

**Registrars of Voters Employees' Retirement System
Minutes of the Meeting of the Board of Trustees
October 27, 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 9:06 a.m.

II. Invocation and Pledge of Allegiance

Mr. Kyle Ardoin led the Pledge of Allegiance, and Ms. Sandra Moorner offered an invocation.

III. Roll Call

Ms. Lorraine Dees then called the roll. Board members present were: Mr. John Broussard, Ms. Billie Meyer, Ms. Charlene Menard, Mr. Dennis DiMarco, Ms. Sandra Moorner, and Mr. Kyle Ardoin (Designee of Tom Schedler, Secretary of State). Mr. Dwayne Wall, Ms. Deborah Waskom, and Senator Barrow Peacock were absent. A quorum was present. Representative Barbara Carpenter joined the meeting at 9:39am. Others present included: Ms. Lorraine Dees (System Director); Ms. Denise Akers (Legal Counsel); Mr. John Trainor, Mr. Tom Govan and Mr. Walker Reynolds (representing the Custodian of Assets, Capital One Bank); Mr. Jon Breth (representing the Investment Consultant, AndCo Consulting); and Mr. Greg Curran, Ms. Kathleen Bouwkamp and Ms. Sondra Bordelon (representing Actuary and Administrator, G. S. Curran & Company, Ltd.). In the audience were: Ms. Annie Smith (House Retirement Staff Attorney), Ms. Margaret Corley (Senate Retirement Staff Attorney), Mr. Robert Poche (Ascension ROV), Ms. Donna Brignac (St. James Chief Deputy), Ms. Lisa Medine (St. James ROV), Ms. Joni Ronsonet (St. Mary Chief Deputy), and Ms. Shelly Bouvier (Administrative Assistant Jefferson Parish ROV).

IV. Public Comments

With no public comments, the Board moved onto the next agenda item.

V. Review and Approval of Minutes

Upon motion by Ms. Meyer and second by Mr. Ardoin, the Board voted unanimously to approve the minutes from July 26, 2017.

VI. Presentation by Investment Consultant, AndCo Consulting

Mr. Breth reviewed the 2017 third quarter performance ending September 30, 2017. He mentioned that overall returns were positive in both U.S. and international markets. He stated that the only difference in U.S. equities versus international equities was the depreciation of the U.S. Dollar against most of the major currencies. Also, he stated that fixed income had a benign quarter where rates fell for the first sixty of ninety days but did eventually rise in September. On page 4 of his report, Mr. Breth explained that technology was the best performing sector returning 8.6% in the quarter with energy and materials stocks at 6.9% and 5.8% respectively, benefiting from hurricanes being supportive of the price of oil and increased commodity prices. On page 6, he

stated that quarterly performance for international markets specifically emerging markets in Latin America was up significantly especially out of Brazil. Mr. Breth further pointed out that MSCI Emerging Markets outperformed developed markets during the this quarter up over 22.5% in dollar terms and 21.8% in terms of local currency.

Mr. DiMarco asked Mr. Breth about the potential impacts of a new Federal Reserve Chairman on interest rate hikes and the stock market. Mr. Breth stated that he was not well versed in all of the candidates; however, he stated that he felt that the new chairman would be very accommodative and did not see anything on the federal side that would lead him to conclude that there would be any disruption with the markets.

Ms. Moorer asked about ROVERS international exposure in the stock market. Mr. Breth instructed Ms. Moorer and the Board to review page 10 which demonstrated asset allocations and performance net of fees. He pointed out that ROVERS ended up 3% for the quarter, year-to-date performance was at 11%, and one year returns at 12.42%. He also stated ROVERS was actually a little underweight in value relative to growth. He pointed out that Eagle Capital is 11.7% of the equity portfolio and recently replaced Advisory Research and Westfield AllCap Growth which makes up 13.4% of the portfolio and was actually up 22.05% for the year. With international equity, Mr. Breth pointed out that there is equal weight between Dodge & Cox, the value manager, and Vontobel, the growth manager. Mr. Breth stated that ROVERS could look at possibly raising their international equity target. However, he cautioned against increasing the allocation more than 15%, since there has been such a recent strong increase in emerging markets. Mr. Breth stated that overall, total equity composite was up 16.66% year-to-date. Also, Mr. Breth mentioned that he wants to review the ROVERS investment policy regarding long term targets at the next regular meeting in January.

