

**Registrars of Voters Employees' Retirement System  
Minutes of the Meeting of the Board of Trustees  
November 22, 2019**

The 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**

Ms. Charlene Menard called the meeting to order at 9:04 a.m.

**II. Invocation and Pledge of Allegiance**

Mr. Joe Salter offered an invocation, and Mr. John Broussard led the Pledge of Allegiance.

**III. Roll Call**

Ms. Kathy Bourque then called the roll. Board members present were: Ms. Charlene Menard, Mr. Robert Poche, Ms. Sandra Moorer, Mr. Dwayne Wall, Mr. John Broussard, Mr. Joe Salter, and Mr. Dennis DiMarco. Mr. Brian Champagne, Representative Barbara Carpenter, and Senator Barrow Peacock were absent. A quorum was present. Others present included: Ms. Kathy Bourque (System Director); Ms. Denise Akers (Legal Counsel); Ms. Cynthia Averette and Mr. Walker Reynolds (representing the Custodian of Assets, Hancock Whitney); Ms. Michelle Cunningham and Mr. Garrett Orgeron (representing Auditor, Duplantier, Hrapmann, Hogan, & Maher, LLP); Mr. Jon Breth (representing the Investment Consultant, AndCo Consulting); and Mr. Greg Curran and Ms. Sondra Bordelon (representing Actuary and Administrator, G. S. Curran & Company, Ltd.). In the audience were: Mr. John Schroder (Louisiana State Treasurer), Ms. Billie Meyer (Acadia ROV), Ms. Shanika Olinde (Pointe Coupee ROV), Mr. Michael Bertrand (Vermillion ROV), and Shelley Bouvier (Confidential Assistant Jefferson Parish ROV).

**IV. Public Comments**

Ms. Charlene Menard and Mr. Dennis DiMarco informed the Board that this would be their last meeting. The Board thanked them both for their years of service. Ms. Menard announced that Ms. Shanika Olinde and Ms. Billie Meyer would be replacing their positions on the Board effective January 1, 2020.

Ms. Menard also announced that the Louisiana State Treasurer, John Schroder, was in attendance, and she thanked him for attending the ROVERS Board meeting.

**V. Review and Approval of Minutes**

**Upon motion by Ms. Moorer and second by Mr. Salter, the Board voted unanimously to approve the minutes from the July 24, 2019 meeting.**

**VI. Report from Duplantier, Hrapmann, Hogan, & Maher, L.L.P.**

Ms. Cunningham presented the financial statement and compliance audit report for the Registrars of Voters Employees' Retirement System (ROVERS) for the year ending June 30, 2019. On page 2 and 3, she covered the management's and auditor's responsibilities. Ms. Cunningham stated that ROVERS received an unmodified opinion. She explained that there were no significant deficiencies that were material weaknesses in internal control. She added that there were no violations of laws and regulations that had a direct and material effect on the financial statements.

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 Total

Pension Liability was now included in the footnotes. She confirmed that the Total Pension Liability which was based on actuarial assumptions totaled \$123,240,167 as of June 30, 2019.

On page 10 of the report, Ms. Cunningham confirmed that there were no uncorrected misstatements, no difficulties encountered in performing the audit, and no disagreements with management. Also, she stated that there was no management letter for the year ending June 30, 2019.

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, 2019, were \$104,677,495 versus \$98,121,327 as of June 30, 2018.

On page 20, the Net Pension Liability of Employers, showed information from the last 5 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 Total Net Pension Liability as of June 30, 2014, was \$103,598,305 and as of June 30, 2019, it was \$123,240,167.

Then, Ms. Cunningham stated that the GASB 67 requires Census Data Testing. She added that they did testing on Iberia Parish, Ouachita Parish, Madison Parish, East Carroll Parish, West Carroll Parish, Calcasieu Parish, LaFourche Parish, and the State of Louisiana. Ms. Cunningham confirmed that there were no findings in any of the employers audited.

Next, Ms. Cunningham discussed the Statewide Agreed Upon Procedures. She confirmed that this was the third year for this audit, and only areas that had findings last year were reviewed this year. As of June 30, 2019, she confirmed that ROVERS did not have written policies and procedures for a Disaster Recovery/ Business Continuity policy. She did, however, acknowledge that Ms. Bourque was already working on such a new procedure.

