

Minutes of the Board of Trustees of the Louisiana District Attorneys' Retirement System that was held at the Louisiana District Attorneys Association on Thursday, March 22, 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, John Vann, Gary Curran, Rep. Mark Abraham, Todd Bulot and Lal Echterhoff

Absent: Senator Barrow Peacock

Roll call was conducted; there was a quorum.

Mr. Falterman polled for any conflicts; none were reported.

A motion was made to approve the minutes from the meeting of January 23, 2018. Mr. Shealy requested that the Board consider the following language for Paragraph 5 on Page 5 of the minutes of the January 23, 2018, meeting.

Mr. Shealy requested that the minutes reflect some of the reasons for the Board's action in suspending La. Admin. Code tit. 58, pt. 21 § 501, except the portion thereof relating to the minimum required distributions of a member, which reasons include, but are not limited to, the following:

- a) Rule 501 was adopted as part of a comprehensive set of rules necessary to obtain tax qualified status from the IRS;
- b) The portion of Rule 501 relative to suspension of benefits upon rehire was not specifically discussed by the Board at the time of the adoption of those Rules;
- c) Rule 501 is ambiguous and appears to be in conflict with the statutory suspension of benefits upon rehire provisions contained in La. R.S. 11:1631;
- d) The statutory suspension of benefits upon rehire provisions contained in La. R.S. 11:1631 were thoroughly discussed and considered when they were adopted by the Louisiana Legislature in 2008;
- e) Rule 501 should be interpreted in a manner consistent with the statutory suspension of benefits upon rehire provisions contained in La. R.S. 11:1631;
- f) The suspension of Rule 501, except that portion relating to the minimum required distributions, should not jeopardize the tax qualified status of the DA Retirement System Plan; and
- g) The suspension of Rule 501, except that portion relating to the minimum required distributions, will remove the ambiguity and apparent conflict between the Rule and the statutory suspension of benefits upon rehire provisions contained in La. R.S. 11:1631 until such time as a more thorough analysis and discussion can be had on the impact

that any changes to the statutory suspension of benefits upon rehire provisions might have upon our retirement system and its members.

A motion was made and seconded to approve the minutes of the January 23, 2018, meeting with the amended language that Mr. Shealy suggested. The motion was unanimously approved.

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

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

- Camille A. Morvant, effective November 4, 2017, Option III, benefit amount \$11,717.49;
- Robert Pittard, effective November 11, 2017, Option II, benefit amount \$4,122.63;
- Willard T. Armitage, Jr., effective January 1, 2018, Option II, benefit amount \$1,728.39;
- Melissa Moreau, effective December 6, 2017, Maximum, benefit amount \$3,135.45;
- Field Gremillion III, effective January 1, 2018, Option III, benefit amount \$2,815.32.

Mr. Falterman advised Board of the following retiree deaths:

- Gordon Konrad, died December 17, 2017, survivor benefit \$1,261.30;
- Mary Babington, died November 29, 2017, no further benefit due.

Mr. Vann presented the Level II Report and reported that as of March 15, 2018, the total value of holdings was \$407,537,938.70. The DARS asset allocation consists of Equity 64.80%, Alternatives 8.43%, Fixed Income 26.72% and Cash .05%.

Year-to-date capital distributions have been received from Light Stone in the amount of \$44,978.89; Rastegar Capital in the amount of \$212,758.90; cotton Creek Capital Partners in the amount of \$126,805.59; and Encore in the amount of \$38,492.46.

He reviewed the asset allocation chart stating that International is currently at 14.17%. He recommended conducting a study to increase the international equities exposure, and he will report on his findings at the next meeting.

Mr. Vann reported that Alternatives have a total capital commitment of \$40,000,000.

He reported on Structure Notes stating that \$5,000,000 was invested in five separate funds in the amount of \$1,000,000 each. All have terms of 3-4 years. They have up to 100% upside protection and have bluffers up to 10- 20% on the downside. He stated that he would like to increase structure notes up to 20% during this market cycle. He would like to complete his report before the Board decides.

