

**Registrars of Voters Employees' Retirement System
Minutes of the Special Meeting of the Board of Trustees
December 28, 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

Mr. Dennis Dimarco called the meeting to order at 9:00 a.m.

II. Invocation and Pledge of Allegiance

Representative Barbara W. Carpenter offered an invocation, and Mr. Dwayne Wall led the Pledge of Allegiance.

III. Roll Call

Ms. Menard called the roll. Board members present were: Ms. Billie Meyer, Ms. Charlene Menard, Mr. Dennis DiMarco, Mr. Dwayne Wall, Ms. Deborah Waskom, and Representative Barbara Carpenter. Senator Barrow Peacock and Ms. Sandra Moorer were absent. Others present included: Ms. Lorraine Dees (System Director); Ms. Rebecca Wisbar (Legal Counsel); Mr. Greg Curran, Ms. Kathleen Bouwkamp and Ms. Sondra Bordelon (representing Actuary and Administrator, G. S. Curran & Company, Ltd.); Ms. Annie Smith (House Retirement Staff Attorney); Ms. Michelle Cunningham and Mr. Eddie McIntyre (representing Auditor, Duplantier, Hrapmann, Hogan, & Maher, LLP) and Mr. Brian Champagne (St. Charles ROV).

IV. Public Comments

Mr. Champagne noted that it has been years since ROVERS attended a meeting of the Louisiana Registrars of Voters' Association. He stated that their 2018 conference was to be held in Marksville in February 2018. Mr. Champagne stated that he believed it was important that the System be available to the Association. Ms. Menard responded stating that the Board did not plan to attend in 2017 because they were interviewing money managers. She added that in the past the ROVERS Board was not put on the agenda following a change in Association Secretary. Mr. Champagne disagreed with that and said he spoke with Ms. Dees about ROVERS coming back. Ms. Dees said they had been bumped from the agenda in the past. Ms. Wisbar interjected stating this time is for comments and should not be a question and answer session and added that the Board would take Mr. Champagne's comments into consideration. Ms. Menard suggested that Ms. Dees could attend the upcoming conference and give a report on the status of the retirement system. The Board agreed to further discuss the topic before adjourning.

V. Review and Approval of Minutes

Upon motion by Ms. Menard and second by Ms. Meyer, the Board voted unanimously to approve the minutes of July 21, 2016, with attachment.

Upon motion by Ms. Meyer and second by Mr. Wall, the Board voted unanimously to approve the minutes of October 19, 2016.

VI. Report from the System's Attorney, Rebecca Wisbar

Regarding the Commonwealth Litigation, Ms. Wisbar stated that there was a status conference between the parties and the judge this past October. The judge asked the parties to get together. Initially it was stated if the parties go to trial it would be scheduled for two years in the future. If the parties agree to a special master then they may get a trial in one year. With a special master, the parties would have to pay. Ms. Wisbar stated that she would report again when there was an update in status.

Ms. Wisbar stated that the Credit Card Usage Policy had been implemented but had not been approved in writing. Ms. Dees mentioned that the policy had already been reviewed. She further stated that the System has only one credit card. Ms. Wisbar stated that the written policy had been reviewed by Ms. Akers.

Upon motion by Ms. Meyer and second by Ms. Menard, the Board voted unanimously to approve the Credit Card Usage Policy.

Ms. Wisbar confirmed that the Post-Drop FAC Policy was approved and added to the Louisiana Register. She stated that no motion was needed.

Per her discussion with Ms. Akers, Ms. Wisbar confirmed that the discussion of any internal controls/policy statements on handling administrative issues in the office would be deferred until the next meeting.

VII. Report from Duplantier, Hrapmann, Hogan, & Maher, L.L.P.

Ms. Cunningham presented the financial statement and compliance audit report for the Registrars of Voters Employees' Retirement System (ROVERS) for the year ended on June 30, 2016. She directed the Board to a presentation outlining the results of the audit. On page 2 and 3, she covered the management's and auditor's responsibilities. Ms. Cunningham stated that ROVERS received an unmodified opinion; there was nothing that they couldn't audit, and there was nothing that they were asked not to audit. She stated that the System's financial statements were materially stated and had no significant deficiencies or material weaknesses of internal controls. She added that there were no material violations of laws and regulations and no non-compliance found in testing the credit card purchases.

