Registrars of Voters Employees' Retirement System
Minutes of the Meeting of the Board of Trustees
February 8, 2012

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.

Call to Order

The Chairman of the Board, Robert Poche, called the meeting to order at 10:33 a.m.

Invocation and Pledge of Allegiance

Linda Rodrigue offered an invocation and John Moreau led the Pledge of Allegiance.

Roll Call

Lorraine Dees called the roll. Board members present were: Dennis DiMarco, Charlene Menard, John Moreau, Robert Poche, Linda Rodrigue, and Dwayne Wall. Board members absent were: Representative J. Kevin Pearson and Senator Elbert Guillory.

Others present included Gregory Curran, Brian Shoup, and Emily Murray (representing Actuary and Administrators, G. S. Curran & Company, Ltd.), Denise Akers (Legal Counsel), Lorraine Dees (System Director), Joe Meals (representing Investment Consultant, CSG), Terry Meagher (representing the Custodian of Assets, Capital One Bank), and Michelle Cunningham (representing the audit firm of Duplantier, Hrapmann, Hogan & Maher).

Public Comments

Chairman Poche asked if there were any public comments. Hearing none, the meeting continued.

Report from the System's Attorney, Denise Akers

Without objection, Ms. Akers addressed Item V(c), Update on legislation affecting the Retirement System. She informed the Board that the bills and advertisements had been submitted timely, all of the bills were being sponsored, and they were now waiting for the legislature to proceed.

Executive Session

Upon motion by Ms. Rodrigue and second by Mr. Moreau, the Board voted unanimously to enter into executive session at approximately 10:40 a.m. to discuss agenda item V(a), Discussion and action related to maneuverings by partners in the Black and Chernine real estate ventures, and item V(b), Discussion and action regarding litigation related to Commonwealth Advisors. Upon motion by Mr. DiMarco and second by Ms. Menard, the Board voted unanimously to exit the executive session at 11:08 a.m.

Actions Taken After Executive Session

Upon motion by Mr. Moreau and second by Ms. Rodrigue, the Board voted unanimously to attach to the minutes the Motion for Leave to Amend an amended complaint in the Commonwealth litigation to reflect that Mr. Kirk Reasonover had informed the Board of the proceedings in the matter.

Upon motion by Mr. DiMarco and second by Mr. Moreau, the Board voted unanimously to participate in a creditors' committee for the bankruptcy proceedings for Sand Spring Capital, if and when the opportunity arose, and to direct Ms. Akers to get more information about the proceedings and make a report at the next Board meeting.

Amended Agenda

Mr. Curran explained that the meeting agenda had been revised to remove item V(d), Adoption of a Board resolution related to legislation recommended by the Tax Attorney, as this item had been addressed at the previous Board meeting; and to add item VIII(c), Report on R.S. 11:269 Conflicts of Interest responses. Upon motion by Mr. Moreau and second by Mr. Wall, the Board voted unanimously to accept the amended agenda.

Presentation by Terry Meagher of Capital One

Terry Meagher of Capital One reviewed the Custodial Report for the quarter ending December 30, 2011. She directed the Board's attention to page A-1, an accounting of plan assets by account. She reviewed the percentages by category, and stated that the total asset value was $56,889,292.68. Ms. Meagher then reviewed the account value changes since June 30, 2011, detailed on page A-2. She reminded the Board that they had asked Capital One to produce the principal activity report on page A-3. She explained that the report showed only those managers hired on or after January 1, 2007, and compared their initial deposits and withdrawals to their market value. She cautioned the Board that the report on page A-3 should only be used for this specific purpose. She added that the Clinton Equity Strategies assets had been moved to the cash account, and they would be removed from the next statement.

Ms. Meagher explained that page A-4 showed the investment management fees for the quarter, page A-5 included a list of income received from the Americus Real Estate Fund, and page A-6 showed the amounts collected from class action settlements from closed accounts. Ms. Meagher reviewed the consolidated report on page B-1, which compared the most recent quarter to the previous four fiscal year ends. She then reviewed the Member's Supplemental Savings under Tab C. She stated that the rate of return for the account was 2.92% for the quarter and 3.05% for the calendar year to date. Finally, she reviewed page C-5, which compared the most recent quarter to the previous four fiscal year ends for the Members Supplemental Savings Plan.

Upon motion by Ms. Rodrigue and second by Ms. Menard, the Board voted unanimously to accept Ms. Meagher's report.

Presentation by the Investment Consultant

Investment Consultant, Joe Meals, stated that December was not a very good month for the markets, and it was a particularly bad month for international equities. He explained to the Board that the ROVERS portfolio was diverse and heavy in international equities, and therefore it was down 1% for the month of December, whereas the S&P 500/Barclay's Aggregate, which held more domestic securities, was up 1.1% for the same period of time. Mr. Meals noted that the fund's performance looked better in January than it had in December.

