Registrars of Voters Employees' Retirement System
Minutes of the Meeting of the Board of Trustees
July 16, 2015

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. Dennis DiMarco, called the meeting to order at 9:00 a.m.

II. Invocation and Pledge of Allegiance

Ms. Sandra Thomas offered an invocation, and Ms. Deborah Waskom led the Pledge of Allegiance.

III. Roll Call

Ms. Charlene Menard called the roll. Board members present were: Ms. Sandra Thomas, Mr. Dwayne Wall, Ms. Charlene Menard, Ms. Deborah Waskom, and Mr. Dennis DiMarco. Ms. Lorraine Dees, Ms. Billie Meyer, Representative J. Kevin Pearson, and Senator Elbert Guillory were absent. A quorum was present. Others present included Ms. Denise Akers (Legal Counsel), Ms. Terry Meagher (representing the Custodian of Assets, Capital One Bank), Mr. Jon Breth (representing Investment Consultant, The Bogdahn Group), Mr. Greg Curran, Mr. Brian Shoup, and Ms. Kathleen Bouwkamp (representing Actuary and Administrator, G. S. Curran & Company, Ltd.); and Ms. Shelley Bouvier (Assistant to Mr. DiMarco).

IV. Public Comments

No public comments were made, so the Board moved onto the next agenda item.

V. Review and Approval of Minutes

Upon motion by Ms. Thomas and second by Ms. Waskom, the Board voted unanimously to approve the minutes from the April 23, 2015 meeting.

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

VI. Presentation by Capital One

Ms. Meagher directed the Board's attention to the Custodian Report. She reviewed with the board the breakdown of assets and the total assets as of June 30, 2015. Ms. Meagher noted that the values for Americus were updated with the audited financial statements which did show a significant decrease in value, due to the fact that prior values reported were not audited. Also, she stated that the accounting of assets now reflects the newly acquired American Core Realty Fund with the initial investment value of $4,000.000. She then pointed out that the positive value change of $1,409,540 was mostly attributable to the added $1,500,000 from the excess cash balance in the account at The Bank in Jennings, LA. This influx of cash was part of the funding of American Core Realty Fund. Next, Ms. Meagher reviewed the historical plan year end balances comparing market values at year end between 2011 and 2015. She pointed out that mutual fund account balances have grown since the initial investment in 2013 to the current value of $37,889,760.67. Ms. Meagher reviewed the $2,500,000 of mutual fund sales which were utilized to fund the American Core Realty Fund initial investment. She explained that the class action settlement payments for FYE 2015 totaling $5,191.90

were mostly collected this past quarter for claims with non-active money managers. Next, she reviewed the Member Supplemental market value reconciliation for Fiscal YTD pointing out that the decrease in value is largely due to the $168,720.16 in benefit payments. Ms. Thomas pointed out the unrealized loss, and Ms. Meagher noted that overall the investment experience considering the realized gain, income and unrealized loss was a positive one.

Ms. Meagher then presented the Members Supplemental Savings Plan Asset Management report for FYE June 30, 2015. She first reviewed the target versus actual allocation noting that the portfolio is diversified and on target. Ms. Meagher pointed out that as the investments for the Member Supplemental Savings have become more aggressive, the benchmarks have been adjusted accordingly to more aggressive as well. Therefore, the performance for past years compared to the benchmark will not be a true representation. Finally, she explained how the poor market performance of June had a harsh impact on the portfolio's performance. This was illustrated by the fiscal one year gross return at 1.99% as compared to 3.75% return if only measured through May 2015 for the portfolio.

Mr. Wall asked if the reason for the lower performance in the Member Supplemental Savings Plan was due to the loss in membership, since new members are not being added to the Plan or simply a reflection of the funds not performing. Per Ms. Meagher, the assets have dwindled because of the benefit payments. She added that the only growth potential is from the investment returns and that the pool of people sharing in the Fund is decreasing. Mr. Shoup also noted that the portfolio report last meeting showed more cash being held, but since then more benefits have been paid out.

Mr. Wall asked that for the next meeting the Board be presented with a comparison of the previous five year history of the benefit payouts, performance and the number of participants in the Member Supplemental Savings Plan. Mr. Shoup responded that G. S. Curran & Company, Ltd. would do so.

Upon motion by Ms. Waskom and second by Ms. Menard, the Board voted unanimously to approve the Custodial Report and the Member Supplemental Savings Report for the period ending June 30, 2015.

