Registrars of Voters Employees' Retirement System
Minutes of the Meeting of the Board of Trustees
July 24, 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 9:04 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, and Linda Rodrigue. Dwayne Wall joined the meeting once it was in progress. Board members absent were Representative J. Kevin Pearson and Senator Elbert Guillory. A quorum was present.

Others present included Gregory Curran (representing Actuary and Administrator, 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); Stephanie Little (House Retirement Attorney, representing Representative J. Kevin Pearson); Margaret Corley (Senate Retirement Attorney, representing Senator Elbert Guillory); and Shelley Bouvier and Billie Meyer (Retirement System members).

Public Comments

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

Presentation by Terry Meagher of Capital One

Without objection, Chairman Poche asked the Board to address agenda item VII, Presentation by Terry Meagher of Capital One. Ms. Meagher reviewed the Custodial Report for the plan year ended June 30, 2012. She directed the Board's attention to Page A-1, an accounting of plan assets by classification. She reviewed the asset classes and percentages by category, and stated that the total asset value as of June 30, 2012 was $58,398,707.37. Ms. Meagher then reviewed the account value changes since June 30, 2011, detailed on Page A-2. She noted that they had received cash from Land Baron, CA Recovery Fund, Greenspring, and Tradewinds. Mr. Meals pointed out that the amount of cash received from Greenspring should have been listed as $575,555.00 and Ms. Meagher concurred. Ms. Meagher explained that Page A-4 showed that $217,531.33 in investment management fees had been paid for the plan year, and Page A-5 showed that $54,828.00 in income had been received from the Americus Real Estate Fund from July 1, 2011 through June 30, 2012. She reviewed Page A-6 and stated that no new class action settlement payments had been collected during the last two quarters.

She then reviewed the consolidated report on Page B-1, which compared the value of the Plan as of the fiscal year ended June 30, 2012 to the prior four fiscal year ends. She noted that Pages B2-B19 showed the same information for each sub-account.

Next, Ms. Meagher reviewed the Members Supplemental Savings Account under Tab C. She stated that she had not been able to update the report in time for the meeting, but that she would mail a copy to each Board member at the end of the week. She explained that the Supplemental Savings Plan currently held approximately 25% in equities, 5% in cash, and 70% in fixed income. She indicated that these percentages were in line with the investment policy.

Ms. Meagher directed the Board's attention to Tab D, which included Capital One, N.A. Services and Fee Disclosures for the Retirement System and for the Members Supplemental Savings Plan. She explained that these disclosures were not required to be provided since ROVERS was not subject to ERISA requirements, but she had chosen to provide them to the Board. She explained that Capital One charged ROVERS a flat custodial fee of 4.5 basis points, which currently amounted to approximately $27,000 - $30,000 per year and fluctuated based on the asset values of the Plans.

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

Presentation by the Investment Consultant

Mr. Meals began his presentation with the performance report, stating that the total portfolio was up 2% for June, down 3.7% for the quarter, up 2.5% for the calendar year-to-date, and down 4.2% for the fiscal year-to-date. He indicated that the equity portfolio had rebounded and was up 3.3% for the month of June, but that it was down 7.9% for the quarter. He explained that all of the domestic and international equity managers had underperformed their benchmarks in June.

Mr. Meals then reviewed each manager's performance. He stated that Aletheia was heavy in energy and gold mining stocks and had not rebounded as much as the overall market, and that Horizon was invested in the right sectors, but in the wrong companies within those sectors. Mr. Meals told the Board that Snow was a value-oriented manger who frequently invested in out-of-favor companies which tended not to pay dividends. He explained that the market currently preferred dividend-paying stocks, but that Snow believed that the market would start to recognize the improving fundamentals of the companies in which they invested, and their stock prices would increase later in the year.