Next, Mr. Meals directed the Board's attention to the flash report and reviewed each domestic equity manager's performance. He stated that he was concerned about Horizon's performance due to the fact that international stocks accounted for approximately 30% of their portfolio and they had been out of sync with the market for a long period of time. He suggested that the Board ask a representative from Horizon to attend the next meeting to explain their investment strategy and performance.

Mr. Meals reminded the Board that the Greenspring Crossover Fund was a hybrid fund that held 50% in private equity and 50% in public microcap stocks. He explained that some of the private equity holdings had been purchased, and in light of this and the Dodd Frank bill, the Greenspring managers had decided to separate the portfolio into two distinct funds. Mr. Meals stated that he recommended that the Board sell the public stocks, which accounted for approximately 40% of portfolio, and reinvest the proceeds elsewhere. He added that the Board could expect to receive a letter from Greenspring in the coming weeks regarding the restructuring of their portfolio.

Mr. Meals then addressed the performance of the Orleans Capital Energy Fund, noting that although it was down for the month of December, it had beaten its market and was doing well in the energy space. He added that Orleans' trailing three year performance was exceptional, with a return of 24.8%.

Next, Mr. Meals reviewed the international portfolio. He stated that all three of the international managers had underperformed in December, but all except KBC had outperformed their markets in the last quarter of 2011. He noted that the international portfolio, which accounted for approximately 18% of the total portfolio, was down 15.2% for the fiscal year to date.

Mr. Meals addressed the overall performance of the fixed income portfolio, stating that it was up 0.9% for December, up 2.1% for the last quarter, and up 1.1% for the fiscal year to date. He then reviewed the performance of each fixed income manager. He stated that Orleans Capital was the core manager and that they were heavy in corporate bonds. He added that he thought their performance was not repeatable. He showed the Board yield curve graphs for 1996, 2000, 2005, 2010, and 2011, and explained that fixed income had been a good place to invest over the past five years, but they could not expect to gain much from it going forward.

Mr. DiMarco asked Mr. Meals to discuss the returns for the total portfolio as compared to the indices for the fiscal year to date. Mr. Meals explained that the fund's fixed income return had suffered in comparison to the index because the Barclay's Aggregate Index included government investments, which had fared well since the spread had widened out during the fiscal year to date period. He explained that the Russell 3000 was down 5% because the index had a lot of large cap stocks, and the fund's overall domestic portfolio had a different mix than the index. He stated that the underperformance of the fixed income portfolio was mainly due to emerging market debt held in the Ashmore investments. He added that emerging market debt was a good place to be long-term, although not in the past six months.

Mr. Meals continued his review of the flash report with the alternative investments. He stated that he had not yet received Commonwealth's December numbers. He told the Board that the CA Recovery Fund was in redemption mode, and that Commonwealth had advised him that they were confident that the majority of the fund would be liquidated by the end of March, making the money available for reinvestment. Mr. Meals stated that he expected to see upcoming positive performance from the Invesco Global REIT, and they should look for a time to sell the investment once it had recovered. He stated that the Americus Fund was performing from a cash flow standpoint and that he would discuss the Land Baron investments in more detail under the next agenda item.

Mr. Meals stated that Ms. Meagher had already addressed the quarterly cash flow numbers shown on the next pages of his presentation. He pointed out that the fund's equity portfolio was diverse, but heavy in the energy sector due to the Aletheia and Orleans allocations. He stated that, with the market beginning to pick up, he felt that a heavy energy allocation was still the right choice. Mr. Meals explained that many of the energy investments were in oil services companies rather than exploration companies. He reiterated that he was concerned about Horizon's performance, and added that nearly 50% of their holdings were in consumer discretionary and 30% were in financials. He stated that he felt that most of the other managers were in good shape.

Mr. Meals distributed copies of an update on the portfolio's January performance and noted that January looked better than December. He explained that the fund's domestic and international portfolios had outperformed the market, with internationals performing even better than domestics. He pointed out that the fixed income portfolio showed a reversal of what had taken place in December. Mr. Meals stated that he did not yet have the January numbers for the alternative portfolio, but he expected that the total portfolio would be up approximately 3.8% for the month.

Mr. Moreau asked about a discrepancy between the name of a domestic equity manager on the Capital One report and Mr. Meals' report. Mr. Meals explained that the company's name had changed from Montagu Newhall to Greenspring, and Ms. Meagher stated that she would update the name on the next Capital One report.

