

Minutes of the Board of Trustees of the Louisiana District Attorneys Retirement System was held at the Louisiana District Attorneys Association headquarters on May 5, 2016, at 9:30 a.m.

Present: Anthony Falterman, Houston C. Gascon III, Van Kyzar, Scott Perrilloux, David Burton and Reed Walters

Also Present: Pete Adams, Roxanne Barrios Juneau, Kristi Spinosa, Gwen Hicks, John Vann, Lal Echiterhoff, Greg Curran, Jay Lemoine and Ari Rastegar

Absent: Representative J. Kevin Pearson, Senator Barrow Peacock and Andy Shealy

Roll call was conducted and there was a quorum

Mr. Falterman polled for any conflicts. Mr. Perrilloux, Mr. Walters, and Mr. Burton recused themselves from agenda item 9(a)(1). Mr. Perrilloux and Mr. Walters recused themselves from item 10. Mr. Gascon recused himself from item 6(b).

A motion was made and seconded to approve the minutes of the February 17, 2016, meeting minutes as published. The motion was unanimously approved.

A motion was made and seconded to approve the financial statements for February and March 2016. The motion was unanimously approved.

A motion was made and seconded to approve the following retirements. The motion was unanimously approved:

- Amy Shawn Alford, effective November 26, 2015, Maximum benefit amount \$2,769.33;
- David W. Arceneaux, effective November 1, 2015, Option II benefit amount \$1,219;
- Stephen E. Caillouet, effective January 1, 2015, Option IV benefit amount \$7,090.34;
- Marcus R. Clark, effective February 24, 2016, Maximum benefit amount \$2,022.67;
- Antoinette C. Gouaux, effective January 14, 2016, Maximum benefit amount \$3,067.85;
- David E. Lafargue, effective January 1, 2016, Option II benefit amount \$4,640.18;
- John Ford McWilliams, effective January 16, 2016, Option II benefit amount \$3,932.70;
- Catherine T. Peever, effective January 1, 2016, Maximum benefit amount \$4,647.16;
- Michael W. Powell, effective January 1, 2016, Option II benefit amount \$7,969.07;
- Robert A. Robertson, effective March 3, 2016, Option II benefit amount \$3,823.11;
- Jerry Shrophire, effective January 1, 2016, Maximum benefit amount \$3,327.90.

Mr. Adams gave a brief explanation of the situation with Glenn Diaz's delayed application. He met with Mr. Diaz and Mr. Diaz stated that did not know anything about the retirement system. He had initially requested a retirement application in February 2015, several months after his termination in November 2014. This completed application was never received by the DARS office. When brought to the attention of the DARS office, Mr. Diaz was sent another application nearly a year later. In March 2016, this application was hand-delivered by Mr. Diaz and at such time he requested to be paid retroactive to his termination date. Ms. Spinosa reported that, pursuant to R.S. 11:1631, the effective date of a member's retirement benefit is generally the date the application for retirement is received in the DARS office.

Ms. Spinosa further reported that Mr. Diaz met with Mr. Adams and initially submitted his "first" March 2016 retirement application without a BACK-DROP option. After consultation with Mr. Adams on the applicable law, prior to any benefit being payment being processed, Mr. Diaz executed a new application, with a 36 month BACK-DROP. Mr. Diaz was informed that the final decision on this benefit factors rested with the Board of Trustees, and he received his first payment on April 1, 2016, retroactive to March 16 only.

Ms. Spinosa reported that Mr. Noriea terminated service December 31, 2015. The DARS office received his first completed application on March 16, 2016, with errors. On March 29, 2016, a corrected application was received, indicating a 4 month BACK-DROP. He received his first payment on April 1, 2016, retroactive to March 2016 only.

Ms. Spinosa stated that because both members were not active contributing members when they applied to retire and chose BACK-DROP, R.S. 11:1644 further complicates the issue. She reviewed the statute.

Mr. Falterman stated that he could not understand how Mr. Diaz didn't know anything about the retirement system after working for more 34 years for Mr. Rowley, an active and informed district attorney.

Discussion was had on the following:

- What is the effective date of the retirement for purposes of retroactive payment?
- Will the retiree be allowed to choose BACK-DROP?

A motion was made, and seconded that Mr. Diaz was not permitted under current law to receive benefits retroactive to his termination date and that his effective date be March 22, 2016. The motion was unanimously approved.

Mr. Burton stated that Mr. Diaz could always sue and get a judgement.

A motion was made, and seconded that Mr. Noriea was not permitted under current law to receive benefits retroactive to his termination date and that his effective date be March 16, 2016. The motion was approved. Mr. Gascon recused himself.

Discussion was had on whether the BACK-DROP elections be permitted in each case. A motion was made, and seconded to honor the request from Mr. Diaz for BACK-DROP. The motion was approved. Mr. Perrilloux and Mr. Walters opposed.

