

**Registrars of Voters Employees' Retirement System  
Minutes of the Meeting of the Board of Trustees  
April 29, 2016**

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 9:04 a.m.

**II. Invocation and Pledge of Allegiance**

Ms. Sandra Moorer offered an invocation, and Mr. Steve Raborn led the Pledge of Allegiance.

**III. Roll Call**

Ms. Lorraine Dees called the roll. Board members present were: Ms. Sandra Moorer, Ms. Charlene Menard, Ms. Deborah Waskom, Mr. Dennis DiMarco, Mr. Dwayne Wall, and Ms. Billie Meyer. Representative J. Kevin Pearson and Senator Russell Peacock were absent. A quorum was present. Others present included Ms. Lorraine Dees (Director), Ms. Denise Akers (Legal Counsel), Ms. Cindy Averette and Mr. Walker Reynolds (representing the Custodian of Assets, Capital One Bank), Mr. Jon Breth (representing Investment Consultant, The Bogdahn Group), Mr. Greg Curran and Mr. Brian Shoup (representing Actuary and Administrator, G. S. Curran & Company, Ltd.), and Ms. Shelley Bouvier (Assistant to Mr. DiMarco).

**IV. Public Comments**

Ms. Dees welcomed Ms. Cindy Averette from Capital One who is taking over for Ms. Meagher. With no further comments, the Board moved onto the next agenda item.

**V. Review and Approval of Minutes**

**Upon motion by Ms. Moorer and second by Ms. Waskom, the Board voted unanimously to approve the minutes from the January 18, 2016, meeting.**

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

**VI. Presentation by Capital One**

Ms. Averette directed the Board's attention to the Custodian Report. She reviewed with the Board the breakdown of assets and the total assets as of March 31, 2016, totaled \$76,582,584. Next, Ms. Averette reviewed the historical plan year end balances on page 4, comparing market values at year end between 2012 through QTR 1 of 2016. Page 6 showed a breakdown of investment fees paid in the plan year-to-date totaling \$210,476 which did not include the Mutual Fund fees. Next, she reviewed the Member Supplemental market value reconciliation for the Quarter End totaling \$1,079,239. Ms. Averette turned the presentation over to Mr. Reynolds to discuss performance.

Mr. Reynolds then presented the Members Supplemental Savings Plan Asset Management report for March 31, 2016. Mr. Reynolds reviewed the Portfolio Asset Allocation on page 7 which showed all asset classes within their tactical ranges. Then, he directed the Board to page 8 showing Quarter End gross returns totaled 1.51%,

while YTD gross returns were -0.04%. Mr. Reynolds went through a more detailed performance review per asset on pages 9 and 10.

**Upon motion by Mr. Wall and second by Ms. Meyer, the Board voted unanimously to approve the Custodian Report and the Member Supplemental Savings Report.**

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

Mr. Breth presented the Board with the Investment Performance Review as of March 31, 2016. He explained it was a volatile quarter with the S&P 500 falling 10.3% in February then rebounding to finish up 1.3% for the quarter. Emerging Markets had positive returns for the quarter up 5.7% but are still down 12.0% for the one year period. Value stocks are starting to outperform the growth stocks as Telecom and Utilities are up over 15% for the quarter and one year periods.

Mr. DiMarco asked about the underperformance in small cap stocks, down 1.5% for the quarter and down 9.8% for the one year period. Mr. Breth stated that small cap stocks are more sensitive to rising interest rates.

Mr. Breth then directed the Board to the Monthly Flash Report; on page 10 he pointed out the Total Fund Composite Returns for the QTD was up 0.51% but down 3.43% for the FYTD. Advisory Value was weighed down by exposure to insurance stocks, and Westfield was down 3.20% due to under-exposure to dividend stocks. Dodge & Cox International was also down 3.76% QTD but is performing well in April.

Next, Mr. Breth reviewed the fixed income asset allocation and performance. Page 11 of the report showed Orleans Capital outperformed, up 3.61% QTD, while Templeton Global Bond Fund underperformed their benchmark by 6.96% because of a low allocation to Euro-Pacific bonds. PIMCO Diversified outperformed as well, up 1.25% YTD. Mr. Breth stated that CA Recovery has been fully liquidated, but that Equitas remains in liquidation. American Core Realty was up 2.63% QTD and 9.26% FYTD. Mr. Breth directed the Board to page 12 noting Westwood Income and BlackRock Multi-Asset Income were helped by REIT exposure.