Mr. Meals asked if the Board had any questions. Mr. Moreau stated that he was concerned that the plan had paid active management fees with the expectation of getting higher returns, but the indices had performed equally well or better than some of the actively managed investments over three to five years. Mr. Meals stated that he did not disagree with Mr. Moreau, but that the Board also needed to look at the performance of the managers since their inception. Mr. Meals stated that the portfolio's top three managers - Aletheia, Snow, and Horizon - had underperformed, but Advisory, Greenspring and Orleans had added value. He stated that he thought Aletheia would correct itself and that Snow had been up and down. He added that KBC was the only international holding that had underperformed, but he still thought that the water strategy would play itself out over the long term.

Mr. Meals stated that the fund's strategy to hold more equities had given them a better result than if they had held more fixed income. He told the Board that equity managers charged higher fees than fixed income managers because they offered a greater opportunity for returns. He stated that Orleans had done a good job and their fees were competitive, and although Ashmore's fees were high, they had produced good returns. He commented that he expected Ashmore to perform well over the next two to three years due to their investments in emerging markets. He told the Board that the performance of the alternative investments had been disappointing due to issues with Commonwealth and Land Baron.

Mr. Meals concluded his presentation with a discussion of agenda item VII(b), Discussion and action related to the investment in the Baron Builder Fund, LLC. He gave the Board an update on the status of the two Baron Builder investments, Madison Grove and Silverleaf. In response to a question from Chairman Poche, Mr. Meals stated that there was no need for action on the Board's part at that time. Upon Motion by Mr. DiMarco and second by Ms. Rodrigue, the Board voted unanimously to accept the Investment Consultant's report.

Break

Upon motion by Mr. Moreau and second by Ms. Menard, the Board voted unanimously to break for lunch at 12:09 p.m.

Reconvene

Upon motion by Mr. DiMarco and second by Mr. Moreau, the Board voted unanimously to reconvene at 12:45 p.m.

Presentation by Duplantier, Hrapmann, Hogan & Maher

Without objection, Chairman Poche asked the Board to address Item IX(a), Review and approval of the Audit Report as of June 30, 2011. Michelle Cunningham of Duplantier, Hrapmann, Hogan & Maher directed the Board's attention to the Independent Auditor's Report, which stated that Duplantier had conducted the audit of the system's financial statements in accordance with auditing standards generally accepted in the United States and Government Auditing Standards issued by the Comptroller General of the United States. She stated that those standards required that they plan and perform the audit to obtain reasonable assurance about whether the financial statements were free of material misstatement. She added that there was a separate report on internal controls. Ms. Cunningham stated that there was nothing that they could not audit and that the system had earned the highest and cleanest opinion that could be attained.

Ms. Cunningham reviewed highlights of the Management's Discussion and Analysis beginning on page 3 and stated that the system's net assets as of June 30, 2011 were $64,856,734, which represented an increase from the prior year. She reviewed the condensed statements on pages 4 and 5.

In response to a question from Mr. DiMarco regarding the status of the lawsuit against Orleans Parish regarding ad valorem taxes, Ms. Dees stated that she would contact Mr. Breithaupt to obtain an update on the situation.

She reviewed the more detailed description of expenses and investments on page 6. She explained that pages 7 and 8 showed the breakdown of the total deductions and investments for both the retirement system fund and the members' supplemental savings fund. Ms. Dees brought to Ms. Cunningham's attention the fact that the item labeled "$1,500 due from retiree" was paid in 2010, and Ms. Cunningham said that she would make the adjustment to the report. She explained that there was nothing new for 2011 in the Notes to Financial Statements contained in pages 9-22.

Mr. Moreau and other Board members stated that they had received 1099s, which they had not received in the past for their per diem expenses. Mr. Curran stated that he would look at the details that were submitted to the auditor to determine whether they received the 1099s in error. Ms. Dees informed Mr. Curran that she had received calls from retirees who had not yet received their 1099s. Mr. Curran requested that Ms. Dees send those individuals' names to both G.S. Curran & Company and Duplantier so they could look into each case individually.

Ms. Cunningham then reviewed the statement of changes in reserve balances, schedule of investments, schedule of administrative expenses, board compensation, contributions from employer and other sources, and schedule of funding progress. She explained that the amounts shown on the schedule of funding progress were calculated according to actuarial standards, which were different than the accounting standards. Mr. Curran further explained that this method of calculation was required in order to compare retirement systems with different funding methods.

Ms. Dees asked if the system was in a good financial position. Mr. Curran answered that they were not, but the Board was following the statutes related to funding. He added that the proposed legislation was a step in the right direction to reduce costs. A discussion of these changes followed.

Ms. Cunningham directed the Board's attention to the report on internal controls and compliance, and stated that no problems were found in either area during the audit.

