

**Registrars of Voters Employees' Retirement System
Minutes of the Special Meeting of the Board of Trustees
July 18 - 19, 2012**

Day 1

Day 1 of the Special 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 on July 18, 2012.

Call to Order

The Chairman of the Board, Robert Poche, called the meeting to order at 1:43 p.m.

Invocation and Pledge of Allegiance

Linda Rodrigue offered an invocation and Dwayne Wall led the Pledge of Allegiance.

Roll Call

Greg Curran 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. A quorum was present.

Others present included Greg Curran (representing Actuary and Administrators, G. S. Curran & Company, Ltd.) and Lorraine Dees (System Director). Arriving during the meeting for presentations were Jonathan Breth, Mike Welker, and Ron Partain (representing The Bogdahn Group), and Brett Hazen and John Dickson (representing Segal Rogerscasey). Also arriving near the end of the meeting was System attorney, Rebecca Wisbar.

Public Comments

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

Discussion Related to the Evaluation Process for Investment Consultants' Proposals

Ms. Dees suggested that the Board ask the potential investment consultants open-ended questions, including how they felt about ROVERS' current investment policy, and if they had any suggestions for improvements to the policy or the investment portfolio. She explained that if the Board did not feel comfortable choosing an investment consultant from the current pool of candidates, they could issue another RFP and interview additional consultants. Mr. Curran and Mr. Moreau updated the Board on the Legislative Audit Council meeting, which they had attended as ROVERS representatives. Mr. Curran explained that the main purpose of the meeting had been the presentation of the final report of the Legislative Auditor's office. Mr. Moreau added that Mr. Joe Meals was also present and had responded to questions from the council. Mr. Curran told the Board that most of the council's questions and suggestions for ROVERS also applied to the other three audited systems, and that representatives from those systems had addressed the majority of the issues.

Presentation by The Bogdahn Group

Mr. Mike Welker introduced himself and Mr. Jonathan Breth and told the Board that Mr. Ron Partain would join them shortly. He indicated that his presentation would include three parts: an

custodial investments, and Mr. Welker replied that the services covered in Bogdahn's fee included helping their clients obtain this information.

In response to a question from the Board, Mr. Partain stated that he had worked at CSG for 17 years, and Mr. Breth responded that he had spent 11 years with CSG.

Ms. Dees asked if they had any comments on the ROVERS investment policy. Mr. Breth explained that they would send individual addendums to each manager that spelled out performance and portfolio guidelines individually. He added that he would also suggest that the Board make their manager performance evaluation criteria more qualitative.

In response to a question from Mr. Poche about fees, Mr. Welker stated that the fee would be fixed for three years, and that, on average, their clients' fees remained the same for four to five years, and then rose in small increments. He added that The Bogdahn Group billed quarterly in arrears. Mr. DiMarco asked about the transition costs associated with hiring a new consultant, and Mr. Welker replied that they would recommend a transition manager, and Bogdahn would work to keep the transition costs low. Mr. DiMarco then asked if they had any suggestions for changes to the hedge fund portfolio. Mr. Breth responded that there did not seem to be any indication that Equitas had done anything wrong, but that there were other managers who offered lower fees and comparable returns.

Mr. Welker, Mr. Breth and Mr. Partain thanked the Board for their time and left the meeting at approximately 3:30 p.m.

Presentation by Segal Rogerscasey

Brett Hazen and John Dickson entered the meeting at approximately 3:30 p.m. Mr. Dickson introduced Mr. Hazen and himself, and explained that his presentation would include an overview of Segal Rogerscasey, descriptions of their experience with public funds and their approach to investment consulting, an evaluation of ROVERS' current portfolio, and a summary of their transition plan. He told the Board that Mr. Hazen, who had twenty years of investment consulting experience and was based in Houston, would be the lead consultant and day-to-day contact for the account. Mr. Dickson stated that he had approximately 30 years of experience and would be part of the support team, which was based in Atlanta and also included a research team of four people. He added that Segal Rogerscasey's research team made up 25% of the company, which demonstrated the value they placed on research.

