

**Registrars of Voters Employees' Retirement System  
Minutes of the Meeting of the Board of Trustees  
August 5, 2014**

The meeting of the Board of Trustees for the Registrars of Voters Employees' Retirement System was held at the Renaissance Hotel at 7000 Bluebonnet Boulevard in Baton Rouge, Louisiana.

**I. Call to Order**

The Chairman of the Board, Mr. Dennis DiMarco, called the meeting to order at 9:33 a.m.

**II. Invocation and Pledge of Allegiance**

Ms. Linda Rodrigue offered an invocation and Mr. Dwayne Wall led the Pledge of Allegiance.

**III. Roll Call**

Ms. Lorraine Dees called the roll. Board members present were: Ms. Sandra Sims, Mr. Dwayne Wall, Ms. Charlene Menard, Ms. Billie Meyer, Ms. Linda Rodrigue, and Mr. Dennis DiMarco. Representative J. Kevin Pearson and Senator Elbert Guillory were absent. A quorum was present.

Others present included Ms. Denise Akers (Legal Counsel), Ms. Lorraine Dees (System Director), Ms. Tamara Wyre (representing the Custodian of Assets, Capital One Bank), Mr. Jon Breth (representing Investment Consultant, The Bogdahn Group), Mr. Greg Curran, Mr. Brian Shoup, and Mr. Stephen Brouillette (representing Actuary and Administrator, G. S. Curran & Company, Ltd.), Mr. Lucas Buller (Registrar of Voters for Evangeline Parish), Mr. Orlandar Jack (Assistant to Mr. Buller), Ms. Shelley Bouvier (Assistant to Mr. DiMarco), Ms. Sandra Wilson (Registrar of Voters for Orleans Parish), Ms. Holly Wille (Iberville Parish), Mr. Brian Champagne (Registrar of Voters for St. Charles Parish), Ms. Debbie Waskom (Registrar of Voters for Natchitoches Parish), and Mr. Michael Bertrand (Registrar of Voters for Vermillion Parish).

**IV. Review and Approval of Minutes**

Upon motion by Ms. Meyer and second by Ms. Rodrigue, the Board voted unanimously to approve the minutes from the April 29, 2014 meeting.

With no further business, the Board agreed to move on to the next agenda item.

**V. Presentation by Capital One**

Ms. Wyre directed the Board's attention to the Member Supplemental Savings Fund (MSSF) Performance Report & Investment Policy Statement (IPS) Proposal. She reviewed the calendar year to date gains as of June 30<sup>th</sup>, which were 2.34% (approximately \$30,000) and Fiscal Year 2014 gains, which were 6.06% (approximately \$77,000). She said that the portfolio used a blended benchmark for an income focused objective. The portfolio consisted of 67.9% Fixed Income, 26.2% Equities, and 5.9% Cash and Equivalents. Ms. Wyre stated that the fund is shy of the benchmark because it is weighted heavily towards fixed income. The fund was over the 25% equity threshold, but that changes would be made after there is a decision on the IPS. Ms. Wyre

reviewed performance by asset class. She then reviewed holdings and highlighted the diversification in the equity fund. The income yields were approximately \$17,000.

Ms. Wyre next began to discuss the proposed changes to the IPS. The current IPS stated that the fixed income portion of the portfolio was allowed to invest only in direct obligations of the U.S. government or governmental agencies. Ms. Wyre suggested that the Board expand the allowed assets to include fixed income securities of foreign governments and corporations (up to 15% of the market value of the portfolio), corporate notes and bonds, mortgage backed bonds, preferred stock, and planned amortization class collateralized mortgage obligations. She also suggested investing primarily in investment grade bonds rated BBB or better. Additionally, Ms. Wyre suggested reducing fixed income to 55% and increasing equities to 35%. She also recommended changing the short term bonds to short term high yield, intermediate high yield, and international bonds. Ms Wyre provided a chart for the Proposed Asset Allocation Guidelines which would allow for a total equity range limit of 20-50%.

Ms. Sims stated that she would prefer an upper limit on equities of 40% and the removal of REITS from the portfolio.

Mr. Dimarco asked Ms. Dees about the current rate of distributions from the MSSF.

Ms. Dees stated the fund is distributing more now than before, and that there was no new money being added to the account.