State Treasurer Schroder explained the importance for a Disaster Recovery Policy and stressed the importance and value implementing this policy would provide to ROVERS. He further discussed the protection this policy would provide to the Board and System and commended Ms. Cunningham for bringing this significant topic to the Board's attention. Mr. Schroder asked the Board to make Cyber Security a top priority for this upcoming year. Ms. Cunningham further explained that the policy adopted would need to include how the computers being used for ROVERS are protecting information, how that information could be recovered, and would the recovery of that information be practiced.

Ms. Cunningham then explained the requirement regarding bank reconciliations was that the documentation must be reviewed by management or someone other than the person preparing the reconciliation. She confirmed that currently, someone at G. S. Curran and Company prepared the bank records and a second person in that office reviewed those records. Going forward, Ms. Cunningham stated that the ROVERS Director would also receive and review a copy of those bank reconciliations and keep a copy for her records.

Then, Ms. Cunningham addressed the collections agreed upon procedures confirmed that there was a limited staff of two individuals. She stated that she had spoken with Ms. Bourque regarding this issue and they are working together to develop procedures to enforce proper collection responsibilities.

Next, Ms. Cunningham discussed payroll and personnel. She stated that the System has only one salaried employee and does not maintain a record of attendance and there had been no written documentation regarding approval of leave taken during the year. She stated that Ms. Bourque would need to keep a timesheet going forward and email the Chairman of the Board when she would be out for a day or longer and keep records of those emails.

Mr. Broussard expressed his concerns and agreed with Mr. Schroder that the System needed to invest in the proper hardware and software to protect the member's information from any type of cyber-attacks. Ms. Bourque stated that she would gather information and quotes and present them to the Board at the next meeting

**Upon motion by Mr. Broussard and second by Mr. Poche, the Board voted unanimously to approve the Audit report given by Ms. Cunningham from Duplantier, Hrapmann, Hogan and Maher, LLP**

**Upon motion by Mr. Broussard and second by Mr. DiMarco, the Board voted unanimously to approve the Louisiana Compliance Questionnaire.**

#### **VII. Presentation by Investment Consultant, AndCo Consulting**

Mr. Breth reviewed the 2019 third quarter performance ending September 30, 2019. He stated that the third quarter had mixed returns with both US large cap equity and fixed income extending their gains while U.S. small caps and international indices declined. He stated that International returns faced opposition from a strengthening U.S. dollar. Also, Mr. Breth stated that Fixed Income returns outperformed equities during the third quarter as investors looked for safety during a volatile market. On page 18 of the investment performance review handout, Mr. Breth pointed out that year-to-date the ROVERS portfolio was at 14.44%. He stated that quarterly returns were mainly driven by fixed income and real return. As a growth manager, Mr. Breth stated that Westfield had the highest absolute returns in a bull market for growth stocks. He explained that Dodge & Cox would still be on the watch list but expected to see some future outperformance. Mr. Breth also explained that there was a continuation of consistent performance from Pimco. Templeton had become less interest rate sensitive, so Mr. Breth recommended placing that fund on watch in 2020.

Next, Mr. Breth reviewed the draft of the Investment Policy Statement. He reminded that Board that the assumed rate of return was 6.50%. Regarding allocation discussions, he stated that domestic equities would be decreased to 37.5% and real estate would be increased to 10%. Mr. Breth asked the Board to review the portfolio diversification table on page 8 which outlined the target percentage changes. Mr. Breth further stated that it would be his goal to revisit the allocation of the portfolio again at the May 2020 Board meeting.

**Upon motion by Ms. Moorer and second by Mr. Poche, the Board voted unanimously to approve the Investment Performance Review report for the period ending September 30, 2019, as presented by Mr. Jon Breth with AndCo Consulting.**

**Upon motion by Mr. Broussard and second by Mr. Salter, the Board voted unanimously to approve the updated 2019 Investment Policy Statement as presented by Mr. Jon Breth with AndCo Consulting.**

Lastly, Mr. Breth discussed his last handout regarding a rebalancing schedule. He explained that Eagle Capital, Westfield and American Core Realty would be reduced by a total of \$5 million in order to fund the JP Morgan Special Situations Fund.

**Upon motion by Mr. DiMarco and second by Mr. Broussard, the Board voted unanimously to approve the rebalancing portfolio as presented by Mr. Jon Breth from AndCo Consulting.**

A break was taken at 10:33 a.m., and resumed the meeting at 10:48 a.m.

