

APPROVED MINUTES

LOUISIANA CLERKS OF COURT RETIREMENT AND RELIEF FUND BOARD OF TRUSTEES MEETING THURSDAY, DECEMBER 10, 2015 NATCHITOCHES, LOUISIANA 9:00 AM

A meeting of the Louisiana Clerks of Court Retirement and Relief Fund Board of Trustees was held on Thursday, December 10, 2015 at 9:00 AM in Natchitoches, Louisiana.

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

MEMBERS PRESENT:

President Holli Vining
David Dart
Rick Arceneaux
Robin Hooter
Mark Graffeo
Cliff Dressel
Diane Meaux Broussard
Kay Bolding

OTHERS PRESENT:

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

GUESTS PRESENT:

Frank Borne, Darlene Landry, Bridget Hanna, Davis Silk, Charlie Jagneaux, Malise Prieto, Melissa Henry, Dot Lundin, Kim Turlich-Vaughan and Brian Lestage

PUBLIC COMMENTS: None

APPROVAL OF MINUTES:

Rick Arceneaux moved that the minutes of October 7, 2015 be approved. Motion seconded by Cliff Dressel. **MOTION CARRIED.**

ACTUARY: The President asked that the Agenda be amended to allow Gary Curran to go first and it was so approved by the Board. Gary reported that PRSAC had approved the 2015 Actuary report. Gary further reported that since the payment of the unfunded liability had been set in 1989, the payment amount had increased by 4.75% per year and is the highest increase of any system in the State. The payment for 2015 was about seven million dollars and will continue at the rate of 4.75% each year until unfunded liability is paid unless legislation is passed to change that. He recommended that legislation be introduced to have a flat rate of payment until the unfunded liability is paid off. He said the current seven million that was paid in 2015 was one-third of the cost of the plan. He gave an example of paying nine million per year until the unfunded liability was paid. Gary said it would cause an initial increase in employer contributions, but would help to level employer contribution rates in the future. David Dart moved the Board sponsor legislation that would allow a flat or level rate be established to pay back the unfunded liability. Motion seconded by Mark Graffeo. **MOTION CARRIED.**

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Gary discussed the actuary required amount of employer contribution rate for July 2016 is 14.25%. He recommended that the Board not reduce it below 16.75% and to maintain it at 19%, if possible. After discussion, Cliff Dressel moved that the employer contribution rate be maintained at 19%. Motion seconded by David Dart. **MOTION CARRIED.**

FINANCIAL REPORTS: (ON FILE IN OFFICE)

Treasurer Robin Hooter reviewed the financial reports for October 2015.

Oct. 2015 -	Monthly Contributions	\$ 2,061,429
	Other Additions	\$ (113,236)
	Investment Gain (Loss)	\$ 22,134,982
	Investment Expenses	\$ (220,343)
	Deductions	\$ (2,816,252)
	Net Income (Decrease)	\$ (21,046,580)
	Total Investments	\$ 493,706,668
	Total Assets	\$ 525,046,148

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

Investment Committee

Chairman Mark Graffeo reported that the Investment Committee had met that morning and would be recommending a change in the target asset allocation and asked Phinney Troy to give the report. Phinney reported that it was the recommendation of Summit Strategies and the Investment Committee to increase the International Large Cap Equity from 14% to 15.5% and to reduce the International Small Cap Equity from 6.5% to 5.0%. Mark Graffeo moved to adopt the recommendation of Summit Strategies and the Investment Committee. Motion seconded by David Dart. **MOTION CARRIED.**

Summit Strategies Group: (Report on file in office)

ECONOMIC UPDATE

Phinney Troy presented a report on the economic and capital market update through the month of October 2015. He reported there was positive payroll numbers, wage gains and financial market performance during the month of October that would be supportive of the Federal Reserve in their plan to raise interest rates in December 2015. He said investors saw an opportunity and earned almost what was lost in the first quarter in the month of October.

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Monthly Investment Performance Review: Phinney then reviewed the composite Asset Allocation & Performance reporting the portfolio is down about 1.36% for the fiscal year and reminded the Board that the portfolio is a more defensive portfolio.

