

**Registrars of Voters Employees' Retirement System  
Minutes of the Meeting of the Board of Trustees  
January 18, 2017**

The meeting of the Board of Trustees for the Registrars of Voters Employees' Retirement System was held at the Renaissance Hotel, located 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**

Ms. Sandra Moorner offered an invocation, and Representative Barbara W. Carpenter led the Pledge of Allegiance.

Ms. Akers swore in Representative Barbara W. Carpenter as a member of the Board of Trustees for the Registrars of Voters Employees' Retirement System.

**Upon motion by Ms. Moorner and second by Mr. Wall, the Board voted unanimously to adjust the agenda to conduct officer elections each year at the first board meeting in January.**

Ms. Dees asked if the election of officers could be conducted in public comments, and Ms. Moorner replied that it should occur before roll call. Ms. Akers then redirected the Board to roll call then public comments before they addressed anything on the agenda.

**III. Roll Call**

Ms. Dees then called the roll. Board members present were: Ms. Billie Meyer, Ms. Charlene Menard, Representative Barbara Carpenter, Mr. Dennis DiMarco, Mr. Dwayne Wall, Ms. Sandra Moorner, and Ms. Deborah Waskom. Senator Barrow Peacock was absent. A quorum was present. Others present included: Ms. Lorraine Dees (System Director); Ms. Denise Akers (Legal Counsel); Ms. Annie Smith (House Retirement Staff Attorney); Ms. Michelle Cunningham (representing Auditor, Duplantier, Hrapmann, Hogan, & Maher, LLP); Ms. Cynthia Averette and Mr. Walker Reynolds (representing the Custodian of Assets, Capital One Bank); Mr. Jon Breth (representing the Investment Consultant, AndCo Consulting); Mr. Greg Curran, Ms. Kathleen Bouwkamp and Ms. Sondra Bordelon (representing Actuary and Administrator, G. S. Curran & Company, Ltd.); Mr. Brian Champagne (St. Charles ROV); Mr. Steve Raborn (East Baton Rouge ROV); and Ms. Shelly Bouvier (Administrative Assistant Jefferson Parish ROV).

**IV. Public Comments**

Ms. Moorner stated that she apologized for being absent at the last meeting, but she had a prior obligation. She further stated that she had always asked that one meeting a year be held at the Association Seminar and was disappointed that at the last meeting it was not planned for this year. Ms. Dees expressed that it was time consuming to have a regular board meeting at the seminar. Ms. Moorner explained that in the past it had been done and some of the professionals would make a presentation instead of an actual board meeting being held at the seminar.

**Upon motion by Ms. Moorer and second by Mr. Wall, the Board voted unanimously to add to the agenda, under Other Business, the discussion of the attendance of the Retirement System at the Louisiana Registrars of Voters' Association Seminar in February 2018.**

Mr. DiMarco stated that the agenda would be adjusted to add the election of officers, Chairman and Vice Chairman of the Board, and the discussion of the attendance of ROVERS at the 2018 Association Seminar under Other Business.

There were no further public comments.

#### **V. Review and Approval of Minutes**

Next, Representative Carpenter stated that she would like to correct page 6 of 7 of the minutes from December 28, 2016, which indicated that she said she planned to attend all meetings. She clarified that she wanted it to be known that she would do her best to attend as many meetings as possible. Ms. Dees stated that this would be corrected to state that Representative Carpenter would attend as many meetings as possible.

**Upon motion by Ms. Menard and second by Ms. Meyer, the Board voted unanimously to approve the minutes of December 28, 2016, with the above correction.**

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

Ms. Averette directed the Board's attention to the Custodial Report. She reviewed the breakdown of assets for the period ending December 31, 2016, with a total asset balance of \$81,305,719.89. She reviewed in her report that the market value as of June 30, 2016, was \$76,346,142.05 versus the market value of December 31, 2016, which was \$81,305,719.89. Ms. Averette stated that a majority of the change in value was due to an increase in mutual funds of approximately 3.6%. She mentioned that the investment fees paid in the plan year-to-date totaled \$140,998.88 which did not include mutual fund fees. She explained that the class action settlement payments for the Quarter End December 31, 2016, totaling \$791.16 would go into the cash account. Next, Ms. Averette stated that the Member Supplemental value reconciliation for the quarter end December 31, 2016, totaled \$1,039,922.55.

