

**Registrars of Voters Employees' Retirement System
Minutes of the Meeting of the Board of Trustees
October 19, 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

Charlene Menard called the meeting to order at 9:07 a.m.

II. Invocation and Pledge of Allegiance

Ms. Sandra Moorer offered an invocation, and Mr. Jon Breth led the Pledge of Allegiance.

III. Roll Call

Ms. Dees called the roll. Board members present were: Ms. Sandra Moorer, Ms. Charlene Menard, Ms. Deborah Waskom, and Ms. Billie Meyer. Mr. Dennis DiMarco, Mr. Dwayne Wall, Representative J. Kevin Pearson and Senator Russell Peacock were absent. A quorum was not present, however the meeting was held with no action taken. Others present included: Ms. Denise Akers (Legal Counsel); Ms. Cynthia 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, Mr. Stephen Brouillette, Ms. Kathleen Bouwkamp and Mr. Gary Curran (representing Actuary and Administrator, G. S. Curran & Company, Ltd.); and Ms. Annie Smith (House Retirement Staff Attorney).

IV. Public Comments

Ms. Dees noted that the Board did not have a quorum, but the meeting would be conducted. She agreed to give the absent board members a summary of what will need to be approved at the next meeting. Ms. Akers concurred that the Board could not take action without a quorum.

Upon motion by Ms. Meyer and second by Ms. Moorer, the board members present voted unanimously to amend the order of the agenda to begin with the presentation of the new retirement program by G. S. Curran & Company, Ltd.

V. Presentation by G. S. Curran & Company

Mr. Curran and Mr. Brouillette demonstrated some of the capabilities of the new retirement system that is being designed for ROVERS. Mr. Curran pointed out that a single record will be built for every member and that everything will be tied back to the proper member including their survivor information. He also indicated that it will be Windows compatible, user friendly, able to print member statements, and have some flexible reporting capabilities which will improve upon the current IPAS program. Mr. Brouillette reviewed all of the data fields contained in each record. One of the other improvements noted with this new system will be the history of a member's service. Ms. Dees asked if the system accommodated different accrual rates for transferred service; Mr. Brouillette replied that the system does allow for this. Ms. Moorer asked if Ms. Dees has a problem finding out about deceased members. Ms. Dees responded that usually she does not and she does a death audit once a year. Ms. Moorer also asked if a disability offset for a member would be captured in the system; Mr. Curran replied that it would be. Mr. Brouillette further explained that posting salary and contributions can be done

individually or in a batch. Mr. Curran explained that beneficiary information could be stored separately to an option or tied to the active record. Ms. Moorer asked if a report could be run on one employee; Mr. Curran said the system does have that capability. Mr. Curran also noted that there is a memo field and the space is unlimited for this feature. Ms. Meyer asked if records could be scanned into the system. Mr. Curran replied that as of now it would not have that feature, but there is a document tab allowing for future development. Ms. Moorer asked if there were internal controls for inconsistencies built into the system such as problems with a member coming out of DROP and not resuming contributions. Mr. Curran responded that they are building an exception report that will flag any missing information or inconsistencies. Ms. Dees added that some inconsistencies will be hard to find, since each parish pays on a different schedule. Mr. Curran also said that the system will be able to write checks and keep ledgers. Mr. Brouillette has built the basic structure of the new retirement system, and now he is working on the processing behind it and will obtain feedback from Ms. Dees as to other features needed. Mr. Curran stated that G. S. Curran & Company does not have a completion date at this time, but it will not be completed by the end of December. He stated that they would keep the Board posted as to the progress.

Ms. Moorer asked if the system could track the supplemental savings. Mr. Curran replied that the system is not designed for managing that account, since it is just dwindling down. Ms. Dees added that she could give Ms. Moorer the spreadsheet she utilizes to track the account.

Mr. Curran informed the Board that Brian Shoup is no longer with G. S. Curran & Company, Ltd., and Ms. Bouwkamp will take his place on the account.

