

**Registrars of Voters Employees' Retirement System
Minutes of the Meeting of the Board of Trustees
January 24, 2018**

The special 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

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

II. Invocation and Pledge of Allegiance

Ms. Debbie Waskom offered an invocation, and Mr. Robert Poche led the Pledge of Allegiance.

III. Roll Call

Ms. Lorraine Dees then called the roll. Board members present were: Ms. Charlene Menard, Ms. Deborah Waskom, Mr. Robert Poche, Mr. Dwayne Wall, Ms. Sandra Moorner, Mr. Joe Salter, Mr. John Broussard, and Mr. Dennis DiMarco arrived at 9:26 a.m. Representative Barbara Carpenter and Senator Barrow Peacock were absent. A quorum was present. Others present included: Ms. Lorraine Dees (System Director); Ms. Denise Akers (Legal Counsel); Ms. Cynthia Averette 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: Representative Barry Ivey (House of Representative from District 65), Ms. Billie Meyer (Acadia ROV), Mr. Steve Raborn (East Baton Rouge ROV), Mr. Michael Bertrand (Vermillion ROV), and Ms. Shelly Bouvier (Confidential 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 Mr. Broussard and second by Ms. Waskom, the Board voted unanimously, with Mr. Poche abstaining, to approve the minutes from the December 11, 2017 meeting.

Mr. Poche informed the Board that he would abstain from voting on all motions since he has not yet met his education requirements as a board member.

VI. Presentation by Capital One

Ms. Averette discussed with the Board the recent announcement that Capital One Wealth and Asset Management is being acquired by Hancock/Whitney. She stated this transition was in the best interest of both clients and employees and was estimated to be completed between the second and third quarter of 2018.

Next, Ms. Averette directed the Board's attention to the Custodial Report. She reviewed the breakdown of assets for the period ending December 31, 2017, with a total asset balance of \$93,591,209.02 and pointed out

that a majority of the assets were invested in domestic equities totaling 44% of the portfolio. On page 2 of the report, she mentioned that CB Energy Bond held in the cash account had a value of \$124,555.86 and was currently in default. She asked Mr. Breth whether this should be written down. Mr. Breth replied that he would research it and report back for the next meeting.

Mr. DiMarco arrived at 9:26 a.m.

Regarding the FWAR account, Ms. Averette stated that Tartesso Gateway had a distribution of approximately \$148,000 and fair value adjustments which brought the account down to approximately \$72,000 which was later rebalanced. She stated that the investment with the largest value in the FWAR account was currently Gila Bend with a current value of approximately \$69,000. She confirmed that Americus and Advisory Research had a zero balance and were closed during the third quarter of 2017.

Ms. Averette pointed out that page 4 of the report demonstrated the growth, broken down by category going back to June 30, 2014, with a market value of \$78,000,080.02 and presently a market value of \$93,591,209.02 as of December 31, 2017. She then explained that page 5 summarized the investment fees for each money manager as well as the consulting firm totaling \$132,412.20. Next, Ms. Averette reviewed page 6 which detailed the class action proceeds that have been received for quarter ending December 31, 2017, totaling \$611.62. Lastly, she stated that the Member Supplemental Savings value as of December 31, 2017, totaled \$999,858.90.

Next, Mr. Reynolds presented the Members Supplemental Savings Plan Investment Performance Review and the breakdown of the Portfolio Asset Allocation as of December 31, 2017, which showed that approximately 53% of the assets were in fixed income, 37% in equities and 10% in cash. He mentioned that the portfolio was at 1.8% for the fourth quarter of 2017 and has averaged a 4.8% return per year since inception. Mr. Walker stated that fixed income was down .34% for the quarter, and equities were up 5.49% which trailed the S&P.

Upon motion by Ms. Waskom and second by Ms. Menard, the Board voted unanimously, with Mr. Poche abstaining, to approve the Custodial Report and the Member Supplemental Savings Report as presented by Capital One Bank.

