

Minutes of the meeting of the Board of Trustees of the Louisiana District Attorneys' Retirement System held at the Marriott Grand in Pointe Clear, Alabama, on Tuesday, February 17, 2016, at 12:00 P.M.

Present: Anthony Falterman, Houston C. Gascon III, Van Kyzar, Scott Perrilloux, David Burton, Andy Shealy and Reed Walters

Also Present: Pete Adams, Roxie Barrios Juneau, Kristi Spinosa, Gary Curran, John Vann and Lal Echterhoff

Absent: Representative Pearson, Senator Peacock, and Gwen Hicks

Mr. Gascon reported a potential conflict with agenda item 15 and recused himself from all discussion on that topic.

A motion was made and seconded to approve the minutes of the November 17, 2015, and the January 14, 2016, meeting minutes as published. The motion was unanimously approved.

A motion was made and seconded to approve the financial statements for November and December 2015, and January 2016. The motion was unanimously approved.

A motion was made and seconded to approve the following retirements. The motion was unanimously approved:

- Andrea Price Jansen, effective July 20, 2015, Maximum benefit amount \$1,678.59;
- Anthony Lewis, effective September 8, 2015, Option II benefit amount \$1,753.22;
- Diann C. Amstutz, effective November 8, 2015, Survivor benefit amount \$7,037.23;
- Timothy M. Screen, effective October 01, 2015, Option II benefit amount \$1,529.60.

Mr. Falterman advised the Board of the following retirement deaths:

- Elizabeth Karmazin, died January 1, 2016, no further benefit due;
- Joyce Taylor Jones, died January 31, 2016, no further benefits due;

John Vann reported on the history of the portfolio. He stated as of December 31, 2015, the portfolio was at \$340 million. Almost 100% of underperformance is from the MLP portion of the portfolio. He further reported that as of February 12, 2016, the portfolio was at \$302,143,310.68, excluding MLPs and alternative investments.

Today, market value of the portfolio is approximately \$312 million, plus \$26 million in alternative investments for a total of \$338 million. Overall performance is relatively good because of the 5% of equities previously withdrawn and reinvested last week. The portfolio high was \$356 million. Equities are now at 61.2%. Dorsey has \$18 million in cash and is not charging us a management fee. Dorsey is monitoring the market to determine when to reallocate the funds.

Mr. Vann and Mr. Echterhoff informed the Board about various national and international factors that impact the portfolio, including MLP, and emerging markets.

Mr. Burton questioned whether unemployment statistics will impact market. Mr. Echterhoff stated that the real issue is no growth in GDP.

Mr. Falterman questioned Japan's negative .4% interest rate. Mr. Vann explained that this is a way to try and force banks to lend. Corporations have a great deal of cash now, but have been only been buying back their own stock, not spending the cash. Banks are doing the same.

Mr. Gascon questioned the new loan regulatory restrictions for individuals and any potential impact. Mr. Vann replied that banks no longer make independent decisions, all loans are based on government regulations, which does not help the economy and is part of what is hampering of economic growth.

Mr. Curran reported on the 20 year comparison report. He stated that they have dropped the benchmark rate from 8% to 7%. Even at 7%, they do not know what the new normal will be. This could impact our valuation rate. DARS looks good versus our statewide peers in general. This confirms that our conservatism is well warranted. At some point; the Board may want to consider lowering the rate further depending upon market. Dips in 2008, 2009, and 2001 show the volatility. The rate of return for the last five years is going to be lost in next valuation, and will get replaced with a lower return this year.

Mr. Gascon asked who is the best performing system? The better performing systems earned close to the 7% range; the Clerks, and DARS are close to 7%. Some of the bottom systems look higher but note they are using different fiscal years.

Mr. Curran next reported on the PERSAC versus Legislative Auditor recommendations. He sees more controversy. While the current push is more focused on the state systems, he can see that we may have future issues. They have been especially focused on interest rate issues.

Mr. Curran then reported on the state systems administrative expenses in comparison to DARS. The expenses differ greatly. State systems have never really funded their administrative costs and amortized them over 30 years. DARS does not do that per our statute.

Mr. Curran then asked to add on an agenda item stating that the last valuation changed the rate and mortality tables. The retirement benefit option table also needs to be adjusted. He recommends all be the same interest rate of 7%.

A motion was made and seconded to adopt the option factor tables and rates effective July 1, 2016. The motion was unanimously approved.

Mr. Curran next reported that the Patrick Jackson calculations were over 90 days old and he also found some difference in FAC. He thinks the newer figure is better. Estimates are generally only valid for 90 days. A motion was offered requiring a new estimate and to provide the member, police jury, and district attorney with explanation.

