

Minutes of the meeting of the Board of Trustees of the Louisiana District Attorneys' Retirement System held at the Sandestin Resort in Sandestin, Florida, on Monday, June 29, 2015, at 1:30 p.m.

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

Also Present: Pete Adams, Roxie Barrios Juneau, Steve Mergler, Greg Curran, Kristi Spinosa, Paul Carmouche, John Vann by conference call, Tony Sanders, and Marty Maley.

Absent: Representative Pearson and Senator Guillory

Mr. Falterman reported that there were no conflicts of interest.

A motion was made and seconded to approve the March 2, 2015, meeting minutes as published. The motion was unanimously approved.

Ms. Spinosa reported on the meeting held via e-mail on June 8, 2015. The meeting was called for purposes of adopting the Notice of Intent to be published in the Louisiana State Register. All members except one attended by e-mail and those present agreed with the adoption of the changes in the Notice of Intent and voted in favor of resolutions passed thereat.

A motion was made and seconded to approve the June 8, 2015, meeting minutes and the resolutions as published. The motion was unanimously approved.

A motion was made and seconded to approve the financial statements for February, March, April and May 2015. The motion was unanimously approved.

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

- John Fitzmorris, effective April 1, 2015, Option II, benefit amount \$1,829.08;
- R. Greg Fowler, effective March 23, 2015, Option II, benefit amount \$941.79;
- Jack Hoffstadt, effective March 28, 2015, Option II, benefit amount \$3,773.19;
- Donald N. Kearns, effective , April 1, 2015, Option II, benefit amount \$8,135.18;
- James T. Lee, effective April 6, 2015, Option I, benefit amount \$1,897.39.

Mr. Falterman advised the Board of the following retirement deaths:

- Jack C. Peebles, died May 13, 2015, survivor benefit amount \$1,503.96;
- J. William Pucheu, died June 15, 2014, survivor benefits amount \$6,447.87;
- Ronald C. Martin, died March 30, 2015, Option II survivor benefit amount \$1,500.00;
- Charles R. Scott, died April 22, 2015, survivor benefit amount \$2,208.86;
- Jamie F. Valigosky, died February 9, 2015, no further benefits due.

Mr. Curran reported they have reviewed a number of retirees and find that they do not exceed the IRS 415(b) limit. Their initial review of Doug Moreau and John Sinquefield suggest that neither will exceed

415(b) limits. They do believe that Morgan Goudeau will exceed the 415 limit, but to do a final calculation as of the time he retired will take significant research. Mr. Goudeau had a large retirement benefit and drop balance. Mr. Curran stated that he needed the Board to advise him how to handle this. He didn't know if a legal opinion is needed.

Mr. Falterman wanted to know what the options were.

Mr. Adams stated that there are two opinions. Mr. Curran could move forward with the research of Mr. Goudeau testing the excess benefit. The other is who would pay the excess benefit.

Mr. Adams suggested that the Board could instruct him to contact Bob Schmidt about how to handle the Morgan Goudeau issue. He then could report his findings at the next meeting.

A motion was made, and approved to have Mr. Adams contact Bob Schmidt about the issue of Morgan Goudeau.

Mr. Vann reviewed the Performance Summary, stating as May 31, 2015, the portfolio was \$357,425,367.56.

Mr. Vann reported on the allocation changes to portfolio stating that fixed income was increased from 23.83% to 25.46%. International increased from 6.55% to 12.20%.

Mr. Vann reported on updates on alternative investments stating that Themelios Ventures had a \$700,000 Capital Call on April 24, 2015 that has been funded. Cotton Creek Capital Partners II, LP has made a Capital Call in the amount of \$57,000 that is in the process of funding.

Mr. Vann reported that investments in Office REITs have struggled since 2006, including DARS position in Behringer Harvard. However, the investments in Strategic Storage and Lightstone have performed well. It is anticipated the position in Strategic Storage will be sold in September 2015 for a final sale price of \$5,488,000 (\$2,000,000 initial investment). This is the first full closeout in alternatives.

Mr. Vann reported there was only one action item to be taken care. He stated that he had discussed with the Chairman and Mr. Adams about the decline in real estate due to the market.

