

District Attorneys' Retirement Systems
Board of Trustees Meeting
February 3, 2021

The meeting of the Board of Trustees of the Louisiana District Attorneys' Retirement System was held on Wednesday, February 3, 2021, at 9:30 a.m.

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

Also Present: Kristi Spinosa, Sharon Hill, Gwen Hicks, Aaron Vann, John Vann, Greg Curran, Joey David, Neal Golden, Loren Lampert, Garrett Orgeron, and Michelle Cunningham.

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 December 2, 2020, minutes as presented. The motion carried.

A motion was made and seconded to approve the financial statements for October 2020, November 2020, December 2020, and January 2021. The motion carried.

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

- Fred R. McGaha, retired effective 9/1/2020, Option 3, benefit amount of \$6,340.33;
- Aaron D. Brooks, retired effective 11/10/2020, Maximum, benefit amount of \$4,606.48;
- Asa Skinner, retired effective 10/1/2020, Option 3, benefit amount of \$13,430.64;
- Jeffrey J. Hand, retired effective 10/31/2020, Option 3, benefit amount of \$5,487.57;
- Richard J. Ward, Jr., retired effective 1/11/2021, Option 2, benefit amount of \$14,716.36;
- Hugo Holland, Jr., retired effective 1/11/2021, Option 2, benefit amount of \$10,077.46;
- Dale Lee, retired effective 11/21/2020, Option 2, benefit amount of \$7,554.67;
- H. Russell Davis, retired effective 1/1/2021, 2020, Maximum, benefit amount of \$2,293.52;
- Mark D. Pethke, retired effective 1/1/2021, Option 2, benefit amount \$7,896.27;
- Frank P. Trosclair, Jr., retired effective 1/11/2021, Maximum, benefit amount \$8,295.94;
- Cherie R. Huffman, retired effective 1/9/2021, Maximum, benefit amount \$7,267.79;

The following deaths were reported:

- Gay Soileau Pucheu, died December 3, 2020, no further benefit due;
- Michael J. Reynolds, died November 3, 2020, survivor benefit \$1,419.44;
- James D. Maxwell, died January 15, 2021, survivor benefit \$3,000.40

Kristi Spinosa led a discussion on the DARS operating cash analysis, stating that we can operate roughly half of the year on contributions, Revenue Sharing, and Ad Valorem income. Currently there is an automatic sweep from our general account when the balance is greater than \$2 million. The sweep is set up to go US Bank, however, we need approximately \$1.5 million each month to cover retirement benefits. Ms. Spinosa suggested these funds should not be part of our investments funds because they are needed for operating cash, including benefit payments. A motion was made and seconded to discontinue the sweep to US Bank and change the sweep to LAMP where we can move the funds when needed to cover the benefits and operating expenses. The motion carried.

Aaron Vann reported that the total portfolio appreciated 9.21% for the quarter ending December 30, 2020, while the index has appreciated 7.82%. As of December 30, 2020, all assets total \$484,206,128.

Currently our asset allocation is as follows:

- Equity 54.48%
- Fixed Income 32.17%
- Alternative Assets 12.96%
- Cash .39%

Aaron Vann stated that the pandemic has worsened in recent months and will likely continue to surge in the first quarter; however, with the rollout of vaccines, life could return to normal by the fall of 2021. The economic recovery should accelerate in the second half of 2021. Analysts are expecting profits to recover in 2021, but it is likely that profits will not surpass their 2019 peak until 2022. Higher inflation is a risk down the road. The Federal Reserve has committed to remaining accommodative and massive fiscal support has boosted debt and deficits. Valuations are high for U.S. equities and international stocks offer long-term opportunities.

Mr. Vann stated diversification is crucial. Investors will likely benefit from a focus on quality in equity and fixed income, with a balanced approach to confront a range of outcomes.

Aaron Vann led a discussion of the red light, yellow light, green light chart, explaining how forward operating P/E works and how to read the S & P 500 report.

Kristi Spinosa disseminated a memo outlining a proposed fee revision for Vann Equity Management. The proposed revision (see chart below) would maintain the current fee rate of .1% for Equities and Structured Notes. In lieu of a percentage fee for Fixed Income and Alternatives, DARS would agree to a separate annual investment consulting fee of \$75K, payable monthly. The proposed changes will produce a considerable savings to DARS of an estimated

\$100K per year without compromising the current level of service. It will also bring the System in line with the current practice of differentiating fees based upon consulting services versus management services.

