

Minutes of the Board of Trustees of the Louisiana District Attorneys' Retirement System, held at the Hilton Doubletree of Lafayette-in Lafayette, Louisiana on Wednesday, November 14, 2018, at 9:30 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, Gwen Hicks, John Vann, Gary Curran, Aaron Vann, Todd Nesom, Mike Futrell, and Loren Lampert.

Absent: Senator Barrow Peacock and Representative Abraham

Roll call was conducted; there was a quorum.

A motion was made and seconded to approve the minutes of the September 16, 2018, as published. The motion was unanimously approved.

A motion was made and seconded to approve the financial statements for September and October 2018. The motion was unanimously approved.

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

- Lester Kees, effective August 1, 2018, Maximum, benefit amount \$801.29.

Mr. Falterman advised the Board the following retiree death:

- A C. Elias, died October 8, 2018, no survivor benefits due.

Mr. Adams reported to the Board on the fee issue regarding Mike Futrell. He stated that DARS staff reviewed contribution records for other members that worked on the Angola 5 issue. There were no findings similar to Mr. Futrell's situation. All patterns of salary were normal for these members. There were no breaks in service for these members.

He further reported that, for a period of time, there was no consistency in pay for Mr. Futrell, so his pay for that period, looks like a fee. There is no statutory definition of fee for DARS.

Ms. Spinosa reported that there was a period of time that contributions were paid in a traditional manner, but not enough for Mr. Futrell to be vested with the system. He only has approximately six to seven years of creditable service that are uncontested.

Discussion was had.

Mr. Futrell stated that, for this period, he was paid an estimated amount of \$40.00 per hour as an assistant district attorney and never knew there was an issue with this accruing toward retirement. Contributions were deducted and paid to the system timely. He also stated that fees are not defined.

Mr. Adams reported that the DA employing Mr. Futrell thought he was getting service credit.

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Discussion was had.

Mr. Shealy inquired whether Mr. Futrell has filed a demand letter.

Mr. Futrell stated that he has a petition that is drafted but not yet filed.

A motion was made and seconded to defer this matter to the next DARS meeting in January. The motion carried. Mr. Burkett opposed.

Mr. Vann then addressed the Board. He suggested that if there is another Trustee workshop, he would like to hold it in Austin, Texas.

Mr. Vann reported on the investment portfolio through September 30, 2018, stating that Equity was 59.59%, Alternatives 11.02%, Fixed Income 28.42% and Cash .96%.

Discussion was had on whether to instruct Mr. Vann to amend the Act 1004 report for September 2018. He will amend the report and forward to DARS office.

He reported that the DARS investment portfolio return fiscal year-to-date through September 30, 2018 is +5.74% vs. 5.06% for the benchmark. The total value of holdings on September 30, 2018, is \$419,394,130.20.

Mr. Vann reported that year-to-date capital distributions have been received from Cotton Creek Capital Partners in the amount of \$2,570,296, Encore in the amount of \$1,787,585, Louisiana Fund 1 in the amount of \$25,317, and Rastegar Capital in the amount of \$1,470,141.

Mr. Vann reviewed the current allocation of the portfolio. He reported that the total Alternative Investments are at \$46,219,973.00.

Mr. Falterman asked Mr. Vann about reports from the Louisiana Fund.

Mr. Vann reported that they had challenges getting reports this year. He would like to recommend a Louisiana based CPA, Stephen Griffin, for investment reconciliations and stated that all fees would be paid by his firm. This firm can handle also the GASB reports.

Mr. Vann reported that all Louisiana Fund reports are to be sent directly to DARS staff and Mr. Falterman.

It was suggested to have Louisiana Fund to attend the next meeting to discuss their fees.

A motion was made and seconded to approve retaining Griffin & Furman, LLC Certified Public Accountants for DARS. The motion carried.

Mr. Vann reviewed the current returns of Structured Notes as of September 30 and is pleased with the current returns.

Mr. Vann suggested to a presentation on Structured Income Notes at the next meeting. This is a fixed income investment, and we will be moving forward to increasing fixed income investment.

Aaron Vann reported on the Consolidated Performance Summary, stating that the ending market value was \$281,491,622.52.

Mr. Vann reported on the S&P 500 earnings per share and noted that now the market is in a selling situation and earnings will start to decline.

He also reported on the S&P Announced Buybacks, Corporate Spending, and reviewed each chart on these topics.

Mr. Vann reported on the Federal funds rate expectations. Currently rates are at 2.25% and the Federal Reserve is likely continuing to raise the rate; once it hits 5% that is likely the peak of the market.

Mr. Vann reported that Cotton Creek is requesting the extension for a period time before closing the fund. They had anticipated raising \$2 million and have not yet done so.

A motion was made and seconded to approve the extension of the Cotton Creek Capital Fund. The motion was unanimously approved.

Mr. Vann reported on the need to update our Investment Policy. He met with his compliance committee to review the investment policy and they suggested the following changes:

1. DARS would be the owner of any data provided by any consultant including anything by him. Nothing in the current policy addresses this issue.
2. Amend to add that only the Board can authorize any changes in the investment policy statement.

Mr. Curran then presented the Actuarial Valuation as of June 30, 2018.