Mr. Dickson reviewed Segal Rogerscasey's value proposition for ROVERS. He explained that they had a highly collaborative approach to consulting, were very proactive, and provided their clients with their firm-wide views. He reiterated that they had a large research group with many tools and that they were committed to providing high quality client service. Mr. Dickson explained that while quarterly meetings were important, their relationship with ROVERS would be defined by what happened between meetings. He told the Board that his company did not try to dodge their fiduciary role; they were a partner and trusted advisor whose role would be to help ROVERS make sound investment decisions.

Mr. Dickson explained that Segal Advisors had acquired Rogerscasey in February, 2012, and that both of their predecessor firms had been in existence for over forty years. In response to a question from Ms. Dees, Mr. Hazen explained that Rogerscasey was primarily an investment consulting firm, and that Segal's parent company included both an investment consulting group

and an actuarial services group. Mr. Dickson stated that they had lost no clients due to the merger. He continued with his description of the firm and the characteristics that set them apart. He stated that they had ten offices and approximately 350 clients with \$400 billion in assets, which made them large enough to provide resources to their clients, but small enough to provide the level of service their clients deserved. He added that, since 2008, they had published their views on how their clients should invest each year.

Mr. Hazen addressed the firm's experience with public funds. He explained that they worked with a variety of types and sizes of public funds across the country, which allowed them to see developing trends. He stated that public funds were the fastest growing segment of their business, and that they had 55 public clients with \$34 billion in assets under advisement. He then highlighted the public funds in Louisiana with whom they worked: Municipal Police (1 year), Parochial (12 years), and School Employees (17 years). He explained that one of their clients, Transit Management of Southeast Louisiana / New Orleans RTA, had been situated similarly to ROVERS five years ago, but since Rogerscasey had become their consultant in 2007, they had outperformed their benchmark by 3%. Mr. Hazen offered to provide ROVERS with contact information for any of Segal Rogerscasey's clients for reference purposes.

Next, Mr. Hazen reviewed the current ROVERS portfolio. He stated that, according to Segal Rogerscasey's capital market assumptions, ROVERS would need to outperform the market by 1% in order to achieve their target return of 8%. He explained that research was the key to delivering the 100 extra basis points they needed to meet their target. Mr. Hazen then compared ROVERS' asset allocation to the allocations of other public plans across the country. He stated that the ROVERS portfolio was well diversified, but had a very high number of managers for a plan of its size. He suggested that the Board could reduce costs without sacrificing returns by reducing the number of managers. He stated that they currently had a high exposure to small caps, which had the potential to offer high returns, but also added risk and volatility. He added that Segal Rogerscasey had put Tradewinds on hold, and Ms. Dees informed him that ROVERS had recently liquidated their Tradewinds investment and had not yet decided how to reinvest the proceeds.

Mr. Hazen then addressed the ROVERS investment policy statement and noted that it contained no target asset allocation and had only very broad ranges for asset classes. He stated that his firm believed in carefully setting minimum and maximum targets and using rebalancing as an effective tool for managing risk and return. He added that clients who had followed their rebalancing advice in 2002 and 2008 had performed very well.

Next, Mr. Hazen reviewed Segal Rogerscasey's investment approach. He stated that education was a hallmark of their consulting approach, and it included conferences, webinars, research notes and publications, and customized educational presentations. He discussed the interest rate risk associated with bonds and alternatives to bonds in a low return environment. Mr. Dickson added that risk analysis and avoiding headline risk was extremely important.

Ms. Dees asked how ROVERS' performance compared to the performance of Segal Rogerscasey's clients. Mr. Dickson replied that they published an annual performance comparison of public funds, but that it was not included in the presentation packet. Mr. Hazen replied that School Employees' had outperformed The Teachers' Retirement System by 2% and then discussed returns of some of their other clients. He added that they would compare ROVERS to other plans of its size, and then discussed different investment vehicles available to different size plans.

