

**Registrars of Voters Employees' Retirement System
Minutes of the Meeting of the Board of Trustees
January 14, 2015**

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 1:03 p.m.

II. Invocation and Pledge of Allegiance

Ms. Deborah Waskom offered an invocation and Ms. Charlene Menard led the Pledge of Allegiance.

III. Roll Call

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

Others present included Mr. Greg Curran and Mr. Brian Shoup (representing Actuary and Administrator, G. S. Curran & Company, Ltd.), Ms. Denise Akers (Legal Counsel), Ms. Lorraine Dees (System Director), Ms. Michelle Cunningham and Mr. Eddie McIntyre (representing the Accountant, Duplantier, Hrapmann, Hogan, & Maher, L.L.P.), Mr. Daniel Arbid (representing the Louisiana Legislative Auditor, Senior Actuary), Ms. Stephanie Little (representing Representative J. Kevin Pearson), Ms. Shelley Bouvier (Assistant to Mr. DiMarco), and Ms. Golda Ensminger (Registrar of Concordia Parish)

Mr. DiMarco welcomed Ms. Deborah Waskom to the board.

IV. Public Comments

Mr. DiMarco asked if there were any public comments. Hearing none, the meeting continued.

V. Review and Approval of Minutes

Upon motion by Ms. Sims and second by Ms. Menard, the Board voted unanimously to approve the minutes from the November 12, 2014 meeting.

Mr. Shoup stated that the minutes from the February 5, 2014 meeting were revised to accurately state the employer contribution rate for 2014 at 24.25% and not the 24.50% printed.

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

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

VI. Presentation by Duplantier, Hrapmann, Hogan & Maher

Ms. Michelle Cunningham presented the audit report on the financial statements of the Registrar of Voters Employees' Retirement System (ROVERS) for the year ended on June 30, 2014. Ms. Cunningham introduced Mr. Eddie McIntyre who directly supervised the ROVERS audit. She directed the Board to a presentation outlining the results of the audit. On page 2 and 3, she covered the management's and auditor's responsibilities, On page 4, Ms. Cunningham stated that ROVERS received the highest and cleanest opinion on their audit, an unmodified opinion.

Ms. Cunningham directed the Board to page 5, regarding the emphasis of matter paragraph which stated the Pension Liability was based on actuarial assumptions given by G.S. Curran & Company. On page 7 she highlighted all of the Government Accounting Standards Board (GASB) policies and procedures disclosed in Note 1. Pages 8 and 9, Ms. Cunningham addressed the significant accounting estimates and judgments made, including the fair value of investments. Ms. Cunningham stated there were no uncorrected misstatements, no difficulties encountered, and no disagreements with management while performing the audit as stated on page 10. She stated they are now required under GASB to maintain 10 years of supplementary information as stated on page 11. Pages 14 through 19 outlined a condensed comparative Statement of Fiduciary Net Position including total assets of \$80,635,154, total additions of \$16,236,447, total deductions of \$4,963,956, net asset increase of \$11,272,491, and a Members' Supplemental Savings Trust Fund position of \$1,302,587 which has decreased by \$13,575 due to \$92,445 of member withdrawals. Ms. Cunningham directed the Board to page 20 which outlined the Net Pension Liability of Employers as \$23,119,614 which is spread out among the employers of ROVERS for IRS reporting purposes. Page 20 also stated the Plan Fiduciary Net Position as a Percentage of Total Pension Liability or "funded ratio" to be 77.68%. Then on page 22 Ms. Cunningham stated that for Census Data Testing the auditors selected St. Tammany Parish, St. Charles Parish, St. Benard Parish, and the State of Louisiana. There were no findings at the selected employers. Ms. Cunningham directed the Board to page 23 to say that GASB 68 auditing will begin this fiscal year, auditing the schedule of employer allocations and schedule of pension amounts that will be reported by the actuaries for fiscal 2013 and 2014.

Ms. Cunningham directed the Board to page 23 through 26 of the Audit Report, which begins with the Schedule of Changes in Net Pension Liability, noting that GASB will require 10 years of these new schedules going forward.