Mr. Reynolds then presented the Members' Supplemental Savings Plan Investment Performance Review for December 31, 2016. He discussed the Portfolio Asset Allocation which showed that the System is in an Income Focused Platform. He gave a summary which stated that approximately 55% of assets are in fixed income, 38% equities, and 5.9 % in cash.

Ms. Moorer asked Mr. Reynolds how much of the Members' Supplemental Savings Plan was in cash. Mr. Reynolds stated that the plan keeps between 5-10% in cash, and the cash balance was \$61,607.

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

#### **VII. Presentation by Investment Consultant, AndCo Consulting (formerly The Bogdahn Group)**

Mr. Breth explained that the name change and rebranding of The Bogdahn Group to AndCo Consulting was done to represent the client and their company's broadening of ownership.

He then presented the Board with the Investment Performance Review as of December 31, 2016. Mr. Breth explained that the last quarter of the 2016 investment cycle was greatly impacted by the U.S. Presidential

Election. He also explained how the Federal Reserve interest rate hike of 25 basis points in December impacted the bond market negatively. On page 2 of the report, Mr. Breth showed that international equity markets declined for the last quarter of 2016 and informed the Board that U.S. Small Caps such as the Russell 2000 yielded the most solid returns. On page 3, he stated that it was important to note that value oriented investing dramatically outperformed growth oriented investing in 2016, which was a significant reversal since the financial crisis in 2009.

On page 8, Mr. Breth noted that although the fixed income benchmarks were down for the 4<sup>th</sup> quarter, U.S. High Yield Bonds were up 1.8%, and all benchmarks were positive year-to-date.

Mr. Breth informed the Board that next quarter he will have the two prospective money managers, Brandywine Asset Management and Eagle Capital Management, give presentations for replacing Advisory Research Investment Management. He also mentioned that sometime later this year, he will have a representative of Westfield Capital Management speak about why they have struggled this past quarter.

Next, Mr. Breth discussed the status of the Templeton Global Bond Funds and its recent volatility. He stated that although it previously underperformed, it was up 7% year-to-date.

**Upon motion by Ms. Waskom and second by Ms. Meyer, the Board voted unanimously to approve AndCo Consulting's Report.**

#### **VIII. Report from the System's Attorney, Denise Akers**

Ms. Akers stated that she was unable to find examples of an internal control policy regarding the handling of administrative problems. She explained to the Board that she sent out an inquiry to other System Directors and none of them had a formal written policy statement about internal controls. Ms. Akers stated that the Board should feel comfortable and have confidence in their Director and should forward calls to the Director when an issue arises. Ms. Akers further stated that she did not receive any calls from the Board members to discuss this matter.

**Upon motion by Ms. Moorer and second by Ms. Waskom, the Board voted five to two opposing to table the discussion of an internal control policy until a new Director was in place.**

Ms. Akers confirmed with the Board that nothing further was needed to be done with this item.

Ms. Akers stated that per the request of the Board, on Monday, January 16, 2017, she sent the Board a written legal opinion along with a copy of the appropriate Attorney General's opinion regarding the issue of collection of overpayment of benefits to a survivor. She informed the Board that the Attorney General's opinion stated that once notified of an overpayment, the System shall adjust the benefit payments to the correct amount. In November of 2016, Ms. Akers discussed this issue with Ms. Dees, who then updated the survivor's benefit to the correct amount at that time. Ms. Akers further explained that the System couldn't seek recouping the overpayment until approval was received by the Board at the December meeting. She also stated that an Attorney General opinion was issued in the last few years stating that as fiduciary of the System, the Board has an obligation to collect any money due to the System. She explained that there is an obligation to collect the overpayment in a reasonable payment collection method over the same period of time which it was overpaid, and in this situation would be approximately 12 years.

Ms. Akers stated that the Board should give the survivor a 30 day notice that the benefit will be reduced further. She then suggested that Mr. DiMarco and Ms. Dees determine whether the survivor is on Medicaid. Once this

is determined, Ms. Akers stated that the Board could better make a decision. Ms. Dees then confirmed that the survivor's monthly gross benefit is currently \$2,943.58, and the full amount due to the System is \$35,262.86.

Ms. Moorner asked Mr. Curran if G. S. Curran and Company was responsible for the error, and if their E&O policy would cover such an error. Mr. Curran explained that the benefit calculation that was provided from his company was correct; however a cover sheet included with the calculation was incorrect. Ms. Akers stated that she does not think that the E&O policy of G. S. Curran & Company would cover this because their certified calculation was correct.