VI. Review of Minutes

Ms. Moorer had a request to add as an attachment to the official July 21, 2016, minutes, the policy regarding calculating FAC Post-DROP into the Administrative Code under Title 58 that was submitted to the Louisiana Register from the System Attorney's Report at the last meeting. Ms. Menard added that we will add it as an attachment to the minutes for the next meeting for approval. Ms. Akers noted that it is posted on the ROVERS website. Mr. Curran said that G. S. Curran & Company will scan the attachment in as part of the July 21, 2016, minutes.

VII. Presentation by Capital One

Ms. Averette directed the Board's attention to the Custodian Report. She reviewed with the Board the breakdown of the assets indicating that domestic equity is the largest category at 41% followed by fixed income at 29% of the total assets. Then, she noted that ROVERS has 44.8% in mutual funds followed by 44.2% in traditional money managers as of the quarter end. Ms. Averette then reviewed with the Board the change in dollars from last quarter end to this quarter end highlighting that the portfolio is up for the quarter by \$4,090,622.82 due mostly to market appreciation and some from the movements including some funds that were closed out. There are small residual amounts in some of the accounts such as Commonwealth and Orleans Capital Energy, and she will have Ms. Dees move that residual income out to the cash or mutual fund account. On page 4, she noted the total market value balance for the quarter ending September 30, 2016, is \$80,436,764.87. She then reviewed the mutual fund trading activity for the quarter highlighting the sale of about half of Dodge & Cox International Stock Fund with the proceeds being used to purchase Vontobel International Equity Fund. With no questions from the Board, Ms. Averette introduced Mr. Walker Reynolds as the permanent portfolio manager on the MSSF account.

Mr. Reynolds then presented the Members Supplemental Savings Plan Asset Management report for September 30, 2016. He noted that this quarter markets around the world have been positive. On the portfolio summary tab as of September 30, 2016, MSSF was invested 5.5% in cash, 57.5% in fixed income, and 37% in equity. Then,

he reviewed the performance history by asset class noting that month-to-date the account was flat, year-to-date at 4.69% and since inception at 4.74%. Next, he went over the manager performance history highlighting that in the quarter he traded out of some of the mutual funds and into some exchange traded funds invested in fixed income securities. He explained that the reason for this trade was that ETF's have cheaper expense ratios and allow for better control when they want the account to own corporate or government. Also, Mr. Reynolds explained that because he thinks interest rates are going to increase, the shorter duration allows the account to better position for taking advantage of the possible upcoming interest rate news.

Mr. Reynolds then reviewed the investment policy statement which was updated in August of 2014 to show that the account is in compliance with the IPS. He noted that the account is in range of the limits of the asset allocation guidelines. Furthermore, he then pointed out the asset class guidelines broken down by equity investments and fixed income and cash equivalents in the IPS. Mr. Reynolds showed on the performance history by asset class that the account is beating the CPI (Consumer Price Index) in almost all time periods. Then, Mr. Reynolds reviewed the asset current weight compared to the strategic target. On the fixed income side, a couple of changes were made in the quarter to reduce the weight in the Developed International Fixed Income and the Emerging Markets Fixed Income, due to the possibility of a U.S. interest rate hike this year. Ms. Moorer asked Mr. Reynolds about their plans for the next 12-24 months for investing in the European and international markets. Mr. Reynolds explained that they are cautious, because the market sold off at the end of the second quarter due to Brexit causing a rally in international markets this quarter. Furthermore, he explained that the monetary policies that are occurring in Europe have never been seen before with negative interest rates and the central banks forcing additional liquidity in the market. He stated that you do not want to be on the wrong side of the central banks as they have a lot of control in the markets today. Mr. Reynolds reviewed the transactions for the quarter. He also noted that he rebalanced the account moving out of some fixed income from some government and international fixed income funds and moved into more ETF's weighted towards government and the U.S. with shorter durations so as to not be as sensitive to an interest rate change.