**PORTFOLIO PERFORMANCE
August 31, 2015**

	2015	1 Mo	FYTD
Total Funds	\$ 523,112,413	4.72%	-1.36%
US Equity			
QMA	\$ 53,828,153	8.35%	2.01%
Rothschild	\$ 29,317,584	7.51%	0.35%
Westfield	\$ 41,158,128	8.57%	0.36%
William Blair	\$ 17,782,875	5.68%	-2.73%
Elk Creek	\$ 17,033,453	5.19%	-9.26%
Intl. Equity			
Vontobel	\$ 41,455,561	7.40%	3.18%
LSV	\$ 37,843,781	8.55%	-3.79%
William Blair	\$ 20,056,274	5.27%	0.90%
AJO	\$ 20,524,753	5.85%	-12.71%
Fixed Income			
Pyramis	\$ 48,077,720	0.87%	0.65%
Pyramis (Tact)	\$ 23,543,174	0.93%	-0.37%
SSgA Ag Bond	\$ 21,387,684	0.02%	1.26%
Hedge Funds			
Blackstone	\$ 22,483,977	0.55%	0.14%
Magnitude	\$ 23,238,393	0.84%	1.80%
UBP	\$ 750,560		
Real Estate			
Clarion	\$ 50,774,532	0.00	3.30%
MLP'S			
Harvest	\$ 12,561,968	9.35%	-16.90%
Tortoise	\$ 11,978,833	9.39%	-17.28%
Whitney – Cash	\$ 567,944		
DROP FUNDS	\$ 22,270,329		
Cash Funds	\$ 6,476,736		

Julie Brannam gave the market performance for the month of November stating there was a little pull back for the month of November with stocks flat except for small caps. She further reported the global was negative with merging markets down about 3.9%. Julie reported the fixed income was negative for the month and Summit expects bond prices to fall, but they do expect the portfolio to do well in a rising interest rate environment.

At this time, the Board heard from some of the individual money managers.

TORTOISE: Andy Goldsmith and Greg Murphy with Tortoise (MLP Money Manager) made a presentation. Andy thanked the Board for being customers and reported that Tortoise had a return of 7.6% since their inception with the Clerks and had outperformed the index by 6.4%. He reported they expect a 13% to 15% MLP market return for the next 12 months.

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Greg Murphy reported that Tortoise's intermediate and long-term growth outlook remains favorable. He reported they have \$14.6 billion under management with about 70 employees. He reported that one-third of their clients are public pensions. He said for the past year 75% of their clients increased their investments and they had 25% new clients. Greg said he liked to compare MLP's to toll roads and regardless of the cost of oil, the transport is the same. He said even when oil prices were down 50% MLP's were up 17%. He said that the Clerks Retirement Fund has invested about six million dollars with Tortoise and it is now worth over 11 million dollars.

AJO – Jim Lobb made a presentation on behalf of our newest money manager, AJO (Emerging Markets). Jim thanked the Board for being a client of AJO. He said they are a quantitative – computer driven firm with a very disciplined manner of investing. He said AJO currently has 4,500 different stocks in their portfolio compared to 2,695 stocks in the index. They have a performance based fee on a three year rolling fee and their target is 3% over the index. He said even though they are out performing the market, they are still down about 17.5%. Jim reported that since emerging markets came into being about 18 years ago, only 8 times has the market been this bad.

ROTHSCHILD – Mary Jane Cullinan made a presentation on behalf of Rothschild (US Large Cap Equity.) She reported that the Clerks became a client in August of 2010 when they invested \$18 million. She said the Clerks had withdrawn \$8.5 million and the current assets as of November 30th were \$29 million. Mary Jane reported a 17.10% return rate since inception with the Clerks. She said they have about 65 to 75 stocks in the portfolio and they are chosen by stocks rather than by sectors. She said they expect returns to be in the 5% to 7% range for the next few years.

