

Minutes of the meeting of the Board of Trustees of the Louisiana District Attorneys' Retirement System held at the New Orleans Marriott at 9:00 a.m. on Sunday, September 7, 2014.

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, John Vann, Gary Curran, and Steve Mergler

Absent: Representative Pearson and Senator Guillory

A motion was made and seconded to approve the May 8, 2014, meeting minutes as published. The motion was unanimously approved.

A motion was made and seconded to approve the financial statements for April, May, June and July 2014. The motion was unanimously approved.

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

- Dan B. McKay, Jr., effective April 1, 2014, Option II, benefit amount \$2,037.89;
- Roger J. Breedlove, effective July 1, 2014, Option II, benefit amount \$6,517.52;
- Sheryl L. Laing, effective May 1, 2014, Option II, benefit amount \$6,764.00;
- Leo R. Hemelt, effective August 1, 2014, Maximum benefit amount \$2,834.29;
- Mack H. McCraney, effective May 1, 2014, Maximum benefit amount \$3,750.00; and
- Keith Comeaux, effective September 1, 2014, Option II, benefit amount \$2,044.59.

Mr. Vann reported that it has been a good year and it looks like the first return to a normal market cycle since year 2000. In the next two to five years we will be looking for Dows Jones to be close to \$25,000 and very optimistic.

Mr. Vann introduced Steve Mergler and stated that they have worked for some time as partners with Rushmore Advisors and with Banyan Partners. Recently Banyan Partners merged with Boston First Private Bank. Currently Banyan has \$4.5 billion in investment management assets and the bank has \$4.5 billion.

Mr. Vann reported that the bank approached Banyan wanting them to be their investment manager. Instead of Banyan managing the investments they became a third party of the investment holding company.

Mr. Vann explained that they do not work for the bank and the bank does not work for Banyan; it is a complete separation.

Mr. Vann reported that they have a letter of consent and would like the Board to acknowledge the merge with the bank effective October 1, 2014.

Mr. Adams requested that Mr. Vann go into more detail outlining reasons why there is no conflict of interest.

Mr. Mergler stated that they are separate from the bank and there is no cross membership with Banyan and the bank. You have to be a larger firm to compete today. The merger is for Banyan to manage the banks investments only. Banyan's fees will remain the same.

A motion was made and seconded to approve the merger and the signature required. The motion was unanimously approved.

Mr. Vann informed the Board the reason he was unable to attend the last meeting and stated that Mr. Mergler would now be attending the meetings along with Mr. Vann.

Mr. Vann reported that as of June 30, 2014, the total assets were \$346,961,043.71. Year-to-date, the assets were up 6.9%.

He reported that Strategic Storage Trust has been presented a buyout offer. The offer is \$7.50 a share and the market value is \$10.00 a share. Mr. Vann stated that the offer is 25% less than the current valuation, and he recommended that the group decline the offer.

A motion was made and seconded to decline the buyout offer. The motion was unanimously approved.

Mr. Vann reported that the portfolio is pushing the limit on the allocation that was decided upon. The portfolio has a lower range in fixed income and pushing the higher range in equities.

He stated that Dorsey is managing fixed income very well and have exceeded the index through all periods of time.

Mr. Vann stated that Loomis Sayles has a different approach. They work with more illiquid bonds that are high quality, but he was not endorsing a change at this time.

He stated that Dorsey is managing 22% of the fund and could go up to 40%.

Mr. Falterman stated that Dorsey has done a great job and sees no reason to move.

Discussion was had on the possibility of moving some of the \$26 million in investments that has to be reallocated to Loomis Sayles.

Mr. Falterman inquired if Mr. Vann has a recommendation.

Mr. Vann stated that he does have a recommendation for the \$26 million. He would consider placing a minimum amount, possibly \$5 million, with Loomis Sayles.

Mr. Walters wanted to know from where we would be pulling the \$26 million.

Mr. Vann stated that \$20 million is presently in the cash account and an approximate amount of \$6 million is in equities.

He asked the Board to consider action on Loomis Sayles, the railroad portfolio, and the \$23 million in the cash account, as well as the \$6 million in equities.

Messrs. Vann and Mergler reviewed the Market & Portfolio Review handout.

Mr. Vann reported that they sent ADVs and request for proposals which is a formality that the company is required to do.

He presented Mr. Falterman with a copy of the Banyan Form ADV Parts I & II (Disclosure Brochure) which is required by the Investment Advisors Act of 1940. It is an important document between Clients and Banyan Partners. This brochure provides information about the qualifications, services, and business practices of Banyan Partners, LLC. This must be kept in the DARS retention file.

He reviewed the Investment Management Proposal handout. He stated that the proposal aims to deliver a custom portfolio focused on the railroad industry, incorporating individual equities of railroad companies, railroad suppliers, and dividend-paying MLPs.

Mr. Vann stated that the objective of the proposal is to construct a portfolio based on the following guidelines: (1) 90% focused on the railroad industry and related supplies; (2) 10% focused on MLP companies that own energy infrastructure; and (3) security selection limited to U.S. domiciled companies whose stock partnership shares trade on major U. S. exchanges.

He reported that they had researched some companies, and he gave a list of the recommended holdings.

Mr. Falterman inquired whether Mr. Vann would manage these holdings and that the Board would authorize him to buy and sell. Mr. Vann replied that he would.