In response to a question from Mr. DiMarco regarding fees, Mr. Hazen explained that the proposed fee of \$95,000 annually could be paid monthly in arrears or quarterly up front. He explained that Segal Rogerscasey usually guaranteed the fee for three years, and Mr. Dickson added that the contract would include an escalation scale if a term of longer than three years was agreed upon. He stated that the contract would include a 60 day cancellation clause which would allow either party to cancel the contract for any reason. Mr. Moreau asked if Rogerscasey or Segal had been involved in any litigation. Mr. Hazen answered that no litigation had been brought against Rogerscasey, and that Segal had been involved in a frivolous lawsuit which had been dismissed approximately five years ago. In response to another question from Mr. Moreau, Mr. Dickson explained that neither Segal nor Rogerscasey had been investigated by the SEC, but had only responded to a request for information several years ago.

Mr. Dickson continued with his explanation of the firm's investment approach and stated that they were knowledgeable about risk and understood how liabilities impacted the plan. He explained that there was an overabundance of information in today's investment world, but this information was only valuable if you knew how to use it. Next, Mr. Dickson explained their manager ranking process and told the Board that each manager was assigned a ranking of Buy, Qualified, Not Recommended, or Sell. He explained that they had tracked their traditional managers' performance for 12 years, and that 18 out of 19 managers had outperformed their benchmarks by an average of 149 basis points. Mr. Dickson added that they had tracked non-traditional managers for 5 years, and that all four categories had outperformed their benchmarks by an average of 248 basis points. In response to a question from Mr. DiMarco, Mr. Hazen replied that he currently worked with 18 clients, but that number would be reduced in the near future.

Mr. Dickson summarized the reasons that Segal Rogerscasey would be a good choice for ROVERS: they were an experienced and client-driven organization who would serve as a fiduciary and provide exceptional research, independent insights, and proven results. He explained that the Board's goal was to determine if all of their potential investment consultants were equally qualified, and then to choose the consultant who could offer a unique approach. Mr. Dickson and Mr. Hazen thanked the Board for their time and left the meeting at approximately 4:50 p.m.

Executive Session

System Attorney, Rebecca Wisbar, arrived prior to the executive session. Mr. Curran explained that next item on the agenda was discussion and action related to investment litigation and regulatory review. Upon motion by Mr. Moreau and second by Mr. Wall, the Board voted unanimously to go into executive session to discuss possible litigation. Upon motion by Ms. Rodrigue and second by Ms. Menard, the Board voted unanimously to exit executive session.

Adjourn

Upon motion by Mr. DiMarco and second by Mr. Moreau, the Board voted unanimously to adjourn until the following morning.

Day 2

Day 2 of the Special 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 on July 19, 2012.

Call to Order

The Chairman of the Board, Robert Poche, called the meeting to order at 9:05 a.m.

Invocation and Pledge of Allegiance

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

Roll Call

Greg Curran 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. A quorum was present.

Others present included Greg Curran (representing Actuary and Administrators, G. S. Curran & Company, Ltd.) and Lorraine Dees (System Director). Arriving during the meeting for presentations were Joe Meals (representing Consulting Services Group, LLC), and Norman Nabhan and Elena Irimia (representing Graystone Consulting / Morgan Stanley Smith Barney).

Presentation by Consulting Services Group

Mr. Meals reminded the Board that he had been ROVERS' investment consultant for over five years. He stated that the past five years had been the toughest investment environment that he had experienced during his thirty years in the consulting business. Mr. Meals told the Board that CSG, with \$20 billion in assets under advisement, was large enough to do their due diligence on managers, but that no company could guarantee that mistakes would not be made or that a manager would not commit fraud. Mr. Meals explained that three other public retirement systems in Louisiana with whom he worked had hired a manager who was being investigated by the SEC for fraud. He explained that none of ROVERS' managers had been suspected of fraud, but that ROVERS had been included with the other systems in the legislative audit partly due to their affiliation with CSG. Mr. Meals stated that CSG had also been examined by the SEC in connection with a pay to play situation in New York, but that, while nineteen other firms had pled guilty or were found guilty, CSG had never been charged with any wrongdoing. He stated that CSG's integrity had been subjected to intense scrutiny and had passed the test.

