

REPORT

REGISTRAR OF VOTERS
EMPLOYEES' RETIREMENT SYSTEM
(STATE OF LOUISIANA)

JUNE 30, 2012 AND 2011

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
(STATE OF LOUISIANA)

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INDEPENDENT AUDITOR'S REPORT

November 19, 2012

Board of Trustees
Registrar of Voters Employees'
Retirement System of Louisiana
P. O. Box 57
Jennings, LA 70546

We have audited the accompanying statements of plan net assets of the Registrar of Voters Employees' Retirement System as of June 30, 2012 and 2011, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Registrar of Voters Employees' Retirement System as of June 30, 2012 and 2011 and the results of operations and changes in net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 19, 2012 on our consideration of the Registrar of Voters Employees' Retirement System's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Duplantier, Hrapmann, Hogan & Maher, LLP

REGISTRAR OF VOTERS
EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

The Management's Discussion and Analysis of the Registrar of Voters Employees' Retirement System of Louisiana presents a narrative overview and analysis of the System's financial activities for the year ended June 30, 2012. This document focuses on the current year's activities, resulting changes, currently known facts in comparison with the prior year's information. Please read this document in conjunction with the information contained in the Registrar of Voters Employees' Retirement System of Louisiana's financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

- » The Registrar of Voters Employees' Retirement System's assets exceeded its liabilities as of June 30, 2012 by \$62,869,619, which represents a decrease from the prior year. The net assets held in trust for pension benefits decreased by \$1,987,115 or 3.1%. The decrease was primarily attributable to a decrease in investment performance.
- » Contributions to the System by members, employers and tax revenues totaled \$5,005,375, an increase of \$158,592 or 3.3%.
- » Pension benefits paid to retirees and beneficiaries increased by \$237,286 or 7.0%. This increase was primarily attributable to an increase in the number of members receiving benefit payments.
- » Administrative expenses of the System totaled \$238,434, an increase of \$34,132 or 16.7%.
- » Net investment income was a negative \$3,184,230 for the year ended June 30, 2012, which represents a 280.8% decrease compared to the prior year. The decrease is primarily attributable to poor investment market returns.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the System's basic financial statements, which are comprised of three components:

- » Statement of plan net assets
- » Statement of changes in plan net assets, and
- » Notes to the financial statements.

This report also contains required supplemental information in addition to the basic financial statements themselves.

The statement of plan net assets reports the System's assets, liabilities, and resultant net assets held in trust for pension benefits. It discloses the financial position of the System as of June 30, 2012 and 2011.

REGISTRAR OF VOTERS
EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

The statement of changes in plan net assets reports the results of the System's operations during the year disclosing the additions to and deductions from the plan net assets. It supports the change that has occurred to the prior year's net asset value on the statement of plan net assets.

FINANCIAL ANALYSIS OF THE SYSTEM

Registrar of Voters Employees' Retirement System provides benefits for registrars of voters, their deputies and their permanent employees in each parish of the State of Louisiana. Member contributions, employer contributions and earnings on investments fund these benefits.

Statements of Plan Net Assets
June 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|--------------------------|----------------------|----------------------|
| Cash | \$ 3,739,485 | \$ 2,576,930 |
| Receivables | 872,345 | 661,565 |
| Investments | 58,378,890 | 61,801,644 |
| Property and equipment | <u>-</u> | <u>-</u> |
| Total assets | 62,990,720 | 65,040,139 |
| | | |
| Total liabilities | <u>121,101</u> | <u>183,405</u> |
| | | |
| Net Assets Held in Trust | | |
| For Pension Benefits | \$ <u>62,869,619</u> | \$ <u>64,856,734</u> |

Plan net assets decreased by \$1,987,115 or 3.1%. The decrease in plan net assets was primarily a result of poor investment performance in 2012.

REGISTRAR OF VOTERS
EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

Statements of Changes in Plan Net Assets
For the Years Ended June 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|--|-----------------------|----------------------|
| Additions: | | |
| Contributions | \$ 5,005,375 | \$ 4,846,783 |
| Investment Income (Loss) | (3,184,230) | 8,939,783 |
| Other | <u>116,239</u> | <u>188,893</u> |
| Total additions | 1,937,384 | 13,975,459 |
| Total Deductions | <u>3,924,499</u> | <u>3,609,045</u> |
| Increase (Decrease) in Plan Net Assets | <u>\$ (1,987,115)</u> | <u>\$ 10,366,414</u> |

Additions to Plan Net Assets

Additions to the System's plan net assets were derived primarily from member contributions, employer contributions, ad valorem taxes, state revenue sharing funds, and investment income. The System experienced a net investment loss of \$3,184,230. The investment loss was primarily attributable to a decrease in market performance in the current year.

| | <u>2012</u> | Increase (Decrease) <u>2011</u> | <u>Percentage</u> |
|---|---------------------|---------------------------------------|-------------------|
| Member Contributions | \$ 827,226 | \$ 963,830 | (14.2)% |
| Employer Contribution Ad Valorem & State | 2,094,035 | 1,880,065 | 11.4 |
| Revenue Sharing | 2,084,114 | 2,002,888 | 4.1 |
| Net Investment Income (Loss) | (3,184,230) | 8,939,783 | (280.8) |
| Other | <u>116,239</u> | <u>188,893</u> | (38.5) |
| Total Additions | <u>\$ 1,937,384</u> | <u>\$ 13,975,459</u> | |

Deductions from Plan Net Assets

Deductions from plan net assets include mainly retirement, death and survivor benefits and administrative expenses. Deductions from plan net assets totaled \$3,924,499 during the fiscal year ended June 30, 2012. This is an increase of \$315,454 from the prior year and was primarily attributable to an increase in the number of members receiving benefit payments during the fiscal year end June 30, 2012.

REGISTRAR OF VOTERS
EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

| | <u>2012</u> | <u>2011</u> | Increase (Decrease) <u>Percentage</u> |
|--------------------------|---------------------|---------------------|---|
| Retirement Benefits | \$ 3,637,106 | \$ 3,399,820 | 7.0% |
| Refunds of Contributions | 48,959 | 4,587 | 967.3 |
| Administrative Expenses | 238,434 | 204,302 | 16.7 |
| Depreciation | <u>-</u> | <u>336</u> | (100.0) |
| Total Deductions | <u>\$ 3,924,499</u> | <u>\$ 3,609,045</u> | |

Investments

Registrar of Voters Employees' Retirement System is responsible for the prudent management of funds held in trust for the exclusive benefits of their members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments as of June 30, 2012 were valued at \$58,378,890 as compared to \$61,801,644 as of June 30, 2011. The System's investments in various markets at the end of the 2012 and 2011 fiscal years are indicated in the following table:

| | <u>2012</u> | <u>2011</u> | Increase (Decrease) <u>Percentage</u> |
|-----------------------------|----------------------|----------------------|---|
| Cash Equivalents | \$ 2,407,437 | \$ 5,299,608 | (54.6)% |
| Bonds | 17,449,919 | 16,403,875 | 6.4 |
| Marketable Securities | 17,293,663 | 16,015,682 | 8.0 |
| Limited Liability Companies | 950,235 | 2,087,868 | (54.5) |
| Limited Partnerships | 7,162,621 | 7,973,068 | (10.2) |
| Commingled Funds | <u>13,115,015</u> | <u>14,021,543</u> | (6.5) |
| Total | <u>\$ 58,378,890</u> | <u>\$ 61,801,644</u> | |

Requests for Information

Questions concerning any of the information provided or requests for additional financial information should be addressed to Lorraine Dees, Executive Director, Registrar of Voters Employees' Retirement System of Louisiana, P.O. Box 57, Jennings, LA 70546.

