

**Registrars of Voters Employees' Retirement System  
Minutes of the Meeting of the Board of Trustees  
November 3, 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 9:03 a.m.

**II. Invocation and Pledge of Allegiance**

Ms. Sandra Thomas 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 Thomas, Mr. Dwayne Wall, Ms. Charlene Menard, Ms. Deborah Waskom, Mr. Dennis DiMarco, and Ms. Billie Meyer. Representative J. Kevin Pearson, and Senator Elbert Guillory were absent. A quorum was present. Others present included Ms. Lorraine Dees (Director), Ms. Denise Akers (Legal Counsel), Ms. Terry Meagher and Mr. Walker Reynolds (representing the Custodian of Assets, Capital One Bank), Mr. Jon Breth (representing Investment Consultant, The Bogdahn Group), Ms. Michelle Cunningham (representing the Accountant, Duplantier, Hrapmann, Hogan, & Maher, L.L.P. DHHM), Mr. Greg Curran and Mr. Brian Shoup (representing Actuary and Administrator, G. S. Curran & Company, Ltd.), Ms. Shelley Bouvier (Assistant to Mr. DiMarco), Robert Poche (Ascension Parish ROV), Steve Raborn (East Baton Rouge ROV), and Brian Champagne (St. Charles ROV).

**IV. Public Comments**

Ms. Thomas asked why her request for an agenda item regarding Family Medical Leave Act FMLA was left off the agenda. The Board discussed procedures for setting the agenda to ensure each Board member has an opportunity to request items as needed.

With no more public comments, the Board moved onto the next agenda item.

**V. Review and Approval of Minutes**

Upon motion by Ms. Meyer and second by Ms. Menard, the Board voted unanimously to approve the minutes from the July 16, 2015 meeting.

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

**VI. Presentation by Capital One**

Ms. Meagher directed the Board's attention to the Custodian Report. She reviewed with the Board the breakdown of assets and the total assets as of September 30, 2015 totaled \$73,995,390. Next, Ms. Meagher reviewed the historical plan year end balances comparing market values at year end between 2011 and 2015. Page 6 showed a breakdown of investment fees paid in the quarter totaling \$21,211, which did not include the Mutual Fund fees. She explained that the class action settlement payments for the Quarter End totaling \$7,525 were mostly collected this past quarter for claims with non-active

money managers. Next, she reviewed the Member Supplemental market value reconciliation for the Quarter End totaling \$1,046,860. Then, Ms. Meagher turned the presentation over to Mr. Reynolds.

Mr. Reynolds then presented the Members Supplemental Savings Plan Asset Management report for September 30, 2015. He first pointed out Capital One's Monthly Market Recap. The target versus actual allocation showed that the portfolio is under allocated to cash right now because of recent distributions and will be brought back to target in this quarter. The Quarter End gross returns totaled -2.53%, while YTD gross returns were -1.52%. Mr. Reynolds stated that October was a better month in the markets, and the portfolio will continue to focus on income and capital preservation.

Upon motion by Mr. Wall and second by Ms. Waskom, the Board voted unanimously to approve the Custodial Report and the Member Supplemental Savings Report for the period ending September 30, 2015.

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

Next, Mr. Breth presented the Board with the Investment Performance Review as of September 30, 2015. He explained that MSCI Emerging Markets have been hurt by activity in China, commodity issues, and worries of a Federal Reserve interest rate increase. Furthermore, he reiterated that growth is the place to be the past year with the growth stocks outperforming the value stocks 3.2% to -4.2% in the Russell 3000.

Mr. Dimarco asked if we had more invested in passive Index Funds, would our returns been any better? Mr. Breth stated that the Energy sector allocation would be the only difference in an all passive equity allocation. Advisory and Westfield are All-Cap Funds that track above their index benchmarks long-term. He stated that we reduced the Energy sector allocation before the drop in oil, but in hindsight we would have benefited from getting out entirely.

Then, Mr. Breth reviewed the asset allocation on page 14 of the report. He stated that with the addition of American Core Realty we are overweight in Real Estate under the current Investment Policy Statement IPS, but we will address that later in the agenda. We are also under-weight in international equity and international fixed income.

