

Minutes of the Board of Trustees of the Louisiana District Attorneys' Retirement System that was held at the Louisiana District Attorneys Association on Tuesday, January 23, 2018, at 1:30 PM.

Present: Anthony Falterman, David Burton, Dale Lee, Don Burkett, Scott Perrilloux, Andy Shealy and Reed Walters.

Also Present: Pete Adams, Roxanne Barrios Juneau, Kristi Spinosa, John Vann, Gary Curran, Charles Bally, John Belton, Brad Burget, Jay Lemoine, Robert Schmidt, Bill Stamm, and Garrett Orgeron.

Absent: Representative Adam Abraham and Senator Barrow

Roll call was conducted; there was a quorum.

Mr. Falterman polled for any conflicts; none were reported.

A motion was made and seconded to amend the agenda to suspend the administration rule. The motion was unanimously approved.

A motion was made and seconded to approve the minutes of the November 16, 2017 meeting as published. The motion was unanimously approved.

A motion was made, and seconded to approve the financial statements for November and December 2017. The motion was unanimously approved.

A motion was made, seconded and unanimously approved to accept the following retirements:

- Donald Candell, effective November 1, Option III, benefit amount \$3,059.40;
- Barry Landry, effective October 21, 2017, Maximum, benefit amount \$3,171.36;
- James Prather, effective November 1, 2017, Option II, benefit amount \$5,152.90;
- Donald Wall, effective September 9, 2017, Option III, benefit amount \$7,039.91.

Mr. Vann reported as of January 16, 2018 the portfolio was valued at \$412,323,284.44, including alternatives.

He reported that he would like to review the following: asset allocation in International investments, MLP's, our Dorsey's allocation, and structured notes.

Mr. Vann presented highlights of the Level II report. He stated that as of December 31, 2017, the DARS allocation consisted of Equity 64.01%; Alternatives 8.41%; Fixed Income 27.47%, and Cash .11%.

He reported year to date capital distributions have been received from Light Stone in the amount of \$178, 448.86, Rastegar Capital in the amount of \$782,512.57, Cotton Cree Capital Partners in the

amount of \$157,948.02 and Encore in the amount of \$1,550,670.73. He reported that Rastegar is reaching 8% return as predicted.

Mr. Vann stated that the next 15-month outlook is good with nothing in the horizon to derail markets. The Dow up 28.08%, the S&P is up 19.42%, closing at 2.683, the MSCI EAFE index was up 22.43%, the yield on the 10-year Treasury bonds was 2.41%.

He reviewed the red, yellow and green light zones stating that the market is responding to the changing economic circumstances. The Fed will likely increase interest rates to prepare for a possible recession even though not anticipated soon.

Mr. Vann reviewed the market statistics stating that the yield curve is flattening and could become inverted. Historically, inverted yield curves forecast a recession in the next 12 – 18 months.

He stated that individual investors have a historically low amount of cash reserves, coupled with investment managers having the highest ever long-term equity exposure. The put-call ratio indicates extreme bullish overcrowding and hedge funds are the most leveraged. Margin levels are at an absolute all-time high.

Mr. Vann stated that it is time to consider reviewing the overall asset allocation relative to the U.S. equity exposure and question if DARS can withstand a potential correction in the market.

Some options to consider are to adjust U.S. equity exposure from growth to value, increase internationals and reallocate a percentage of portfolio into short term fixed income investments.

Mr. Vann stated that he has faith in Dorsey and they have been an excellent investment manager but we now have 25% invested with Dorsey, which makes diversification a concern.

Mr. Falterman stated that this has been a concern of his also.

Mr. Vann stated that he will start looking and have some proposals at the next meeting.

Mr. Vann reviewed the asset allocation of the fund and reported that DARS has \$8.5 in the money market fund. Will need about \$10 million to invest with a new fixed income manager.

Mr. Falterman asked that Mr. Vann have at least two managers present at the next meeting.

Mr. Vann reported that international allocation has 11.8% invested and would like to increase international/ETF's to 15%.

Mr. Vann reviewed Alternative Investments and Investment Fees.

Mr. Vann recommended to Board to increase international investment to 15%.

A motion was made and seconded to authorize Mr. Vann to increase international asset allocation to 15%. The motion was unanimously approved.

Mr. Vann presented the Board with a proposal to include structured notes the Equity portfolio. The purpose is to provide both equity market participation as well as protection against loss.

Mr. Adams noted for the record that all have been previously been educated on structure notes at prior meetings.

Discussion was had on the use of structured notes with specific examples.

A motion was made and seconded to invest \$5 million in structured notes, as described in Mr. Vann's proposal, \$3 million in Large Cap, \$1 million in Mid-Cap, and \$1 million in International. The motion unanimously was approved.

Ms. Spinosa reported that with the large increase of retirement benefits each month would like to increase the Fidelity "sweep" from \$1.5 to \$2 million. Discussion was had.

A motion was made and seconded to increase the recommended increase of the Fidelity "sweep" to \$2 million. The motion was unanimously approved.

Mr. Bill Stamm and Mr. Garrett Orgeron presented the DARS audit report for fiscal year ending June 30, 2017.

Mr. Stamm reviewed the three audit phases and the results for each phase. The three phases are Financial, Internal Control, and Compliance.

Mr. Stamm reported that DARS received a clean opinion, the highest level possible, in conformity with generally accepted accounting principles.

He stated that there were no findings needed to be reported to the Board. Everything went well with getting information from Mr. Vann and his staff.

