

APPROVED MINUTES
LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND
BOARD OF TRUSTEES MEETING
WEDNESDAY, OCTOBER 29, 2014
BATON ROUGE, LOUISIANA
9:00 AM

A meeting of the Louisiana Clerks of Court Retirement and Relief Fund Board of Trustees was held on Wednesday, October 29, 2014 at 9:00 AM in Baton Rouge, Louisiana.

The meeting was called to order by President Diane Meaux Broussard. Tammy Foster gave the invocation and Carl Broussard led the Pledge of Allegiance.

MEMBERS PRESENT:

President Diane Meaux Broussard
Carl Broussard
Holli Vining
Mark Graffeo
Tammy Foster
Cliff Dressel
Gary Loftin
Hart Bourque
Kay Bolding

OTHERS PRESENT:

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

GUEST PRESENT:

Dot Lundin, Doug Welborn, and Greg Brown

APPROVAL OF MINUTES:

Gary Loftin moved that the minutes of July 30, 2014 meeting be approved as presented. Motion seconded by Holli Vining. **MOTION CARRIED.**

COMMENTS BY PRESIDENT:

President Broussard thanked everyone for their attendance and thanked Summit Strategies for their hospitality in St. Louis at the Client Conference.

FINANCIAL REPORTS: (ON FILE IN OFFICE)

Financial Reports were distributed for the months of June, July, August and September 2014. Treasurer Mark Graffeo reviewed the financial reports for September 2014. Mark pointed out there was a net loss for the fiscal year as of September 30, 2014 of \$6.8 million.

JUNE 2014 -	Monthly Revenue	\$ 1,961,377
	Other Additions	\$ 33,233
	Investment Gain (Loss)	\$ 10,388,964
	Investment Expenses	\$ (661,618)
	Deductions	\$ (2,797,070)
	Net Income (Decrease)	\$ 8,924,885
	Total Investments	\$ 491,047,022
	Total Assets	\$ 520,187,147

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JULY 2014 -	Monthly Revenue	\$ 1,764,462
	Other Additions	\$ 21,050
	Investment Gain (Loss)	\$ (7,056,117)
	Investment Expenses	\$ (42,025)
	Deductions	\$ (2,369,807)
	Net Income (Decrease)	\$ (7,682,437)
	Total Investments	\$ 484,358,762
	Total Assets	\$ 511,614,254
AUG 2014 -	Monthly Revenue	\$ 2,203,943
	Other Additions	\$ 217
	Investment Gain (Loss)	\$ 11,954,189
	Investment Expenses	\$ (42,665)
	Deductions	\$ (2,579,625)
	Net Income (Decrease)	\$ 11,536,059
	Total Investments	\$ 496,212,696
	Total Assets	\$ 523,115,053
SEPT 2014 -	Monthly Revenue	\$ 1,899,601
	Other Additions	\$ (23,222)
	Investment Gain (Loss)	\$ (9,787,384)
	Investment Expenses	\$ (177,603)
	Deductions	\$ (2,608,933)
	Net Income (Decrease)	\$ (10,697,541)
	Total Investments	\$ 486,260,706
	Total Assets	\$ 512,411,701

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

AUDIT REPORT:

Michelle Cunningham reported that the Audit Report was not completed at this time because they were awaiting some additional information from the Actuary. She presented an additional engagement letter on behalf of Duplantier for the auditing of the Schedule of Employer Allocations as of June 30, 2013 and 2014 for GASB 68 in the amount of \$3,200 and \$3,800 respectively. Mark Graffeo moved to approve the additional engagement letter to Duplantier. Motion seconded by Gary Loftin. **MOTION CARRIED.**

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ACTUARY REPORT: (on file in office)

Gary Curran informed the Board that the reason Duplantier was unable to complete the 2014 audit for this meeting was that his office had not completed all of the GASB 67 and 68 reports. He stated that the Clerks' Retirement Fund was the first one out of the gate so they had been working back and forth with the auditors to make sure they were preparing the proper statements in accordance with the guidelines. Gary said they should have the final numbers to Duplantier in the next few days. Gary said that the increases in audit and actuary fees for GASB 68 are really cost of the employers; however, it is more economical and more efficient for the Retirement fund to pick up the additional expenses. He explained that the rules on how they make their calculations for funding now are completely different. Gary reported that things turned out really well for the system this year in many ways. He reported there are 2219 active members in the system of which 1007 members have vested retirement benefits including 130 participants in DROP; 1108 former members or their beneficiaries are receiving retirement benefits. An additional 532 terminated members have contributions remaining on deposit with the system; of which 88 have vested rights for future retirement benefits. As of June 30, 2014, total members were 3859. In addition to statistical information of the same time period, he reported the net market value of system's assets was \$519 million with net investment income for the fiscal year at \$72.6 million. Contributions to the system for the fiscal year totaled \$33.4 million and benefits and expenses amounted to \$30.5 million.

