

**Registrars of Voters Employees' Retirement System  
Minutes of the Meeting of the Board of Trustees  
April 23, 2015**

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 Chairman of the Board, Mr. Dennis DiMarco, called the meeting to order at 9:16 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 Sims, Mr. Dwayne Wall, Ms. Charlene Menard, Ms. Billie Meyer, Ms. Deborah Waskom, and Mr. Dennis DiMarco. Representative J. Kevin Pearson and Senator Elbert Guillory were absent. A quorum was present.

Others present included Ms. Denise Akers (Legal Counsel), Ms. Lorraine Dees (System Director), Ms. Terry Meagher and Ms. Tamara Wyre (representing the Custodian of Assets, Capital One Bank), Mr. Jon Breth (representing Investment Consultant, The Bogdahn Group), Mr. Greg Curran, Mr. Brian Shoup, and Ms. Kathleen Bouwkamp (representing Actuary and Administrator, G. S. Curran & Company, Ltd.); Ms. Michelle Cunningham (representing Duplantier, Hrapmann, Hogan & Maher, LLP), Ms. Shelley Bouvier (Assistant to Mr. DiMarco), Mr. Gary Welchel (Orleans Capital Management & Energy Opportunities), Lucas Bulle (Evangeline ROVERS), Nicole Fontenot (Evangeline ROVERS), and Stacy Ryan (West Baton Rouge ROVERS).

**IV. Public Comments**

Ms. Sims stated that one of her retiree's deductions seems to be duplicated. Ms. Dees said she has been in touch with the individual several times and believes it is just an adjustment because of a change in insurance not a duplicate deduction. Ms. Dees explained that she will look into the situation for the individual.

**V. Review and Approval of Minutes**

Mr. Shoup stated that he would like to get motions for the nomination of Ms. Menard for Vice-Chair in Section V., 2<sup>nd</sup> paragraph added to the minutes dated January 27, 2015. The minutes were updated to reflect that Ms. Sims & Ms. Meyers motioned and seconded the nomination of Ms. Menard for Vice-Chair. Upon motion by Ms. Waskom and second by Ms. Menard, the Board voted unanimously to approve the revised minutes from the January 27, 2015 meeting.

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

## **VI. Presentation by Capital One**

Ms. Meagher directed the Board's attention to the Custodian Report. She briefly reviewed the breakdown of invested assets as of March 31, 2015. She reviewed page 1 of the report, summarizing the ROVERS assets which totaled \$79,006,876 at the end of the quarter. Page 2 of the report showed the asset breakdown and values of each accordingly noting that mutual funds comprise slightly more than 50% of the total portfolio, and assets held by outside custodians have dropped significantly. Page 4 of the report showed the historical fiscal year end balances through current quarter end. However, Ms. Meagher pointed out that the market value change for 2014 fiscal year end may not be correct, and she will audit prior to next meeting. She had not had a chance to do so due to this meeting being held earlier than usual. Page 5 of the report showed no new Mutual Fund purchases during the quarter. On page 6 of the report, she reviewed investment fees from fiscal year to date totaling \$221,096 noting that we are on schedule with the fees, and as the assets have grown, we have been able to control the fees. Next on page 7, Ms. Meagher reviewed the Class Action Settlement Payments from Closed Accounts totaling about \$2000 this quarter. Lastly, she reviewed the Members Supplemental Savings Account pointing out on page 8 that no member benefits were paid out in the last quarter and about \$47,000 were paid out for the fiscal year-to-date.