On page 19 of the report, Mr. Breth pointed out the Total Fund Composite Returns YTD of -5.18% is primarily because of the underperformance in Orleans Energy at -23.47%. Mr. Breth believes the bottom in oil is behind us and hopes to see a recovery in the next 3-6 months, at which time he would recommend selling Orleans Energy. Westfield underperformed because they are overweight in the Healthcare Sector. Dodge & Cox International is a deep value investor that has bounced back from a -12.09% return YTD in September to a -4.00% return YTD in October.

Next, Mr. Breth reviewed the fixed income asset allocation and performance. Page 21 of the report showed Templeton Global Bond Fund underperformed because of changes in currency values. PIMCO Diversified was hurt by a selloff in high yield bonds. Mr. Breth stated that the hedge funds are still in liquidation, but the portfolio weight is minimal. He apologized for not including the new real estate fund American Core Realty in the report, but the fund was up 3.6% since deploying capital. Mr. Breth discussed the weak performance of PIMCO All Asset Fund (PAAIX) and suggested terminating them. This fund was brought on as Global Tactical Allocation, but has invested 45% in Emerging Market Equity and Bonds and doesn't feel that it represents a global allocation at this point.

Mr. Breth directed the Board to an Overview and Manager Evaluation of Global Tactical Asset Allocation. This evaluation highlighted 7 funds that The Bogdahn Group currently recommends to clients for this allocation. Mr. Breth focused on BlackRock Multi-Asset Income Portfolio and William Blair Macro Allocation. He stated that the William Blair Fund only has 3 years of impressive performance, where the BlackRock Fund has 7 years of impressive performance and a lower expense fee of 0.60%. Mr. Breth recommended liquidating PIMCO All Asset Fund and using the proceeds to purchase BlackRock Multi-Asset Income Fund.

Ms. Thomas stated that she would like to see more index funds used rather than actively managed funds, and the Board discussed this with Mr. Breth.

Mr. Breth directed the Board to the updated Investment Policy Statement. There were a number of updates in the asset allocation section. The Board, Ms. Akers, and Mr. Curran identified other areas of the policy that needed updating. Mr. Breth agreed to update the policy further and send out to the Board for review before the next regular Board Meeting.

Upon motion by Ms. Meyer and second by Mr. Wall, the Board voted unanimously to approve the updated Investment Policy Statement presented by Mr. Breth, upon revisions.

Upon motion by Ms. Thomas and second by Mr. Wall, the Board voted unanimously to approve The Bogdahn Group's Report and accept Mr. Breth's recommendation to liquidate PIMCO All Asset Fund and use the proceeds to purchase BlackRock Multi-Asset Income Fund.

### **VIII. Report from the System's Attorney**

Ms. Akers stated that she did not have an update on the litigation of Commonwealth at this time.

Ms. Akers had a conference call with Ms. Dees and Mr. Curran about the post-DROP retirement law and specifically how long someone has to work after DROP to calculate a Final Average Compensation that is representative of their true salary. Ms. Akers asked Mr. Curran to address the Board on his recommendation.

Mr. Curran stated that G.S. Curran has been working with Ms. Dees on retirement calculations over the years and when a member retires after completing DROP with very little salary to annualize, we have seen very unusual answers. He stated that most systems require members to work 3 or 5 years after completing DROP in order to have a new Final Average Compensation calculated. ROVERS statutes allow members to work as little as one day Post-DROP. Combined with high leave balances being converted at retirement, the FAC problem is magnified exponentially. Mr. Curran said he recommends the Board set a policy that members must work a minimum of 3 months after DROP in order to have their Final Average Compensation (FAC) re-calculated accurately.

Upon motion by Ms. Waskom and second by Ms. Meyer, the Board voted unanimously to adopt a policy that members must work a minimum of 3 months after DROP in order to have their Final Average Compensation (FAC) re-calculated. Otherwise, the FAC used to calculate the DROP benefit will be used to calculate the Post-DROP benefit as well.

Upon motion by Ms. Waskom and second by Mr. Wall, the Board voted unanimously to suspend the rules to add an agenda item to discuss the effect of Family Medical Leave Act (FMLA) on the use of leave.

Ms. Thomas was concerned where the leave time would come from, for a Registrar to go on Family Medical Leave.

Ms. Akers stated that FMLA protects your job, but does not provide for paid leave.

