

**Registrars of Voters Employees' Retirement System
Minutes of the Meeting of the Board of Trustees
February 5, 2020**

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. John Broussard called the meeting to order at 9:00 a.m.

II. Invocation and Pledge of Allegiance

Ms. Sandra Moorer offered an invocation, and Mr. Brian Champagne led the Pledge of Allegiance.

III. Roll Call

Ms. Kathy Bourque then called the roll. Board members present were: Mr. Robert Poche, Ms. Sandra Moorer, Mr. John Broussard, Ms. Billie Meyer, Ms. Shanika Olinde, and Senator Ed Price. Mr. Dwayne Wall, Mr. Joe Salter, and Representative Barbara Carpenter were absent. A quorum was present. Others present included: Ms. Kathy Bourque (System Director); Ms. Denise Akers (Legal Counsel); Ms. Cynthia Averette and Mr. Walker Reynolds (representing the Custodian of Assets, Hancock Whitney); Mr. Jon Breth (representing the Investment Consultant, AndCo Consulting); and Mr. Greg Curran and Ms. Sondra Bordelon (representing Actuary and Administrator, G. S. Curran & Company, Ltd.). In the audience were: Ms. Charlene Menard (Lafayette Parish ROV), Mr. Michael Bertrand (Vermillion Parish ROV), and Mr. Steve Raborn (EBR Parish ROV).

IV. Public Comments

Ms. Moorer announced that she would be retiring March 2, 2020. The Board congratulated and thanked Ms. Moorer for her service.

Upon motion by Ms. Moorer and second by Ms. Meyer, the Board voted unanimously to move up agenda item IX. b. Election of 2020 Board Chairman and Co-Chairman to the beginning of the meeting.

Mr. Broussard opened nominations for Chairman of the Board.

Upon motion by Ms. Moorer and second by Mr. Broussard, Mr. Champagne was nominated for Chairman of the Board. Mr. Broussard asked if there were any other nominations. With no other nominations for Chairman, Mr. Poche closed the nominations. Mr. Champagne accepted the position of Chairman.

Mr. Broussard opened nominations for Vice Chairman of the Board. Ms. Meyer nominated Mr. Poche; however, he declined.

Upon motion by Ms. Moorer and second by Mr. Broussard, Ms. Olinde was nominated for Vice Chairman of the Board. Mr. Broussard asked if there were any other nominations. With no other nominations for Vice Chairman, Mr. Broussard closed the nominations. Ms. Olinde accepted the position of Vice Chairman.

V. Review and Approval of Minutes

Upon motion by Ms. Moorer and second by Ms. Meyer, the Board voted unanimously to approve the minutes from the November 22, 2019 meeting.

VI. Presentation by Investment Consultant, AndCo Consulting

Mr. Breth discussed the letter from the CEO of AndCo Consulting, Mike Welker. Mr. Breth stated that 2019 was a solid year of growth for clients and stated that 2020 would be AndCo Consulting's 20th year Anniversary. He reviewed the updated organizational chart which consisted of a large research group to help promote investment ideas and support consultants.

Mr. Breth then reviewed the 2019 fourth quarter performance ending December 31, 2019. He stated that the U.S. Dollar weakened which was no surprise due to the Federal Reserve cutting rates throughout the year. Mr. Breth further explained that these factors also led to a mixed environment for fixed income. Also, Mr. Breth stated that U.S. equity markets had delivered strong gains in the fourth quarter and the S&P was up 31.5%. He confirmed that there was still an outperformance of growth relative to value.

Regarding bond performance, Mr. Breth pointed out that high yield bonds were not doing much in outperformance which was not surprising since interest rates broadly declined in the first three quarters.

Next, Mr. Breth reviewed the overall asset allocation. He reminded the Board that ROVERS was waiting on the finalization of the contract documents so that JP Morgan could follow through with rebalancing the domestic equities portfolio. He stated that this should occur around mid-2020.

Mr. Champagne inquired about the amount of international and global exposure held in the portfolio. Mr. Breth replied that there was \$19.7 million in international equities and \$9.6 million in global fixed income, and some of this would have exposure to Chinese investments.

