

**District Attorneys' Retirement System**  
**Minutes of the Meeting of the Board of Trustees**  
**September 10, 2023**

The Board of Trustees of the District Attorneys' Retirement System held a regular meeting on Sunday, September 10, 2023 at the Roosevelt Hotel, located at 130 Roosevelt Way in New Orleans, Louisiana.

**I. Call to Order**

The meeting was called to order by Andy Shealy at 9:00 am

**II. Roll Call**

Ms. Danielle Ball called roll.

**Members Present**

Mr. Brad Burget  
Mr. Don Burkett  
Mr. David Burton  
Mr. Hammy Gascon  
Mr. Scott Perrilloux  
Mr. S. Andrew Shealy  
Mr. J. Reed Walters  
Representative John R. Illg Jr.

**Member Absent**

Mr. Todd Nesom  
Senator Kirk Talbot

A Quorum was present.

**Others Present**

Mr. Philip Qualls, Director  
Ms. Danielle Ball, Benefits Supervisor  
Mr. Greg Curran, Curran Actuarial  
Ms. Laura Gail Sullivan, Attorney  
Mr. Chris Bravender, Dorsey & Co., Fixed Income Manager  
Mr. Aaron Vann, Vann Equity Management  
Mr. Ari Rastegar, Real Estate Investor  
Mr. Arthur Weissman, Industry Fintech, Inc.  
Ms. Sandy Fliderman, Industry Fintech, Inc.  
Honorable Michael Pitman, vested member  
Honorable Frances Pitman, spouse of vested member

**III. Public Comment**

Mr. Shealy called for public comment. There were no public comments.

**IV. Conflicts Disclosure**

Mr. Andy Shealy inquired if any member of the board needed to disclose a conflict of interest with items on the agenda. There were no conflicts reported.

**V. Review and Approval of Minutes**

Mr. Reed Walters mentioned that he would like the draft of the June 26, 2023 meeting minutes revised to include his request that the Board of Trustees review the master investment policy.

**Motion by Houston Gascon and seconded by Scott Perrilloux to approve the minutes of the meeting held June 26, 2023, subject to the above correction. Without objection, the motion carried.**

**VI. Financial Statements: June 2023 and July 2023**

Mr. Philip Qualls stated there were no anomalies on the June 2023 financial report. Mr. Qualls called the board's attention to a negative (-\$175) on the July 2023, due to employee Sharon Hill purchasing her laptop from DARS. There were no further questions or comments.

**Motion by Reed Walters and seconded by Scott Perrilloux to approve the financials for June and July 2023. Without objection, the motion carried.**

**VII. Annual FY 2023 Budget Review**

Mr. Qualls inquired whether the board preferred a new presentation to review the annual financials. Mr. Qualls noted that the total income for October 2022 including Ad Valorem, Contributions, and transfers into the system only totaled 264,000 as opposed to approximately 1.2 million. Mr. Qualls explained this anomaly is due to transitioning from an invoice accounting method to recognizing contributions in the month they incurred, per the recommendation of the system auditors. DARS is working with an accounting firm to get this corrected.

Mr. Qualls explained that after accounting for employee and employer contributions submitted, the investment portfolio needs 1.37% of cash flow to satisfy beneficiary payments.

Mr. Shealy asked Mr. Qualls to confirm that the October 2022 accounting anomaly is purely an anomaly only. Mr. Qualls confirmed that DARS is in receipt of all expected contributions for the month of October 2022.

Mr. Shealy asked Mr. Qualls to clarify the need for cash from the investment portfolio. Mr. Qualls explained that in the category for Other Items Impacting Cash Flow, for example July 2022, you will notice a shortfall between the benefits payment and monthly contributions submitted. The annual total short is \$6,990,000.00, representing the amount DARS needs to pull from the investment portfolio.

Mr. Gascon inquired as to whether it was either historical or traditional that DARS need to pull a comparative percentage of cash from the investment portfolio. Mr. Qualls explained that because DARS retirees are growing at a faster than new active enrollees, it is not an uncommon need or cause for concern. Mr. Gascon inquired as to whether the employer contribution rate was causing a lag in funding due to the increase in the employer rate. Mr. Qualls explained that few employers erroneously sent the old 9.5% rate instead of the new 12% rate, but that DARS is keenly aware and correcting these underpayments.