On page 11, Mr. Breth discussed fixed income and mentioned that ROVERS has been rewarded for taking on risk. He stated that the strength of the returns came from Pimco Diversified (PDIIX) which is a high yield allocation. There was some underperformance from Templeton Global Bond Fund which was due to the declining value of the U.S. Dollar. On page 15, Mr. Breth discussed the financial reconciliation of ROVERS. He explained that \$1.36 million was reallocated from CDK, Greenspring Crossover Fund and the Money Market at Capital One to Westwood Income Opportunity Fund and Blackrock Multi Asset Income Fund equally. Also, he explained that after review with Ms. Dees, no funds were moved from the bank accounts for investment during the quarter due to upcoming benefit payments.

On page 14, Mr. Breth discussed assets allocation versus the target allocation. He stated one of the main areas he would like to review at the January meeting is between U.S. and international Equities and also to determine how to reposition the 2.5% long term targeted private equity. Mr. Breth stated that his current recommendation to the ROVERS Board would be to rebalance 2% (approximately \$1.8 million) from Orleans Capital to Eagle Capital Management since the portfolio is overweight in domestic fixed income. Ms. Moorer asked why Mr. Breth suggested this movement of funds. Mr. Breth explained that this recommendation would bring the allocation between value and growth back in line with each other.

Upon motion by Ms. Moorer and second by Ms. Menard, the Board voted unanimously to approve AndCo Consulting's recommendation for the reallocation of 2% from Orleans Capital to Eagle Capital Management.

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

Representative Barbara Carpenter joined the meeting at 9:39am.

VII. Presentation by Capital One

Mr. Tom Gavon introduced himself as the Senior Vice President of the Government Banking division at Capital One and indicated he will be the System's contact for the custodial checking accounts. He stated that his office is located in Baton Rouge, and he has already been working with Ms. Dees and the transition to Capital One should be completed by the end of 2017.

Mr. Trainor directed the Board's attention to the Custodial Report. He reviewed the breakdown of assets for the period ending September 30, 2017, with a total asset balance of \$90,339,356.93 and pointed out that a majority of the assets were invested in domestic equities at 41% of the portfolio. On page 4, Mr. Trainor explained that this report demonstrated the change in assets for the fiscal year. He pointed out that in July there was the closing of the Advisory Research account and adding of funds to Eagle Capital Management. Also, Mr. Trainor stated that in September rebalancing was completed that added approximately \$1.4 million to various mutual fund accounts. For comparison purposes, he stated that there was an approximate \$3 million increase from June 30, 2017, to a market value of \$90,399,356.93 as of September 30, 2017. He confirmed that this increase was caused by increases in market value of the investments and not contributions into the account. Mr. Trainor then explained that page 6 summarized the investment fees for each money manager as well as the consulting firm totaling \$79,258.57 for the quarter ending September 30, 2017. He also noted that this total fee amount included the final invoice for Advisory Research for \$3,819.54.

Mr. Reynolds presented the Members Supplemental Savings Plan Investment Performance Review for September 30, 2017, and stated the account was up 2% for the third quarter and 6.25% year-to-date. He discussed the breakdown of the Portfolio Asset Allocation and stated that 40% of the assets are in equity mutual funds and exchange traded funds, and the remaining 60% of assets are invested in fixed income exchange traded funds and cash. On page 13, Mr. Reynolds pointed out that the total market value as of September 30, 2017, was \$983,954. Next, on page 16, he discussed the performance history and stated that since inception this portfolio has averaged a return of 4.84% per year.

