Registrars of Voters Employees' Retirement System
Minutes of the Meeting of the Board of Trustees
July 31, 2013

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. John Moreau, called the meeting to order at 9:05 a.m.

II. Invocation and Pledge of Allegiance

Ms. Linda Rodrigue offered an invocation and Mr. Dennis DiMarco led the Pledge of Allegiance.

III. Roll Call

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

Others present included Mr. Greg Curran (representing Actuary and Administrator, G. S. Curran & Company, Ltd.), Ms. Denise Akers (Legal Counsel), Ms. Lorraine Dees (System Director), Ms. Terry Meagher (representing the Custodian of Assets, Capital One Bank), Ms. Stephanie Little (representing Representative J. Kevin Pearson), Ms. Margaret Corley (representing Senator Elbert Guillory), Mr. Jon Breth (representing Investment Consultant, The Bogdahn Group), Ms. Shelley Bouvier (Assistant to Mr. DiMarco), Ms. Stacy Ryan (Registrar of Voters for West Baton Rouge Parish), Mr. Lucas Buller (Registrar of Voters for Evangeline Parish), and Ms. Nicole Fontenot (Assistant to Mr. Buller).

IV. Public Comments

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

V. Review and Approval of Minutes

Upon motion by Ms. Rodrigue and second by Mr. DiMarco, the Board voted unanimously to approve the minutes from the April 30, 2013 meeting, with a change to the misspelling of Ms. Sharon Bankston's name.

VI. Presentation by Captial One

Ms. Meagher directed the Board's attention to the Custodial Report. She briefly reviewed the various accounts, investment fees, and activity during the period before speaking about the Members Supplemental Savings Fund. She stated that the Members Supplemental Savings Fund totaled $1,316,117.45 as of June 30, 2013, with 4.5% in cash, 71.3% in fixed income, and 23.9% in equities. She explained that there was a 4.71% return on the account over the fiscal year.

Ms. Dees then interjected and explained that she would like to make it mandatory to use direct deposit for the payments from Members Supplemental Savings Fund. She stated that there are some small amounts that are written in checks which never get cashed. She added that this caused difficulties in the accounting. The Board unanimously agreed to the policy.

Mr. Moreau then asked about current manager fees compared to the past.

Mr. Breth agreed to provide a comparison for the Board since they were at the end of a number of changes.

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

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

VII. Presentation by the Investment Consultant, The Bogdahn Group

Mr. Breth directed the Board's attention to the 2nd quarter 2013 Market Environment handout. He reviewed page 1 of the Market Environment\, and stated that the 2nd quarter of 2013 was very volatile. He then jumped forward to page 8 and explained that it showed a dramatic rise in interest rates. He then referred back to page 1, and stated that there was a small sell off in risky assets, such as high yield investments. He stated that there was also a sell off in Equities and Emerging Markets. He stated that there were concerns over growth in Brazil and China and the U.S. dollar strengthening, which hurt Emerging Market returns. He explained that Global Fixed Income managers and Thornburg may hedge currency, but the Emerging Market manager will not. He indicated that value based investors, as well as Small Cap growth, have outperformed. He then reviewed page 3, and stated that defensive sectors had outperformed. Health Care, consumer staples, utilities, and telecommunications services were trading at a premium to cyclical sectors like informational technology, industrials, energy and consumer discretionary. He then turned to page 5, and reviewed international performers. He stated that Japan was one of the biggest movers in the past 9 months, due to the depreciation of the Yen which boosted returns in the Japanese stock market of 10%, although it was only a 4.3% return on a dollar basis. He then reviewed page 7, indicating that if interest rates rise, there would be nowhere to hide in the short run but that the negative impact that interest rates during shorter time periods rose, but would be mitigated over time as managers would invest at higher yields. He explained that High Yield had been the place to invest. He stated that the High Yield manager employed by ROVERS, SMH Capital, was expensive and that ROVERS had since moved to other more diversived portfolios with some high yield.

Mr. Breth then directed the Board's attention to page 1 of the Performance Review. He stated that the Fund was up 7.9% during the current fiscal year. He also stated that Domestic Equity managers were up above the index, 26% versus 21.5%. He indicated that Orleans Energy outperformed, and explained that The Bogdahn Group would keep an eye on that allocation. He stated that it was at 6.5% of the total allocation right now, but that if it grew to 7%, The Bogdahn Group would consider cutting the allocation back to 5%. He explained that Westfield All Cap Growth was behind their index. He stated that Invesco was up 13.1%; however, it was still trailing the index of 14.3%. He stated that Invesco had given index returns over time with high fees, and indicated that he would address this manager at a later time. He also stated that he would address Thornburg in the reallocation plan. He explained that equities have been the main driver on portfolio returns. He stated that 45% of the entire Fund was in equities, and that cash had been a drag over the past year. He clarified that he had taken a slow and balanced approach to put money to work.