BLACKSTONE – Ryan Thackston made a presentation of behalf of Blackstone (Hedge Fund). He reported that Blackstone has more than 2,000 employees in 17 offices globally and have over \$68 billion in Hedge Funds. He said the allocations in the fund are intended to reduce volatility and produce downside protection. He said the Clerks have been a client since January of 2011 and they have had a return of about 5.26% since inception.

AUDITORS: (On File in Office) Michelle Cunningham with Duplantier, Hrapmann, Hogan and Maher, LLP presented the results of the June 30, 2015 Financial Statement and Compliance Audit. She reported the Fund received the highest and cleanest audit you can receive. She reported under the "Emphasis of Matter Paragraph" the pension liability based on actuarial assumptions as follows:

Total Pension Liability	\$685,856,837
Plan Fiduciary Net Position	\$535,853,689
Employer's Net Pension Liability	\$150,003,148
Plan Fiduciary Net Position as a	78.13%
Percentage of Total Pension Liability	

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Michelle reviewed the Comparative Statements of Fiduciary Net Position between 2015 and 2014 Showing Total Assets for 2015 at \$537,656,221 compared to 2014 of \$520,187,146. The Total Liabilities for 2015 were \$1,802,532 compared to 2014 Total Liabilities of \$1,193,698 leaving a Net Position – Restricted for Pension Benefits for 2015 15 \$535,853,689 compared to 2014 of \$518,993,448. She reported a Net Increase to the Fund in 2015 of \$16,860,241 compared to a Net Increase to the Fund in 2014 of \$75,562,667.

Michelle further reported on the audit of Controls over Census data for the 19th JDC Clerk of Court; Orleans Civil Clerk of Court and St. Bernard Parish Clerk of Court. She reported there were no findings for the 19th JDC Clerk of Court. As a result of testing performed for Orleans Civil Clerk of Court, they found the hire date per their personnel file did not agree with their hire date per the Fund data for three employees of the sixteen employees tested. As a result of the testing performed 10 employees who worked more than 20 hours a week were enrolled in the Fund as of yearend. Subsequent enrollment occurred in accordance with the board's interpretation of "regular" employee; however, contributions from their original hire date were not remitted to the Fund. She said for a representative sample of employees for St. Bernard Parish Clerk of Court, they were unable to verify the authorized pay rates. Michelle further stated they will prepare the GASB 68 where the \$150 million unfunded liability will be allocated to each Clerk's office for their 2016 audits. Michelle thanked Debbie and her staff for their cooperation and courtesies extended to them throughout the audit. Cliff Dressel moved to accept the 2015 audit report. Motion seconded by Mark Graffeo. **MOTION CARRIED.**

APPLICATIONS AND REFUNDS: (On file in office)

Debbie reported that since the October Board meeting there were 9 applications for DROP; 3 applications for regular retirement; 10 Post DROP retirement applications; and 1 application for disability retirement. Mark Graffeo moved that the applications be approved. Motion was seconded by Rick Arceneaux. **MOTION CARRIED.**

Debbie further reported there had been 16 refunds for October 2016 to November 2015 in the amount of \$145,029 and a total of \$449,217 for the year.

EXECUTIVE DIRECTOR REPORT:

IRS Determination Letter: Debbie reported the Tax Attorney, Bob Tarcza, is working on updating the IRS determination letter and that she had to sign a Power of Attorney and Declaration of Representative Notice in order for him to proceed. She told the Board they could expect some large legal fees to be forth coming.

Participant Reporting: Debbie reported that Ernie Sikes would be retiring January 31st and would have his retirement payments paid in full by that time and the Board agreed not to take any further action until that time.

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RESOLUTION: (Exhibit A) Debbie asked the Board adopt the annual Resolution in regards to the City of New Orleans to ensure that the 2015 ad valorem taxes would be paid. Cliff Dressel moved that the Resolution attached in Exhibit A be approved. Motion seconded by Mark Graffeo. **MOTION CARRIED.**

RETIREMENT PORTAL: Debbie reported the Retirement Portal “myLCRF” had been completed and that the roll out began on October 13, 2015. She reported that 1,136 letters had been sent to Active Members in 32 parishes giving them their personal password and the remaining letters would be sent out before the end of the year. She said 167 members had enrolled in the portal and she asked the Clerks to please encourage their employees to utilize this tool.

