

**PROPOSED MINUTES**

**LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND  
BOARD OF TRUSTEES MEETING  
WEDNESDAY, MAY 20, 2020  
CONDUCTED by VIDEO CONFERENCE  
1:30 PM**

A meeting of the Louisiana Clerks of Court Retirement and Relief Fund Board of Trustees was held on Wednesday, May 20, 2020 at 1:30 p.m. conducted by video conference.

The meeting was called to order by President Brian Lestage.

**MEMBERS PRESENT:**

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

**OTHERS PRESENT:**

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

**GUESTS PRESENT:**

Chelsey Napoleon, Susan Racca, Dagmar Hebert, Chris Kershaw

**PUBLIC COMMENTS:** None

**APPROVAL OF MINUTES:**

Mark Graffeo moved that the minutes of the February 19, 2020 meeting be approved. Motion seconded by Rick Arceneaux. **MOTION CARRIED.**

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

Treasurer Rick Arceneaux reviewed the financial report for April 2020:

<b>April 2020</b>	-	Monthly Contributions	\$ 2,118,597
		Other Additions	\$ 165,543
		Investment Gain (Loss)	\$ 40,036,969
		Investment Expenses	\$ 378,644
		Deductions	\$ 3,910,987
		Net Income (Decrease)	\$ 38,031,478
		<b>Total Investments</b>	<b>\$ 519,780,406</b>
		<b>Total Assets</b>	<b>\$ 594,200,406</b>

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

**2020-2021 BUDGET PROPOSAL (EXHIBIT A):** Controller Chris Kershaw presented the proposed budget for fiscal year 2020-2021. He noted proposed increases in the following administrative expenses: Auditing fees, Building Insurance, Building Maintenance/Fees, Fiduciary Insurance, Legal fees, Programming fees, and Reimbursement to the Association due to a new employee that was hired at the beginning of the year. He explained that the investment and custodial fees remain budgeted at the same dollar amount as the previous year. A motion was made by Bridget Hanna to approve the 2020-2021 Budget as presented. The motion was seconded by Steve Andrews. **MOTION CARRIED WITH NO OPPOSITION.**

**PER DIEM:** A motion was made by Rick Arceneaux to waive the Board Member per diem for this meeting on Wednesday, May 20<sup>th</sup> as it was conducted via video conference. The motion was seconded by Mark Graffeo. **MOTION CARRIED.**

#### **INVESTMENT COMMITTEE REPORT:**

**Elk Creek –** Jon Breth reported that Elk Creek had reached out to AndCo to inform them that with the loss of several key investors, the firm is closing. AndCo currently had Elk Creek's strategy under review as their long-term performance was challenged in generating excess returns. Jon explained that the closure was brought to the Investment committee's attention and a formal letter was issued on May 8<sup>th</sup> to Elk Creek terminating the Clerks position with instructions to liquidate the portfolio. He reported the liquidation took place on May 11<sup>th</sup> and funds were reinvested into a Russell 2000 growth share index. AndCo is now initiating a search to identify a replacement for the small growth manager. They will review potential prospects with the investment committee and will have a recommendation at the next board meeting.

Mark Graffeo stated that the committee moved quickly on AndCo's recommendation to liquidate the Elk Creek portfolio and reinvest in the funds. The committee asks that the Board ratify the action taken to liquidate the Elk Creek Portfolio and reinvest in the Russell 2000 growth share index. A motion was made by Robin Hooter to ratify the committee's action. The motion was seconded by Rick Arceneaux. **MOTION CARRIED.**

#### **ANDCO:**

##### **Performance Review**

**Q1-2020 Review –** Jon Breth then reviewed the first quarter of 2020 noting the following highlights: Corona Virus and the price war on oil between Russia and Saudi Arabia. The stress in the credit markets led to a market free fall until the Federal Reserve stepped in with a decrease in the interest rate and credit facilities to bolster market liquidity. A substantial recovery followed and saw the end to the longest bull market, the start of short bear market and then the restart of a new bull market. Lower risk equities performed better. He noted the outperformance of growth over value stocks which had a negative impact on domestic equity performance. He highlighted a "flight to safety" in high quality government bonds. Active managers were hit aggressively. He further reviewed the

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bond market and likelihood of defaults creating a good environment for active managers. This environment is likely to continue through the remainder of 2020.

Jon further reported that the Clerks portfolio struggled through the first quarter, down 18.6%, trailing the policy and peer groups. He reported on several managers who lagged the benchmark including fixed income, hedge funds and MLPs affected by the price war on oil. He explained that QMA's bias to value over growth stocks led to their underperformance as the market had a dramatic tilt toward growth stocks over value strategies.

There was discussion regarding the Clerks' portfolio performance to that of its' peers and possible changes to the asset allocations. The efforts to reduce risk and volatility in the portfolio have not been executed quickly enough. There is no rapid fix but AndCo is working on ideas to improve consistency of returns – balance between US and International, identifying weaker managers, looking for growth within equities, monitoring credit risk with fixed income and performance within hedge funds.

