

(REVISED)
Registrars of Voters Employees' Retirement System
Minutes of the Meeting of the Board of Trustees
February 5, 2014

The meeting of the Board of Trustees for the Registrars of Voters Employees' Retirement System was held at the Renaissance Hotel at 7000 Bluebonnet Boulevard in Baton Rouge, Louisiana.

I. Call to Order

The Vice Chairman of the Board, Mr. Dennis DiMarco, called the meeting to order at 9:40 a.m.

II. Invocation and Pledge of Allegiance

Ms. Sandra Sims offered an invocation and Mr. Dwayne Wall led the Pledge of Allegiance.

III. Roll Call

Ms. Lorraine Dees called the roll. Board members present were: Ms. Sandra Thomas, Mr. Dwayne Wall, Ms. Charlene Menard, Ms. Linda Rodrigue, and Mr. Dennis DiMarco. Representative J. Kevin Pearson and Senator Elbert Guillory were absent. A quorum was present.

Others present included Mr. Brian Shoup (representing Actuary and Administrator, G. S. Curran & Company, Ltd.), Ms. Denise Akers (Legal Counsel), Ms. Lorraine Dees (System Director), Ms. Billie Meyer (Acadia Parish Registrar of Voters), Ms. Deborah Waskom (Natchitoches Parish Registrar of Voters), Ms. Michelle Cunningham (representing the Accountant, Duplantier, Hrapmann, Hogan, & Maher, L.L.P.), Ms. Terry Meagher (representing the Custodian of Assets, Capital One Bank), and Mr. Jon Breth (representing Investment Consultant, The Bogdahn Group).

IV. Public Comments

Mr. DiMarco asked if there were any public comments. Hearing none, the meeting continued.

V. New Business

Appointment of an interim Board member was conducted to replace the seat vacated by Mr. John Moreau. Mr. DiMarco allowed the two candidates to make a brief statement and then balloting was conducted by Ms. Dees. Ms. Billie Meyer received 3 votes and Ms. Deborah Waskom of received 2 votes. Ms. Akers explained that Ms. Meyer will serve for the remainder of the 2014 calendar year and normally scheduled elections would take place in July of 2014 for a new term to begin January 1, 2015. Upon motion by Ms. Menard and second by Ms. Sims, the Board voted unanimously to approve payment for Ms. Meyer to attend LaTECH to receive the continuing education needed for voting.

With no further business, the Board agreed to move on to the next agenda item.

VI. Review and Approval of Minutes

Upon motion by Ms. Rodrigue and second by Ms. Menard, the Board voted unanimously to approve the minutes from the December 18, 2013 meeting

With no further business, the Board agreed to move on to the next agenda item.

VII. Presentation by Capital One

Ms. Meagher directed the Board's attention to the Custodial Report. She briefly reviewed the invested assets as of December 31, 2013. She reviewed the changes in balance over the quarter with notes regarding movements of money in rebalancing and the class action settlements during the quarter. She then reviewed investment fee activity FYTD and stated that expenses were down compared to the same period last year.

Ms. Meagher then directed the Board's attention to Tab C. She reviewed the Members' Supplemental Savings Fund. She stated that there was a 5.89% return YTD and average annualized return of 6.18% over the last 5 years. She reviewed the Asset Allocation for the Fund. She stated that the Member's Supplemental Savings Fund was capped at 25% in the Equities classification. She then introduced a proposed Fraud Protection Policy that Capital One was beginning to enforce to help prevent fraudulent activity.

Upon motion by Ms. Sims and second by Ms. Rodrigue, the Board voted unanimously to approve the Fraud Protection Policy for ROVERS.

Ms. Sims asked about increasing the equity allocation for the MSSF in our Investment Policy.

The agenda was suspended for the elections of Board officers. Upon motion by Mr. Wall and second by Ms. Rodrigue, the Board approved the nomination of Mr. DiMarco for Chairman. With no other nominations, Mr. DiMarco accepted the position. Upon motion by Ms. Menard and second by Ms. Sims, the Board approved the nomination of Ms. Rodrigue for Vice-Chair. With no other nominations, Ms. Rodrigue accepted the position.

Returning to the agenda, upon motion by Ms. Rodrigue and second by Mr. Wall, the Board voted unanimously to approve the Custodial Report as presented by Ms. Meagher.

With no further business, the Board agreed to move on to the next agenda item.

VIII. Presentation by the Investment Consultant, The Bogdahn Group

Mr. Breth directed the Board's attention to page 2 of the Monthly Flash Report as of December 31, 2013. He stated that the quarter was driven by strong U.S. Equity returns. He explained that the S&P 500 rose 10.5% in the quarter and 32.4% for 2013. He stated that Emerging Markets were hurt by currency depreciation. He then stated that managers are leaving Small Caps in favor of less expensive Large Caps within U.S. Markets.

