

**Registrars of Voters Employees' Retirement System
Minutes of the Meeting of the Board of Trustees
July 26, 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 9:08 a.m.

II. Invocation and Pledge of Allegiance

Ms. Deborah Waskom offered an invocation, and Mr. Joe Salter led the Pledge of Allegiance.

III. Roll Call

Ms. Menard then called the roll. Board members present were: Mr. John Broussard, Ms. Billie Meyer, Ms. Charlene Menard, Ms. Deborah Waskom, Mr. Dennis DiMarco, Representative Barbara Carpenter, Mr. Dwayne Wall, Ms. Sandra Moorer, and Mr. Joe Salter. Senator Barrow Peacock was absent. A quorum was present. Others present included: Ms. Lorraine Dees (System Director); Ms. Denise Akers (Legal Counsel); 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. Justin Moscardelli (representing Westfield Capital Management); and Mr. Greg Curran, Ms. Kathleen Bouwkamp and Ms. Sondra Bordelon (representing Actuary and Administrator, G. S. Curran & Company, Ltd.). In the audience were: Mr. Mike Battle and Ms. Sarah Futch (representing the East Baton Rouge Parish Legislative Auditors); Mr. Tom Schedler (Secretary of State); Ms. Annie Smith (House Retirement Staff Attorney); Ms. Margaret Corley (Senate Retirement Staff Attorney); Mr. Jason Burge (representing Attorney, Fishman, Haygood L.L.P); Mr. Brian Champagne (St. Charles ROV); Mr. Michael Bertrand (Vermillion ROV); Ms. Pat Guidry (St. Martin ROV); Mr. Robert Poche (Ascension ROV); Mr. Phil Trupiano (Jefferson Chief Deputy); Ms. Cheryl Decoteau (West Feliciana ROV); and Mr. John Moreau (St. Landry Retired Member).

Mr. Dimarco instructed existing Board members to introduce themselves, by name and parish to the two new appointed Board members, Mr. Broussard and Mr. Salter.

IV. Review and Approval of Minutes

Upon motion by Ms. Meyer and second by Ms. Menard, the Board voted unanimously to approve the minutes of May 10, 2017.

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

Upon Motion by Mr. Wall and second by Mr. Salter, the Board voted unanimously to move up the Executive Session items on the agenda.

Upon Motion by Ms. Menard and second by Ms. Meyer, the Board voted unanimously to begin Executive Session regarding pending litigation at 9:13 a.m.

Upon motion by Ms. Moorer and second by Mr. Wall, the Board voted unanimously to end Executive Session and resume the meeting at 9:41 a.m.

V. Presentation by Investment Consultant, AndCo Consulting

For the benefit of the new board members, Mr. DiMarco asked Mr. Breth to introduce himself and his firm. Mr. Breth gave a quick summary of AndCo Consulting explaining his firm is an independent investment consulting firm located in Orlando, Florida advising 640 clients with approximately \$73 billion in assets.

Mr. Breth then explained that Justin Moscardelli from Westfield Capital Management would give an update on his firm. Mr. Moscardelli, Partner at Westfield Capital Management, addressed the concerns of the Board by first stating that the account is up about 24% through the end of June 2017, and the benchmark was 20%. He confirmed that the focus is still on the long term results and that recent performance has been strong. Mr. Moscardelli explained that Westfield is 100% employee owned and specializes in U.S. growth stocks with all decisions being made at committee level. He instructed the Board to review page 13 which detailed the ROVERS account performance. Mr. Moscardelli stated that the ROVERS account was funded in March of 2013 with \$7.8 million and had no withdrawals through June 30, 2017, then a \$1 million withdrawal a few days before this meeting. He stated that the account now has a balance of \$12.7 million. Also, he mentioned that his firm is aware that they need to do a better job with stock selection. Mr. Moscardelli stated that Westfield Capital Management invests in companies with underappreciated earnings growth trading and believes stock prices will follow earnings growth. He explained that since 2000 that approach has typically worked except for 2015.

