Registrars of Voters Employees' Retirement System
Minutes of the Special Meeting of the Board of Trustees
December 11, 2017

The special meeting of the Board of Trustees for the Registrars of Voters Employees' Retirement System was held at the Renaissance Hotel, located at 7000 Bluebonnet Boulevard in Baton Rouge, Louisiana.

I. Call to Order

Mr. Dennis DiMarco called the meeting to order at 1:00 p.m.

II. Invocation and Pledge of Allegiance

Ms. Debbie Waskom offered an invocation, and Senator Barrow Peacock led the Pledge of Allegiance.

III. Roll Call

Ms. Lorraine Dees then called the roll. Board members present were: Mr. John Broussard, Ms. Billie Meyer, Ms. Deborah Waskom, Mr. Dennis DiMarco, Representative Barbara Carpenter, Ms. Sandra Moorer, Mr. Joe Salter, and Senator Barrow Peacock. Mr. Dwayne Wall arrived at 1:25 p.m., and Ms. Charlene Menard was absent. A quorum was present. Others present included: Ms. Lorraine Dees (System Director); Ms. Denise Akers (Legal Counsel); Ms. Michelle Cunningham and Mr. Eddie McIntyre (representing Auditor, Duplantier, Hrapmann, Hogan, & Maher, LLP); and Mr. Greg Curran and Ms. Sondra Bordelon (representing Actuary and Administrator, G. S. Curran & Company, Ltd.). In the audience were: Ms. Annie Smith (House Retirement Staff Attorney), Ms. Margaret Corley (Senate Retirement Staff Attorney), Mr. Robert Poche (Ascension ROV), Mr. Brian Champagne (St. Charles ROV), and Ms. Shelly Bouvier (Confidential Assistant Jefferson Parish ROV).

IV. Public Comments

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

V. Review and Approval of Minutes

Ms. Moorer explained that she would like to correct page 4 of 5 of the minutes from November 14, 2017, which stated that Mr. DiMarco indicated that there were three motions discussed in Executive Session. She stated that the statement should be corrected to Mr. DiMarco indicated that there were three issues discussed in Executive Session.

Upon motion by Representative Carpenter and second by Ms. Meyer, the Board voted unanimously to approve the minutes from November 14, 2017, with the above correction.

VI. Report from G. S. Curran & Company

Mr. Curran directed the Board's attention to the System's Actuarial Valuation Report as of June 30, 2017. He stated that the general comments section of the report details information to consider regarding the actuarial process. Also, Mr. Curran discussed how the report explains the importance of data quality in completing a valuation. He explained how the report is based on long term assumptions and directed the Board to page 39 of the report that details the Actuarial Assumptions. Mr. Curran stated that these assumptions include rate of return, mortality, rates of salary increase, rates of retirement, rates of termination, rates of disability and various other factors which have an impact on the cost of the plan. He also stated that the Valuation Interest Rate used for this report was 6.75% (Net of Investment Expense) which represents a reduction of 0.25% from the 7.00% assumption used in the prior year's valuation.

He stated that COLA's within the plan have not shown a pattern that could be easily valued. Mr. Curran expressed that it was his opinion that the Funding Deposit Account was the best method for funding a COLA for ROVERS. Next, Mr. Curran discussed the many risk factors that a defined benefit pension plan could encounter such as failure to contribute adequate funds to the plan, asset performance risk, and liability risks. He also stated that final average compensation plans are vulnerable to unexpectedly large increases in salary for individual members near retirement. At the bottom of page 5, Mr. Curran discussed the funded ratio which was one numeric measure of risk. He stated that within the funding report the ratio of the Actuarial Value of Assets to the Entry Age Normal Accrued Liability is quoted. Mr. Curran pointed out that the funded ratio was 85.27% as of June 30, 2017. Mr. Curran also discussed the System's sensitivity to investment losses. He stated that the System would expect its actuarially required contribution rate to increase by 0.71% if the System earned 1% less than the assumed rate of return. Mr. Curran explained that a measure of risk related to plan maturity is the ratio of total benefit payments to active payroll. He confirmed that for fiscal 2017 this ratio was 36% versus 27% ten years ago. He stated that for fiscal 2018, the actuarially required contribution rate would increase by 11.71% of payroll for a 1% decrease in the valuation interest rate.