Mr. Breth discussed REITS and the risk profile of the portfolio by combining asset classes. He stated that this did not open the portfolio up to direct real estate risk. In addition, he stated that the large cap security bias was meant to lower volatility.

Ms. Wyre stated that the proposed MLP is an ETN and does not generate K-1s, therefore there would be no tax implications.

Ms. Dees asked if the system would absorb foreign taxes on overseas securities. Ms. Wyre responded, no.

Mr. Breth and Ms. Wyre discussed the 10% allocation to cash. Mr. Breth said that it was a byproduct of today's investment environment and Ms. Wyre added that holding more cash would avoid having to sell out of a position when making portfolio changes. The average credit quality with the changes would be A-. The changes would raise income from 1% to 2%. The portfolio currently owns Sentinel, Legg Mason, and Thornburg; the changes would add European index (EZU). The portfolio currently owns Wells Emerging Markets; the proposed changes would add a frontier markets fund.

Ms. Sims stated that she would prefer not adding frontier markets to this account.

Mr. Breth commented that the Board has hired Capital One to run the portfolio and that they make recommendations as a fiduciary. He then added that the Board should determine the prohibited asset classes.

Mr. Dimarco agreed, he stated that the MSSF was different than the DB plan.

Mr. Breth added that frontier markets were there to broaden the portfolio. He stated that the frontier markets would extend the opportunity set while keeping the allocation anchored around large cap stocks.

Ms. Wyre said that Capital One was here to make sure that each investment was performing as expected, but that they would not sell individual bonds held today. After the bonds mature, Ms. Wyre would like to discuss where to invest the proceeds with Mr. Breth and the Board.

Mr. Breth added that all proposed changes except for the frontier markets were already in the DB plan.

Upon motion by Ms. Sims and second by Mr. Wall, the Board voted unanimously to adopt the new MSSF IPS with changes, but to put an upper limit of 40% on equities.

Next, Mr. Brian Shoup presented the Custodian Report in place of Ms. Terry Meagher. He summarized the report and made some important notes. He directed the Board to page 2 which showed the movements in assets for the Fiscal Year. He reminded the Board that \$5 million of the \$15 million dollar increase in assets was new money from contributions to the plan. Page 4 of the report showed Advisory Research being closed, but it was a typo. He also pointed out a reduction in fees paid over the prior year of \$72,579. On Tab B, there was a recent cash deposit of \$2 million invested in PIMCO Diversified Income Fund and Templeton Global Bond Fund as approved at the April board meeting.

Upon motion by Ms. Rodrigue and second by Ms. Sims, the Board voted unanimously to accept the Capital One Reports.

With no further business, the Board agreed to move on to the next agenda item.

## **VI. Presentation by the Investment Consultant, The Bogdahn Group**

Mr. Breth directed the Board's attention to page 2 of the Monthly Flash Report as of June 30, 2014. He stated that it was a strong quarter in equities, both U.S. and International. He added that although July saw the DOW give back prior gains, the broader indexes had remained positive. He proceeded to page 4 and explained that Incorporated REITS had been up. On page 8, inflation fears helped TIPS increase 3.8% in the quarter. Page 10 detailed the returns for the portfolio; he noted that the QTD was up 4.1% and the FYTD was up 15.8% which was ahead of the policy. He stated that Domestic Equities were under the benchmark, but that they have had good returns. He noted that Thornburg had struggled in International Equity, and he found that some of the issues made them less of a good fit for the portfolio. He stated that Fixed Income Managers had tried to boost yields in preparation for rising interest rates. Mr. Breth then detailed the hedge funds; he stated that Sand Springs Capital was written off and that the hedge funds would go to \$0 over time. Mr. Breth stated that Real Estate and Private Equity should be viewed on an Internal Rate of Return (IRR) basis because they are private investments with managers making calls periodically. On page 12 of the report, Greenspring Crossover Fund had strong upgrades in valuation with a 32% return FYTD. CDK Realty (FKA Land Baron) had seen some write-ups in values with a 27.8% return FYTD. Americus Fund IV was down 80% FYTD with properties facing foreclosure. Mr. Breth recommended the Board write-off the remaining value of Americus which was valued at

\$162,414. The fund received \$485,378 from Equitas which increased the Money Market Fund to \$859,825. He also recommended splitting \$850,000 in cash between the Real Return funds of PIMCO All-Asset and Westwood Income Opportunity because they offer diversification and protect against weakness in equities.

