**Registrars of Voters Employees’ Retirement System**

**Minutes of the Meeting of the Board of Trustees**

**January 29, 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 10:05 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. Brian Shoup (representing Actuary and Administrator, G. S. Curran & Company, Ltd.), Ms. Lorraine Dees (System Director), Mr. Jon Breth (representing Investment Consultant, The Bogdahn Group), and Ms. Shelley Bouvier (Assistant to Mr. DiMarco). Mr. Jeff Baker (representing All-Cap Value manager Dalton, Greiner, Hartman, Maher & Co. LLC.), Mr. Chris Crawshaw and Mr. Matthew Swaim (representing All-Cap Value manager Advisory Research, Inc.), Mr. Tyler Foster and Mr. William Rechter (representing All-Cap Growth manager Fred Alger Management, Inc.), and Mr. Justin Moscardelli and Mr. John Montgomery (representing All-Cap Growth manager Westfield Capital Management) were present during their individual manager interviews during the meeting,

**IV. Public Comments**

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

**V. Discussion Related to the Evaluation Process for Money Managers’ Presentations**

Mr. Moreau offered “The Bogdahn Group’s Manager Interview Workbook” as an exhibit for the guidelines used in selecting managers as evidence of the Board’s due diligence process for selecting money managers.

**VI. (a) Dalton, Greiner, Hartman, Maher & Co. LLC.**

Mr. Breth introduced the first manager to present, Mr. Jeff Baker with Dalton, Greiner, Hartman, Maher & Co. LLC., (DGHM) based in New York. Mr. Baker stated that the firm had been in business for 30 years with $1.4 billion in assets under management (AUM). He explained that they were 20% employee owned and 80% owned by Boston Private Financial Holdings. He stated that they were a small firm of 14 employees, of which, 10 were highly experienced sector specialists who averaged 20 years of experience. He then directed the Board’s attention to the booklet that was passed out before the presentation.

Mr. Baker stated that page 4 showed a small sample of their client base, 18% of which were public pension plans. He then referenced page 7, which looked at the All-Cap Value Fund, which held 35-40 stocks with each stock having $750 million and higher in assets. On page 8, Mr. Baker focused on the Downside Capture of 82%, which meant that they preserved capital when the market went down and the Upside Capture of 104% that showed that they outperformed their benchmark when the market went up, all which was over the last 10 years. He then directed the Board’s attention to page 9, which looked at the importance of downside protection. He indicated that after the 2008-2009 Recession, their fund only went down 36%, while their benchmark went down 51%. He stated that DGHM was able to recover much more quickly because of that protection. He then explained that he was the team leader for the All-Cap Value Portfolio. He stated that their stop-loss policy was based on underperformance of peers for three straight months.

Next, Mr. Baker looked at Pioneer Natural Resources on page 17, which was an anomaly the market missed during the natural gas boom.

Mr. Breth interjected and asked what would trigger a sell of this stock.

In response to Mr. Breth, Mr. Baker said that if a better value stock was found or if the stock reached its full value by moving within 5-10% of its peers’ value.

Ms. Thomas then asked why he would sell it then and not hold it longer.

Mr. Baker responded that there would be too much risk and that it wouldn’t outperform if they held it too long.

Mr. Baker directed the Board’s attention back to the booklet. On page 19, Mr. Baker reviewed Tidewater, Inc., which hadn’t performed as well as was expected because of new supply on shore and reduced offshore demand.

Ms. Thomas asked why DGHM wouldn’t sell this and buy another stock.

Mr. Baker said that he didn’t see anything better to buy in Tidewater’s market sector.

Mr. Breth asked Mr. Baker to talk about performance over the last two years and their fee schedule.

Mr. Baker said their stocks have not done well the last two years because the market was chasing high-yield stocks.

Ms. Thomas asked if they had stocks in prohibited nations as defined by the Louisiana Revised Statues.

Mr. Baker explained that all of their stocks had to be listed on the U.S. Stock Exchange, which meant that the companies must be U.S. or Canadian based companies.

Mr. DiMarco asked about DGHM’s average client size. Mr. Baker said they have 50-60 public clients ranging from $3 million to $80 million in AUM.

Mr. DiMarco asked about DGHM’s audit results.

Mr. Baker said they have two clean audits every year, one for DGHM and one for their parent company, Boston Private Financial Holdings.

