

**Registrars of Voters Employees' Retirement System
Minutes of the Meeting of the Board of Trustees
November 12, 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 9:30 a.m.

Mr. DiMarco read an e-mail from the system attorney, Denise Akers, addressing Public Comments during Board meetings. She wrote that it is appropriate to have public comment before voting on an item specifically on the agenda, either at the beginning of a meeting or before an agenda item is taken up in a meeting.

II. Invocation and Pledge of Allegiance

Ms. Sandra Sims 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. Rebecca Wisbar (Legal Counsel, Partner of Denise Akers), Ms. Lorraine Dees (System Director), Ms. Terry Meagher and Tamara Wyre (representing the Custodian of Assets, Capital One Bank), Mr. Jon Breth (representing Investment Consultant, The Bogdahn Group), Mr. Greg Curran and Mr. Brian Shoup (representing Actuary and Administrator, G. S. Curran & Company, Ltd.), Ms. Shelley Bouvier (Assistant to Mr. DiMarco), Mr. Nat Bankston (Retiree), and Mr. Michael Bertrand (Registrar of Voters for Vermillion Parish).

IV. Public Comments

Mr. Bankston, (Retired Registrar of East Baton Rouge Parish) asked that every retiree receive the ROVERS Board Minutes by e-mail. Ms. Wisbar asked that the suggestion be added to the agenda for the next Board Meeting. Mr. Bankston then asked for a board member to ask the investment consultant for the number of money managers and for the rate of return for fiscal 2014 over the actuarial benchmark of 7.5%. Mr. Bankston stated that he would like the board to propose legislation to add a retiree to the ROVERS Board.

Mr. DiMarco assured Mr. Bankston that the board members keep the concerns of its retirees in mind always and that if there is an opportunity to give retirees a Cost of Living Adjustment (COLA) in the future, it was his belief that the board would be supportive.

V. Review and Approval of Minutes

Upon motion by Ms. Sims and second by Ms. Rodrigue, the Board voted unanimously to approve the minutes from the August 5, 2014 meeting.

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

V. Presentation by Capital One

Ms. Meagher directed the Board's attention to the Custodial Report. She briefly reviewed the invested assets as of September 30, 2014. She reviewed page 1 of the report, summarizing the ROVERS assets which totaled \$76,846,138 at quarter end. Page 3 of the report showed the changes in balance over the quarter with notes regarding movements of cash during the period. Page 4 of the report showed a history of asset changes over the past 4 fiscal years. Page 5 of the report showed the active and closed accounts since 2012. On page 6 of the report she reviewed investment fee activity for the fiscal year to date. Then Ms. Meagher finished her report on page 8 with a review of the investment purchases for ROVERS going back to December 2012.

Upon motion by Ms. Meyer and second by Ms. Menard, the Board voted unanimously to approve the Custodial Report as presented by Ms. Meagher.

Ms. Meagher then introduced Ms. Tamara Wyre to the Board. Ms. Wyre directed the Board's attention to the Member Supplemental Savings Fund (MSSF) Performance Report. Ms. Wyre briefly commented on current market conditions. She directed the board to Tab B of the report outlining the revised Asset Allocation as of August 26, 2014. On Tab C she reviewed the Portfolio Summary with assets totaling \$1,260,274 as of September 30, 2014. She stated that equities account for 36.7% of the portfolio and was down minimally during this volatile quarter. Ms. Wyre stated that the projected income for the new portfolio allocation went from 1% to 1.9%. She stated the MSSF has 13 mutual funds and 5 bonds to address Mr. Bankston's question of the board.

There was a brief discussion on the number of ROVERS employees with MSSF accounts and the process of withdrawing funds.

Upon motion by Mr. Wall and second by Ms. Meyer, the Board voted unanimously to approve the Member Supplemental Savings Fund as presented by Ms. Wyre.

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 September 30, 2014. He stated that equities were down overseas as the U.S. Dollar strengthened, affecting foreign returns. He added the S&P 500 was up 1.1%, but that small cap stocks were down 7.4% for the quarter, but has outperformed in October. He stated Fixed Income stayed positive, but that TIPS are down 2% with little evidence of inflation. Mr. Breth said Bogdahn has been expecting this volatile market for the last 12 months. He pointed out on Page 6 the different foreign investment returns in the local currencies overseas versus the U.S. Dollar denominated returns. Mr. Breth moved to page 14 to show the current asset allocation versus the target allocation, highlighting the underweight in Real Estate and Private Equity which he would address later in the meeting. On page 17 he pointed out the change in value for the quarter with total assets lowered