Upon motion by Mr. DiMarco and second by Ms. Rodrigue, the Board voted unanimously to accept the audit report as presented by Ms. Cunningham.

Mr. DiMarco recognized Ms. Dees' role in attaining a successful audit report.

Presentation by G.S. Curran & Company

The Board heard a presentation from Gregory Curran of G.S. Curran & Company. Mr. Curran explained that, pursuant to House Resolution #149, the three actuarial firms who provided services for the state and statewide retirement systems had been asked to comment on irrevocable decisions, such as the designation of beneficiaries and the election to participate in DROP. He explained to the Board that if previously irrevocable decisions were made revocable, there would likely be a cost to the system. He suggested that the Board read the document in its entirety, and he summarized the cost of anti-selection and proposed solutions, such as medical underwriting.

Next, Mr. Curran gave an update on K-1 taxability. He reminded the Board that they had requested that the system's tax attorney, John Weiler, offer his opinion regarding the necessity of sending all K-1s to the accountants of Duplantier, Hrapmann, Hogan & Maher for review. Mr. Curran informed the Board that Mr. Weiler had advised that, as a general rule, K-1s did not need to be reviewed by the accountants unless ROVERS was acting in a capacity other than as a passive investor. He stated that he would consult with Ms. Akers in the future to determine which K-1s required review.

Mr. Curran addressed the conflicts of interest responses, and explained that the statutes required that the system obtain responses from each money manager regarding conflicts of interest twice per year. Mr. Curran told the Board that all managers had responded to the request except for Ashmore, who claimed that they were not subject to the requirements of Louisiana law. Mr. Curran reviewed Ashmore's response and stated that he was unable to certify to the Board that Ashmore had no conflicts of interest. Mr. Meals stated that he would contact Ashmore to address the problem, and Chairman Poche asked him to report back to the Board with Ashmore's response.

Upon motion by Mr. Moreau and second by Ms. Menard, the Board voted unanimously to accept Mr. Curran's report.

Minutes

The next items considered were the minutes of the November 30, 2011 regular meeting and the January 18, 2012 meeting at the Registrars of Voters Association Seminar.

Upon motion by Ms. Rodrigue and second by Mr. DiMarco, the Board voted unanimously to approve the minutes of the November 30, 2011 meeting as presented. Upon motion by Ms. Menard and second by Mr. Wall, the Board voted unanimously to approve the minutes of the January 18, 2012 meeting as presented.

Director's Report

The Board then heard from Lorraine Dees, who reviewed her Director's Report. She addressed the items on the handout provided to the Board, including new employees, terminations, actuarial transfers out, DROP participants, and DROP payments.

Mr. Curran added that the Board could consider changing DROP annuity conversions in the future to limit the fund's costs. He stated that the annuities were currently calculated using 8% interest, but the fund had not been earning 8%, and most other retirement systems paid a lower interest rate. Chairman Poche asked Mr. Curran and Ms. Akers to look into this and report to the Board about whether it could be accomplished through policy or legislation.

Upon motion by Mr. Moreau and second by Mr. Wall, the Board voted unanimously to approve the DROP payments as presented in the Director's Report.

Ms. Dees then reviewed retirement applications and deceased members.

Ms. Dees reminded the Board that she had distributed the ROVERS System Information Binders at the special meeting in January and stated that she would bring the remaining binders to Representative Pearson and Senator Guillory after the Board meeting.

Ms. Dees told the Board that she planned to receive proposals from investment consultants by June 1, 2012 and schedule the interviews for two days prior to the July Board meeting.

Upon motion by Ms. Rodrigue and second by Ms. Menard, the Board voted unanimously to accept the Director's Report.

Ms. Dees added that, in past years, new members had joined the Board in February or March, and therefore the election of officers was held at the April meeting. She stated that they would follow this schedule in 2012 as well, but since new members would now join the Board in January, she recommended holding the future election of officers in January. The Board agreed. Chairman Poche asked Mr. Curran to add a presentation by Horizon management to the next meeting agenda, and Mr. Curran stated that he would do so.

Approval of Expenses

Upon motion by Ms. Rodrigue and second by Mr. DiMarco, the Board voted unanimously to approve the payment of expenses.

New Business

No new business was brought before the Board.

Other Business

The Board discussed the date of the next meeting. It was decided that the meeting would be held at 1:30 p.m. on April 19, 2012 at the Renaissance Hotel in Baton Rouge.

Adjourn

Upon motion by Mr. Moreau and second by Mr. Wall, the Board voted unanimously to adjourn the meeting at 2:00 p.m.

Robert Roche'
Chairman

Lorraine C Dues
Director