Ms. Wyre then reviewed the Members Supplemental Savings Plan quarterly performance report. She stated that the portfolio was favoring U.S. equities over international and is not looking to shift more into international at this time. She directed the board to Tab B of the report outlining the Portfolio Summary with assets totaling market value of \$1,288,031 comprised of 37% equity funds and 55% fixed income as of March 31, 2015. She stated that she is mindful to keep the equity fund allocation within the 40% cap per the investment policy statement. This percentage is attributable to growth and has been moved to cash. Ms. Wyre does not anticipate an interest rate hike in June and stated that the dollar is still very strong. Page 2 of Tab B illustrated the target versus actual allocation percentages for the fund. Next, she discussed the portfolio holdings in Tab C, noting that once the FNMA Bond comes due Sept 15, 2016, she is looking to diversify fixed income to obtain more yield. Ms. Wyre explained that the highest exposure for the fixed income allocation is in the intermediate funds. She also pointed out that within the equity allocation, S&P smallcaps (1.29%) and S&P midcaps (5.31%) are outpacing the large caps (.95%) this quarter.

Ms. Waskom questioned if we should consider moving the money out of the Federated Government Ultrashort, since the yield is so low at only .3%. Ms. Wyre replied that they may change this, but it does not have a major impact on the portfolio since it is such a small percentage of assets (2.5%).

Upon motion by Ms. Menard and second by Ms. Sims, the Board voted unanimously to approve the Custodian Report and Member Supplemental Savings Report as presented by Ms. Meagher and Ms. Wyre.

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

## **VII. Presentation by the Investment Consultant, The Bogdahn Group**

Next, Jon Breth introduced Mr. Gary Welchel from Orleans Capital Management & Energy Opportunities. Mr. Welchel addressed the concern over rising interest rates and stated that they manage money with risk as a primary concern. He explained that they ladder securities to hedge this risk. Mr. Welchel said that they do not anticipate a huge interest rate increase and believes rates probably will not rise until 2016. He stated that the return for the quarter was about 2% and slightly above the benchmark.

He explained that Energy Opportunities is an investment advisor, and Orleans Capital Management owns 50% of it. He further explained that Energy Opportunities is a premier energy investment banker in the world.

Mr. Welchel pointed out on page 4 of the Strategy Update that the one year performance was -18.53% although the April 2015 (through April 20) performance was up greater than 8% and from inception at 32.86% outperforming the OIH/XLE benchmark. He illustrated on page 5 that in the second half of 2014 as crude declined over \$100/barrel to below \$50/barrel, they shifted to a more defensive strategy reallocating the sectors to Midstream and Downstream (refiners) which would not be affected by the declining crude oil prices. So far in 2015, the strategy has reversed again to more of an offensive nature investing in North American, International Services and Geosciences sectors. He then discussed on page 7 an industry update and what led to the sharp decline in oil prices in the second half of 2014. Mr. Welchel then explained the volatility and cyclicity of the energy industry and the self-correcting supply and demand mechanism of the industry. On page 9 of the Strategy Update, he illustrated the huge reduction in supply is due to the decline in U.S. rigs which will increase prices. He explained that the big oil companies are lobbying Congress to be able to export oil, because the price per barrel is \$6-\$8 higher per barrel versus domestically. He said many of the oil industry analysts believe it will happen even by end of this year. Lastly, Mr. Welchel explained that the strategy's emphasis on energy subsectors can lead to short term underperformance, but during periods of recovery, it provides for outperformance versus the S&P 500 Energy Index.

The Board discussed allocations within the energy portfolio and expectations related to oil drilling in the Gulf of Mexico.

Upon motion by Ms. Waskom and second by Ms. Meyer, the Board voted unanimously to accept the Energy Opportunities Capital Management Strategy Update.

Next, Mr. Breth presented The Bogdahn Group Monthly Flash Report. Mr. Breth reviewed the quarter's performance in the different indices noting the fluctuations in interest rates mostly due to strength in the USD. He also pointed out that the utilities sector was the worst performing this quarter, while it was the top performing sector in 2014. Then, on page 6 he noted that there was an almost 6% difference this quarter in the USD compared to all other currencies on the AC (All Country) World ex US Index as the dollar climbed higher.

