

APPROVED MINUTES

**LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND
BOARD OF TRUSTEES MEETING
WEDNESDAY, FEBRUARY 20, 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, February 20, 2019 at 9:00 a.m. in Baton Rouge, Louisiana.

The meeting was called to order by President Steve Andrews. Randy Deshotel gave the invocation and Lynn Jones led the Pledge of Allegiance.

MEMBERS PRESENT:

President Steve Andrews
Brian Lestage
Bridget Hanna
Randy Deshotel
Mark Graffeo
Lynn Jones
Rick Arceneaux
Louie Bernard

OTHERS PRESENT:

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

GUESTS PRESENT:

Annette Fontana, Kim Turlich-Vaughan, Jeff Skidmore, Lowell Good and Nicole Edmonson with the Louisiana Legislative Auditor's office, Chris Kershaw and Dagmar Hebert.

A motion was made by Rick Arceneaux to amend the agenda to provide time for the Legislative Auditor's Actuary to speak after Item 9. The motion was seconded by Mark Graffeo. **MOTION CARRIED.**

PUBLIC COMMENTS: None

APPROVAL OF MINUTES:

Rick Arceneaux moved that the minutes of November 28, 2018 meeting be approved. Motion seconded by Lynn Jones. **MOTION CARRIED.**

FINANCIAL REPORT: (ON FILE IN OFFICE)

Treasurer Randy Deshotel reviewed the financial report for December 2018:

December 2018 -	Monthly Contributions	\$ 4,656,510
	Other Additions	\$ 290,055
	Investment Gain (Loss)	\$ (24,896,303)
	Investment Expenses	\$ 208,577
	Deductions	\$ 3,488,800
	Net Income (Decrease)	\$ (23,647,116)
	Total Investments	\$ 542,181,274
	Total Assets	\$ 580,883,918

**Louisiana Clerks of Court Retirement and Relief Fund
Board of Trustees Meeting, February 20, 2019
Page 2**

A motion was made by Rick Arceneaux to receive the financial reports. Motion seconded by Brian Lestage. **MOTION CARRIED.**

INVESTMENT COMMITTEE REPORT: Mark Graffeo reported that the investment committee has discussed several clean-up/cosmetic language changes to the Investment Policy. The committee has also reviewed the possibility of replacing one of the money managers in the international equity portion of the portfolio. A motion was made by Randy Deshotel to accept the report of the investment committee. The motion was seconded by Bridget Hanna. **MOTION CARRIED.**

ANDCO (Report on file in office): Jon Breth and Chris Brokaw provided the update for the Clerks portfolio as of December 31, 2018.

PORTFOLIO PERFORMANCE – December 31, 2018

	2018	QTD	FYTD
Total Funds	\$ 574,078,504	-10.07%	-7.52%
US Equity			
QMA	\$ 59,079,614	-15.35%	-8.88%
Rothschild	\$ 32,535,537	-11.20%	-5.97%
Westfield	\$ 32,171,671	-16.24%	-9.38%
William Blair	\$ 19,247,036	-19.05%	-16.08%
Elk Creek	\$ 19,897,549	-23.92%	-17.63%
TS&W	\$ 40,932,219	-14.26%	-13.43%
LSV	\$ 41,241,599	-14.19%	-12.64%
William Blair	\$ 25,198,764	-18.81%	-20.58%
Segall Bryant	\$ 28,800,643	-8.37%	-11.01%
Fixed Income			
Pyramis	\$ 56,775,327	0.25%	0.74%
Pyramis (Tact)	\$ 30,789,300	-0.96%	0.33%
SSgA Ag Bond	\$ 26,628,057	1.65%	1.67%
Hedge Funds			
Summit Solut.	\$ 41,011,111	-3.13%	-1.55%
Real Estate			
Clarion	\$ 54,772,939	2.03%	4.16%
MLP'S			
Harvest	\$ 14,295,242	-20.62%	-15.72%
Tortoise	\$ 14,426,716	-16.30%	-13.75%
Hancock – Cash	\$ 1,541		
DROP FUNDS	\$ 27,202,082		
Cash Funds	\$ 9,071,558		