Ms. Thomas asked how DGHM differed from their competitors.

Mr. Baker responded by explaining that they don’t chase the flavor of the day by staying disciplined in their process and structure.

Mr. DiMarco asked about staff compensation.

Mr. Baker said they started with base pay, then added a bonus pool that looks at performance based on a five year rolling average and the amount of assets under management in that person’s sector.

Mr. Moreau asked about staff turnover among the analysts.

Mr. Baker said they had an analyst leave in 2006 and another analyst leave in 2009, which is considered low turnover in their line of work.

Mr. Moreau asked who would be handling the ROVERS account on a day-to-day basis.

Mr. Baker said that he would be the ROVERS account manager.

Mr. Moreau asked about client load.

Mr. Baker said that client service needs had been low and he would be able to give quarterly updates if requested.

Mr. Moreau asked about any SEC filings.

Mr. Baker said that they had none, but that they were due for another SEC review in the coming months.

Mr. Baker reminded the Board of the firm’s 75 basis point fee and said they were open to performance based fees if hired.

With no further business, the Board thanked Mr. Baker for his time, and he left the meeting at approximately 11:30 a.m.

**VI. (b) Advisory Research, Inc.**

Mr. Breth introduced the next presenters, Mr. Chris Crawshaw and Mr. Matthew Swaim with Advisory Research, Inc. based in Chicago, IL. Mr. Crawshaw began with an introduction of the company. He explained that it was founded in 1974 as a global value specialists firm with over $9 billion in AUM. He stated that they employed 60 people, including 13 who were members of the domestic investment team, listed on page 3 in the handout. Mr. Swaim stated that he was part of that team. Mr. Crawshaw referenced page 4 of the handout, which looked at Advisory’s All-Cap portfolio structure of up to 60 stocks with a maximum 6% portfolio weight. He stated that the fund averaged 30-40% annual turnover and held less than 5% in cash.

Mr. Crawshaw then turned the presentation over to Mr. Swaim to discuss the investment process referenced on page 5. Mr. Swaim explained that they were looking for companies that were profitable, with low leverage, and built in asset value. He stated that they focused on downside protection by valuing balance sheets with hands on research.

Mr. Breth asked about changes in their team.

Mr. Swaim stated they had made incremental additions over the years in the junior analyst positions. He then directed the Board’s attention to page 7, which highlighted how their fund was weighted heavily in small-cap compared to the market. He stated that their return on equity of 19% was much higher than the market’s 12.3% and their debt to equity ratio was less than the market average.

Mr. Breth asked what percentage of their finance sector on page 8 was in REITS.

In response to Mr. Breth’s question, Mr. Swaim stated that just under 10% was in REITS because there was not a lot of trade volume within that category.

Mr. Breth then asked Mr. Swaim to discuss Pioneer Natural Resources in their portfolio since they had discussed that company with DGHM.

Mr. Swaim explained they had known the management at Pioneer long before they invested in it. He stated that the undervalued asset at Pioneer was the Permian Base Oil Shale, since horizontal drilling techniques had evolved to make extracting that oil much easier. He stated that they have sold off some unproductive assets recently for very high values, which made the rest of their assets even more valuable.

Mr. Breth asked Mr. Swaim and Mr. Crawshaw to discuss the ROVERS SMID Portfolio in comparison to the All-Cap Portfolio.

Mr. Crawshaw handed out a SMID Portfolio Review and reviewed that performance. He then covered rolling period returns versus their benchmark. He stated that their fee was 75 basis points for the All-Cap Portfolio.

Mr. Moreau asked about the cost of moving from SMID to All-Cap.

Mr. Swaim indicated that the cost would be minimal since a large portion of overlapping assets would be retained. Mr. Crawshaw stated that he would give the Board a close estimate of that cost at a later date.

Mr. DiMarco asked about Advisory’s average client size.

Mr. Swaim stated the average was in the $10 million range.

Mr. Moreau asked if the fee was based on market capitalization and what the client load was.

Mr. Crawshaw confirmed the fee structure and stated that representation varies from client to client. He stated that he personally oversees between 50-60 clients per year. He explained that there would be 3-4 analysts serving ROVERS at any given time.

Mr. Moreau asked about SEC inquiries and staff turnover.

