

Registrars of Voters Employees' Retirement System
Revised Minutes of the Meeting of the Board of Trustees
January 27, 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 9:35 a.m.

II. Invocation and Pledge of Allegiance

Ms. Sandra Sims offered an invocation and Mr. Dwayne Wall led the Pledge of Allegiance.

III. Roll Call

Ms. Lorraine Dees called the roll. Board members present were: Ms. Sandra Sims, Mr. Dwayne Wall, Ms. Charlene Menard, Ms. Billie Meyer, Ms. Deborah Waskom, and Mr. Dennis DiMarco. Representative J. Kevin Pearson and Senator Elbert Guillory were absent. A quorum was present.

Others present included Ms. Denise Akers (Legal Counsel), Ms. Lorraine Dees (System Director), Ms. Terry Meagher (representing the Custodian of Assets, Capital One Bank), Mr. Jon Breth (representing Investment Consultant, The Bogdahn Group), Mr. Greg Curran and Mr. Brian Shoup (representing Actuary and Administrator, G. S. Curran & Company, Ltd.), Ms. Shelley Bouvier (Assistant to Mr. DiMarco), Mr. Jeff Miller (American Realty Advisors), Mr. Clyde Robinson and Mr. Lawrence Braithwaite (ASB Real Estate Investments).

IV. Public Comments

No public comments.

V. New Business

The Board held elections of officers for 2015. Mr. Wall motioned to nominate Mr. Dennis DiMarco for Chairman of the Board. With no further nominations, upon motion by Ms. Sims and second by Ms. Meyer, the Board approved the nomination of Mr. DiMarco for Chairman. With no other nominations, Mr. DiMarco accepted the position.

Ms. Sims motioned to nominate Ms. Charlene Menard for Vice-Chair of the Board. Upon motion by Ms. Sims and second by Ms. Meyer the Board approved the nomination of Ms. Menard for Vice-Chair. With no other nominations, Ms. Menard accepted the position.

Ms. Meyer and Mr. Wall motioned to close nominations and the Board voted unanimously to approve the election results and close nominations.

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

VI. Review and Approval of Minutes

Upon motion by Ms. Meyer and second by Ms. Menard, the Board voted unanimously to approve the minutes from the January 14, 2015 meeting.

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

VII. Presentation by Capital One

Ms. Meagher reminded the Board of an open invitation to setup online access to Capital One investments to view the monthly reports. Ms. Meagher directed the Board's attention to the Custodian Report. She briefly reviewed the invested assets as of December 31, 2014. She reviewed page 1 of the report, summarizing the ROVERS assets which totaled \$77,598,026 at year end. Page 3 of the report showed the changes in balance over the quarter with notes regarding movements of cash during the period. Page 4 of the report showed a history of asset changes over the past 4 fiscal years with a loss of \$405,054 over the last 6 months. Page 5 of the report showed the investment fees paid totaling \$148,884 over the last 2 Quarters. On page 6 of the report she reviewed recent purchases and sales of funds.

In Ms. Wyre's absence, Ms. Meagher directed the Board's attention to the Member Supplemental Savings Fund (MSSF) Performance Report. Ms. Meagher stated they are working on a new report format. She directed the board to Tab B of the report outlining the Portfolio Summary with assets totaling \$1,267,973 as of December 31, 2014. Page 3 of the report showed quarterly performance of 1.87% and one year of 3.68%. She stated that the benchmarks have been adjusted for the new asset allocation policy.

Ms. Waskom asked why the fund is holding 7.22% of total assets in cash. Ms. Meagher said the fund doesn't normally hold that much cash and it was just a timing issue of trades and should be invested in the near future.

Upon motion by Mr. Wall and second by Ms. Meyer, the Board voted unanimously to approve the Custodian Report and Member Supplemental Savings Report as presented by Ms. Meagher.

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

VI. Presentation by the Investment Consultant, The Bogdahn Group

Mr. Breth began by reminding the board that two Core Real Estate Funds had been invited to interview with the Board for a targeted \$4,000,000 investment to be funded out of the PIMCO Diversified Income Fund and the Templeton Global Bond Fund. The funds interviewed were open-ended funds with liquidity to make regular withdrawals.