Ms. Moorer asked Mr. Moscardelli his opinion regarding the next market correction. He stated that it certainly feels like a market correction is due especially since the market has steadily risen since 2009. He stated a bull market can be destroyed by either aggressive timing from the Federal Reserve or euphoria. Due to these two possibilities, he feels there is still room for the market to continue to increase before a correction will occur.

Next, Mr. Breth reviewed the 2017 second quarter performance ending June 30, 2017. He mentioned that the quarter was strong especially for risk assets like stocks and higher yielding bonds with growth being the dominate style of investing. However, non-U.S. stocks versus U.S. markets looked different with the U.S. dollar depreciating against the Euro. In the long term, he feels the growth rates for emerging markets are going to produce higher rates of return for ROVERS. Also, he further stated that growth oriented large caps did lead the way in the second quarter such as technology, healthcare, and consumer discretionary stocks. Regarding bonds, he stated it was a pedestrian quarter where ROVERS merely earned the coupon. Investment grade corporate bonds continue to perform strongly.

On page 10, Mr. Breth instructed the Board to review the performance net of fees. For the quarter, he pointed out that ROVERS ended up 2.8%, and fiscal year-to-date ROVERS ended strong at 12.9% which was significantly ahead of the total fund policy index. The strong performance was primarily driven by the equity markets both domestic and international. Mr. Breth reminded the Board about the decisions made during the last meeting to replace Advisory Research. He confirmed that Advisory Research had been liquidated, and the legal review of Eagle Capital had been completed. The process to fund the Eagle Capital account had begun. He mentioned that overall fixed income had been in a tough spot but still managed to end the fiscal year with a 3.45% gain. Also, Mr. Breth stated that Equitas Evergreen Fund is not active and in the process of liquidating with a value of \$25,938. Lastly, he explained that CDK and Greenspring Crossover are both in the process of liquidation. On page 12, Mr. Breth discussed the mutual fund strategies which overall are up 8.24%, which is ahead of the System's assumed rate of return. Mr. Breth stated that over time, the System has been able to reduce fees from 1% to .5%, and AndCo's fees of .6% which is extremely competitive.

Ms. Moorer asked Ms. Dees if she would be able to transfer any of the \$2.5 million of cash available in the bank accounts to be invested. Ms. Dees stated that she would discuss with Mr. Breth the possibility of rebalancing the cash in the bank accounts.

For rebalancing purposes, Mr. Breth reminded the Board that Advisory Research was liquidated. Dodge & Cox received \$1 million from that transaction, and the remainder will be invested in the new Eagle Capital account. Also, \$1 million from Westfield was sold and moved to Vontobel.

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

Mr. Moorer asked Mr. Breth for his thoughts on Westfield's presentation. He stated that he agreed with Mr. Moscardelli mainly because Westfield Capital Management has never deviated from their strategy.

VI. Presentation by Duplantier, Hrapmann, Hogan, & Maher, L.L.P.

Ms. Cunningham explained that her firm completes the financial audit of the System, and in conjunction with that audit they also perform census data testing. She explained that during the last meeting she was asked to provide an estimated cost to audit all participating employers of the System. Ms. Cunningham explained that the process of census data testing, in conjunction with a financial audit, allows for the audit of the total pension liability that is now included in the footnotes of the financial statements. The inputs are reviewed to determine what the number will be and the inputs (records) for the active members is kept at the participating employers' location to ensure that the information is being reported correctly to the retirement system then to the actuary.

Ms. Cunningham confirmed that since 2014, thirteen employers have been tested and the State of Louisiana is included in that test every year. Since 2014, nine of the thirteen employers have had no findings, and the State of Louisiana has had no findings through 2016. They are still processing for 2017. Ms. Cunningham then confirmed that two of the thirteen employers had findings, and one of the thirteen is in process for 2017. She confirmed that of the findings, one employee had not been enrolled, one employee's hire date was incorrect, and one employee was overpaid by their employer thus having over paid contributions to the System.

Ms. Waskom asked Ms. Cunningham if she was correct by stating that the findings were not glaring errors. Ms. Cunningham agreed with Ms. Waskom and confirmed that overall the employers tested are doing a good job of reporting to the System.