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2012 AND 2011

| | 2012 | | | 2011 | | |
|---|---|--|-------------------------------|---|--|-------------------------------|
| | Retirement System <u>Trust Fund</u> | Members' Supplemental Savings <u>Trust Fund</u> | Total (Memorandum Only) | Retirement System <u>Trust Fund</u> | Members' Supplemental Savings <u>Trust Fund</u> | Total (Memorandum Only) |
| ASSETS | | | | | | |
| CASH: | | | | | | |
| In bank (Note 6) | \$ 3,739,485 | \$ - | \$ 3,739,485 | \$ 2,576,930 | \$ - | \$ 2,576,930 |
| RECEIVABLES: | | | | | | |
| Member contributions | 96,351 | - | 96,351 | 74,754 | - | 74,754 |
| Employer contributions | 248,134 | - | 248,134 | 168,662 | - | 168,662 |
| Due from retiree | - | - | - | 1,500 | - | 1,500 |
| Investment receivable | 321,483 | - | 321,483 | 214,612 | - | 214,612 |
| Accrued interest and dividends | 202,422 | 3,955 | 206,377 | 195,583 | 6,454 | 202,037 |
| Total receivables | 868,390 | 3,955 | 872,345 | 655,111 | 6,454 | 661,565 |
| INVESTMENTS AT FAIR VALUE: | | | | | | |
| (Pages 26 and 27) (Note 6) | | | | | | |
| Cash equivalents | 2,339,691 | 67,746 | 2,407,437 | 5,247,888 | 51,720 | 5,299,608 |
| Corporate bonds | 12,273,603 | - | 12,273,603 | 11,118,491 | - | 11,118,491 |
| Government bonds | 4,729,025 | 447,291 | 5,176,316 | 4,717,738 | 567,646 | 5,285,384 |
| Limited liability companies | 950,235 | - | 950,235 | 2,087,868 | - | 2,087,868 |
| Limited partnerships | 7,162,621 | - | 7,162,621 | 7,973,068 | - | 7,973,068 |
| Marketable securities | 17,293,663 | - | 17,293,663 | 16,015,682 | - | 16,015,682 |
| Commingled funds | 12,254,551 | 860,464 | 13,115,015 | 13,206,403 | 815,140 | 14,021,543 |
| Total investments | 57,003,389 | 1,375,501 | 58,378,890 | 60,367,138 | 1,434,506 | 61,801,644 |
| FURNITURE AND EQUIPMENT: | | | | | | |
| (Note 7) | | | | | | |
| Net of accumulated depreciation of \$26,484 for 2012 and \$26,484 for 2011 | - | - | - | - | - | - |
| Total assets | 61,611,264 | 1,379,456 | 62,990,720 | 63,599,179 | 1,440,960 | 65,040,139 |
| LIABILITIES | | | | | | |
| Accounts payable | 69,424 | - | 69,424 | 57,839 | - | 57,839 |
| Investment payable | 51,677 | - | 51,677 | 125,566 | - | 125,566 |
| Total liabilities | 121,101 | - | 121,101 | 183,405 | - | 183,405 |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | \$ 61,490,163 | \$ 1,379,456 | \$ 62,869,619 | \$ 63,415,774 | \$ 1,440,960 | \$ 64,856,734 |

See accompanying notes.

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

| | 2012 | | | 2011 | | |
|---|------------------------------------|---|-------------------------------|------------------------------------|---|-------------------------------|
| | Retirement System Trust Fund | Members' Supplemental Savings Trust Fund | Total (Memorandum Only) | Retirement System Trust Fund | Members' Supplemental Savings Trust Fund | Total (Memorandum Only) |
| ADDITIONS: | | | | | | |
| Contributions: | | | | | | |
| Members | \$ 827,226 | \$ - | \$ 827,226 | \$ 963,830 | \$ - | \$ 963,830 |
| Employers | 2,094,035 | - | 2,094,035 | 1,880,066 | - | 1,880,066 |
| Tax revenue | 2,084,114 | - | 2,084,114 | 2,002,887 | - | 2,002,887 |
| Total contributions | <u>5,005,375</u> | <u>-</u> | <u>5,005,375</u> | <u>4,846,783</u> | <u>-</u> | <u>4,846,783</u> |
| Investment income: | | | | | | |
| Net appreciation (depreciation) in fair value of investments | (4,285,420) | 15,925 | (4,269,495) | 7,965,075 | 91,897 | 8,056,972 |
| Interest | 995,945 | 26,874 | 1,022,819 | 866,378 | 29,182 | 895,560 |
| Dividends | 200,047 | - | 200,047 | 173,265 | - | 173,265 |
| Alternative investment income | 116,197 | - | 116,197 | 120,343 | - | 120,343 |
| Other investment income | 12,396 | - | 12,396 | 27,495 | - | 27,495 |
| | <u>(2,960,835)</u> | <u>42,799</u> | <u>(2,918,036)</u> | <u>9,152,556</u> | <u>121,079</u> | <u>9,273,635</u> |
| Less: Investment advisory fees | 185,547 | - | 185,547 | 237,216 | - | 237,216 |
| Investment consulting fees | 53,637 | - | 53,637 | 70,218 | - | 70,218 |
| Custodial fees | 27,010 | - | 27,010 | 26,418 | - | 26,418 |
| Net investment income (loss) | <u>(3,227,029)</u> | <u>42,799</u> | <u>(3,184,230)</u> | <u>8,818,704</u> | <u>121,079</u> | <u>8,939,783</u> |
| Other additions: | | | | | | |
| Transfers from other systems - employee | 49,041 | - | 49,041 | 24,957 | - | 24,957 |
| Transfers from other systems - employer/interest | 64,660 | - | 64,660 | 158,565 | - | 158,565 |
| Miscellaneous income | 2,538 | - | 2,538 | 5,371 | - | 5,371 |
| Total other additions | <u>116,239</u> | <u>-</u> | <u>116,239</u> | <u>188,893</u> | <u>-</u> | <u>188,893</u> |
| Total additions | <u>1,894,585</u> | <u>42,799</u> | <u>1,937,384</u> | <u>13,854,380</u> | <u>121,079</u> | <u>13,975,459</u> |
| DEDUCTIONS: | | | | | | |
| Pensions payments | 3,532,803 | 104,303 | 3,637,106 | 3,310,681 | 89,139 | 3,399,820 |
| Refund of contributions | 48,959 | - | 48,959 | 4,587 | - | 4,587 |
| Administrative expenses (Page 28) | 238,434 | - | 238,434 | 204,302 | - | 204,302 |
| Depreciation | - | - | - | 336 | - | 336 |
| Total deductions | <u>3,820,196</u> | <u>104,303</u> | <u>3,924,499</u> | <u>3,519,906</u> | <u>89,139</u> | <u>3,609,045</u> |
| NET INCREASE (DECREASE) | (1,925,611) | (61,504) | (1,987,115) | 10,334,474 | 31,940 | 10,366,414 |
| PLAN NET ASSETS AT BEGINNING OF YEAR | <u>63,415,774</u> | <u>1,440,960</u> | <u>64,856,734</u> | <u>53,081,300</u> | <u>1,409,020</u> | <u>54,490,320</u> |
| PLAN NET ASSETS AT END OF YEAR | <u>\$ 61,490,163</u> | <u>\$ 1,379,456</u> | <u>\$ 62,869,619</u> | <u>\$ 63,415,774</u> | <u>\$ 1,440,960</u> | <u>\$ 64,856,734</u> |

See accompanying notes.