On page 20 of the report, Mr. Breth pointed out that for the quarter; the portfolio was up 6.9% and fiscal year to date up 7.18%. He stated that equities were outperforming both for the quarter and fiscal year to date. He explained the advantage to domestic equities was not having much exposure to small cap value. Internationally, he stated that things were moving in the right direction and Dodge & Cox actually outperformed in 2019. He reminded that Board that Dodge & Cox had been on watch; however, he had no recommendation to remove them from being on watch and things had improved. He confirmed that fixed income continued to perform well and fees were decreasing.

Mr. Breth reminded the Board that Templeton was placed on watch last quarter and have added value since inception. He stated that he would have an update regarding Templeton at the next meeting.

Regarding real returns, Mr. Breth reviewed that year-to-date both funds were up 14-15% but trailing the benchmark due to being risk averse. He stated that these funds consist of 30% to 40% equities which were going into REITS, preferred stocks, partnerships, and some covered calls.

Upon motion by Ms. Meyer and second by Mr. Poche, the Board voted unanimously to approve the Investment Performance Review report for the period ending December 31, 2019, as presented by Mr. Jon Breth with AndCo Consulting.

Mr. Champagne requested a breakdown of Asian stocks for the next meeting.

VII. Presentation by Hancock Whitney

Ms. Averette directed the Board's attention to the Custodial Report. She reviewed the breakdown of assets for the period ending December 31, 2019, with a total asset balance of \$108,920,455.57 and pointed out that 44% of the portfolio was invested in domestic equities.

Next, Mr. Reynolds presented the Members' Supplemental Savings Plan Investment Performance Review for December 31, 2019, totaling \$767,601.57. He discussed the breakdown of the portfolio asset allocation which showed that approximately 63.88% of the assets were in fixed income and cash, 30.72% of assets in equities, and the remaining 5.40% invested in alternative funds. He stated that the account was up 1.0% for the quarter, and the portfolio had averaged 4.87% since inception. Mr. Walker also reminded the Board that the portfolio consisted mostly of ETF's and the main objective was to protect the principal.

Upon motion by Mr. Broussard and second by Ms. Olinde, the Board voted unanimously to approve the Custodial Report and the Member Supplemental Savings Report as presented by Hancock Whitney Bank.

A break was taken at 10:04 a.m., and the meeting resumed at 10:21 a.m.

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

Ms. Akers discussed the Director's & Officers' Liability Insurance for Directors and whether coverage would include past directors who paid premiums during their tenure. Ms. Akers stated that she contacted Daul agency and explained that insured executives were covered which included past, present, and future directors and trustees. She also stated that it was a claims made policy which meant as long as the premium was paid for the year, and the claim was made for the year, it would be covered. Ms. Akers reminded the Board about the Waiver of Fee Recourse which was a separate item for the Trustees that paid \$10 each per policy year.

Ms. Bordelon stated that she remembered from a past meeting where Mr. Curran asked Mr. Goynes, the Daul agent, if any claims made in the past prior to ROVERS having Director's & Officers' Liability Insurance if those claims and/or Directors would be covered and he said no they would not be covered. Ms. Bordelon stated that it was her understanding that when they say past, present, and future that the insurance company only means once this insurance coverage was purchased which was January 2019. Ms. Akers confirmed that was a good point and she would contact the Daul agency and report back for the next meeting.

Next, Ms. Akers confirmed that there were no bills being proposed by ROVERS and no bills specifically pertaining to just ROVERS. She did discuss three bills that would affect statewide retirement systems.

First, Ms. Akers discussed House Bill 26 presented by Representative Ivey which proposed a constitutional amendment to the wording that guarantees retirement benefits. She explained that the wording change was aimed at accommodating legislative changes that Representative Ivey was proposing for hybrid plans for state systems and would not impact ROVERS.