Upon motion by Ms. Sims and second by Ms. Menard, the Board voted unanimously to write-off Americus Fund IV to \$0 as of June 30, 2014.

Upon motion by Ms. Meyer and second by Ms. Rodrigue, the Board voted unanimously to split excess cash above \$150,000 equally between PIMCO All-Asset Fund and Westwood Income Opportunity Fund.

Next, Mr. Breth directed the Board's attention to the Investment Manager Review. Because of Thornburg's performance, Mr. Breth recommended replacing them with one of five candidates: Templeton International Foreign Fund, Dodge & Cox International Equity, Manning & Napier Fund Inc. Overseas Series, TS&W International, and Vontobel International Equity. The system would invest using an international mutual fund which would show up in the Capital One mutual fund account. Mr. Breth discounted TS&W and Vontobel because of their higher fees. Mr. Breth focused on Dodge & Cox and Manning & Napier. Mr. Breth noted that Dodge & Cox was the most consistent out performer, getting the most in up markets and being at market on down markets. Mr. Breth recommended replacing Thornburg International Equity with Dodge & Cox International Equity.

Ms. Sims stated that she had been watching Dodge & Cox and was glad to see them recommended.

Mr. Dimarco asked if their expense ratio was similar to Thornburg and Mr. Breth replied that Thornburg charges 65 basis points to Dodge & Cox's 64 basis points.

Upon motion by Ms. Sims and second by Mr. Wall, the Board voted unanimously to terminate Thornburg and replace them with Dodge & Cox.

Upon motion by Mr. Wall and second by Ms. Meyers, the Board voted unanimously to accept the Bogdahn Group report.

Mr. Dimarco expressed the Board's appreciation of Mr. Breth and the Bogdahn Group.

With no further business, the Board agreed to move on to the next agenda item.

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

Ms. Akers began her report on comparisons of leave conversion policies. She stated that she was asked to give comparisons of the different systems' handling of leave conversion. She stated that an Attorney General's opinion on the subject restricted ROVERS ability to limit leave that had already been accrued.

Mr. Wall commented that classified employees earn at time and a half for elections, and since they had accrued so much compensatory time in the past, they did not use their annual leave. Mr. Wall

added that since the number of elections has been limited, employees aren't accruing as much compensatory time.

Mr. Dimarco responded that classified employees do not earn a great deal and have seen their benefits reduced already. He stated the board should take this into consideration as well.

Ms. Sims stated that she would like to begin working on legislation to limit leave conversion for new hires so the retirement fund would be on a more stable footing.

Mr. Dimarco asked Ms. Dees to gather data on leave balances and to provide statistics at the next board meeting. Ms. Dees agreed to provide data for the board and actuaries to comment. Ms. Akers added that she would start working with Mr. Curran and Ms. Dees to begin crafting proposed legislation to present at the October board meeting

Upon motion by Ms. Sims and second by Ms. Rodrigue, the Board voted unanimously for Ms. Dees to provide leave information as requested.

Next. Ms. Akers addressed the Commonwealth litigation. She contacted the attorneys and the lawsuit was proceeding. She added that they were working based on a contingency fee and that the attorneys believe there would be a settlement.

Upon motion by Ms. Rodrigue and second by Ms. Meyer, the Board voted unanimously to accept Ms. Aker's report.

With no further business, the Board agreed to move on to the next agenda item.

### **VIII. Presentation by G. S. Curran & Company**

Mr. Brian Shoup directed the Board's attention to the Profit & Loss Budget vs. Actual. He noted that every line item was under budget except for a few. Account 0547 - security monitoring went over by \$89 because a thirteenth month was recorded in the year. Account 0548 - Subscriptions went over by \$622 which included a purchase in June for \$600.00 for next year's revised statutes books. Account 0550 - Leases went over by \$426, this item covered copier lease and postage. Supplies purchased to cover the printer and postage meter should have been categorized to office supplies. The professional services for accounting were up because of IRS tax preparations. Legal expenses were well under budget and have been reduced for next year. The percentage of budget spent for the fiscal year was 86% or 95% excluding legal expenses.

Mr. Dimarco asked if this document could be sent out to the membership. Ms. Akers replied that these documents are not confidential and if the board wishes to make them public they may.