He said the big change in assumptions from the prior year was reducing the valuation interest rate from 7.5% to 7.25% which is the more conservative place to be. The net effect of the changes in assumptions on the normal cost accrual rate was an increase of 2.2745%, but there were some offsets in other areas. Gary stated that additionally overall costs may increase or decrease depending on payroll growth and that the Fund's unfunded actuarial accrued liability increases by 4.75% each year. He said that payroll growth in excess of 4.75% per year will reduce future amortization payments as a percent of payroll; payroll growth less than 4.75% will increase future payments as a percent of payroll. He said there were no changes to the system enacted during the 2014 Legislative session. Gary reported the market rate of return for the year was 16.3% with actuarial rate of return with a 5 year smoothing of 11.7%. He stated that what is significant about the 11.7% is that it is the first year above the actuarial assumption since 2007. He said that the 19.3% loss in 2009 rolled off of the 5 year smoothing. Gary further reported that the Fund is now in the posture to be more probable in having return rates above the required rate. He said even if the Fund had rate of return of one or two percent for 2015, it should not present a huge problem for the Fund.

Gary reported that for the year there were \$8.89 million in dividends and interest but during the same period there were capital gains on investments of \$66.2 million. The income was offset by investment expenses of \$2.5 million. The market value rate of return over the last ten years was 6.4% but for the last twenty years it was 7.6%. For fiscal 2014, the system experienced net actuarial investment earnings of \$17.8 million more than the actuarial assumed rate of 7.5% in effect for fiscal 2014. This surplus in earnings produced an actuarial gain, which decreased the normal costs accrual rate by

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2.2687% which offset the cost of reducing the required rate from 7.5% to 7.25% completely.

Gary further reported that the average active member is 47 years old with 13.11 years of service and an annual salary of \$39,893. The system's active membership decreased during the fiscal year by 29 members and decreased 152 members over the last 5 years. A review of the active census indicates that over the last 10 years the population in the under-fifty age group has decreased significantly while the proportion of active members over-fifty increased. The percentage of members with at least 25 years of service has increased significantly. The average regular retiree is 70 years old with a monthly benefit of \$2,047. The number of retirees and beneficiaries receiving benefits has increased by 44 for the fiscal year. Over the last 5 years, the number of retirees has increased by 214 and the annual benefits during that same period increased by \$8,869,942. Plan liability experience for fiscal 2014 was favorable. DROP entries, active retirements, and disabilities were below projected levels. Deaths were significantly above expected levels. Additionally, salaries increased less than expected. These factors tend to reduce costs. Gary stated that there continues to be a healthy growth in ad valorem taxes including the payments from the city of New Orleans.

Although the actuarially required net direct employer contribution rate for fiscal 2015 is 17.30%; the actuarial employer contribution rate for fiscal 2015 is 19% so any surplus in employer contributions collected will be dedicated to the Funding Deposit Account. The minimum net direct employer contribution rate for fiscal 2016 is 17.25%; however, the Board may set a rate at a level not to exceed 3% above the minimum required rate. The Funding Deposit Account increased from \$1.6 million to \$1.7 million for fiscal 2014. Gary recommends that the monies be maintained in the Funding Deposit Account until they equal the unfunded liability.

Gary reported that the funded ratio of the plan, based on market value of assets divided by the entry age normal accrued liability for the plan is 81.46%. He said that it was very difficult to compare systems based on their funded ratio because there are too many different factors for instance the actuarially required rates of return. He said that since GASB 25 and 27 no longer exist that he went back and re-calculated the funded ratio of the plan for the past 10 years under the new guidelines. The funded ratio for 2013 was 74.66% and now at 81.46%. For fiscal year 2005, the fund was at 69.48% funded. Gary said they will also have to publish a funding ratio under GASB 67 which he feels is flawed because of DROP; he has to presume one exits the plan when they enter DROP which is fundamentally not true. He said even the fact that our employers pay the employer contribution during DROP cannot be considered.