Ms. Cunningham reviewed an emphasis of matter paragraph related to the use of actuarial assumptions in determining the GASB 67 total pension liability. On page 8, she introduced GASB 72 "Fair Value Measurement and Application." This policy resulted in some significant increases in footnote disclosures on investments. She further explained that the standard requires the System to report investments based on levels which separate investments by valuation technique.

On page 11, she confirmed that there were no uncorrected misstatements, no difficulties encountered in performing the audit, no noted consultation with other independent accountants and that a management representation letter dated December 22, 2016, had been obtained by her firm. Ms. Cunningham reviewed her findings detailed on page 12; as a result of their testing, they noted one retiree was receiving an incorrect benefit. The retiree had received \$250 per month in excess of the correct benefit amount, dating back to 2005, resulting in approximately \$30,000 of total overpayments to the retiree. She recommended that the System consult with their attorney to discuss steps to reduce the monthly benefit to the proper monthly amount and assess the ability to recover the excess benefit payments. She also recommended that the System put in place internal controls to prevent this from occurring again in the future.

Ms. Cunningham reviewed the Condensed Comparative Statement of Fiduciary Net Position (balance sheet) which showed that the System's total assets as of June 30, 2016, were \$80,823,259 versus \$81,370,003 as of June 30, 2015. She added that the Members' Supplemental Savings Trust Fund had total assets of \$1,069,511; there was net investment income of \$21,589, but a total decrease of \$91,665 due to \$113,254 of member withdrawals. She stated that since there are no further additions to this fund, it will continue to decrease year after year.

Page 23, Net Pension Liability of Employers, showed information from the last 3 years, including the discount rate used, Expected Real Rates of Return, Money Weighted Rate of Return, Total Pension Liability, Plan Fiduciary Net Position, and the Employers' Net Pension Liability.

Ms. Cunningham stated that GASB 67 requires Census Data Testing. She added that they did testing on Lafayette Parish, Plaquemines Parish, Jefferson Parish, and the State of Louisiana. Ms. Cunningham stated that they found one member in St. John the Baptist Parish who was not properly enrolled in the System. She added that because of the finding, St. John the Baptist Parish and Ms. Dees would get together to discuss this issue. Ms. Dees mentioned that the Board needed to make a decision regarding how the System would like her to proceed.

Ms. Cunningham then mentioned that G. S. Curran & Company will use the contributions by employer to allocate the total pension liability. These numbers would be audited and a GASB 68 report would be issued in the next few months.

Ms. Waskom asked Ms. Cunningham if it was their responsibility to audit the timeliness of the benefit checks/payments going out because there had been multiple errors this past year. Ms. Cunningham stated that the auditor only tests that the correct person and amount is paid and that benefits are materially stated.

Ms. Cunningham directed the Board to the additional handout which is the Agreed Upon Procedures Report, which showed each employer that was tested and all findings of the report. She explained how random samples are taken. She then handed out copies of the full report to the Board.

Ms. Waskom asked why the discussion of internal controls/handling administrative issues was deferred until the next meeting. Ms. Wisbar stated that it was deferred so that it could be discussed at a meeting with all Board members present.

Ms. Dees then discussed the audit finding regarding the overpayment to a retiree and stated that she had made an oversight. The individual should have been receiving \$1,002 per month but instead received \$1,250 per month. She explained that the individual was now deceased so his spouse, who was in a nursing home, was receiving a survivor benefit. Ms. Dees stated that the benefit was corrected as of November 2016. Ms. Dees added that the survivor was no longer being overpaid, but that the System's attorney had suggested that the Board make an effort to recover what was lost by reducing future benefits up to \$250 per month.

Ms. Waskom stated that this error should fall under an Errors and Omissions policy. Ms. Dees stated that she had already checked, and it was not covered by E&O and that the System did not have that type of insurance. Ms. Dees said in 2005 the System had a fraud policy but not an E&O policy. The Board discussed the option of reducing the monthly benefit to collect the overpayment.