\$1,935,366 by market depreciation to \$76,590,675. Mr. Breth stated that October markets helped reverse most of these losses. On page 19 he noted that fund performance for the QTD was down 1.99% and the 3 Year was still up 9.57%. He stated that we are behind our peers because we are underweight Equities and have a dedicated energy fund that has not done well recently. He noted that Fixed Income Managers have delivered excess returns over the 1, 3, and 5 Year periods. He added that Hedge Funds show we are liquidating assets in the CA Recovery Fund and Equitas Evergreen Fund. Mr. Breth said the Real Return Funds are working as expected. On page 20 Mr. Breth pointed out that Orleans Energy lost 12.3% in the quarter and has extended losses into October, trailing their index. He stated the system terminated Thornburg and has the Dodge and Cox International Fund in place now. Mr. Breth said Fixed Income is very defensive as the Fed will slowly begin raising interest rates. He added that the PIMCO All Asset Fund has more International exposure which explains their underperformance compared to Westwood Income.

Mr. Breth said to answer Mr. Bankston's question, ROVERS has 17 line items, but only 11 active managers, 2 index funds, and 4 funds in liquidation. He added that the June 30, 2014 investments returned 14.63% but the actuarial rate of return will be different as the actuaries use a 5 Year Smoothing of Assets.

Mr. Breth made two recommendations to the board. He recommended moving \$750,000 out of the Orleans Energy fund to be reinvested in the Vanguard US Total Stock Market Index Fund. He also recommended transferring \$300,000 from cash to the same Vanguard Fund.

Upon motion by Ms. Sims and second by Ms. Rodriguez, the Board voted unanimously to move \$750,000 from Orleans Energy to Vanguard US Total Stock Index Fund.

Upon motion by Ms. Rodriguez and second by Ms. Meyer, the Board voted unanimously to move \$300,000 from the cash account to Vanguard US Total Stock Index Fund.

Ms. Sandra asked about reducing International Equities over the next few years in favor of domestic equities. Mr. Breth said he would not recommend leaving International Equities, but perhaps lowering the plan's exposure to International Equities in favor of a Core Real Estate Strategy.

Mr. Breth also said he was considering asking Orleans Capital Management to present to the Board next year and to review both the Core Fixed Income and Energy Funds. He added that Bogdahn has taken steps to consolidate the lineup and reduce fees by using mutual funds. He indicated that the weighted average of fees was approximately 60 basis points.

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

Mr. Breth presented a second report on Core Real Estate Asset Class Overview. He directed the board to page 3 of the report giving an overview of the 3 types of Private Real Estate: Core, Value-Added, and Opportunistic. Core Real Estate focuses on class A properties with the lowest expected return and lowest risk of the 3 types. He stated that the Americus Fund is more of a Value-Added Strategy with class B properties. He added that Core Real Estate typically gets 3-5% from income and 2-4% growth from market appreciation. Mr. Breth directed the board to page 30 of the report to look at a return comparison of Core Real Estate offerings. Going back to page 6,

he said there has been significant price appreciation in the last few years after significant losses, but Mr. Breth showed that most real estate sectors haven't seen a full price recovery.

Mr. Breth showed on page 30 a list of open Core Real Estate Funds to consider bringing in to interview. The top 3 are American Realty Advisors, ASB Capital Management, and Cornerstone Real Estate Advisors. They are all true institutional offerings with one million dollar minimums; they have a long history of managing core assets with relatively conservative leverage amounts. They use a benchmark called the NACREIF Odyssey Index. Mr. Breth directed the board to page 22 and said that American Realty and Cornerstone Funds are very similar and the Bogdahn Group's alternatives experts recommend American Realty over Cornerstone. He recommended the board bring in American Realty and ASB Allegiance Real Estate Fund for interviewing. He stated that it would take about 4 to 6 months to get invested with American Realty, while ASB would be a 12 month wait to be fully funded with fees ranging from 1.10% to 1.25% respectively.

Mr. Wall asked how the investment would be funded. Mr. Breth said he would probably recommend funding from the International Equity portfolio with additional funds coming from the Non-Core Fixed Income portfolio. Mr. Breth said the investment policy would need to be amended to allow a 5% allocation to Real Estate instead of the 2.5% allocation currently.

Upon motion by Ms. Sims and second by Mr. Wall, the Board voted unanimously to invite American Realty and ASB Allegiance to present at the next regular board meeting.

Upon motion by Mr. Wall and second by Ms. Menard, the Board voted unanimously to accept Mr. Breth's core real estate report.

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

VII. Report from the System's Attorney, Rebecca Wisbar

Ms. Wisbar introduced herself as Denise Aker's partner, representing the firm in Ms. Aker's absence. She addressed the agenda to vote on a designee for Ethics Compliance as required under R.S. 42:1170. She stated that most retirement systems designate their Director for continuity and because in most cases they are qualified and are already carrying out those duties.