VII. Presentation by Investment Consultant, AndCo Consulting

Mr. Breth discussed the company letter from the CEO, Mike Welker, welcoming the new owner, Dan Johnson. Then, he reviewed the 2017 fourth quarter performance ending December 31, 2017. He mentioned that market returns were positive for the entire calendar year of 2017. Also, he stated that equities dominated the fourth quarter with MSCI Emerging Markets up 7.4%. He stated that there was a reversal in both small caps and value, where they underperformed in 2017 compared to their dramatic outperformance in 2016. Mr. Breth also stated that "FAANG" (Facebook, Amazon, Apple, Netflix, and Google) stocks represented 25% of the S&P's gain in 2017. Regarding fixed income, he stated that the portfolio continued to earn modestly positive results at .4% for the quarter and 3.5% for the year. Mr. Breth stated that the consumer discretionary sector had returns of 9.2% leading all sectors. Also on page 10, he discussed the performance for fixed income. Mr. Breth stated that broad fixed income benchmarks were slightly positive during the fourth quarter.

Next, Mr. Breth reviewed the performance net of fees on page 12 and 13. For the fourth quarter, he pointed out that ROVERS ended up 3.4%, and year-to-date ROVERS ended strong at 14.8% starting off with at 6.5% fiscal year-to-date all driven by an equity portfolio. He reminded the Board that Advisory Research was replaced by Eagle Capital Management at the start of the fiscal year having a good start with a return of 6.7%. He pointed

out that the one manager that struggled a little for the quarter was Westfield AllCap Growth at 5% which was below Russell 3000 Growth Index at 7.6%.

Regarding international equities, Mr. Breth mentioned that Vontobel outperformed year-to-date at 32%. As a contrarian investment, he stated that Dodge & Cox was not doing as well but was now reinvesting in healthcare and energy and beginning to see a tangible turnaround. Within fixed income, Mr. Breth stated that Orleans Capital was continuing to outperform. He also stated that Templeton Global Bond Fund lagged overall and pulled down the fixed income allocation as a whole. He recommended that the Board place Templeton Global Bond Fund on watch and review whether they are the right allocation for ROVERS going forward. He stated that he would further review Templeton at the next meeting.

Next, Mr. Breth discussed that Equitas Evergreen Fund and CDK are currently in liquidation. He explained that Gila Bend within CDK had proven to be the worst piece of real estate and one of the hardest to sell. He stated that he was under the impression that Kenneth Cooley, the managing representative for CDK, was ready for ROVERS to either mark down the price of the land or donate the property. Mr. Breth stated that he was not sure that this strategy would be in the best interest of the System.

Ms. Akers informed the Board that as of the last meeting, Mr. Cooley had recommended to reduce the price or donate the land since he was having difficulty selling the property. Ms. Akers reminded the Board that they had previously made a decision to follow the lead of the other two investors which are Forth Worth and Austin Police. She stated that at this time no further vote is required unless the Board would like to change their previous decision. Mr. Breth stated that the Austin attorney was against the donation of the property, and he agreed. At this time, Mr. Breth stated that he was not prepared to agree with the two options Mr. Cooley presented but will further discuss them with him and report back to the Board at the next meeting.

Lastly, he discussed real return funds, Westwood and BlackRock, which were purchased a few years ago to give diversity to the portfolio. He stated that the total real return was up 10% year-to-date but slightly under the return policy of 12%.

Next, Mr. Breth directed the Board to the Review of Asset Allocation and Return Expectations handout. On page 2, he discussed the assumption results when comparing 2015 versus 2017 which broadly demonstrated a return decrease regarding expectations. Mr. Broussard asked Mr. Breth for the time horizon used on the comparison; Mr. Breth replied that it was a 10-15 year time horizon. He explained that the graph on page 3 demonstrated that in order to achieve a 6.75% rate of return investing in substantially more risks was required. Mr. Breth stated that there are some incremental changes that can be made to put ROVERS more in line to reach the target rate of return of 6.75%. On page 4, he discussed the current asset allocation and three other scenarios to review. The first scenario (ROVERS 2) proposed decreasing core bonds by 5% and increasing U.S. Domestic Equities. The next scenario (ROVERS 3) illustrated reducing core fixed income by 5% and replacing it with International Equities. Finally, he explained the last scenario (ROVERS 4) reduced core bonds by 5% and re-allocated to international equities and further reduced core bonds by another 2.5% and put that to work in the global asset allocation scenario. He confirmed that this last scenario (ROVERS 4 on the handout) would result in the portfolio with 60% in equities, 40% in US equities and 20% in International equities. He also stated that would leave a 22.5% target for fixed income, 10% for total alternatives and 7.5% to real estate and total return portfolio. Mr. Breth confirmed that his recommendation was to implement the final scenario proposed (ROVERS 4) which would definitely be an increase to international equities and a decrease to U.S. fixed income and core real estate.