Application of Proposed Fee Formula			
	Current Monthly Fee = .1% (Portfolio Balance)	Proposed Monthly Fee = (.1%(Equity Balance) + 1%(Structured Notes Balance) + \$6,250)/12	
	Jan. 2021 Actual Paid VEM Invoice (Bal. as of 12/31/20)	Jan. 2021	Average Balance July 2020 - Jan. 2021
Portfolio Balance	\$ 486,977,716.10	\$ 486,977,716.10	\$ 454,450,470.92
Fixed Income Bal	\$ 111,132,033.66	\$ 111,132,033.66	\$ 109,450,389.98
Fixed Income Fee	\$ 9,261.01	\$ -	\$ -
Equity Bal	\$ 263,467,310.10	\$ 263,467,310.10	\$ 229,793,392.09
Equity Fee	\$ 21,955.63	\$ 21,955.61	\$ 19,149.45
Alternatives Bal (less structured notes)	\$ 65,395,155.93	\$ 65,395,155.93	\$ 65,350,738.23
Alternatives Fee	\$ 5,449.59	\$ -	\$ -
Structured Notes Balance	\$ 46,983,216.40	\$ 46,983,216.40	\$ 49,855,950.19
Structured Notes Fee	\$ 3,915.27	\$ 3,915.27	\$ 4,154.66
\$75K over 12 months	\$ -	\$ 6,250.00	\$ 6,250.00
Total Monthly Fees	\$ 40,581.48	\$ 32,120.88	\$ 29,554.11
Est. Monthly Savings	\$ -	\$ 8,460.62	\$ 8,316.76
Est. Annual Savings	\$ -	\$ 101,527.47	\$ 99,801.18

A motion was made and seconded to approve the fee revision as presented. The motion carried with Reed Walters opposing. A new contract will be signed accordingly.

Neal Golden addressed the Trustees as the new president of Rastegar Property Company. He gave an overview of his background and where he sees Rastegar going in the future.

Michelle Cunningham presented an overview of the audit process and reviewed the DARS audit ending June 30, 2020. No significant deficiencies that are material weaknesses in internal control were identified. There were no violations of laws or regulations that have a direct and material effect on the financial statements.

There was significant deficiency identified during the audit regarding investments.

- Several proposed journal entries were provided to adjust investment values, record investment receivables and investment income, in addition to re-class entries to properly report investment transactions.
- The System's investment policy is vague in the area of investment risk such as interest rate risk, custodian risk, and credit risk.

Kristi Spinosa stated that the investment policy issue was a finding last audit and has already been addressed. However, due to COVID-19 and having to cancel a Board meeting and have virtual meetings, the updated policy was not approved timely enough for the current audit period. In the management response, DARS stated that this was clearly communicated to the auditing firm during the drafting of the audit report and the auditor was on notice that the changes would be adopted at the December 2, 2020, meeting.

Tony Falterman specifically questioned Ms. Cunningham as to why this was a finding since the auditors knew the policy had been updated prior to finalizing the current audit report and has been part of that process. He also noted there was no finding of taking undue investment risk. Mr. Falterman asked whether it her individual discretion to put it in as a significant deficiency? Her answer was yes, it was her judgment call and it was added because of the other finding on recording journal entries on investments.

Kristi Spinosa reminded the Board that we will have quarterly reviews on the journal entries posted on investments for the next fiscal year.

Ms. Spinosa reported that we may have an author, Rep. Debbie Villio, for our legislative bill. Loren Lampert, LDAA Executive Director addressed the Board about the potential issue of being able to hire an Executive Director for LDAA or DARS under rehire and limit the salary to the maximum allowed under rehire. Discussion was had. A motion was made and seconded to file the bill without the rehire portion. The motion carried.

Kristi Spinosa disseminated two draft budgets for FY2022 for review stating submission deadline is February 11, 2021. A motion was made and seconded to approve the budget that includes a 3% salary increase for staff effective July 1, 2021. The motion carried.

Greg Curran reported that PERSAC approved the employer rate of 9.5% effective July 1, 2021.

Kristi Spinosa reported that the judge asked that we try to settle on the *Diaz* case. The plaintiff's counsel has indicated they are going to move for summary judgment instead. She will update the Board as needed.

Reed Walters requested that DARS send meeting handouts to Trustees prior to the meeting. Ms. Spinosa stated that we will send the files by email or Sharefile as soon as available.

Greg Curran presented an hour of actuarial education.

The date of the next meeting is Thursday, March 18, 2021, at 9:30 a.m. at the DARS Office in Baton Rouge, LA.



Anthony G. Falterman, Chairman



Kristi Spinosa, Director