and a total return of 11%. The fund has achieved both objectives 10 of out the 14 calendar years. They further discussed the occupancy of their investment properties and the higher leverage of roughly 39% (staggered debt maturity) with a concentration in demographically driven properties instead of economically driven with a move from more volatile types (office) into multi-family type, with that being the largest allocation. Attorney Rebecca Wisbar questioned the management fees in the contract being withheld from the dividend payment. Todd commented on the fee schedule of 120 bp with a \$10-\$50 million investment and incentive fee if fund exceeds the 11% targeted total return. Chris Brokaw commented on the risk of investing in non-gateway markets and possible liquidity issues as foreign investors are just beginning to move into these smaller markets tied to certain industry developments in the area.

**JP Morgan Special Situations Property Fund -** Larry Ostow and Kate Hurley presented information on the JP Morgan Fund commenting on the current clients they represented in the state of Louisiana along with the consistency of their management team. They commented on the fund's outperformance of the Odyssey index and the target return of 200 bp over that index. They further commented on the avoidance of assets with short term leases and the funds leverage of 46.3%, that is within the target range. They stated that their investment focus is in the gateway markets and noted examples of recent acquisitions and dispositions of assets. They further stated that 68% of the portfolio is in stabilized property with 95% leased and reported an issue with legislation that led to a write down of an investment in New York. Attorney Wisbar questioned how the fees worked within the comingled trust. Larry stated the management fee is a straight 1.6% and their legal team could clarify any other questions. Debbie Hudnall questioned the reason behind investing in only gateway markets. Larry commented that there is stronger liquidity in gateway markets as those major markets are in high demand with a stronger growth potential. He stated that non-gateway markets

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pose an added risk but may find higher return. Kate mentioned the differentiating factor of their fund is the size and the ability to fund higher cost properties that smaller funds cannot acquire.

After both presentations, Jon Breth discussed the issue of liquidity and noted that JP Morgan was a more aggressive investor with a higher leverage and more exposure to bigger markets. He noted Principal's increased interest in medical office space and that Clarion has started to take advantage of the same type of space, while JP Morgan has not. Mark Graffeo stated that both funds had approximately the same return/dividend even with different investment strategies. He commented on Principal's diversification with 75% of stabilized core properties and 25% value add, while JP Morgan is a 50/50 split between stabilized and value add.

Attorney Rebecca Wisbar commented that after reviewing both contracts she noted the management fees and that Principal is not a trust fund whereas JP Morgan is a trust fund and with an increased fiduciary duty. She stated that both contracts have issues that would have to be addressed in a side letter agreement.

Debbie Hudnall asked AndCo for their recommendation. Jon Breth stated that their recommendation would be Principal as it compliments Clarion's current strategy. He noted the need for the side letter agreement. He noted the structure of netting fees against dividends and said that neither fund was brand new and there is a track record of working with the manager to address concerns. Rebecca noted the need for additional fiduciary language.

After further discussion, a motion was made by Lynn Jones to add the Principal Enhanced Property Fund and authorize Debbie Hudnall, Executive Director to execute the appropriate documentation. The motion was seconded by Mark Graffeo. **MOTION CARRIED.**

**Introduction to Orleans Capital Management** – Jon Breth introduced Gary Welch and Emily Becker. Emily provided information on the woman-owned firm for over 29 years and \$1.5 billion assets under management in fixed income. Their strategy has not changed since inception. She further commented on the performance versus the benchmark and current market conditions.

Jon Breth stated that the Investment Committee had received a draft of the agreement and that Orleans has accepted the provisions of the contract. Ando recommends liquidating State Street and funding Orleans Capital Management within the fixed asset allocation.

There was further discussion regarding an impending recession and the difficulty of asset allocation timing with the recession timeline. He commented on the Clerks portfolio working on changes to lessen volatility within the portfolio and not taking an undue risk.

After discussion, a motion was made by Rick Arceneaux to liquidate the SSGA Bond Index Fund and execute contract and fund Orleans Capital Management. The motion was seconded by Steve Andrews. **MOTION CARRIED.**

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**Review of Q2 2019** – Jon reported that the 2<sup>nd</sup> quarter of 2019 was good for markets with gains in international and US stocks and bonds. June rallied strong around the more formal notice that the Feds would not increase rates and, in fact, cut rates in July. There was strength in the core bond market and dominant performance of growth versus value driven funds. He commented on the good environment for bonds but cautioned the sensitivity to falling interest rates. He stated that the quarter itself had an approximate return of 2.9% but for the fiscal year end did not reach the target rate of return due to underperformance of managers with total equity trailing the index. International equity lagged the policy index. He reported good performance in the hedge fund portfolio and the fixed income portfolio generating a return of 8%. Real Estate continues incline. MLPs positive but trailing the index. With the asset allocation changes, the portfolio will decrease the international allocation and increase fixed income. He also informed the board of the educational discussions of moving from MLPs into private infrastructure.