Ms. Cunningham explained that since her firm was hired by ROVERS, three employers plus the state of Louisiana are selected each year with fifty-four remaining employers to be tested. She stated that the estimated fee range per participating employer would be \$1,500-\$2,000 plus travel expenses. Ms. Cunningham said that another option would be to increase the current sample size of four per year, which may be more cost efficient than doing fifty-four at one time. Representative Carpenter asked Ms. Cunningham if the employers being tested were randomly selected. Ms. Cunningham responded that the employers are carved out based upon the amount of contributions that are remitted to the System, and the top two are selected and then another one that may be smaller as well as the State of Louisiana.

Ms. Waskom asked Ms. Cunningham if other systems she tested typically audited four employers, or if they test more. Ms. Cunningham confirmed that some retirement systems do test more employers, but it is typically because they have a larger number of employees.

Ms. Moorer expressed her concerns about having some sort of thorough audit of the entire System prior to hiring a new Director. Ms. Menard asked Ms. Moorer about the public records request that she recently made.

Ms. Moorer stated that she is the secretary-treasurer, and Ms. Menard would have to ask the ROV Board about the status and findings of the public records request.

Ms. Akers asked Ms. Cunningham if she has ever been asked to perform this type of audit with any other retirement system prior to the hiring of a new Director or Third Party Administrator. Ms. Cunningham stated that she has been asked to complete financial audits with other private firms/entities when a new Director was hired but never on database information.

Mr. Brian Champagne stated he agreed with Ms. Moorer and wants all sixty-four parishes/employers to be audited at least once every four years.

Upon motion by Ms. Waskom and second by Ms. Meyer, the Board voted for Duplantier, Hrapmann, Hogan, & Maher, L.L.P to include two additional employers (6 total- always including the State of Louisiana), smaller ones and/or ones of concern, in the annual System audit effective fiscal year 2018. Ms. Moorer made a motion to amend Ms. Waskom's motion to include all 64 parishes as well as the State of Louisiana once every four years; however Ms. Waskom did not accept the amendment. The original motion passed with only Ms. Moorer opposing the vote.

Upon motion by Ms. Meyer and second by Representative Carpenter, the Board voted unanimously to accept the Auditor's Report as presented by Ms. Cunningham.

VII. 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 June 30, 2017, with a total asset balance of \$87,699,676.54 and pointed out that a majority of the assets were invested in domestic equities at 43% of the portfolio. For comparison purposes, she pointed out that page 4 of the report demonstrated the growth, broken down by category going back to June 30, 2013, with a market value of \$62,815,828.70 through June 30, 2017, with a market value of \$87,699,676.54. Ms. Averette then explained that page 6 summarized the investment fees for each money manager as well as the consulting firm totaling \$277,819.08. Next, Ms. Averette stated that the Member Supplemental Savings value for the quarter ending June 30, 2017, totaled \$1,015,656.55. Lastly, Ms. Averette explained that page 7 detailed the class action proceeds that have been received for quarter ending June 30, 2017, totaling \$2,237.63 which goes into the cash account.

Before going into the Members Supplemental Savings Plan Report, Mr. Curran explained, for the benefit of the new board members, that this plan is a defined contribution plan for members set up decades ago. He explained that ROVERS received tax money sometime in their history and allocated more money than they needed by the actuarial valuation. At the time the plan was established, the employer rate was zero. This plan is managed by Capital One.

Mr. Reynolds presented the Members Supplemental Savings Plan Investment Performance Review for June 30, 2017. He discussed the breakdown of the Portfolio Asset Allocation as of June 30, 2017, which showed that approximately 53% of the assets are in fixed income, 40% in equities and 7% in cash. He mentioned that this portfolio has averaged a 4.8% return per year since inception. He stated that the main goal was to keep up with inflation and that the portfolio will eventually lean towards all ETF's.

Upon motion by Mr. Wall and second by Mr. Salter, the Board voted unanimously to approve the Custodial Report and the Member Supplemental Savings Report as presented by Capital One Bank.

Representative Carpenter left the meeting at 11:26 a.m.; a quorum was still present.