Ms. Moorer asked Mr. Breth to further explain his change regarding the increase from 1% to 2.5% for REITS. He explained when reviewing Westwood and Blackrock, roughly a quarter of their portfolio are in the high performing equities and from a model standpoint he determined REITS captured those the best. Mr. Broussard

asked Mr. Breth if he was stating that REITS were chosen as a proxy for fixed income because if rates go up then bond prices go down. Mr. Broussard stated that it was his understanding that REITS yielded a dividend payment and an active upside in capital gains. Mr. Breth said he agreed with Mr. Broussard's assumption except the one difference was that he was not talking about adding direct REIT exposure. Mr. Breth stated that the allocation change he was recommending would go to Westwood and Blackrock which are multi asset portfolios. Next, Mr. Breth discussed his final handout, the ROVERS Investment Policy Statement. On page 8 of the document, he discussed the recommendation of the new asset allocation plan. He confirmed the recommendation would keep domestic equities at 40% and increase international equities from 15% to 20%, allowing total equity to increase from 55% to 60%. Then, Mr. Breth stated that core fixed income would decrease from 20% to 12.5% and non-core fixed income would remain the same at 10% for a total fixed income portfolio of 22.5%. Lastly, he stated that real return portfolio (Westwood and Blackwood) would increase from 5% to 10%, real estate would decrease from 10% to 7.5% for a total of 17.5% of the portfolio.

Upon motion by Ms. Waskom and second by Ms. Menard, the Board voted unanimously, with Mr. Poche abstaining, to approve the Updated Investment Policy Statement with the changes recommended by Mr. John Breth.

Also, Mr. Breth stated that he was also seeking the Board's approval of his suggested rebalance plan to accomplish his recommended allocations discussed. He stated that his rebalance plans would be to move \$3 million from Vanguard Total US Stock Market Index as well as \$2 million from Orleans Capital. Then with that \$5 million, he stated he would invest \$2.5 million in Vanguard International Stock Market Index, \$1 million in Dodge & Cox, \$1 million in Vontobel, \$250,000 in Westwood and \$250,000 in Blackrock.

Upon motion by Mr. Broussard and second by Ms. Moorner, the Board voted unanimously, with Mr. Poche abstaining, to approve the rebalance plan as recommended by AndCo Consulting.

Mr. DiMarco welcomed Mr. Robert Poche to the ROVERS Board and thanked Representative Ivey for attending the ROVERS meeting.

Mr. DiMarco stated that Mr. Salter needed to leave at 11:30a.m., so he suggested the Board move up the Election of Officers on the agenda.

Upon motion by Ms. Waskom and second by Mr. Wall, the Board voted unanimously, with Mr. Poche abstaining, to move up item X. (e.) Election of Board Chairman and Co-Chairman on the agenda.

Upon motion by Ms. Menard and second by Mr. Salter, Mr. Dennis DiMarco was nominated for Chairman of the Board. With no other nominations Ms. Waskom requested to close nominations for Chairman, the Board then voted unanimously, with Mr. Poche abstaining, to approve Mr. DiMarco's nomination as Chairman of the Board. Mr. DiMarco accepted the position.

Mr. DiMarco thanked the Board and stated that this would be his last term as Chairman in order to allow another Board member the opportunity to serve in the position.

Upon motion by Mr. DiMarco and second by Mr. Wall, Ms. Charlene Menard was nominated for Vice Chairman of the Board. With no other nominations Mr. Salter requested to close nominations for Chairman, the Board then voted unanimously, with Mr. Poche abstaining, to approve Ms. Menard's nomination as Vice Chairman of the Board. Ms. Menard accepted the position.