A motion was made, and seconded to honor the request from Mr. Noriea for BACK-DROP. The motion was approved. Mr. Walters opposed and Mr. Gascon recused himself.

Ms. Spinosa reported that there are four vested members of the system that are eligible to receive a retirement benefit but have never applied. Ms. Spinosa is requesting guidance how to handle these inactive members.

Mr. Falterman instructed Ms. Spinosa to further research the issue and prepare a draft of an administrative rule to for Board review to address this issue and to clarify the BACK-DROP election time

period. Mr. Adams requested that after review by the Board via email, the Chairman would then have the authority to approve the rule. The Board agreed.

Next, Mr. Ari Rastegar addressed the Board about commercial real estate transactions.

Mr. Rastegar stated that he was here today to invite the Board to participate in the Rastegar Income Fund. Their focus is on physical properties, generally discount retail, storage and office space, with strong current cash flow from the beginning instead of a future appraisal figure. Steady singles and doubles, good cash flows sustainable over time.

He reported they provide an 8% preferred return. Thereafter, profits are split 50/50 with a 1.2% management fee on the equity. It is his opinion that the net rate of return on investment is likely to be approximately 16% based on historical performance.

Mr. Rastegar reported he has invested in 44 properties in 33 major cities in 13 states, and is growing rapidly. He gave an example of a property in the New Orleans area and discussed how they maneuvered to reach near 100% occupancy prior to closing.

Mr. Falterman wanted to know how long he had been investing in this type of real estate. Mr. Rastegar reported it has been about 10 years, and net returns were 14%-23%. In 2008-2009, he saw properties producing profits below 8% cash flows but at exit, the net rate of return low was 14%.

Mr. Gascon wanted to know if there were any other Louisiana institutional investors? Mr. Rastegar replied no.

Mr. Falterman wanted to know if there were any other governmental investors? Mr. Rastegar replied not as of yet.

Mr. Gascon asked for the company background. Mr. Rastegar stated that he started the firm and added a core team of seven people then grew to a team of 14. His home office is in Dallas, TX.

Mr. Vann reported that since two of the System's real estate interests have been cashed out, there is now \$15 million in cash on hand and recommends that \$1 million dollars be placed with Rastegar.

Mr. Falterman wanted to know why Mr. Vann thought that this was a good company.

Mr. Vann stated that he has a 44 property track record and that he has checked the numbers. The company looks good; 98% of investment capital goes into the property. DARS has invested in similar products before with Encore Capital. This investment would be an alternative asset and liquid.

Mr. Gascon inquired if this would exceed the 10% limit with MLP's. Mr. Vann stated that it did not and that the allocation range is 5%–12%.

A motion was made, and seconded that Mr. Vann's recommendation to invest \$1 million dollars with Rastegar Capital Income Fund be adopted. The motion was unanimously approved.

Mr. Vann reviewed a part of Dan Heard's report stating that Behringer Harvard is currently -8.7%, and has lost about \$1.5 million but made other investments in this class. He is continuing to monitor and recommend liquidation at a later date.

Mr. Vann reviewed the Level Four report. As of March 16, 2016, assets in the DARS plan totaled \$344,456,000. Plan performance for the quarter ending March 31, 2016 was +0.28%. As of April 28, 2016, the DARS plan is valued at \$348,091,000 reflecting a gain since the beginning of the calendar year of 1.33%.

He also reviewed current asset allocation, the summary of the funds, and the service fees. The service fees page may be amended once it is verified whether Dorsey was paid in advance or in arrears. This may change numbers by a quarter.

Mr. Vann reviewed the Consolidated Performance Report for January 14, 2016–April 28, 2016. As of April 28, 2016, the balance was \$332,579,572.08, and the rate of return, net of fees, was 6.84%.

Mr. Echterhoff reported on the Market Insights for as of March 31, 2016. Valuation in the current market does mean as much unless there is strong supporting economic data. Some concern on market volatility and the current downtrend in S&P earnings per share. The dollar and oil have greatly impacted the S&P 500. There could be some improvement in the second half of the year.

Mr. Greg Curran reported on the proposed actuarial services contract renewal with increase in fees. He reported that they track their time for each of their clients. He reported that they did approximately \$80,000 of work for DARS last year. Growth in number of retirees and benefit complications have increased the amount of actuarial services needed. Increases in transfers, purchase calculations and increased retirements have also contributed to the increase workload. Demographics of the system shows about 91 members will be eligible in the next few years for retirement. They do assume some decline will be seen in transfers and etc. after the qualification impact ends. The new proposed fee is \$5,400 per month.

Mr. Gascon wanted to know if the hourly rates will change. Mr. Curran stated there is no change on hourly fees, just the number of hours.

Mr. Curran stated that they have had to increase their staff also. He stated in 2014, there was an increase due to GASB. Prior to that, there were several years where the rate did not change.