Mr. Meals told the Board that he was not proud of CSG's performance, but that the managers he had recommended had been good choices given the facts that were available at the time they were hired. He explained that some of ROVERS' managers had made mistakes, but he encouraged the Board to give them time to recover since they had proven themselves historically. He added that Horizon, Aletheia, and Snow were running out of time to prove themselves. Mr. Meals explained that he felt that he and the Board had made the right decision when they reduced equity exposure and increased diversification, but that he and many other investment professionals had not realized the extent to which the economy had been propped up by excessive debt and leverage. He used the Land Baron investment as an example, explaining that Land Baron had a very successful track record and good credentials, but when the economy had gone into recession, the demand for

undeveloped land had gone away. Mr. Meals stated that the investments were made using sound reasoning, but outside factors had intervened.

Mr. Meals discussed the effects of uncertainty in the U.S. markets and the economic situation in Europe. He acknowledged that he had possibly made a mistake when he had lowered ROVERS' fixed income allocation. He explained that yields had been lower than at any other time during the past twenty-five years, and that the government had unexpectedly intervened to control long term interest rates. He added that long term treasury rates were not being established by market fundamentals, and that fear and emotion were driving the market in the short term. Mr. Moreau suggested that it was important to rebalance the portfolio to address the current economic uncertainty. Mr. Meals stated that the best thing the Board could do to manage risk was to stay diversified and give some of their investments time to be fully realized. He explained that Americus, for example, was lagging behind due to the real estate market, but that it was showing signs of recovery.

Mr. Poche asked how they should position their assets to take advantage of the upcoming presidential election, and Mr. Meals replied that he did not think that the election results would matter much to the markets in the long run, but that they would rebound more quickly in the short term if a Republican were elected. Mr. Meals gave the Board suggestions for the portfolio, explaining that they needed to find a way to increase fixed income yields, that they should consider replacing Ashmore with another emerging markets manager, and that they should reduce their exposure to international investments. Mr. Meals stated that Tradewinds had not been a good investment choice, not due to any decision that CSG or the Board had made, but due to the fact that the Tradewinds portfolio manager had left the company.

Mr. Poche stated that he felt that Mr. Meals had advised the Board to stick with poorly performing managers for too long. Mr. Meals acknowledged that they probably had stayed with some managers longer than they should have, but that it was difficult to judge whether the managers were just slow to recover or if they were not positioned to improve. Mr. Meals asked the Board to be patient with him and with his strategy for another year.

In response to a question from Mr. DiMarco, Mr. Meals explained that CSG had sixty-four clients in total, and that he was the lead consultant on five accounts in Louisiana and Texas, and co-advisor on one account in Georgia. He stated that CSG has been under siege, but that they had never compromised their integrity. Mr. Meals explained that CSG had several businesses other than institutional consulting, but that he had always based his recommendations only on what he thought was best for the System, and never on what he could get out of the deal. He informed the Board that CSG planned to sell all of its businesses except the institutional consulting practice in the very near future, and that this separation would improve the consulting business by removing the appearance of potential conflicts of interest.

In response to a question from Mr. Poche, Mr. Meals explained that some employees who worked strictly with other parts of the business would leave CSG after the sale, and that some of the owners would take on a passive role. He went on to clarify that the institutional consulting practice would remain unchanged, there would be no impact on ROVERS, and that the fee structure would remain the same. Mr. Meals then stated that, if ROVERS chose to continue to work with CSG, he was willing to discuss a reduction in his fee from approximately \$70,000 to \$50,000 for a period of one year.

The Board had no additional questions for Mr. Meals. He thanked them for the opportunity to work with ROVERS and stated that he wished to continue to do so. Mr. Meals left the meeting at approximately 9:55 a.m.

Without objection, the Board took a ten minute break.

Presentation by Graystone Consulting / Morgan Stanley Smith Barney

Ms. Elena Irimia and Mr. Norman Nabhan introduced themselves and Ms. Irimia explained that the presentation would begin with an introduction to Graystone Consulting, followed by a review of ROVERS' asset allocation, manager selection, and fees. She reviewed Mr. Nabhan's qualifications and indicated to the Board that he would be ROVERS' lead consultant if they chose to hire Graystone. She stated that Mr. Nabhan had thirty-eight years of experience as an investment consultant, with thirty-five years at Graystone and its predecessor companies, and that she had twenty-six years of experience in the industry, with sixteen years at Graystone. Ms. Irimia added that she and Mr. Nabhan were both active in LATEC, and that she had originally worked exclusively with pension funds and then branched out to work in corporate management.

