

APPROVED MINUTES

LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND BOARD OF TRUSTEES MEETING MONDAY, MARCH 19, 2018 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 Monday, March 19, 2018 at 9:00 a.m. in Baton Rouge, Louisiana.

The meeting was called to order by President Rick Arceneaux. Louie Bernard gave the invocation and Steve Andrews led the Pledge of Allegiance.

MEMBERS PRESENT:

President Rick Arceneaux
Steve Andrews
Brian Lestage
Randy Deshotel
Mark Graffeo
Cliff Dressel
Lynn Jones
Louie Bernard
David Dart

OTHERS PRESENT:

Debbie Hudnall, Executive Director
Phineas Troy, Summit Strategies
Claire Briddle, Summit Strategies
Denise Akers, Attorney
Greg Curran, Actuary

GUESTS PRESENT:

Jeff Skidmore, Rodd Naquin, Chris Kershaw and Dagmar Hebert

PUBLIC COMMENTS: None

APPROVAL OF MINUTES:

Cliff Dressel moved that the minutes of November 29, 2017 be approved. Motion seconded by Steve Andrews. **MOTION CARRIED.**

FINANCIAL REPORT: (ON FILE IN OFFICE)

Treasurer Randy Deshotel reviewed the financial report for January 31, 2018:

Jan. 2018 -	Monthly Contributions	\$ 10,145,447
	Other Additions	\$ 84,306
	Investment Gain (Loss)	\$ 18,851,892
	Investment Expenses	\$ 341,407
	Deductions	\$ (3,757,330)
	Net Income (Decrease)	\$ 24,982,908
	Total Investments	\$ 590,580,879
	Total Assets	\$ 653,083,836

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

INVESTMENT COMMITTEE

Mark Graffeo reported that the investment committee had met via conference call asked Phineas Troy to provide the report. Phinney reported that the majority of the capital from Magnitude and Blackstone was redeemed in January and February. The funding of the Summit Solutions Hedge Fund Series has taken place as of March 1st with 50% in growth fund, 25% income fund and 25% diversification fund. He also reported on the retention of the newest money manager, Segall, Bryant & Hamill and the termination of AJO at the end of February 2018. Segall, Bryant & Hamill was funded on March 8th.

SUMMIT STRATEGIES GROUP: (Report on file in office)

Claire Briddle reported on the global economic trends seeing unusual market volatility including a tightening of the labor market, rising wages and the thought that the Federal Reserve would raise interest rates more quickly than originally projected. Global stocks were up over 1% in February. In the labor market, there were 313,000 jobs added which is the most since October 2015 with an unemployment rate at 4.1%. She also reported that growth assets were down across the board and that US stocks outperformed international stocks with the dollar strengthening relative to foreign currency. Phinney stated that MLPs were down in February due to a dip in oil prices. He also stated that even though February was a volatile month it was not out of line with the market cycle. In 2017 there wasn't one down month in the stock market, having to look back into 2016 for a down month in the S&P.

Monthly Investment Performance Review: Phinney reported that that the fund was down 18 basis points for the current year-to-date, but up 7.24% for the fiscal year-to-date. He reported strong performance with International Equities outperforming US Equities. There was discussion regarding William Blair International performance during down times in the market. Pyramis added a positive return while their benchmark was negative. Phinney provided a report on domestic equity performance versus volatility and commented that 2017 was the first time the index experienced a high return/low volatility phenomena in over 20 years. David Dart inquired about the future expectations of positive performance and increases in the interest rate. Summit expects that employment will continue to increase including wage growth and that will spur continued economic growth but will likely have a down month or quarter at some point in the year. There was discussion regarding the tariffs President Trump has talked about and the increased geopolitical risk with a possible effect of increased volatility leading to more buying opportunities. Phinney also informed the Board that this would be Claire Briddle's last meeting as she is moving out of state.

