

## PROPOSED MINUTES

### LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND BOARD OF TRUSTEES MEETING THURSDAY, SEPTEMBER 17, 2020 BATON ROUGE, LA 10:00 AM

A meeting of the Louisiana Clerks of Court Retirement and Relief Fund Board of Trustees was held on Thursday, September 17, 2020 at 10:00 am in Baton Rouge, LA.

The meeting was called to order by President Bridget Hanna. Dot Lundin gave the opening prayer followed by the Pledge of Allegiance led by Rick Arceneaux.

#### MEMBERS PRESENT:

President Bridget Hanna  
Robin Hooter  
Randy Deshotel  
Rick Arceneaux  
David Dart  
Dot Lundin  
Brian Lestage

#### OTHERS PRESENT:

Debbie Hudnall, Executive Director  
Jon Breth, AndCo  
Greg Curran, Actuary

#### *via phone:*

Chris Brokaw, AndCo  
Denise Akers, Attorney

#### GUESTS PRESENT:

Jason Harris, Dagmar Hebert, Chris Kershaw

#### PUBLIC COMMENTS: None

**OATH OF OFFICE:** Rick Arceneaux administered the oath of office to Dot Lundin, Retired Clerk Member.

#### APPROVAL OF MINUTES:

Brian Lestage moved that the minutes of the May 20, 2020 meeting be approved. Motion seconded by Robin Hooter. **MOTION CARRIED.**

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

Treasurer Rick Arceneaux reviewed the financial report for June 2020 and July 2020:

June 2020 (FYTD) -	Contributions	\$ 37,777,287
	Other Additions	\$ 1,124,482
	Investment Gain (Loss)	\$ (9,385,507)
	Investment Expenses	\$ 2,777,065
	Deductions	\$ 46,353,519
	Net Increase (Decrease)	\$ (19,614,321)
	<b>Total Investments</b>	<b>\$ 549,718,612</b>
<b>Total Assets</b>	<b>\$ 622,089,930</b>	

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<b>July 2020 -</b>	Monthly Contributions	\$ 2,191,093
	Other Additions	\$ 23,326
	Investment Gain (Loss)	\$ 19,916,503
	Investment Expenses	\$ 0
	Deductions	\$ 5,232,857
	Net Increase (Decrease)	\$ 16,898,065
	<b>Total Investments</b>	<b>\$ 569,203,919</b>
	<b>Total Assets</b>	<b>\$ 638,593,752</b>

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

**INVESTMENT COMMITTEE REPORT:** Jon Breth reported that the investment committee had discussed the closing of Elk Creek and the liquidation of the hedge fund investments with Summit/Mercer. The Committee is engaged in actively looking at replacements and revisions to the investment policy regarding hedge funds.

**ANDCO:**

**1. Performance Review of Q2 2020-** Jon reviewed the market environment at the end of June 2020. He noted that risk was rewarded and was best exemplified by performance of market stocks (S&P). Emerging Markets and Bond Market saw outperformance, while interest rates did not fluctuate in Q2 2020. He noted corporate bond performance at a strong 9% return, while US Govt bonds were only up .5% for the quarter. Jon noted the outperformance of growth over value and explained that value stocks tend to be driven by economic growth. He reported on MLPs performance down 40% as compared to equities and reported underperformance in the International portfolio. Jon commented on the repositioning in the equity portfolio and the rebalance toward growth stocks versus the tilt toward value. Westfield had experienced a 26% return for the quarter due to the larger exposure toward growth. William Blair which had outperformed in Q1 saw the opposite performance in Q2 with abias toward quality.

**A. Performance Review – August 31, 2020**

Jon then reviewed the preliminary number for August 31, 2020.

	August 31, 2020	FYTD		August 31, 2020	FYTD
<b>Total Funds</b>	\$ 616,301,400	7.46%			
<b>US Equity</b>			<b>Hedge Funds</b>		
QMA	\$ 66,664,376	11.37%	Summit Solut.	\$ 41,251,179	2.95%
Rothschild	\$ 37,814,392	8.42%	<b>Real Estate</b>		
Westfield	\$ 82,727,646	17.46%	Clarion	\$ 30,479,978	0.00%
William Blair	\$ 24,043,914	5.75%	<b>Hancock – Cash</b>	\$ 2,196	
Russell 2000 Growth ETF	\$ 24,147,979	9.50%	<b>DROP FUNDS</b>	\$ 34,553,927	
<b>Int. Equity</b>			General Cash Funds	\$ 4,606,630	
TS&W	\$ 40,632,282	8.06%			
LSV	\$ 34,097,015	7.52%			
Driehaus	\$ 36,513,727	13.45%			
Segall Bryant & Hamill	\$ 32,532,317	10.22%			
<b>Fixed Income</b>					
Pyramis	\$ 67,070,214	1.99%			
Pyramis (Tact)	\$ 36,852,347	3.21%			
Orleans Capital	\$ 61,383,166	0.97%			