**Upon motion by Mr. DiMarco and second by Mr. Salter, the Board voted unanimously to amend the agenda by moving item IX up on the agenda.**

#### **VIII. Presentation by Hancock Whitney**

Ms. Averette directed the Board's attention to the Custodial Report. She reviewed the breakdown of assets for the period ending September 30, 2019, with a total asset balance of \$102,314,930.17 and pointed out that 42% of the portfolio was invested in domestic equities.

Next, Mr. Reynolds presented the Members' Supplemental Savings Plan Investment Performance Review for September 30, 2019, totaling \$774,441.46. He discussed the breakdown of the portfolio asset allocation which showed that approximately 65.47% of the assets were in fixed income and cash, 30.61% of assets in equities, and the remaining 3.91% invested in alternative funds. He stated that the account was up 1.0% for the quarter, and the portfolio had averaged 4.78% since inception. Mr. Walker also reminded the Board that the portfolio consisted mostly of ETFs. Regarding cyber security, he informed the Board that Hancock Whitney had several procedures and protections in order to prevent a breach.

**Upon motion by Mr. Wall and second by Mr. Poche, the Board voted unanimously to approve the Custodial Report and the Member Supplemental Savings Report as presented by Hancock Whitney Bank.**

Mr. John Schroder left the meeting at 11:00 a.m.

#### **IX. Report from the System's Attorney, Denise Akers**

Ms. Akers explained to the Board that there was no new proposed legislation at this time. She requested to keep this item on the agenda and stated that she would check the legislative website in the future for any updates.

Next, Ms. Akers confirmed that there had been no Attorney General Opinion received regarding upgrades of accrual rate after initial transfers, and she would continue to keep the Board updated. She stated as soon as she received the information she would pass it along to Ms. Bourque to forward to the Board.

Ms. Moorer asked about the status of the liquidation of Commonwealth that was previously in litigation. Mr. Breth confirmed that it had been liquidated and settled.

#### **X. Report from G. S. Curran & Company**

Before Mr. Curran began his presentation, Ms. Bourque announced that the presentation on the Actuarial Valuation report would count as one hour of continuing education for actuarial science for those that needed it. She asked for those individuals to please sign in on the sheet she prepared in order for her to keep record of those in attendance.

Mr. Curran directed the board's attention to the System's Actuarial Valuation Report as of June 30, 2019. He also informed the Board that he was currently working on the GASB 68 allocations. Mr. Curran stated that based on the review of the System's target asset allocation, 6.50% remained within the reasonable range for a long-term assumed rate of return and based on those results he recommended that the assumed rate of return remain at 6.50%. Mr. Curran explained that the reasonable range for a long-term assumed rate was set by developing 10,000 stochastic trials based on the Fund's target allocation. He further noted that the inflation assumption was at 2.4%.

Mr. Curran stated he believed G. S. Curran and Company's recommended interest and inflation assumptions were consistent each other and that they met the actuarial standards of practice. Mr. Curran stated that at the beginning of 2020, G. S. Curran & Company would build new averages and test the system's target allocation using those averages. He added that after the review, he would approach the Board with any recommendations related to the current assumptions. He stated that his goal would be to develop a new consulting average every year and to perform a quick analysis to determine that the System was within a reasonable range with more intense review every other year.

Mr. Broussard asked if 6.50% was at the low or high end compared to other systems. Mr. Curran stated that the System was definitely on the low end and only one other System that he knows of was at 6.25%. Mr. Curran stated that the risk taken in the ROVERS portfolio would play a large part in whether or not the rate of return should be further lowered to 6.25%.

Ms. Moorer stated that she would like to see ROVERS' long-term rate of return set at 6.25%. Since this was a small System, Mr. Broussard stated that he agreed with Mr. Curran that this would be a time to pause and not make any changes regarding the rate of return.

Mr. John Broussard left the meeting at 11:23 a.m.

Next, Ms. Moorer wanted to discuss Cost of Living Increases (COLAs). She stated that the System had received criticism from retirees for not giving COLAs. Mr. Curran stated the System also received criticism from the Legislative Auditor for not valuing future COLAs in its plan liabilities. He also stated that the heart of the discussion should be how COLAs are funded. If COLAs were given through the Funding Deposit Account, then we would not want to include COLAs in the valuation report. Mr. Curran stated that the current valuation report does not include any future COLAs and under state law they are not guaranteed. At 14% to 18% employer contribution rates, Mr. Curran stated he does not see a lot of COLAs in the future. He confirmed that the earliest a COLA could be given would be January 1, 2021.