Mr. Breth then directed the Board's attention to page 8 of the Monthly Flash Report. He stated that risk also drove return in Bonds as High Yield continues to outperform core fixed income. He then stated January was a strong month for core bonds as interest rates dropped.

Mr. Breth then directed the Board's attention to page 10 and 11 of the Monthly Flash Report. He stated that the total fund composite was up 5.2% during the previous quarter and 9.8% Fiscal YTD. He stated that Domestic Equities were up 17% Fiscal YTD with Westfield Capital leading the way. He stated that Orleans Energy has underperformed its own index. Thornburg stayed with the market and regretted being underfunded in Japan Equities in 2013. He stated that Oppenheimer Developing Markets has outperformed the emerging markets 12.8% to 8.5%. He then explained that managers within the Fixed Income classification were doing their best to play defense during this rising rate environment. He stated that Sand Spring, CA Recovery, and Equitas were being managed toward liquidation. He explained that Americus and CDK were revalued higher producing internal rates of return at 28% YTD. He stated that Americus is expected to be written down and has no income generation. Greenspring Crossover had two IPOs breakout in 2013 producing a 59% return YTD. He anticipates a 2x multiple at the completion of Greenspring's investment lifecycle.

Mr. Breth then directed the Board's attention to page 13 of the Monthly Flash Report. He discussed the overall asset allocation of the Fund. He stated that it was overweight towards U.S. Equity by 2.6%. He stated that it was underweight towards Non-Core Fixed by 3.9%. He then recommended a reallocation of assets by taking \$1.25 Million out of Orleans Energy and redirecting that by putting \$625,000 in both the PIMCO Diversified Income Fund and the Templeton Global Bond Fund. Ms. Sims moved and Ms. Rodrigue seconded to accept Mr. Breth's recommendation and the Board approved unanimously.

Mr. Breth then directed the Board's attention to page 15 of the Monthly Flash Report. He stated that the balance at the start of the fiscal year was \$63,531,308. He stated that, during the six months, \$3,000,000 in cash was brought in and there was a gain of \$6,411,584. He then stated that the market value at the end of the quarter was \$72,944,662. He then stated there were no transfers to report this quarter. The Templeton Global Bond Fund has issued a new R-6 share class and Mr. Breth will work with Ms. Meagher and Ms. Dees to transfer the System's class A shares to this new R-6 share class which has a lower expense fee.

He then reported that there is an offer to buy out ROVERS position in the CA Recovery Fund which is currently valued at \$483,640. The offer on the table is \$325,000 and after speaking with Mr. Morales, it appears that it could take several years before ROVERS would be able to recover the remaining \$158,640. Mr. Breth recommends accepting the offer, contingent upon legal review and approval of the release of claim. Ms. Akers reported that she was working with Kirk Reasonover and the other retirement systems invested, to coordinate the language of the release. Ms. Akers recommended that the Board authorize Ms. Dees and Ms. Akers to approve the language of the release and to authorize Ms. Dees and Mr. Breth to recover the funds involved.

Upon motion by Ms. Sims and second by Ms. Rodrigue, the Board voted unanimously to approve Ms. Akers recommendation and the Board approved unanimously.

Mr. Breth then directed the Board's attention to the Investment Policy Statement Draft. He stated that Ms. Akers and Mr. Greg Curran had been consulted in cleaning up the language. He stated on page 4 there were changes to the COLA language from the December 18, 2013 meeting and page 8 was changed to include the 10% Real Return Allocation. Mr. Breth stated that he would get clean copies to Ms. Dees and Mr. DiMarco for their signature upon approval.

Upon motion by Ms. Rodrigue and second by Mr. Wall the Board voted unanimously to approve the revised Investment Policy Statement.

Upon motion by Ms. Sims and second by Ms. Menard, the Board voted unanimously to approve the Investment Consultant's Report as present by Mr. Breth.

With no further business, the Board agreed to move on to the next agenda item.

IX. Presentation by Duplantier, Hrapmann, Hogan & Maher

Ms. Michelle Cunningham presented the audit report on the financial statements of the Registrar of Voters Employees' Retirement System (ROVERS) for the year ended on June 30, 2013. Ms. Cunningham directed the Board to page 1 through 3 which covers the management's and auditor's responsibilities, the auditor's opinion, and other required supplementary information by the Governmental Accounting Standards Board (GASB), which is examined for reasonableness. Ms. Cunningham stated that ROVERS received the highest and cleanest opinion on their audit.

Ms. Cunningham directed the Board to page 4, which covered the financial highlights and an overview of the financial statements. Net assets increased by \$7,652,743 or 12.2%, contributions increased \$924,120 or 18.5%, benefit payments increased by \$642,670 or 17.7%, and administrative expenses increased \$27,528 or 11.5%. Ms. Cunningham stated that page 5 showed the summarized change in net position which included the Member Supplemental Savings Fund. Ms. Cunningham reviewed pages 6 through 9, which showed details of the change in net position and income statement. Ms. Cunningham stated that the footnotes covered on pages 10 through 23 did not change this year, but that there would be many changes for 2014 and 2015 related to GASB 67 and 68 requirements.