He reported there are 744 active members in the system of whom 343 members have vested retirement benefits. An additional 364 former members have contributions remaining on deposit with the system, of this number, 94 former members have vested rights for future retirement benefits.

Mr. Curran further reported the net market value of the system's assets was \$422,384.994 as of June 30, 2018. Net investments income for Fiscal 2018 measured on a market value amounted to \$34,802,927, contributions to the system for the fiscal year totaled \$15,790,545; benefits and expenses amounted to \$20,812,303.

He also noted that the valuation is based on the Aggregate Actuarial Cost Method.

Mr. Curran stated that although the current long-term assumed rate of return of 6.75% remains within the reasonable range, this valuation contains a change in the assumption of 6.50%. He reported that they estimate that there is a 52% probability that the fund will have earnings at or above 6.50% in the long term. An inflation rate of 2.40% is implicit in the assumed rate of return.

Mr. Curran next reviewed the risk factors of the plan. He reported that the funded ratio is 93.51% as of June 30, 2018, which is very healthy.

He reported that an area of risk is that plan assumptions will need to be revised to conform to changing actual or expected plan experience. They have determined that a reduction in valuation interest rate by 1% would increase the actuarially required employer contribution rate for Fiscal 2019 by 12.53% of payroll.

Mr. Curran reported on the Asset Experience stating that the Market Value was 8.9% and the Actuarial Value was 6.7% for 2018. During 2018, the fund earned \$12,080,333 in dividends, interest, and other recurring income. In addition, the Fund had a net of realized and unrealized capital gains on investments of \$23,212,112. The Fund also had investment expenses of \$489,518.

Mr. Curran reviewed the Demographics and Liability Experience of the system. He stated that the average service retiree is 70 years old with the monthly benefit of \$4,510. The number of retiree and beneficiaries receiving benefits from the system increased by 20 during the last fiscal year. Over the last five years, the number of retirees has increased by 112. During the same period, annual benefits in payment have increased by \$7,190,968.

He reviewed the outline for effects of various factors on the fund's cost structure.

Mr. Curran reviewed the graphs of the valuation report. He stated that the census of age graph shows that 16% of members are in the age range of 61 – 70 for active members.

Mr. Curran then reviewed Exhibit I of the report and stated that the recommended employer rate for 2020 is 4.00%, stating that this is a victory to be below 7% compared to other systems.

A motion was made and seconded to approve the Actuarial Valuation Report for June 2018. The motion was unanimously approved.

Ms. Spinosa reported to the Board about Kathryn Hill's election of Back-DROP, although she was not technically an active member when she applied to retire. She reviewed statute R.S 11:1644 Back-Deferred Retirement Option Program.

Discussion was had on the language in the statute.

Ms. Spinosa reported that the Board had the same issue two years ago with two retirees that applied for retirement and Back-DROP with termination dates that pre-dated application to retire longer than Ms. Hill. The Board approved both.

A motion was made and seconded to allow Ms. Hill's election for Back-DROP. The motion was unanimously approved.

Discussion was had on a policy for election of Back-DROP after termination. This issue was deferred to the next DARS meeting.

Mr. Shealy reported to the Board about issues for the DARS elections. Initial ideas for amendments include creation of voting regions due to the sizes of some offices, and possibly adding an additional retiree member and ADA member.

Mr. Falterman asked that Mr. Shealy disseminate a draft of items before the next meeting that he would like addressed about the elections that would then be discussed at the next meeting. He asked that Mr. Lee assist Mr. Shealy.

Mr. Adams reported that the LDAA received four bids for renovations that came back extremely high. The LDAA Building Committee will continue to review options and Mr. Adams will report back to the DARS Board.

Ms. Spinosa reported that we now have new DARS e-mail addresses for each Trustee. LDAA IT staff will assist Board members with setting up the new emails.

Mr. Adams stated that the only item he has for legislation at this time is if the Board wants something done concerning the definition of a fee. He will further address this issue at the next meeting.

Mr. Adams reported that Kristi Spinosa had spoken with Robert Tarcza, Attorney at Law, with Tarcza & Associates. Mr. Tarcza represents four or five other systems in the state.

He does have a hefty rate but it is comparable to what was being paid to Bob Schmidt.

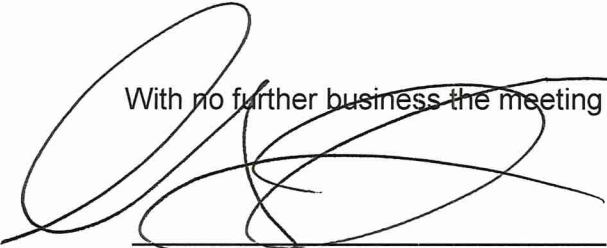
A motion was made and seconded to authorize Mr. Falterman to interview Mr. Tarcza and hire him if appropriate to replace Mr. Schmidt.

A motion was made and seconded for the Board to adopt the Louisiana Compliance Questionnaire and to authorize Mr. Falterman to sign the document. The motion was unanimously approved.


A motion was made and seconded to approve the proposed DARS meeting dates for 2019. The motion was unanimously approved.

The date of the next DARS meeting is scheduled for Thursday, January 17, 2019, at LDAA Headquarters, at 9:30 a.m.

With no further business the meeting was adjourned.



Anthony G. Falterman, Chairman



E. Pete Adams, Director