Ms. Dees asked if the Board needed to vote to accept the IPS as it has been presented with no adjustments. Ms. Akers responded that the Board should review it each year as well as bring up any suggestions for changes they have. She added that it should be voted on at the next meeting. Ms. Dees added that at the next meeting the Board should approve the IPS for the MSSF that was presented with no changes and to accept the MSSF report as presented at this meeting. Mr. Reynolds did not suggest any changes to the IPS.

Ms. Moorer asked Mr. Reynolds about the allocation of equities and ETF's in the MSSF. He replied that the MSSF is weighted with about 37% in equities and shifted more toward ETF's than mutual funds.

VIII. Presentation by the Investment Consultant, The Bogdahn Group

Mr. Breth announced that The Bogdahn Group will be rebranded in January 2017 with a new name. He will remain as the consultant for ROVERS, and ROVERS will not need a new set of contracts with The Bogdahn Group.

Next, Mr. Breth reviewed the Monthly Flash Report as of September 30, 2016. On page 2 of the report, he pointed out that it was a strong quarter across the board with a robust recovery in July and August after the Brexit volatility of the second quarter. He explained that the standouts for the quarter's performance were MSCI Emerging Markets and the Russell 2000 along with high yield bonds. Mr. Breth expects that post-election a quarter point interest rate hike is likely. He further explained that artificially holding down interest rates has a negative impact on individuals and those that are savers like retirees. Mr. Breth explained that the bigger change in the quarter was the reversal in the high yield sector such as consumer staples, telecom, utilities and real estate which gave up ground to financial services, technology, and consumer discretionary. He stated that the high yield sector tends to move like bonds and perform well as interest rates decline and not perform as

well as the interest rates rise. On page 6, he illustrated the strong returns across the board with a boost to emerging markets. On page 8, Mr. Breth noted that there were flat returns for fixed income and that the performance on fixed income was higher as the risk increased. Furthermore, he stated that as investors have needed to boost income, they are looking to different investments with higher risk and coupon payments. He explained that there has been a lot of capital flow into the U.S. market from Europe and Japan, which is supporting the market for US corporate bonds. Next, Mr. Breth directed the Board to page 10 to discuss the performance of each asset pointing out that the quarter-to-date performance for the total fund composite was slightly above the fund policy at 3.43%, but year-to-date performance was 5.81% slightly under the policy return of 7.54%. He reviewed the domestic equity managers and pointed out that the largest allocation is in Vanguard Total Stock Market Index Fund which was a position that was increased this quarter.

Mr. Breth also pointed out that after due diligence in identifying that Advisory took too much risk in managing stocks and that their performance was too low; he feels it is in ROVERS best interest to replace Advisory. He would like to identify a couple of managers today for the Board to interview in December. Mr. Breth further stated that the portfolio has a target of 15% in international equities and currently is underweighted at only 12% international and 40% US equities. He added that given the current market he is comfortable with that allocation. He explained that in order to earn the 7% long term rate of return for ROVERS, the international markets provide a lot of the return. As there is more clarity from the Brexit transition, he noted that would be a time to look at rebalancing the portfolio.

Next, Mr. Breth compared the assets in the international equity assets pointing out that Dodge & Cox International was most impacted by the Brexit vote and the subsequent rally which created strong performance in the quarter. The position in Dodge & Cox was cut to capture the gains from the rally, and the proceeds were invested in a new position, Vontobel International. Vontobel is a more growth oriented fund with a conservative manager largely invested in consumer staples like tobacco stocks versus a value oriented fund. In the Total Fixed allocation, Mr. Breth noted that Orleans Capital outperformed for the quarter as did Pimco Diversified. He stated that Templeton Global Bond underperformed for the quarter and suggested keeping a watch on them. Ms. Moorer asked Mr. Breth that since Templeton Global is down, why not switch to an index which in comparison has much better year-to-date returns. Mr. Breth explained that Templeton serves as a complement to PIMCO and provides a hedge to the Orleans and PIMCO portfolio. He further explained that Templeton provides an offset if interest rates rise. He also stated that the index was artificially inflated with the stock market sell-off in the US markets, and the index is built with a lot of interest rate sensitivity. He suggested that as rates dramatically dropped this year, they benefited but that on a long term basis it is better to not index. He replied that it is a tough time to index anything internationally. He suggested re-evaluating it in the fourth quarter when possible interest rate changes may occur or even consolidate with the remaining holdings in the Total Fixed Income. Ms. Moorer asked that we readdress moving out of Templeton Global at the next meeting.