In response to a question from Mr. Poche, Mr. Meals explained that many companies had been holding cash, which hurt their return on assets and equity. He told the Board that the companies would eventually have to put the cash to productive use, and that they would either pay it out to investors in dividends, buy back stocks, buy equipment, or buy other businesses. He explained that companies added cash until they were able to refinance their debt, and once they had rolled over their debt, there would be more mergers and acquisitions. He added that economic uncertainty had been keeping companies from acting, and that the presidential election could have an effect on taxation of dividends, which in turn could affect the market.

Mr. Meals continued with his domestic equity performance review, stating that the Orleans Energy Fund's performance reflected the difficulties that oil services companies had been having. He indicated that the total international equity portfolio was up 4.7% for the month, and that credit exposure had helped the fixed income portfolio, which was up 0.9% while the market was flat. He then reviewed the performance of the fixed income managers.

Next, Mr. Meals addressed the alternative portfolio, which he stated was up 1.1% for the month of June. He indicated that he had not yet received reports from most of the hedge funds, but that he expected to receive them soon. He explained to the Board that Kinetics had taken over Commonwealth's portfolio management duties, but that Commonwealth was still managing some of the investments within the portfolio. Mr. Meals stated that liquidation of the positions in the CA Recovery Fund would probably take place in the fall. He continued to the real estate and private equity investments, stating that the Global REIT portfolio had rebounded significantly and was up 6.6% for the month, that Americus could be expected to produce a steady cash flow, and that Ms. Akers would give the Board an update on Land Baron during the executive session.

Mr. DiMarco asked Mr. Meals if he was accurate in stating that almost all of their managers had performed worse than their benchmarks, and Mr. Meals replied that this was correct. He added that he would address the point in more detail later in his presentation. Mr. Meals directed the Board's attention to the Quarterly Breakdown of Change-in-Value and noted that there had been zero net cash flow for the quarter and that there had been a net investment loss of $2.2 million for the quarter.

Mr. Meals then reviewed the sector allocations for each manager. He explained that investments in the energy sector accounted for 26.8% of the domestic equity portfolio, compared to 9.8% of the Russell 3000. He added that they were overweight in energy mainly due to their strategic decision to have a dedicated energy manager. Mr. Meals stated that he had recently spoken with Orleans representatives, and that the companies in their portfolio had projected that their earnings would grow by 30% in the next year. Mr. Meals noted that Horizon had heavy bets on the consumer discretionary and financial sectors, and that Aletheia was heavy in energy and materials. He told the Board that energy was the only sector that was down for the calendar year-to-date.

Next, Mr. Meals directed the Board's attention to the packets containing information on the managers who had underperformed their benchmarks. He indicated that the goal was to identify whether their poor performance was temporary or whether a manager change needed to be made. He explained that the first page compared the return of the manager to that of its index on a rolling one-year basis. He told the Board that Aletheia had outperformed its benchmark until 2009, when it made heavy bets on energy and gold mining stocks. Mr. Meals stated that Aletheia seemed to be in a downward trend, but he recommended that the Board give them a little more time to recover because the rebound might be worth the wait. He explained that the second page compared Aletheia to its large cap growth peers, and that they had moved from the bottom quartile to the median in the first quarter of 2012. He stated that this supported his opinion that Aletheia should be given a little more time to recover. Mr. Meals explained that the third page showed that Aletheia had outperformed the market more often than not, but that they had underperformed recently.

Mr. Meals then addressed Snow's performance, explaining that they had underperformed the market in 2008, but had then rebounded and beaten the market by a significant margin in 2009. He recommended to the Board that, if they chose to replace Snow, they wait for a bounce so they could avoid selling at the bottom. He noted that Snow had moved from the bottom quartile to the median quartile in the first quarter of 2012, but that they had underperformed in the second quarter. Mr. Meals indicated to the Board that he felt that Horizon had nearly run out of time to improve. He explained that Horizon had made bad stock picks and bets on exchanges in 2008 and 2009, and that they had only made small rebounds in the past few years. Next, Mr. Meals stated that Advisory had begun to improve, that they had beaten the market for the most part, and that they had often been a top-quartile manager. He told the Board that while Advisory did not always capture the upside, they tended to avoid a lot of the downside.