Mr. Wall asked Mr. Breth about liquidity from the two funds. Mr. Breth said they could not guarantee liquidity on a quarterly basis, but may have to wait 3-6 months if the Board wanted to make a withdrawal.

Mr. DiMarco asked if there was still room for growth in the real estate sector. Mr. Breth said that the outlook for Fixed Income is muted and so he believes ROVERS needs an alternative to Fixed Income to target income yields of 5% and appreciation of 3% annually.

Ms. Waskom stated that ROVERS lost \$3,000,000 in the real estate sector recently and is hesitant to make another investment in that sector. Mr. Breth said that the Core Real Estate Funds today are much safer than the Opportunistic Real Estate investments ROVERS made in the past.

Mr. Breth introduced Mr. Jeff Miller with American Realty Advisors. Mr. Miller thanked the Board for this opportunity and directed their attention to the presentation material. Page 1 stated their mission statement to provide superior returns, capital preservation, and growth. Page 2 highlighted that the firm has \$6.5 billion in assets under management (AUM) and the American Core Realty Fund has over \$2 billion in assets. Mr. Miller stated on page 3 that the firm is very serious about compliance and risk management. On page 4 he said they are focused on Institutional Quality Real Estate, seeking high-quality properties in the best locations. He then stated they are careful using leverage as leverage is a risk factor. Page 5 focused on income producing properties in growing metro submarkets that are innovation hubs. Mr. Miller pointed out on page 6 the market areas invested by the fund. Page 9 highlighted the focus on pure core assets of: Office Properties, Industrial Properties, Multi-Family Properties, and Retail Properties that define the NCREIF Fund Index, which is a collection of 33 open-end commingled funds pursuing a core investment strategy.

Ms. Waskom asked about the American Core Realty Fund history. Mr. Miller stated their Core Fund is 11 years old.

A snapshot of the fund on page 12 listed 77 properties, 92% leased by 824 tenants. The fund has 303 investors and a debt to asset ratio of 20.3% and Mr. Miller said that ratio has never been over 22% in the 11 year history.

Mr. Breth asked about the time frame for spending the undrawn commitments of \$65.6 Million. Mr. Miller said anywhere from 3-6 months.

Mr. Miller then stated that American Realty Advisors has never been sued by an investor.

Ms. Waskom stated she would like more information about the NCREIF Index which is the benchmark for Private Core Real Estate. Mr. Breth said the NCREIF Index has a wide spectrum of Core Funds in the collection.

Mr. Miller directed the Board to page 14 which shows their portfolio holdings versus the target ranges for the property type mix and geographic mix.

Mr. DiMarco was concerned about people moving out of multi-family housing and buying homes. Mr. Miller said that is a big question that their firm follows closely and they are seeing the renting population hold steady in the markets they are invested in multi-family housing.

Ms. Sims asked how American Core Realty is able to keep their debt level so low. Mr. Miller said they won't buy a property until they have the investors in place to fund. He said they have done joint-venture property purchases with other Core Real Estate Funds, but not many.

Mr. Miller directed the Board to page 20 which showed their performance history and distribution yield which has averaged 6.2% since inception.

Ms. Sims asked about the process to hire property managers and keep those fees low. Mr. Miller said they are constantly bidding out property management.

Ms. Lorraine Dees asked what the fund fees would be for ROVERS. Mr. Miller said that on page 19 was their fee structure which is 1.10%.

Mr. Miller finished by saying the easy money in Real Estate is behind us and that Core Real Estate is a challenging market in which American Core Realty would excel. The Board thanked Mr. Miller for his time.

Mr. Breth introduced the next firm, Mr. Clyde Robinson and Mr. Lawrence Braithwaite from ASB Real Estate Investments. Mr. Robinson thanked the Board for the opportunity to present. He started out by stating ASB is committed to three things: performance, product, and people. On page 2 ASB has been in the top quartile NCREIF returns for the three, five, seven, and ten year periods with a proven strategy, conservative assumptions, and they have never had a default.

Mr. DiMarco asked if an investor has ever filed suit against ASB. Mr. Robinson said never in the 30 years of the fund's existence.

Mr. Robinson directed the Board to page 4 which showed a snap shot of ASB which has 211 properties totaling \$5.4 Billion in AUM amongst 299 institutional investors. The firm has a small Value Added Fund, but the majority of assets are in the Allegiance Real Estate Fund. He introduced Mr. Braithwaite to continue presenting.