Next, Ms. Akers discussed Senate Bill 19 proposed by Senator Peacock that would apply to all state and statewide retirement systems. She stated that this bill appeared to be a clean-up bill involving the ability of the legislator to designate a legislative staff member to attend a meeting, including executive sessions of that meeting, in the legislator's absence. Ms. Akers explained that the law that passed a few years ago was to allow the Chairman of the Retirement Committee members to be the actual member of the various state and statewide retirement boards. She further explained that this proposed law would allow that appointed legislator from the House Retirement Committee to designate a legislative staff member to attend in his/her place and be permitted to attend executive sessions. She explained that it did still maintain the language that prohibited the staff member from being allowed to vote.

Then, Ms. Akers discussed Senate Bill 21 which was also proposed by Senator Peacock and would also apply to all public retirement systems. She stated that this bill would change the timing of when the actuarial report for each system would be due to the legislature from at least 30 days prior to the beginning of the regular session to "within 10 days of the system's board adoption of the report." Ms. Akers further stated that this bill was a reminder that a digital copy must be sent to the chairmen of both retirement committees.

Lastly, Ms. Akers informed the Board that there still had been no Attorney General Opinion received regarding upgrades of accrual rate after initial transfers, and she would continue to keep the Board updated. She stated as soon as she received the information, she would pass it along to Ms. Bourque to forward to the Board.

Ms. Moorer reminded the Board that ROVERS also had members waiting on a response to this opinion. Ms. Akers responded that her office was following up weekly, and it had been at least seven months since the request had been made.

Upon motion by Mr. Poche and second by Ms. Meyer, the Board voted unanimously to approve the System Attorney's Report.

IX. Report from G. S. Curran & Company

Mr. Curran discussed the Louisiana Legislative Auditor's (LLA) review of the System's valuation. He stated the Board approved valuation report would be reviewed by PRSAC the following week. He stated that for a number of years, the opinion of the actuaries from LLA was that the valuation interest rate be set between 5.25% and 6%, which is lower than the current rate of 6.5%. Mr. Curran stated that the LLA arrives at these rates by favoring shorter term return forecasts. He confirmed that his firm reviews the target allocation and develops a consultant average return profile each year in order to set their reasonable range. Mr. Curran stated that over time the rate could come down more but that further reductions would be based on future economic views and changes to the investment portfolio.

Mr. Curran stated that two of the main topics discussed in the LLA report were the mortality assumption and the inclusion of future Cost of Living Adjustments (COLAs) within the valuation. Currently, COLAs are not included in the actuary's funding valuations provided by G. S. Curran & Company. Mr. Curran stated that by presuming future COLAs within the liabilities contained within the valuation report, the employer contribution rate would increase. Mr. Curran stated that the Board-approved valuations do not recognize future expected COLA benefits until the COLA is granted. Mr. Curran stated that he did not consider it his role as actuary to decide how often ROVERS offers future COLAs. He reminded the Board that the funding deposit account was funded in advance from contributions in excess of the minimum recommended rate. He added that based upon the timing of the systems last COLA and the funded ratio, the next COLA cannot be given until January 1, 2021. He stated that the balance of the Funding deposit account as of June 30, 2019 was \$2.8 million.

Senator Price stated that Sam Jones along with the Senate Retirement Committee was working with the Governor's office regarding the advertisement of a shell bill to deal with COLAs. Senator Price stated that he would like Mr. Curran to be a part of future discussions.

Mr. Champagne asked if the Public Retirement Systems' Actuarial Committee (PRSAC) could force ROVERS to lower their assumptions. Mr. Curran explained that it was not in PRSAC's legal framework to set assumptions. He stated that PRSAC had the ability to study the assumptions and accept a valuation presented to them.

Next, Mr. Curran stated that the Board needed to set the employer contribution rate for the year beginning July 1, 2020. He stated that the Board's action would be contingent upon PRSAC's approval of the valuation the following week. Mr. Curran stated that statutorily the employer contribution rate could be set anywhere between 14.5% and the current rate of 18%.

Mr. John Broussard recommended that the Board maintain a higher employer contribution rate due to the positive impact on the system's funded ratio and in order to prefund future COLAs.

Upon motion by Ms. Moorer and second by Ms. Meyer, the Board voted unanimously to maintain the current employer contribution rate of 18% for the year beginning July 1, 2020 contingent upon PRSAC's approval of the valuation report.

Senator Price left the meeting at 10:59 a.m.