He then directed the Board's attention to page 2 of the Performance Review. He indicated that Orleans Fixed Income was down as interest rates rose. He stated that they had a return of -0.2%. He stated that the Fund has had a higher coporate bond allocation over the past 5 years, which had helped over that time period, but had hurt the Fund more recently. He explained that PIMCO had underperformed for the month of June. He stated that this was a result of recent interest rate increases, and that there was no concern with the strategies. He indicated that Sand Spring was in the process of liquidation. He stated that he was waiting for a final offer from CA Recovery to liquidate. He explained that a redemption notice had been put in for Equitas. He stated that Equitas would pay 90% of the June 30, 2013 balance, and would hold 10% back until their audit. He clarified that the 10% would be held in cash for a period. He indicated that half of the Greenspring portfolio was in Exact Target, which was sold. He stated that Exact Target was a very positive experience in Private Equity. He indicated that Greenspring would be moving into the distribution phase. He explained that Americus had either lost tenants or had to renegotiate leases at lower levels which casued their lender to put a hold on cash out. He indicated that there had been some interest by potential buyers in a property held by CDK Realty. He stated that CDK was in the process of evaluating. He then stated that there was $5,000,000 in the Money Market Fund and another $5,000,000 in the cash account, which would both be addressed soon.

Mr. Breth then handed an update of the Long Term Market Return Assumptions. He stated that the handout showed expected returns/volatility, historical returns, and current target allocation by asset class. He indicated that the statement plotted out a target return of 7.89%. He stated that it was based upon an approximate 40% target for U.S. equities (17.5% Large Cap, 12.5% Mid Cap, and 10% Small Cap), a 10% target for EAFE International, a 5% target for Emerging Markets, a 15% target for U.S. Aggregate Fixed Income, a 2.5% target for Investment grade corporate bonds, a 2.5% target for High Yield, a 4% target for World Bonds, a 4.8% target for Emerging Markets Debt, a 1.2% target for Emerging Markets Corporate Debt, a 2.5% target for Private Equity, a 2.5% target for Real Estate, and a 10% target for Hedge Funds. He explained that asset allocation analyses often put a lot in Private Equity but that the real issue was a plan's ability to wait 6-7 years to get returns.

Mr. Breth then handed out an update of the Investment Policy Statement. He stated that there were some updates within the IPS, including cleaning up language and adding best practices. He stated that the IPS updated the actuarial target return from 8.0% to 7.5%. He then directed the Board's attention to page 6. He explained that he removed language that caused ROVERS to hire managers who had done extremely well in the recent past without enough consideration of long term results. He then reviewed page 7, which was updated with the standard language. He explained that this update provided clear and understandable bench marks. He stated that for the final draft of the IPS, section 1(a) would be updated to the final asset allocation. He then stated that he would like to incorporate non US allocations within Fixed Income. He then reviewed page 9, which was the update asset allocation. He stated that targets were added and new ranges were put in place. He stated that 5% was taken from Core Fixed Income and was put into Equity. He explained that Real Estate and Private Equity portions dropped. He then reviewed page 12 and stated that pooled investments would be governed by their prospectus. He stated that this incorporated Prohibited Nations. He then indicated that key fiduciary laws would be incorporated into the IPS. He stated that he hoped the IPS would be approved by October 2013.

Mr. Breth then referred to the ROVERS reallocation plan that was handed out. He explained that the Board had heard from two Global Equity managers at the previous meeting. He recommended using OFI at a 5% allocation. He explained that the Board had heard from two Real Asset managers at the previous meeting. He recommended hiring both managers at a 5% allocation for a total of a 10% allocation to Real Asset. He also recommended hiring Vanguard Total Stock Index at a 10% allocation. He recommended funding Vanguard Total Stock Index by taking from the Cash account and Orleans accounts. He also recommened funding Oppenheimer from the Cash account. He recommended reducing Orleans Core by $2,225,000. He recommended redeeming Equitas, and using the $4,200,000 to fund PIMCO and Westwood with cash. He recommended drawing Capital One Cash down to $85,000. He stated that he would work with Ms. Dees to remove $3,000,000 from the basic administrative account.

Upon motion by Ms. Thomas and second by Ms. Rodrigue, the Board voted unanimously to hire OFI Emerging Markets, Westwood Income, PIMCO All Asset, and Vanguard Total US Stock Index Fund and to terminate Invesco Global REIT.

Upon motion by Ms. Thomas and second by Ms. Rodrigue, the Board voted unanimously to approve the reallocation plan as presented by Mr. Breth.

Upon motion by Mr. DiMarco and second by Mr. Wall, the Board voted unanimously to take the proposed changes in the Investment Policy Statement under advisement for approval at the October meeting.

The Board then discussed the October meeting. The Board decided that there would be no manager presentation. The Board also decided that 30 to 45 minutes could be devoted to education on Hedge Fund investments.

Ms. Dees then suggested doing a 4 hour minimum education session the day before the meeting in October. She suggested that the Board meet on October 29th in the afternoon for a 4 hour education session. She then suggested that the Board meet on October 30th in the morning for the quarterly meeting.