Upon motion by Ms. Meyer and second by Representative Carpenter, the Board voted unanimously, with Mr. Ardoin abstaining, to approve the Custodial Report and the Member Supplemental Savings Report as presented by Capital One Bank.

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

Ms. Akers updated the Board regarding the Commonwealth litigation and stated that all individual parties have signed the settlement; however, the fund has not yet accepted the settlement. Therefore, the next step will be to seek court approval. She stated that she will give the Board an update at the next meeting.

Ms. Akers mentioned that her new hourly rate increase was previously discussed when updating the 2018 budget, but she wanted to remind the Board that her hourly rate will increase from \$220 per hour to \$230 per hour effective January 1, 2018.

Next, Ms. Akers discussed three possible legislative changes for ROVERS. First, she reminded the Board about their previous request to revise the statute to allow a member to repay refunded contributions immediately upon being rehired rather than the current four year waiting period. She stated this would be an amendment to R.S. 11:2075 "Return of Accumulated Contributions". Ms. Akers asked if Representative Carpenter would author the amendment, with Ms. Smith writing the revision.

Next, she mentioned that Lorin at G. S. Curran & Company suggested two additional potential amendments. Ms. Akers stated that the first suggestion would basically be a cleanup of R.S. 11:231 "Average Compensation" which applies to Assessors and ROVERS except for ROVERS participants employed on or after July 1, 2006. She stated that this section of the law indicates there is a 125% year-over-year cap on salary increases for the salaries to be used in calculating final average compensation (FAC). She indicated that since most systems changed their laws to a 5-year FAC rather than a 3-year FAC, they had been removed from this statute. Ms. Akers suggested that the Board repeal this section for ROVERS to match the current interpretation of the law.

Mr. Ardoin asked for an explanation of the 125% cap on salaries. Mr. Curran referenced the anti-spiking provisions which were to limit the chance of an individual having a huge pay increase at the end of that person's career and getting counted in that individual's final average compensation. Mr. Curran stated the current law R.S. 11:231 is confusing and unclear to an actuary since it references a 3-year FAC and now ROVERS uses a 5-year FAC. He stated he does not like having a lack of clarity regarding the law and prefers that it be clarified especially while ROVERS is offering other amendments.

Ms. Moorer stated that she is worried about the possibility of an individual moving from a Chief Deputy position to a Registrar position and thinks this type of situation could be detrimental to the System. As an example, Ms. Akers stated that anti-spiking provisions were put in place to prevent a member from working an excessive amount of overtime towards the end of their career rather than someone who earned a promotion. Mr. Curran stated that someone that was promoted to Registrar normally worked five years or longer which avoided this issue because they would want their full benefit at the new increased pay. Mr. Broussard stated that our System clearly needs to be removed from R. S. 11:231 because it currently does not apply to ROVERS, and there is clearly a conflict with our statute.

Mr. Ardoin asked what role the supplemental salary paid by the Parish pays in the System and asked if that affects any part of the state's employer portion. Ms. Dees stated contributions are paid by the parish on all parish salaries.

Regarding anti-spiking, Mr. Ardoin asked if it would be spiking if an individual convinced the local governing authority to increase their supplemental pay each year over the 5-year FAC period. Ms. Dees explained that there would have to be a 25% increase from one year to the next during the highest five year period. Mr. Curran explained that if a member received a 40% raise then only 25% of it would be used to calculate the final average compensation. He stated the expansion from the 3-year FAC to the 5-year FAC was more beneficial to the System than anti-spiking with a 3-year FAC.