Mr. Breth reminded the Board that Equitas continues to be in liquidation and that ROVERS' interest in St. George Air Parc was sold. There are two remaining properties in the FWAR portfolio in Arizona. He said that Greenspring Crossover is in liquidation and on track to be fully liquidated in 2017. He also noted that American Core Realty was up 1.81% for the quarter and in line with the index and target. Mr. Breth continued his performance review comparing Westwood to Blackrock noting that there was a significant difference in the performance with Blackrock outperforming for the quarter.

He pointed out the balance in the money market fund account and asked Ms. Dees if the balance was available to invest. Ms. Dees replied that she has some members about to retire at the end of the year, so she would be better able to assess it in December. She also explained that given the catastrophic flood this quarter, she expects less ad valorem tax revenue coming in. Mr. Breth stated that it sounds like the system should leave the cash in the money market fund and the bank cash account and review the matter at the next meeting.

Next, Mr. Breth moved on to the Investment Manager Review comparing the four investment options to replace Advisory Research: Anchor Capital Advisors, Eagle Capital Management, Gabelli Funds, and Legg Mason Brandywine Global Investment Management. He compared their management fees noting that Eagle has a tiered fee structure which would put ROVERS potential fees at about .85%. Gabelli would probably accommodate a separately managed account with a management fee of about .8%, and then Anchor would have the highest fee of 1%. Finally, Brandywine would have the lowest fee of .65%. Mr. Breth then compared the portfolio composition and their sectors along with the total firm assets on page 4 and 5. He noted that Anchor is a more concentrated portfolio with the smallest number of stocks, and Gabelli had the largest number of holdings.

Ms. Moorner asked Mr. Breth about the difference between separately managed accounts and an open-ended fund. Mr. Breth responded that separately managed accounts are open for trading at Capital One and Capital One is the custodian for the asset versus an institutional mutual fund. Mr. Breth pointed out that only Brandywine would require investing through the mutual fund vehicle, because it would not be cost effective to have a separately managed account with the amount of trade activity in that portfolio. He reviewed the market capitalization of each investment manager. Mr. Breth said that the goal for choosing an investment manager is to complement Westfield and outperform the Russell 3000/US Stock market. He reviewed the historical performance of each. He noted that Anchor had a less consistent performance over time. Mr. Breth said that he liked Eagle, because the manager had the longest track record. He also pointed out that Anchor is moving towards a manager retiring in the next few years. He further stated that Legg Mason manages more from a computer modeling and testing system with a research oriented strategy versus a traditional portfolio manager.

Ms. Moorner asked how much would be invested in the new fund. Mr. Breth replied it will be \$10,000,000. He suggested that the Board identify two managers to interview at the next meeting.

Page 10 illustrated that Brandywine has had the most consistent in returns over time. Mr. Breth further explained that Gabelli and Anchor are most like what ROVERS has today in Advisory and recommends the Board bring in Eagle and Brandywine for the December meeting. Mr. Breth compared the two stating that Eagle is a small employee owned firm and that Legg Mason has a large parent company with a dispassionate way of assessing stocks. Ms. Waskom asked whether the Board would be able to pick the two managers today to bring in for the next meeting by having the four members present agree and ask for additional votes from two other board members that are not present and just ratify it at the next meeting. Ms. Akers reminded the Board that they could not accept votes from a member not present at the meeting such as over the phone. Ms. Dees pointed out that they could simply request Mr. Breth have them at the December meeting.