Regarding the funded ratio, Mr. Curran explained that it was determined by using the market value of assets divided by the entry age normal accrued liability which was 86.60%. He also discussed risks, plan sensitivity, and plan maturity. For 2019, Mr. Curran confirmed that the achieved market rate of return was 7.40%. Mr. Curran pointed to Exhibit I on page 16. He stated that the minimum recommended net employer contribution rate for Fiscal Year 2021 was 14.50% and added that the Board could set the employer rate for Fiscal 2021 at any level between 14.50% and the current level of 18%.

Mr. Curran stated that PRSAC would be meeting in January and after that the Board would need to make a decision on the Employer Contribution Rate for 2021.

**Upon motion by Ms. Moorer and second by Mr. Poche, the Board voted unanimously to approve the 2019 Funding Valuation Report as given by Mr. Greg Curran from G. S. Curran & Company.**

Next, Mr. Curran discussed a recent retiree's case from Caddo Parish in which the employer did not report all pay for 2017, 2018, and 2019 to the System. Mr. Curran explained that the reason was because the employer changed to bi-weekly pay and in each of the three pay period months during 2017-2019 contributions were not remitted on the third pay period. He explained that a staff member at G. S. Curran & Company working on a retirement calculation noticed that the salary went down in the last three years so when the employer was questioned, it was determined that all six of their employees had missing contributions that Caddo Parish would have to submit. Ms. Bourque confirmed that the total amount of employee contributions owed by Caddo Parish was \$8,169.16 which had already been paid.

As the Actuary, Mr. Curran stated he had concerns with this issue and it was his opinion that the employer should be responsible for the actuarial liability associated with making late contributions. Mr. Curran further explained that for the retiree he discussed, this error affected the average salary that was used to compute the actuarial cost of two transfers (PERS & TRSL) which had already been previously calculated. Mr. Curran stated the regarding the PERS transfer the System should either ask the retiree to pay an additional \$648.00 or give him less service than previously stated. For the TRSL transfer, originally there were enough funds to make the transfer whole but once the figures were updated with corrected salary information, the amount received was not sufficient. The updated cost exceeded the original calculation by \$2,341.00. He suggested that the System ask TRSL for \$1,541.00 which would mean the retiree would need to pay the difference. If the retiree chooses not to pay the additional funds, Mr. Curran stated the System should reduce the transferred service granted.

Mr. Curran explained that his retirement benefit would be affected as well because his final average compensation would be higher. Mr. Curran stated that the Board needs to determine if the transfers should be recalculated and the Board agreed that they would update based on the newly presented salary information. Next, Mr. Curran said that Ms. Bourque would make a request to TRSL to pay the \$1,541 towards his transfer then contact the retiree and give him the option to pay the difference or choose decreased service. Ms. Bourque confirmed that the retiree was already receiving his DROP benefit and this error was only delaying his Post-DROP benefit.

Mr. Curran explained that the Board needed to decide what responsibility Caddo Parish should have for reporting the salary in error and causing all of these issues. Per the law, Mr. Curran stated that the System could receive legal interest but he did not feel that would be acceptable because the impact of the missed contributions and salaries should be tested

on an actuarial basis to determine if the late submission would have affected the cost. He mentioned that this error caused a higher liability to the System which should be paid by Caddo Parish instead of the other parishes in the state.

Ms. Akers stated that she was aware of the situation and was comfortable arguing Mr. Curran's position especially since the goal was to keep the System actuarially sound.

**Upon motion by Mr. Poche and second by Mr. Wall, the Board voted unanimously to approve the recommendation made by Mr. Curran regarding recalculating both the PERS transfer with a difference of \$648 and the TRSL transfer for Mr. Roberson and requesting that TRSL pay \$1,541 towards their transfer and for the retiree to pay the difference and also for Caddo Parish to be responsible for covering any actuarial cost associated with not reporting the correct salary and contributions for its employees in 2017, 2018, and 2019.**

Ms. Bourque stated that she would contact both Mr. Roberson and Caddo Parish now that the Board had made a decision.

**Upon motion by Mr. DiMarco and second by Mr. Wall, the Board voted unanimously to approve the reports as presented by G. S. Curran & Company.**

The Board took a lunch break at 12:08 p.m.

The Board resumed the meeting at 12:32 p.m.

#### **XI. Director's Report**

Ms. Bourque informed that Board that the financials for ROVERS through October 31, 2019, were included in their meeting packet and offered to answer any questions.