Mr. Braithwaite directed the Board to page 7 and 8 which shows ASB has outperformed the index by 2.86% annualized in up years and by 2.52% in down years, demonstrating outperformance in both down and up markets compared to the benchmark. He stated on page 11 they maintain very low leverage at 19.4% with a target of 11-14% leverage, and an occupancy rate of 89%.

Mr. DiMarco asked if Residential meant Multi-Family Property. Mr. Braithwaite replied that is correct.

Ms. Waskom asked what type of retail properties they own. Mr. Braithwaite said they target high street urban retail at ground zero of the best metro markets. He said they have seen rent growths of 20% recently in those areas. Mr. Robinson said they are not investing in grocery centered retail like Whole Foods. They focus on high street – mass transit centered retail. They also like high-tech office space where they see future growth and high rents.

Mr. Braithwaite directed the Board to page 13 which showed their investment strategy. He said they are not buying the big shiny building, but rather identifying long-term tenant demand.

Mr. DiMarco asked how much of their debt/leverage was fixed rate. Mr. Braithwaite said about 75% was fixed debt and the other 25% variable.

Mr. Breth asked about unfunded commitments and the wait for a ROVERS investment. Mr. Braithwaite said it is a challenge to find the next property worth investing in and that the norm is a 3 to 4 quarter wait.

Mr. DiMarco asked about the investment fees for ROVERS. Mr. Robinson said the fee would be 1.25% for ROVERS.

Ms. Stephanie Little asked if there were other fees outside of the 1.25% management fee. Mr. Braithwaite directed the Board to page 48 which outlined their fee structure and said there are no other fees beside the asset management fee.

The Board thanked Mr. Robinson and Mr. Braithwaite for their time.

Mr. Breth stated that ASB has a higher fee of 1.25% with a 12 month wait to invest, while American Realty has a 1.10% fee with a 3 month wait.

Mr. DiMarco asked how many of The Bogdahn Group's clients are invested in Core Real Estate. Mr. Breth said a lot of their Florida based clients got into real estate back in 2009 and 2010 and that American Realty is the highest used manager for Bogdahn Group in this sector.

Mr. Breth recommended making a \$4 Million investment in American Core Realty Fund. Ms. Sims asked about the logistics of making the investment and Mr. Breth explained.

Upon motion by Ms. Waskom and second by Ms. Sims, the Board voted unanimously to invest \$4 Million in the American Core Realty Fund.

Mr. Breth directed the Board's attention to page 2 of the Monthly Flash Report as of December 31, 2014. He started off by reflecting on the drop in oil prices since June of 2014 and the effect on the markets. He directed the Board to page 6 saying that equities oversees continue to underperform in light of a strong U.S. Dollar. He added that high yield is not performing like Core Fixed Income. On page 10 he noted that fund performance for the QTD was up 0.60%, but that the 5 year performance of 6.91% was just under the target rate of 7.00%. He said we have reduced our Orleans Energy exposure from 5% to 2.6% of total assets. Mr. Breth stated that he would like to invite Orleans Energy to present an update for the Board. He noted that Advisory has underperformed their benchmark due to higher energy exposure. The Fixed Income Managers have returned 4.12% YTD. He added that CDK Realty is looking to reduce the asking price on some properties for sale. Mr. Breth said the PIMCO All-Asset Fund's exposure outside the U.S. has hurt their returns.

Mr. Shoup asked about Bill Gross's departure affect at PIMCO. Mr. Breth said that it hasn't impacted PIMCO as top managers are coming back to the company after Mr. Gross's departure.

Mr. Breth then updated the Board on CA Recovery Fund liquation discussions. He said Commonwealth has appointed an outside liquidator for approximately \$15,000 - \$20,000 in fees to liquidate the remaining assets. Mr. Breth is working with Commonwealth to make sure they do this in a sound manner. Ms. Akers stated they are working with MERS to oversee the liquidation.

Mr. Breth reviewed a letter The Bogdahn Group sent out recently to clients stating that Mr. Mike Welker, CEO and majority owner of The Bogdahn Group was purchasing most of the company stock with a goal of transitioning to allow employees to own a portion of the company in the long-term.

Ms. Akers stated that ROVERS has to give client consent to the change in ownership structure at The Bogdahn Group as required by the Securities and Exchange Commission (SEC).