Mr. Meals concluded his presentation by telling the Board that the underperforming managers he had addressed had prevented the portfolio from keeping pace with the market, but that the question was whether they had the potential to improve. He added that the market was stuck in a trading range.

The Board had no questions for Mr. Meals. Upon motion by Ms. Rodrigue and second by Mr. DiMarco, the Board voted unanimously to accept the Investment Consultant's report.

Executive Session

Upon motion by Mr. Moreau and second by Ms. Rodrigue, the Board voted unanimously to enter into executive session at 9:47 a.m. to discuss agenda item V, which included updates from the System's attorney on Commonwealth Advisors, Land Baron Investments, and investment litigation and regulatory review. Mr. Dwayne Wall joined the meeting at 10:31 a.m. Upon motion by Ms. Rodrigue and second by Ms. Menard, the Board voted unanimously to exit the executive session at 10:59 a.m.

Without objection, the Board took a five minute break.

Presentation by G.S. Curran & Company

Without objection the Board proceeded to agenda item VIII, Presentation by G.S. Curran & Company. Mr. Curran requested that the Board interpret the statute regarding conversion of leave in retirement calculations. At the Board's request, Ms. Akers stated that, in her opinion, the statute meant that a member who intended to retire could only convert the leave that had accrued during the time for which they had creditable service. She indicated that if a member took a refund, returned to work, and then applied for retirement, their benefit should be calculated using only the service that had accrued after they had returned to work. Mr. Curran added that the same was true for all Louisiana retirement systems. Upon motion by Ms. Rodrigue and second by Ms. Menard, the Board voted unanimously to adopt a policy to interpret ROVERS' statutes to mean that, at retirement, a member could convert leave only for the time for which they had creditable service.

Mr. Curran then addressed the policy on approval of Option 4 benefits with multiple beneficiaries. He indicated that he would give the Board his opinion on the matter as an actuary, and that the Board could choose to set a policy so they would know how to handle future requests. Mr. Curran explained that a member could choose any form of benefit approved by the Board under Option 4, with certain limitations. He added that Option 4 was generally chosen to provide a form of benefit other than the standard Joint & 100% or Joint & 50%, such as designating a different percentage or a specific dollar amount. Mr. Curran explained that there were sometimes requests from members to designate multiple beneficiaries under Option 4. He pointed out that ROVERS was a small system with a small staff and a simple computer system, and he therefore suggested that the Board consider limiting Option 4 to a single beneficiary. He explained that administering multiple beneficiaries was very complicated because the computer system could not handle the calculations. He added that some other retirement systems allowed designation of multiple beneficiaries, but a number of systems did not.

Mr. Curran reminded the Board that every choice that a member was given added to the potential cost to the System, and that, while option factors were supposed to be actuarially equivalent, in reality they were not equivalent due to statutory and actuarial limitations. The Board then discussed the effects that divorce, remarriage, and death of a spouse had on beneficiary selection. At Mr. Poche's request, Mr. Curran stated that he would research other Louisiana retirement systems' Option 4 policies and provide this information to the Board to help them in their decision making process. Mr. Curran reminded the Board that they had the power to make the final choice on what they would allow under Option 4, and that it was his job to present and explain the information they needed in order to set their policies.