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

The Registrar of Voters Employees' Retirement System (System) was established as of January 1, 1955 by Act 215 of 1954, under R.S. Title 11:2032, as amended, for the purpose of providing retirement allowances and other benefits for registrars of voters, their deputies and their permanent employees in each parish of the State of Louisiana. The fund is administered by a board of trustees. Benefits, including normal retirement, early retirement, disability retirements and death benefits, are provided as specified in the plan.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Registrar of Voters Employees' Retirement System prepares its financial statements in accordance with the standards established by the Governmental Accounting Standards Board (GASB).

Basis of Accounting:

Registrar of Voters Employees' Retirement System's financial statements are prepared using the accrual basis of accounting. Employee contributions are recognized in the period in which the employee is compensated for services performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Interest income is recognized when earned. Ad valorem taxes and revenue sharing monies are recognized in the year appropriated by the Legislature.

Method Used to Value Investments:

Investments are reported at fair value. Short-term investments are reported at amortized cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments in commingled funds, limited liability companies, and limited partnerships are reported at fair value.

Furniture and Equipment:

Furniture and equipment of the System are accounted for and capitalized in the Pension Fund. Depreciation of fixed assets is recorded as an expense in the Pension Fund. All fixed assets are valued on the basis of historical cost and depreciated using the straight-line method of depreciation over its estimated useful life.

Memorandum Only Column:

The total columns on the Statements of Plan Net Assets and Statements of Changes in Plan Net Assets are captioned memorandum only to indicate that they are presented to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

2. PLAN DESCRIPTION:

The Registrar of Voters Employees' Retirement System is the administrator of a cost-sharing multiple-employer plan (Retirement System Trust Fund) and a Savings Plan (Members' Supplemental Savings Trust Fund). The System was established on January 1, 1955 for the purpose of providing retirement allowances and other benefits as stated under the provisions of R.S. Title 11:2032, as amended, for registrars of voters, their deputies and their permanent employees in each parish. The total number of participating employers was 64 for each of the years ended June 30, 2012 and 2011. As of June 30, 2012 and 2011, statewide retirement membership consists of:

| | <u>2012</u> | <u>2011</u> |
|--|-------------|-------------|
| Current retirees and beneficiaries | 143 | 147 |
| Terminated members due a benefit | 6 | 6 |
| Terminated members due a refund | 29 | 29 |
| Fully vested, partially vested, and non-vested active employees covered | 220 | 227 |
| DROP participants | <u>25</u> | <u>21</u> |
| Total number of members | <u>423</u> | <u>430</u> |

Retirement System Trust Fund:

Any member is eligible for normal retirement after he has 20 years of creditable service and is age 55 or has 10 years of creditable service and is age 60. Any member with 30 years of creditable service regardless of age may retire. Regular retirement benefits are 3.33% of the average final compensation multiplied by the number of years of creditable service, not to exceed 100% of average final compensation.

Any member whose withdrawal from service occurs prior to attaining the age of sixty years, who shall have completed ten or more years of creditable service and shall not have received a refund of his accumulated contributions, shall become eligible for a deferred allowance beginning upon his attaining the age of sixty years.

Disability benefits are awarded to active contributing members with at least 10 years of service established in the System and who have been officially certified as disabled by the State Medical Disability Board. The disabled member who has attained the age of sixty years shall be entitled to a regular retirement allowance. The disabled member who has not yet attained age sixty shall be entitled to a disability benefit equal to the lesser of three percent of his average final compensation multiplied by the number of creditable years of service (not to be less than fifteen years) or three and one third percent of average final compensation multiplied by the years of service assuming continued service to age sixty. Disability benefits may not exceed two-thirds of earnable compensation.

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

2. PLAN DESCRIPTION: (Continued)

If a member who has less than five years of credited service dies due to any cause other than injuries sustained in the performance of his official duties, his accumulated contributions are paid to his designated beneficiary. If the member has five or more years of credited service, and is not eligible to retire, automatic option 2 benefits are payable to the surviving spouse. These benefits are based on the retirement benefits accrued at the member's date of death with option 2 factors used as if the member had continued in service to earliest normal retirement age. If a member has no surviving spouse and the member has five or more years of creditable service, the surviving minor children under 18 or disabled children shall be paid 80% of the accrued retirement benefit in equal shares until the age of majority or for the duration of the handicap for a handicapped child. Upon the death of any former member with 10 or more years of service, automatic option 2 benefits are payable to the surviving spouse. In lieu of periodic payments, the surviving spouse or children may receive a refund of the member's accumulated contributions.

In lieu of terminating employment and accepting a service retirement allowance, any member with ten or more years of service at age sixty, twenty or more years of service at age fifty-five, or thirty or more years of service at any age may elect to participate in the Deferred Retirement Option Plan (DROP) for up to three years and defer the receipt of benefits. Upon commencement of participation in the plan, membership in the System terminates. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would have been payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP fund. This fund does not earn interest. In addition, no cost of living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the plan may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the Board of Trustees. The monthly benefits that were being paid into the Deferred Retirement Option Plan fund will begin to be paid to the retiree. If the participant dies during the participation in the plan, a lump sum equal to his account balance in the plan fund shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the plan fund cease and the person resumes active contributing membership in the System.

The Retirement System Trust Fund is financed by employee contributions of 7% of earnable compensation. In addition, each sheriff and ex-officio tax collector remits the employer's share of the actuarially required contribution to fund the System up to a maximum of one-sixteenth of one percent of the aggregate amount of the tax shown to be collected by the tax roll of each respective parish. Should employee contributions and tax monies be insufficient to fund the System as required by R.S. 11:22 employers contribute the additional amount.

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

2. PLAN DESCRIPTION: (Continued)

Cost of living provisions for the System are detailed in R.S. 11:2073 and R.S. 11:246. R.S. 11:2073 allows the board of trustees to provide an annual cost of living increase of 3% of the retiree's original benefit from interest earnings on investments in excess of the valuation interest rate. This applies only to members who have been retired for at least two years. Louisiana statutes also allow the board of trustees to grant an additional cost of living increase to all retirees and beneficiaries over age 65 equal to two percent of the benefit paid on October 1, 1977, (or the member's retirement date, if later). This raise may only be granted from investment earnings in excess of the valuation interest rate of eight percent.

In lieu of granting a cost of living increase as described above, Louisiana statutes allow the board to grant a cost of living increase where the benefits shall be calculated using the number of years of service at retirement or at death plus the number of years since retirement or death multiplied by the cost of living amount not to exceed \$1.

In order to grant any cost of living increase, the ratio of the actuarial value of assets to the pension benefit obligation must equal or exceed a statutory target ratio defined in R.S. 11:242.

Members' Supplemental Savings Trust Fund:

The Members' Supplemental Savings Trust Fund (Fund) was established by LRS 11:2139 as a defined contribution plan. All registrars of voters, their deputies and active permanent employees participate in the plan. As of June 30, 2012 and 2011 the number of participants in the plan was 159.

In accordance with state statute, funds contributed to the System in excess of those required contributions to the Retirement Fund employer reserve, as established by the Public Retirement Systems' Actuarial Committee, are deposited in the Members' Supplemental Savings Fund. The amount of funds deposited with the Members' Supplemental Savings Fund is three percent of the salaries paid during the preceding fiscal year to members who were still employed by the employer at the end of the fiscal year unless the Public Retirement Systems' Actuarial Committee recommends a lesser percentage based on available funds and the requirements of the Defined Benefit Plan. As of June 30, 2012 and 2011, there were 64 active employers participating in the Fund. There were no contributions to the Member's Supplemental Savings Fund for the years ending June 30, 2012 and 2011.

