

**APPROVED MINUTES**  
**LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND**  
**BOARD OF TRUSTEES MEETING**  
**TUESDAY, DECEMBER 2, 2014**  
**LAFAYETTE, LOUISIANA**  
**9:00 AM**

A meeting of the Louisiana Clerks of Court Retirement and Relief Fund Board of Trustees was held on Tuesday, December 2, 2014 at 9:00 AM in Lafayette, Louisiana.

The meeting was called to order by President Diane Meaux Broussard. Dot Lundin gave the invocation and Cliff Dressel led the Pledge of Allegiance.

**MEMBERS PRESENT:**

President Diane Meaux Broussard  
Carl Broussard  
Holli Vining  
Mark Graffeo  
Tammy Foster  
Cliff Dressel  
Gary Loftin

**OTHERS PRESENT:**

Debbie Hudnall, Executive Director  
Phineas Troy, Summit Strategies  
Jessica Portis  
Gary Curran, Actuary  
Denise Akers, Attorney  
Michelle Cunningham

**GUEST PRESENT:**

Dot Lundin, Greg Brown, Darlene Landry, David Dart, Steve Andrews, Malise Prieto and Chris Crow.

**APPROVAL OF MINUTES:**

Cliff Dressel moved that the minutes of October 29, 2014 meeting be approved as presented. Motion seconded by Carl Broussard. **MOTION CARRIED.**

**COMMENTS BY PRESIDENT:**

President Broussard thanked everyone for their attendance and especially those Clerks who were not members but showed their interest by attending.

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

Treasurer Mark Graffeo reviewed the financial reports for October 31, 2014. He pointed out a net loss for the fiscal year of \$2.8 million and informed the Board that the monthly benefits being paid out exceed the monthly contributions.

<b>Oct. 2014 -</b>	Monthly Contributions	\$ 2,134,808
	Other Additions	\$ (88,506)
	Investment Gain (Loss)	\$ 4,814,227
	Investment Expenses	\$ (246,245)
	Deductions	\$ (2,569,443)
	Net Income (Decrease)	\$ 4,044,841
	<b>Total Investments</b>	<b>\$ 491,001,985</b>
	<b>Total Assets</b>	<b>\$ 516,453,478</b>

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Motion was made by Tammy Foster to receive the financial reports. Motion seconded by Holli Vining. **MOTION CARRIED.**

**INVESTMENT COMMITTEE:**

Jessica Portis reported that no Investment committee meeting had been held since the last Board meeting.

**SUMMIT STRATEGIES: (Report on file in office)**

Phinney reviewed the economic perspective for the month ending October 31<sup>st</sup> and the capital markets snapshot performance as of November 28, 2014 but stated the statements for November were not in at this time.

Phinney then reported on the Preliminary Flash Report as of October 31, 2014 showing \$490,855,333 in investments and preliminary rate of return for fiscal year ending October 31, 2014 of negative 0.07%. He reported the trailing year had a return of 9.78%.

**PORTFOLIO PERFORMANCE**

	<b>2014</b>	<b>FYTD</b>	<b>CYTD</b>
<b>Total Funds</b>	\$ 514,180,513	-0.07%	7.11%
<b>US Equity</b>			
QMA	\$ 56,498,229	3.82%	13.13%
Rothschild	\$ 31,835,549	1.59%	11.88%
Westfield	\$ 42,719,134	4.15%	9.90%
William Blair	\$ 17,678,379	0.33%	
Elk Creek	\$ 17,448,152	-0.08%	
<b>Intl. Equity</b>			
Vontobel	\$ 36,805,119	-2.29%	5.56%
LSV	\$ 28,671,925	-8.50%	
Mondrian	\$ 11,918,247	-8.10%	-4.05%
William Blair	\$ 11,610,100	-7.78%	-6.31%
DFA	\$ 21,898,327	-4.46%	1.97%
<b>Fixed Income</b>			
Pyramis	\$ 41,852,740	1.28%	5.91%
Pyramis (Tact)	\$ 20,193,185	0.56%	
SSgA Ag Bond	\$ 20,967,302	1.15%	
<b>Hedge Funds</b>			
Blackstone	\$ 21,496,052	0.57%	4.31%
Magnitude	\$ 21,445,554	2.13%	5.12%
UBP	\$ 1,330,505	2.25%	5.91%
<b>Real Estate</b>			
Clarion	\$ 44,895,155	3.77%	8.52%
<b>MLP'S</b>			
Harvest	\$ 19,187,578	-1.62%	20.34%
Tortoise	\$ 18,857,861	-4.56%	21.11%
<b>Whitney -Cash</b>	\$ 3,546,241		
<b>DROP FUNDS</b>	\$ 20,323,120		
<b>Cash Funds</b>	\$ 3,002,060		

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Phinney reported that the rebalancing the Board had authorized at the October meeting had all been completed. Jessica Portis informed the Board that because the US dollar had been strong, it does affect the return on the international markets.

