

Minutes of the Board of Trustees of the Louisiana District Attorneys' Retirement System that was held at the New Orleans Marriot at the Convention Center on Thursday, November 16, 2017 at 10:00 am.

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, Todd Bulot, Greg Curran, Dale Polozola, Phil Dorsey, Steve Rueb, Jack Lazzaro, and Tim Daniels.

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 approve the minutes of the September 17, 2017 meeting as published. The motion was unanimously approved.

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

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

- Scott Gardner, effective October 12, 2017, Option III, benefit amount \$7,383.83;
- Stephen H. Marionneaux, effective July 17, 2017, Option II, benefit amount \$5,660.22:

Mr. Dorsey gave a presentation reviewing the DARS portfolio under his management. Figures reviewed reflect portfolio performance as of 9/30/17. Mr. Dorsey reviewed several U.S. and international factors that impact the DARS portfolio including interest rates and bond price performance and volatility. They focus on high quality (A, AA, AAA rated), low volatility bonds. Essentially, they are looking for good value based on rating and a reasonable maturity range.

Mr. Rueb then addressed the Board with more in-depth detail on his bond investment strategy and gave an overview of recent portfolio purchases and composition.

Mr. Burton asked about the protentional impact of tax reform on the deficit and interest rates.

Mr. Rueb explained that interest rates are a function of the demand for bonds, which has been high and expected to continue to rise, but will not dramatically spike as they did in the 1980s.

Mr. Adams asked about local and state deficits, such as those in California.

Mr. Rueb reported DARS does not own any California bonds. Municipal markets have little impact; corporate markets have a much larger impact.

Mr. Burton inquired about international interest rates.

Mr. Rueb stated they will likely remain low, but they do not focus on these. He expects money to be seeking the U.S. markets due to economic growth. Lack of economic growth developing markets will keep their interest rate down.

Mr. Vann asked the difference between a principal vs. agency trade.

Mr. Rueb reported agency trade is when Dorsey buys for a customer but never takes possession or ownership. A principal bond is when they buy and resell it to a customer.

Mr. Vann further explained that fiduciary rules prohibit principal transactions so Dorsey deals with this by sending Mr. Vann notification of the purchase, so there is no conflict. Mr. Vann then sends these requests to the chairman then they proceed.

Mr. Jack Lazzarro of Trust Company of the West, addressed the Board. He began with an overview of his organizational history. The company is currently \$200 billion under management globally.

He stated that he was here today to discuss their direct lending strategy.

Mr. Jim Bold, the portfolio manager, gave a broad overview of the corporate economy and noted that they focus on middle market companies. There are no longer middle market banks, because they have merged into larger banks that do not do middle market loans.

Mr. Burkett asked how much money are they raising per investor?

Mr. Lazzarro stated that \$10 million is preferred, but have smaller aggregates as well. The fund will be \$2.5-\$3 billion.

Mr. Falterman asked about the anticipated rate of return for the investment. Mr. Lazzarro stated 9-10 % over a 3-year term. He also noted they are SEC regulated. Each company in the fund will represent about 2% of the fund. They are an alternative asset class investment, similar to Cotton Creek.

Mr. Tim Daniels with First Trust addressed the Board regarding structured notes. His company uses five different banks. They find the "sweet spot", by focusing on credit risk. His company has been in business for 26 years, with \$115 million currently under management.

Discussion was had on structure notes.

A motion was made, and seconded to have Mr. Vann to move forward to up to 20% of any equity sleeve to draft for Board approval. The motion unanimously approved.

Mr. Vann then presented his Level II report.

Mr. Vann reported that the total value of holdings on September 30, 2017, was \$392,660,586.60 and as of November 10, 2017, was \$395,374,125.88.

Mr. Vann recommended revision to the Investment Policy, specifically, on section F, structured note and stated that this is the only change to the Investment Policy.

A motion was made, and seconded to add the suggested language in section F of the Investment Policy. The motion was unanimously approved.

Mr. Vann is seeking authority to go up to 20% in structured notes in any equity class. Discussion was had.

A motion was made and seconded to grant approval to Mr. Vann to invest up to 2% per equity asset class into structured notes. The motion was unanimously approved.

Mr. Vann does not recommend moving forward with TCW at this time.

Mr. Greg Curran then presented the valuation report. The assumed rate of return is recommended to be 6 $\frac{3}{4}$ %. Discussion was had on the rate.

A motion was made, and seconded to approve the recommended assumed rate of return from 7% to 6 $\frac{3}{4}$ %. The motion was unanimously approved.

Mr. Curran then announced that the recommended employer contribution rate for Fiscal Year 2019 is 1.25%.

Mr. Walters suggested a 2% employer contribution rate instead be adopted and get feedback from DAs. Discussion was had. No action was taken.

Mr. Curran further reviewed the valuation report, specifically addressing the COLA issue. The system does not meet the statutory thresholds at this time to approve a full COLA.

A motion was made, and seconded to adopt the valuation report as written, with a 6 $\frac{3}{4}$ % valuation rate. The Board unanimously approved.

