APPROVED MINUTES

LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND
BOARD OF TRUSTEES MEETING
TUESDAY, JUNE 11, 2013
MANY, LOUISIANA
9:00 AM

A meeting of the Louisiana Clerks of Court Retirement and Relief Fund Board of Trustees was held on Tuesday, June 11, 2013, at 9:00 AM in Many, Louisiana.

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

MEMBERS PRESENT:
President Tammy Foster
Diane Meaux Broussard
Mark Graffeo
Lynn Jones
Cliff Dressel
Hart Bourque
Gary Loftin
Bill Hodge

OTHERS PRESENT:
Debbie Hudnall, Executive Director
Dan Holmes, Summit Strategies
Phineas Troy, Summit Strategies

GUEST PRESENT:
Rick Arceneaux, Dot Lundin, David Dart, Dodi Eubanks, John Olivier

APPROVAL OF MINUTES:
Cliff Dressel moved that the minutes of March 27, 2013 be approved as presented. Motion seconded by Gary Loftin. **Motion carried.**

COMMENTS BY PRESIDENT:
President Tammy Foster welcomed everyone to Cypress Bend and thanked everyone for being willing to travel to her home parish.

FINANCIAL REPORTS: (ON FILE IN OFFICE)
Treasurer Mark Graffeo presented the financial reports for March and April 2013.

MAR 2013 -	Monthly Revenue	$ 2,175,826
	Other Additions	$ 157,304
	Monthly Deductions	$ (2,648,837)
	Investment Gain (Loss)	$ 9,710,263
	Net Income (Decrease)	$ 9,394,555
	Total Investments	**$ 421,070,520**
	Total Assets	**$ 447,858,917**

APR 2013 -	Monthly Revenue	$ 1,813,092
	Other Additions	$ 47,009
	Monthly Deductions	$ (2,641,455)
	Investment Gain (Loss)	$ 4,783,492
	Net Income (Decrease)	$ 4,002,137
	Total Investments	**$ 425,748,488**
	Total Assets	**$ 451,861,597**

Mark pointed out that the net income for 10 months ending April 2013 was $61,641,551 that included $60,157,753 in investments.

Mark also presented the financial reports for the Retirement Administrative Fund for the months of March and April 2013.

MAR 2013 -	**Total Fund Balance**	**$**	**383,324**
	Monthly Revenue		130,100
	Monthly Expenses		32,637
	Net Income (Loss)		97,463
APR 2013 -	**Total Fund Balance**	**$**	**249,472**
	Monthly Revenue		130,121
	Monthly Expenses		263,973
	Net Income (Loss)		(133,852)

Motion was made by Cliff Dressel to receive the financial reports. Motion seconded by Hart Bourque. **Motion carried.**

NEW BUILDING FINANCING

Treasurer Mark Graffeo stated that before presenting the 2014 Fiscal Budget, the proposed financing of the new building would need to be approved. Mark said the proposed financing would also have to be approved by the Association and Insurance Board. He reported that the estimated total of the building including land, construction and furnishings is estimated to be approximately $850,000. He then asked Debbie to explain the proposed financing of the new building.

Debbie reported that approximately 70% of the work that transpires in the Association office is for Retirement; 20% is for Association and 10% for Insurance. It was recommended that the Association and Insurance pay to the Retirement pre-paid rent based on those percentages.

Association	20% of $850,000	-	$170,000
Insurance	10% of $850,000	-	85,000

Debbie stated this would initially represent rent in the amount of $25.00 per square foot with an inflation rate of 2% per year. She reminded the Board that when Michelle Cunningham had presented a report last year on Building vs. Renting, she had reported rent in the Baton Rouge area to be approximately $23.00 per square foot. Debbie further related that based on $25.00 per square foot with the 2% per year inflation rate that the $170,000 and $85,000 paid by the two entities would represent approximately 7 years and 10 months of pre-paid rent. She related that this would allow for the Retirement Fund to re-coup 30% of the monies it had paid out within the current fiscal year.
Gary Loftin moved that the proposal of the Association paying pre-paid rent of 20% of the $850,000 and the Insurance Trust paying pre-paid rent of 10% of the $850,000 to the Retirement Fund, representing rent at the rate of $25.00 per square foot with an inflation rate of 2% per year; further that the pre-paid rent be considered as rent payment for 7 years and 10 months for each entity be approved. Motion was seconded by Bill Hodge. **MOTION CARRIED.**

2014 BUDGET (EXHIBIT A)
Treasurer Mark Graffeo then presented the proposed Budget for 2014. He noted that because of the new Retirement software, the 2014 Proposed Budget was a combination of the General Retirement Fund and the Administrative Fund and that in the future there would only be one financial report for the Retirement Fund. Mark stated that in order to understand the proposed Retirement Budget, the Board would need to consider the proposed Association Budget to understand how the expenses are pro-rated between the three entities. After discussion, Cliff Dressel moved that the proposed 2014 Budget be approved. Motion seconded by Bill Hodge. **MOTION CARRIED.**

INVESTMENT COMMITTEE REPORT
Gary Loftin said that the June Investment Committee had been cancelled due to the June Board meeting.