Should any member of the System terminate membership in the System due to resignation, retirement, disability, death, or for any other reason involving termination of employment, he shall be entitled to payment of all contributions and interest or other earnings or losses credited to his account as of the date of payment, provided he remains out of service until such time as the payments are required to be paid. Payment to the member is made at the end of the calendar quarter following the quarter in which the member terminates.

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

2. PLAN DESCRIPTION: (Continued)

Interest, dividends and realized gains or losses shall be allocated at least once each year on the valuation date or dates of the fund. Such earnings or losses shall be allocated to members in proportion to their account balances as of the first day of the period for which the earnings are credited, reduced by any distribution from such account during the valuation period.

3. CONTRIBUTIONS AND RESERVES:

Contributions:

Contributions for all members are established by state statute at 7.0% of earnable compensation. The contribution is deducted from the member's salary and remitted by the participating registrar.

According to state statute, contribution requirements for all employers are actuarially determined each year. For the years ending June 30, 2012 and 2011, the actual employer contribution rate was 15.50% and 14.25%, respectively. For the years ended June 30, 2012 and 2011, the actuarially determined employer contribution rate was 19.34% and 15.35%, respectively. The actual rate is different from the actuarially required rate due to state statutes that require the contribution rate be calculated and set two years prior to the year effective.

In accordance with state statute the fund receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions.

Administrative costs of the System are financed through ad valorem taxes and state revenue sharing monies.

Reserves:

Use of the term "reserve" by the System indicates that a portion of the fund balance is legally restricted for a specific future use. The nature and purpose of the reserves are explained below:

A) Deferred Retirement Option Plan:

The Deferred Retirement Option Account consists of the reserves for all members who upon eligibility elect to deposit into this account an amount equal to the member's monthly benefit if he had retired. A member can only participate in the program for three years, and upon termination may receive his benefits in a lump sum payment or by a true annuity. The Deferred Retirement Option Account as of June 30, 2012 and 2011 is \$3,828,384 and \$3,004,830, respectively. The Deferred Retirement Option Account is fully funded for the years ended June 30, 2012 and 2011.

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

3. CONTRIBUTIONS AND RESERVES: (Continued)

B) Annuity Savings:

The Annuity Savings is credited with contributions made by members of the System. When a member terminates his service or upon his death, before qualifying for a benefit, the refund of his contributions is made from this fund. If a member dies and there is a survivor who is eligible for a benefit, the amount of the member's accumulated contributions is transferred from the Annuity Savings to the Annuity Reserve. When a member retires, the amount of his accumulated contributions is transferred to the Annuity Reserve to provide part of the benefits payable from that fund. The Annuity Savings as of June 30, 2012 and 2011 is \$6,242,460 and \$5,856,121, respectively. The Annuity Savings is fully funded for the years ended June 30, 2012 and 2011.

C) Pension Accumulation:

The Pension Accumulation consists of contributions paid by employers, interest earned on investments and any other income not covered by other accounts. This fund is charged annually with an amount, determined by the actuary, to be transferred to the Annuity Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by other accounts. The Pension Accumulation as of June 30, 2012 and 2011 is \$30,381,535 and \$31,727,506, respectively. The Pension Accumulation is 76.99% and 87.73% funded for the years ended June 30, 2012 and 2011, respectively.

D) Annuity Reserve:

The Annuity Reserve consists of the reserves for all pensions, excluding cost-of-living increases, granted to members and is the fund from which such pensions and annuities are paid. Survivors of deceased beneficiaries also receive benefits from this fund. The Annuity Reserve as of June 30, 2012 and 2011 is \$28,029,220 and \$26,719,188, respectively. The Annuity Reserve is fully funded for the years ended June 30, 2012 and 2011.

E) Members' Supplemental Savings:

The Members' Supplemental Savings consists of contributions from the dedicated taxes to the System in excess of those required contributions to the Pension Accumulation, not to exceed three percent of the salaries paid during the fiscal year proceeding the year in which funds are received. Upon termination a member is entitled to payment of all contributions and earnings credited to his account in the fund. The Members' Supplemental Savings as of June 30, 2012 and 2011 is \$1,379,456 and \$1,440,960 respectively. The Members' Supplemental Savings is fully funded for the years ended June 30, 2012 and 2011.

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

4. ACTUARIAL COST METHOD:

The Aggregate Actuarial Cost Method was used to calculate the funding requirements of the Registrar of Voters Employees' Retirement System for the fiscal years ended June 30, 2012 and 2011. This funding method allocates pension costs as a level percentage of payroll over the future-working lifetime of current members. The Aggregate Actuarial Cost Method produces no unfunded accrued liability. Under the Aggregate Actuarial Cost Method, actuarial gains and losses are spread over future normal costs. Based on actual experience, future normal costs will increase or decrease.

5. REQUIRED SUPPLEMENTARY SCHEDULES:

Information in the required supplemental schedules is designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits and is presented on pages 30 through 31.

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

The following are the components of the System's deposits, cash equivalents and investments as of June 30, 2012 and 2011:

2012

| | Retirement System <u>Trust Fund</u> | Members' Supplemental Savings <u>Trust Fund</u> | <u>Total</u> |
|-------------------------|---|--|----------------------|
| Deposits (bank balance) | \$ 3,744,274 | \$ - | \$ 3,744,274 |
| Cash equivalents | 2,339,691 | 67,746 | 2,407,437 |
| Investments | <u>54,663,698</u> | <u>1,307,755</u> | <u>55,971,453</u> |
| | <u>\$ 60,747,663</u> | <u>\$ 1,375,501</u> | <u>\$ 62,123,164</u> |

2011

| | Retirement System <u>Trust Fund</u> | Members' Supplemental Savings <u>Trust Fund</u> | <u>Total</u> |
|-------------------------|---|--|----------------------|
| Deposits (bank balance) | \$ 2,588,754 | \$ - | \$ 2,588,754 |
| Cash equivalents | 5,247,888 | 51,720 | 5,299,608 |
| Investments | <u>55,119,250</u> | <u>1,382,786</u> | <u>56,502,036</u> |
| | <u>\$ 62,955,892</u> | <u>\$ 1,434,506</u> | <u>\$ 64,390,398</u> |

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Deposits:

The System's bank deposits were entirely covered by Federal depository insurance and pledged collateral held in the name of the System.

Cash Equivalents:

Cash equivalents consist of a money market fund. The funds are held and managed by the System's custodian bank and are held in the name of the System.

Investments:

Statutes authorize the System to invest under the Prudent-Man Rule. The Prudent-Man Rule shall require each fiduciary of a retirement system and each board of trustees acting collectively on behalf of the System to act with care, skill, prudence and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Notwithstanding the Prudent-Man Rule, the System shall not invest more than fifty-five percent of the total portfolio in equities, except that the System may invest up to sixty-five percent of the total portfolio in equities if at least ten percent of the total equity allocation is invested in one or more index funds which seek to replicate the performance of the chosen index or indices.

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the System's investment in a single issuer.

The System's investment policy states that no manager will be allocated more than 15% of the System's assets. No single stock position or corporate debt instrument should represent more than 10% of a manager's portfolio at market. In addition, exposure to any single industry shall not exceed 2 times its weighting in the market or 20%, whichever is greater. The System is in compliance with their concentration of credit risk policy.