Mr. Breth said that CDK Realty Advisors, who manages the FWAR Investors real estate investments is under investigation by the FBI. Fort Worth Employees' Retirement System will lead a search for a new General Partner for FWAR Investors.

Ms. Waskom asked what brought on the FBI investigation. Mr. Breth said he did not know, but that CDK manages real estate investments for other retirement systems that have been in the news for questionable investments.

Mr. Breth directed the Board to an Asset Allocation Review. The Bogdahn Group performed a 10-15 year forecast based on long term return assumptions from JP Morgan. The review showed that by making a change in the current asset allocation, ROVERS could lower volatility while maintaining the current benchmark of 7.0% in performance. Mr. Breth said this would require another revision to the Investment Policy Statement to bring down the equity allocation target and increase the fixed income target.

Mr. Breth made two recommendations. The first recommendation was to reduce the PIMCO Diversified Income Fund and the Templeton Global Bond Fund by 2.5% of the Portfolio, investing the proceeds in Orleans Capital Management. The second recommendation was to reduce the Westwood Income Opportunity Fund and the Blackrock Multi Asset Income Fund by \$1.5 million collectively, investing the proceeds in the American Core Realty Fund.

Ms. Waskom stated that she did not like the idea of increasing the allocation to real estate. Mr. Breth reminded the Board that the previous real estate investments ROVERS made were very speculative investments concentrated in a handful of properties with little to no liquidity. American Core Realty is a collection of 100 plus A and B rated properties and has very little leverage.

**Upon motion by Mr. Wall and second by Ms. Moorer, the Board voted unanimously to approve The Bogdahn Group's Report and to reallocate funds per Mr. Breth's recommendation.**

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

Ms. Akers asked the Board to enter Executive Session to discuss pending litigation.

**Upon motion by Ms. Meyer and second by Mr. Wall, the Board voted unanimously to go into executive session at 10:25 am.**

**Upon motion by Ms. Moorer and second by Ms. Meyer, the Board voted unanimously to exit executive session at 10:38 am.**

Ms. Akers then updated the Board on a bill pending in the State Senate to create an appointee position for the House Retirement Committee Chair on the retirement system boards.

She stated that ROVERS bill, House Bill 39, passed through the House Committee and is waiting Senate passage. It does not appear to face any obstacles and should pass in May.

Ms. Akers presented a proposal to move a policy created at the November 3, 2015, Board Meeting into the Administrative Code under Title 58. The policy states that members must work a minimum of 3 months after DROP in order to have their Final Average Compensation (FAC) re-calculated. Otherwise, the FAC used to calculate the DROP benefit will be used to calculate the Post-DROP benefit as well.

Ms. Akers recommended increasing the visibility of the policy by moving it under the law.

**Upon motion by Ms. Meyer and second by Ms. Menard, the Board voted unanimously to instruct Ms. Akers to file a request with the Louisiana Registrar to move the Board policy for Post-DROP FAC re-calculation to Title 58 of the Administrative Code for ROVERS.**

The Board discussed allowing members to change their optional benefit if the spouse dies before completing DROP. Mr. Curran reminded the Board of the risks associated with allowing benefit changes and why the law does not allow it.

**Upon motion by Ms. Waskom and second by Ms. Menard, the Board voted unanimously to approve Ms. Akers' report.**

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

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

Mr. Curran presented a report on the updated Actuarial Equivalence Factors that would be effective July 1, 2016.

**Upon motion by Ms. Waskom and second by Ms. Meyer, the Board voted unanimously to approve the Actuarial Equivalence Factors presented by Mr. Curran.**

Next, Mr. Curran discussed setting the employer contribution rate for Fiscal 2017. He stated that the Board had the right to set the employer rate at any point between the minimum employer contribution rate of 14.75% and the rate employers are contributing during Fiscal 2016 of 22.5%. The Board discussed decreasing the rate required of employers while continuing to build the Funding Deposit Account.

**Upon motion by Ms. Waskom and second by Ms. Moorer, the Board voted unanimously to set the employer rate at 20.00% for Fiscal 2017.**

Next, Mr. Curran discussed requests by members related to special option 4 calculations. He stated that under the actuarial contract between G. S. Curran & Company and ROVERS, there is a charge for the calculation of special option 4 benefits. He stated that complicated cases with more than one beneficiary can take hours to calculate. The Board discussed issues related to administering complicated cases in a small system like ROVERS, including the fact that the computer system is not set up for them. The Board discussed the fact that a member had requested information on a benefit paying lifetime survivor benefits to both a child and grandchild upon her death. The Board discussed setting a policy related to allowable potential option 4 situations.