SUMMIT STRATEGIES (Report on file in office)
Phineas Troy informed the Board that Jessica Portis apologized for not being able to attend the meeting, but she had a previous engagement with another client. Phinney reported to the Board that the total fund at the end of the 1st quarter was $446,641,435 with a 6.59% rate of return for the quarter with a 15% return for the fiscal year. He reported that the Fund was in the top 1 percentile for the past year and top 4 percentile in the last 3 years. Debbie asked for clarifications for the guests in attendance at the meeting. He related that meant that the Clerks' Retirement Fund had ranked in the top 1 percentile of all other public retirement systems that currently have funds under one billion dollars. He then commented on the individual managers for the quarter. Phinney commented on the Asset Allocation in comparison to our targets. He said that all asset classes are within the 5% band, but US equities composite is about 4.5% over weight. He said that since the first quarter, monies have been transferred from US equities to International equities and to Hedge funds to bring everything more in line. He said the overweight in US equities was a benefit to the fund.

Dan Holmes said the portfolio has changed in the past 3 years with improving money managers and adding new asset classes. He said those diversification moves have really paid off. He said the theme for performance for the fiscal year has been the liquidity induced market movement when the European Central Bank said they would do whatever it takes to make sure that Spanish and Italian debts don't default. Then the fears of the European debt crisis started to subside. Dan stated that the Feds re-instated Operation Twist and announced QE3 (the third round of quantitative easing). He said that not too much had fundamentally changed through the first quarter, but the view of risk in the market started to subside. He did inform the Board that bonds had a difficult time in the first quarter and that expectations for bond are reverse, so the Board should not expect double digit returns for bonds.

Dan reported that since the first quarter, the US economy has shown signs of slow recovery. He informed the Board that the theme they are expecting for the next 3 to 5 years will be a low growth environment. He reported GDP growth was at 1.85%, unemployment at 7.6%; consumer prices do not seem to be an issue; and housing market showing some signs of stability. Manufacturing was lower than expected and this signals that we are not quite out of the woods yet. He then gave the preliminary performance update ending in May showing a return of 16.46% for the fiscal year which is 2.55 over the index.

PORTFOLIO PERFORMANCE

	May 2013	CYTD	FYTD
Total Funds	$450,524,508	7.99%	16.46%
US Equity			
QMA	$ 443,490,150	16.84%	25.11%
Rothschild	$ 24,466,034	17.97%	28.62%
Westfield	$ 32,074,801	13.69%	24.15%
Ironbridge	$ 33,043,432	14.47%	24.50%
Intl. Equity			
Vontobel	$ 65,110,830	9.74%	22.68%
Mondrian	$ 9,989,019	4.35%	20.99%
William Blair	$ 9,747,282	9.16%	24.48%
DFA	$ 21,669,360	-2.93%	11.45%
Fixed Income			
Pyramis	$ 62,740,235	-.06%	3.35%
SSgA Tips	$ 12,654,564	-3.98%	-1.27%
Hedge Funds			
Blackstone	$ 19,561,660	4.50%	10.03%
Magnitude	$ 19,969,712	2.74%	7.58%
UBP	$ 2,174,519	5.88%	11.87%
Real Estate			
Clarion	$ 39,731,460	1.93%	7.10%
MLP'S			
Harvest	$ 14,206,284	21.83%	33.15%
Tortoise	$ 13,6682,214	20.79%	31.40%
Hancock Cash	$ 2,161,614		
DROP FUNDS	$ 18,000,485		
Cash Funds	$ 5,859,839		

Phinney then spoke to the Board on the Economic and Portfolio Review comparing the markets from April 2007 to April 2013. The Domestic Large Caps have returned 135% from the trough in 2009 to current market; Domestic small Caps have returned 176%; International Equity has returned 92.4% and Emerging Markets 129% for the same time period. Domestic stocks are higher now than pre-market crisis. He said that even with the improvement of investments, that a lot of fundamental issues have not been resolved like unsustainable debt levels.

Summit believes there will be:
Slowing economic growth in developed economies
Higher economic growth in emerging economies
Ongoing coordinated government intervention will be necessary
Central Bank Policy, rather than fundamentals
Periodic moments of high volatility resulting in radically changing correlations and expensive traditional safe havens

Phinney said that Summit expects negative returns for US Treasuries with maturities of 20 years and less. They are expecting slight inflation in the near term with higher inflation in 3 or 5 years. He said that the Fed's are committed to keep the federal funds rate at its current level until unemployment rate is 6.5% are lower and inflation rate hits 2.5%. Summit expects the rates to remain the same through the end of 2014.