Next on page 8, Mr. Breth explained that returns on domestic bonds this quarter increased as credit quality decreased. Next, Mr. Breth reviewed with the Board the Asset Allocation & Performance on pages 12-14 with a total market value of the fund at \$78,635,124 and a Quarter-to-date performance of 2% and total fund policy return rate at 1.34%. Moving onto the allocation of assets, he pointed out that the energy allocation is now at 2.5% compared to 6% when he was hired and most were sold off last year. In the International Equity sector, he stated that Oppenheimer Developing Markets (ODVIX) has had a great first fiscal year and that not owning Chinese banking stocks has hurt them. He further explained that most active managers in emerging markets are scared of these stocks because of the unknown. Mr. Breth pointed out that Orleans Capital Fixed has had a strong rebound due to oil services. He stated that the Hedge Funds are the legacy investments in liquidation and will continue to be a drag but are a small percentage of the portfolio. Commonwealth brought in a liquidator which will bring in cash to ROVERS. Mr. Breth stated that Greenspring Crossover Fund is in liquidation and will probably come to an end in 2017. Equitas Evergreen Fund is having a hard time selling off, and Americus Fund IV is waiting on the last building to be turned over to the bank. He also stated that CDK recommended selling St. George Air Parc. Louisiana Firefighters has

agreed to set a price on St. George Air Parc. Next, he noted that PIMCO All Asset Fund (PAAIX) and Westwood Income Opportunity Fund (WHGIX) are both positive. PIMCO has been hurt by foreign exposure tied to emerging markets and by oil in commodities. Westwood has had a lot of strength in the US common stock market. Next, he directed the Board to the Asset Allocation vs. Target Allocation on page 15 illustrating that the portfolio is overweight on domestic equity and underweight in the real estate and private equity allocation. He said he will replace this allocation with 5% to American Core Realty in late third to fourth quarter and rebalance to provide funding. He is working to verify the documents with Ms. Dees and Ms. Akers to complete the side letter with American Realty.

Upon motion by Ms. Meyer and second by Ms. Waskom, the Board voted unanimously to approve The Bogdahn Group's Monthly Flash Report.

### **VIII. Report from the System's Attorney**

Ms. Akers stated that she hopes to have the Leave Conversion ready to look at for the next meeting. Ms. Dees noted that she got the data to Mr. Curran last week, but he was out of town. Mr. Curran stated that his company will take the data and look at the leave conversion by member versus the current assumptions. He also said that he might have to change what they are doing within the valuation review. Mr. Curran will get a recommendation to them in the late summer to early fall and suggested taking it off the agenda until then.

Also, Ms. Akers noted that Commonwealth litigation did not get a favorable ruling. She added that if an appeal is not successful, it would go to trial.

Upon motion by Ms. Sims and second by Mr. Wall, the Board voted unanimously to accept Ms. Aker's report.

Upon motion by Mr. Wall and second by Ms. Menard, the Board unanimously approved to add an item to the agenda for a presentation by Duplantier.

### **IX. Presentation by Duplantier, Hrapmann, Hogan & Maher, LLP**

Ms. Cunningham presented the Board with the Employer Pension Report for fiscal year end 2013 & 2014 required as a result of GASB 68 (Governmental Accounting Standards Board). The audit began with fiscal year end of June 30, 2013 and gave a clean opinion on employer schedules, but she emphasized that the figures are comprised of a lot of estimates. They audited the allocations, employer pension net liability, total deferred inflows and outflows, and total employer pension expense. She reviewed page 4 indicating that these allocation percentages are what the employers will use. Ms. Cunningham explained page 6 illustrates the net pension liability as of fiscal year end of 2013, which they will use as beginning balance. She stated that both the 2013 and 2014 reports are audited to the level of financial statements. She said the total pension liability is approximately \$103,000,000.00 as of June 30, 2014 and based on assumptions. She stated that the allocations on page 4 are what the employers will use in their financial statements. Ms. Cunningham pointed out that these reports have all of the figures needed by the employers to debit and credit and record on financial statements. She noted that the footnotes will help explain how the figures were obtained and explained how the employers would record the appropriate entries. She instructed that each employer needs to look at the contributions reported on their financial statements and their proportionate share in the report, and the differences are recorded as deferred inflow or outflow.