Mr. Vann reported on the performance of the portfolio stating that investments are up 8.12%.

After completing the reporting of the Level II report, Mr. Vann had two recommendations for the Board. The first recommendation was to conduct a study on reallocation to non-U.S. equities

and report findings at the next meeting. The second recommendation was to authorize Mr. Vann to purchase structured notes as needed to get to the maximum of 20%.

A motion was made and seconded to allow Mr. Vann to do a study of the reallocation to non-U.S. equity markets. The motion carried.

A motion was made and seconded to authorize Mr. Vann to purchase up to 20% in structured notes when the market becomes overvalued. The motion carried.

Mr. Lal Echterhoff reported on Fixed Income and defined the term "Bonds". The terms, "fixed income securities", "debt securities", and "bonds" are often used interchangeably. He reported that the bond features are maturity, par value of a bond, and coupon rate and frequency. Mr. Echterhoff stated that with bonds there is the chance that changes in interest rates that will affect the bonds value and reported on other types of risk in bonds. He reported that the behavior of interest rates is the single most important force in the bond market. Interest rates and bond prices move in opposite directions. He stated that the price of a bond is a function of its coupon rate, its maturity, and market movements in interest rates.

Mr. Falterman inquired as to the long-term rate of return with Dorsey.

Mr. Vann stated that Dorsey's rate of return is over 5.5% over the 30-year period. Long-term returns in fixed income is about 5% also.

Mr. Vann stated that the reason that he had two fixed income managers presenting at this meeting is because over 25% of assets are in one firm. This is an association risk if something happens to this firm.

Mr. Rodney Abele and Ms. Emily Becker, of Orleans Capital Manager, gave a presentation for Fixed Income Investment Management. Mr. Abele stated that he serves as the Senior Advisor and has 40 years of investment management, economic background and education with a master's in business administration. He reported that the company only manages fixed income and equities, and they have \$1.7 billion under management.

Ms. Becker reported on the role of fixed income in a portfolio, stating that fixed income is the most stable asset class providing a source of predictable cash flow and income to fund obligations.

She reported that Orleans Capital Management's investment philosophy is to maximize total return with a client's risk profile. Their investment strategies and decisions are based upon their fundamental approach to asset management driven by their global macroeconomic outlook and analysis.

Ms. Becker reported on the fixed income investment process used by their company.

She stated that their company has no additional commissions or transaction fees. The company has competitive fees particularly in low rate environment. She stated that competitive fees are 20% basis points, based on about \$10 million.

Ms. Becker reported the company uses a team approach. They have five portfolio managers and all have veto power. She stated that she would be the primary contact person on the portfolio.

Mr. Andrew Adcock of Eaton Vance Investment Managers reported that the company manages about \$430 billion undermanagement. They are best known for their fixed income and credit risk capabilities.

He reported on the Corporate Bond Ladder. He stated that laddering a bond portfolio involves equally weighting maturity exposure over a specified portion of the yield curves. Short-term bonds can provide liquidity in anticipation of future interest rate increases. As bonds in each rung mature, the proceeds are reinvested on the end of the ladder to capture higher rates.

Mr. Adcock stated that they have found that the clients investing in EV Corporate Ladders are often in pursuit of one or more of the following: income, principal stability, transparency, diversification from equity risk and/or diversification of vehicle type.

He reviewed the key differentiators of corporate ladders. Mr. Adcock stated that their company manages over \$20 million in corporate ladders.

He reported that rules-based investing can increase predictability and safety and reviewed a chart that explained rules based on equal weighting within the bond universe and equal weighting across selected range.

Mr. Adcock reported that the corporate credit research team analyzes bond universe to find the most suitable bonds. The credit analysis process closely examines the likelihood of ratings stability for each bond over the life of the ladder.

He reported that the corporate bond ladder has flexibility. The portfolios are customizable based on maturity, credit quality and cash flow.