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PORTFOLIO PERFORMANCE – February 28, 2018

	2017	1 Mo	FYTD
Total Funds	\$ 595,567,422	-3.18%	7.24%
US Equity			
QMA	\$ 63,857,599	-4.16%	14.27%
Rothschild	\$ 35,138,785	-4.78%	11.40%
Westfield	\$ 38,297,233	-1.58%	18.36%
William Blair	\$ 21,415,975	-4.86%	3.66%
Elk Creek	\$ 21,251,702	-3.13%	5.05%
Intl. Equity			
TS&W	\$ 49,087,267	-4.22%	9.07%
LSV	\$ 50,074,942	-3.78%	11.80%
William Blair	\$ 33,218,435	-4.81%	14.24%
AJO	\$ 38,125,107	-3.98%	17.78%
Fixed Income			
Pyramis	\$ 56,049,942	-1.03%	0.20%
Pyramis (Tact)	\$ 30,639,595	-1.05%	1.49%
SSgA Ag Bond	\$ 26,063,271	-0.94%	-0.86%
Hedge Funds			
Summit Solut.	\$ 48,091,993		
Holdback Cash	\$ 1,231,652		
Real Estate			
Clarion	\$ 51,546,857	0.00%	4.23%
MLP'S			
Harvest	\$ 15,732,965	-9.59%	-6.68%
Tortoise	\$ 15,740,606	-9.39%	-7.19%
Whitney – Cash	\$ 3,496		
DROP FUNDS	\$ 25,880,398		
Cash Funds	\$ 9,561,579		

AUDIT REPORT – GASB 68 (report on file in office)

Chris Kershaw reported that the GASB 68 Audit was completed by Duplantier, Hrapmann, Hogan & Maher and that the Fund had received a SAS 114 letter with no findings. He further reported that the Net Pension Liability for June 30, 2017 had decreased from 2016 to 2017 by 18% due to a good year for investments. The auditors allocated the net pension liability based on the percentage of employer contributions paid to the fund. Chris stated that the Clerks will use the numbers from this report for fiscal year ended June 30, 2017 on their audit reports for the year ended June 30, 2018. This report will be posted on the Association website once it is accepted by the Board. Greg Curran commented on how the net pension liability is calculated differently than the unfunded liability which is set to be fully funded by 2029. He stated that it could be possible to show a negative liability (asset) once funding levels exceed the fully funded level. The actuarial numbers the auditors use are provided by the Curran's office. A motion was made by Cliff Dressel to approve the GASB 68 audit report as presented. Motion was seconded by David Dart. **MOTION CARRIED.**

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ACTUARY

PRSAC Report: Greg explained to the Board that over the last few years there has been a growing disagreement between our actuaries and the Legislative Auditor's actuary (LLA) regarding assumptions and the methodology used to figure the rate of return. The legislative auditor actuary assumptions based on 10 years while the Clerks are more conservative using a 25-30 year review. Greg stated that they review the assumptions yearly and do make adjustments. Debbie commented on the Board's decision to reduce the discount rate over the years, which in turn would increase the employer rate. The current rate is 7.0%. David asked how another reduction would affect the employer rate. Greg stated that it would likely increase the employer rate but it also depends on the return on investments. Greg commented that following the LLA's assumption may lead systems to assume more risk on investment choices. He explained that their office is reviewing the assumptions and will provide a mid-summer update on that review before the next valuation. He further stated that PRSAC did approve the Actuary report for the year ended June 30, 2017 for the Clerks Retirement Fund.

Employer Rate: Greg reported that the minimum required employer rate as provided in the actuary report is 17.25% and can be set as high as 20.5%. The rate has been at 19% since 2015. A motion was made by Randy Deshotel to maintain the employer rate at 19% for fiscal year 2018-2019. The motion was seconded by Cliff Dressel. **MOTION CARRIED.** Greg explained that the excess over the required minimum rate is added into the funding deposit account.

APPLICATIONS AND REFUNDS: (On file in office)

Debbie reported that since the November Board meeting there were 10 applications for DROP; 6 applications for regular retirement; and 15 Post DROP retirement applications. Cliff Dressel moved that the applications be approved. Motion was seconded by David Dart. **MOTION CARRIED.**

Debbie further reported there had been 67 refunds in the amount of \$470,746 for the fiscal year.