Mr. Dwayne Wall arrived to the meeting at 1:25 p.m.

Mr. Curran reviewed the statutes that affected ROVERS in the 2017 session which included Act 285 and Act 366.

Mr. Curran reviewed the System's rates of return on the total audited assets for 2017. He stated that the market value rate of return was 12.4%. After incorporating the actuarial asset smoothing, the actuarial rate of return for 2017 was 5.7%. Therefore, the plan earned less than the assumed rate of return of 7%. Mr. Curran further explained that this resulted in an actuarial loss, and this shortfall increased the normal cost accrual rate by 0.8950%.

Next, Mr. Curran reviewed the demographic and liability experience of the System during fiscal 2017. He stated that liability experience for the plan was favorable, with salary increases below projected levels. He also noted that deaths were significantly above projected levels. This overall actuarial gain decreased the normal cost accrual rate by 2.7794%.

On page 9, Mr. Curran pointed out that the Employer's Normal Cost Accrual Rate for Fiscal 2017 was 32.7430% versus the Employer's Normal Cost of Accrual Rate for Fiscal 2018 of 32.3816%. He also mentioned that new members to the plan actually reduced the cost by 1.2411%. For Fiscal 2017, he stated that the net direct employer contribution rate was 14.12%. He added that since the Board voted to maintain the employer contribution rate at 22.50%, the System experienced a contribution gain of $707,537 which was credited to the Funding Deposit Account as of June 30, 2017. Mr. Curran stated that the actuarially required net direct employer contribution rate for Fiscal 2018 is 14.27%, and the actual employer contribution rate is 17% of payroll. He also stated that since the contribution rate for Fiscal 2018 was held at 17% by the Board, any surplus collected during the fiscal year would be credited to the Funding Deposit Account. He confirmed that the Funding Deposit Account was used to offset employer contributions, lower employer contributions or to pay Cost of Living Increases (COLA's). Mr. Curran further stated that the minimum recommended net direct employer contribution rate was 14.25% for Fiscal 2019. For Fiscal 2019, the Board will have the ability to set the net direct employer contribution at any point between the minimum recommended employer contribution rate of 14.25% and 17.25%. This will be further discussed after PRSAC meets and approves an actuarial valuation report.

Next, Mr. Curran informed the Board that the System would need to receive the maximum amount, or 0.0625%, of the ad valorem taxes available to the System in fiscal 2018.

Regarding COLA's, Mr. Curran explained that the Board is allowed to grant cost of living increases of 3% of each retiree's original benefit. This benefit is only applied to those members who have been retired for at least two years. Also, Mr. Curran explained that the statutes provide for an additional cost of living increase for retirees over the age of 65 equal to 2% of the original benefit. He further stated that statutory requirements provide that such COLA's may be paid only when the System has investment earnings above the valuation interest rate or when sufficient funds are available in the Funding Deposit Account. Since the System's actuarial rate of return was below the valuation interest rate of 7% for Fiscal 2017, it did not earn excess interest. Therefore, the Board may only authorize the granting of a COLA by releasing sufficient funds from the Funding Deposit Account.

Ms. Moorer asked for clarification on the uses of the Funding Deposit Account. Mr. Curran stated it is the most conservative approach to paying for a COLA since it involves collecting the money before granting the COLA. He also discussed the other uses of the Funding Deposit Account.

Mr. Curran then directed the Board to review Exhibit I on page 18. He pointed out the Net Direct Employer Actuarially Required Contribution in the amount of $2,028,016 which he stated needs to be collected in Fiscal 2018. On page 24, Mr. Curran pointed out the Funding Deposit Account Balance as of June 30, 2017, was $2,920,894 and would likely increase in 2018 since the Board set the rate higher than the minimum.

Ms. Dees stated that Mr. Curran had been discussing the employer contribution, and she wanted the Board to be aware that they have the ability to increase the employee contribution rate which is currently at 7%.