Jon Breth reported that there was a sharp down draft in the market in October due to the rhetoric with China. The Feds followed with a rate hike that led to a negative reaction by the market in December. Emerging markets broke the downward trend in performance. There was a risk avoidance strategy in US Small Caps versus Large Caps as well as the bond market. Fixed income was slightly positive for the year just short of the benchmark even with underperformance in the 4th quarter. Hedge Funds outperformed the benchmark. Real Estate was the primary driver of returns in calendar year 2018. He

**Louisiana Clerks of Court Retirement and Relief Fund
Board of Trustees Meeting, February 20, 2019
Page 3**

further commented that volatility is here to stay in 2019. He brought to the Board's attention the consistent underperformance of William Blair, who has been in the portfolio since 2009. Jon stated that the portfolio did have gains in the months of January and February 2019. He provided a handout on when to invest and the first year of returns versus the average annualized returns through different lengths of time (1 yr, 3 yr, 5 yr, 20 yr, etc).

Investment Policy (On file in office): Chris Brokaw reviewed the changes to the Investment Policy as noted on the attached policy. He noted that the investment committee had reviewed the changes including terminology updates with no change to overall strategy or asset allocation. A motion was made by Mark Graffeo to accept the changes to the investment policy as presented. The motion was seconded by Rick Arceneaux. **MOTION CARRIED.**

Money Manager Presentations: Mark Graffeo reported that the investment committee had reviewed and vetted 4 money managers and the committee asked 2 managers for a face-to-face interview: Victory Capital Management and Driehaus Capital Management.

At this time Mike Thistleton and Jeff Sullivan with Victory Capital Management gave a presentation on Trivalent Investments which is a boutique firm that is part of Victory Capital Management. Jeff Sullivan commented on the International equity strategy and stock selection process. There are approximately 120 stocks. He reviewed the pricing for the portfolio with two options: Share Class or a collective investment trust (CIT). There was discussion about the collective investment trust and why the fee is lower than the share class.

Dave McElroy and Dan Burr with Driehaus Capital Management then gave a presentation on their firm and stock selection process with a growth equity investment approach. There was discussion regarding the option of a collective investment trust with Driehaus. Driehaus maintains about 80-100 stocks in the investment strategy.

After the end of the presentations, the Board discussed differences between the two money managers as related to the number of holdings and size of assets under management. Driehaus is a traditional style manager with a more concentrated portfolio with a higher return potential. Victory performs more like the benchmark. The fees between the two for the collective investment trust are very similar. Mark Graffeo asked Jon Breth which manager fit more with the Clerks portfolio. Jon commented that Driehaus is more in-line with the current growth-oriented portfolio. Driehaus compliments TSW and LSV. Driehaus is open to more volatility based on performance. Andco's recommendation would be retain Driehaus in the international equity space. The fee is .80% for the commingled trust which is a cost savings versus the current manager William Blair. Louie Bernard questioned the allocation amount of \$25 million which is about 5% of the overall fund balance.

**Louisiana Clerks of Court Retirement and Relief Fund
Board of Trustees Meeting, February 20, 2019
Page 4**

A motion was made by Mark Graffeo to replace William Blair with Driehaus in a Collective Investment Trust and to authorize Executive Director Debbie Hudnall and Attorney Denise Akers to review and execute the contract terms. The motion was seconded by Cliff Dressel. **MOTION CARRIED.**

At this time, Nicole Edmonson with the Legislative Auditor's Office introduced Mr. Lowell Good, the new state Actuary. Mr. Good addressed the Board commenting on his broad range of experience as an actuary and work focused in the pension industry. Debbie Hudnall asked if he would like to comment on the 2018 actuarial review of the system that was done under the previous actuary. Nicole commented that they would not provide an opinion as that was the work of the previous actuary but that it would be presented at the upcoming PRSAC meeting.