Next, Ms. Akers discussed the possible amendment of R.S. 11:2165.5 "Annual Amount of Retirement Allowance". She stated that this section was added to provide benefits for members hired on or after January 1, 2013, that are calculated based on an accrual rate of three percent for ROVERS' service. She stated that currently, the law increases the accrual rate to three and a third percent if such members have a total of thirty or more years of service, twenty of which must have been in ROVERS. Ms. Akers stated that the law could be misinterpreted to increase accrual rates for transferred service to three and a third percent if the member has thirty plus years, twenty of those being in ROVERS. She stated that this issue could be addressed by updating the language to say, "in this system." Therefore, the increase to three and a third percent would only apply to creditable service earned within the ROVERS System. Mr. Curran stated that there has not yet been a problem; however, he would like to see this language updated to prevent any possible issues in the future.

Mr. Ardoin asked if an individual who transfers from another state system at two and a half percent to ROVERS must pay to increase the transferred service to the ROVERS accrual rate. Mr. Curran confirmed that current law did require payment of the actuarial cost of an upgrade in accrual rate. After discussion among the Board members, Ms. Akers suggested that a motion be made for the Board to adopt a policy that has been brought to

the System's attention by the actuary, to interpret R.S. 11:2165(5) "Annual Amount of Retirement Allowance" to mean a member is entitled to the bump up in accrual rate from three percent to three and a third percent only for the years of creditable service earned in ROVERS.

Upon motion by Mr. Ardoin and second by Ms. Meyer, the Board voted unanimously to adopt a policy to clarify the interpretation of R.S. 11:2165(5) "Annual Amount of Retirement Allowance" to mean a member is entitled to the increase in accrual rate from three percent to three and one-third percent only for the years of creditable service earned in ROVERS.

Ms. Akers asked Mr. DiMarco if she could go back and get motions on previous items discussed, and he agreed.

Upon motion by Ms. Meyer and second by Ms. Menard, the Board voted unanimously to accept the System Attorney's new hourly rate of \$230.

Regarding R.S. 11:2075 "Return of Accumulated Contributions" mentioned earlier, Mr. Curran clarified that the note for this bill would be written by Mr. Paul Richmond. He explained that there is a chance there would be a cost associated with the bill if Mr. Richmond feels that it would cause more members to repay their refunds. He stated that it will require a 2/3 vote to pass if deemed that there is a cost to the plan.

Upon motion by Ms. Moorer and second by Ms. Menard, the Board voted unanimously to approve the advertisement for a revision of R.S. 11:2075 "Return of Accumulated Contributions" to allow a member to repay refunded contributions immediately upon being rehired rather than the current four year waiting period.

Upon motion by Ms. Meyer and second by Mr. Broussard, the Board voted unanimously to propose legislation to clean up R.S. 11:231 "Average Compensation" to remove ROVERS from the statute to remove the conflict that currently exists within ROVERS law.

Upon motion by Mr. Broussard and second by Mr. Ardoin, the Board voted unanimously to propose legislation on R.S. 11:2165.5 "Annual Amount of Retirement Allowance" clarifying the intent of the law to clearly state that the increase in accrual rate from three percent to three and one-third percent only applies to years of creditable service earned in ROVERS.

Next, Ms. Akers informed the Board that she did request advisory opinions from the Ethics Committee and the Attorney General's office regarding the hiring of G. S. Curran & Co. as the Third Party Administrator for ROVERS. She stated that she received a phone call from the Assistant Attorney General, and it was her opinion that the System's statute mandates the appointment of a Director which, in the Assistant Attorney General's opinion, must be an individual and not a company. Ms. Akers expressed that she disagreed with the Assistant Attorney General's interpretation since Louisiana law in other instances has indicated that an individual can be a corporation. She also informed the Board that the gentleman from the Ethics Committee said he would not issue his opinion until he received a response from the Attorney General's office. Ms. Akers stated that with this information she asked both parties to not issue their opinion at this time.

Ms. Akers stated that she emailed the proposed Board Governance Policy Manual to Board members approximately 30 days ago and received no comments from the Board. Ms. Meyer apologized for not responding and stated that she did review the document. Ms. Moorer confirmed at this point in time she has not reviewed the document and asked to postpone the discussion and review of this document until the next regular meeting. After further discussion among the Board members, a decision was made to defer the topic to the next meeting.