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

Ms. Akers stated that no action was required on Commonwealth and mentioned that this was discussed previously during Executive Session. Regarding Clara Trupiano v. ROVERS, Ms. Akers informed the Board that she went to court the previous Monday, and the System was allowed to continue to offset Ms. Trupiano's monthly benefit to recoup the overpayment. Ms. Akers stated that she was approached by Mr. Trupiano's son, Phil Trupiano, during the break in which he stated he will pay in full his portion owed by his estate as soon as a bill is received from ROVERS.

Upon motion by Ms. Moorer and second by Mr. Wall, the Board voted unanimously to issue a bill directly to Mr. Phil Trupiano covering his portion of the estate to be made in one lump sum payment and also to provide the System's Attorney the authorization to seek legal action should Ms. Trupiano pass away prior to her overpayment to ROVERS being collected in full.

Next, Ms. Akers discussed the need for the ROVERS Board to adopt some type of Board Governance policy. This policy could outline the Board's duties versus the Director's duties as well as how to decide what items are allowed on the meeting agenda. Ms. Akers suggested that she draft a proposal of Board Governances prior to the next meeting.

Regarding public comments, Mr. Robert Poche informed the Board that he felt it was important for audience members to share their thoughts after an item was discussed by the Board so that everyone at the meeting could get a sense of the Board's opinions on a topic prior to sharing their comments.

Upon motion by Ms. Waskom and second by Ms. Meyer, the Board voted unanimously to authorize the System's Attorney to draft a proposal of Board Governance guidelines and best practices to be submitted to Board members thirty days prior to next meeting and discussed at the October 27, 2017, Board meeting.

Upon motion by Ms. Meyer and second by Mr. Wall, the Board voted unanimously to accept the System Attorney's report.

IX. Report from G. S. Curran & Company

Next, Ms. Bouwkamp presented the financial statements through June 30, 2017, to the Board. She presented the Balance Sheet and pointed out that the total liability and equity was \$90,566,194.34 which includes both the investments and the bank accounts. Next, Ms. Bouwkamp reviewed the Profit and Loss statement and explained that there was an actuarial transfer from CLERKS during this last quarter as well as a significant gain under the Gain (loss) Equities category which was up approximately \$1.7 million. On page 2 of the Profit & Loss statement, Ms. Bouwkamp explained that under Member Services, there were increases in both Employee Contribution Refunds and Rollover (DROP Transfers) for the quarter. Then, Ms. Bouwkamp reviewed the Profit & Loss Budget vs. Actual report which was for the Fiscal year. She stated that overall ROVERS was on target for fiscal year total budget at 93.62% of budget. Also, she pointed out that the custom software was only at 50% of budget because G. S. Curran & Company has not yet billed for the remaining balance of the new software and will do so when it is fully integrated. Ms. Bouwkamp pointed out to the Board that legal fees incurred were over budget; however the budget for this fiscal year was updated and increased for the next fiscal year's budget.

Mr. Curran then updated the Board on the retirement database system programming. He stated that it has been delivered, and Ms. Dees has been working with it. Once Ms. Dees is comfortable with the software, then the final bill will be sent.

Next, Mr. Curran updated the Board on Act# 285 relating to Correction of Membership and Enrollment Errors. He stated that this truly puts the financial responsibility on the employer and explains how much to charge to fix future issues.

Upon motion by Mr. Wall and second by Mr. Salter, the Board voted unanimously to accept the financial statements by G. S. Curran and Company.

X. Director's Report

Ms. Dees discussed the ROV Board meeting she attended the week prior to this meeting regarding a possible merger of ROVERS. She stated that Senator Peacock would only pursue a merger if all parties involved would agree to a merger. Ms. Dees stated that she does not agree with a merger and would like to see ROVERS continue its pursuit of a new Director. She asked the Board to allow her to send out a membership wide letter requesting their opinion on a possible merger of ROVERS.

Mr. John Moreau stated that as a retiree he would like the Board to consider hiring a liaison contact to assist members considering retirement or DROP without advising but providing them with all of their available options.