Ms. Menard thanked the Board for her nomination as Vice Chairman.

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

Ms. Akers discussed Bill HLS 18RS-176 regarding an accrual rate increase with the Board. She asked the Board for clarification as to whether or not it was the Board's intention to allow the purchase of the 3.3333% accrual rate for those members that transferred into ROVERS. Mr. Curran further explained the statute and what clarification was needed. Ms. Akers reminded the Board that the System was approving legislation that G. S. Curran & Company had suggested and wanted to clarify that when a member bumps up to 3.3333% accrual rate that it was only for those in ROVERS. She stated that the legislative staff had written the statute in a way that did not allow for a member to purchase the updated accrual rate, and G. S. Curran & Company's opinion was that a member should be given that option if they were willing to purchase the 3.333% accrual rate. Mr. Salter asked what was in the best interest of the System. Mr. Curran replied that reasonable interpretation of the law would have led him to allow the purchase of the 3.3333% accrual rate. He further explained that appropriate language should be added so that the Board's intentions are clear on this matter.

Upon motion by Mr. Broussard and second by Mr. Salter, the Board voted unanimously, with Mr. Poche abstaining, to authorize the System Attorney to have the legislative staff, strike through "in this System" of the proposed bill HLS 18RS-176.

Mr. DiMarco asked if there were any special provisions for Veterans who want to buy into the System. Mr. Curran stated that there were special provisions for active duty service members who are called into service; however, Veterans had to pay the actuarial cost under the current law to purchase military credit.

Ms. Akers reminded the Board of the bills that they had been working on: the bill to clarify the language regarding Final Average Compensation, a bill to add a Third Party Administrator as an option for Director of ROVERS, and a bill to allow a member to repay refunded contributions immediately upon being rehired rather than waiting four years. Ms. Akers stated that all of these bills had been approved by her, and Ms. Smith and Representative Carpenter would introduce the Bills.

Next, Ms. Akers discussed the Board Governance Policy Manual. She reminded the Board that she emailed the manual; however, she never received any comments. Ms. Akers also discussed the lack of policies and procedures brought to the Board's attention at the last meeting by the auditor. She stated that she was currently working on addressing these procedures and requesting feedback from the other professionals. Also, she stated that she would again email the Board Governance Policy to the Board Members along with the proposed policies so that this could be discussed at the April meeting.

Finally, Ms. Akers updated the Board on the Commonwealth litigation stating that it was settled and payment had been received.

Upon motion by Ms. Menard and second by Mr. Wall, the Board voted unanimously, with Mr. Poche abstaining, to approve the System Attorney's report.

IX. Report from G. S. Curran & Company

Ms. Bouwkamp presented the financial statement through December 31, 2017, to the Board. She presented the Profit & Loss Budget vs. Actual report which was from July through December 2017. She stated that overall ROVERS was on target at 50.52% of budget. She reminded the Board that there were a few new categories that were approved in October which had to be increased to accommodate expenses that were not anticipated such as Disability Determination which had already reached 100% of its budget. Ms. Bouwkamp also stated that she

placed the cost for advertisements for the Director RFP's under the "Subscriptions" account which had a budget of \$600; that account was already over budget. Ms. Dees stated that there would be more advertisements for the bills at legislation. Mr. Curran suggested updating the account name to "Subscriptions/Advertising" and to increase the budget. Ms. Dee suggested increasing the total budget for this category to \$1,000.00. Next, Ms. Bouwkamp reviewed the Profit and Loss statement from July through December 2017. She explained that there was an increase in contributions by \$975,000 and the \$2.6 million change in gains/losses was mostly due to equities. Under member services/ pension payments, Ms. Bouwkamp explained that approximately \$1.2 million was spent each quarter. Then, Ms. Bouwkamp reviewed the Balance Sheet and pointed out that the total liability and equity was \$95,379,564.78 which included both the investments and the bank accounts. She stated that total current assets increased by \$2.7 million for the last quarter of 2017. Ms. Dees added that on January 9, 2018, she implemented the new accounts at Capital One. Ms. Dees stated that she deposited ad valorem taxes into the new account.