Mr. Adams requested Mr. Vann's opinion on the future of railroads. Discussion was had on the future of railroads.

Mr. Vann reported that Banyan charges an annual management fee based on the total value of assets managed. The fee is their only compensation. They believe this ensures that investment decisions are made in their client's best interest. The annual investment management fee would be 0.35%.

He reported that he is on the committee to manage this investment.

Mr. Falterman requested Mr. Vann's recommendations.

Mr. Vann stated that 5% (\$15-\$20 million) would make a meaningful impact but not enough to be a risk to the portfolio. He stated that still leaves \$11 million for reallocation which can be invested with Loomis or go with Dorsey.

Mr. Gascon wanted to know if there would be a conflict of interest.

The Board went into Executive Session.

The Board returned from Executive Session.

Mr. Falterman reported to Messrs. Vann and Mergler that the Board had decided to delay investing in railroads. He also stated that the Board would like them to provide additional options at a later date.

Mr. Vann stated he understood and would look for other options. Another thing he suggested was buying the index funds and actively managing the fund as they do now.

He stated that he would research other options and have presentations at the next meeting.

Mr. Vann reported that a decision needed to be made on the \$26 million. The choices were Loomis Sayles or Dorsey.

Mr. Falterman stated that Dorsey is a Louisiana company which has been very good to the system.

Mr. Curran stated it would be good to move some of the funds into fixed income to avoid some risk. Equity seems to have reached its limit.

Discussion was had on how to move the \$26 million and a decision was delayed until after Mr. Curran report.

Mr. Curran stated that they are trying to forecast what the figures will look like in the valuation for 2014. They made an estimate of the impact of the rate of return after speaking to Mr. Vann about making 17% on the market. Taking those numbers to make a calculation on the actuarial rate of return, one comes up with about 12% looking at the phase in gains. The estimated 12% rate of return will be a cost reduction around 2.25%. In addition, last year had some liability gains of about 1.5% and he estimates that we will see that again.

Mr. Curran reported last year had 6% new hire gain. If you put all of this together, we are currently looking at somewhere of a 4% reduction. Now is the time to take care of some of the risk. The system

has had a good track record for the last few years. The assumed rate of return has gone down from 8% to 7.5%.

Mr. Curran recommended a good prudent item is to consider using the cost reduction money and pull the risk money down a little from 7.5% to 7.25%. This would be an offset of cost and would take a vote of the Board. They would use these numbers to run the valuation.

A motion was made and seconded to approve Mr. Curran's recommendation to go from 7.5% to 7.25% if there is no cost to system.

Ms Barrios Juneau reported to the Board on the proposal for a new computer and printer for the DARS system. The cost would be \$1,500 for both pieces of equipment.

A motion was made and seconded for the purchase of the new computer and printer for the DARS system. The motion was unanimously approved.

Mr. Adams stated that Pomerantz LLP this is an advise item only.

He also reported that DARS received notification from both legislative retirement committees pursuant to LSA-R.S. 11:186 of the appointment of representatives to attend executive sessions of the DARS board.

A motion was made and seconded to approve the Louisiana Compliance Questionnaire for fiscal year 2014. The motion was unanimously approved.

Ms. Barrios Juneau reported that due to extra anticipated duties of Gwen Hicks pertaining to auditing and GASB compliance, we are proposing the hiring of another staff person with accounting background to assist with the increased duties. This would help Mr. Curran and the auditor which could possibly lower auditing cost in the future. Maximum salary and benefits of the new hire would not exceed \$100,000 per year.

A motion was made and seconded to approve hiring an additional staff member for the DARS system at a maximum cost of \$100,000. The motion was unanimously approved.

Mr. Adams reported on the DARS issues surrounding the 22<sup>nd</sup> Judicial District Attorney's office. He stated that he has been contacted by the media. He asked for direction on how to handle the questions from the media. He suggested that we request assistance from the Legislative Auditor to look into the matter on behalf of the board.

Discussion was had on how some ADA salaries are paid and by what source.

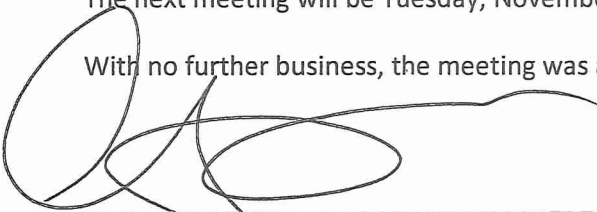
A motion was made and seconded to have Mr. Adams contact the Legislative Auditor to formally request a review of the DARS issues in the 22<sup>nd</sup> Judicial District Attorney's office and report back to the Board at the next meeting. The Board voted in approval. However, Mr. Gascon recused himself from the vote and Mr. Perrilloux voted in opposition.

A motion was made and seconded to approve investing \$20 million with Loomis Sayles as per Mr. Vann's recommendation.

Discussion was had to leave the \$6.5 million in equity funds. No further action was taken.

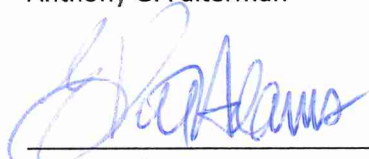
The next meeting will be Tuesday, November 18, 2014, at 2:00 p.m.

With no further business, the meeting was adjourned.



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Anthony G. Falterman



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E. Pete Adams