EXECUTIVE DIRECTOR REPORT:

City of New Orleans –Ad Valorem: Debbie reported that the monies had been collected from the City without having to submit the resolution previously adopted by the Board. She also reported that the percentage received from the City will decrease for the next year due to the settlement from the previous litigation, however, the actuary has already included this reduction in their calculations.

Legislation:

HB 8 – 630 hours Rehire Retiree and payment of Employer Contribution on Rehired Retirees – Debbie stated that this bill had passed the House Retirement Committee and will move on to the House Floor. It would become effective July 1, 2018 if passed.

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SB 5 – Married to and living with – Debbie brought to the Board's attention on this bill filed by State Police regarding the wording in their survivor benefit of married to and living with. This may be something the Board should consider for next year's legislative session.

SB 6 – TRSL exception – Debbie reported that this bill had passed the Senate Retirement Committee and is headed to the Senate Floor.

SB 11 – IRS Qualification Eligible Rollovers to a non-spouse beneficiary – This bill has also passed the Senate Retirement Committee and is headed to the Senate Floor.

SB 93 – Volunteer Firefighters Ad Valorem - Debbie stated that this bill could possibly reduce the amount of ad valorem taxes the Fund receives. The bill will be heard in committee this afternoon.

HB 23 – Alternative Investments – Debbie had sent this bill to Phinney to review. The bill by Rep. Ivey sets a cap of 25% in portfolio on alternative investments. It could possibly affect the alternative investment allocation of the Clerks portfolio. Rep. Ivey had conveyed to the systems that it was not his intent to be detrimental. LASERS is opposing this bill as it does not define alternative investments.

Madoff Victim Fund: Debbie reported that a payment had been received in the amount of \$379,000 from the recovery fund. It is a possibility that additional funds will be received in the future.

Software Update: Debbie informed the Board that the new calculation software had been installed and the retirement staff is currently running dual systems and working with the Curran's on any adjustments.

ATTORNEY:

COLA – Attorney Denise Akers presented her letter and research to the Board that it doesn't require legislative approval for the Board to authorize the payment of a COLA.

Greg Curran provided to the Board the possible COLA options from the actuary report:

Option 1 – $(A+B) \times \$1$ – "A" represents the number of years of credited service accrued at retirement and "B" is equal to the number of years since retirement. Targets to retirees who have been retired the longest. Increase of annual benefits of \$515,702 with an increase in net present value of \$4,422,397

Option 2 – 2.5% with \$40 max. Increase of annual benefits \$507,608 with an increase in net present value of \$4,647,098

Option 3 – 2.05% of base to over age 65. Increase in annual benefits of \$405,575 with an increase in net present value of \$3,388,497.

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The last COLA granted was in 2014. If a COLA is granted this year, the Board cannot grant another one for 2 years. Greg stated that whichever COLA option is selected if paid out of the funding deposit account, there will be no increase in the system's normal cost accrual rate.

A motion was made by Louie Bernard to provide Option 1 COLA increase to the retirees from the funding deposit account retroactive back to January 1, 2018. The motion was seconded by Cliff Dressel. **MOTION CARRIED.**


OTHER BUSINESS: No other business.

COMMENTS BY BOARD TRUSTEES: President Rick Arceneaux announced that it was his last meeting to serve as President and thanked the Board for allowing him to serve.

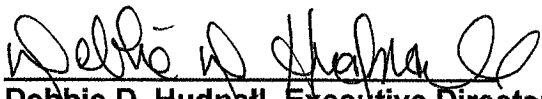
There being no other business, Steve Andrews moved that the meeting be adjourned. Motion seconded by David Dart. **MOTION CARRIED.**

MEETING ADJOURNED.

Approved:


Rick Arceneaux, President

Respectfully submitted,


Debbie D. Hudnall, Executive Director