Upon motion by Mr. Wall and second by Ms. Moorner, the Board voted unanimously, with Mr. Poche abstaining, to accept the financial statements presented by G. S. Curran and Company and to increase the budget to \$1,000 for the account "Subscriptions" and change the account name to "Subscriptions/Advertising".

Mr. Curran then presented and discussed the estimated operating budget for a new System Office and Director that his firm drafted with the assistance of Michelle Cunningham at Duplantier, Hrapmann, Hogan & Maher. He stated that since there were several unknowns, this was not an easy task and asked the Board to keep in mind that this proposed budget was merely an estimate. First, he stated that his document detailed office setup expenses with an estimated one time cost of \$11,950.00. He stated that the estimated was based on the assumption that the office would be in or near Baton Rouge and that the financial estimates assumed that the new staff would perform all administrative duties currently provided by G. S. Curran & Company. Also, some office items were already owned by ROVERS and would not need to be purchased such as computers, printers and filing cabinets.

Regarding recurring expenses, Mr. Curran discussed salaries for a Director at approximately \$65,600 per year and a full time assistant with accounting experience at \$40,300. There would be retirement contributions as well as other employee benefits such as insurance that the Board would need to consider when hiring individuals for these positions. Next, Mr. Curran discussed other building related expenses such as rent, insurance, utilities, maintenance, etc. Then, Mr. Curran further discussed additional current expenses such as Board expenses, continuing office related expenses and professional services. He then confirmed that the total estimated transitional ROVERS budget was \$371,959.

Ms. Waskom stated after reviewing the proposal, she could tell that a lot of work and time was put into the estimated budget and she thanked Mr. Curran for his hard work.

He stated that the proposed estimated budget shows an increase of approximately \$30,000 to \$40,000 over the current budget in addition to the one-time cost.

Ms. Moorner asked if everything at this point had been transferred to the new software system that was created by G. S. Curran and Company for ROVERS. Ms. Dees confirmed that everything had been transferred; however, she was still in the process of double checking. Ms. Dees admitted that she was still having a difficult time adjusting to the new system but that Stephen at G. S. Curran and Company had been very helpful with answering questions and resolving any issues. Mr. Curran confirmed that once the product was complete and was given to Ms. Dees, a backup was processed of the old version system. Then, Mr. Curran explained that everything from the old version was transferred to the new system. Mr. Curran suggested that effective June

30, 2018, the new system would be the primary system and the older version would merely be used as a backup. He also stated that a new Director should probably never use the old version of the software.

Upon motion by Ms. Waskom and second by Ms. Menard, the Board voted unanimously, with Mr. Poche abstaining, to accept the framework of the Proposed Estimated Operating Budget for a new ROVERS office and Director presented by Mr. Curran.

Mr. Salter left the meeting at 11:27 a.m. A quorum was still present.

X. Director's Report

Ms. Dee provided the Director's Report to the Board and addressed new employees, DROP entries, terminations/refunds, retirement applications, Post-DROP Accrual payments, DROP payments, Member's Supplemental Savings Fund refunds, vested due a benefit, actuarial transfers and deaths through December 25, 2017.

Then, Ms. Dees discussed an additional individual that submitted an application for the ROVERS Director position after the November meeting and has not yet been interviewed. Ms. Dees shared the new candidate's qualifications with the Board and suggested that the Board hold a special meeting to interview Ms. Rowland and re-interview Ms. Bourque. Ms. Moorner stated that the Board was waiting on new legislation to have the ability to hire a third party administrator. Ms. Dees stated that she feared if the Board waited, then there was a possibility of a ROVERS merger prior to new legislation being passed.