- B. Discussion of Elk Creek liquidation-** He commented on the termination of Elk Creek and the temporary investment in the Russell 2000 ETF. TSW performed well. The investment committee has been researching a third money manager in this space alongside LSV. Jon brought to the Board's attention that Segall, Bryant, Hammill's fees are based on performance and the fund is not paying anything as that manager has underperformed.
- C. Discussion of Summit/Mercer liquidation-** Jon reported that the hedge fund investment with Mercer was in the liquidation process, as Mercer had chosen to close the growth strategy and thus the Clerks had also chosen to liquidate the diversification and income strategies. Jon stated that this process will take through 2021 but should begin to receive some cash distributions at the end of this year to assist with cash flow.
- D. Discussion of Tortoise & Harvest liquidations-** Jon also stated that the liquidation of the MLP investments with Tortoise and Harvest had been completed in June and August, respectively.
- E. Update on Funding of IFM and Principal-** He also reported that the Fund has not received the capital calls yet from Principal or IFM. Clarion experienced a negative return; however, the fund had just been reduced to fund the new allocation to Principal. Those dollars have been routed to Orleans Capital in the interim until the capital call from Principal. The Principal capital call is expected to be in Q1 2021 and IFM in Q1/Q2 2021. Funds will be available from a rebalance or the cash flow from the hedge fund liquidation as it is received.

## **2. Recap of search activity since last Board Meeting**

Jon Breth explained to the Board an issue with possible investment in mutual fund types and that Hancock Whitney, custodian bank, had a policy change to not process mutual fund transactions.

- a. **International Growth Equity** – Jon highlighted the International Equity manager analysis the investment committee had reviewed. WCM Investment Management is a co-mingled/limited partnership. WCM has maintained consistent performance not falling below the median while assuming less risk to do so. He noted the job they have done historically protecting capital in tough markets with a durable performance pattern. WCM would be a compliment to TSW & LSV. AndCo recommended the hiring of WCM with management fees of 1.03% slightly higher than TSW & LSV. He explained that WCM would be funded at the end of September by reducing the investment in TSW & LSV. LSV's liquidation will not provide for funds to be available until October, so funds from Orleans Capital will be diverted to fund the WCM investment at the end of September. Once LSV's partial redemption is processed those funds will return to Orleans Capital.
- b. **US Small Cap Growth** - The investment committee had worked through the termination of Elk Creek and funded the short-term solution of those funds into the Russell 2000 EFT. Jon noted the investment committee had reviewed alternative managers for the US Small Cap Growth space. AndCo recommends Hood River with a management fee of 0.90%. He commented on the manager's consistent

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performance and the room for growth in the fund capacity. He explained that Hood River would be funded by the liquidation of the Russell 2000 EFT.

Attorney Denise Akers informed the Board that the contracts for both WCM and Hood River had already been reviewed and would be ready for execution if the Board approves the recommendations as presented.

- 3. Review of draft IPS update (on file in office)** – Jon presented a draft of the Investment Policy Statement. He noted the amended date of August 27, 2020 would be changed to the date of today's meeting, September 17, 2020. He explained the following changes:
- a. Removal of hedge fund diversification language (page 10) that was previously added when the Summit Hedge Fund investment was instituted.
  - b. Removal of MLP language (page 11 and page 18)
  - c. Updated Asset Target Allocation Chart (page 13-14) including the clarification of the Core Plus and Core Fixed along with the addition of Multi Asset class investments with a target of 0%.

Jon Breth summarized the recommendations of AndCo and the Investment Committee: (1) adopt the changes to the Investment policy as presented; (2) approve the hiring of WCM Investment Management and Hood River; (3) approve the liquidation of the Summit Solutions Hedge Fund.

A motion was made by Rick Arceneaux to approve the liquidation of the Summit Solutions Hedge Fund Investment. The motion was seconded by David Dart. **MOTION CARRIED.**

Debbie Hudnall informed the Board that the Investment Committee did discuss interviews of the two recommended managers but due to COVID 19 and travel restrictions, the committee felt confident in the vetting process by Andco and their recommendation without formal interviews.