As of June 30, 2012, the investment in the limited partnership Equitas Evergreen in the amount of \$4,473,223 represented 7.7% of the System's total investments. As of June 30, 2011, the investment in Equitas Evergreen in the amount of \$4,371,006 represented 7.7% of the System's total investments.

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Credit Risk:

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System's policy states that fixed income securities may include any publicly traded debt instrument regardless of credit rating. Following are the credit risk ratings of the System's investments in long-term debt securities as of June 30, 2012 and 2011:

| | Corporate Bonds | Federal Home Loan Bank (FHLB) | Federal Home Loan Mortgage Corporation (FHLMC) | Federal National Mortgage Association (FNMA) | Government National Mortgage Association (GNMA) | Federal Farm Credit Banks (FFCB) | Total |
|-------------|---------------------|---|--|--|---|---|----------------------|
| <u>2012</u> | | | | | | | |
| AAA | \$ -- | \$ 18,260 | \$ 165,263 | \$ 160,745 | \$ -- | \$ 103,023 | \$ 447,291 |
| AA+ | 229,513 | -- | -- | -- | -- | -- | 229,513 |
| AA- | 361,761 | -- | -- | -- | -- | -- | 361,761 |
| A+ | 656,676 | -- | -- | -- | -- | -- | 656,676 |
| A | 2,559,772 | -- | -- | -- | -- | -- | 2,559,772 |
| A- | 1,728,804 | -- | -- | -- | -- | -- | 1,728,804 |
| BBB | 2,525,950 | -- | -- | -- | -- | -- | 2,525,950 |
| BBB- | 401,986 | -- | -- | -- | -- | -- | 401,986 |
| BB- | 189,410 | -- | -- | -- | -- | -- | 189,410 |
| B+ | 1,377,261 | -- | -- | -- | -- | -- | 1,377,261 |
| B | 428,041 | -- | -- | -- | -- | -- | 428,041 |
| B- | 591,505 | -- | -- | -- | -- | -- | 591,505 |
| CCC+ | 202,460 | -- | -- | -- | -- | -- | 202,460 |
| CCC | 192,685 | -- | -- | -- | -- | -- | 192,685 |
| CCC- | 390,810 | -- | -- | -- | -- | -- | 390,810 |
| D | 70,200 | -- | -- | -- | -- | -- | 70,200 |
| Not Rated | <u>366,769</u> | <u>--</u> | <u>2,132,678</u> | <u>1,198,236</u> | <u>1,398,111</u> | <u>--</u> | <u>5,095,794</u> |
| | <u>\$12,273,603</u> | <u>\$ 18,260</u> | <u>\$ 2,297,941</u> | <u>\$ 1,358,981</u> | <u>\$ 1,398,111</u> | <u>\$ 103,023</u> | <u>\$ 17,449,919</u> |

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Credit Risk: (Continued)

| | Corporate Bonds | Federal Home Loan Bank (FHLB) | Federal Home Loan Mortgage Corporation (FHLMC) | Federal National Mortgage Association (FNMA) | Government National Mortgage Association (GNMA) | Federal Farm Credit Banks (FFCB) | Total |
|-------------|----------------------|---|--|--|---|---|----------------------|
| <u>2011</u> | | | | | | | |
| AAA | \$ -- | \$ -- | \$ 302,264 | \$ 98,144 | \$ -- | \$ 167,238 | \$ 567,646 |
| AA+ | 220,804 | -- | -- | -- | -- | -- | 220,804 |
| AA | 341,910 | -- | -- | -- | -- | -- | 341,910 |
| AA- | 337,140 | -- | -- | -- | -- | -- | 337,140 |
| A+ | 632,610 | -- | -- | -- | -- | -- | 632,610 |
| A | 1,783,588 | -- | -- | -- | -- | -- | 1,783,588 |
| A- | 1,000,437 | -- | -- | -- | -- | -- | 1,000,437 |
| BBB+ | 664,140 | -- | -- | -- | -- | -- | 664,140 |
| BBB | 1,723,864 | -- | -- | -- | -- | -- | 1,723,864 |
| BBB- | 1,066,070 | -- | -- | -- | -- | -- | 1,066,070 |
| BB- | 193,768 | -- | -- | -- | -- | -- | 193,768 |
| B+ | 866,947 | -- | -- | -- | -- | -- | 866,947 |
| B | 567,760 | -- | -- | -- | -- | -- | 567,760 |
| B- | 499,822 | -- | -- | -- | -- | -- | 499,822 |
| CCC+ | 187,458 | -- | -- | -- | -- | -- | 187,458 |
| CCC | 186,833 | -- | -- | -- | -- | -- | 186,833 |
| CCC- | 185,745 | -- | -- | -- | -- | -- | 185,745 |
| CC | 180,548 | -- | -- | -- | -- | -- | 180,548 |
| D | 37,050 | -- | -- | -- | -- | -- | 37,050 |
| Not Rated | <u>441,997</u> | <u>--</u> | <u>1,699,988</u> | <u>1,359,633</u> | <u>1,658,117</u> | <u>--</u> | <u>5,159,735</u> |
| | <u>\$ 11,118,491</u> | <u>\$ --</u> | <u>\$ 2,002,252</u> | <u>\$ 1,457,777</u> | <u>\$ 1,658,117</u> | <u>\$ 167,238</u> | <u>\$ 16,403,875</u> |

The System invested in a commingled bond fund. As of June 30, 2012, the market value of this fund was \$3,864,140. The ratings of investments in the fund ranged from AA to B and below with a majority of the investments rated BBB+ to BB- with 11% of the investments not rated as of June 30, 2012. As of June 30, 2011, the market value of the fund was \$3,936,211. The rating of the fund ranged from AA to B and below with a majority of the investments rated BBB+ to BB- with 17% of the investments not rated as of June 30, 2011.

Custodial Credit Risk:

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The System is not exposed to custodial credit risk as of June 30, 2012 and 2011 for investments in the amount of \$58,891,315 and \$61,801,644, respectively, since the investments are held in the name of the System. The System has no formal policy regarding custodial credit risk.

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2012 and 2011, the System had the following investments in long-term debt securities and maturities:

2012

| | <u>Less than 1 Year</u> | <u>1 – 5 Years</u> | <u>6 – 10 Years</u> | <u>Greater than 10 Years</u> | <u>Fair Value</u> |
|-----------------------------|-----------------------------|------------------------|-------------------------|----------------------------------|-----------------------|
| Corporate Bonds | <u>\$ 328,515</u> | <u>\$ 4,160,209</u> | <u>\$ 6,326,893</u> | <u>\$ 1,457,986</u> | <u>\$12,273,603</u> |
| Governmental Bonds: | | | | | |
| FFCB | \$ -- | \$ -- | \$ 103,023 | \$ -- | \$ 103,023 |
| FHLB | -- | -- | 18,260 | -- | 18,260 |
| FHLMC | -- | 165,263 | -- | 2,132,678 | 2,297,941 |
| FNMA | -- | 160,745 | -- | 1,198,236 | 1,358,981 |
| GNMA | <u>--</u> | <u>--</u> | <u>--</u> | <u>1,398,111</u> | <u>1,398,111</u> |
| Total Governmental Bonds | <u>\$ --</u> | <u>\$ 326,008</u> | <u>\$ 121,283</u> | <u>\$ 4,729,025</u> | <u>\$ 5,176,316</u> |

2011

| | <u>Less than 1 Year</u> | <u>1 – 5 Years</u> | <u>6 – 10 Years</u> | <u>Greater than 10 Years</u> | <u>Fair Value</u> |
|-----------------------------|-----------------------------|------------------------|-------------------------|----------------------------------|-----------------------|
| Corporate Bonds | <u>\$ 37,050</u> | <u>\$ 4,480,048</u> | <u>\$ 5,367,265</u> | <u>\$ 1,234,128</u> | <u>\$11,118,491</u> |
| Governmental Bonds: | | | | | |
| FFCB | \$ -- | \$ 75,063 | \$ 92,175 | \$ -- | \$ 167,238 |
| FHLMC | 103,013 | 1,882,888 | 16,351 | -- | 2,002,252 |
| FNMA | -- | 1,359,633 | 98,144 | -- | 1,457,777 |
| GNMA | <u>--</u> | <u>1,658,117</u> | <u>--</u> | <u>--</u> | <u>1,658,117</u> |
| Total Governmental Bonds | <u>\$ 103,013</u> | <u>\$ 4,975,701</u> | <u>\$ 206,670</u> | <u>\$ --</u> | <u>\$ 5,285,384</u> |

The System has no formal policy regarding interest rate risk.