ATTORNEY: Denise Akers reported that in light of the Audit findings for Orleans Civil Clerks Office, Debbie had asked her to draft a proposal in order to accommodate the Clerks in this regard. The Proposed amendment is as follows in the highlighted area:

PROPOSED AMENDED DEFINITION OF EMPLOYEE

As of October 29, 2014, the Board voted to establish the definition of employee to be the following:

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.

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The Board of Trustees for LCCR now amends this policy in part to add a provision for hiring employees on probation for up to six months, as follows:

- 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) or (4) 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, unless part 4 below applies, 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.
- 4) An employee who is hired for a probationary period that will last no more than six months, as documented in writing with his employer(who may or may not be hired permanently thereafter), who signs a document waiving any and all claims for retirement during this probationary period, and for whom regular social security contributions are made as required by federal law, shall not be considered a “regular” employee during his probationary period. This probationary period may not last longer than six months. If the employee is removed from probation at an earlier date, he becomes a regular employee immediately thereafter.

Rick Arceneaux moved that the proposal to the definition of employees be approved as presented by Denise Akers. Motion seconded by David Dart. **MOTION CARRIED.**

OTHER BUSINESS: None

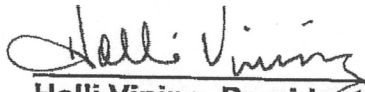
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COMMENTS BY BOARD MEMBERS: No comments.

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

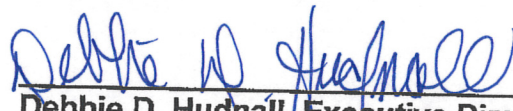
MEETING ADJOURNED.

Approved:



Holli Vining, President

Respectfully submitted,



Debbie D. Hudnall, Executive Director

The following resolution was offered by Cliff Dressel and seconded by Mark Graffeo;

RESOLUTION

A resolution making demand upon the Treasurer of the State of Louisiana pursuant to Louisiana Revised Statutes §11:1561.B that he deduct from revenue sharing funds of Orleans Parish and the City of New Orleans a certain sum due to the Louisiana Clerks' of Court Retirement and Relief Fund under §11:1561.A, as further clarified by a Consent Judgment dated April 26, 2011, and then remit such funds to the Fund forthwith and prior to any distribution of revenue sharing funds to the City of New Orleans or Orleans Parish.

WHEREAS the Louisiana Clerks' of Court Retirement and Relief Fund is entitled to receive, from taxes shown to be collectible by the tax rolls in Orleans Parish, a contribution of a certain percentage of such taxes, which amount is to be remitted periodically and at the same time as disbursement of such taxes to the tax recipient bodies in Orleans Parish;

WHEREAS the City of New Orleans and Orleans Parish are co-terminous and has a consolidated city/parish government, as recognized in *City of New Orleans v. Louisiana Assessors' Retirement and Relief Fund*, No. 2005-2548 (La. 10/1/07), 986 So.2d 1, fn. 14;

WHEREAS no such contribution was received for many years by the Louisiana Clerks' of Court Retirement and Relief Fund from the taxes shown to be collectible by the tax rolls in Orleans Parish;

WHEREAS the City of New Orleans disputed the constitutionality and amount of any contributions directed to be made to the Louisiana Clerks' of Court Retirement and Relief Fund pursuant to §11:1561;

WHEREAS the Louisiana Clerks' of Court Retirement and Relief Fund and the City of New Orleans reached a compromise in that certain matter styled "Louisiana Clerks' of Court Retirement and Relief Fund versus City of New Orleans, et al," Cause No. 415,496 on the docket of the 19th Judicial District Court in and for the Parish of East Baton Rouge, which compromise is memorialized by a Consent Judgment signed by the Court on April 26, 2011 and provided previously to the Treasurer of the State of Louisiana;