Mr. Crawshaw stated they had an SEC review two years ago that went well and there has been no turnover in Senior Management. He stated that there was a very low turnover in the entry analyst positions.

Mr. Moreau asked about their outlook in the markets.

Mr. Swaim said there was a pull back into cash leading up to the Fiscal Cliff, but now it would be common to see a shift to investing more and with little government involvement the markets should do well. Mr. Crawshaw then reminded the Board that, even though his position at Advisory has shifted to running more of the day to day operations, he would maintain his involvement with the ROVERS account.

With no further business, the Board thanked Mr. Crawshaw and Mr. Swaim for their time, and they left the meeting at approximately 12:12 p.m.

Mr. DiMarco and Mr. Moreau asked Mr. Breth questions about Advisory and the All-Cap strategy.

Mr. Breth responded that he liked that Advisory had more institutional clients and no mutual fund clients and he also had more experience with Advisory. He then stated that ROVERS would get a better value in having one fund that maintains exposure to all cap ranges within a strategy versus piecing together several funds that focus on one or two cap ranges in each strategy. Upon motion by Mr. Moreau and second by Mr. DiMarco, the Board voted unanimously to break for lunch at approximately 12:26 p.m.

**VI. (c) Fred Alger Management, Inc.**

Upon motion by Ms. Menard and second by Mr. Wall, the Board voted unanimously to reconvene the meeting at 2:12 pm.

Mr. Breth introduced the next presenters with Fred Alger Management, Inc., Mr. Tyler Foster and Mr. William Rechter. Mr. Foster thanked the Board for considering Fred Alger, and introduced Mr. Rechter, a client portfolio manager at Fred Alger. He explained that the firm was 100% owned by the Alger Family. He stated that they have specialized in growth investing for nearly 50 years with more than 30 experienced investment professionals and over $16 billion in AUM. He then turned the presentation over to Mr. Rechter, who discussed the Alger philosophy for selecting companies.

Mr. Rechter went on to discuss the All-Cap Growth investment team lead by Mr. Patrick Kelly, the portfolio manager. He explained that Mr. Kelly’s team consisted of 30 analysts who were sector specialists with backgrounds as scientists and engineers He then referenced pages 8 through 15 of their handout, which showed their investment process that focused on gathering data to build detailed models. He explained that these models helped create positive, differing opinions from Wall Street. He stated that Fred Alger was looking for 4 themes within companies. He stated that these themes consisted of companies that increased internet usage, companies that were currently doing well in emerging markets, companies involved in the housing recovery, and companies involved in the natural gas shale.

Mr. Rechter then directed the Board’s attention back to Mr. Foster. He referenced section 3 of the handout. He stated that they held less than 5% cash with a five year upside capture of 117% and downside capture of 107%. He focused on the fund’s quarterly performance since Mr. Kelly became portfolio manager in 2004 through the present.

Ms. Dees asked about stock turnover.

In response to Ms. Dees, Mr. Rechter explained that they typically held a position between 2-3 years but may trade that stock many times during that period, which explained their 115% turnover rate.

Mr. Breth reminded the Board of the 65 basis point fee.

With no further business, the Board thanked Mr. Foster and Mr. Rechter for their time, and they left the meeting at approximately 3:01 p.m.

**VI. (d) Westfield Capital Management**

Mr. Breth introduced the last presenters, Mr. Justin Moscardelli and Mr. John Montgomery with Westfield Capital Management. Mr. Moscardelli thanked the Board for the invitation. He stated that Westfield Capital Management was founded in 1984. He explained that Westfield was a Boston-based firm that specialized in growth equities. He stated that they were 100% employee owned with 63 employees and $14.1 billion in AUM. He pointed out that Westfield’s Louisiana clients included the Clerks of Court Retirement and Relief Fund and Our Lady of the Lake Hospital System. He directed the Board’s attention to page 5 of the handout, which contained information about the investment committee. He stated that the investment committee was currently working within an interdependent investment process that enhances the stock scrutiny.

Mr. Montgomery then took over the presentation to discuss section 2, which covered the equity philosophy at Westfield. He explained that the philosophy was to invest in companies with accelerating or underappreciated earnings growth. He spoke about their management process disciplines for selecting stocks to buy and sell. He stated that Westfield looked for themes that could be used across sectors in researching and selecting companies.