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Interest Rate Risk: (Continued)

The System invests in mortgage backed securities. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

Foreign Currency Risk:

Foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment. The System's investment policy has a target not to exceed 25% of total investments in foreign marketable securities and a target not to exceed 25% of total investments in fixed income. The System's exposure for foreign currency risk consisted of its investment in foreign marketable securities as of June 30, 2012 and 2011.

| <u>Country/Currency</u> | <u>2012</u> | <u>2011</u> |
|--|---------------------|---------------------|
| Belgium/Euro | \$ - | \$ 68,589 |
| Bermuda/Bermudian Dollar | 247,528 | 112,248 |
| Brazil/Brazilian Real | 26,618 | - |
| Canada/Canadian Dollar | 513,665 | 287,525 |
| Cayman Islands/Cayman Islands Dollar | 189,592 | 533,462 |
| China/Hong Kong Dollar | 38,763 | 90,419 |
| Denmark/Danish Krone | 23,254 | - |
| France/Euro | 47,605 | 21,250 |
| Greece/Euro | 189,410 | - |
| Ireland/Euro | 55,035 | - |
| Israel/Israeli New Shekel | 60,738 | 50,149 |
| Japan/Japanese Yen | 28,199 | 22,195 |
| Netherlands/Euro | 189,878 | 542,473 |
| Netherlands Antilles/Netherlands Antillean Guilder | 187,071 | - |
| Spain/Euro | - | 20,857 |
| Switzerland/Swiss Franc | 339,404 | 285,051 |
| United Kingdom/British Pound | <u>368,145</u> | <u>42,640</u> |
| Total | <u>\$ 2,504,905</u> | <u>\$ 2,076,858</u> |

Commitments:

As of June 30, 2012 and 2011, the System has no commitments to purchase any additional investments.

Investments in Limited Liability Companies and Limited Partnerships:

The System invested in seven limited partnerships and two limited liability companies in order to enhance diversification. The value of these investments as of June 30, 2012 and 2011 was \$8,112,856 and \$10,060,936 respectively.

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

7. FURNITURE AND EQUIPMENT:

Change in furniture and equipment consisted of the following:

| | <u>2012</u> | <u>2011</u> |
|-------------------------------|-----------------|-----------------|
| Balance – Beginning of year | \$ 26,484 | \$ 26,763 |
| Additions | - | - |
| Deletions | <u>-</u> | <u>(279)</u> |
| | 26,484 | 26,484 |
| Less accumulated depreciation | <u>(26,484)</u> | <u>(26,484)</u> |
| Balance – End of year | <u>\$ -</u> | <u>\$ -</u> |

Depreciation expense for the years ended June 30, 2012 and 2011 was \$0 and \$336, respectively.

8. USE OF ESTIMATES:

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

9. TAX QUALIFICATION:

Beginning January 1, 2005, the Retirement System Trust Fund became a qualified plan under IRS Code Section 401(a).

10. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLAN:

The actuarial valuation of assets, actuarial accrued liability and unfunded amounts were calculated using the entry age actuarial cost method which is different from the actuarial method used for funding purposes. The schedule below reflects the funded status and funding progress of the System as of June 30, 2012.

| Actuarial Value of Assets <u>(a)</u> | Actuarial Accrued Liability (AAL) <u>(b)</u> | Unfunded AAL (UAAL) <u>(b-a)</u> | Funded Ratio <u>(a/b)</u> | Annual Covered Payroll <u>(c)</u> | UAAL as a Percentage of Covered Payroll <u>(b-a/c)</u> |
|---|--|---|---------------------------------|--|--|
| \$ 68,481,599 | \$ 92,853,873 | \$ 24,372,274 | 73.75% | \$ 13,386,956 | 182.06% |

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

10. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLAN: (Continued)

Additional information on the actuarial methods and assumptions used as of the June 30, 2012 actuarial valuation is as follows:

| | |
|----------------------------------|--|
| Valuation Date | June 30, 2012 |
| Actuarial Cost Method | Aggregate Actuarial Cost Method |
| Asset Valuation Method | Based on the market value adjusted to smooth all investment returns over a five-year period with limits set at 85% and 115% of the market value of assets. When adjusted value falls outside of the limits, the actuarial value is set equal to the average of limited and adjusted value. |
| Actuarial Assumptions: | |
| Investment Rate of Return | 7.5% |
| Projected Salary Increases | 6.75% (3.00% Inflation, 3.75% Merit) |
| Cost of Living Adjustments | The present value of future retirement benefits is based on benefits currently being paid by the system and includes previously granted cost of living increases. Future cost of living increases are only granted if specific target ratios are met and excess interest earnings are available to fund the cost of the benefit increase. |
| Changes in Actuarial Assumptions | For the year ended June 30, 2012, the investments rate of return assumption was reduced from 8.0% to 7.5%, projected salary increase assumption was reduced from 7% to 6.75% and DROP participants are now assumed to remain employed on average of one year of post-DROP service. DROP participants were previously assumed to retire at the end of the DROP period. The net effect of these changes in assumptions was to increase the actuarially required employer contributions for fiscal 2013 by \$452,875 and increase the actuarially required employer contribution rate for fiscal 2013 by 3.28%. |
| Changes in Plan Provisions | Certain changes in plan provisions were enacted during the year ended June 30, 2012, which had an effect of decreasing the amount required to be contributed by the employer. The net effect of the changes in plan provisions was to decrease the actuarially required employer contribution by \$354,241 for fiscal 2013 and decrease the actuarially required employer contribution rate for fiscal 2013 by 2.57%. |

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

10. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLAN: (Continued)

Asset Experience Loss

For the year ended June 30, 2012, the System experienced actual actuarial investment returns which were less than the assumed investment rate of return. The net effect of the asset experience loss was to increase the actuarially required employer contribution by \$661,364 for fiscal 2013 and increase the actuarially required employer contribution rate for fiscal 2013 by 4.8%.