Ms. Waskom asked about the last column on page 24.

Ms. Cunningham explained the Employers' Net Pension Liability as a % of (or divided by) Covered Employee Payroll amounts to 172.91%.

Mr. Curran added that it would take a one-time 172.91% contribution of the current payroll to meet the shortfall of the projected pension liabilities not covered by the total assets as of June 30, 2014.

Ms. Cunningham stated that page 26 showed the schedule of investment returns for fiscal 2014 to be a money-weighted average of 14.54%. Ms. Cunningham concluded the audit report by saying that next year's report will go back to being a comparative report now that GASB changes have been implemented. She directed the Board to the Agreed Upon Procedures of Census Testing.

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

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

VII. Presentation by G. S. Curran & Company

Mr. Curran presented the June 30, 2014 Actuarial Valuation for funding. He stated that the funding valuation report provided the system with the required employer contribution rate. He added that the system was funded according to the Aggregate Funding Method and explained that this funding method spread liabilities over the future working lifetime of employees and does not produce an Unfunded Accrued Liability.

Mr. Curran reviewed the mechanics of the spread of the present value of future employer contributions as a percentage of the present value of future salaries. He discussed the reasoning for a reduction in the valuation interest rate from 7.5% to 7.0%. He stated that a review of the valuation interest rate assumption included a review of the investment returns of the system over the past twenty years, the investment consultant's long-term expected rate of return, and the need for such a small system to reduce the inherent risk surrounding the valuation interest rate. He stated that as actuaries they reviewed related assumptions and recommended a change in the salary increase rate. He added that within the change in both assumptions was a reduction to the assumed rate of inflation from 3.00% to 2.75%. He added that the salary increase rate was reduced from 6.75% to 6.00% based upon this reduction in expected inflation and a recognition that the system no longer experienced the large salary increases of the past.

He reviewed the system's gains and losses for the year. The plan experienced a reduction in the normal cost accrual rate of 5.2198% related to significant gains related to demographics and plan experience, 1.3528% related to new members, 0.4695% related to gains on contributions, and a gain of 0.2509% related to asset experience. This was offset partially by an assumption loss of 4.2483%.

He reviewed the calculation of the minimum recommended net direct employer contribution rate and stated that the Fiscal 2016 minimum rate was 18.50%. Mr. Curran then discussed the potential of a cost of living increase for retirees. He stated that the system earned "excess interest earnings" of \$276,074 for the year. He added that the system did meet the minimum standards to grant a cost of living to retirees but that the present value of the cost of living increase could not exceed \$276,074. He stated that according to R. S. 11:243, and based upon the system's funded ratio, if the board gave a cost of living increase based on the 2014 valuation, no cost of living increase could be granted for the next three years. He added that the lifetime cost of an increase of 3% of the base benefit is \$863,951 and a 2% increase to retirees over 65 is \$406,625. Therefore, based upon the 2014 valuation, the Board could only grant a partial cost of living increase.

He recommended that the Board strongly consider holding the employer rate above the minimum actuarial employer contribution rate to increase the funding deposit account balance with the goal of using the money to prepay for a cost of living increase in the next few years. He stated that the Assessors Retirement Fund was considering legislation to allow an additional use for the Funding Deposit Account. He suggested that the Registrars consider also adding a provision to allow the use of the Funding Deposit Account to prepay for cost of living increases.

Stephanie Little, attorney for the House Retirement Committee indicated that February 12th was the deadline for advertising a bill.

The Board discussed the possibility of collecting additional funds within the Funding Deposit Account for future COLAs. The Board discussed possible cost of living provisions, including the $\$1 \times (A+B)$ COLA. Mr. Curran stated that he would fix the Cost of Living Increase impact as a Percentage of Payroll numbers on page 8 which were typed incorrectly.

Upon motion by Ms. Waskom and second by Ms. Meyer, the Board voted unanimously to accept the June 30, 2014 actuarial valuation for funding with corrections discussed on page 8.

Upon motion by Ms. Waskom and second by Ms. Menard, the Board voted unanimously to amend the agenda to consider authorizing the Director to pursue legislation related to the use of the Funding Deposit Account for the prepayment of cost of living increases.