A motion was made and seconded to decline any further invitations to reinvest in real estate at this time. The motion was unanimously approved.

Mr. Mergler reported that the increase of management fees of \$139,356.00 since the last quarter were due to the reallocation of funds in Dorsey.

Mr. Mergler presented the Market Review report. He stated that that last year's first quarter slowdown appears to have been mostly weather related. Both the 3rd and 4th quarter GDP growth exceeded 4%, with 2014 growth of 2.4% year-year. The leading economic indicators remain at healthy levels.

He reported that the consumer is still holding back. Headline retail sales and home sales slowed during the end of 2014 and into the first quarter of 2015. The employment picture continues to improve and the unemployment rate is down.

Mr. Mergler reported that the S&P Index gained 1.0% in the first quarter. At 16.9 times next 12 months earnings, the forward P/E Ratio for the S&P 500 remains above the 25-year average of 15.7x.

He stated that the S&P Composite Index went through a 14 year consolidation of the gains for, the 1974-2000 bull and has since moved to all-times highs. By most valuation measures, equities are in-line with the 25-year average.

Mr. Mergler stated while earnings for U.S. companies remain near all-times highs, earnings for many International companies are below the 2007/2008 peak. Further, with European equities performing well this quarter, their valuations are now in-line with the U.S. Emerging markets appear attractive relative to the U.S. and MSCI Europe.

Mr. Mergler reported with the market currently expecting the Federal Reserve to begin raising interest rates in the Mid-2015, some investors have expressed concern about the potential impact on equities in 2015. Rising rates are generally associated with rising stock prices, when yields are below 5%.

He reported that bonds have provided equity-like returns over the past 30 years as interest rates dropped to all-time lows in 2012. Their expectation is for equities to outperform bonds over the next cycle.

Mr. Mergler reviewed the Market Risk Indicator chart. He stated that the "yellow light" zone means valuations are high enough that investors need to use caution in stock selection. However, given low fixed income yields they believe equities will outperform bonds over the next several years.

Mr. Adams reported that the Employer Pension Report was presented at last meeting for review and needs to be approved today.

A motion was made and seconded to approve the Employer Pension Report from Duplantier, Hrapmann, Hogan & Maher, L.L.P. The motion was unanimously approved.

Mr. Curran stated that the GASB Financial report is designed to provide information necessary to prepare financial statements which comply with Governmental Accounting Standards Board (GASB) Statements 67 and 68.

Mr. Curran reviewed the Exhibit IV of the report, which is the Schedule of Net Pension Liability. He reported that the Net Pension Liability (Asset) as a Percentage of Covered- Employee Payroll for 2013 was 61.72% and 2014 3.45%. The Plan Fiduciary Net Positions as a Percentage of the Total Pension Liability for 2013 was 89.67% and 2014 was 99.45%.

Mr. Adams asked about PERSAC using this funding report to determine the employer rate.

Mr. Curran stated that PERSAC would not use this report.

Discussion was had on increasing the employer rate. 2015 Legislation would allow the Board to set the employer rate to a higher amount than the minimum amount set by PERSAC. This decision would increase costs to the state. The employer rate of 3.50% has already been approved by the Board at last meeting. If PERSAC drops employer rate next year, this Board could decide what to do then. PERSAC will decide on new employer rate for fiscal year 2016-2017 in February or March 2016.

Mr. Falterman stated that he understood from a previous board meeting that the BOARD discussed raising the employer rate and the overage amount be set aside in a separate account for a cushion.

Mr. Falterman requested that the minutes be reviewed from the past meeting regarding the employer rate changes.

Ms. Spinosa reported that most systems are posting the GASB reports on their websites. She reviewed a memo for the website about the pension reporting requirements under GASB 68, which also explains GASB.

A motion was made and seconded to approve temporarily to post the GASB reports on the DARS website. The motion was unanimously approved.

A motion was made and seconded to approve the Audit report for fiscal year 2015. The motion was unanimously approved.