Mr. Curran confirmed that 2016 was the first year that DARS had negative cashflow out of the past ten years, and that it has been consistent and not unexpected for a system such as DARS.

Mr. Qualls explained that the only out of sync item from the actual vs budgeted operating account is due to the legal fees associated with the BREC litigation. Mr. Qualls explained that the travel budget only appears under due to timing LAPERS fees paid in July after fiscal year end.

Mr. Shealy reminded the Board that the BREC litigation is due to the question of the Ad Valorem property taxes. Mr. Shealy also reminded the Board that DARS is sharing those legal fees with four other retirement systems and stressed the importance of the litigation due to the percentage of DARS income generated by Ad Valorem taxes.

Some discussion was had as to whether Orleans was exempt from Ad Valorem taxes; Mr. Gascon mentioned that he believed firefighters was the only system exempt from receiving Ad Valorem taxes from Orleans and Mr. Qualls stated that he would do further research.

Mr. Perrilloux inquired as to the current status of the BREC litigation. Mr. Qualls explained that the goal is to bring the case before the Court of Appeals; they are currently attempting to consolidate two cases and bring it back to the first circuit, but the judge did not grant that request so there are currently two separate cases: one at district court and one at the appellate court.

Mr. Gascon inquired as to who the lead attorney was for the BREC case. Mr. Qualls answered that the lead attorneys were Bob Klausner and Bob Tarcza.

Mr. Qualls stated that this concludes his report. Mr. Shealy inquired as to whether this budget needed to be adopted. Mr. Qualls explained that since it was a recap of last year informing actual expenses on the budget previously approved, no further action was necessary. There were no further questions.

#### **VIII. Retirement(s):**

Mr. Shealy stated for the record that Sharon Hill, retired DARS staff, was a valuable long time employee and wanted to ensure the record reflected the Board's appreciation for her service.

**Motion by Mr. Gascon, seconded by Mr. Burget to draft a resolution to Ms. Sharon Hill commending her service. The motion passed unanimously.**

**Motion by Mr. Burton to approve retirements, seconded by Mr. Perrilloux. Without objection, the motion carried.**

**Rep. Illg arrived at 9:16 am**

#### **IX. Retiree Deaths**

The deaths were read by Mr. Shealy as a point of reference only.

Ms. Danielle Ball was introduced to the board as the replacement for Ms. Sharon Hill.

#### **X. Investments – Aaron Vann and Philip Qualls**

Mr. Vann reviewed the DARS investment portfolio through the third quarter ending August 31, 2023. He stated that the total portfolio appreciated 1.07% for the fiscal year beginning July 1, 2023, while the blended index appreciated .03%. The total portfolio appreciated 3.42% for the second quarter ending June 30, 2023, while the blended index appreciated 2.46%. Updated YTD through August 31, 2023, the portfolio appreciated 9.56% while the blended global index appreciated 7.82%.

Mr. Vann gave an overview of the stock market's resiliency for 2023. Mr. Vann discussed the possibility of an economic soft landing based on variables including business spending through cyclical industries, GDP growth, the labor market, consumer finances, savings and borrowing patterns, and restricted lending of banks.

Mr. Vann proceeded to highlight the reasons for investment allocations in DARS portfolio. Mr. Vann showed examples of inverted yield curves and their typical relation to economic recession. Mr. Vann explained that DARS portfolio has an exceptional weight of cash in international and large cap stocks to mitigate risk of recession. Mr. Vann explained that smaller caps would be primary targets going forward.

Mr. Vann concluded his broad-based analysis and explained that the actual allocation is within range of the target allocation. Mr. Vann also provided a complete breakdown of asset allocations.

Mr. Falterman questioned inquired what the smallest balance was in the investment portfolio in recent years. Mr. Vann answered that it was \$424MM.

Mr. Walters questioned how we would minimize the effects of either a soft or hard recession. Mr. Vann explained that we are heavily weighted to large cap value, large cap growth; minimum to small and mid cap, and that we are also able to trade intraday to move positions. Mr. Walters inquired as to how a hard recession would affect our position. Mr. Vann explained that having a large exposure to fixed income with other managers offers DARS significant downside protection.