Ms. Wisbar stated that the Attorney General issued an opinion regarding a similar situation, which stated that the Board had a fiduciary obligation to recoup an overpayment but that it could be recouped by reducing the monthly benefit. Mr. Wall asked if Ms. Wisbar had a copy of the Attorney General's opinion. Ms. Wisbar stated that she did not, but one could be provided for the next meeting.

Mr. Wall asked when these findings had been discovered and reported to the Director. Mr. McIntyre stated it was late October. Ms. Dees confirmed that time period and said that she had immediately reduced the monthly benefit to the correct amount. Ms. Waskom asked if there was anything in place to prevent this in the future. Ms. Dees mentioned that Duplantier reviews every new retiree/survivor folder and pulls a random sample from existing retiree/survivor folders.

Mr. Curran mentioned that the error had been caused in part by a typo on the cover letter sent to Ms. Dees with the actuary's calculation of the member's benefit. He further stated that the attached benefit calculation was correct. He added that his office no longer restated the benefit on the cover letter to avoid typographical errors, since cover letters are not double checked within his office. He added that his office could review benefits being paid at the end of each year as a second check. In addition, he suggested, once the new computer system is complete, the actuary's office could compare the final benefits selected by members against the data input into the computer system.

Ms. Dees stated that she needed the Board to decide how much to reduce the benefit to recoup the overpayment. She stated that based on the attorney's advice, the reduction could be an amount between \$0 and \$250. Ms. Waskom reiterated that the Board needed the Attorney General's opinion before making a decision.

Upon motion by Mr. Wall and second by Ms. Meyer, the Board voted unanimously to defer the decision related to recouping the overpayment of benefits to the next meeting.

Ms. Dees discussed the auditors' finding about an employee from St. John the Baptist Parish who was not properly enrolled in the System. She stated that the employee did not want to be enrolled, but that she was required to join the System as a condition of employment. She had since found out that the parish had incorrectly put her in social security. Ms. Dees stated that this individual did sign a Forfeiture of Retirement Benefits Form and Statement Concerning Your Employment in a Job Not Covered by Social Security form, which the employee assumed had meant that she could opt out of the system. Mr. Curran passed around a copy of the forms and stated that these forms did not provide members the right to opt out of the System.

Ms. Dees then stated that she calculated that over the past 4 years this employee would have owed approximately \$9,000 to the System, and that the parish police jury would have owed approximately \$36,000 plus interest to the System. She added that since it was the parish's responsibility to enroll the member, they would be responsible for the interest. Ms. Dees suggested that the other option would be to have the employee sign something stating that she did not want to pay the contributions owed and understood that she was forfeiting those 4 years of service. Ms. Dees added that this employee was required to be enrolled going forward and that this would have to be a final and binding decision. Ms. Waskom stated that her concern was that the Director should have realized that the State had contributed while the Parish had not. Mr. Curran explained that it was an issue of payroll frequencies being different and that the current computer system did not flag the situation. He added that the new computer system would improve the Director's ability to detect these situations.

Mr. Curran suggested that Ms. Akers and Ms. Wisbar begin the process by sending a formal demand letter to the parish asking them to pay the contributions and interest owed. He added that the System may be able to request the amount owed be paid by the State Treasurer out of any funds owed to the parish. He suggested that the System notify the parish and the member that service credit cannot be granted without payment of contributions and interest owed to the system.

Ms. Dees stated that she relied on salary information from the employer. Mr. Wall suggested that Ms. Dees had access to everyone's salaries through the Secretary of State's office and indicated that there was a spreadsheet

of every individual in the Association showing their salaries. Ms. Dees stated that she was not aware of that. Mr. Wall suggested that the Director get a certified list from the employers each year to be able to verify that the System was getting the proper amounts.

Upon motion by Ms. Waskom and second by Ms. Meyer, the Board voted unanimously to have the System's Attorney send a letter of demand to St. John the Baptist Parish requiring the payment of unpaid contributions owed plus interest and allowing 30 days for them to respond.