Ms. Moorner suggested that they employ Legg Mason because of their computer model approach along with the lower expense ratio and suggested that they not interview anyone else. Ms. Dees suggested that they go through the interview process, because all board members were not present. Ms. Akers suggested that they bring in both managers, so all of the Board members could vote. Mr. Breth said he would compile a more precise comparison of just Eagle and Brandywine for the December meeting. Ms. Moorner requested that the comparison be sent to the Board prior to the meeting.

Mr. Breth noted that at the last meeting the investment policy statement was approved, but he did not get them signed. Ms. Dees said she would sign and forward to Mr. DiMarco for him to sign and return to Mr. Breth.

With no further business, the Board agreed to take a 5 minute break, and then move onto the next agenda item.

Ms. Menard stated that the Board could agree to go into Executive Session to go over the Commonwealth litigation. Ms. Moorner suggested postponing until the next meeting, and Ms. Akers concurred.

Ms. Waskom suggested that there be a board policy that as soon as a board member knows they cannot attend a meeting that the Director is informed. Ms. Dees stated the reason she didn't call the meeting off was, because she only found out yesterday about Mr. DiMarco. She explained that he was planning to attend but had some health issues. Ms. Dees suggested that another board position be added which would mean they would have an odd number. Ms. Moorer concurred that they need a seventh member on the Board. Ms. Dees will add it to the agenda for the next meeting to add possible legislation to add a seventh member to the Board. Ms. Akers agreed that it requires legislation to enact.

IX. Report from the System's Attorney

Ms. Akers explained that she wanted to raise board governance issues because of some recent issues that occurred. She discussed the difference in the appropriate role of board members, who set general board policy, and the system director who handles the day-to-day issues. She suggested that board members refer any calls from members to the system's Director. Ms. Akers stated that the Board should feel comfortable that the Director handles the day-to-day issues that she was hired to do. She stated that the system would run more smoothly if board members dealt directly with the Director related to any member issues or unique situations.

Ms. Moorer pointed out that ROVERS has grown a lot and that she felt that the system did not have sufficient policies, procedures, or internal controls in place. Ms. Akers responded that the boards she works with have policies to address situations that have come up or a handbook which includes a summary of the plan. Ms. Moorer reiterated that ROVERS was lacking internal controls and stated that she feels the Board has been blocked out of certain issues in the past. She further explained that when a member feels like an issue is not resolved by the Director, they will then call board members.

Ms. Akers explained that Ms. Dees was not informed first when a member called Ms. Moorer on the recent banking issue. The Board discussed the late October benefit payment and the way that the situation unfolded. After a discussion among the board members, Ms. Dees asked that she be made aware of calls from members related to benefits because she has the ability to track them. Ms. Dees explained that the entire batch for October went out on the same day. Ms. Waskom stated her concerns regarding late payments and asked that the Director email the entire Board in such cases. Ms. Dees explained her process for making monthly benefit payments and discussed a problem with a change she made to the batch. She said that she noticed it on Monday (October 3rd) and went to The Bank and met with them for a couple of hours to untangle the error; she reiterated that all checks were released Tuesday (October 4th). Ms. Akers suggested that Ms. Moorer give Ms. Dees the member's name who did not receive their check until October 7th, so Ms. Dees could check on it.

Ms. Dees reminded the Board that ROVERS pays the retirees their benefits in advance at the beginning of the month. She reiterated that she does want to have benefits paid on time. Ms. Dees stated that she would like Board approval to look into other banks. Ms. Waskom suggested Ms. Dees obtain recommendations from other retirement systems. Ms. Akers added that Ms. Dees should gather some banking options and bring them to the next meeting. Ms. Akers pointed out that ROVERS has just a part-time director and assistant and all other systems have a full time Director and staff. Ms. Moorer added that ROVERS is at a point that a Registrar does not have time to run the retirement system and their Registrar's office. Ms. Dees said she will work on having a management firm take over when she retires; Ms. Moorer agreed that they need to start moving towards that.