Ms. Spinosa inquired about the rate used by the actuary to calculate repayments of refunded employee contributions. Currently, the rate is set at 7% by action of the Board pursuant to administrative rule. Discussion was had and there was a motion, second, and unanimous vote to use each year's valuation rate as the rate to calculate refund repayments under the administrative rule.

Exclusion of fees readdressed by the Board. Discussion was had on the specific current issues and the overall subject matter in general. Mr. Adams noted that several ADAs are working in multiple districts. While this is not suspected to be a fee issue, he has contacted these ADAs and a meeting to be had to ensure compliance.

The Board then discussed fee exclusion for certain members in the 24th, 17th, and 10th Judicial Districts. These were all previously addressed at the September 2017 Board meeting. Discussion was had on

whether to modify the votes from the prior meeting. The Board voted to take no additional action on the member from the 24th Judicial District, Michael Futrell and the members from the 10th Judicial District. Mr. Chairman tabled the discussion of the 17th judicial district to February Board meeting.

Mr. Adams then presented the Director's Report. He began with a review of a chart prepared by staff of DARS' tenant status at LDAA. The chart contained possible options to accommodate DARS, specifically, related to leasing new office space (not at LDAA), or leasing more LDAA space, if the Association is able to remodel to provide additional space for DARS. The LDAA Building Committee has currently decided to table renovation discussions for now.

Discussion was then had on formalizing full, formal separation from LDAA. Mr. Chairman has also discussed the issue with LDAA President Ricky Babin who is aware we are concerned about the issue.

Mr. Adams stated that he does not anticipate that the next LDAA Executive Director will be qualified to be the DARS Director. This will further support the need for full separation. He noted that it is much too expensive to be off site from LDAA. Further discussion was had on the LDAA renovation option and Mr. Shealy noted that renovation seems a viable, cost effective option. He further acknowledged that a DARS increase in rent will be appropriate if LDAA renovates and leases more space to DARS.

Mr. Burton inquired about space needs for DARS in the future. One of the renovation options does address additional future space needs for DARS and LDAA.

A motion was made, and seconded, to approve for the Chairman to send a letter to LDAA President Ricky Babin urging the association to re-open discussion on renovations that would accommodate additional space for DARS. The motion was unanimously approved.

Mr. Adams then notified the Board that he has negotiated a compensation package with LDAA. He will formally cease employment with the LDAA only no later than 6/30/2019. The LDAA compensation package is approximately \$95,000 per year in salary. He stated that when he initially retired, the compensation was \$44,999 and DARS previously voted to cover \$15,000 of that salary. He now asks the Board to consider raising the DARS reimbursable portion to \$40,000. Mr. Adams further stated that in 2019, he is prepared to stay on as Director of DARS at \$40,000 per year for up to 5 years. This vote on reimbursement would be setting his compensation now as DARS Director. Mr. Adams further stated once he separates fully from LDAA, he will be available to be DARS Director at \$40,000, plus something to be worked out later on transportation and healthcare.

Mr. Burton inquired as to why we should address this at this time. Mr. Adams stated setting it now will assist with separation. For example, if he leaves LDAA prior to 6/30/19, the issue of DARS will already be addressed. Mr. Burton asked if this was subsidizing LDAA. Mr. Adams stated that his DARS salary prior to retirement was approximately \$59,900, a little over a third of his total salary including LDAA. \$40,000 would equal to about the same under current facts. His \$95,000 LDAA salary covers both LDAA and DARS and is not contingent upon DARS reimbursement.

Mr. Falterman requested DARS staff provide a detailed memo on the separation issue, including personnel issues and compensation, for the next meeting.

Mr. Burkett asked about the division of LDAA and DARS and what happens to staff. Mr. Adams stated that Roxie Juneau would likely become LDAA only, and Kristi and Gwen are currently paid now by DARS only and would be DARS employees only.

Mr. Burkett noted that separation is a sound idea since these are two separate entities and going forward any shared employees would need to be clearly addressed. Mr. Adams agreed but noted that we are trying to move forward without sharing employees. Mr. Burkett asked that these employee issues be addressed in the memo. He also asked when would this begin. Mr. Adams stated it would begin when he retires.

Mr. Burton asked about additional salary costs to DARS and if it would impact employer contributions. Mr. Adams stated that he did not anticipate that result because his salary is now lower and Gwen and Kristi are paid currently by DARS.

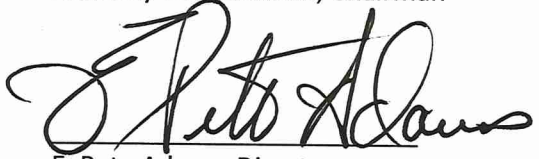
Mr. Chairman tabled the discussion for this meeting and noted that decisions will be made when the written proposal is presented at the next meeting.

A motion was made, and seconded to have six meetings per year instead of four. The motion was unanimously approved. Ms. Hicks was directed to send out proposed dates to the board.

With no further business the meeting was adjourned.



Anthony G. Falterman, Chairman



E. Pete Adams, Director