The required schedule of funding progress on Page 31 presents additional multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES
RETIREMENT SYSTEM TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2012

| | <u>Annuity Savings</u> | <u>Annuity Reserve</u> | <u>Deferred Retirement Option Plan</u> | <u>Pension Accumulation</u> | <u>Unfunded Actuarial Accrued Liability</u> | <u>Total</u> |
|---|----------------------------|----------------------------|--|---------------------------------|---|----------------------|
| BALANCE - BEGINNING | \$ 5,856,121 | \$ 26,719,188 | \$ 3,004,830 | \$ 31,727,506 | \$ (3,891,871) | \$ 63,415,774 |
| REVENUES AND TRANSFERS: | | | | | | |
| Employee contributions | 827,226 | - | - | - | - | 827,226 |
| Employer contributions | - | - | - | 2,094,035 | - | 2,094,035 |
| Net investment income | - | - | - | (3,227,029) | - | (3,227,029) |
| Parish tax collector | - | - | - | 2,084,114 | - | 2,084,114 |
| Transfers from other systems | 49,041 | - | - | 64,660 | - | 113,701 |
| Miscellaneous income | - | - | - | 2,538 | - | 2,538 |
| Pensions transferred from Annuity Reserve | - | - | 1,074,751 | - | - | 1,074,751 |
| Transfer from Annuity Savings | - | 440,969 | - | - | - | 440,969 |
| Actuarial transfer | - | 5,225,420 | - | - | - | 5,225,420 |
| Total revenues | <u>876,267</u> | <u>5,666,389</u> | <u>1,074,751</u> | <u>1,018,318</u> | <u>-</u> | <u>8,635,725</u> |
| EXPENDITURES AND TRANSFERS: | | | | | | |
| Refunds to members | 48,959 | - | - | - | - | 48,959 |
| Transfer to Annuity Reserve | 440,969 | - | - | - | - | 440,969 |
| Pensions paid | - | 3,281,606 | 251,197 | - | - | 3,532,803 |
| Administrative expense | - | - | - | 238,434 | - | 238,434 |
| Depreciation expense | - | - | - | - | - | - |
| Pensions transferred to DROP | - | 1,074,751 | - | - | - | 1,074,751 |
| Actuarial transfer | - | - | - | 2,125,855 | 3,099,565 | 5,225,420 |
| Total expenditures | <u>489,928</u> | <u>4,356,357</u> | <u>251,197</u> | <u>2,364,289</u> | <u>3,099,565</u> | <u>10,561,336</u> |
| NET INCREASE (DECREASE) | <u>386,339</u> | <u>1,310,032</u> | <u>823,554</u> | <u>(1,345,971)</u> | <u>(3,099,565)</u> | <u>(1,925,611)</u> |
| BALANCE - ENDING | <u>\$ 6,242,460</u> | <u>\$ 28,029,220</u> | <u>\$ 3,828,384</u> | <u>\$ 30,381,535</u> | <u>\$ (6,991,436)</u> | <u>\$ 61,490,163</u> |

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 STATEMENT OF CHANGES IN RESERVE BALANCES
 RETIREMENT SYSTEM TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2011

| | Annuity Savings | Annuity Reserve | Deferred Retirement Option Plan | Pension Accumulation | Unfunded Actuarial Accrued Liability | Total |
|---|----------------------------|-----------------------------|---------------------------------------|-----------------------------|---|-----------------------------|
| BALANCE - BEGINNING | \$ <u>5,992,748</u> | \$ <u>25,162,492</u> | \$ <u>2,326,729</u> | \$ <u>29,341,426</u> | \$ <u>(9,742,095)</u> | \$ <u>53,081,300</u> |
| REVENUES AND TRANSFERS: | | | | | | |
| Employee contributions | 963,830 | - | - | - | - | 963,830 |
| Employer contributions | - | - | - | 1,880,066 | - | 1,880,066 |
| Net investment income | - | - | - | 8,818,704 | - | 8,818,704 |
| Parish tax collector | - | - | - | 2,002,887 | - | 2,002,887 |
| Transfers from other systems | 24,957 | - | - | 158,565 | - | 183,522 |
| Miscellaneous income | - | - | - | 5,371 | - | 5,371 |
| Pensions transferred from Annuity Reserve | - | - | 771,155 | - | - | 771,155 |
| Transfer from Annuity Savings | - | 1,120,827 | - | - | - | 1,120,827 |
| Actuarial transfer | - | 4,424,651 | - | - | 5,850,224 | 10,274,875 |
| Total revenues | <u>988,787</u> | <u>5,545,478</u> | <u>771,155</u> | <u>12,865,593</u> | <u>5,850,224</u> | <u>26,021,237</u> |
| EXPENDITURES AND TRANSFERS: | | | | | | |
| Refunds to members | 4,587 | - | - | - | - | 4,587 |
| Transfer to Annuity Reserve | 1,120,827 | - | - | - | - | 1,120,827 |
| Pensions paid | - | 3,217,627 | 93,054 | - | - | 3,310,681 |
| Administrative expense | - | - | - | 204,302 | - | 204,302 |
| Depreciation expense | - | - | - | 336 | - | 336 |
| Pensions transferred to DROP | - | 771,155 | - | - | - | 771,155 |
| Actuarial transfer | - | - | - | 10,274,875 | - | 10,274,875 |
| Total expenditures | <u>1,125,414</u> | <u>3,988,782</u> | <u>93,054</u> | <u>10,479,513</u> | <u>-</u> | <u>15,686,763</u> |
| NET INCREASE (DECREASE) | <u>(136,627)</u> | <u>1,556,696</u> | <u>678,101</u> | <u>2,386,080</u> | <u>5,850,224</u> | <u>10,334,474</u> |
| BALANCE - ENDING | \$ <u><u>5,856,121</u></u> | \$ <u><u>26,719,188</u></u> | \$ <u><u>3,004,830</u></u> | \$ <u><u>31,727,506</u></u> | \$ <u><u>(3,891,871)</u></u> | \$ <u><u>63,415,774</u></u> |

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULES OF INVESTMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

| <u>BONDS</u> | 2012 Fair Value | 2011 Fair Value |
|--|-----------------------|-----------------------|
| Government: | | |
| Federal Home Loan Mortgage Corporation | \$ 2,132,678 | \$ 1,699,988 |
| Federal National Mortgage Association | 1,198,236 | 1,359,633 |
| Government National Mortgage Association | 1,398,111 | 1,658,117 |
| Total Government Bonds | <u>4,729,025</u> | <u>4,717,738</u> |
| Corporate Bonds | <u>12,273,603</u> | <u>11,118,491</u> |
| TOTAL BONDS | <u>\$ 17,002,628</u> | <u>\$ 15,836,229</u> |
| <u>LIMITED LIABILITY COMPANIES</u> | | |
| Sand Spring Capital, LLC | \$ 486,595 | \$ 1,111,803 |
| Land Baron, LLC | <u>463,640</u> | <u>976,065</u> |
| TOTAL LIMITED LIABILITY COMPANIES | <u>\$ 950,235</u> | <u>\$ 2,087,868</u> |
| <u>LIMITED PARTNERSHIPS</u> | | |
| Americus Real Estate Fund IV Ltd. | \$ 603,137 | \$ 784,745 |
| Equitas Evergreen Fund L.P. | 4,473,223 | 4,731,006 |
| Plains All American Pipeline L.P. | 80,002 | 63,360 |
| Greenspring Crossover Ventures I, L.P. | 1,919,287 | 2,380,068 |
| Blackstone Group, L.P. | 9,149 | - |
| KKR & Company, L.P. | 10,183 | - |
| Icahn Enterprises, L.P. | <u>67,640</u> | <u>13,889</u> |
| TOTAL LIMITED PARTNERSHIPS | <u>\$ 7,162,621</u> | <u>\$ 7,973,068</u> |
| <u>MARKETABLE SECURITIES</u> | | |
| Common Stock - Domestic | \$ 14,787,758 | \$ 13,938,824 |
| Common Stock - Foreign | <u>2,505,905</u> | <u>2,076,858</u> |
| TOTAL MARKETABLE SECURITIES | <u>\$ 17,293,663</u> | <u>\$ 16,015,682</u> |
| <u>COMMINGLED FUNDS</u> | | |
| Emerging Markets - Bond Funds | \$ 3,864,140 | \$ 3,936,211 |
| Global REIT Fund | 1,249,261 | 1,225,753 |
| International Equity Fund | 5,237,549 | 6,059,659 |
| Bond Fund | - | 47,388 |
| Income Fund | <u>1,903,601</u> | <u>1,937,392</u> |
| TOTAL COMMINGLED FUNDS | <u>\$ 12,254,551</u> | <u>\$ 13,206,403</u> |