Mr. Nabhan explained that he had begun his career on the client side of the business and that he had maintained relationships with many of his clients throughout the years. He stated that he and Ms. Irimia were responsible for training consultants at Graystone as well as training pension fund trustees on their fiduciary responsibilities. Mr. Nabhan explained to the Board that Graystone's large support infrastructure differentiated them from other firms and allowed them to spend time taking care of their clients' needs. He indicated that he had four people on his team in Houston, Ms. Irimia had two people on her team in New Orleans, and that there were large teams in New York and Delaware who researched alternative and traditional investments. He informed the Board that Graystone maintained an independent database on asset management firms, and that they ranked and did write-ups on 1,100 firms each year. He added that they met regularly not only with their clients' managers, but also with other managers who worked in areas of interest about which they wanted to learn more.

Mr. Nabhan explained that Graystone had been built by Citi, and when Citi sold a majority of Smith Barney to Morgan Stanley, Morgan Stanley had become Graystone's parent company. He told the Board that the firm wanted to build an institutional consulting business separate from the brokerage business, and had therefore created firewalls in an attempt to eliminate conflicts of interest. Mr. Nabhan explained that he could not be paid commissions or accept soft dollars, and that trades were done with no commissions, which resulted in an average savings for their clients of thirteen to nineteen basis points. He added that Morgan Stanley had a strong presence in Louisiana, and that Graystone had access to Morgan Stanley's industry leaders and research team. Ms. Dees asked for clarification on trading costs, and Mr. Nabhan explained that if their asset managers traded through Morgan Stanley, there were no trading costs. He indicated to the Board that Graystone used only third party managers and that they did not use any Morgan Stanley products in order to avoid conflicts of interest and represent their clients in an objective manner. Next, Mr. Nabhan told the Board that the team who would be assigned to work with ROVERS consulted on \$5 billion in assets and had clients with a wide range of asset values and a median size of approximately \$50 million. Mr. Poche asked if Graystone's clients included any Louisiana pension funds, and Mr. Nabhan indicated that one of his colleagues consulted for the City of New Orleans.

Mr. Nabhan explained that Graystone was structured to ensure that they did everything they could to help the trustees fulfill their fiduciary responsibility, and that they would review ROVERS' investment policy statement annually to be certain that it reflected both state laws and the Board's views on the portfolio. Ms. Irimia distributed copies of Graystone's research pieces on Horizon and Aletheia and explained that they gave an in-depth analysis of the managers that presented not only facts, but also opinions and interpretations. She stated that Graystone's manager research could help trustees document the manager review process and make decisions. Mr. Nabhan added that neither Horizon nor Aletheia were recommended managers.

Mr. Nabhan reviewed Graystone's manager selection process, explaining that they narrowed potential managers down to a few in each asset class, provided the Board with supporting research, and arranged for the Board to interview candidates if they wished to do so. He explained that all managers were categorized as "approved", "on watch", or "not recommended". In response to a question from Mr. Poche, Mr. Nabhan explained that managers were kept "on watch" for an average of two to three weeks before they were upgraded or downgraded. He added that Graystone did a quarterly manager attribution where they looked at the factors that had helped or hurt each manager, and that they also performed a qualitative review, where they examined whether people and processes had remained in place or been changed. He stated that he believed that quick replacement of managers such as Tradewinds, who had recently lost their portfolio manager, was the best course of action.

Next, Mr. Nabhan addressed ROVERS' asset allocation. He noted their current investment policy targeted an 8% rate of return with 75% of the risk of the S&P. He stated that many public funds had not met their actuarial targets over the past decade, but that he thought that Graystone could meet ROVERS' target going forward. Mr. Nabhan explained that he expected the economy to muddle through for the next few years because, while many of best-run businesses in the country had more cash and profits than ever before, they would not add employees until they felt confident about tax laws and the state of their businesses. Mr. Poche asked Mr. Nabhan what effect he thought the upcoming presidential election would have on the markets. Mr. Nabhan explained that the markets did not like uncertainty, and he thought that the situation would improve regardless of who won the election because there would be a clear set of rules in place. He stated that Graystone believed in investing in high quality companies with good balance sheets in both the U.S. and emerging markets. Mr. Nabhan recommended being overweight in emerging markets due to their higher growth rate, and indicated that he was also interested in companies that made products used by emerging markets.