Ms. Meyer expressed her concern that an email was sent to the Board from Ms. Moorer regarding the late benefit payments without the Director first being contacted. Ms. Moorer responded that the Board needs to be made aware of such issues. The Board discussed the situation, and Ms. Waskom suggested that Ms. Dees proactively communicate system-wide problems to the Board. Ms. Dees stated that she did not know that there was a problem initially. Once she did, she immediately met with The Bank to find out why the status of the batch was still pending and to correct it.

Next, Ms. Akers let the Board know that the credit card usage policy was unchanged from the last one they were given except for adding that the maximum limit of the credit card is \$10,000.00. She added that the Board could vote on it at the next meeting. Since no board members had any comments, they moved onto the next agenda item.

Ms. Akers then discussed the status of the Louisiana Register approval of the calculation of the Post DROP FAC. She stated that ROVERS completed the 60 day period, that it was posted on the ROVERS website and that no one sent an objection. She informed the Board that the next step was to notify the legislators and post the final version of the rule on the website giving notice that in 30 days they will publish it. Ms. Akers noted that they will be able to send the final rule to the LA Register on November 9th to be published. Ms. Akers noted that there was one typographical error on the final rule, and she was allowed to just highlight and correct “financial” to “final”.

V. Presentation by G. S. Curran & Company (continued..)

Next, Ms. Bouwkamp presented the ROVERS financial statements for the quarter ending September 30, 2016. She reviewed the Budget vs. Actual highlighting that overall ROVERS is on track for the quarter at an actual of 23.7% of the annual budget. Ms. Bouwkamp pointed out that the deposit of half of the customized software fee of \$48,000 will be billed soon. Next, she reviewed the Balance Sheet pointing out the asset moves that affected the market values of the assets such as the liquidation of Orleans Energy, sale of half of Dodge & Cox, the purchase of Vontabel and the writing down of Commonwealth. Ms. Akers added that that the balance of Commonwealth does not represent the part in litigation but the CA Recovery Fund. After no questions from the Board, the Board moved onto the Director’s Report.

X. Director’s Report

Ms. Dees asked Ms. Akers how to proceed with the LA Compliance Questionnaire that has to be approved at a board meeting. Ms. Dees explained that usually she has each board member sign that they are in compliance. Ms. Akers said she is not familiar with that document, but she agreed that Ms. Dees could sign the questionnaire and send into the auditor and follow up with the board members.

Ms. Moorer asked if Ms. Dees purchased Errors & Omissions insurance yet. Ms. Dees replied that she has not, because she needed to present the estimates to the Board. Ms. Dees reviewed two different estimates. The first estimate was from Burns & Wilcox and the other was an estimate from DAL insurance. The estimate from DAL insurance was based on what MERS is charged and included policy coverage on board members and the directors and officers and fiduciary responsibility coverage. Ms. Moorer requested that Ms. Dees email the Board the estimates.

Ms. Dees then announced that Ms. Moorer was the only qualifying applicant for the open seat on the Board and was re-elected to the Board for four more years; no election was needed.

Ms. Dees then explained that she had a retiree that passed away, Roy Allison, with outstanding checks that have not been deposited. She said that the family does not want to open a succession. Ms. Dees received a request to direct deposit his benefit in his granddaughter’s account, however, Mr. Allison was a surviving spouse of a member. Ms. Akers recommended that an affidavit for a small succession be completed in order to determine where the outstanding benefit payments should go. Ms. Moorer suggested waiting until the December meeting because it is a relative of Mr. Wall. Ms. Akers reiterated that it is really a legal issue and does need to be brought to the Board. Ms. Akers will provide Ms. Dees with the form.

Ms. Dees reiterated that she wants to find a new bank and that she would present the rest of her report at the December meeting. The Board decided to postpone the rest of Ms. Dee's agenda items to the next meeting.

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

X. Other Business

After discussion among the board members, the next meeting date which will be a special meeting was scheduled for Tuesday, December 20, 2016, at 9:00 am at the Renaissance Hotel in Baton Rouge, LA.

The Board also discussed the January 2017 meeting be held at the Registrar's Association Seminar in Covington, LA.

XI. Adjourn

Ms. Menard called for the meeting to be adjourned at 12:18 pm.