Upon motion by Ms. Rodriguez and second by Ms. Meyer, the Board voted unanimously to designate the Retirement System Director as designee for Ethics Compliance under R.S. 42:1170.

Next, Ms. Wisbar addressed the Definition of Earnable Compensation. She stated that ROVERS does not define earnable compensation in Title 11 of the Revised Statutes and that she highly recommends getting an Attorney General (AG) opinion on the question of defining a car allowance and phone allowance as earnable compensation for retirement purposes.

Ms. Dees and Mr. Curran commented on various options for the board to consider.

Ms. Sims suggested the board set a policy, seek an AG opinion, and craft legislation to be approved, defining earnable compensation for ROVERS.

Upon motion by Ms. Sims and second by Ms. Meyer, the Board voted unanimously to ask their attorney to draft a policy for Board approval and to seek an AG opinion addressing the definition of earnable compensation.

Next, Ms. Wisbar addressed the status of Leave Conversion Policy Discussions. Ms. Dees stated that she is approximately 60% done gathering data for Mr. Curran on the history of retirees that converted leave at retirement. She added that once she finished, Mr. Curran could report on the actuarial impact those leave conversions have had on the system.

Ms. Wisbar asked the Board to enter into Executive Session to discuss Commonwealth litigation.

Upon motion by Ms. Rodriguez and second by Ms. Meyer, the Board voted unanimously to enter into Executive Session at 11:30 am.

Upon motion by Ms. Meyer and second by Ms. Menard, the Board voted unanimously to end Executive Session at 11:40 am. and return to Regular Session.

Upon motion by Ms. Meyer and second by Ms. Menard, the Board voted unanimously to break for lunch at 11:41 am.

The Board returned from lunch at 12:15 pm.

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 Budget vs. Actual Expense Report for QTD September 30, 2014. He noted that budget expenses totaling \$86,955 are right at 25% for the year. Mr. Shoup directed the Board to the Profit and Loss pointing out that Net Income was down \$1,948,985 for the quarter due to investment losses of \$1,997,389. He directed the Board to the Balance Sheet which showed the bank balances and other current assets totaling \$78,218,946 and noted these statements are unaudited and unofficial.

Upon motion by Ms. Menard and second by Ms. Rodriguez, the Board voted unanimously to approve the Financial Statements as presented by G.S. Curran & Company.

Mr. Curran addressed the Board regarding GASB 67-68 long-term interest rate assumptions. He stated that Governmental Accounting Standards Board (GASB) requires the Board to set a benchmark rate of return for actuarial assumptions. Mr. Curran discussed the long-term returns projected by The Bogdahn Group and stated that the Board lowered the benchmark rate from 8% to 7.5% for the funding valuation in 2012. He stated that in order to further reduce risk, they would consider a further reduction to 7.25%. He recommended the Board use the same rate for GASB reporting as it used for the funding valuation.

Upon motion by Ms. Rodriguez and second by Ms. Meyer, the Board voted unanimously to set the GASB 67-68 benchmark rate of return to be the same as the funding valuation rate of return.

Mr. Curran asked the Board to consider a special meeting in December 2014 to review the Actuarial Report and Audit Report for compliance purposes.

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 stated she was working on leave conversion data as stated earlier. She reported under additional administrative items that some Registrars/Employers were not properly reporting to the retirement system hours worked by retirees. Ms. Dees was notified by the Secretary of State's Office of Human Resources that paperwork had been submitted by a Registrar's office that a retiree had been hired to work full-time, yet her office had not been notified by that same Registrar.

Ms. Rodrigue suggested putting a notice on www.larovers.com reminding the membership of the requirement to report retiree hours to Ms. Dees' office.

The Board discussed other options to remedy the situation.

Upon motion by Mr. Wall and second by Ms. Sims, the Board voted unanimously to have Ms. Akers work with Ms. Dees and Mr. Curran to craft a possible Board policy to present at the next meeting for approval that would enable the Director to better enforce the current reporting requirements.

Ms. Dees reported that every Board member had met or exceeded the hours of Continuing Education needed by law for the reporting year ended August 31, 2014.

Upon motion by Ms. Menard and second by Ms. Meyer, 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.

XII. Other Business

Mr. DiMarco asked if there was any other business.

Mr. DiMarco announced the next special meeting date and location of December 11th, 2014 at 1:30 pm at the Renaissance Hotel in Baton Rouge, LA.

Mr. DiMarco announced the next official meeting date and location of January 21st, 2014 at 9:30 am at the Renaissance Hotel in Baton Rouge, LA.

XIII. Adjourn

Upon motion by Mr. Wall and second by Ms. Rodrigue, the Board voted unanimously to adjourn the meeting at 12:49 pm.