

District Attorneys' Retirement Systems
Board of Trustees Meeting
November 1, 2019

Minutes of the Board of Trustees of the Louisiana District Attorneys' Retirement System that was held at Per Stirling in Austin, Texas, on Friday, November 1, 2019, at 1:00 PM.

Present: Anthony Falterman, Dale Lee, Todd Nesom, Andy Shealy, and Reed Walters

Also Present: Kristi Spinosa, Gwen Hicks, Sharon Hill, John Vann, Aaron Vann, and Julie Nielsen

Absent: Senator Peacock and Representative Abraham

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 minutes of the September 15, 2019, meeting as published. The motion carried.

A motion was made and seconded to approve the financial statements for August, and a preliminary draft of September and October 2019. The motion carried.

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

- David Harkins, retired effective February 16, 2019, Maximum, benefit amount of \$6,824.87;
- John Wayne Jewell, retired effective July 1, 2019, Option 2, benefit amount of \$3,445.64;
- Rickey Miniex, retired effective October 16, 2019, Option 2, benefit amount of \$1,057.78.

There were no deaths to report.

J.P. O'Sullivan, Chief Compliance Officer, Per Stirling, gave an overview of the history of Per Stirling, stating that they are a fiduciary focused firm.

Amber Bell, Compliance, gave an overview on how Per Stirling handles compliance including cyber security and elder fraud.

Carol Sheffield, Operations Manager, gave an overview of their secure email service, Smarsh Email.

Robert Phipps, Co-founder of Per Stirling, presented a mini roundtable discussion on inflation, trading volume, and relative strength or buying power, to demonstrate how Per Stirling conducts in depth analysis on current investment issues.

John Vann stated that he is very pleased with his association with Per Sterling.

John Vann asked the Trustees about shifting the meeting cycle to the last week of the month so Per Stirling will have extra time to prepare the investment reports for the previous month. A meeting schedule for 2020 was disseminated with dates for the third week of the meeting month, and the fourth week of the meeting month. Discussion was had. A motion was made and seconded to schedule the meetings for 2020 on the third Thursday of the meeting month except the month after the end of the quarter. The motion carried. Below is the meeting schedule for calendar year 2020:

- Thursday, January 23, 2020 9:30 a.m.
- Thursday, March 19, 2020 9:30 a.m.
- Thursday, May 21, 2020 9:30 a.m.
- Thursday, July 16, 2020 9:30 a.m.
- Sunday, September 20, 2020 9:30 a.m.
- Thursday, November 19, 2020 9:30 a.m.

Mr. Vann disseminated a document titled The Curious Case of Negative Rates for informational purposes.

He also reported that he has submitted all information requested by the Louisiana Legislative Auditor.

John Vann reported that assets have appreciated 13.08% vs. the Benchmark +12.00% as of September 30, 2019. Fiscal year 2019 appreciation since June 30, 2019, is positive 0.71% vs. the Benchmark +0.86%. There have been no significant events with the alternative managers thus far in 2019.

He reported that expects to see a 2% market growth for the next 30 years, and many years of low returns compounded with low rates. Asset allocations remain in line.

Discussion was had on diversification of the portfolio. Currently 24% of our portfolio is with Dorsey who has the highest fees and a rate of return of 1½-2%. Rastegar will be moving from alternative investments to fixed assets, which would make them a good source to move funds from Dorsey. TCW is fixed income with 7.5% return. Structured Notes are doing well with a high degree of liquidity. Mr. Vann will be moving all funds from AMLP to EMLP.

There has been no progress made concerning the Louisiana funds. The Trustees asked Mr. Vann to request that someone from Louisiana Fund attend the next meeting.

John Vann asked the Trustees to consider an allocation of \$15M to Rastegar from the funds currently invested with Dorsey. He also suggested moving \$10M to TCW and \$20M to Eaton Vance, also from Dorsey. He stated that the next 2-3 years market return will be very low and we need to get ahead of it

and set up an avenue for regular cash flow for distributing the \$1.3M to cover monthly retirement benefits. The goal is to reduce Dorsey from \$100M to about \$40M. Discussion was had. DAs will be affected if DARS is not getting enough returns. Increasing funds to Rastegar will put them near 10% of our portfolio. Rastegar's fee is deferred until all investors get their 7% return.

A motion was made and seconded to move funds from Dorsey and invest \$15M with Rastegar, \$10M with TCW, and \$20M with Eaton Vance. The motion carried.

Kristi Spinosa led a discussion on an LDAA membership issue. Several LDAA part-time employees were not entered into DARS within the 6-month eligible entry period but were entered at the time they became full-time employees. An employee's status as part-time or full-time is not defined in the DARS statutory regime. The only qualifier for membership is the salary minimum of \$18K found in R.S. 11:1601(1). However, this only applies to ADAs, not LDAA or DARS employees. DARS has at all times treated these members as any other in the system, including accepting employer and employee contributions on their behalf. A motion was made and seconded to accept entrance and recognize time of LDAA employees from the time they begin to pay into DARS. The motion carried.