**PORTFOLIO PERFORMANCE – June 30, 2019 and July 31, 2019**

	<b>June 30, 2019</b>	<b>QTD</b>	<b>FYTD</b>		<b>July 31, 2019</b>	<b>FYTD</b>
<b>Total Funds</b>	\$ 602,174,151	2.90%	3.84%		\$ 601,143,103	-0.09%
<b>US Equity</b>						
QMA	\$ 69,227,693	3.82%	6.77%		\$ 70,093,314	1.25%
Rothschild	\$ 37,886,641	4.48%	9.50%		\$ 38,355,140	1.24%
Westfield	\$ 39,486,280	5.17%	11.22%		\$ 39,929,642	1.12%
William Blair	\$ 22,537,882	3.20%	-1.73%		\$ 22,718,827	0.80%
Elk Creek	\$ 23,257,347	1.41%	-3.72%		\$ 22,883,274	-1.61%
<b>Int. Equity</b>						
TS&W	\$ 45,322,807	2.57%	-3.46%		\$ 44,750,634	-1.20%
LSV	\$ 45,428,996	1.73%	-3.78%		\$ 44,438,781	-2.18%
Driehaus	\$ 29,976,334				\$ 30,040,114	0.21%
Segall Bryant	\$ 32,681,463	2.38%	0.98%		\$ 31,995,579	-2.10%
<b>Fixed Income</b>						
Pyramis	\$ 60,960,240	3.21%	8.17%		\$ 61,239,234	0.46%
Pyramis (Tact)	\$ 33,558,840	3.46%	9.35%		\$ 33,833,299	0.82%
SSgA Ag Bond	\$ 28,255,198	3.08%	7.88%		\$ 28,316,108	0.23%
<b>Hedge Funds</b>						
Summit Solut.	\$ 43,823,344	2.34%	5.20%		\$ 43,981,258	0.36%
<b>Real Estate</b>						
Clarion	\$ 55,568,870	1.43%	7.76%		\$ 55,154,171	0.00%
<b>MLP'S</b>						
Harvest	\$ 17,238,139	-0.26%	1.63%		\$ 16,962,145	-1.60%
Tortoise	\$ 16,960,648	-0.65%	1.40%		\$ 16,448,193	-3.02%
<b>Hancock – Cash</b>	\$ 3,428				\$ 3,390	
<b>DROP FUNDS</b>	\$ 29,538,646				\$ 30,284,789	
<b>Cash Funds</b>	\$ 8,222,257				\$ 5,674,434	

**July 2019 Recap:** Jon Breth then provided a recap of the month of July 2019 noting the lack of performance with the MLPs, affected by the talk of recession and decrease in global growth's affect on the price of oil. There was a strong outperformance of growth versus value with TSW having a better month relative to LSV. He commented on a review of managers in the international space and the tilt more towards value and the possible need to add a growth manager.

**Recap of Infrastructure discussion & presentation of draft IPS update (on file in office):** Jon presented to the Board an amended draft of the Investment policy including language for private infrastructure strategies and investments, additional language for Real Estate Assets and adjustments to the target asset allocation. Mark Graffeo commented that the investment committee had reviewed the suggested changes. A motion was made by Mark Graffeo to approve the amended investment policy as presented. The motion was seconded by Rick Arceneaux. **MOTION CARRIED.**

### **ACTUARY**

Greg Curran commented that with the 3.84% return on investments below the assumed required rate of return, an increase in the minimum required employer contribution rate was likely. He stated that new members to the plan help to offset the cost but the liability experience (members retiring/salary increases) increase cost. His preliminary estimate would be an increase of  $\frac{3}{4}\%$ . The current year minimum rate was 18.75% but the Board had voted to maintain the 19% employer contribution rate.

He reported that an experience study is scheduled to be done next year that would affect the 2020 valuation. He also stated that changes in the assumptions could be incorporated including generational mortality. He will be providing Debbie with a proposed cost for this study.

Greg explained that his office is working on the current valuation and waiting for the auditors to provide their numbers. Debbie asked if Greg knew of any legislative needs from the actuary standpoint. Greg stated that he wasn't aware of any legislative needs at this time.

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

Debbie reported that since the May Board meeting there were 17 applications for DROP; 8 applications for regular retirement; and 10 Post DROP retirement applications.

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

Debbie further reported there had been 8 refunds in the amount of \$71,342 for the month of July 2019. Total refund for the fiscal year end June 30, 2019 were \$803,328.

### **EXECUTIVE DIRECTOR REPORT**

**Madoff Victim Fund:** Debbie informed the Board that another payment had been received for approximately \$154,000 and the Fund has recouped about 70% of the loss and could possibly receive another payment.

**Legislation:** Debbie stated that the deadline to submit legislation is November 1<sup>st</sup>. She is not aware of any Clerks sponsored retirement legislation. She explained to the Board that a continued goal of the staff is to clean up the retirement handbook.

**ATTORNEY:**

**Contracts:** Rebecca Wisbar stated that this item was discussed during the money manager presentations.

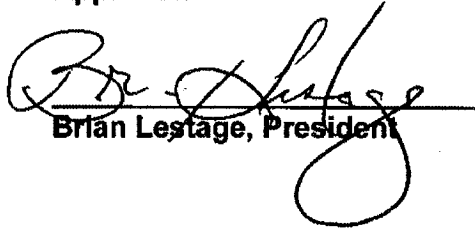
**OTHER BUSINESS:** Debbie provided packets to the Board members attending the LAPERS conference in New Orleans on September 15-17, 2019.

**COMMENTS BY BOARD TRUSTEES:** None.

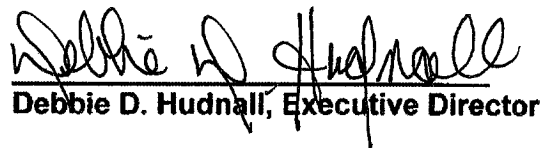
There being no other business, Rick Arceneaux moved that the meeting be adjourned. Motion seconded by Bridget Hanna. **MOTION CARRIED.**

**MEETING ADJOURNED.**

**Approved:**

  
Brian Lestage, President

**Respectfully submitted,**

  
Debbie D. Hudnall, Executive Director