Also, she further explained that the proportionate share of non-employer contribution has to be recorded as income on participating employer's books. She noted that on page 20 the schedule of amortization is utilized because of all the changes with inflows and will need to be disclosed in their financial statements. Finally, she pointed out that the Yellow Book report did not have any findings or non-compliance.

Mr. DiMarco asked Ms. Cunningham if she will send a copy of this audit report to each parish. She responded that it would be on the legislative auditor's website, and it is probably a good idea to send out an email or letter to let them know about GASB 68. Ms. Dees stated that she will put the report on the ROVERS website.

Ms. Cunningham stated that the audit procedure will be done every year and will not be this late in future years.

Upon motion by Ms. Meyer and second by Mr. Wall, the Board voted unanimously to accept the Employer Pension Report.

### **IX. Presentation by G. S. Curran & Company**

Mr. Shoup disseminated the financial statements to the Board. Mr. Curran introduced Ms. Bouwkamp, who is new to G.S. Curran & Company and will be working along with Mr. Shoup to service ROVERS. Mr. Curran noted that although he did not have the final contracts to present to the Board, the retainer amount will remain the same and the only change would be in the hourly rate for work external to the retainer. He also pointed out that their rates are much lower than the national average rates. Mr. Curran indicated that G.S. Curran & Company would bring the new contract to the next meeting for final approval.

Mr. Curran suggested the Board accept in concept the contract renewal. Upon motion by Ms. Sims and second by Ms. Menard, the Board voted unanimously to retain G.S. Curran & Company, Ltd as actuary for the system and to continue administrative duties for the next year.

Mr. Shoup then presented the financial statements. He noted that the cash equivalent balance is heavy, and he will work with Ms. Dees to determine an appropriate amount to be moved to Capital One for investment. Ms. Dees stated that she is looking to keep about \$2,000,000 in cash equivalents, because she is anticipating large withdrawals from DROP and will not be getting large amounts in from now until December. Then, Mr. Shoup directed the Board to page 2 of the balance sheet showing that the total assets were \$82,718,111. Next, he reviewed the Profit & Loss statement and stated that he was working with Ms. Dees to better categorize accounts like continuing education and board expense. Mr. Shoup said that he looked at actual costs versus what is projected for the next quarter to determine where adjustments in the budget needed to be made. He proposed that the board expense be decreased, since we are putting more in continuing education. Mr. Shoup stated he conferred with Ms. Dees regarding a 3% cost of living increase for herself and Darlene Richard.

Ms. Sims asked whether Ms. Dees was still looking into storage, and Ms. Dees replied that she had obtained three legal size drawer safes. Ms. Dees then addressed that they may need a new system or an upgrade to the system's computer database software, IPAS. She stated that she liked it, but it was too old and needed updating. Ms. Sims agreed that she had to address that issue. Ms. Dees stated she was using a virtual computer, and the only problem was getting the data to Mr. Curran. Ms. Akers discussed the software provider for some of her clients as a possibility. Mr. Curran stated

that the only reason he had not recommended that ROVERS replace their current system with a system being used by other retirement systems was that each of the other products being used had limitations and that transitions to new software had been challenging for other retirement systems' staff. He discussed the significant time it would take to update IPAS. He suggested that he and Ms. Dees could get more information on available systems and look at the possibility of updating IPAS with a recommendation at a future meeting.

Mr. Shoup then continued to review the expenses pointing out that he did not raise the budget for custodial fees and conferred with Ms. Dees on projected legal fees. Ms. Akers stated that there is no litigation going on, so she does not expect legal expense to increase.

Upon motion by Ms. Waskom and second by Ms. Meyer, the Board unanimously approved the Financial Statements as presented by G.S. Curran & Company.

Upon motion by Mr. Wall and second by Ms. Meyer, the Board unanimously approved retaining Duplantier, Hrapmann, Hogan & Maher, LLP as the Certified Public Accountant for ROVERS.