Upon motion by Ms. Waskom and second by Mr. Wall, the Board voted unanimously for Ms. Dees to send a letter to each parish requiring a certified list of all Registrars' office employees, both full time and part time, and to inform each parish that this will be an annual verification.

Upon motion by Ms. Menard and second by Ms. Meyer, the Board voted unanimously to approve the Louisiana Compliance Questionnaire as presented by the Director.

VIII. Report from G. S. Curran & Company

Mr. Curran directed the Board's attention to the System's actuarial valuation report as of June 30, 2016. He informed the Board that the verbiage section of the report had been expanded to give the reader more information regarding the actuarial process and risks faced by a retirement system. He reviewed the risk factors contained within the report. He stated that the System's sensitivity to investment earnings under or over the assumed rate of return by 1% was shown at the top of page 6. He added that the System would expect its actuarially required contribution rate to increase by 0.70% if the System earned 1% less than the assumed rate of return. Mr. Curran stated that a measure of risk related to plan maturity is the ratio of total benefit payments to active payroll. He stated that for fiscal 2016 this ratio was 33.45% versus 24.29% ten years ago. This shows that the plan is maturing. He added that the report also discussed the expected increase in the actuarially required contribution rate for a reduction in the valuation interest rate of 1%. He stated that for fiscal 2017, the actuarially required contribution rate would increase by 11.59% of payroll for a 1% decrease in the valuation interest rate. This would also be the amount that the System's required contribution rate would increase over time if the System earned only 6% on average versus the assumed rate of return of 7%.

Mr. Curran reviewed the statutes that affected ROVERS in the 2016 session.

Mr. Curran reviewed the System's rates of return on the total audited assets for 2016. He stated that the market rate of return was -2.0%. After incorporating the actuarial asset smoothing, the actuarial rate of return for 2016 was 3.0%. Therefore, the plan earned less than the assumed rate of return of 7%. This resulted in an actuarial loss. This shortfall increased the normal cost accrual rate by 2.7119%.

Mr. Curran reviewed the demographic and liability experience of the System during fiscal 2016. He stated that liability experience was favorable, with salary increases below projected levels. This actuarial gain decreased the normal cost accrual rate by 1.6526% which offset the actuarial investment loss.

Mr. Curran added that in addition to asset and liability experience, new members to the plan were cheaper on average than current members. New members further reduced the normal cost accrual rate by 1.6276%.

Mr. Curran reviewed the minimum recommended net direct employer contribution rate for fiscal 2018 as shown on Exhibit I. He reviewed the components of the calculation and stated that the minimum rate was 14.00% for 2018. He stated that the projected ad valorem taxes had been adjusted to account for the expected effect of the significant flooding in 2016 on property taxes.

Mr. Curran stated that the Funding Deposit Account had increased by \$1,124,211 in additional contributions made by employers and that the ending balance was \$2,068,558.

Mr. Curran informed the Board that because the System had no excess interest earnings, they could not authorize a COLA unless it was determined that the law authorized payment from the Funding Deposit Account in a year without excess interest earnings. He stated that the issue was being researched for the Parochial Employees' Retirement System and that he would notify the Board of the outcome of that review at a future meeting.

Upon motion by Ms. Meyer and second by Ms. Waskom, the Board voted unanimously to approve the actuarial valuation report for June 30, 2016, as presented.

Mr. Curran stated that the GASB 67 numbers had been completed and provided to the System's auditors but that under GASB 68 the amounts would be allocated to each of the employers. He stated that the GASB 68 allocations would be completed in the next few months and likely presented at the April meeting.

The Board discussed the fact that the ROVERS statutes require that a member who terminates and takes a refund of employee contributions must return to membership for four years to be entitled to repay the amount withdrawn with interest to regain the service credit. Ms. Dees stated that she would prefer that be changed to require something like the 6 months required to transfer service credit. Mr. Curran stated that he did not have a problem with the concept of shortening the period required to repay refunds but that it would be difficult to deal with it in the 2017 legislative session since it was a fiscal session.

Upon motion by Ms. Waskom and second by Ms. Meyer, the Board voted unanimously to defer the issue of changing the timeframe required to allow repayments of refunded contributions.