Mr. Curran informed the Board that new legislation, Senate Bill 4, had been recently proposed by Senator Peacock, stating that the System's actuary could not exercise discretionary control over the administration of the system. Mr. Curran stated that he would have liked to have had the opportunity to sit down with Senator Peacock to discuss G. S. Curran & Company's administrative plans regarding ROVERS. He stated that the plan he had worked on in early 2017 aimed at limiting any discretionary control. Mr. Curran stated that his proposal would have been that G. S. Curran and Company provide administrative services with a new director to oversee the administration, sign off on checks and perform other discretionary duties like sign contracts and authorize the movement of funds. Mr. Curran also stated that if he determines that Senator Peacock does not want G. S. Curran & Company to participate in any administrative duties with ROVERS, then he will respect that and serve as only the actuary.

Mr. DiMarco suggested that the Board move forward with the search for a director. There was much discussion among the Board members and several suggestions to hold a special meeting regarding interviewing director candidates and meeting with Senator Peacock to determine his stance on all matters concerning G. S. Curran acting in any administrative role for ROVERS. Ms. Moorner suggested the Board request a special meeting with Senator Peacock. Mr. Broussard stated that the smaller the group that approaches the Senator the better chance of him being open about the matter. Ms. Akers offered to contact Senator Peacock regarding his stance on his recent proposed bill. Prior to the April Board meeting, Mr. DiMarco suggested that the Director and System Attorney contact Senator Peacock, and the entire Board should hold a special meeting to re-interview Ms. Bourque and to interview other candidates. Ms. Akers stated she would call Senator Peacock by the end of the week to determine when he will be in Baton Rouge, and then she would coordinate that time with Ms. Dees.

Ms. Dees also informed the Board that she recently had a conversation with Representative Pearson and at that time was told that he was actually the one that advertised the bill to merge ROVERS. She explained that she asked him to please give ROVERS a few years to prove that ROVERS can make money and function efficiently as a system. Mr. Broussard stated that the argument from the legislature would be that if ROVERS was merged into a larger system the larger system would have a lower percentage operating budget than ROVERS.

After questions from Ms. Moorer about a merger, Mr. Broussard stated that if merged with a larger system. ROVERS would be a subgroup of that larger system with their own employer/employee contribution rate, stated benefit plan; however, the assets would be comingled with the larger System.

Upon motion by Mr. DiMarco and second by Ms. Menard, the Board voted unanimously, with Mr. Poche abstaining, to approve the scheduling of a special meeting to interview both Ms. Bourque and the new applicant after the System Attorney and Director meet with Senator Peacock.

Ms. Dees reminded the Board that ROVERS cannot afford to not have a director hired at the time the bill to merge ROVERS is considered. She also stated she had prepared a list of all the representatives and senators from the state of Louisiana including their contact information to hand out to each Board member. Ms. Dees suggested that every Board member contact each member on the list. Mr. DiMarco also suggested that the ROV Association Board take a stand on this matter, and Ms. Dees agreed that everyone needed to be unified.

After discussion among the Board, Mr. Broussard stated that it would be accurate to say that, depending on the language of the bill, under certain circumstances a merger could lead to increases in cost to the employers/parishes.

Next Ms. Dees updated the Board on the collection of the overpaid benefits to Mrs. Trupiano. She stated that 100% of her check had been suspended, and effective March 1, 2018, the remaining balance owed would be \$750.62. Ms. Bordelon confirmed that this would complete Ms. Trupiano's obligation and effective April 1, 2018 she would again begin receiving her full survivor benefit.

Ms. Dees reminded the Board that they were given their LaTEC Seminar agendas and confirmations in their folder.

Regarding Public Records Request, Ms. Dees stated that all information had been submitted to the ROV Association. Mr. DiMarco asked if Ms. Dees had received any results regarding the findings of the previous public records request. Ms. Dees stated that she had not yet received any results.

Upon motion by Mr. Broussard and second by Ms. Waskom, the Board voted unanimously, with Mr. Poche abstaining, to approve the Director's report as presented.

Upon motion by Ms. Waskom and second by Ms. Menard, the Board voted unanimously, with Mr. Poche abstaining, to approve the change of the next meeting date to Tuesday, April 24, 2018, at 9:00 a.m. at the Renaissance Hotel in Baton Rouge due to election schedules.

X. Adjourn

Upon motion by Mr. Wall and second by Ms. Moorer, the Board voted unanimously, with Mr. Poche abstaining, to adjourn the meeting at 12:27 p.m.