A motion was made by Robin Hooter to approve the hiring of WCM Investment Management with an investment of \$24 million from funds received by partial redemption of LSV & TSW and to authorize Executive Director Debbie Hudnall to execute all necessary contracts and documents. The motion was seconded by Rick Arceneaux. **MOTION CARRIED.**

A motion was made by David Dart to approve the hiring of Hood River with an investment of approximately \$24 million from the Russell 2000 Growth Share Fund and to authorize Executive Director Debbie Hudnall to execute all necessary contracts and documents. The motion was seconded by Randy Deshotel. **MOTION CARRIED.**

A motion was made by Rick Arceneaux to approve the changes to the Investment Policy Statement as presented. The motion was seconded by Brian Lestage. **MOTION CARRIED.**

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Jon Breth commented that the partial redemptions of TSW and LSV do not require motions by the Board. Rick Arceneaux, on behalf of the Investment Committee, thanked AndCo for their hard work on this process.

**ACTUARY:**

**Recognition of Gary Curran-** President Bridget Hanna recognized the retirement of Gary Curran. Debbie noted that she had expressed the Board's appreciation to Gary for his service to the Clerks Retirement Fund. Greg Curran stated that work is underway on the Clerks' valuation and for the first time they have direct access to the clerk's retirement program which has made the process more efficient. He explained they are waiting on the audited financial statements to finalize the valuation and would likely make the valuation presentation at the December meeting.

**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 21 Post DROP retirement applications.

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

Debbie further reported there had been a total of 17 refunds in the amount of \$187,409 for the first two months of the new fiscal year.

Debbie also informed the Board of the passing of several Retired Clerks: Lucy Rausch, Pat Sonnier and Winnie Brinkley.

**EXECUTIVE DIRECTOR REPORT**

**DocuSign** - Debbie presented a proposal from DocuSign for the Retirement system. There are many issues with the post office's delivery of mail and security of information that includes bank account and social security numbers. She provided the approximate number of documents the office handles on a yearly basis. DocuSign has presented the state contract rate of \$2,666 per 1000 envelopes plus a one-time training cost of \$2,334. Being able to sign and retain these documents electronically will increase security and efficiency of processes. There is also the possibility of integration into the Clerks retirement program. This electronic document would be considered the original. A motion was made by Brian Lestage to approve the DocuSign proposal and authorize Debbie Hudnall to execute the contract. The motion was seconded by Rick Arceneaux. **MOTION CARRIED.**

**Online Contribution Reporting** - Debbie then submitted to the Board a proposal to allow parishes to submit their monthly contribution reports online through the retirement web portal. The functionality exists today but to make the process simpler, there are some changes that must be done by the programmer at the cost of \$3,625. She also explained that we are waiting on a second proposal for the payment processing of the monthly report. There was discussion regarding whether this would be mandatory for the parishes. A motion was made by Rick Arceneaux to approve the proposal for the online

contribution reporting in the amount of \$3,625 and a cap of \$5,000 for the payment processing. The motion was seconded by Brian Lestage. **MOTION CARRIED.**

**Retirement Seminar** - Due to COVID 19, LAPERS had cancelled the yearly seminar but has provided 6 hours of education for the trustees online. The Curran's website also has educational webinars. Debbie brought to the Board the possibility of in-house training for the trustees. The Board agreed to an in-person seminar to provide for their education requirements.

**ATTORNEY:** No report.

**OTHER BUSINESS:** Debbie informed the Board that Orleans Capital had contacted her to explain that they had been the target of ransomware.

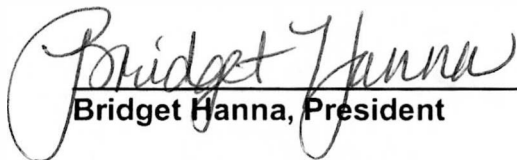
Debbie then asked the Board for their direction on the possibility of having a generator installed for the office. She does not have a proposal yet and wanted to get the Board's opinion. There was discussion regarding natural gas availability. A motion was made by David Dart to approve a generator for the office with a cap of \$20,000. The motion was seconded by Robin Hooter. **MOTION CARRIED.**

**COMMENTS BY BOARD TRUSTEES:** None.

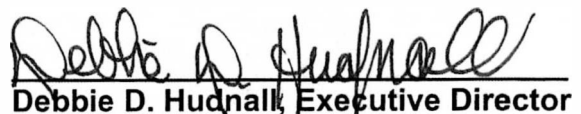
There being no other business, Rick Arceneaux moved that the meeting be adjourned. Motion seconded by Brian Lestage. **MOTION CARRIED.**

**MEETING ADJOURNED.**

Approved:

  
Bridget Hanna, President

Respectfully submitted,

  
Debbie D. Hudnall, Executive Director