Mr. Nabhan reviewed the asset allocation which Graystone recommended for ROVERS. He explained that they had used models based on a global investment committee's forward-looking assessment of each asset class to analyze hypothetical returns at different S&P volatility levels. Mr. Nabhan stated that they would use the firm's models in conjunction with Board's opinions to decide on an asset allocation for ROVERS. He then discussed tactical investments, using high yield bonds and an investment in a master limited partnership in midstream pipelines as examples.

Mr. Nabhan reviewed a hypothetical portfolio for ROVERS. He compared the returns of ROVERS' current portfolio with those of the hypothetical portfolio, and indicated that the hypothetical portfolio had 74%-76% of the S&P's volatility and could be expected to outperform the current portfolio. Mr. Nabhan summarized the steps that Graystone would take if ROVERS chose to hire them: first, they would review the investment policy, then they would re-run the asset allocation based on the Board's input on the investment policy, and finally they would do a

thorough evaluation of all managers to determine which should be kept and which should be cut or replaced. Ms. Irimia added that they would have to take into account the liquidity of the current investments when determining which changes to make. In response to a question from Mr. Moreau, Ms. Irimia explained that the proposed portfolio was only an example, and that it was not their final recommendation. Mr. Nabhan reviewed a sample of Graystone's performance reports. He explained that they could provide a monthly flash report and a more in-depth quarterly report, or tailor the reports to the Board's requests. He then distributed samples of white papers they had created for trustee education.

Next, Mr. Nabhan addressed the proposed all-inclusive, asset-based fee structure: 0.19% on the first \$50 million, plus 0.12% on the next \$50 million, plus .09% on everything over \$100 million. He stated that Morgan Stanley could act as custodian at no extra charge, which could save the System three to six basis points. He explained that Graystone's fee would cover all trades made through traditional managers, but not hedge fund or index fund trades. He added that, because of the size of their firm, they could often negotiate lower fees with managers, and he compared the fees that ROVERS paid their current managers to the fees that Graystone would pay the same managers. Ms. Irimia indicated that ROVERS could save over \$75,000 just by retaining the same managers and using Graystone as their consultant. She explained that they did not receive a finder's fee or placement fee from any of the managers from whom they received discounted rates.

Mr. Moreau asked if ROVERS could choose to continue to use their current custodian of assets, Capital One. Mr. Nabhan indicated to the Board that some of the managers' fees that he had presented would be higher if Morgan Stanley did not act as custodian, but that they could do their job as consultants regardless of who acted as custodian. Ms. Dees explained that ROVERS currently experienced a delay in receiving custodial reports for certain investments and asked how long Morgan Stanley would take to distribute reports. Mr. Nabhan explained that when they acted as custodian, it took approximately fifteen days to generate reports for traditional investments, and forty-five to sixty days to generate reports for alternative investments.

Mr. Moreau asked Mr. Nabhan to elaborate on the master limited partnership he had mentioned earlier as a tactical investment option. He explained that ROVERS had a bad experience with a limited partnership in the past and that they were hesitant to invest in one again. Mr. Nabhan clarified that the master limited partnership he had suggested traded daily on the exchange and was not illiquid like the partnership to which Mr. Moreau referred. Ms. Irimia told the Board that it was especially important to have a depth of resources and experienced personnel to investigate alternative investments.

Ms. Dees asked for clarification regarding their choices for custodial banks. Mr. Nabhan told the Board that using Morgan Stanley as the custodian would be free and that it would be the simplest option, but that there were approximately six other custodial banks in the country who had an electronic link to Morgan Stanley. Ms. Dees explained that she issued benefit checks to retirees, and their custodial bank was used mainly for inflow and outflow of investment cash. She then asked how ROVERS' relationship with Graystone would be affected if they chose to dissolve their connection with the custodial bank and vice versa. Mr. Nabhan indicated that ROVERS could continue their custodial relationship with Morgan Stanley if they ended their contract with Graystone, and that if they were unhappy with Morgan Stanley as custodian, Graystone would help them search for a new one. Mr. Curran asked Mr. Nabhan to elaborate on the reasons that it was worthwhile for Graystone to offer free custodial services. Mr. Nabhan explained that they had simply never charged custodial fees and that the service had always been included in the

consulting fee. He explained that other banks charged custodial fees because they were not receiving consultant or management fees, and that Graystone could negotiate lower fees with managers because their system made the trading process easier for them.