After discussion among the Board, Ms. Akers suggested sending a letter to the survivor demanding payment in full. After 30 days from the date of the letter, the System would reduce the survivor's benefit by \$250 unless payment had been made in full by the end of the 30 day period. Then, the Board would review the status of the issue for further options at the next Board meeting.

**Upon motion by Mr. Wall and second by Ms. Menard, with an opposing vote by Ms. Moorner, the Board voted to have the System's Attorney send a letter to the recipient's agent demanding payment in full for the overpayment, reducing the monthly payment by \$250 after 30 days of nonpayment in full, and with the Board reviewing further options at the next Board meeting.**

After returning from a short recess and before proceeding with the System Attorney's next agenda item, the Board held elections for the calendar year 2017.

**Upon motion by Ms. Moorner and second by Ms. Waskom, Mr. Dwayne Wall was nominated for Chairman of the Board. Upon motion by Ms. Meyer and second by Ms. Menard, Mr. Dennis DiMarco was also nominated for Chairman of the Board. The Board then voted four to three in favor of Mr. DiMarco as Chairman of the Board.**

**Upon motion by Mr. DiMarco and second by Ms. Meyer, Ms. Charlene Menard was nominated as Vice-Chair of the Board. With no other nominations, Ms. Menard accepted the position.**

Ms. Dees then discussed her involvement and attendance at the 2018 Louisiana Registrars of Voters' Association Conference. She stated that she previously prepared a booklet to provide general information about the retirement system and was willing to do something similar.

Ms. Moorner stated that she would like both G. S. Curran & Company as well as AndCo Consulting to give presentations at this conference and an overview of the System's retirement. Mr. Curran questioned whether they were referring to this year or 2018, and the Board confirmed that they were referring to the 2018 conference.

Representative Carpenter left the Board meeting at this point.

Next, Ms. Akers continued with her agenda. Ms. Akers stated that she couldn't send a letter of demand to St. John the Baptist Parish asking them to repay the missed contributions plus interest for a member because there was a lack of employee information. Ms. Dees informed Ms. Akers and the Board that she just received the required information earlier that day.

**Upon motion by Ms. Moorner and second by Ms. Menard, the Board voted unanimously to have the System's Attorney send a letter of demand to St. John the Baptist Parish requesting repayment of both employer and employee contributions plus interest owed for the employee that was not properly enrolled and allowing 30 days for them to respond.**

Ms. Akers then reviewed the Board's request for a written report regarding R. S. 11:2075 (Return of Accumulated Contributions). This statute states that if a member leaves the System and takes a refund and then is rehired by the System and wants to repurchase that prior service credit, that individual is required to work 4 years before doing so. Ms. Akers stated that she does not know of any other System that has a 4 year waiting period.

**Upon motion by Ms. Moorer and second by Ms. Waskom, the Board voted unanimously to approve in 2018, the advertisement for a revision of the statute to allow a member to repay refunded contributions immediately upon being rehired by the ROVERS System rather than the current 4 year waiting period.**

**Upon motion by Ms. Waskom and second by Ms. Meyer, the Board voted unanimously to request the System's Attorney and the System's Director draft a request for proposal to replace the System's bank and send the proposal to the Board one month prior to the next Board meeting.**

Next, Ms. Moorer made a motion to turn over the Directorship of the System to G. S. Curran and Company and work with Ms. Dees over a period of six months, due to the amount of errors. Ms. Akers recommended that since the System is a governmental entity, the Board should issue a request for proposal which would allow G. S. Curran & Company to respond and also to determine if there are any other possible candidates. Mr. Curran agreed with this recommendation and stated that he would prefer that the System be able to have access to all of its options.

**Upon amended motion by Ms. Moorer and second by Mr. Wall, the Board voted unanimously to request the System's Attorney and the System's Director draft a request for proposal regarding the replacement of the System Director and send the proposal to the Board one month prior to the next Board meeting.**

**Upon motion by Ms. Meyer and second by Ms. Menard, the Board voted unanimously to approve the System Attorney's report.**

#### **IX. Report from G. S. Curran & Company**

Next, Ms. Bouwkamp presented the financial statements for July 1, 2016, through December 31, 2016, to the Board. She reviewed the Profit & Loss Budget vs. Actual report with the Board noting the System budget is on target at 46.58%. After Ms. Bouwkamp mentioned that the System had already paid half of the cost for the custom software, Ms. Moorer asked for an expected completion date. Mr. Curran confirmed that the balance would be due only upon completion and that he would have an updated timeframe at the next meeting.