Ms. Sims then said a member had asked her about airtime and wanted to discuss their question. The Board discussed the definition of airtime purchases along with the pros and cons of allowing air time purchases. Mr. Curran stated that airtime purchases would add risk to the system due to anti-selection. The Board took no action.

#### **X. Director's Report**

Ms. Dees provided a Director's Report to the Board, and addressed the items on the handout including three new employees, terminations, new DROP participants, DROP participants re-enrolled after DROP, DROP payments, retirement applications, and deaths. She noted there were no transfers in or out and two DROP payments made this quarter. Next, she referenced the Members Supplemental Report and noted that the small numbers represent small balances from the end of fiscal 2014 with interest attributed to them. Returning to Ms. Sims' earlier concern about a retiree's deductions, Ms. Dees stated that insurance premiums changed effective January 1, 2015. Ms. Dees is directed by Renee at the Secretary of State as to how much should be deducted for healthcare premiums, and sometimes she gets notices from them that an error exists. In such cases, Ms. Dees must go back and correct by deducting more or less accordingly. Ms. Dees discussed a case where the Office of Group Benefits made a mistake that goes back 15 years with a member's premium. She is working to resolve this matter and will meet with Renee at OGB to explain how it happened and that the survivor cannot afford the retroactive correction.

Ms. Sims noted a problem with disseminating the meeting date notice. Ms. Waskom added that nobody thinks to check the website for that information. Ms. Dees responded that she didn't send notice to the Association with the meeting being earlier than usual. Mr. Di Marco suggested that at the next meeting they should determine a solution that meets our needs but doesn't burden Ms. Dees.

Mr. Curran offered that G.S. Curran will put together an e-mail list of all registrars and will notify the registrars of upcoming meeting notices and board minutes. Ms. Meyer recommended that the registrar make copies for all of their employees.

Upon motion by Ms. Sims and second by Ms. Waskom, the Board voted unanimously to accept the Director's Reports.

## **XI. Other Business**

Ms. Sims proposed a policy be established that a director must respond within 30 days to a member for a written request. Ms. Akers clarified which written requests Ms. Sims was referring to. Mr. Curran stated that his firm could not guarantee a certain response time, because it depends on the volume and order received from all of their clients. He further explained that their goal is a response time of two weeks, but their contract does not guarantee a turn-around time.

Ms. Sims also addressed that the 1099's were not sent out timely. Ms. Dees explained that a third party completes them and that they have had glitches this year. Mr. Curran added that they had a problem with addresses. The process is that G.S. Curran & Company receives the information from Ms. Dees; they enter it in QuickBooks, and then send the spreadsheet to the accountants before January 31st. Ms. Waskom brought up that there is a fine for sending out 1099's late. Mr. DiMarco added that the deadline is January 31<sup>st</sup> to individuals but an organization has until February to get to the I.R.S. Ms. Sims suggested that Ms. Dees could send the data to G.S. Curran & Company once she has the December paychecks. She also explained that having three organizations involved slows down the process. Mr. Curran explained that as an employee Ms. Dees is allowed to produce 1099's if she had a computer system that could produce them. He also said that G.S. Curran & Company could not, because they are not a tax preparer and that QuickBooks cannot generate 1099R's. The Board then discussed setting a policy for response to member requests for retirement estimates and final calculations.

Ms. Sims motioned that all written estimate requests be responded to within 30 days and that all other written requests be responded to within 45 days from the date that all necessary documents and final contributions are made. Mr. Wall seconded the motion, and the Board unanimously approved it.

After conferring with the board members, Ms. Dees will schedule the next meeting between July 14<sup>th</sup>, 15<sup>th</sup> or 16<sup>th</sup> at 9am at the Renaissance Hotel in Baton Rouge, LA.

## **XII. Adjourn**

Upon motion by Mr. Wall and second by Ms. Menard, the Board voted unanimously to adjourn the meeting at 12:26 pm.