Phinney then discussed how the Clerks' Retirement Fund's Fixed Income portfolio is positioned:
75% Core Plus (Pyramis)
25% TIPS (State Street)
He said that if interest rates were to rise, that the Fixed Income portfolio will most likely be negatively impacted, but when you look at the total portfolio the negative performance would be offset. Summit will continue to monitor the fixed income market and analyze potential strategies which could improve the overall risk/return.

Dan then gave an update on the Master Limited Partnerships (MLPS). He said they have performed well in calendar year 2013, returning 18.4% for the calendar year as of May. He said that they pay a dividend rate of about 6%. He said that investors have been seeking income so investors have been going to MLPS. He said that Summit worries whether or not the MLPS are becoming overvalued. They currently don't think they are overvalued, but they feel they are fairly valued or fully valued. He said they may advise the Board in the future that it is time to pull out or reduce the amount in MLPS.

He said that Summit discusses asset classes every week and when an asset class gets overvalued, they recommend to their clients that it is time to reduce that particular asset class.

Dan reported that stocks continue to go up by historic measures and they are not cheap. He said they are fully valued, but not overvalued yet. Stocks are very cheap relative to fixed income.

Phinney presented an overview of the current asset allocation targets. He said the portfolio is already diversified and therefore, improvements will marginally improve expected results. He said that more importantly improvements will help the portfolio weather the volatile macroeconomic environment. He said that the ten-year expected return is 7% falling short of the target return of 7.5% and generates .61 units of expected return for each unit of risk. He reminded the Board that the expected return is net of fees and net of volatility. He said that portfolio considerations for 2013 are:

Reduce global small cap exposure through rebalancing
Continue private equity education and exploration
Monitor MLP exposure
Closer look at fixed income portfolio
Rebalance TIPS exposure down, but maintain account for future use
Once decision arrived on private equity, adjust asset allocation targets as necessary.

Dan discussed DFA briefly before having them address the Board. He said he knew that Jessica had been discussing their performance with the Board on how they had started off strong and then had sort of trailed off. They have been a little below the bench mark. Dan reminded the Board that when they hired DFA, one of things they had emphasized was that Small Cap value effect. That is over time, smaller companies and value tend to do better than larger companies and you can outperform the market by overweighting smaller and value companies in a portfolio. He said that over the past 2 years, the reverse has been in favor; growth and Large Caps have been favored by the market. In the last 12 months that has started to reverse and Summit has been monitoring it. He said that DFA is managing some 18 billion dollars in Small Caps.

DFA:(Emerging Markets)
President Foster welcomed Steven Haines and Mary Phillips to the meeting and thanked them for their hospitality the night before.
Steven Haines, Institutional Client Services, gave the Board DFA's organizational update. He said they were founded in 1981 and currently they have over 700 employees with 400 of them located in the Austin headquarters. He said they have $283 billion in assets under management. He said that investment management is their primary business and is owned primarily be current or former employees and directors. He said they have trading offices in Austin, Santa Monica, London and Sydney. He then discussed DFA's investment philosophy.

Mary Haines, Portfolio Manager, then reviewed the investment process and how they construct the portfolio. She said they seek to provide consistent, efficient, value-added exposure to the dimensions of higher expected returns. She said that the Emerging Markets Value portfolio has 2100 companies in 18 countries and they continue to make sure the portfolio is diversified. She said that REITs, Investment funds and highly regulated utilities are excluded from their portfolio. Dan asked if the size of the portfolio had become more challenging. Mary responded that it was not a problem. She said there is 1 trillion dollars in emerging market strategies and they only represent 2.53%. She said that when another strategy they manage reached 6%, they closed that strategy. She said that weight is driven by the value of the stock and that the portfolio will not have more than 15% from one country, in fact she related that China is currently capped. She related that they have outperformed the bench mark 8 of the 10 years and that the Clerks 'portfolio as of April 2013 was $22,305,593.

ACTUARY REPORT:
Debbie presented Gary Curran's proposal for the next year which was maintaining the fees as the same as the prior year. Mark Graffeo moved that the proposal be approved. Motion was seconded by Hart Bourque. **MOTION CARRIED.**

APPLICATIONS AND REFUNDS: (On file in office)
Debbie reported there were 13 applications for DROP; 13 applications for regular retirement; 20 for post drop retirement; 1 for disability retirement and 1 survivor retirement. Gary Loftin moved that the applications be approved. Motion was seconded by Cliff Dressel. **Motion carried.**
Debbie further reported there had been 93 refunds for the fiscal year in the amount of $799,922.