Mr. Poche asked if Graystone planned to pursue any other Louisiana clients and if they were up to date on the state's retirement policies and laws. Mr. Nabhan replied that they had recently completed one RFP and had three more in process. Ms. Irimia explained that they were cognizant of the issues that ROVERS and other public pension plans faced, including the public's perception of costs, the findings from the legislative auditor's review regarding documentation and trustee education, funding status, actuarially required rate of return, change of plan design, and many other factors. She told the Board that both she and Mr. Nabhan would attend ROVERS meetings and be available to them, and that ROVERS would also have support at the team level, the Graystone level, and the Morgan Stanley Smith Barney level. In response to a question from Mr. Moreau, Mr. Nabhan indicated that his team worked on twenty-eight accounts.

The Board had no additional questions. Ms. Irimia and Mr. Nabhan thanked the Board for their time and left the meeting at approximately 11:35 a.m.

Discussion and Action Related to Selection of Investment Consultant

Mr. Curran reminded the Board that they had the option to take action on the selection of an investment consultant, but they were not required to do so. He suggested that the Board narrow the field down to two consultants and then check their references, so that their choice would not be based solely on the presentations. He added that it was important to document the details of their decision making process. The Board then discussed the types of questions they planned to ask when they checked references.

The Board discussed some of the factors that could affect their decision. Mr. Moreau suggested that they take into account the size of the consulting companies and the length of time they had been in business. He pointed out that Graystone and Segal Rogerscasey were large and had a great deal of resources available to them, while Bogdahn was younger and hungrier, and that both small and large firms had their advantages and disadvantages. Mr. Curran added that the Board should consider whether they were comfortable with a consultant who fell under the umbrella of a brokerage firm, and, if they were, what steps the firm had taken to act independently of the brokerage. He also asked them to think about how well each company might work with the Board when they had a difference of opinion. Mr. Poche pointed out that ROVERS was a fairly small system, and that while they would be an average size client for some of the consultants, they would be one of Segal Rogerscasey's smaller clients. He asked the Board if they thought that ROVERS' size would cause them to receive less attention than larger funds. Mr. Moreau added that the Board might want to take into account the ability of certain consultants to successfully service and maintain their relationships with huge systems.

The Board then discussed ways to gather additional information about each firm under consideration. Mr. Curran told the Board that they could ask each firm for contact information for a client they had recently lost, and that they could speak to the system directors and board members from the Parochial and Municipal Police Retirement Systems to find out what their experience with Segal Rogerscasey had been. He added that the Board should investigate all of the potential consultants to find out how they made their money and to evaluate their independence. Mr. Poche stated that he was impressed with Bogdahn's independence. The Board

discussed the importance of keeping the custodian of assets separate from the consulting firm, as it was a system of checks and balances.

Mr. Poche pointed out that the merger between Segal and Rogerscasey had taken place very recently, and that their lack of a proven track record could present a problem. Mr. Curran added that he felt that both firms were strong before the merger, but there could be tension between the two factions as they learned to work together. Mr. Curran pointed out that Bogdahn might also go through growing pains since they had recently hired several new employees, and that the Board would be working with two former CSG employees if they chose Bogdahn as their new consultant.

Ms. Dees asked the Board if they felt that the four consultants who had given presentations provided an adequate pool of choices. Mr. Curran explained that ROVERS had a limited advertising budget and was a small retirement system, so the RFP responses they had received were somewhat limited, and they had not received responses from the country's largest consulting firms. The Board decided to consider the four consulting firms' presentations and narrow them down to two at the July 24, 2012 meeting.

Adjourn

Upon motion by Ms. Menard and second by Mr. Wall, the meeting was adjourned at 12:13 p.m.

Lorraine Dees
Director

Robert Poche