Ms. Moorer asked Mr. Curran if the Board should reduce the employer portion this year since expenses were at 14.25%, and there was an excess in the Funding Deposit Account. Mr. Curran explained that the Board certainly has the right to reduce that rate; however, the reason to hold the rate at some level above 14.25% was to fund the Funding Deposit Account which acts as a "rainy day" tool and not just to pay COLA's.

Upon motion by Ms. Moorer and second by Ms. Waskom, the Board voted unanimously to approve the actuarial valuation report for June 30, 2017, as presented.

Mr. Broussard asked the Board if anyone required actuarial education for continuing education requirements. Ms. Dees stated that all Board members were up to date on their minimum requirements.

Upon motion by Mr. Broussard and second by Ms. Waskom, the Board voted unanimously to approve the credit of one hour of actuarial education to all Board members in attendance at today's meeting. The Board members present were: Mr. John Broussard, Ms. Billie Meyer, Ms. Deborah Waskom, Mr. Dennis DiMarco, Representative Barbara Carpenter, Ms. Sandra Moorer, Mr. Joe Salter, Mr. Dwayne Wall, and Senator Barrow Peacock.

Mr. Curran stated that the GASB 67 numbers had been completed and provided to the System's auditors, and the findings in the report are based on data through June 30, 2017.

Next, Mr. Curran stated that the System has the legal right to provide a COLA. He stated that Ms. Akers had also reviewed the statute, and the Funding Deposit Account gives the Board the ability to pay a COLA. He confirmed there are two options for paying a COLA in this System. He confirmed that the first statute allows a 3% COLA to be granted to retirees who have been retired for at least two years. He also stated that a second statute allows a 2% COLA to be granted to retirees 65 years of age or older who have been retired for at least one year. There is also a catch up COLA, but further research would be required to make sure the correct data was available.

Ms. Dees confirmed that it has been longer than ten years since the last COLA was granted. Mr. Curran stated that once a COLA is granted another COLA could not be approved for three years unless the funding comes from the Funding Deposit Account. Legally, Ms. Akers and Mr. Curran stated that the law allows up to those percentages stated; however, it could certainly be lower. Since inflation has been low for the past ten years, Mr. Broussard stated that to his knowledge most Systems have not granted the maximum percentage allowed by the statute.

Upon motion by Ms. Waskom and second by Ms. Meyer, the Board voted unanimously to approve a 2% COLA under R.S. 11:2073 for retirees who have been retired for two years effective January 1, 2018, taken from Funding Deposit Account and pending approval of the legislative auditor.

Senator Peacock asked when the next COLA could be granted if this COLA is effective for January 1, 2018. Mr. Curran stated that there is a three year waiting period before issuing another COLA, so Fiscal 2021 would be the next available time for a COLA to be granted.

Due to Representative Carpenter needing to leave prior to 4:00 p.m., Mr. DiMarco requested to move up agenda item VIII, Executive Session regarding the discussion of Director Candidates.

Upon motion by Mr. Wall and second by Ms. Waskom, the Board voted unanimously to begin Executive Session at 2:24 p.m.

Upon motion by Mr. Broussard and second by Mr. Salter, the Board voted unanimously to exit Executive Session at 2:54 p.m.

Upon motion by Mr. Broussard and second by Senator Peacock, the Board voted unanimously to amend the agenda to include the item of discussion of the office relocation to Baton Rouge and the salary benefit structure of a new Director.

After Discussion among the Board, it was decided that during the January 2018 meeting the proposed budget which should include the salary for a full time Director, a full time or part-time employee, costs for office space, and any additional operating expenses will be presented and discussed.

Representative Carpenter left the meeting at 2:58 p.m.

VII. Report from Duplantier, Hrapmann, Hogan, & Maher, L.L.P.

Ms. Cunningham presented the financial statement and compliance audit report for Registrars of Voters Employees' Retirement System (ROVERS) for the year ending on June 30, 2017. On page 2 and 3, she covered the management's and auditor's responsibilities. Ms. Cunningham stated that ROVERS received an unmodified opinion. There was nothing that they couldn't audit, and there was nothing that they were asked not to audit. She stated that the System's financial statements were materially stated and had no significant deficiencies or material weaknesses of internal controls. She added that there were no material violations of laws and regulations and no non-compliance found in testing the credit card purchases.