WHEREAS the Louisiana Clerks' of Court Retirement and Relief Fund desires to enforce its right pursuant to Louisiana Revised Statutes §11:1561.A, as further clarified by the aforementioned Consent Judgment, to collect such contributions from Orleans Parish taxes;

WHEREAS Louisiana Revised Statutes §11:1561.B and the Consent Judgment authorize and empower the board of trustees of the Louisiana Clerks' of Court Retirement and Relief Fund to submit a resolution to the state treasurer making demand that the monies due to the Fund be deducted from revenue sharing dollars that would otherwise be distributed within Orleans Parish;

WHEREAS Louisiana Constitution Article 7, §26 provides that the revenue sharing funds distributed to Orleans Parish shall be distributed in said Parish by the city treasurer of New Orleans and revenue sharing appropriations to be distributed in Orleans Parish are directed to the City of New Orleans:

Section 1. BE IT RESOLVED that the Louisiana Clerks' of Court Retirement and Relief Fund does hereby demand, pursuant to Louisiana law (including without limitation Louisiana Revised Statutes §11:1561), that the Treasurer of the State of Louisiana deduct the sums calculated as set forth hereinbelow and any additional sums that the authorized representative identified below may subsequently certify on behalf of the board of trustees from any revenue sharing dollars that would otherwise be distributed to the City of New Orleans or Orleans Parish in 2015, particularly including without limitation those revenue sharing dollars to be distributed to the city treasurer of New Orleans; and, that such sums be paid to the Louisiana Clerks' of Court Retirement and Relief Fund forthwith and prior to any distribution of revenue sharing funds during 2015 to the City of New Orleans or within Orleans Parish.

Section 2. BE IT FURTHER RESOLVED that the Louisiana Clerks' of Court Retirement and Relief Fund does hereby certify, pursuant to Louisiana Revised Statutes §11:1561.B, that an additional contribution will be due from the *ad valorem* taxes shown to be collectible for 2015 by the tax rolls located in Orleans Parish in an amount to be calculated by applying a contribution rate of .375% (.00375) to a certain portion of *ad valorem* tax collections, namely forty-five (45%) of the total *ad valorem* tax collections, made by the CITY OF NEW ORLEANS for said year. By way of example, and to illustrate such calculation, if *ad valorem* tax collections during 2015 total \$500,000,000, then the contribution required for the 2015 calendar-tax year shall be \$843,750. The aforementioned calculation method is set forth in the April 26, 2011 Consent Judgment, including without limitation the provisions and example contained in Item #5 of Paragraph FIRST of the Consent Judgment, and shall be applied to the actual tax collections made during 2015. This additional contribution shall also be due from the first revenue sharing dollars appropriated for delivery in 2015 to the City of New Orleans or Orleans Parish. The calculation method will change in future years as set forth in the Consent Judgment.

Section 3. BE IT FURTHER RESOLVED that the Louisiana Clerks' of Court Retirement and Relief Fund does hereby authorize and empower Deborah D. Hudnall, its Executive Director, to forward this resolution to the State Treasurer at an appropriate time to ensure timely collection of all sums due; to certify on behalf of the board of trustees of the Louisiana Clerks' of Court Retirement and Relief Fund the precise amount of the additional contribution sum due from taxes collected by the City of New Orleans in 2015, with said amount to be based on collection information obtained from the City of New Orleans pursuant to the procedure set forth in the April 26, 2011 Consent Judgment; and, to take all other action reasonably necessary to enforce its right to collect these sums and to require remittance of these funds by the State Treasurer from revenue sharing funds.


This Resolution having been submitted to a vote, and the vote thereon was as follows:

YEAS: 8

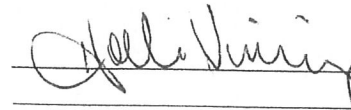
NAYS: 0

ABSENT: 1

And the resolution was declared adopted on this, the 10th day of December, 2015,



Debbie D. Hudnell, Secretary



Gail Smith, Chairman