A motion was made and seconded to support legislation to have the \$18K salary minimum apply to all members of DARS, not just ADAs. The motion carried.

Kristi Spinosa disseminated a copy of proposed legislation submitted by Charles Ballay concerning R.S. 11:1631. The proposal adds the following paragraph as F(3):

Notwithstanding any provision of this Subsection F to the contrary, if any member who has retired from this system is elected as district attorney, he shall have the option to combine his earlier retirement benefit with his supplemental retirement benefit he is or would be earning to create a single retirement benefit. Such combination of the earlier and supplemental retirement benefits shall result in a benefit determined using the total combined credited service and the average final compensation at the time of actual later retirement. In order to do so, he must make this selection and repay all retirement benefits he has been paid under the first retirement benefit within sixty (60) days of the effective date of this paragraph or within thirty (30) days of taking office as district attorney, whichever is later.

Discussion was had. The proposal would need 2/3 legislative approval to pass. The actuary cannot accurately determine the cost to DARS and we do not know who else could be affected by this change. A motion was made and seconded to oppose this proposal as currently written. The motion carried.

Ms. Spinosa reviewed several proposed budget amendments, mostly moving-related items. A motion was made and seconded to amend the budget as proposed to increase the computer, software, and furniture category by \$6K. The motion carried.

A motion was made and seconded to amend the budget as proposed to increase the consumable office supplies category by \$1,500. The motion carried.

The proposed increase of \$2,500 to the computer services and hosting category would be needed if DARS separates its hosting with CMA from LDAA. Currently LDAA is under contract with CMA to host the DARS system platform along with two other entities. Potentially, sharing the platform could inadvertently allow improper access into the DARS system creating a security issue. A motion was made and seconded to separate DARS hosting from LDAA at a one-time cost of \$2500. The motion carried. Monthly hosting costs would remain the same at \$675.

A motion was made and seconded to amend the budget as proposed to increase the fiduciary bond and insurance category by \$712.19 to cover the full cost of the employed lawyers premium. The motion carried.

Discussion was had on quotes for cyber insurance. A motion was made and seconded to obtain solid quotes from at least three sources and authorize Ms. Spinosa to choose the best option. The motion carried.

Ms. Spinosa reported on the hearing in the *Diaz v. DARS* matter stating that we have to have a settlement conference before filing a motion for summary judgment. A motion was made and seconded to authorize Kristi Spinosa to handle the settlement conference. The motion carried.

Ms. Spinosa disseminated the Ethics Advisory Opinion #2019-838 concerning personal investments of a DARS Trustee with a provider that currently has a contractual relationship with DARS for similar services. The conclusion is below:

The Board concluded that no provision of the Code of Governmental Ethics would prohibit a member of the Board of Trustees for DARS from entering into a contract for personal investment services with Per Stirling, provided that he is not receiving the investment services at no cost or at a discount. However, as a member of the Board of Trustees for DARS, e would be prohibited by La. R.S. 42:1112B(5) from participating in any matters involving Per Stirling. Therefore, he may not participate in any way in actions involving Per Stirling.

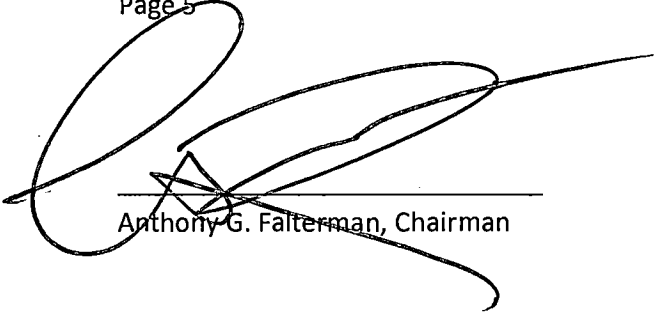
Kristi Spinosa disseminated a copy of the Louisiana Code of Governmental Ethics and a copy of DARS Ethics policy for review. She asked that each Trustee sign the Annual Ethics Policy Certification. A motion was made and seconded that each Trustee sign this form every year. The motion carried.

A motion was made and seconded to approve changes to the ongoing internal controls as presented. The motion carried.

A motion was made and seconded to approve the Louisiana Compliance Questionnaire as presented. The motion carried.

The date of the next meeting is Thursday, January 23, 2020, at 9:30 a.m. at the DARS Office in Baton Rouge, LA.

November 1, 2019
DARS Board of Trustee Meeting
Page 5

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Anthony G. Falterman, Chairman

Kristi Spinosa, Director