Mr. Curran then discussed the Members' Supplemental Savings Fund (MSSF) as of June 30, 2019. He confirmed that Ms. Bourque had an updated list detailing member balances with interest posted through June 30, 2019. Ms. Bourque stated that anyone that had terminated or retired in the past but had interest remaining in the MSSF would receive that balance prior to June 30, 2020.

Upon motion by Mr. Moorer and second by Mr. Broussard, the Board voted unanimously to approve the report as presented by G. S. Curran & Company.

Ms. Meyer read aloud a text from retiree, John Moreau, that addressed the ROVERS Board regarding their recent investment decision making and Mr. Jon Breth for his knowledgeable guidance. Mr. Moreau's text thanked the System

for being the smallest with assets under management of \$110 million but with a rate of return competitive with much larger Systems. He further stated that their hard work did not go unnoticed, and it had given retirees the peace of mind needed and wanted.

X. Director's Report

Ms. Bourque informed the Board that the financials for ROVERS through December 31, 2019, were included in their meeting packet and offered to answer any questions.

Ms. Bourque then mentioned the Minimum Distribution Incidental Benefit (MDIB) requirements and limitations. Mr. Curran explained that it was a federal regulation used for calculating a benefit for a non-spouse beneficiary. He stated that MDIB typically comes up when an option four benefit was requested. As the actuary for the fund, Mr. Curran warned about the risks associated with the cost to the plan of allowing some option four benefits.

Mr. Curran explained that the IRS has a table to use in the calculation for MDIB; however, it was set up for one beneficiary. He stated that a recent case had selected an option four benefit with two non-spouse beneficiaries. Mr. Curran stated that the interpretation was to use the date of birth of the youngest beneficiary in determining the percentage used in the calculation. In the above case mentioned, Mr. Curran explained that the member already requested option four for two non-spouse beneficiaries at 50% each for the DROP benefit. Mr. Curran stated that the MDIB rules do not answer this question, and he could not advise on this request. He stated that Ms. Akers and Ms. Bourque could get advice from a tax attorney. Ms. Akers agreed that this type of request would require a tax attorney's opinion which could likely cost several thousand dollars.

Mr. Curran reminded the Board that any option four, outside of what had already been pre-approved, must be approved by the Board. Additionally, the cost associated with the request must be taken into consideration.

Mr. Champagne asked if a member was legally obligated by law to leave a benefit to a disabled child upon retirement and Mr. Curran stated that no they were not required to provide a benefit.

Next, Ms. Bourque discussed filling the open board seat due to Ms. Moorers' retirement in March 2020. Ms. Akers stated that since there was less than two years of service remaining for Ms. Moorers, the Board would not appoint a replacement until the next election.

Mr. Champagne expressed to the Board that he would like to see the law changed regarding the amount of years of service that a member must have in order to serve on the Board. He stated that ten years was too long and eventually there may not be enough qualified members. Ms. Bourque reminded the Board that it does not have to be a Registrar and that it could be any member of the System. Ms. Bourque also stated that the law would need to be changed in order to change the amount of years of service required by a member to become a Board member. Ms. Akers stated she would make note of this request and discuss this topic at a future meeting.

Ms. Bourque then discussed new quotes she received on cyber insurance. She reminded the Board that ROVERS currently had a \$1 million cyber insurance policy with a premium of \$3,610.00 that was just renewed in January 2020. Ms. Bourque received a quote for a \$3 million cyber policy with a premium of \$6,512.34 per year and a quote for a \$5 million cyber policy with a premium of \$11,859.58 per year. Ms. Bordelon reminded the Board that the budget for Cyber Insurance would have to be increased if the policy amount increased.

Upon motion by Ms. Moorers and second by Mr. Broussard, the Board voted unanimously to increase the Cyber Insurance policy to \$5 million with a premium of \$11,859.58 per year and thus increase the budget for cyber insurance. Furthermore, the System Director would obtain additional quotes for cyber insurance with higher coverage.

Ms. Bourque reminded the Board about the LATEC Conference scheduled for February 19-21, 2020 at the Royal Sonesta Hotel in New Orleans, LA.