Ms. Bourque then discussed the Board of Trustee Election which was held to replace Mr. Dennis DiMarco and Ms. Charlene Menard effective January 1, 2020. She stated that there were two qualified nominees, Billie Meyer (ROV-Acadia Parish) and Shanika Olinde (ROV- Pointe Coupee Parish). Since they were the only two nominations received, Ms. Meyer and Ms. Olinde would become new board members effective January 1, 2020 with their terms expiring December 31, 2023.

**Upon motion by Mr. DiMarco and second by Mr. Salter, the Board voted unanimously to accept the nominations of Ms. Billie Meyer and Ms. Shanika Olinde to the ROVERS Board of Trustees effective January 1, 2020.**

Due to previous issues, Ms. Bourque had decided that if the first Post-DROP benefits payment was a pro-rated amount for more than one month then it would be sent to the retiree in a separate check from the DROP benefit. Ms. Bourque stated that the following months would be paid via one check or electronic transfer to the retiree's bank account.

Next, Ms. Bourque discussed having board elections earlier in the year per the request of Ms. Menard. Ms. Akers confirmed the guidelines for the Board of Trustee Elections are part of the Administrative Code and that it would have to be changed in order to change the timing of the election. Regarding LAPERS and continuing education, Ms. Bourque stated that the System purchases the DVD's from the seminar that can later be viewed by the new Board of Trustees prior to January 1<sup>st</sup> in order to receive the credit necessary to serve on the Board. After further discussion amongst the Board, it was decided that the current process would remain.

Ms. Bourque then discussed tentative Board meeting dates for 2020. She stated that the dates were currently set for January 22, 2020, April 22, 2020, July 22, 2020, and November 18, 2020.

Ms. Moorer confirmed that the ROV Association Seminar would be held on January 23-24, 2019 in New Iberia. Ms. Bourque confirmed that LATEC would be held February 19-21, 2019.

**Upon motion by Ms. Moorer and second by Mr. Salter, the Board voted unanimously to accept the tentative Board meeting dates as presented above by Ms. Bourque.**

Ms. Akers stated that the Board needed to make a motion to add to the agenda the discussion of the quote ROVERS received for the Fiduciary Liability, Directors & Officers Liability Insurance from Daul Insurance Agency.

**Upon motion by Mr. Wall and second by Ms. Moorer, the Board voted unanimously to add the discussion of the Fiduciary Liability, Directors & Officers Liability Insurance to today's meeting agenda.**

Ms. Bourque stated that she received a quote from Daul Insurance Agency, Inc., for the current coverage that was already in place with a premium of \$ 27,990.00 effective January 23, 2020 through January 22, 2021.

**Upon motion by Mr. Poche and second by Mr. DiMarco, the Board voted unanimously to approve the new premium to be paid to Daul Insurance Agency for Fiduciary Liability, Directors & Officers Liability Insurance effective January 23, 2020, through January 22, 2021.**

Ms. Bourque stated that she would later send a reminder to pay \$10.00 each for Board member for a total of \$100.00 for a waiver of recourse endorsement.

Ms. Bourque also reminded the Board that the meeting packets consisted of a list of retirements, DROPS, refunds, new members, deaths, transfers, and terminated members.

Ms. Bourque informed the Board that in their meeting packet there was an ACT 1004 quarterly report summary of all Louisiana Retirement Systems as of September 30, 2019.

**Upon motion by Ms. Moorer and second by Mr. Wall, the Board voted unanimously to accept the Director's report as presented by Ms. Kathy Bourque.**

## **XII. Other Business**

Ms. Bourque confirmed that the next Board meeting would be Wednesday, January 22, 2020, at 9:00 a.m. at the Renaissance Hotel in Baton Rouge, LA. Ms. Moorer stated that everyone would be traveling for the ROV Association Conference. After some discussion the Board decided to change the next meeting date to Wednesday, February 5, 2020 at 9:00 a.m. at the Renaissance Hotel in Baton Rouge, LA.

Ms. Moorer thanked Mr. Dennis DiMarco and Ms. Charlene Menard for their years of service on the ROVERS Board.

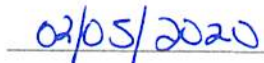
## **XIII. Adjourn**

The meeting was adjourned at 12:51 p.m.

*\*These minutes are meant to provide readers with a summary of what took place during the meeting and are not intended to be verbatim transcription. They are in compliance with R.S. 42:20. The signatures that follow simply denote that these minutes were approved by the Board of Trustees as a reasonable representation of the meeting, including providing the substance of all matter decided.*



Recorder Signature



Date



Chairman Signature



Date