Gary said the plan did not qualify to grant a cost of living increase for retirees because they had received one in 2014; there had not been an increase in the CPI-U of more than 3% since the last COLA and the COLA funding ratio for the fund is 74.8% and can only grant a COLA every 3 years unless the COLA funding ratio is at least 80%.

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Gary stated there is currently a positive cash flow of about \$3 million, but if contributions are reduced then the Fund may have to begin selling investments. He pointed out that the amortization payments on the remaining frozen unfunded liability of \$87 million was \$6.8 million for the year and increases at 4.75% per year. He also indicated there is a deferral excess of invested income in the amount of \$43 million which will help for those years in which the actuarial required rate of return is not met.

Cliff Dressel moved that the actuarial report be approved. Motion seconded by Carl Broussard. **MOTION CARRIED.**

Gary said that the Board could not officially adopt the employer contribution rate until after PRSAC met sometime in January. Gary asked that Debbie send a letter to him authorizing the accounting disclosure rate to be 7.25% as approved by the Board. He further informed the Board that he would present new option factors to be adopted by the Board at the December meeting.

INVESTMENT COMMITTEE REPORT:

Gary Loftin reported that the Investment Committee had a conference call on September 23, 2014 and met at 8:30 am October 29th to discuss several matters. He said the Investment Committee had two recommendations to present to the Board and that he would allow Phineas Troy to present them in detail.

Phinney reported on the two recommendations of the Investment Committee.

1. Tortoise MLP Guideline Changes

At the time of establishing investment guidelines several years ago, there was a limitation of 20% for the gathering and processing sector. Tortoise asked that the gathering and processing sector exposure be increased from 20% to 30% going forward. The Investment Committee recommends that the Board approve the gathering and processing sector exposure from 20% to 30%. Holli Vining moved that the Board approve the Investment Committee's recommendation. Motion seconded by Carl Broussard. **MOTION CARRIED.**

2. The Investment Committee recommended that the portfolio be rebalanced as follows:

1. Liquidate \$3 million from QMA
2. Liquidate \$1.5 million from Rothschild
3. Liquidate \$1.5 million from Westfield
4. Use those \$6 million proceeds from sale to purchase \$3 million in LSV International and \$3 million in Mondrian International
5. Liquidate \$3 million from Harvest
6. Liquidate \$3 million from Tortoise
7. Use those \$6 million proceeds from sale to purchase \$3 million in Pyramis Core Plus and \$3 million in Pyramis Tactical Bond

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Motion was made by Tammy Foster to accept the recommendations of the Investment Committee as to the rebalancing of the Fund. Motion seconded by Cliff Dressel.
MOTION CARRIED.

SUMMIT STRATEGIES: (Report on file in office)

Phinney reviewed the economic perspective for the quarter ending September 30th.

Phinney then reported on the Preliminary Flash Report as of September 30, 2014 showing \$486,391,955 in investments and preliminary rate of return for fiscal year ending September 30, 2014 of negative .98%. Although it was a rough September, the trailing year had a return of 11.51%.

PORTFOLIO PERFORMANCE

	2014	FYTD	CYTD
Total Funds	\$ 510,309,963	-0.98%	6.13%
US Equity			
QMA	\$ 55,149,679	1.34%	10.43%
Rothschild	\$ 31,192,753	-0.46%	9.62%
Westfield	\$ 41,520,183	1.23%	6.81%
William Blair	\$ 16,334,763	-7.30%	
Elk Creek	\$ 16,415,135	-5.99%	
Intl. Equity			
Vontobel	\$ 36,237,915	-3.84%	3.88%
LSV	\$ 29,276,425	-6.57%	
Mondrian	\$ 11,964,423	-7.75%	-3.68%
William Blair	\$ 11,663,253	-7.36%	-5.88%
DFA	\$ 21,914,070	-4.39%	2.04%
Fixed Income			
Pyramis	\$ 41,370,883	0.11%	4.70%
Pyramis (Tact)	\$ 19,947,618	-0.66%	
SSgA Ag Bond	\$ 20,764,618	0.17%	
Hedge Funds			
Blackstone	\$ 21,674,824	1.41%	5.18%
Magnitude	\$ 21,389,015	1.86%	4.84%
UBP	\$ 1,327,974	2.05%	5.71%
Real Estate			
Clarion	\$ 45,252,020	3.77%	8.52%
MLP'S			
Harvest	\$ 20,045,445	2.78%	25.72%
Tortoise	\$ 19,754,957	-0.02%	26.88%
Whitney -Cash	\$ 3,196,002		
DROP FUNDS	\$ 20,139,303		
Cash Funds	\$ 3,778,705		

President Broussard thanked Summit Strategy Group for their hospitality extended to the Clerks during their Client Seminar in St. Louis and reported to the Board that the members who attended were very impressed with Summits' staff and operations.