Ms. Cunningham reviewed the emphasis of matter paragraph which puts emphasis on a topic that the auditor wants the reader to be aware of and in this case it was the Total Pension Liability. She noted that the number is now included in the footnotes. She confirmed that the Total Pension Liability was based on actuarial assumptions totaling $112,607,600 as of June 30, 2017.

On page 10 of the report, Ms. Cunningham confirmed that there were no uncorrected misstatements, no difficulties encountered in performing the audit, no disagreements with management and that a management representation letter dated December 8, 2017, had been obtained by her firm. Also, she stated that there was no management letter for the year ended June 30, 2017.

Next, Ms. Cunningham reviewed the Condensed Comparative Statement of Fiduciary Net Position (balance sheet) which showed that the System's total assets as of June 30, 2017, were $91,100,953 versus $80,823,259 as of June 30, 2016. She added that the Members' Supplemental Savings Trust Fund had total assets of $1,051,657; there was net investment income of $64,337 but a total decrease of $53,854 due to $118,191 of member withdrawals. She stated that since there are no further additions to this fund, it will continue to decrease year after year.

Page 20, Net Pension Liability of Employers, showed information from the last 3 years, including the discount rate used, Expected Real Rates of Return, Money Weighted Rate of Return, Total Pension Liability, Plan Fiduciary Net Position, and the Employers' Net Pension Liability. She noted that the Net Pension Liability as of June 30, 2014, was $103,598,305 and as of June 30, 2017, it was $112,607,600.

Mr. McIntyre stated that GASB 67 requires Census Data Testing. He added that they did testing on Bossier Parish, Ascension Parish, Orleans Parish, and the State of Louisiana. Mr. McIntyre stated that two instances were found in Ascension Parish in which the employees' hire dates per their personnel files did not agree with the actuary data. He stated that one member had an additional year of service versus what the employer's records showed as the service for the member. In the other instance, Mr. McIntyre stated that the member was refunded and then was rehired but kept their previous service time prior to the refund without repaying the refund to keep that service credit. Also, he noted that no findings were noted as a result of their testing for Bossier Parish, Orleans Parish or the State of Louisiana.

Next, Mr. McIntyre discussed the Statewide Agreed Upon Procedures which were new effective June 30, 2017. Regarding the findings of the audit, Mr. McIntyre stated that the System did not have written policies and procedures for budgeting, purchasing, disbursements, receipts, payroll, contracting, travel and expense reimbursement, and ethics. Also, no documentation was noted regarding whether management researched one reconciling item in the amount of $500 that was greater than six months outstanding. Regarding collections, he stated that there was no written documentation stating that each person responsible for collecting cash was bonded nor was there documentation stating that each person responsible for collecting cash was not also responsible for depositing cash in the bank and recording the related transaction. Furthermore, there was not written documentation that revenue from ad valorem, state revenue sharing, and irregular contributions are being reconciled to the general ledger as well as no written policies regarding whether the System has a process to determine completeness of all collections for each revenue source. He did note that procedures were in place for member and employer contributions, however, these procedure were not written. Then, Mr. McIntyre stated that their findings regarding disbursements demonstrate that the System does not have a purchasing system that separates initiation from approval functions. He also stated that there was no written evidence that expense reimbursements were being approved by someone other than the person claiming the reimbursement. Regarding Payroll, he noted an instance in which there was no written approval for an employee's change in pay and no record of attendance or leave for employees. Lastly, he stated that the fraud notice required by R.S. 24:523.1 was not posted in the System's office or on the website. He did note that there were no findings pertaining to the Board, credit cards, contracts, and ethics.

Mr. McIntyre expressed that having written policies and procedures was extremely important especially if there were a new Director hired.