**Upon motion by Mr. Wall and second by Ms. Meyers, the Board voted unanimously to charge a fee to members to perform Special Option 4 benefit estimates.**

The Board discussed setting a policy regarding which types of Special Option 4 benefits they would allow members to select. The Board decided that requests to receive Option 4 benefits would be reviewed on a case-by-case basis. The Board agreed that members could request estimates for such calculations, but they reserved the right to deny requests from members to receive their benefits in the form of an Option 4.

Mr. Curran then presented the Actuarial and Administrative Contracts from G. S. Curran and Company for Fiscal 2017. The actuarial contract remains \$43,800 per year, but stated that the recommended administrative contract fee was increasing to \$42,600 per year. Mr. Curran stated that the requested increase was due to increased accounting complexities and additional time required under the administrative contract. He added that the charge under the administrative contract had not changed since 2012.

**Upon motion by Ms. Waskom and second by Mr. Wall, the Board voted unanimously to approve the Actuarial and Administrative Contracts with G. S. Curran and Company for Fiscal 2017 and to authorize Lorraine Dees to sign on the system's behalf.**

Next, Mr. Curran discussed the Board's request for a quote on an updated retirement system database program. Mr. Shoup and Mr. Curran demonstrated the current database program. Then they compared it to a recent benefit calculation program created for another retirement system on a windows based platform that would be used for a new custom database program. Mr. Curran stated that G. S. Curran's quote for an updated program is \$48,000 with one-half due after a demonstration of substantial progress in July of 2016 and the balance due upon completion.

**Upon motion by Ms. Waskom and second by Ms. Meyer, the Board voted unanimously to approve the quote by G. S. Curran and Company for a new retirement system database program.**

Mr. Shoup discussed with the Board a new engagement letter from Duplantier, Hrapmann, Hogan, & Maher, L.L.P. for accounting and auditing services. The new charges are reflected in the 2017 budget.

**Upon motion by Ms. Moorer and second by Ms. Meyer, the Board voted unanimously to approve the new engagement letter from Duplantier, Hrapmann, Hogan, & Maher, L.L.P. for fiscal 2017.**

Next, Mr. Shoup presented the ROVERS Administrative Budget for Fiscal 2017. Mr. Shoup noted the updates needed to account for the lowering of the employer retirement contribution rate to 20.00% and the \$48,000 fee approved for the development of a new retirement system database program. He stated the general expense budget is relatively unchanged excluding the one-time purchase. Investment Services which accounts for 49% of the total budget, are projected to increase 7.0% based on the actuarial assumed rate of return. Professional Services are budgeted to increase \$100, bringing the total budget up \$41,667 or 6.3%.

The Board discussed the collection of Ad Valorem Taxes and the reduction in State Revenue Sharing.

**Upon motion by Ms. Menard and second by Ms. Meyer, the Board voted unanimously to approve the Fiscal 2017 Budget and draft financial statements presented by G. S. Curran and Company.**

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

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

Ms. Dees provided a Director's Report to the Board, 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.

The Board discussed the Member Supplemental Savings Fund (MSSF) distributions of small amounts that members are not depositing after several attempts.

**Upon motion by Ms. Moorer and second by Ms. Waskom, the Board voted unanimously to create a policy that remaining MSSF balances below \$25, after two attempts to send to the member, are redistributed to the remaining members with money on deposit in the MSSF.**

Ms. Dees stated that she is close to getting a final quote for an Errors and Omissions Policy, but if the Board would like to authorize signature on a policy, ROVERS can have a policy in place before the next meeting.

**Upon motion by Ms. Moorer and second by Ms. Menard, the Board voted unanimously to give the Chairman and Executive Director the authority to sign an Error and Omissions Policy into effect as soon as possible.**

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

### **XI. Other Business**

After discussion among the board members, the next meeting date was scheduled for Thursday, July 21, 2016, at 9:00 am at the Renaissance Hotel in Baton Rouge, LA.

### **XII. Adjourn**

**Upon motion by Ms. Menard and second by Ms. Meyer, the Board voted unanimously to adjourn the meeting at 12:25 pm.**