ATTORNEY: Denise Akers reported that she had met with Debbie and her staff and discussed the definition of "Employee" and presented a proposed definition of "employee" to the Board. After much discussion, Mark Graffeo moved that the following definition be adopted by the Board. Motion seconded by Carl Broussard. **MOTION CARRIED.**

The Board of Trustees for Clerks' of Court Retirement and Relief Fund ("LCCR") shall interpret the definition of "employee" as stated in La. R.S. 11:1503(4) as follows. This statutory definition requires the employee to be a "regular" employee. In order to have an objective criterion, this Board adopts the following:

- 1) 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.
- 2) If an employee is hired to work less than six months out of any twelve month rolling period, that employee shall not be considered to be a "regular" employee.
- 3) If that employee in fact does work six months or more out of any twelve month rolling period, that employee shall be deemed a "regular" employee since the date of hire and both employee and employer contributions plus interest at the actuarially assumed interest rate on all contributions shall be required to be paid from the inception of the employment, with the employer contributions plus interest payable within thirty days and the employee contributions plus interest payable over six months in equal installments per payroll period beginning with the next payroll period.

APPLICATIONS AND REFUNDS: (On file in office)

Debbie reported there were 15 applications for DROP; 11 applications for regular retirement; 12 for post drop retirement; 1 disability benefit and 1 survivor benefit. Debbie pointed out to the Board that the survivor retirement that dated back to December 2013, was because the Registrar of Voters Retirement System had failed to notify our office of the reciprocal between the two systems, but that the survivor should be back through the correct dates. Hart Bourque moved that the applications be approved. Motion was seconded by Gary Loftin. **MOTION CARRIED.**

Debbie further reported there had been 37 refunds through September 2014 in the amount of \$254,224.

EXECUTIVE DIRECTOR REPORT:

Debbie reported to the Board that the Assessors' Retirement Board and the Sheriffs' Retirement Board had asked for an opinion of the Attorney General whether or not their systems can grant a cost of living adjustment for its eligible members without further legislative involvement. It was the opinion of the Attorney General that their systems did have the authority to grant a COLA without any further act of the Legislature, subject to compliance with current applicable law authorizing such action and further that COLA's do not alter any underlying benefit provisions. Debbie reported that would apply to the Clerks' Retirement system as well and therefor, the COLA the Board had granted in the current year was in compliance with State Statute.

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Debbie informed the Board that Greg Curran had brought to her attention that R.S. 11:1528 was left unchanged in 2010 when R.S. 11:1521 was amended to require that anyone hired on or after January 1, 2011, must be 60 years of age to retire rather than 55 and shall be paid monthly regular retirement benefits equal to three percent of his FAC rather than three and one-third. She recommended that legislation be proposed for the 2015 Legislative Session to amend the law to correspond with R.S. 11:1521. Gary Loftin moved that the proposed legislation be drafted, properly advertised and introduced for the 2015 Legislative Session. Motion seconded by Mark Graffeo. **Motion carried.**

Debbie reported to the Board that they had been working on a portal for the retirement system so members can access their accounts to view them and a portal that Clerks can file their monthly contribution reports on line. She hoped to be able to demonstrate the portal at the Clerks' institute in February.

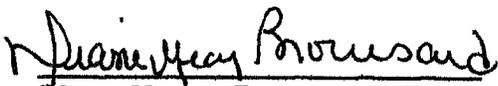
OTHER BUSINESS: No other business.

COMMENTS BY BOARD MEMBERS: No comments.

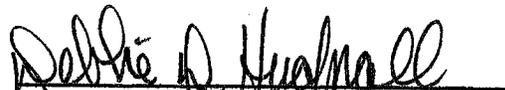
There being no other business; motion made by Kay Bolding to adjourn. Motion seconded by Hart Bourque. **MOTION CARRIED.**

MEETING ADJOURNED.

Approved:


Diane Meaux Broussard, President

Respectfully submitted,


Debbie D. Hudnall, Executive Director