**MONEY MANAGER PRESENTATIONS:**

**QMA** – Aileen Pinto, Vice President of Client Services and Stacie Mintz, Portfolio Manager, made a presentation to the Board on the Clerks' US Large Cap funds managed by their firm. Aileen thanked the Board for their 10 year relationship with QMA. Their company is located in New Jersey and they have 53 investment professionals including 19 PhD's averaging 18 years of investment experience. She said that in the past year, their firm has grown from \$85 billion under management to approximately \$112 billion. Stacey Mintz reviewed the performance for the Clerks' portfolio and explained their investment process. She told the Board that the global expansion continues, despite its sluggish and uneven nature and they expect global growth to strengthen modestly in 2015. She said that although valuations look more attractive outside the U.S., the U.S. offers stronger and steadier fundamentals of earnings and economic growth. She informed the Board that for the past year the earnings for their investments for the Clerks' earned a net 20% return, for three years – net 21% and for 5 years net 17.36%.

**Dimensional Fund Advisors (DFA)** - Jim Charles, Vice President and Joel Schneider, Portfolio Manager, made a presentation to the Board on the Clerks' Emerging Markets Value portfolio managed by their firm. He reported that their firm is located in Austin, Texas and they are primarily owned by current or former employees and directors. Their company has over 30 years providing value added strategies for institutional investors. They have about 800 employees and their Investment Committee members average 20 years of investment experience. They have about \$380 billion under management. Joel Schneider reviewed the performance for the Clerks' portfolio and explained their investment process. He reported that as of September 30, 2014, the fund was a \$21.9 million and that since the inception of August 2010 it has a positive return of 92 bases points. He reminded the Board that this is a strategy for long term investors and although the fund has a positive return since inception it has underperformed the benchmark, but in the long run, this strategy has proven to outperform the benchmark. Joel said that investors will continue to see long term positive returns.

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**LSV Asset Management** – James Owens, Partner and Director of Client Portfolio Services, made a presentation to the Board on the Clerks' International Value Equity portfolio. He said they were one of the Clerks' newest managers having been retained in April of 2014. He reported their firm is located in Chicago, they are employee owned and they are an academic foundation. They have been in business for 20 years; they have 40 employees and have \$89.2 billion in assets under management. He said Louisiana has helped to put them on the map because they have eight clients in the Baton Rouge. James reviewed the performance for the Clerks' portfolio and explained their investment process. He said their strategy is to outperform the benchmark by at least 250 bases points (gross of fees) per annum over a full investment cycle. He reported that the Clerks' portfolio as of October 31<sup>st</sup> was down 4.2% since inception but that it is well positioned going forward. He stated that because the US dollar is so strong that the international market shows a negative return at this time. He said that they are very optimistic about the future of the portfolio.

**STATE STREET** – Allison Corbally, Client Relationship Manager; William Busch, Consultant Relationship Manager, and Andrew Goodale, Portfolio Manager made a presentation to the Board on the Clerks' Aggregate Bond Index. Allison thanked the Board for their business. She said their company is based in Boston with \$2 trillion under management with \$750 billion in cash and fixed income. Andrew stated that the Clerks' portfolio transitioned from TIPS in 2014 to the Aggregate Bond Index. He stated that it was a passive aggregate strategy and their target was to meet the bench mark and not to beat the bench mark. He reported that banks are in the best shape than they have been in for a long time because they have had to change their liability structure. He said that bonds are less liquid than they used to be. He also stated that bonds will be more volatile than they have been in the past. Andrew said they expect interest rates to increase in June 2015 and that will impact bonds. Andrew stated that the Clerks' fund balance as of October 31, 2014 was \$20,967,302 with a return of 1.75% since inception of June 2014. He said the Aggregate Bond Portfolio is up 5.75% for the year so their expectations are to have positive returns for the year. He said they feel the Aggregate Bond Index is a reasonably strong investment.

Debbie Hudnall asked if they could return to the minutes of the October meeting because she realized a correction is needed. She asked that a motion be offered to correct page 7 in paragraph (1) of the definition of employee to read as follows: **"If an employee works over twenty hours a week, averaged over a retirement contributing reporting period, that employee shall be required to contribute to the retirement system as a "regular" employee unless item (2) below applies:"** Motion was made by Gary Loffin to correct the minutes. Motion was seconded by Tammy Foster. **Motion carried.**

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**AUDITORS REPORT (On file in office)** Michelle Cunningham, with Duplantier, Hrapmann, Hogan and Maher, gave a presentation on the results of the June 30, 2014 Financial Statement and Compliance Audit. She stated that the Audit received the highest and cleanest audit you can receive. She reviewed the management's responsibilities as well as the auditor's responsibility. Michelle brought to the Board's attention that in the financial statements there are footnotes which are fundamental to the users' understanding of the financial statements and that the pension liability is based on actuarial assumptions. She reviewed the Comparative Statement of the Fiduciary Net Position for 2013 and 2014 showing the Net Position restricted for pension benefits was \$518,993,448 in 2014 as compared to \$443,430,781 in 2013. She reported \$72,622,374 in net investment income for 2014 as compared to \$50,509,836 in 2013. She further reported a \$75,562,667 net increase for 2014 as compared to \$53,158,439 in 2013. She reported the total pension liability was \$653,879,624 with plan net position of \$518,993,448 leaving the employers' net pension liability at \$134,886,176. Michelle stated they had just received the Schedule of Employer Allocations from the actuary for 2013 and 2014 and they would begin the audit on those schedules. She reminded the members that because of GASB 68 the employer's prorated portion of liability will have to be included in the employer's financial statements for their 2015 audit. She said they should have that audit completed sometime after the first of the year.