Ms. Dees stated that 2/3 of members were deputies and would prefer mailing information to them.

Ms. Rodrigue asked if the documents could be put on the larovers.com website.

Mr. Curran asked for the Board to state for the record what information to place on the website. He added that his firm would be happy to make the minutes and financials public before they have been approved if the board specifies they would be unofficial documents.

Upon motion by Ms. Sims and second by Ms. Rodrigue, the Board voted unanimously to direct G.S. Curran & Company to place draft minutes and draft financials with appropriate disclaimers on the larovers.com website.

Mr. Wall recommended sending out a blast email to the registrars reminding them of the information on the larovers.com website.

Upon motion by Mr. Wall and second by Ms. Menard, the Board voted unanimously (except for Ms. Meyers who was not present for this vote) to have the director send a blast email to the Secretary of State email of each registrar to tell their employees that this information would be on larovers.com.

Mr. Shoup completed the Profit and Loss report and pointed out the Balance Sheet.

Upon motion by Ms. Rodrigue and second by Ms. Menard, the Board voted unanimously to accept the report from G.S. Curran & Company.

With no further business, the Board agreed to move on to the next agenda item.

### **IX. Director's Report**

Ms. Dees provided a handout for the Director's Report to the Board, and addressed the items on the handout including new employees, terminations, new DROP participants, DROP participants re-enrolled after DROP, DROP payments, retirement applications, and deaths.

Ms. Dees then reviewed each of the items on the Director's Report handout. Ms. Dees pointed out that a lot of funds would be dispersed from the MSSF after this meeting because of retirements.

Ms. Akers commented that other systems do not read all of the director's items into the record.

Ms. Dees then moved to describing the election process for Board Elections. She stated that Ms. Billie Meyers qualified for a 3 year term beginning January 1, 2015, and Ms. Debbie Waskom qualified for a 4 year term beginning January 1, 2015. She stated that since neither position had more than one individual qualify, there was no need for a formal election.

Ms. Rodrigue asked if it would be proper to notify on the website when a qualifying application was received. Ms. Dees responded that next year she would show who qualified each day.

Upon motion by Ms. Rodrigue and second by Mr. Wall, the Board voted unanimously to accept the election results.

Upon motion by Mr. Wall and second by Ms. Sims, the Board voted unanimously to allow Ms. Waskom to go to LAPERS and have her mileage paid by the system.

Ms. Dees asked for information from other Board members related to LAPERS attendance on September 7-9 of this year.

Ms. Dees stated that she received a letter from Rep. Pearson appointing Ms. Stephanie Little to be designated for any executive session on behalf of Rep. Pearson.

Ms. Dees notified the board of an issue on retiree direct deposits for August. She stated that the issue had been resolved and retirees had been notified. Ms. Dees stated that four retirees were still being paid regular checks.

Upon motion by Ms. Rodrigue and second by Ms. Menard, the Board voted unanimously to accept the Director's Reports.

With no further business, the Board agreed to move on to the next agenda item.

### **X. Public Comments**

Mr. DiMarco asked if there were any public comments.

Ms. Waskom commented that Mr. Breth's investment manager review did not have comparable firms in her opinion and she would have liked him to show 3 more comparable firms. Ms. Sims stated that the system normally interviewed managers before making a hire. Ms. Waskom added that she felt the Board needed to allow public comments with every agenda item.

Mr. Champagne thanked the Board for aspiring to make the minutes available soon after the meeting. Mr. Champagne asked about having a blast email every time minutes were posted. He also suggested one minute of public comment before voting on a motion. Mr. Champagne appreciated Ms. Dees posting qualifying individuals in future elections. He also asked about timing of budget with Secretary of State for the coming year. He then asked about the process of providing contribution rate estimates for budget purposes to the state. Ms. Dees and Mr. Curran discussed the process with the board and Mr. Champagne for clarification.

With no further comments, the Board agreed to move on to the next agenda item.

### **XII. Other Business**

Mr. DiMarco asked if there was any other business.

Mr. DiMarco announced the next official meeting date and location of November 12<sup>th</sup>, 2014 at 9:30 am at the Renaissance Hotel in Baton Rouge, LA.

### **XIII. Adjourn**

Upon motion by Mr. Wall and second by Ms. Meyer, the Board voted unanimously to adjourn the meeting at 12:36 pm.