

District Attorneys' Retirement Systems  
Board of Trustees Meeting  
September 16, 2021

The meeting of the Board of Trustees of the Louisiana District Attorneys' Retirement System was held on Thursday, September 16, 2021, at 9:30 a.m. at the DARS office in Baton Rouge, LA..

Present: Anthony Falterman, Don Burkett (via WebEx), Dale Lee, Todd Nesom, Scott Perrilloux, Andy Shealy, Reed Walters, Senator Kirk Talbot, and Representative John Illg

Also Present: Kristi Spinosa, Aaron Vann, Greg Curran, Kenny Herbold, Joey David, Roxie Juneau, and Loren Lampert

Absent: none

Roll call was conducted and there was a quorum.

Tony Falterman asked the group to review the agenda regarding the following two statements concerning conflicts disclosure:

- I have reviewed the agenda, and I have no conflicts of interest to disclose.
- If a conflict arises during this meeting, I will disclose it and take appropriate action to resolve it.

The group reviewed the agenda and no conflicts were reported.

A motion was made and seconded to approve the June 28, 2021, minutes as presented. The motion carried.

A motion was made and seconded to approve the financial statements for June, July, and August 2021. The motion carried.

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

- Donna Andrieu, retired effective 4/27/2021, Maximum, benefit amount \$6,362.30;
- Amanda Seale Lucas, retired effective 9/7/2021, Maximum, benefit amount \$1,400;
- Jimmy D. White, Jr., retired effective 8/14/2021, Option 2, benefit amount \$5,734.22.

The following deaths were reported:

- Jack Hoffstadt, died 07/19/2021, survivor benefit \$6,441.99;
- G. Charles Lorio, died 8/26/2021, no further benefit due. Electronic deposits were already processed for September 2021 when DARS was notified of Mr. Lorio's death. Therefore, one month of benefits paid to the member is due back to DARS.

Aaron Vann reported that the total portfolio appreciated 2.34% for the fiscal year beginning July 1, 2021, while the index has appreciated 2.50%. The total portfolio appreciated 5.85% for the second quarter ending June 30, 2021, while the index has appreciated 4.13%. The portfolio appreciated 10.91% while the index appreciated 8.83% for the year to date through September 14, 2021. As of September 14, 2021, all assets total \$523,746,644.

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Aaron Vann stated that they expect for the remainder of 2021 to be volatile in the equity markets, and we are likely to see an ongoing rotation from growth sectors like technology and biotechnology, to economically-sensitive, cyclical stocks in sectors like industrials and basic materials, that should benefit from the infrastructure program and all of the stimulus in general, to value stocks and economic reopening stocks like theaters, restaurants, airlines, and cruise lines. They believe that it makes sense to maintain exposures to all three types of stocks (growth, value, and international, as well as adding additional exposures to the small-mid caps) in this environment. The goal is to achieve actuarial assumptions, not rapid growth.

He stated that with the rollout of vaccines for COVID, life could return to normal by the fall of 2021. A more realistic view on the federal budget over the next year suggests that the federal government will hit a new record high debt-to-GDP ratio by the end of FY2021. The economic recovery should accelerate in the second half of 2021. Growth will be driven by pent-up demand and pent-up supply in those sectors that have been most impacted by the pandemic. This should push the economy closer to a full recovery, and growth thereafter may well retreat closer to the roughly 2% pace it saw in 2019, which is considered healthy. Job gains should follow as service sectors rebound in late 2021. The unemployment rate should fall to between 4.5% and 5% by the end of 2021, and to between 3.5% and 4% by the end of 2022.

S&P 500 earnings are poised to hit a new all-time high in 2021. Inflation should rise, but not surge. The Federal Reserve remains accommodative and has pledged to hold the federal funds rate at its current 0-0.25% target range until inflation is at 2% and on track to moderately exceed 2% for some time. Treasury yields have fallen to near-historic lows and real yields are negative. Valuations are high for U.S. equities and are likely to continue to grow quickly in the year ahead which should lead to some compression in the ratios. Investors may want to consider diversifying their equity exposure adding more to value stocks.

The plain vanilla 60/40 portfolio will be very low in the next few years, which highlights the urgency of finding other ways to boost portfolio returns without taking on inordinate amounts of risk. While growth has outperformed in recent years, value may do better over the next year or two. International stocks offer long-term opportunities.

Aaron Vann reported that the sale of Dorsey and Company to the parent company Prospera Financial Services is complete. Steve Rueb will still manage our portfolio.

Mr. Vann updated the Board on the Rastegar portfolio stating that they expect Rastegar to re-instate distributions by the end of the third quarter. Unpaid distributions will accrue.

Discussion was had on Project Mingo, and Multiplicity Partners' interest in acquiring our Louisiana Funds portfolio. They have offered to match any Setter Capital offering plus 1%, likely with a return of capital in the next 15 months. John Vann recommended that we wait because much of the portfolio is in liquidation status. A motion was made and seconded to decline the offer. The motion carried.

Ms. Spinosa disseminated the FY2021 Act 1040 cumulative report for informational purposes.