Upon Motion by Ms. Waskom and second by Ms. Meyer, the Board voted unanimously to have the System's Director along with the System's Attorney create a survey to be sent to all members and retirees regarding their opinion on a ROVERS merger, including observations from the System's Actuary regarding cost savings, with copies of all responses being sent to all board members.

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, and deaths through July 14, 2017. She also mentioned the LAPERS Seminar being held September 17-19, 2017, and asked that board members to please notify her as soon as possible if they would like to attend.

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

XII. Other Business

Ms. Dees confirmed that she released the RFP for Director/Third Party Administrator to *The Advocate* and *Pension & Investments Magazine*. She mentioned that another possibility could be to advertise via LAPERS and LATEC. Mr. DiMarco asked Ms. Dees if she felt the advertisement was adequate, and she replied that there could have been better advertising but also received comments regarding the RFP. Mr. DiMarco asked her to share the comments she received. Ms. Dees stated that she heard it would be difficult for ROVERS to find a qualified candidate at this time because of the negative comments currently being circulated about ROVERS. Ms. Dees further explained that she did speak with Senator Peacock and Ms. Corley regarding G. S. Curran's willingness to offer a proposal to provide complete administrative services; however, Senator Peacock had concerns about the actuary acting as System Director. Ms. Dees stated that she disagreed with Senator Peacock. Ms. Akers stated that she researched the possible conflict of interest issue of G. S. Curran & Co. becoming the Third Party Administrator and spoke with Senator Peacock regarding his concerns. She

confirmed that there are a number of actuarial firms around the country that also serve as third party administrators. Ms. Akers further explained that Senator Peacock stated if he had opinions from the Attorney General, the Ethics Board and her research then he may reconsider G. S. Curran & Company as an option.

Ms. Corley stated that Senator Peacock is always open to hearing all sides of an issue; however, he does feel strongly on the issue that an actuary should be independent from the administrator of the System.

Ms. Moorer stated that she will defer to Senator Peacock at this time and would like the Board to continue to pursue a new Third Party Administrator. Mr. Broussard expressed his interest in pursuing both the Attorney General's opinion regarding G. S. Curran & Company's role as actuary and administrator as well as continuing to advertise for Director/Third Party Administrator at the same time.

Upon motion by Mr. Broussard and second by Ms. Waskom, the Board voted unanimously to authorize a dual track approach by having the System's Attorney request the Attorney General's opinion regarding whether or not the hiring of G. S. Curran & Company would be a conflict of interest and also to reopen the advertisement of the RFP for Director/Third Party Administrator for ROVERS.

Upon motion by Ms. Waskom and second by Ms. Menard, the Board voted unanimously to hold the current application for Director/Third Party Administrator and to reopen advertisement with LAPERS, LATEC, *The Times-Picayune*, and *The Advocate* effective immediately.

Mr. Curran stated that he reviewed the RFP responses for Custodial Banks from Whitney Bank, Regions Bank and Capital Bank. He stated that the goal is to have both the investments and bank accounts in one location therefore having a consolidated statement. Mr. Curran suggested interviewing the candidates prior to the next meeting and asking for Mr. Breth's opinion. Mr. Breth stated that he did not feel that Regions Bank did a sufficient job completing the RFP and was not clear on their management fees which seem expensive. Also, Mr. Breth stated that Whitney Bank appears to be all inclusive regarding their fee schedule of four basis points; however, they charge transaction fees on everything. He further stated that it appears that Capital One Bank has the best fee schedule, and ROVERS has had a great working relationship with them. Ms. Waskom commented that she is perfectly happy with ROVERS' experience with Capital One.

Upon motion by Mr. Wall and second by Ms. Waskom, the Board voted unanimously to hire Capital One Bank as the new Custodial Bank replacing The Bank and authorizing the System's Director to transition the process as she sees necessary.

XIII. Adjourn

After discussion among the board members, the next meeting date was scheduled for Friday October 27, 2017, at 9:00 a.m. at the Renaissance Hotel in Baton Rouge, LA. The meeting adjourned at 12:56 p.m.