**April 2020 Update** – Jon then reviewed performance in April of 2020 seeing a gain of approximately 8% noting that managers who underperformed in the 1<sup>st</sup> quarter saw an outperformance in April. MLP's did not follow that same scenario and AndCo has reached out to both MLP manager's, Harvest and Tortoise. He reviewed the growth driving performance seen by Elk Creek and Westfield, however, QMA had more incremental underperformance with their strategy lean towards value over growth. He cited lack of exposure and volatility as the reason for not seeing more excess returns from Summit with Hedge Funds. TSW and LSV are doing relatively well as compared to other managers but growth-oriented managers have outperformed.

**Review of April 30, 2020 Performance**

	<b>April 30, 2020</b>	<b>QTD</b>	<b>FYTD</b>
<b>Total Funds</b>	\$ 545,852,456	8.05%	-6.66%
<b>US Equity</b>			
QMA	\$ 66,229,996	13.48%	-4.33%
Rothschild	\$ 34,031,231	10.45%	-10.18%
Westfield	\$ 42,981,203	14.28%	8.85%
William Blair	\$ 16,969,354	10.31%	-24.71%
Elk Creek	\$ 20,515,374	18.31%	-11.79%
<b>Int. Equity</b>			
TS&W	\$ 34,741,468	8.51%	-12.78%
LSV	\$ 29,856,385	6.32%	-16.25%
Driehaus	\$ 28,222,400	10.98%	-6.48%
Segall Bryant	\$ 27,809,272	8.98%	-14.91%
<b>Fixed Income</b>			
Pyramis	\$ 63,778,082	2.79%	4.62%
Pyramis (Tact)	\$ 34,082,807	3.80%	1.56%
Orleans Capital	\$ 30,318,171	3.13%	--
<b>Hedge Funds</b>			
Summit Solut.	\$ 38,853,393	2.84%	-11.34%
<b>Real Estate</b>			
Clarion	\$ 56,332,994	0.00%	5.12%
<b>MLP'S</b>			
Harvest	\$ 10,874,062	31.29%	-36.92%
Tortoise	\$ 10,255,072	29.45%	-39.54%
<b>Hancock – Cash</b>	\$ 1,190		
<b>DROP FUNDS</b>	\$ 31,293,744		
<b>Cash Funds</b>	\$ 41,147,564		

**Equity Allocation Discussion** – Jon presented an evaluation of growth-oriented managers versus value exposures and a recommendation for a potential rebalance of the portfolio within both the domestic and international portfolios. There was discussion regarding the rebalance of the portfolio and the liquidation from Tortoise and QMA to Westfield with monies from Tortoise held short term in Westfield until the capital call from the private infrastructure manager. Mark Graffeo questioned what environment would see value performing better than growth. GDP acceleration would tend to be a better environment for value strategies. There was also discussion regarding the upcoming presidential election and its' effect on investment strategies.

Jon then also reviewed the international managers – LSV, TSW and Driehaus – looking to possibly add a third manager alongside LSV & TSW to help shrink the imbalance. Jon suggested the possibility of adding a mutual fund manager. AndCo will continue discussions with the investment committee and possibly make a recommendation at the next meeting.

Debbie Hudnall commented on the extensive time it takes when hiring a new manager and the contract negotiations. She asked if there was a way to prevent the long drawn out time frame on the contract negotiations. Jon explained that the addition of a mutual fund type manager could be implemented more quickly.

AndCo then presented the following recommendation to the Board:

(1) Domestic Equity allocation:

- Liquidate 2% from QMA to invest with Westfield
- Full liquidation of Tortoise (approximately 2%) to be invested with Westfield

There was discussion regarding the recovery Tortoise has made from the previous quarter's extensive loss. Jon further explained that the plan was to liquidate the MLP investment all together. With the liquidation of one MLP manager now, the other manager, Harvest, can continue to recover. Jon also stated that he does not foresee a dramatic change to Westfield's strategy and that once the capital call has been issued from the private infrastructure manager then Westfield would be reduced slightly to meet that call.

A motion was made by Mark Graffeo to accept AndCo's recommendation to move 2% from QMA to Westfield and to liquidate Tortoise and invest proceeds with Westfield authorizing Executive Director Debbie Hudnall to complete all necessary documents. The motion was seconded by Rick Arceneaux. **MOTION CARRIED.**

(2) International Equity allocation: After discussion, there was no action taken. The investment committee will continue the dialogue and vetting process with possible interviews at next the quarterly Board meeting.