Mr. Stamm reviewed the Statements of Fiduciary Net Position. The net position was \$392,603,825 compared to the last year amount of \$370,742,452.

A motion was made and seconded to approve and accept the Audit Report for fiscal year ending June 30, 2017. The motion was unanimously approved.

Discussion was had on the appropriate time to consider a higher employer rate than the 1.25% employer rate for 2018-2019. This will be on the agenda for the LDAA Board meeting on Wednesday, January 24, 2018.

Mr. Brad Burget addressed the Board and reported that the LDAA Building Committee met earlier in the day. With Mr. Adams transition from the LDAA and the physical separation of DARS there is a need to remodel the LDAA building or purchase a new building to accommodate the DARS office. The proposed deadline to do this is by June 2019.

Mr. Burget stated that the LDAA Building Committee is seeking a committee of non-LDAA Board members to meet with them to further discuss the issue.

Mr. Adams gave a presentation on the issues to be considered.

A motion was made and seconded to approve a small committee consisting of Mr. Anthony Falterman, Mr. David Burton and Mr. Andy Shealy. The motion was unanimously approved.

Discussion was had on a deadline date for recommendations. Once the committee's meet and review all the facts they can come up with a date.

Mr. Charles Ballay addressed the board regarding his letter addressing suspension of his retirement benefit. Discussion was had.

Mr. Falterman stated that he understood from the discussion that Mr. Ballay felt that once he was elected district attorney that his benefit should have never been suspended.

Mr. Ballay stated that Mr. Falterman was correct.

Mr. Burton suggested that Mr. Ballay consolidate his arguments into a memo form requesting what he would like the DARS do and how he understands DARS' authority to act.

Mr. Falterman stated that next DARS meeting will be held, Thursday, March 22, 2018, and requested Mr. Ballay deliver the memo to the Board before that date.

A motion was made and seconded go into Executive Session to have Mr. Schmidt to address the Board. Motion carried.

The Board returned from Executive Session after discussion of the Ballay issue. The Board was back on the record.

Mr. Falterman reported that the Board will wait on the memo from Mr. Ballay. No decision was made on the Ballay issue.

Mr. Adams reviewed the detailed memo that was requested at the November DARS meeting on the separation of the LDAA and DARS, addressing personnel and compensation issues.

He summarized the memo and stated that now a decision is needed as to the percentage of compensation the DARS board will reimburse LDAA for his continued employment as the DARS director.

He also needs a confirmation that the suspension statute and rule does not apply to him and what percentage DARS will contribute to LDAA in reimbursement for his salary.

A motion was made and seconded to go into Executive Session. Motion carried.

The Board returned from Executive session and was back on the record.

A motion was made and seconded to suspend La. Admin. Code tit. 58, pt. 21, § 501(2017) except the portion that requires required minimum distributions after suspension of benefits. The motion was unanimously approved.

Mr. Shealy requested that the minutes reflect some of the reasons for the Board's action in suspending La. Admin. Code tit. 58, pt. 21 § 501, except the portion thereof relating to the minimum required distributions of a member, which reasons include, but are not limited to, the following:

- a) Rule 501 was adopted as part of a comprehensive set of rules necessary to obtain tax qualified status from the IRS;
- b) The portion of Rule 501 relative to suspension of benefits upon rehire was not specifically discussed by the Board at the time of the adoption of those Rules;
- c) Rule 501 is ambiguous and appears to be in conflict with the statutory suspension of benefits upon rehire provisions contained in La. R.S. 11:1631;
- d) The statutory suspension of benefits upon rehire provisions contained in La. R.S. 11:1631 were thoroughly discussed and considered when they were adopted by the Louisiana Legislature in 2008;
- e) Rule 501 should be interpreted in a manner consistent with the statutory suspension of benefits upon rehire provisions contained in La. R.S. 11:1631;
- f) The suspension of Rule 501, except that portion relating to the minimum required distributions, should not jeopardize the tax qualified status of the DA Retirement System Plan; and
- g) The suspension of Rule 501, except that portion relating to the minimum required distributions, will remove the ambiguity and apparent conflict between the Rule and the statutory suspension of benefits upon rehire provisions contained in La. R.S. 11:1631 until such time as a more thorough analysis and discussion can be had on the impact that any changes to the statutory suspension of benefits upon rehire provisions might have upon our retirement system and its members.

Mr. Shealy requested that the record state that Rule 501 was adopted as part of a comprehensive set of rules relative to IRS qualification. Further, that the portion of Rule 501 related to rehire and suspension of benefits was not specifically discussed by the Board and is ambiguous. Further, Rule 501 should be interpreted in a manner consistent with the statutory provisions related to reemployment and suspension of benefits, R.S. 11:1631.

Mr. Falterman then addressed Mr. Adams compensation and suggested that DARS pays Mr. Adams the same percentage of his total LDAA and DARS pre-retirement, approximately 30%.

A motion was made, and seconded, that Mr. Adams be paid by DARS the same percentage of his total LDAA and DARS pre-retirement, approximately 30%. The motion was unanimously approved.


Mr. Adams stated that there is a notice that must be sent out by the chairman of boards of trustees of each state or statewide public retirement systems to provide notice to every person associated with the with the system and who do business with the system that may be required to file a financial disclosure. A draft of the notice will be provided for the chairman's signature.

The date of the next meeting will be Thursday, March 22, 2018, at 9:30 a.m. at LDAA Headquarters.

With no further business the meeting will be adjourned.



Anthony G. Falterman, Chairman



E. Pete Adams, Director