Josephine Heller addressed the Board regarding her request for post-transfer actuarial upgrade. She stated that she transferred in 16.5 years of service from LASERS in 2018 at 2.5% with the understanding that she could upgrade to 3.5% at a later date. However, after her transfer, the DARS Board set a policy that actuarial upgrades should occur at the time of transfer. Ms. Heller asked the Board to allow her to upgrade now at an actuarial cost of \$167,242. Greg Curran stated that all actuarial costs would be paid by the member, therefore it is actuarially neutral. Discussion was had. A motion was made and seconded to allow Ms. Heller to upgrade from 2.5% to 3.5% at a actuarial cost of \$167,242. The motion carried. This motion is case specific and does not change the policy the Board has previously set. The Board will look into filing legislation to address this issue.

Kristi Spinosa led a discussion on a post-retirement refund repayment for transfer request from Madeline Slaughter-Young. The member retired in 2017, and when she retired from DARS, she did not repay roughly four years of refunded service credit. She is currently an active member of LASERS and has inquired about the possibility of repaying the refunded DARS service credit in order to execute a reciprocal agreement (R.S. 11:142) or a transfer (R.S. 11:143). This would not impact her DARS retirement benefit. The question is whether a retiree may utilize R.S. 11:144 post-retirement. Discussion was had. A motion was made and seconded to deny the request for post-retirement repayment of refunded service credit. The motion carried.

Greg Curran addressed the Board stating that due to setting the valuation rate at 6.25% last year, DARS will likely show a savings. It may be a good opportunity to lower the rate and lower risk in the plan. Discussion was had. A motion was made and seconded to opportunistically lower the valuation rate with the caveat that the employer contributions rate does not go up. The motion carried.

Kristi Spinosa reported that she and Greg Curran have discussed breaking down the DARS' retainer by separating the actuarial retainer at 53% and the benefit calculations at 47%. Currently the monthly retainer is \$6,580. Since 2020 was an election year cycle, Mr. Curran used data from 2019 to determine setting an updated retainer for his next contract at \$7,680 monthly.

Kristi Spinosa led a discussion on the IRS qualification review and potential legislation. Bob Tarcza has started a review of DARS statutes as related to IRS qualification. The first issue found involves rehire issues. It is recommended that the statute be amended to include a true break in service of at least 60 days and to amend the salary limit to comply with IRS age and salary regulations. A motion was made and seconded to accept this recommendation. The motion carried.

Ms. Spinosa will also draft amendments to address post-transfer actuarial upgrade to avoid issues like Ms. Heller's in the future.

Ms. Spinosa reported on Diaz v. DARS, stating that Mr. Diaz has filed a supervisory writ order. She reported that we do not have to respond and will wait and see if a rehearing or trial is scheduled.

Andy Shealy led a discussion on Board composition stating that legislation needs to be filed this session if we are to have any impact on the 2022 DARS election. Mr. Shealy suggested the makeup of the Board could be a total of eight members, four DAs and four ADAs, including one retired DA and ADA. The other three DAs and ADAs could come from small, medium, and large offices (one from each). Andy Shealy will send Kristi Spinosa the information

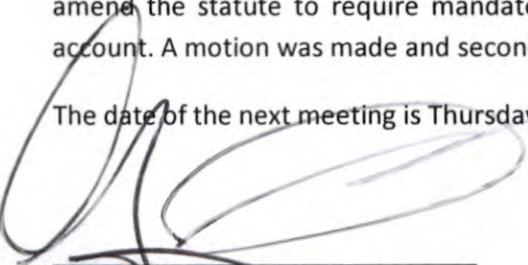
he presented for her to send to the Board. Possibly for next session, the best option may be to add a retired ADA member to the existing Board.

Kristi Spinosa disseminated a memo and draft budget for FY2023 for review stating that the FY2023 budget must be submitted to the Joint Legislative Committee on the Budget at least thirty days before the convening of the regular session. She conducted salary analysis with the other eight statewide retirement systems and gathered pertinent salary information for the director and pension assistant positions. The current draft of the FY2023 budget does not include any personnel changes. She recommended the following changes to the personnel category effective July 1, 2022:

- Part-time Pension Assistant – 3% cost of living adjustment to current salary;
- Full-time Pension Assistant – change title to Retirement Analyst; change the position salary to \$67,078.45, the average statewide system salary of comparable positions, including DARS;
- Director-Attorney – change title to Director and General Counsel; change the position salary at the will of the Board of Trustees.

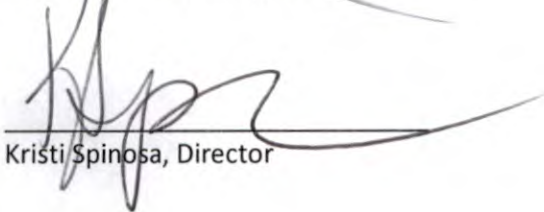
Ms. Spinosa next led a discussion on mandatory withdrawal of BackDROP funds stating that there is no reason for DARS to hold funds at LAMP for retirees. Legislation would be required to change; and she recommends that we amend the statute to require mandatory cash withdrawal or “roll-over” within 90 days post funding of the account. A motion was made and seconded to draft legislation as recommended. The motion carried.

The date of the next meeting is Thursday, November 18, 2021, at 9:00 a.m. at the DARS office in Baton Rouge, LA.



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Anthony S. Falterman, Chairman



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Kristi Spinosa, Director