IX. Report from G. S. Curran & Company

Ms. Bouwkamp presented the financial statements through September 30, 2017, to the Board. First, she reviewed the Profit & Loss Budget vs. Actual report for July 1, 2017, through September 30, 2017. She stated that overall ROVERS was on target with total expenses for the quarter at 25.7%. Ms. Bouwkamp pointed out that under General Expenses/Custom Software \$24,000 was incurred this quarter because the remaining balance due was not billed until the beginning of this fiscal year even though it was part of last year's budget. Next, she explained that the advertising for the Director's position was placed under the subscriptions category because there was no specific budgeted item for advertising. She stated the Board could decide if this should be placed under a different category or if a new category needs to be created. Also, Ms. Bouwkamp explained that the Disability Determination which is a new budgeted item has already been exceeded in this first quarter of the fiscal year. Ms. Bouwkamp suggested the budgeted amount be increased to the total that has been incurred thus far. Under Professional services/GASB 67 Payroll Audits, she suggested to the Board that the budgeted amount be increased since a motion was passed at the last meeting to add two additional parishes to the audit increasing the cost by \$5,550.00 to a total of \$16,650 which she verified with Michelle Cunningham of Duplantier.

Upon motion by Ms. Moorer and second by Ms. Menard, the Board voted unanimously to amend all budgeted items as presented by G. S. Curran and Company.

Next, Ms. Bouwkamp reviewed the Profit and Loss statement and stated that for the quarter ending September 30, 2017, the net income was \$1,974,701.84. On page 2 of the Profit & Loss statement, Ms. Bouwkamp explained that under Member Services, there were five members receiving refunds and one member receiving a DROP rollover as well as a total of \$1,203,523.26 in pension payments for the quarter. Then, Ms. Bouwkamp presented the Balance Sheet and pointed out that the total liability and equity was \$92,668,836.24 which includes both the investments and the bank accounts. She stated that the largest increase for the quarter was in equities with an increase of approximately \$2 million.

Mr. Curran then discussed the potential COLA for 2018 with the Board. He stated that the Funding Deposit account balance as of the 2016 valuation report was \$2.68 million, and the 2017 valuation report should be completed in approximately the next two weeks. Mr. Curran discussed the Funding Deposit Account which was created by the legislature for a number of statewide systems. He explained that under certain conditions the Board of Trustees may hold the employer rate above the minimum actuarially recommended employer rate and added that extra funds collected in these situations were deposited into this side account. He stated that Board can use the balance in the Funding Deposit Account to offset increases in employer contributions in the future, to reduce the employer contribution rate in a particular year, to reduce the system's unfunded liability, or to fund COLA increases. Based on the 2016 Valuation report, Mr. Curran stated that the lifetime cost of a COLA providing an increase in benefits of 3% of the retiree's original benefit for those who have been retired for at least two years would be \$1.256 million. Furthermore, he stated that another COLA option would provide an increase in benefits of 2% of the retiree's original benefit for those retired over one year and over the age of sixty-five. The lifetime cost of this COLA would be \$532,000. He also confirmed that ROVERS is not restricted to only one option and that both could be implemented if the funds are available.

After questions and discussion among the Board, it was decided that Mr. Curran continue the discussion at the next regular meeting with more options and updated figures from the 2017 Valuation report.

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, DROP Payments, Member's Supplemental Savings Fund refunds, vested due a benefits, and deaths through October 18, 2017.

Next, Ms. Dees discussed the two applications she received for the ROVERS Director position. She suggested the Board interview the two candidates during the special meeting in November. Ms. Moorer asked if there will be a background check done on the candidates. Ms. Akers suggested sending them to the Louisiana State Police to perform a criminal background check, and the System would cover the cost.