Mr. Gascon noted significant rates of consumer debt in the economy and questioned what practices may be currently in play that are affecting consumer debt report. Mr. Vann explained that consumer liquidity is dried up. Mr. Gascon questioned how the government raising rates is affecting the economy. Mr. Vann explained the only act currently in play is Biden's infrastructure act that could potentially be pushing money into the economy to manufacture greater employment.

Mr. Falterman questioned the effects of a potential federal government shutdown. Mr. Vann, Rep. Illg, and Mr. Qualls all explained that it is unlikely a short-term government shut down will have drastic affects on the system's investments. Mr. Qualls explained that one of the risks to keep in focus is the downgrade of the US dollar.

Mr. Shealy commended Rep. Illg on his attendance and input; Rep. Illg advised that he would stress the importance of attending such meetings to his peers.

## **XI. Rastegar Presentation**

Mr. Qualls provided definitions and examples of equity method reporting vs consolidation method reporting in regard to the Rastegar audit. The audit had a qualified opinion. Mr. Qualls explained how the different accounting principles affect the measures being reported. Typically, assets under the consolidation method are higher than equity method. This is because the consolidation method combines total assets less the equity portion, while the investment using the equity method only appears as a line item on the balance sheet. The equity method is typically used when ownership is between 20% and 50%, whereas the investment needs to be accounted for under the acquisition (or consolidation) method when 50% or more ownership is owned, due to the company having majority ownership.

Mr. Rastegar explained his plan to create long term value of property in the greater Austin, TX area, including Kyle, Texas. Mr. Burton and Mr. Walters questioned the long term marketability of the investment, and what options would be available should we liquidate sooner. Mr. Rastegar clarified specifically all that DARS owns, distribution of assets, and DARS return percentage on the investment. Mr. Gascon expressed concern that this investment is categorized as fixed instead of alternative, and implored Mr. Rastegar to increase communication with Mr. Vann. Mr. Vann and Mr. Rastegar both acknowledged that they will update each other via monthly calls going forward. Mr. Burkett clarified that Mr. Rastegar will not be investing in a potential European real estate endeavor.

Mr. Shealy stressed the difference between DARS investment with Rastegar Holdings, LLC versus a typical trust; due to this investment being an LLC, DARS owns an interest in each hard asset that comprises the LLC. Mr. Qualls explained that since we have preferred equity, DARS is entitled to dividends at the discretion of management rather than with a traditional real estate investment trust (REIT). Mr. Burgett requested that documentation be provided to the board detailing accrued but unpaid payments from Rastegar Holdings to DARS.

## **XII. Dorsey Presentation**

Mr. Bravendar, fixed income manager of Dorsey, detailed DARS holdings amidst 3 primary areas of focus. These areas of focus include preservation of capital to take risk of the table, liquidity within the bond market, and seeking value where others are not primarily focused.

## **XIII. Director's Report**

Mr. Qualls invited Mr. and Mrs. Pitman to address the board. Mr. Pitman explained that he was previously provided an estimate of benefits that contradicts the most current estimate he received.

**Motion by Mr. Gascon, seconded by Mr. Perilloux, to enter executive session. Without objection, the motion carried.**

**Motion by Mr. Perilloux, seconded by Mr. Burgett, to end executive session. Without objection, the motion carried.**

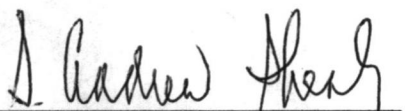
**Motion by Mr. Perilloux, seconded by Mr. Gascon, that should Mr. Pitman choose to retire, his benefit calculation will be at the amount calculated by the actuary, subject to confirmation that the reported income is accurate. The motion carried with five votes to the affirmative, Mr. Burgett in opposition, and Mr. Burkett abstaining from the vote.**


Discussion was had amongst all clarifying the differences between an in house estimate request and a paid for actuarial estimate request.

**Motion by Mr. Gascon, seconded by Mr. Burgett, to adjourn the meeting at 1:04 pm. Without objection, the motion carried.**

Next Meeting Date: December 7, 2023.

To the best of my knowledge, the foregoing minutes accurately represents the actions taken at the meeting held on September 10, 2023.

  
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S. Andrew Shealy, Chairman

  
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Philip Qualls, Director