VII. Presentation by the Investment Consultant, The Bogdahn Group

Next, Mr. Breth presented the Board with the Monthly Flash Report as of June 30, 2015. He explained that it had been a slow march up in equity markets, because the Federal Reserve was still expected to raise interest rates. He noted that the volatility in earnings has been due to the decrease in energy sectors and the rise in the USD. Mr. Breth stated that this quarter was a strong one for the US equity market but late in the quarter the news of whether Greece would leave the Eurozone affected some of the holdings notably both Pimco funds and Vanguard's Int'l Index Fund. Both of these have a small exposure to Greece. In addition, Mr. Breth explained China's volatility and the positive impact on emerging markets. He compared the major market indices performance for the quarter pointing out that as rates increase the bond prices decrease. Furthermore, he added that there was a large variance between the growth and value stocks in the small and midcap sectors for the quarter with the growth stocks outperforming the value stocks. Next, he stated that the energy sector was strong early in the quarter; however the utilities sector has continued to struggle due to rising interest rates. Mr. Breth also compared the international indices for the quarter which illustrated that the rising USD slowed down the performance of global equities.

Then, Mr. Breth reviewed the asset allocation and performance as of June 30, 2015. He stated that what we got wrong was the equity portfolio; the FYTD return trailed the benchmark. Mr. Breth further explained that the biggest performance loss FYTD has been Orleans Capital Energy Fund, and it has been a declining investment over the year.

Ms. Thomas asked Mr. Breth what his recommendation would be since the fund is already down considerably at a return of -27.53% FYTD. Mr. Breth stated that he would hate to sell now at the low but would recommend eliminating a dedicated energy sector and keep more allocated to US stock market index fund. Furthermore, he added that we have two active managers that will buy energy when they feel the time is right: Westfield and Advisory Fund. He added that the percentage allocated for Orleans Capital Energy was sized appropriately at only 2.4% of the portfolio.

Next, Mr. Breth discussed the poor performance of Oppenheimer Developing Market which was also negatively impacted from the falling energy prices and rising interest rates in the US. Mr. Breth then suggested eliminating Oppenheimer Developing Markets (ODVIX) today. Ms. Thomas suggested that the portfolio pullback from energy to more domestic investments. Mr. Breth responded that there are some long term benefits from the non-US equities. He further suggested after some discussion that the Board invest the proceeds equally between Dodge & Cox International (DODFX) and Vanguard Total International Stock Index (VTIAX); he noted that these two funds would still provide some exposure to emerging markets. Mr. Wall then questioned why ROVERS would move out of the Oppenheimer Developing Markets to move to the other two funds that had trailing performance. Mr. Breth explained that those losses were only for a month's performance but longer term their returns were more favorable.

After much discussion with the Board, Mr. Breth suggested that we put Orleans Capital Energy on watch and readdress the performance at the next meeting. Mr. DiMarco reaffirmed this recommendation pointing out that since the FYTD loss for Orleans Capital Energy is so great that it would not be wise to sell at the bottom. Mr. Breth stated that at the next quarterly meeting he will provide a snapshot of what ROVERS would still own in energy if they sold this fund and more information to determine if we should sell Orleans Capital Energy.

Next, Mr. Breth reviewed the fixed income asset allocation and performance. He noted that the diversification within the fixed income portfolio was well weighted. Mr. Breth stated that the liquidator for the hedge funds has not completed the liquidation yet, and he was not pleased with the lack of progress. He was also disappointed with the lack of movement with CDK. However, St. George Air Parc and Utah may get put up for sale. Mr. Breth discussed the weak performance of PIMCO All Asset Fund (PAAIX) and suggested putting this fund on watch as well. Mr. DiMarco added that PIMCO lost their founder. Mr. Breth concurred with Mr. DiMarco and stated the Bogdahn Group has identified some alternative funds to consider for the Total Real Return sector.

Mr. Breth also suggested adding a primary benchmark for the Total Real Return sector which would be "50/50 global stocks to global bonds" benchmarks so that the benchmark would not be fluctuating. He would like to keep the "CPI+5%" as the secondary benchmark.

Upon motion by Mr. Wall and second by Ms. Waskom, the Board voted unanimously to sell Oppenheimer Developing Markets and split the proceeds equally between Dodge & Cox International and the Vanguard Total International Index Fund and to place Orleans Capital Energy on watch. Mr. Breth added that he would work with Ms. Dees to execute the sale. Also, he indicated that next quarter he would review the Investment Policy Statement with the Board and suggest some target allocation changes.

Upon motion by Ms. Waskom and second by Ms. Thomas, the Board voted unanimously to approve The Bogdahn Group's Monthly Flash Report.

Mr. DiMarco asked about Option 1. Mr. Curran explained that Option 1 requires a small reduction to the maximum benefit. He explained that under Option 1, the employee contribution balance is reduced each month by a portion of the monthly benefit that is paid for by the member's contributions.

Mr. Wall asked if ROVERS was following Policy 46. Mr. Curran was not familiar with Policy 46. Ms. Thomas asked if someone could receive disability while working. Mr. Curran explained that they could not and that they would have to stop working in order to receive disability. Ms. Akers then added that workers' compensation was different from disability as it is specific to being injured on the job and pays quickly in that you do not have to prove fault. Furthermore, she stated that when disability is approved, there is a calculation to determine whether there are any offsets.