Upon motion by Ms. Sims and second by Ms. Meyer the Board voted unanimously to authorize Ms. Dees to have a bill drafted related to the use of the Funding Deposit Account for the prepayment of cost of living increases.

Ms. Sims asked if the Board could freeze the contribution rate at this meeting. Mr. Curran stated that the valuation report would be considered by the Public Retirement System's Actuarial Committee (PRSAC) in February. He added that if approved by PRSAC, the Board could then set the employer contribution rate based on the statutory authority granted to the Board to hold the rate above the minimum actuarially required employer contribution rate.

Ms. Waskom expressed her opinion that it would not be a good time to raise the employer rate after such a good year in the investment markets.

Mr. Curran next presented the actuarial valuation for accounting purposes which was produced in conjunction with the Governmental Accounting Standards Board (GASB) Statements 67 and 68. He stated that GASB required the accounting valuation be prepared based on the Entry Age Normal actuarial funding method. He stated that this method spread gains and losses differently from the funding valuation method. He reviewed the required cash flow analysis within GASB Statement 67 necessary to determine the discount rate. He stated that because of the constitutional requirement that the plan be actuarially funded, the plan was not projected to have a crossover as defined by GASB. He added that in accordance with Board instructions, the GASB valuation was produced using a discount rate equal to the valuation interest rate for funding purposes. He also stated that the breakdown of the Net Pension Liability for the plan by employer was included in the back of the GASB report.

Upon motion by Ms. Waskom and second by Ms. Meyer, the Board voted unanimously to accept the actuarial valuation for accounting purposes, or "GASB valuation report".

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

IX. Other Business

Mr. DiMarco asked if there was any other business.

Ms. Dees stated that each board member needs to complete the Louisiana Compliance Questionnaire for the auditors. Upon motion by Ms. Meyers and second by Ms. Menard, the Board voted unanimously to require the completion of the above mentioned questionnaire.

Mr. DiMarco announced the next official meeting date and location of January 28th, 2015 at 1:00 pm at the Renaissance Hotel in Baton Rouge, LA.

The board discussed the possibility of having a retirement presentation at the Registrars' Association Annual Meeting in Bossier City.

Ms. Waskom stated that the Board should allow public comments if the agenda is amended to add new items.

Ms. Akers agreed and stated that the board must allow public comment when a new item is added and the board has the right to set rules on public comments. Ms. Akers recommends keeping the current format of public comments at the beginning of the meeting and not before every vote.

Ms. Waskom suggested setting a maximum time limit for public comments, but allowing public comment before each vote. Ms. Dees replied that the board has a policy of three minutes for public comment during the public comments section of the meeting.

Ms. Sims suggested that an agenda item be added for the next board meeting to discuss a board policy to set a reasonable response time for benefit estimates. Ms. Sims stated that members need new forms.

Ms. Dees stated that members want the most recent salary information, which means waiting for salary information from the parishes and state, but that she responds as soon as she has the information needed to perform the calculation. Ms. Dees replied that she is working on updating forms and will work with Mr. Shoup to put on the larovers.com website.

Ms. Sims asked if a retirement calculator could be placed on the website, as other retirement systems have.

Mr. Curran stated that he had worked with some of the larger statewide systems to develop online retirement calculators, but warned that it could be expensive to install one, and that they were generally very limited in the accuracy of estimates they provide.

Ms. Sims asked that the Board receive a detailed report of system expenses.

Mr. Curran stated that Mr. Shoup will present the financial reports on a quarterly basis at the regular meetings.

Ms. Akers stated a detailed review of system expenses was generally not the practice of the retirement boards that she represents. She stated that the board hires professionals like Ms. Dees, G.S. Curran & Company, and the auditing firm Duplantier, Hrapmann, Hogan, & Maher, L.L.P to handle those responsibilities.

Ms. Sims said that the trustees should see that information.

XII. Adjourn

Upon motion by Ms. Waskom and second by Ms. Meyer, the Board voted unanimously to adjourn the meeting at 3:30 p.m.