**ACTUARY:**

**2020-2021 Actuary Contract-** Greg Curran presented to the Board a proposed contract for Actuarial services with an increase in the monthly retainer due to inflation. He noted that it has been 5 years since the last increase for inflation. He explained the changes to the rate level categories for their staff as their firm has increased in size. The increase is from \$5,895 per month to \$6,285 per month effective July 1, 2020. A motion was made by Robin Hooter to approve the 2020-2021 actuary contract as presented. The motion was seconded by Rick Arceneaux. **MOTION CARRIED.**

**Experience Study (on file in office)-** Greg Curran informed the Board that the experience study had been completed to review the assumptions used in the valuation of the Retirement Fund. Greg reviewed the following items in the study:

- Valuation Interest Rate – Clerks is currently set at 6.75%. He explained that based on using longer term estimates, historical performance, consultant averages, and inflation adjustments, a reasonable range of 6.02%-7.10% was determined. The Clerks fall within that range. He further explained how the reduction in the valuation interest rate affects employer contribution rate.
- Financial Assumptions including Rates of Salary Increase, Withdrawals, Disability, Retirement, DROP Entry, Post DROP Retirement
- Mortality Rates – Change to a generational mortality table. This change has the largest affect to the cost of the plan of approximately 2.5%.
- Vesting election percentages and actuarial equivalence factors.

Greg explained that these assumptions will need to be approved by the Board to be used in the upcoming valuation for the year end June 30, 2020. The Board, based on the previous year's actuarial valuation, set the employer contribution rate at 21% for fiscal year beginning July 1, 2020. This next valuation is projected to see the minimum required employer rate to be set at 21% for fiscal year beginning July 1, 2021. There was discussion regarding the future increases of the employer contribution rate and the other factors that affect the rate including investments.

A motion was made by Mark Graffeo to adopt the assumptions as presented by G.S. Curran & Co.'s Experience Report maintaining the valuation interest rate at 6.75%. The motion was seconded by Rick Arceneaux. **MOTION CARRIED.**

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

Debbie reported that since the February Board meeting there were 10 applications for DROP; 6 applications for regular retirement; and 17 Post DROP retirement applications.

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

Debbie further reported there had been 3 refunds in the amount of \$20,643 for the month of April 2020. Total refund for the fiscal year end June 30, 2020 were \$779,895. Debbie also stated that there had been several refunds of members, who had the years of service, but who did not have the age requirement to retire and had withdrawn their contributions.

**EXECUTIVE DIRECTOR REPORT**

**Legislation** – Debbie stated that Attorney Denise Akers had prepared a memo on several retirement bills, however, all are stagnant in the assigned committee except the resolution regarding GOP and WEP.

**Madoff Victim Fund-** Debbie reported that another payment had been received bringing the Clerks to approximately \$1.17 million in receipt of lost funds.

**Appointment Letter – Senate and House** – Debbie informed the Board that Senator Beth Mizell was appointed to serve replacing Senator Peacock and that Representative Barry Ivey would continue to serve as ex-officio from the House Retirement Committee.

**ATTORNEY:** Denise Akers reported that the IFM contract is nearing finalization. A draft of the subscription documents had been received for review and currently awaiting the final side letter agreement for signature.

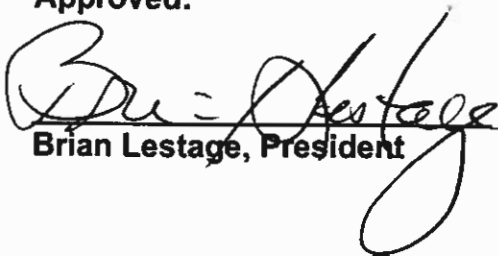
**OTHER BUSINESS:** None

**COMMENTS BY BOARD TRUSTEES:** None.

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

**MEETING ADJOURNED.**

Approved:

  
Brian Lestage, President

Respectfully submitted,

  
Debbie D. Hudnall, Executive Director

# Louisiana Clerks of Court Retirement Fund Budget

	7/1/2019	7/1/2020	
	ACTUAL	PROPOSED	
	BUDGET	BUDGET	BUDGET
	2019-2020	2020-2021	Difference
<b>Administrative Expenses</b>			
Actuary Fees	90,000	90,000	0
Advertising	500	500	0
Auditing Fees	50,000	55,000	5,000
Bank Charges	12,000	12,000	0
Building Insurance	6,500	7,000	500
Building Maintenance / Fees	15,000	20,000	5,000
Depreciation (non-cash)	30,000	30,000	0
Doctors Fees	4,000	4,000	0
Fiduciary Insurance	22,000	23,000	1,000
Legal Fees	20,000	30,000	10,000
Meeting Expense	10,000	10,000	0
Miscellaneous	1,200	1,200	0
Office Equipment	0	0	0
Office Supplies and Printing	2,000	2,000	0
Other Professional Fees	2,500	2,500	0
Per Diem	3,375	3,375	0
Postage	3,000	3,000	0
Programming Fees	15,000	18,000	3,000
Reimbursement to Assoc.	420,000	498,000	78,000
Travel and Seminar	18,000	18,000	0
<b>Administrative Expenses</b>	<b>725,075</b>	<b>827,575</b>	<b>102,500</b>
<b>Investment Expenses:</b>			
Consultant Fees	135,000	135,000	0
Custodial Fees	60,000	60,000	0
Investment Managers	3,250,000	3,250,000	0
<b>Total Investment Expenses</b>	<b>3,445,000</b>	<b>3,445,000</b>	<b>0</b>
<b>TOTAL EXPENSES</b>	<b>4,170,075</b>	<b>4,272,575</b>	<b>102,500</b>

Budget Adopted on this date: \_\_\_\_\_