Ms. Dees stated that the Registrar's Association would need to go to the Secretary of State for consideration as to how the new rules requiring FMLA are going to be administered regarding leave balances.

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

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

Mr. Shoup disseminated the financial statements for July 1 – September 30, 2015 to the Board. He reviewed the report with the Board noting line items over budget, which includes an IRS Penalty from the 2011 Form 945 that was filed late. Mr. Shoup pointed out that the Americus Fund has been written off and the American Core Realty Fund has been added.

Ms. Dees addressed the IRS Penalty with the Board. Ms. Thomas asked if the system had an Errors and Omissions Policy. Ms. Dees stated ROVERS did not currently have coverage, but she believes the system had coverage during the period in question. Ms. Dees stated she would look into restoring coverage going forward.

Upon motion by Ms. Thomas and second by Ms. Waskom, the Board voted unanimously to direct Ms. Akers to research ROVERS' Errors and Omissions Policy for 2011-2012 for the purpose of filing a claim for the penalties and interest related to IRS Form 945 that was filed late.

Ms. Cunningham of DHHM stated her firm is still looking into the IRS Form 945 in question. Her office re-prepared the Form 945 earlier this year for the year 2011 and sent it to Lorraine for her signature.

Mr. Dimarco asked Ms. Cunningham if DHHM would look into filing a claim against their Errors and Omissions Coverage for this penalty. Ms. Cunningham said they would look into it.

Upon motion by Ms. Thomas and second by Mr. Wall, the Board voted unanimously to direct Ms. Dees to procure an Errors and Omissions Policy for ROVERS as soon as possible.

Ms. Dees then talked about changing her check writing procedures to write all checks on one day each month, regardless of when a member terminates or retires. Mr. Curran stated his firm would send a reminder to Ms. Dees after checks are written in order to help Ms. Dees avoid missing IRS deadlines.

Upon motion by Ms. Waskom and second by Mr. Wall, the Board voted unanimously to set a policy that all benefit and refund checks are to be issued on the first business day of the month, following receipt of all necessary paperwork.

Ms. Thomas made a motion to make the Director responsible for filing the IRS Forms timely. The motion did not get a second.

Next, Mr. Shoup presented the Louisiana Compliance Questionnaire per the system auditors and Ms. Cunningham explained the purpose of the questionnaire for the Board to approve.

Upon motion by Ms. Meyer and second by Ms. Waskom, the Board voted unanimously to approve the Louisiana Compliance Questionnaire for Fiscal 2015.

Mr. Shoup directed the Board to a handout for the Members' Supplemental Savings Fund withdrawal history to review. Mr. Wall asked G.S. Curran to prepare this analysis at the last meeting. The handout showed \$668,490 from 53 member accounts having been withdrawn in the last 5 years.

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

## **X. Director's Report**

Ms. Dees provided a 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. She noted there was one transfer out and three DROP payments made this quarter.

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

## **XI. Other Business**

Mr. Shoup handed out a sample Document Retention Policy for the Board to review. The Board discussed with Ms. Dees and Ms. Akers, setting the sample policy today and Ms. Dees can offer adjustments at a later meeting.

Upon motion by Mr. Wall and second by Ms. Menard, the Board voted unanimously to approve the Document Retention Policy provided.

After discussion among the board members, the next meeting date was scheduled for Friday, December 11, 2015 at 1pm at the Renaissance Hotel in Baton Rouge, LA.

After discussion among the board members, the next meeting dates for 2016 were tentatively scheduled for:

- 1) January 18, 2016 at 9am at the Renaissance Hotel in Baton Rouge, LA.
- 2) April 29, 2016 at 9am at the Renaissance Hotel in Baton Rouge, LA.
- 3) July 29, 2016 at 9am at the Renaissance Hotel in Baton Rouge, LA.
- 4) October 14, 2016 at 9am at the Renaissance Hotel in Baton Rouge, LA.

Upon motion by Ms. Meyer and second by Ms. Menard, the Board voted unanimously to enter executive session to discuss personnel related items requested by Ms. Thomas at 12:37pm.

Upon motion by Ms. Thomas and second by Ms. Meyer, the Board voted unanimously to exit executive session at 1:57pm.

## **XII. Adjourn**

Upon motion by Mr. Wall and second by Ms. Menard, the Board voted unanimously to adjourn the meeting at 2:00pm.