Mr. Adams stated that there have been changes in reporting by legislation and the changes with qualification of the system making issues more complicated. He also added that the addition of Ms. Spinosa and her attention to detail has been positive for DARS when addressing the new complicated issues. She is working closely with the Currans and their staff on these issues.

A motion was made, and seconded to approve the contract with G.S. Curran & Company for Fiscal Year 2017. The motion was unanimously approved.

Robert Schmidt reported that he has changed law firms and now with Kean Miller, LLP, and his hourly rate will be more reasonable now. He presented the Board with a new contract.

A motion was made, and seconded to approve the contract for Mr. Schmidt with Kean Miller, LLP. The motion was unanimously approved.

Ms. Spinosa reported that she and Mr. Schmidt have been working on a draft of the administrative rule for repayment of refunds. She had spoken to Gary Curran about the draft, and he thought more should be added to section 103. Language has been added for rollovers.

Ms. Spinosa stated that the language of the administrative rule had been sent to Mr. Falterman, Mr. Adams and Mr. Curran for review.

Mr. Schmidt stated that it could take six months to one year to get the language correct on the draft of the administrative rule.

A motion was made, and seconded to allow the language to be reviewed by the Board and have the Chairman approve the language at a later date.

Ms. Spinosa stated that an issue with required minimum distributions on older DROP accounts was discovered and corrective action is needed. In the past, DARS held the position that it operated as a qualified system; however, member were not required to make RMDs until the system became officially qualified last year.

Ms. Spinosa stated that Mr. Schmidt previously recommended that we annuitize those amounts but not using the IRS life expectancy tables and the Board approved. The Currans can help with calculations if needed.

Ms. Spinosa stated that there are still older DROP funds accounts that have not taken any funds.

A motion was made, and seconded, to draft this as an administrative rule if appropriate to further address these cases if the previous resolution is not sufficient.

Further, formal IRS voluntary corrective action needs to be taken by DARS. This is permitted under IRS rules, but the system itself cannot pay the \$500 fee required when filing the plan. Mr. Falterman suggested that Ms. Spinosa draft a letter to notify each impacted individual that a portion of the \$500 be paid by that member.

Next, Mr. Schmidt stated that the Board requested a sample summary financial report, similar to those used in the provide sector, primarily since the LDAA is not a governmental unit and the LDAA employees are members of the plan.

A motion was made and seconded to approve the Summary Financial Report format and that it be sent to members in 2016. Motion was unanimously approved.

Ms. Spinosa reported on the IRS 415 Excess Benefit limit. The Currans have given us guidance and so far no members have met the excess benefit limits. Mr. Schmidt stated that he would not go back and look into the past, just that members be analyzed prospectively.

Ms. Spinosa next reported that Livingston Parish Council reported late contributions to DARS. The contributions are now current but the question is whether interest should be charged. The statute

states that interest should be included. Ms. Spinosa reported that approximately \$500.00 in late contributions were at issue and the Currans could figure the interest due.

A motion was made, and seconded to have the interest on late contributions determined by the Currans and to notify the Livingston Parish Council of the amount due. The motion carried. Mr. Perrilloux and Mr. Walters recused themselves.

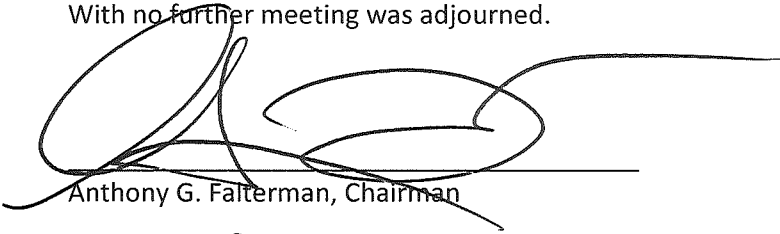
Next, Mr. Adams reported that the proposed budget marked "Version I" is without the Curran increase. The proposed budget marked "Version II" includes the Curran's increase.

A motion was made and seconded to approve the Version II proposed budget for fiscal year 2017. The motion was unanimously approved.

Mr. Adams reported on legislation and indicated there was not much to impact DARS. Some PERSAC bills were filed, including one that let the Speaker appoint the next ex-officio member. At this time, it is unclear if ether will pass.

Discussion was had on the date of the next DARS meeting. The meeting was set to be held during the LAPERS seminar in New Orleans. The meeting will be held on Sunday, September 18, 2016, before the Trustee workshop at LASERS. The Board will be notified of the time. A special meeting can be called in the meantime if needed.

With no further meeting was adjourned.

A large, stylized handwritten signature in black ink, appearing to read 'Anthony G. Falterman', written over a horizontal line.

Anthony G. Falterman, Chairman

A large, stylized handwritten signature in black ink, appearing to read 'E. Pete Adams', written over a horizontal line.

E. Pete Adams, Director