Mr. Moscardelli then highlighted their 5 year annualized returns on page 13 of the handout.

Mr. Breth asked about the 6.3% weight given to Apple Inc.

Mr. Montgomery said that they believe Apple was undervalued and that a rally was going to come.

Mr. Moscardelli reminded the Board of the three things that make Westfield different. He stated that they specialized in growth equities across market-caps, they had a team approach for portfolio creation, and they had 100% employee ownership, a rarity within the investment business.

With no further business, the Board thanked Mr. Moscardelli and Mr. Montgomery for their time, and they left the meeting at approximately 3:51 p.m.

**Discussion on Presentations**

Mr. Moreau asked if anyone on the Board needed more time to decide on managers.

Mr. DiMarco stated that he needed to hear Mr. Breth’s opinion.

Mr. Breth stated that he felt good about Advisory and Westfield because they were not taking big risks in their investments. He explained that the chief investment officer at Westfield, Mr. Muggia, took over in 2000 and the company has done very well under him. He stated that he liked the team investment approach at Westfield. He also stated that although Advisory used general analysts instead of sector specific analysts, they do use a team approach in selecting stocks and had done a very good job for their clients.

Mr. Moreau asked if the Board had already taken action to terminate Snow Capital and Horizon.

Mr. Breth stated that he had not and that the only manager terminated within domestic equity was Aletheia.

Ms. Dees asked about the liquidation process in hiring new managers.

Upon motion by Mr. DiMarco and second by Ms. Menard, the Board voted unanimously to hire Advisory Research for the All-Cap Value Fund.

Upon motion by Ms. Menard and second by Mr. DiMarco, the Board voted unanimously to hire Westfield Capital for the All-Cap Growth Fund.

Mr. Moreau asked Mr. Breth to state a motion for moving assets to fund the newly hired managers.

Mr. Breth stated that the motion would need to be to terminate the All-Cap Value account with Snow Capital and terminate the Horizon Asset Management account using Global Transitions Solutions (GTS) to manage that transition. He added that the proceeds from those two liquidations, along with approximately $1.5 million of cash on hand at Capital One, would fund a $7.5 million investment in the All-Cap Growth account at Westfield Capital Management, and that the existing Advisory SMID portfolio would be transitioned into the All-Cap Value portfolio at Advisory Research Inc. with a wire of approximately $3 million of cash on hand at Capital One to reach a $7.5 million investment in the All-Cap Value portfolio at Advisory. Upon motion by Ms. Rodrigue and second by Ms. Thomas, the Board voted unanimously to approve of the motion stated by Mr. Breth

The Board discussed making updates to their investment policy and new contracts with all money managers.

Mr. Moreau asked Mr. Breth for a timeline for getting the investments in place.

Mr. Breth stated that the contracts would be drafted and reviewed by Ms. Denise Akers (Legal Counsel) by the end of the week. He indicated that the liquidation would take place the following week and the purchases of the new assets would happen soon after the cash was on hand.

The Board discussed the use of GTS to liquidate assets and what required Board approval in the liquidation process.

Mr. Breth stated that GTS gave the Board fiduciary oversight in transitioning assets.

Mr. Moreau asked about the new fixed income funds, Templeton and PIMCO.

Mr. Breth stated that Ashmore was the last manager that needed to be liquidated, which took place close to January 20th and the investments would be in place by the end of January.

Mr. Moreau asked about any future changes that the Board would need to look at.

Mr. Breth stated that he would be looking at Equitas Evergreen Hedge Fund. He stated that the Board would need to decide whether they wanted to continue to use hedge funds in their asset allocation at a later date. He then mentioned that the Board could look at an Emerging Markets manager and offset that higher cost manager with a low cost International Index Fund.

The Board discussed the International Equity strategy further.

Ms. Dees stated that CDK Realty would be in attendance the next day at the January 30th Board meeting to report on the Land Baron assets.

Mr. Breth stated that he spoke to Mr. Walter Morales the prior day, and Mr. Morales was looking to liquidate some assets and find some investors that would be willing to cash ROVERS out of the fund. Mr. Breth then discussed drafting a letter regarding the CA Recovery Fund.

**VII. Adjourn**

Upon motion by Ms. Thomas and second by Mr. DiMarco, the Board voted unanimously to adjourn the meeting at 4:30 pm.