Michelle also reviewed the audit of the census data testing of St. Tammany parish clerk's office, Supreme Court Clerk's office and the office of the Orleans Parish Criminal Clerk of Court. She noted that they found an employee from Orleans Criminal that should have been enrolled since 2012 and had not been. Debbie reported that she had already contacted that Clerks' office and was waiting on a response for them. She asked Gary Curran how that should be calculated. Gary said it could be looked at as late payments of contributions or purchase of service credit. He said if the time is less than a year – it could just be late money coming in with legal interest on it, but it goes longer than that it may have to be looked at as purchase of service credit.

Carl Broussard moved that the Audit report be approved. Motion seconded by Holli Vining. **MOTION CARRIED.**

**ACTUARY** – Gary Curran distributed copies of the Information for Financial Reporting as of June 30, 2013 and 2014 in compliance with GASB 67 and 68. He explained they had to recalculate the financial reports for 2013 in compliance with GASB 67 to have a beginning balance. He reported that the net pension liability for 2013 was \$165,175,851 that would be prorated and the net pension liability for 2014 was \$134,886,176 which will have to be prorated to the employers. He pointed out that the liability in the 2014 report is much less than the liability in the 2013 report and most of that is due to the fact that fund had a good investment year. He said that the way the Net Pension liability is calculated is the difference between the Total Pension Liability and the Market Value of Assets. So if there is a good or bad year, that number can move pretty drastically in any one direction. He said a fund could be 100% funded one year and the next year it could only be 80% funded. Gary further reported that because of sensitivity to changes in the discount rate, their report is also required to present the net pension liability of the system using a discount rate that is one percentage point lower than the required rate

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and one percentage point above the required rate. He explained those numbers would be as follows: current discount rate at 7.25% - the net pension liability is \$134,886,176; with discount rate at 6.25% - the net pension liability would be \$206,720,582; and with the discount rate at 8.25% the net pension liability would be \$73,798,479. Gary stated that since the discount rate had been reduced over the past two years, he didn't see it being reduced any further. He stated that the prorated portion of all of these numbers will have to be included in the employer's 2015 financial statements. He said he wasn't sure what number the legislators might look at when looking at the funding ratio of a system, but he expected they would use the GASB 67 funding ratio because it is an official accounting standard. Gary reminded the Board that the funding ratio that is used to calculate the contributions is a different funding ratio than the GASB 67 ratio.

Malise Prieto asked when it would be determined what the employers' contribution would be. Gary said that the funding valuation determines the employer contribution which was reported at the last meeting and that the GASB funding ratio has nothing to do with GASB 67. Debbie stated that Gary had determined the required amount to be 17.25% but that it has to be approved by PRSAC in January or February and then the Board can set it up to 3% over the required amount in order to help the unfunded liability.

**ATTORNEY:** Denise Akers reported there had been some queries about benefit calculations and that it is being discussed with Gary Curran, but he needs more time to work out some dual calculations to make sure that any changes that might be done don't have any unintended consequences.

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

Debbie reported there were 6 applications for DROP; 3 applications for regular retirement; and 4 for post drop retirement applications. Gary Loftin moved that the applications be approved. Motion was seconded by Cliff Dressel. **MOTION CARRIED.**

Debbie further reported there had been 51 refunds through November 2014 in the amount of \$386,292.

**EXECUTIVE DIRECTOR REPORT:**

**Legislative Proposals** – Debbie reported there is only one retirement legislative proposal that had been approved by the Board at the last meeting which was to make a correction in the law so that the deferred benefit section would include age 60 if member hired after January 1, 2011. She said she had contacted a Legislator to author the bill and was waiting to hear back from them. She reminded the Board that this was a fiscal session and legislators can only introduce 5 bills that are not fiscal bills.

**Retirement Portal** – Debbie reported they hope to have a state-wide portal available to the members and the employers in the near future. The members would be able to see their contributions and the employers would be able to file the monthly reports through the portal. She said they hoped to be able to demonstrate it at the Clerks Institute in February.

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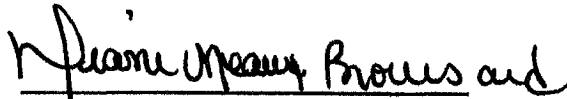
**OTHER BUSINESS:** No other business.

**COMMENTS BY BOARD MEMBERS:** No comments.

There being no other business; motion made by Carl Broussard to adjourn. Motion seconded by Holli Vining. **MOTION CARRIED.**

**MEETING ADJOURNED.**

**Approved:**

  
Diane Meaux Broussard, President

**Respectfully submitted,**

  
Debbie D. Hudhall, Executive Director