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
MEMBERS' SUPPLEMENTAL SAVINGS TRUST FUND
SUPPLEMENTARY INFORMATION
SCHEDULES OF INVESTMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

| | <u>2012</u> | <u>2011</u> |
|---|-----------------------|-----------------------|
| | <u>Fair Value</u> | <u>Fair Value</u> |
| <u>BONDS</u> | | |
| Government: | | |
| Federal Farm Credit Banks Funding Association | \$ 103,023 | \$ 167,238 |
| Federal Home Loan Mortgage Corporation | 165,263 | 302,264 |
| Federal Home Loan Bank | 18,260 | - |
| Federal National Mortgage Association | <u>160,745</u> | <u>98,144</u> |
| TOTAL GOVERNMENT BONDS | <u>\$ 447,291</u> | <u>\$ 567,646</u> |
| <u>COMMINGLED FUNDS</u> | | |
| Fixed income funds | \$ 522,758 | \$ 471,104 |
| Pooled equity funds | <u>337,706</u> | <u>344,036</u> |
| TOTAL COMMINGLED FUNDS | <u>\$ 860,464</u> | <u>\$ 815,140</u> |

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

| | <u>2012</u> | <u>2011</u> |
|-------------------------------|--------------------------|--------------------------|
| PERSONAL SERVICES: | | |
| Payroll expenses | \$ 71,543 | \$ 69,773 |
| Board member-per diem | 4,650 | 4,350 |
| | <u>76,193</u> | <u>74,123</u> |
| PROFESSIONAL SERVICES: | | |
| Accountant | 27,051 | 34,019 |
| Actuarial | 29,400 | 29,400 |
| Administrative | 34,036 | 33,000 |
| Legal | 42,187 | 9,313 |
| | <u>132,674</u> | <u>105,732</u> |
| COMMUNICATIONS: | | |
| Telephone | 2,382 | 2,136 |
| Travel | 14,138 | 11,018 |
| | <u>16,520</u> | <u>13,154</u> |
| OTHER: | | |
| Bank charges | 919 | 680 |
| Membership dues | 4,699 | 4,839 |
| Miscellaneous | 2,542 | 139 |
| Office expense | 4,887 | 4,325 |
| Office rent | - | 959 |
| Utilities | - | 351 |
| | <u>13,047</u> | <u>11,293</u> |
| TOTAL EXPENSES | \$ <u>238,434</u> | \$ <u>204,302</u> |

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD COMPENSATION
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

| <u>TRUSTEE</u> | <u>2012</u> | <u>2011</u> |
|-----------------|-----------------|-----------------|
| Dennis Dimarco | \$ 750 | \$ 300 |
| Jimmie Hattaway | - | 450 |
| Charlene Menard | 750 | 225 |
| Billie Meyer | - | 450 |
| John Moreau | 900 | 675 |
| Robert Poche | 825 | 750 |
| Linda Rodrigue | 825 | 750 |
| Dwayne Wall | 450 | - |
| Deborah Waskom | <u>150</u> | <u>750</u> |
| | <u>\$ 4,650</u> | <u>\$ 4,350</u> |

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES
JUNE 30, 2007 THROUGH 2012

| <u>Fiscal Year</u> | <u>Actuarial Required Contributions Employer</u> | <u>Actuarial Required Contributions Other Sources</u> | <u>Percent Contributed Employer</u> | <u>Percent Contributed Other Sources</u> |
|------------------------|--|---|---|--|
| 2007 | \$ 598,360 | \$ 1,483,065 | 178.89 % | 100.32 % |
| 2008 | 231,180 | 1,565,723 | 301.02 | 108.40 |
| 2009 | 367,094 | 1,755,167 | 63.71 | 104.41 |
| 2010 | 1,271,323 | 2,026,592 | 33.93 | 95.26 |
| 2011 | 1,949,818 | 2,085,159 | 96.42 | 96.05 |
| 2012 | 2,600,481 | 2,111,984 | 80.52 | 98.68 |

For the years ending June 30, 2007 through 2012, the actuarially required contribution differs from actual contributions made due to state statute that requires the contribution rate be calculated and set two years prior to the year effective.

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS – EMPLOYER AND OTHER SOURCES
JUNE 30, 2007 THROUGH JUNE 30, 2012

| <u>Fiscal Year</u> | <u>Actuarial Required Contributions Employer</u> | <u>Actuarial Required Contributions Other Sources</u> | <u>Percent Contributed Employer</u> | <u>Percent Contributed Other Sources</u> |
|------------------------|--|---|---|--|
| 2007 | \$ 598,360 | \$ 1,483,065 | 178.89% | 100.32% |
| 2008 | 231,180 | 1,565,723 | 301.02 | 108.40 |
| 2009 | 367,094 | 1,755,167 | 63.71 | 104.41 |
| 2010 | 1,271,323 | 2,026,592 | 33.93 | 95.26 |
| 2011 | 1,949,818 | 2,085,159 | 96.42 | 96.05 |
| 2012 | 2,600,481 | 2,111,984 | 80.52 | 96.68 |

For the years ending June 30, 2007 through 2012, the actuarially required contribution differs from actual contributions made due to state statute that requires the contribution rate be calculated and set two years prior to the year effective.

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2010 THROUGH JUNE 30, 2012

| <u>Year</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) (b)</u> | <u>Unfunded AAL (UAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Annual Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll (b-a/c)</u> |
|-------------|--|--|--|-----------------------------------|---|--|
| 2010 | \$ 62,823,395 | \$ 77,674,821 | \$ 14,851,426 | 80.88% | \$ 12,333,966 | 120.41% |
| 2011 | 67,405,502 | 85,924,089 | 18,518,587 | 78.45 | 13,027,410 | 142.15 |
| 2012 | 68,481,599 | 92,853,873 | 24,372,274 | 73.75 | 13,386,956 | 182.06 |

The actuarial valuation of assets, actuarial accrued liability and unfunded amounts were calculated using the entry age actuarial cost method which is different from the actuarial method used for funding purposes.



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

November 19, 2012

Registrar of Voters Employees'
Retirement System of Louisiana
P. O. Box 57
Jennings, LA 70546

We have audited the financial statements of Registrar of Voters Employees' Retirement System as of and for the year ended June 30, 2012, and have issued our report thereon dated November 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Registrar of Voters Employees' Retirement System is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Registrar of Voters Employees' Retirement System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Registrar of Voters Employees' Retirement System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Registrar of Voters Employees' Retirement System's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Registrar of Voters Employees' Retirement System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Registrar of Voters Employees' Retirement System's Board of Trustees, Office of the Legislative Auditor of the State of Louisiana, and management of the System and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

REGISTRAR OF VOTERS EMPLOYEES' RETIREMENT SYSTEM
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Registrar of Voters Employees Retirement System for the years ended June 30, 2012 and 2011 was unqualified.
2. The audit disclosed no instances of noncompliance.
3. Findings Required To Be Reported Under Generally Accepted Government Auditing Standards:
None
4. Status of Prior Year Comments:
None