Ms. Dees reminded the Board that Ms. Akers had drafted a Board Governance Policy Manual and suggested that everyone review the manual prior to the January meeting so that it could be properly discussed and reviewed. Regarding the bank reconciliation for $500, Ms. Dees stated this was a check that did not get processed and needs to be voided in QuickBooks. She also stated that no one was bonded at this point. Ms. Moorer asked if the System accepted cash. Ms. Dees stated she did not. However, Mr. McIntyre confirmed that checks and ACH transactions were also considered cash. He also stated that other Systems were having issues with bonding as well.

Ms. Moorer asked about the checks and balances the System had in place in order to prevent future errors from occurring where a member would not be properly enrolled. Both Ms. Dees and Mr. Curran stated that the employer/parish was responsible for properly enrolling a member and informing the Director of the member's enrollment into the System. Mr. Curran stated that an updated procedure could be further researched and improvements could be made. Mr. DiMarco asked Mr. McIntyre if any of the findings were material to the audit. Mr. McIntyre confirmed that all findings were not material to the audit.

Mr. DiMarco wanted Mr. McIntyre to confirm that there were no material findings regarding credit cards. Mr. McIntyre confirmed this was correct.

Ms. Moorer asked about increasing the number of employers/parishes to be audited. Mr. McIntyre confirmed that the motion was made after June 30, 2017, so more employers will be added for Fiscal 2018.

Next, Mr. McIntyre discussed in detail the two instances that occurred in Ascension Parish that were noted in the Census Data Testing results. Ms. Akers asked if the Board needed to have these issues corrected. Mr. McIntyre stated that the corrections are typically handled between the System Director and the Parish of the employee.

Upon motion by Mr. Broussard and second by Ms. Waskom, the Board voted unanimously to approve the auditor's report as presented.

Ms. Waskom left the meeting at 3:58 p.m.

IX. Director's Report

Ms. Dees informed the Board that the Louisiana Compliance Questionnaire was presented; however, a motion was needed to accept it.

Upon motion by Ms. Meyer and second by Mr. Salter, the Board voted unanimously to approve the Louisiana Compliance Questionnaire.

Ms. Dees explained to the Board that she sent out a letter to all active members and retirees of the System demonstrating both pros and cons of a possible ROVERS merger. She indicated that all responses, both verbal and written, were not in favor of a merger of ROVERS. She handed out a ten page document with actual responses that she received from both members and retirees.

Ms. Meyer asked Ms. Dees if she was aware how the idea of a ROVERS merger began. Ms. Dees stated that she thinks there was a visit to Senator Peacock's office but is unaware of any other details.

Regarding the transition to Capital One for custodial bank accounts, Ms. Dees stated this should be wrapped up at the end of the year.

Ms. Dees stated that there are still a few glitches as she learns the new software program but receives a lot of assistance from Stephen at G. S. Curran & Co.

Next, she discussed the 2018 Tentative Board Meeting schedule. She confirmed that the tentative meeting dates are currently scheduled for January 24th, April 25th, July 25th and October 24th at the Renaissance Hotel in Baton Rouge.

Ms. Meyer addressed Senator Peacock, asking if he could elaborate on how the ROVERS merger discussion came about since it was originally brought to his office. Senator Peacock stated he had a bill this past year requesting to merge TRSL and the Louisiana School Employees Retirement System (LSERS) which would have saved $5.6 million per year without diminishing anyone's benefit. He knew Ms. Dees wanted to retire, so the costs will increase with a new Director and office. He also stated that ROVERS is a very small system and added that he believed a merger could make ROVERS stronger and more financially secure.

Ms. Moorer asked if the benefits of the System would be protected. Ms. Corley confirmed that the benefits of the System cannot be diminished or impaired. However, the funding of the System is not protected. There was much discussion among the Board members regarding the pros and cons of a ROVERS Merger.

Mr. Champagne stated that he was against Senate Bill 3. He also stated that he did request a meeting with Senator Peacock; however, he did not request a merger of ROVERS.

Upon motion by Mr. Salter and second by Ms. Meyer, the Board voted unanimously to approve the Director's report as presented.

X. Adjourn

Upon motion by Ms. Meyer and second by Mr. Wall, the Board voted unanimously to adjourn the meeting at 4:20 p.m.