IX. Director's Report

Ms. Dees stated that more information was needed to make a decision regarding the Errors and Omissions policy estimates and coverage. She also stated that she will further discuss this with Mr. Curran and provide more detailed findings at the January 2017 meeting.

Ms. Dees discussed the possibility of adding a 7th board member, however Representative Carpenter stated that she would do her best to attend as many meetings as possible. Ms. Dees stated no further action was required at this time.

Ms. Dees informed the Board that she had 3 larger banks that could possibly replace The Bank, but did not have the list at that time. She expressed her opinion that it needed to be a bank that was easily accessible regardless of the bank's location.

Ms. Dees directed the Board's attention to a Disability Retirement, which had been approved effective October 20, 2016, and stated that no action was necessary at this time.

Regarding the discussion and action related to an employee who had contributed only on state pay, Ms. Waskom reiterated that the Board asked the System Attorney to send a demand letter previously in this meeting.

Ms. Dees stated that the same parish had a previous error. She added that St. John the Baptist Parish also forgot to reenroll an employee and deduct employee contributions after she completed DROP participation. She stated that the parish would be assessed late fees.

Regarding reports on member enrollments, member terminations, new retirements, DROP entries, and Member's Supplemental Savings Fund refunds, Ms. Dees handed out her Director's Report with information from July 1, 2016, through December 28, 2016.

Mr. Wall stated that he had an employee that was upset about receiving an incorrect benefit calculation. He asked Ms. Dees if DROP calculations were approved through the Actuary. Ms. Dees confirmed that calculations were approved through the Actuary, but estimates were not approved through the Actuary. Ms. Dees said that Mr. Wall should have called her and informed her about the situation. Ms. Dees asked the Board to let her know if any member had an issue. She further asked that Board members let her know as soon as possible so that she could address the issue immediately and also bring that individual's file to the Board meeting for discussion, if necessary.

Mr. Wall asked why the Board wasn't notified immediately about the findings contained within the Auditor's report. Ms. Dees stated that she handled her part of correcting the error immediately and was presenting the issue to the Board at the next available meeting, which was that day. Ms. Wisbar interjected and stated that this topic of handling administrative duties and internal controls would be part of the next meeting agenda.

Ms. Waskom asked if there were any updates on the \$35,000 the Board paid to the IRS for tax fines and penalties. Ms. Bouwkamp stated that Duplaniter was researching this for the Board, and Mr. Curran stated that his firm would ask Ms. Cunningham for a written response.

Ms. Menard expressed that this may be a good time to discuss preparations for a replacement of Ms. Dees upon her retirement. Ms. Dees stated that she felt like she had lost the trust of the Board. She stated that G. S. Curran and Company has worked with her for many years and their firm could be the ultimate replacement. Mr. Curran mentioned that G. S. Curran and Company now had nine people in their office and several years of similar experience with the pension fund for the Baton Rouge bus company, Capital Area Transit System, another similar System. Mr. Curran stated that if the Board was interested, he would meet with Ms. Dees to further discuss this option. Ms. Waskom stated they she wanted to see the System managed by a firm instead of an individual.

Upon motion by Ms. Waskom and second by Ms. Meyer, the Board voted unanimously to have the attorney research the possibility of having G. S. Curran & Company, Ltd. represent the Registrars of Voters Employees' Retirement Systems as plan administrator as well as serving as their Actuary.

X. Other Business

The Board discussed the Registrar's Association Seminar in Covington, Louisiana, and Ms. Dees agreed to attend on Thursday, February 2, 2017, between 1:30-5:00 pm.

After discussion among the board members, the next meeting date was scheduled for Thursday, January 26, 2016, at 9:00 am at the Renaissance Hotel in Baton Rouge, LA.

Mr. Dimarco stated that the Board needed to select meeting dates for 2017. Ms. Dees stated that the System generally meets on the fourth Thursday of the month following the end of the quarter. The following dates were agreed upon: January 26th, April 27th, July 27th, October 26th, and January 24th of 2018.

XI. Adjourn

Without objection, the meeting was adjourned at 12:21 pm.