EXECUTIVE DIRECTOR REPORT
BUILDING UPDATE:
Debbie reported that they were supposed to begin laying the carpet the next day and hoped to do the walk through at the end of the next week. Debbie reported that the new furniture would not be delivered until July 27th.

She reported that there had been no activity on the sale of the current building and that the Realtor said that if there was no movement within the next 30 days that we might have to look at lowering the price.

COMPUTER SYSTEM UPDATES:
Debbie said they were still running dual systems and hoped they would be able to eliminate the old system in the near future. She said that they had been running the retirement payroll out of the new system and that part was working fine. She said the staff had been great in being willing to work with the new system even though they had to duplicate their work which includes all the monthly posting of contributions into both systems.

FELONY FORFEITURE:
Debbie reminded the Board of the Felony Forfeiture form which is a form that they are required to have any employee hired on or after January 1, 2013 to sign and to maintain the form in their employee file.

EDUCATION HOURS:
Debbie reminded the Board that the education requirement for the Board of Trustees had increased last year and that the number of hours offered by LAPERS Conference is not enough. She said they can receive some credit from some of the Board meetings, but that was limited. She said that we might want to bring Summit in some time in the future when the new building is completed.

LEGISLATIVE UPDATE:
HCR 108 – Resolution on Retirement Forfeiture Law
SB 10 – Provides for COLA'S for retirees that the Board will have to make a decision on before December 31st
SB 14 – Provides relative to transfers of service credit between systems

MEDICARE TAX:
Debbie informed the Board that the IRS had been auditing a couple of the Clerks' offices. One of the items they had criticized the offices on was the non-payment of Medicare Tax on the employer match of deferred compensation. She reminded the Board that the auditors had advised that they did not have to pay the Medicare tax. Debbie had contacted Michelle Cunningham about the auditors' findings and she said they stood by their previous recommendation, but for $1200 they would do a further study of it. Debbie had contacted President Foster and received permission to hire the Duplantier firm to look further into this. Michelle had just contacted Debbie and said they after further research, they now agree with the IRS and Medicare tax indeed has to be paid on the employer match of the deferred compensation. She said Michelle had waived the $1200 fee.

RETENTION SCHEDULE:
Debbie said that in preparation of the move to the new building they had been reviewing their retention schedule. She asked that she be allowed to adopt a retention schedule upon approval of the State Archives office. Lynn Jones moved that Debbie adopt a retention schedule as approved by the State Archives. Motion seconded by Hart Bourque. **MOTION CARRIED.**

There being no other business; Motion made by Hart Bourque to adjourn. Motion seconded by Lynn Jones. **MOTION CARRIED.**

MEETING ADJOURNED.

Approved:

Tammy Foster, President

Respectfully submitted,

Debbie D. Hudnall, Executive Director

Louisiana Clerks' of Court Retirement Fund 2013-2014 Budget

EXHIBIT A

7/1/2013

	ACTUAL BUDGET 2012-2013	PROPOSED BUDGET 2013-2014
RECEIPTS:		
Mo. Transfer - Retirement Fund $130,000	$ 1,560,000.00	$ -
Rental Income - Association		20,200.00
Rental Income - Insurance		10,100.00
Interest Income	8,000.00	20,000.00
Total Receipts	**$ 1,568,000.00**	**$ 50,300.00**
Administrative Expenses		
Actuary Fees	$ 40,000.00	$ 45,000.00
Advertising	500.00	0.00
Archival	2,000.00	0.00
Auditing Fees	18,000.00	19,200.00
Bank Charges	4,500.00	14,000.00
Depreciation	2,500.00	2,500.00
Doctors Fees	1,200.00	1,000.00
Fiduciary Insurance	20,000.00	20,000.00
Legal Fees	36,000.00	20,000.00
Meeting Expense	7,500.00	8,000.00
Miscellaneous	500.00	500.00
Office Equipment	2,400.00	3,500.00
Office Supplies and Printing	3,000.00	1,500.00
Other Professional Fees	1,200.00	1,200.00
Per Diem	4,000.00	3,375.00
Postage	2,000.00	2,000.00
Programming Fees	12,000.00	18,000.00
Reimbursement to Assoc.	300,000.00	300,000.00
Travel and Seminar	9,600.00	10,000.00
Administrative Expenses	**$ 466,900.00**	**$ 469,775.00**
Investment Expenses:		
Consultant Fees	$ 105,000.00	$ 110,000.00
Custodial Fees	40,000.00	40,000.00
Investment Managers	1,800,000.00	2,200,000.00
Total Investment Expenses	**$ 1,945,000.00**	**$ 2,350,000.00**
TOTAL EXPENSES	**$ 2,411,900.00**	**$ 2,819,775.00**
NET INCOME (Loss)	**$ (843,900.00)**	**$ (2,769,475.00)**

Budget Adopted on this date: _______________