Mr. Curran moved on to agenda item VIII(c), Discussion and action related to fiscal 2013 administrative and actuarial contracts. Mr. Curran directed the Board's attention to the contracts, which were included in the meeting packets. He explained that the actuarial services fee had increased from $2,450.00 per month to $2,850.00 per month mainly due to the extra time associated with administering changes in the benefit structure. In response to a question from the Board, Mr. Curran stated that the hourly rates remained unchanged from 2012. Upon motion by Mr. Moreau and second by Ms. Rodrigue, the Board voted unanimously to approve the actuarial services contract for fiscal year 2013. Next, Mr. Curran explained that the administrative fee had increased from $2,750.00 per month to $3,100.00 per month due to the increased amount of time spent on administrative services associated with litigation and an increased number of meetings. He explained that the contract covered G.S. Curran & Company's attendance as the administrator at six meeting per year, and that they would bill separately for additional meetings. Upon motion by Mr. Moreau and second by Ms. Menard, the Board voted unanimously to approve the administrative services contract for fiscal year 2013.

Minutes

Upon motion by Ms. Rodrigue and second by Mr. Wall, the Board voted unanimously to approve the minutes of the April 19, 2012 meeting.

Director's Report

The Board then heard Ms. Dees' Director's Report. She addressed the items on the handout provided to the Board, including new employees, terminations, actuarial transfers-in, DROP participants and payments, retirements, and deceased members.

Upon motion by Ms. Menard and second by Mr. Moreau, the Board voted unanimously to approve the terminations for Michael Dezura II, Melandie Billy, Veronica Williams, Sarah Cole, and Cynthia Young.

Upon motion by Mr. DiMarco and second by Mr. Moreau, the Board voted unanimously to approve Holly A. Gerace's transfer-in. Upon motion by Mr. Wall and second by Ms. Rodrigue, the Board voted unanimously to approve Willene F. Dickerson's transfer-in.

Upon motion by Ms. Rodrigue and second by Mr. Wall, the Board voted unanimously to approve the DROP payment to Evelina Smith. Upon motion by Ms. Menard and second by Mr. DiMarco, the Board voted unanimously to approve the DROP payment to Sue Thibodeaux. Upon motion by Mr. Wall and second by Mr. Moreau, the Board voted unanimously to approve Sue Manning's rollover. Upon motion by Mr. DiMarco and second by Ms. Menard, the Board voted unanimously to approve Edwin McGehee's rollover. Upon motion by Ms. Rodrigue and second by Mr.

DiMarco, the Board voted unanimously to approve Patsy Lambert's rollover. Upon motion by Mr. Moreau and second by Ms. Menard, the Board voted unanimously to approve Joann Jensen's rollover.

Upon motion by Mr. Wall and second by Mr. DiMarco, the Board voted unanimously to approve Charlotte Erwin's retirement application. Upon motion by Mr. Moreau and second by Mr. DiMarco, the Board voted unanimously to approve Sue Mannings's retirement application. Upon motion by Mr. DiMarco and second by Ms. Rodrigue, the Board voted unanimously to approve Christopher Rousselle's retirement application.

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

Without objection, the Board addressed the fiscal 2013 budget. Mr. Curran distributed updated copies of the budget along with a sheet that broke down the actual expenses by category, shown in a format similar to the System's QuickBooks chart of accounts. He stated that, going forward, he planned to give the Board a quarterly review of actual expenses so that they could see the numbers more than once per year. Mr. Curran explained that the sheet showed the 2011 budget, 2012 budget, 2012 actual expenses, and 2013 proposed budget side-by-side. He described each expense and he and Ms. Dees noted the reasons for any increased amounts. Mr. Curran reviewed the legal fees, and Ms. Akers stated that she did not expect there to be any expenses associated with the Black/Chernine bankruptcy in the upcoming year. Ms. Akers also noted that she anticipated that her fees as General Counsel would be lower than listed on the budget due to less time spent on Land Baron litigation. After discussion, the Board decided to reduce the General Counsel's legal fees from $35,000 to $25,000 and to remove the fees for the Black/Chernine bankruptcy from the budget.