Mr. Curran reported that monthly retainer will be the same as that for the prior year, hourly charges for certain job categories have been increased. The minimum charge for certain special calculations has been increased from \$125 to \$150.

A motion was made and seconded to approve the proposed actuarial services by G. S. Curran & Company for 2016. The motion was unanimously approved.

Mr. Adams reported to the Board the changes in the budget for 2016, stating that Kristi Spinosa will become an employee of DARS. Ms. Spinosa is an attorney and familiar with all the changes such as qualification and GASB, he thought this would be the best move. She has done an exceptional job thus far.

He also stated that there is a modest salary increase for Roxie Juneau and Gwen Hicks.

Mr. Falterman stated that the Board would pass on approval at this time but would go into executive session to discuss the budget.

Mr. Adams reported on House Bill No. 56 that provides the modification of employer contribution rates by the board of trustees of DARS. The bill passed.

Ms. Spinosa reported the Brindisi case is completed and DARS won the case. There were no outside legal cost but there was other cost that could be paid by Mr. Brindisi. That would be the Board's call. No action taken.

Ms. Spinosa reported that new procedures have been placed in house since becoming qualified. Notification has been sent to all employers and members regarding the changes. The amount of employers is approximately 150. Some members receive contributions from up to five sources. We are in the process to of updating data to make sure all employers are reporting.

Ms. Spinosa reported that DARS has received a number of calls about rollovers of DROP funds. She has contacted other systems about forms they use for these procedures. She reviewed forms that can be used at this time. In the past, a member could send a request by letter. She recommends that in light of qualification, the system now needs more uniform ways for members to request action so that we can make sure no regulations are inadvertently violated.

Ms. Spinosa stated also that we needed a policy regarding refund of employee contributions. In the past week or so, a member was going to indicated he was planning to resign, be rehired and needed to withdraw his contributions. This is an IRS violation if the termination is not legitimate. She recommends the Board adopt a policy regarding how long a member must wait after termination to receive a refund. It is important to make sure a member is truly terminated and that all contributions are received before issuing a refund. She further reported that the Parochial Retirement System has a waiting period of waits 30 days.

Mr. Falterman and Mr. Gascon suggested 60 days.

A motion was made and seconded that the policy for refunds is 60 days after termination of employment. The motion was unanimously approved.

Mr. Adams stated that he would put a notice in the Line for Line.

Discussion was had on a number of retirement estimates a member could request in house. The minutes will be reviewed and staff will report back.

Mr. Adams reviewed a memo from Robert Schmidt regarding employers participating in DARS that have been treating employee contributions as excludible from income for income tax purposes, even before the determination letter was received by DARS from IRS on March 12, 2015.

Ms. Spinosa stated that there have been a few offices that have reported contributions as sheltered in error in the past. She would like authority to approach these District Attorneys' offices to provide the information from Mr. Schmidt.

A motion was made and seconded to require the District Attorneys' offices to provide the contribution records when there is a suspected error. The motion as unanimously approved.

Mr. Gascon wanted to know at 70 ½ what will happen with BACK-DROP or DROP money. More specifically, will the minimum distribution have to be withdrawn. He remembers that at one time Mr. Schmidt said the money would not be subject to the required minimum distribution (RMD).

Mr. Adams stated that anyone that requested advice he spoke to about this was told to discuss same with their financial advisor.

Mr. Adams stated that he will discuss this with Mr. Schmidt.

The next meeting will be held on Sunday, September 13, 2015, at 9:30 a.m. at the New Orleans Marriott. The LAPERS conference will begin at 12:00 noon on that date for all Trustees.

A motion was made and seconded for the Board to go into executive session to discuss the proposed budget for fiscal year 2016. The motion was unanimously approved.

A motion was made and seconded for the Board to return to regular session of the board meeting. The motion was unanimously approved.

Mr. Falterman reported that in the executive session discussion was had on the proposed budget for fiscal year 2016.

A motion was made and seconded to approve the hiring of Kristi Spinosa, salary increases for Gwen Hicks and Roxie Barrios, and the budget for fiscal year 2016 as published.

With no further business the meeting was adjourned.



Anthony G. Falterman



E. Rete Adams