ACTUARY: Gary Curran commented on the differences in opinions on the valuations provided by LLA and by the Curran's. The Clerks have incrementally lowered the valuation interest rate. Gary will present the Clerks Valuation at the upcoming PRSAC meeting.

Policy – Transferrable Service Credit – Gary explained to the Board that a group of people were improperly placed in LASERS instead of Clerks. When LASERS prepared the transfers of service credit, they have a rounding procedure when calculating that service credit that results in an overlap of credit and can lead to more than one year of service credit for a member transferring into Clerks. There have been a couple of cases that have had this occur adjustments had to be made so that no one person receives more than one year's credit for the time period. Attorney Denise Akers asked what time should be adjusted. Gary commented that because LASERS' time is rounded it should be adjusted because it presents a conflict with the service time. Gary stated that this would be on a pro-active basis to ensure that a member only receives one year of service time and that the rounded time will be adjusted from the transferring system. A motion was made by Rick Arceneaux that the following language be adopted:

When transferring service credit pursuant to LA R.S. 11:143 results in over one year of creditable service to the transferring member for the first calendar year for which the member also earns service credit in the Clerks of Court Retirement and Relief Fund, then the service credit reported from the transferring system shall be reduced so that only one full year of service credit will be reflected.

The motion was seconded by Randy Deshotel. **MOTION CARRIED.**

GASB 68 Audit Report (on file in office): Chris Kershaw presented the GASB 68 draft report as prepared by Duplantier, Hrapmann, Hogan and Maher. Chris explained that this report provides the net pension liability for each Clerk to report on their financial statements. He reviewed the schedule of employer contributions and the percentages. He explained that the net pension liability has increased roughly 10% from the previous year. One of the factors that lead to the increase is the rate of return that was the reduction of the discount rate in 2018 to 6.75%. He commented on the sensitivity analysis to this rate and how this affects the net pension liability. Gary Curran stated that his office

**Louisiana Clerks of Court Retirement and Relief Fund
Board of Trustees Meeting, February 20, 2019
Page 5**

provides the numbers to the auditors to prepare this report and he will provide the report to the Retirement office. A motion was made by Cliff Dressel to approve the GASB 68 audit report as presented. The motion was seconded by Mark Graffeo. **MOTION CARRIED.**

Nicole Edmonson with the Legislative Auditor's office commented on the rate of return range between 5.5% and 6.5% and the Clerks current rate is within that range. She stated that Mr. Rizzo would commend the Clerks for their incremental decreases to this rate.

APPLICATIONS AND REFUNDS: (On file in office)

Debbie reported that since the November Board meeting there were 7 applications for DROP; 9 applications for regular retirement; and 19 Post DROP retirement applications.

Louie Bernard moved that the applications be approved. Motion was seconded by Lynn Jones. **MOTION CARRIED.**

Debbie further reported there had been 60 refunds in the amount of \$509,842 for the fiscal year.

EXECUTIVE DIRECTOR REPORT:

Madoff Victim Fund – Debbie informed the Board that a previous money manager in years past had invested in the Madoff Fund. Chris Kershaw had prepared claim documentation for losses the system incurred. A third check had just been received and to date the system had received 56.65% reimbursement of the total loss and there could be one more payment in the future. Louie Bernard commented on the refunds to the Fund as opposed to the individuals who experienced losses. Debbie commented on the claim documentation that had to be submitted and there were approximately 40,500 approved claims.

ATTORNEY: No report.

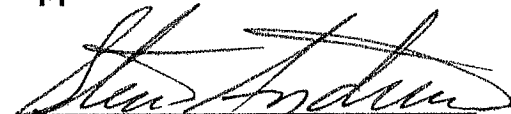
OTHER BUSINESS: No other business.

COMMENTS BY BOARD TRUSTEES: None

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

MEETING ADJOURNED.

Approved:



Steve Andrews, President

Respectfully submitted,



Debbie D. Hudnall, Executive Director