Ms. Cunningham directed the Board to page 24 and 25, which covered the statement of changes in reserve balances, noting that the Unfunded Actuarial Accrued Liability listed was not the same reported by G. S. Curran and Company because the Actuary used smoothing of assets while the auditor used the market value of assets. Ms. Cunningham stated that page 26 and 27 showed the schedule of investments in more detail reflecting the changes from fiscal 2012 to fiscal 2013. Ms. Cunningham then moved to page 28 and 29, which outlined the schedule of administrative expenses in detail and page 29 outlined the schedule of Board compensation as required by the Legislative Auditor. Ms. Cunningham directed the Board to pages 30 and 31 with the schedule of contributions which compared the actuarially required contribution to the actual contributions and the schedule of funding progress which came from G. S. Curran & Company and it showed a Funded Ratio of 73.83% for fiscal 2013. The final pages reflected a report on internal controls over financial reporting, compliance and other matters and stated that no deficiencies were identified and no instances of noncompliance were found to be reported under Government Auditing Standards.

Upon motion by Ms. Sims and second by Mr. Wall, the Board voted unanimously to accept the Auditor's Report as presented by Ms. Cunningham.

Ms. Cunningham stated that her office was working with G.S. Curran & Company to draft a letter regarding GASB 67 implementation for the upcoming June 30, 2014 fiscal reporting season. Ms. Cunningham stated that GASB 68 implementations would take effect with the June 30, 2015

reports (which divides the pension liabilities by employer). The Legislative Auditor is conducting open discussions with the actuaries and auditors regarding implementation.

With no further business, the Board agreed to move on to the next agenda item.

X. Report from the System's Attorney, Denise Akers

Ms. Akers stated that she had nothing to report at this time.

With no further business, the Board agreed to move on to the next agenda item.

IX. Presentation by G. S. Curran & Company

Mr. Shoup reported that Mr. Curran was training a newly employed actuary, Jacob Putnam, in preparation for the implementation of GASB 67 and 68. He stated that the company was anticipating additional charges for those implementations, but would know more as we approach the next fiscal year.

Upon motion by Ms. Sims and second by Ms. Rodrigue, the Board voted unanimously to accept the Actuary's report as presented by Mr. Shoup.

Ms. Sims asked about setting the employer contribution rate for 2015 at this time. After discussing the state's budget versus the actuarial required contribution rate, it was determined that the Board could freeze the contribution rate at ~~24.50%~~ **(24.25%)** for fiscal 2015 rather than using the actuarial required rate of 22.50%.

Upon motion by Ms. Sims and second by Ms. Menard, the Board voted unanimously to keep the employer rate at ~~24.50%~~ **(24.25%)** for 2015.

With no further business, the Board agreed to move on to the next agenda item.

X. Director's Report

Ms. Dees provided a handout for the Director's Report, and addressed the items on the handout, including new employees, terminations, new DROP participants, DROP participants re-enrolled after DROP, DROP payments, retirement applications, and deaths.

Ms. Dees then reviewed each of the items on the Director's Report handout.

Upon motion by Ms. Rodrigue and second by Mr. Wall, the Board voted unanimously to approve the Director's Report as presented by Ms. Dees.

Ms. Sims and Ms. Dees discussed some of the retirees.

With no further business, the Board agreed to move on to the next agenda item.

XI. Other Business

Mr. DiMarco asked if there was any other business.

Upon motion by Ms. Sims and second by Mr. Wall, the Board voted unanimously to amend the agenda to discuss conversion of annual and sick leave.

After discussing possibilities for making changes to leave conversion, Ms. Sims made a motion that employees hired after January 1, 2013 can convert a maximum of 300 hours of sick leave and 300 hours of annual accrued leave at retirement. The motion failed for lack of a second. Ms. Akers suggested looking at what other systems allow for leave conversion at retirement. Ms. Akers and Mr. DiMarco asked about the actuarial costs of the leave conversions that have taken place. Ms. Dees stated she would talk with G.S. Curran & Company about the actuarial costs of leave conversions that occurred in 2013 as an example.

Ms. Akers then suggested the public comments section of the agenda be moved to the end for future meetings.

Ms. Sims asked about changing the asset allocation for the Members Supplemental Savings Fund. Mr. Breth suggested inviting the portfolio manager from Capital One to discuss changes to the investment policy of that fund. Ms. Meagher said that she would be happy to assist in setting up these suggestions.

Mr. DiMarco announced the next official meeting date and location of April 29th, 2014 at 9:30 am at the Renaissance Hotel Baton Rouge, LA.

XII. Adjourn

Upon motion by Mr. Wall and second by Ms. Menard, the Board voted unanimously to adjourn the meeting at 11:56 a.m.