Mr. Curran then reviewed the custodial, actuarial, administrative, and audit expenses. He explained that, since the System lacked a professional accounting employee, the Board had decided to hire Duplantier to conduct a quarterly review in order to provide the necessary checks and balances to obtain a clean audit report. Ms. Dees reviewed the payroll expenses and explained that she was requesting a 3% raise in July 2012 and a 3% raise in January 2013 for herself and for her assistant. She explained that the apparent discrepancy in the assistant's salary was due to the timing of payments rather than a change in the amount of her salary, and Mr. Curran verified that this was correct. Upon motion by Ms. Menard and second by Mr. Moreau, the Board voted unanimously to accept the payroll expense portion of the budget as presented. Upon motion by Ms. Menard and second by Mr. DiMarco, the Board voted unanimously to accept the budget in its entirety, with a revision of the general counsel's legal fees to $25,000 and the Black/Chernine bankruptcy legal fees to $0. Mr. Curran indicated that he would make the corrections to the budget and send updated copies to the Board.

Ms. Dees gave the Board an update on the Legislative Auditor's report. She explained that the advisory council had recently held a meeting with legislators and the directors of four retirement systems, and that Mr. Curran and Mr. Moreau had attended in her place. She noted that the majority of the council's questions were directed to the other three systems since they were involved in the Fletcher investment and ROVERS was not. Ms. Dees summarized the Auditor's requests for ROVERS: more documentation, orientation for new Board members, and informational binders for all Board members. She added that the responses from the retirement system and the Legislative Auditor were posted on the website. Mr. Meals stated that he would not be surprised if the Auditor followed up to make sure that ROVERS was adhering to their recommendations.

Ms. Dees indicated that she was working on the report for the Members Supplemental Savings Plan refunds. She noted that agenda item X(j), Approval of fiscal 2013 investment custodian and fees, had been addressed along with the budget as a whole. Upon motion by Mr. Moreau and second by Mr. Wall, the Board voted unanimously to accept the complete Director's Report.

Approval of Expenses

Mr. Poche moved on to agenda item XI, Approval of Expenses. Upon motion by Mr. Moreau and second by Ms. Rodrigue, the Board voted unanimously to approve the payment of expenses. The Board requested that Mr. Curran add a separate line item to future agendas for approval of payroll expenses.

New Business

Mr. Poche explained that the Board had received a request from the association to make the minutes of the Board meetings available more quickly. Mr. Poche suggested that drafts of the minutes could be posted on the website as soon as the administrator had completed them. Ms. Rodrigue and Mr. Moreau expressed their opinion that only approved minutes should be posted. The Board discussed the matter and requested that Ms. Dees send a letter to all association members informing them that minutes would be posted on the website once they had been approved by the Board.

The Board then discussed a request they had received for annual statements for the Members Supplemental Savings Plan. Ms. Dees explained that the Board had previously decided not to send out annual statements, but that she responded quickly to individual requests for statements. After discussion, Ms. Dees indicated that she would add a statement request form to the website.

Other Business

Ms. Dees explained that the Board had the option to choose a new investment consultant at the current meeting or to instruct her or the administrator to collect additional information from the candidates. Mr. Poche reminded that Board that they had previously discussed narrowing their choices down to two consultants. Mr. DiMarco suggested that The Bogdahn Group be included in the final two, and Mr. Wall suggested Graystone. Upon motion by Mr. DiMarco and second by Ms. Rodrigue, the Board voted unanimously to pursue further information from The Bogdahn Group and Graystone Consulting. Mr. Curran stated that he and Ms. Dees would work on a list of questions to ask the two candidates, and Mr. Poche requested that the Board be prepared to choose a new investment consultant at the next special meeting. Mr. Meals explained that their contract with CSG would be in effect until ROVERS gave a thirty-day notice, and that they would continue to provide consulting services in the meantime and assist in transitioning to the new consultant.

The Board discussed the date of the next regular meeting. It was decided that the meeting would be held at 9:00 a.m. on October 9, 2012 at the Renaissance Hotel in Baton Rouge. Ms. Dees stated that she would inform the Board of the date for the next special meeting.

Adjourn

Without objection, the meeting was adjourned at 12:41 p.m.