Upon motion by Ms. Waskom and second by Ms. Thomas, the Board voted unanimously to accept the Option Equivalence Factors being used.

X. Director's Report

Ms. Menard disseminated the Director's Report to the Board. The Board members read the report in silence. Ms. Thomas asked how a member can get paid Post-DROP without all of their paperwork being completed. Mr. Curran explained the process that upon retirement, Ms. Dees cuts a check for the DROP amount immediately, but then has to wait on the State and Parish pay to certify all contributions and service. Then, she sends the calculation to G. S. Curran & Company. Once Ms. Dees receives the Post-DROP calculation back from G. S. Curran & Company, the member selects an option, and Ms. Dees then has to issue retro-payments for the time lapse.

Upon motion by Ms. Sims and second by Ms. Waskom, the Board voted unanimously to accept the Director's Reports.

XI. Other Business

Ms. Akers said she will follow up with Ms. Dees regarding the document retention policy and that she has looked into what other systems are doing. Upon motion by Ms. Menard to defer the retention policy and second by Mr. Wall, the Board voted unanimously to accept the motion.

Ms. Thomas stated that issues had been brought to her attention from different offices about leave being properly attributed. She stated that ROVERS is to follow the Executive Leave Order whereby annual leave is annual and sick leave is restricted to sick time for the employee only not to include a family member. Ms. Thomas further expressed that she wanted to clarify this distinction for the registrars so that it was properly enforced. Ms. Akers verified with Ms. Thomas that she was not having an issue with the Family Medical Leave Act. Ms. Thomas stated that she was not. Ms. Akers said she will draft a policy to adopt and also pointed out that leave is an Association rule.

After discussion among the board members, the next meeting date was scheduled for Tuesday, December 1, 2015 at 9am at the Renaissance Hotel in Baton Rouge, LA.

XII. Adjourn

Upon motion by Ms. Thomas and second by Ms. Menard, the Board voted unanimously to adjourn the meeting at 10:52am.

Mr. Breth stated that Mr. Shoup had pointed out to him that the fee schedule in their contract with ROVERS terminates on September 30, 2015. Mr. Breth stated that the contract itself does not expire, therefore he proposes an addendum to the current contract with the updated fees as follows: the first year no change, second year an increase in fees by $2,500 and in the third year another increase of $2,500. Ms. Akers said she had reviewed the contract and fees and that currently the fees are annually $85,000 and an addendum for fees would be sufficient. Mr. Breth noted that fees are billed quarterly in arrears.

Upon motion by Ms. Thomas and second by Ms. Menard, the Board voted unanimously to approve the proposed Bogdahn Group fee schedule addendum presented by Mr. Breth.

VIII. Report from the System's Attorney

Ms. Akers updated the Board on the liquidation of Commonwealth. She said that at the end of last year the liquidator was trying to sell the additional assets in the side pocket, but they have had to reduce the account value. She reiterated that in the litigation realm things move slowly, but she expects to have more of an update for the next meeting.

Ms. Thomas had spoken to Ms. Akers about the post-DROP retirement law and specifically how long someone has to work after DROP to be able to convert their leave. Ms. Akers asked to table the matter until she could discuss this with Mr. Curran. Upon motion by Ms. Thomas and second by Ms. Waskom, the Board voted unanimously to table the matter for further research with the system's actuary.

IX. Presentation by G. S. Curran & Company

Mr. Shoup disseminated the financial statements for FYE 2015 to the Board. He reviewed the report with the Board noting that we only went slightly over budget on office supplies, continuing education and GASB 68 audit, but overall ROVERS is under budget by approximately 10%. Next, he went over the Profit & Loss statement indicating that we collected approximately $6,890,000 from ad valorem tax, state revenue sharing and interest combined. Mr. DiMarco questioned if Orleans Parish was paying their share of the tax. Mr. Shoup replied that Orleans was paying. Ms. Waskom added that ROVERS did not receive any payments in arrears, but they are currently paying. Mr. Shoup pointed out that the Americus Fund is still showing as an asset with a value of $85,000 and that the auditor was not notified of the write down. However since it was already approved by the Board to write off, we will instruct the auditors to proceed without a motion.

Upon motion by Ms. Thomas and second by Ms. Menard, the Board voted unanimously to accept the draft of the financial statements.

Next, Mr. Curran reviewed a table which formally stated the assumptions to be used for any actuarial equivalence calculations performed by the actuary. He explained that as a qualified, governmental plan it is best that the Board formally adopt the factors to be used to develop option factors and other actuarial equivalence calculations. Mr. Curran stated that within the listed assumptions was a recommended change to the interest assumption used in calculating option reduction factors. He stated that the proposed option reduction factors to be effective retroactive to July 1, 2015 were based on the valuation interest rate of 7%. Mr. Curran explained that since option factors were unisex, meaning the same factors applied for male and female members, the assumed percentage of the population who choose options was listed under the "% Male" column.