Ms. Sims ask about liquidating Orleans Energy. Mr. Breth said we risk selling at the bottom, but he would recommend asking Orleans Capital Management to present to the Board at the next meeting to review both the Core Fixed Income and Energy Funds.

Upon motion by Ms. Waskom and second by Mr. Wall, the Board voted unanimously to accept the Bogdahn Group report.

Upon motion by Ms. Waskom and second by Ms. Meyers, the Board voted unanimously to suspend the rules to amend the agenda to add The Bogdahn Group Client Consent Form.

Upon motion by Ms. Sims and second by Ms. Menard, the Board voted unanimously to approve the Bogdahn Group Client Consent Form.

With no further business, the Board agreed to take a short recess.

VII. Report from the System's Attorney

Ms. Akers began by discussing an Earnable Compensation Policy. She recommended a policy regarding "earnable compensation" to be:

This Board interprets "earnable compensation" at La. R.S. 11:2031(9) literally to be "the full rate of compensation that would be payable to the member (employee) if he worked the full working time" and does not include any per diem allowance, such as car allowance or other allowance for expenses incurred as an incident of employment. See La. Atty. Gen. Op. No. 2002-0329 and its reference to the definition of "per diem" as "an allowance for daily expenses."

Upon motion by Ms. Waskom and second by Ms. Meyer, the Board voted unanimously to adopt the policy read by Ms. Akers.

Next, Ms. Akers addressed the status of a Leave Conversion Policy. She stated that Ms. Dees recently submitted data to the system actuary for review and should have more information at the next meeting.

Ms. Akers updated the Board on the Commonwealth litigation by stating the court ruling over their case has denied their claim against Stone & Youngberg as co-conspirator. She said that Mr. Swanson has filed a motion for reconsideration and then to certify the ruling as a final judgment if reconsideration is not granted, so that the appeal process can begin promptly.

Upon motion by Ms. Sims and second by Ms. Meyer, the Board voted unanimously to accept Ms. Aker's report.

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

VIII. Presentation by G. S. Curran & Company

Mr. Brian Shoup directed the Board's attention to the Budget vs. Actual Expense Report for QTD December 31, 2014. He noted that budget expenses are below 50% except lines 502a Audit Fees, 502c GASB 67 Payroll Audits, and 503b Legal Fees (Tax) due to one-time expenses paid for the year. Mr. Shoup directed the Board to the Profit and Loss pointing out a net loss of \$1,044,993 for the first half due to investment losses of \$2,385,704. He directed the Board to the Balance Sheet which showed the bank balances and other current assets totaling \$79,017,567 and noted these statements are unaudited and unofficial.

Upon motion by Ms. Waskom and second by Ms. Menard, the Board voted unanimously to approve the Financial Statements as presented by G.S. Curran & Company.

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

IX. Director's Report

Ms. Dees provided a Director's Report to the Board, and addressed the items on the handout including new employees, terminations, new DROP participants, DROP participants re-enrolled after DROP, DROP payments, retirement applications, and deaths.

Ms. Dees stated she sent a letter to each Registrar asking for contact information for the Parish Governing Authority so that she could update her records in anticipation of needing salary info from the parishes for members retiring and terminating.

Ms. Sims asked about the steps for retirement and the Board discussed in length.

Ms. Dees asked in other Administrative Business that the Board consider setting the Employer Contribution Rate for fiscal 2016. The minimum required rate for 2016 based on the actuarial valuation is 18.50%, but the system actuary, Mr. Curran recommended setting a higher rate to protect against a down market and prevent future rate increases.

The Board discussed their desire to hold the rate above the minimum to build up the Funding Deposit Account and the need to reduce the rate in light of the state spending cuts.

Upon motion by Ms. Sims and second by Ms. Waskom, the Board voted unanimously to set the Employer Contribution Rate for fiscal 2016 at 22.50%, pending approval from PERSAC.

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

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

XII. Other Business

Mr. DiMarco announced the next meeting date and location of April 27st, 2015 at 1:00 pm at the Renaissance Hotel in Baton Rouge, LA.

XIII. Adjourn

Upon motion by Ms. Menard and second by Ms. Meyer, the Board voted unanimously to adjourn the meeting at 12:42 pm.