Mr. Adcock reported fees for the first \$10 million will be 16 basis points and anything over \$10 million will be 10 basis points.

Mr. Falterman stated that he liked both managers and inquired if Mr. Vann had any comments.

Mr. Vann stated that they are considering moving \$10 million unvested funds from Dorsey to have a relationship with another additional fixed income manager. Over time additional money will be pulled from the equity market. He stated at this time there is too much money with Dorsey.

Discussion was had on the consideration of moving funds from Dorsey to either manager. Both firms have high qualifications, their returns are good with ladders, and both beat Dorsey by a few basis points. Fees shouldn't determine the difference between the two. Fees for both are very close.

Mr. Falterman asked if the Board could go with one of the managers now then the other one later.

Mr. Vann replied that the Board could go with both. He suggested that instead of allocating \$10 million, they could elect to invest \$20 million with the additional funds being moved from equities.

Mr. Falterman stated with the markets as they are now, he would prefer the additional funds come from equities.

A motion was made and seconded to take \$13 million from the cash currently with Dorsey and \$7 million from equities. The \$20 million would then be divided to invest \$10 million into Orleans Capital and \$10 million into Eaton Vance. The motion was unanimously approved.

Mr. Adams and Ms. Spinosa gave a DARS building committee update. The plan is to renovate the current LDAA boardroom to house the DARS offices to include four offices and a small boardroom.

Mr. Adams stated that the DARS offices and the LDAA offices will be separated with a common reception area. Further, the DARS rent will increase to \$7,000 per month to more accurately reflect the fair market value of the space and included amenities such as utilities, etc. Ms. Spinosa will prepare a draft lease outlining the agreement for the next Board meeting.

Mr. Falterman reported that Mr. Ballay called and asked to defer his issue to the next meeting in May.

Ms. Spinosa reported that James Phillips filed a Reciprocal Recognition between LASERS and DARS. She explained the request stating that Mr. Phillips wanted to combine his time to have an early retirement.

Discussion was had on RS 11:142 and RS 11:1632 and how the language might be changed. The language is not clear defining regular, normal and early retirements.

Mr. Adams reported that there has never been an issue of a reciprocal with an early retirement. He requested guidance from the Board.

A motion was made and seconded to approve the Reciprocal Recognition of Service Credit agreement between DARS and LASERS for early retirement for Mr. Phillips. The motion was unanimously approved.

Discussion was had on how to correct the language about reciprocals.

Mr. Adams gave a legislative update reporting that he is monitoring those bills that may affect DARS. He is tracking any amendments and will report back to the Board at the next meeting.

Mr. Adams reported that he contacted Mr. Schmidt to reconsider his legal fees from his February 21, 2018, invoice in the amount of \$19,111. Some of the fees were legitimate, but some were due to errors made on his part. Mr. Schmidt sent a revised bill of \$6,956 for consideration.

A motion was made and seconded to approve to pay the revised bill from Kean/Miller in the amount of \$6,956. The motion was unanimously approved.

Mr. Falterman suggested that it might be time to look for a new attorney and requested that Mr. Adams to begin that process.

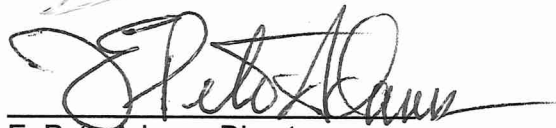
Ms. Spinosa stated that at the last meeting, we sought approval to begin researching other retirement program software. There are weaknesses in the current DARS system which is causing continuous problems and stress for staff. She also reported that we had major problems with tax information this year and had to manually make corrections to forms decreasing the efficiency of staff. She stated that she will report any findings at future meetings. The Board agreed and no further action was taken.

The date of the next meeting will be Monday, May 14, 2018, at 9:30 a.m. at LDAA Headquarters.

With no further business the meeting will be adjourned.



Anthony G. Falterman, Chairman



E. Pete Adams, Director