Upon motion by Ms. Rodrigue and second by Mr. Wall, the Board voted unanimously to accept the Investment Consultant’s Report as presented by Mr. Breth.

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

VIII. Review from System’s Attorney, Denise Akers

Ms. Akers gave a brief update on the tax attorney. She stated that he notified the Fund that he highly recommended that ROVERS request a determination letter from IRS. She stated that he estimated about $5,000 for the IRS fee and about $2,500 for the rest of his work. She stated that it would be likely that this would have to be done every 3 years.

Ms. Akers then gave a brief update on FWAR Investors property issues. She stated that there was an offer on the Tartesso property. Mr. Ken Cooley, of CDK Realty, determined that $6,000 per acre was the highest recent sale in the area but that the offer was at $12,000 per acre. She stated that CDK made a counter offer at $18,000 per acre. She explained that the Board had previously given CDK Realty the authority to negotiate on these properties.

Upon the Board's approval, the last agenda item for Ms. Akers was deferred until after the Director's Report and budget discussion.

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

IX. Presentation by G. S. Curran & Company

Mr. Curran gave a brief update on the Conflicts of Interest Report. He stated that Westfield Capital was the only manager that had a conflict of interest. He explained that PIMCO and Franklin Templeton Investments claimed to be exempt from the statute requiring them to disclose any conflicts of interest because they were comingled funds.

Mr. Curran then gave a brief update on the Target Ratio Opt-Out provisions of a new statute passed in the 2013 regular session.

Upon the Board's approval, the Board agreed to defer the Target Ratio Opt-Out until the Actuarial Education in October.

Upon motion Mr. DiMarco and second by Ms. Menard, the Board voted unanimously to accept the Actuary's Presentation.

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

X. Director's Report

Ms. Dees provided a handout for the Director's Report, and addressed the items on the handout, including new employees, terminations, actuarial transfers (in/out), DROP participants re-enrolled after DROP, DROP payments, new DROP participants, retirement applications, MSSF refunds, and deceased members.

Ms. Dees stated that Ms. Darlene Richard, who replaced Ms. Hollie Miller, was the new assistant in the ROVERS office.

Ms. Dees then reviewed each of the items on the Director's Report handout.

The Board then discussed the inclusion of the benefit amount for new DROP participants and retirements within the minutes.

Upon motion by Ms. Thomas and second by Mr. DiMarco, the Board voted unanimously to amend the agenda to consider a change in policy for procedures to retire and enter DROP along with a fee structure for estimates.

The Board then agreed to amend the previous motion to include allowing a discussion for the fee structure of retirement estimates.

Upon motion by Ms. Thomas and second by Mr. DiMarco, the Board voted unanimously that DROP applications would become effective no later than 30 days after received. In addition, no application shall be processed until fully completed and each employee is only allowed 1 estimate in a 12 month period, with any additional request within that 12 month period having a $25 fee.

Ms. Dees then provided the Board with information regarding LAPERS.

Upon motion by Mr. Wall and second by Mr. DiMarco, the Board voted unanimously to accept the Director's Report as presented by Ms. Dees.

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

XI. Approval of Budget

The Board discussed the reimbursement of travel expenses for the ROVERS Annual Seminar.

Ms. Dees then informed the Board that no time would be allotted at the 2014 Annual Seminar for the retirement system. Ms. Dees suggested that she would look at calling a retirement meeting during the seminar.

Ms. Dees directed the Board's attention to the 2014 Budget handout. After discussion, the Board directed Ms. Dees to increase the allotment for office equipment purchases to $6,500.

Upon motion by Ms. Rodrigue and second by Ms. Menard, the Board voted unanimously to approve of the 2014 Budget with the increase in office equipment purchases to $6,500.

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

XII. New Business

Mr. Moreau asked if there was any new business. Hearing none, the meeting continued.

XIII. Other Business

The Board discussed the dates of the next quarterly meeting. The educational seminar would be held at 1:00 p.m. on October 29, 2013 and the quarterly Board meeting would be held at 9:00 a.m. on October 30, 2013, both at the Renaissance Hotel in Baton Rouge.

Upon motion by Mr. DiMarco and second by Ms. Rodrigue, the Board voted unanimously to proceed into Executive Session for an update on Commonwealth litigation.

After a short update, upon motion by Mr. Wall and second by Ms. Menard, the Board voted unanimously to exit the Executive Session.

Upon motion by Ms. Rodrigue and second by Ms. Thomas, the Board voted unanimously to authorize the the Director to approve any offer made by Sand Spring that had been approved by the Firefighters' Retirement System and Municipal Employees' Retirement System, with the understanding that if any Board member wanted a meeting before approval, should any proposal be made to ROVERS, then a meeting shall be called.

XIV. Adjourn

Upon motion by Ms. Rodrigue and second by Ms. Thomas, the meeting was adjourned without objection.