Ms. Bouwkamp then directed the Board to the Balance Sheet. She pointed out that the majority of changes in value were in equities. She mentioned that this statement included both investment balances and balances at The Bank, giving a total asset balance of \$83,237,279.46 as of December 31, 2016. Ms. Bouwkamp also pointed out on the Profit & Loss statement that the largest gain was also in equities. She also confirmed there were no new DROP Rollovers (transfers) since last quarter.

Mr. DiMarco asked Mr. Curran if he knew how many other Systems paid interest on DROP benefits and has anyone ever calculated what it would cost the System if ROVERS decided to pay interest on DROP benefits. Mr. Curran replied that to his knowledge, there are no Statewide Systems that pay interest while a member is in DROP. He stated that some Systems have some form of interest for those that return to work after DROP, and others allow you to leave money on deposit as a retiree and earn interest. Mr. Curran stated that there are many

aspects that would need to be considered such as cost and administration before considering paying interest on DROP benefits.

Next, Mr. Curran explained that the IRS tax penalty included an underpayment, penalties, and interest for tax year ending 2011. He stated that an IRS Form 945 was filed March 17, 2015, and showed a balance due of \$26,901 for the tax year of 2011. Ms. Bordelon confirmed that ROVERS paid the amount of \$49,239.19 on September 2, 2015, to the United States Treasury for the underpayment, penalties and interest.

Ms. Cunningham explained that benefits are paid on a monthly basis and at that time taxes are withheld. She further explained that Ms. Dees then remits the taxes that were withheld from the benefits to the IRS. When Ms. Dees sends the money to the IRS, she has to identify what tax year the funds are being applied to. The IRS will then send to Ms. Dees a receipt as confirmation of the amount and year to be applied. At the end of the year, 1099R's get prepared for all benefits remitted out of the system. Those 1099R's include how much money participants are getting from gross checks plus any withholdings, and as a result of the 1099R's, a 1096 is also prepared. All of these forms get uploaded to the IRS. A 1096 is the summary of all of the key components of the 1099R. Ms. Cunningham stated that for 2011, the IRS identified by the 1099R's plus the summary of the 1096 that ROVERS withheld \$383,631 for all benefits remitted. So based on the information provided, the funds deposited were short \$26,901. Ms. Cunningham explained that there is a penalty for not paying the correct amount, the timeliness of the payment as well as penalties and interest.

Mr. DiMarco asked if the IRS would consider waiving the penalty. Ms. Cunningham stated that due to the history of the System having late payments, the IRS would not waive the penalty. Ms. Cunningham confirmed that since this penalty has occurred, she has taken a more active role with the direct preparation of the 1096, 1099's and 945 forms.

Next, Ms. Moorer asked when the employer contribution rate would be set, and Mr. Curran and Ms. Smith confirmed that PRSAC would meet on February 13, 2017. Mr. Curran stated that the System is currently paying 20%, and PRSAC may approve the System report which has a minimum rate of 14%.

Ms. Dees asked about the funding deposit account and if it could be used to pay COLAs'. As of June 30, 2016, there is \$2,068,000 in that account. The Board discussed that it would be a good idea to further discuss the cost of a COLA at the next Board meeting in April once the PRSAC meeting occurs.

**Upon amended motion by Ms. Waskom and second by Ms. Meyer, the Board voted unanimously to accept the financial statements by G. S. Curran and Company.**

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

Ms. Dees provided the Director's Report to the Board and addressed new employees, member terminations/refunds, new DROP participants, DROP completions re-enrolled after DROP, retirement applications, Post DROP payments, Member's Supplemental Savings Fund refunds, and deaths from July 1, 2016, through December 31, 2016.

Regarding Errors and Omissions policy estimates, Ms. Dees stated that she is still waiting on quotes from both Daul Insurance Agency and Burns and Wilcox and will send an update once she receives this information.

**Upon amended motion by Ms. Moorer and second by Mr. Wall the Board voted unanimously to accept the Director's Report.**

## **XI. Other Business**

After discussion among the Board members, the next meeting date will be held either Tuesday, May 9, 2017, or Wednesday, May 10, 2017, at 9:00 am at the Renaissance Hotel in Baton Rouge, LA. The official date will be confirmed at a later date.

## **XII. Adjourn**

Upon motion by Ms. Meyer and second by Mr. Wall, the Board voted unanimously to adjourn the meeting at 12:16 pm.