Regarding the Board of Trustee Election, Ms. Dees stated that 237 ballots were mailed out and 170 ballots were received prior to October 6, 2017. She indicated that the Chairman must call for a meeting between November 6 and November 24, 2017 to count ballots. Mr. DiMarco stated that the date of Tuesday, November 14th at 1:00pm at the Secretary of State's office was previously discussed. Mr. DiMarco also stated that the Board members should oversee the process; however, others in attendance of the meeting should actually count the ballots.

Next, Ms. Dees informed the Board that she sent out a letter to all ROVERS members and retirees regarding a possible merger. She stated the letter listed pros and cons of a merger and went out via regular mail on October 25, 2017, requesting feedback from all recipients. She confirmed that she received input from Ms. Akers, Mr. Curran, and Mr. Breth on this letter and that no deadline was indicated on the letter. Mr. DiMarco stated that he spoke with the Chairman of PERS and she indicated they have no interest in a merger due to the stories heard about conflicts among ROVERS Board members. Ms. Dees stated that she plans to have an update on the comments and feedback she receives at the December meeting.

Ms. Dees then updated the Board regarding the new IPAS computer program. She stated she has been using both the old and new programs. Ms. Dees expressed that G. S. Curran & Co. has been extremely supportive and answered all of her questions and concerns and hopes to be utilizing the new program 100% shortly.

Regarding the 2017 Louisiana Compliance Questionnaires, Ms. Dees just wanted to remind the Board that she would collect these documents at the end of the meeting.

Ms. Dees updated the Board on the Trupiano reimbursement collection. She stated that all funds were paid by Mr. Trupiano's children in the amount of \$11,423.18, and Mrs. Clara Trupiano's pension benefit had been withheld for payment since July 2017 and applied to the collection. She also confirmed that the total interest earned on the total unpaid balance was \$456.82. She further explained that if Mrs. Trupiano's pension benefit continued to be withheld, then \$11,774.32 of the remaining \$23,839.68 balance would be collected as of October 31, 2017, as well as a total of \$382.66 recovered in interest. Ms. Dees also stated that the total overpayment collection would be completed by March 2018.

Next, Ms. Dees explained the status of transitioning from The Bank to Capital One as the custodial bank for the checking accounts. She confirmed that all contracts have been signed, arrangements have been made for deposit equipment, training has been scheduled and accounts have been set up but not yet funded. Furthermore, she stated that a limited number of checks have been ordered pending the transfer to a new ROVERS Director.

Then, Ms. Dees asked which Board members would be attending LATEC. Mr. DiMarco, Ms. Moorer, Ms. Menard, and Ms. Meyer all confirmed that they would be attending LATEC. Ms. Moorer also confirmed that there is no longer a conflict regarding the dates of LATEC and the ROV Association meeting.

Upon motion by Ms. Meyer and second by Mr. Ardoin, the Board voted unanimously to accept the Director's Report.

XI. Other Business

Mr. DiMarco confirmed that a special meeting of the Board of Trustees for ROVERS has been scheduled for Tuesday, November 14, 2017, at 1:00 p.m. at the Secretary of State's office to count ballots for the Board of Trustee Election as well as to interview the two candidates for the position of Director. Mr. DiMarco also suggested that interview questions be prepared for the two candidates, and Ms. Dees stated that she would get with Ms. Akers and Mr. Curran for assistance with the interview questions and she contact the candidates to schedule the interviews.

Ms. Meyer asked Ms. Moorer if she could explain why all Board members were subpoenaed on the last day of the LAPERS conference. Ms. Moorer stated that she did not feel that the ROVERS Board meeting was the proper venue to discuss the matter.

Mr. DiMarco stated that there is a clear distinction between a Board member's responsibility and a Director's responsibility, and he wanted to let the Board know this was a topic discussed at LAPERS. He further stated that no Board member should give any employee an estimate of their retirement benefit.

XIII. Adjourn

Upon motion by Ms. Meyer and second by Mr. Ardoin, the Board voted unanimously to adjourn the meeting at 12:06pm.