Mr. Falterman stated that the Audit report will be deferred later in the meeting once Mr. Stamm calls in.

Mr. Perrilloux and Mr. Burton both noted potential conflicts and recused themselves from any discussion and vote on the repayment of refunded prior service credit.

Ms. Spinosa informed the Board that we have received more information from Mr. Schmidt on this issue, including possible statutory and administrative solutions. The Board deferred any action and instructed staff to invite Mr. Schmidt to the next meeting to address this issues.

Ms. Spinosa then addressed the Board on recent development regarding required minimum distributions (RMD). Prior to qualification, DARS did not mandate retirees make a RMD. While processing the 2015 RMDs, it was discovered that this practice was incorrect. As a result, there is potential for both member and system liability. This varies depending on whether we self-correct or file an official voluntary correction plan with the IRS. Mr. Schmidt was consulted and recommends that further discussion be had prior to a Board decision. Mr. Schmidt will be invited to the next meeting in Baton Rouge to advise the Board further on this issue.

Also, in the research on the RMD issue, several older DROP accounts were discovered with nominal balances. Ms. Spinosa reported that Mr. Schmidt recommended that a motion be passed to pay in full any account where the member is 65 years of age or older and the balance is less than \$100.

A motion was made and seconded to approve this de minimis balance resolution. The motion was unanimously approved.

More discussion was had on the proposed rule regarding repayment of refunded service credit. Mr. Curran was asked whether he thought we should allow partial re-payment? Mr. Curran noted that any repayment is a loss to the system and there may be an anti-selection issue regarding eligibility. He recommends the full amount be repaid and that partial repayment not be an option. He is in agreement with proceeding now with an administrative rule. There is an actuarial cost to the system if repayment is allowed, but it is difficult to quantify.

A motion was made and seconded to approve that a rule be drafted and circulated to the Chairman, Mr. Curran, and Mr. Schmidt for input prior to filing, allowing full repayment of contributions plus interest. The motion was unanimously approved.

Mr. Bill Stamm reported via phone on the Audit for June 30, 2015. He stated the audit was clean in their qualified opinion. This is the best outcome possible. Nothing was found in the controls portion of the audit. No issues to be reported in the compliance phase.

Mr. Adams reviewed the following pre-filed bills: HB 14, HB 52, HB 63, HB 64, and HB 78.

Mr. Curran stated that he does not like HB 52. The changes proposed are more political changes than financial.

Mr. Adams will attend the LAPERS meeting next week and get more consensus information.

A motion was made and seconded to allow the Chairman to decide whether to oppose legislation without a full Board vote. The motion was unanimously approved.

Mr. Curran stated he also sees an issue with the HB 64.

HB 63 adds legislative auditor personnel as part of Board training, and HB 78 is system director financial reporting.

Mr. Adams stated that formal, public charges have been filed by the Board of Ethics against Harry Pastuszek, partially related to his retirement benefit with DARS. He noted that at this time, the Board does not have sufficient legal information to modify the benefit of this member. DARS will monitor this

case and report to the Board if further action is needed. Further, DARS staff is in the process of developing reports to find variances in monthly contributions. A motion was made and seconded that the monthly contribution report show variances in salary/contribution of 5% or more. The motion passed was unanimously approved.

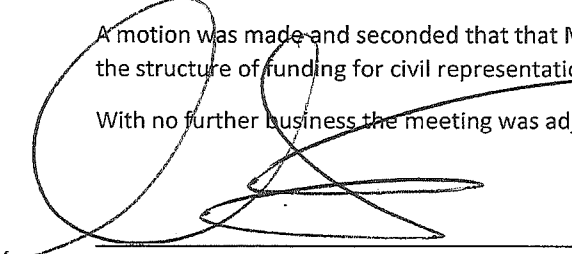
Mr. Shealy noted that education is needed on this issue for the elected DAs.

Mr. Walters asked if DARS had any liability if Mr. Pastuszek is found guilty of an ethical violation.

Mr. Adams stated the system would be in the position to potentially have to pursue the money from the member, but would not be liable to anyone.

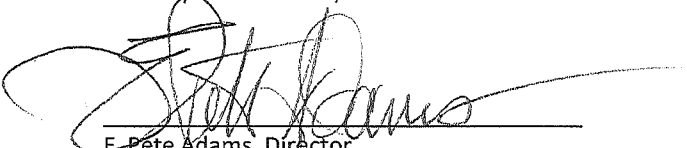
A motion was made and seconded that that Mr. Adams educates the DAs via the LDAA on the issue of the structure of funding for civil representation of local bodies.

With no further business the meeting was adjourned.



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Anthony G. Falterman, Chairman



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E. Pete Adams, Director