

Minutes of the meeting of the Board of Trustees of the Louisiana District Attorneys' Retirement System held at the Hilton Shreveport in Shreveport, Louisiana at 1:00 p.m. on Tuesday, November 18, 2014.

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, John Vann, Gary Curran, Steve Mergler, Todd Bulot, and Charles Scott.

Absent: Representative Pearson and Senator Guillory

A motion was made and seconded to go into Executive Session to discuss Conflict Disclosures. The motion was unanimously approved.

The Board returned from the Executive Session.

Mr. Falterman stated for the record that a discussion was had on the conflict with John Vann and the railroad proposal. Also discussed was the contract between DARS and John Vann.

Mr. Burton inquired from Mr. Vann about his contract with Banyan and his obligation to the bank, as well as his fiduciary obligation to this Board.

Mr. Vann stated his first obligation is to the retirement Board and discussion was had on his contract with Banyan.

Mr. Adams inquired for the record if Mr. Vann were to promote or advise this Board to take action in Banyon's favor in conflict with his fiduciary obligation to this Board, would Mr. Vann's obligation to the Board override any further action.

Mr. Vann stated that his fiduciary obligation to DARS prevails, and he must, at such time, make a legal disclosure.

Mr. Falterman asked that Mr. Vann's attorney send a letter pertaining to this matter.

A motion was made and seconded to approve the September 7, 2014, meeting minutes as published. The motion was unanimously approved.

A motion was made and seconded to approve the financial statements for August, September, and October 2014. The motion was unanimously approved.

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

- Betty Ray Field, effective September 1, 2014, Maximum benefit amount \$2,828.09;
- Tony G. Sanders, effective August 21, 2014, Maximum benefit amount \$2,499.73;
- Martin S. Sanders III, effective October 1, 2014, Maximum benefit amount \$6,198.98;
- Gerald J. Bower, effective October 1, 2014, Maximum benefit amount \$1,078.83; and
- George S. Hesni II, effective August 8, 2014, Maximum benefit amount \$3,750.00.

Mr. Falterman advised the Board on the death of Vivian Ryder who died October 19, 2014; no further benefits due.

Mr. Vann reviewed the Performance Summary for October 31, 2014.

Mr. Mergler reported that since May 12, 2012, various puts and calls have utilized as insurance on the DARS portfolio via their Option Collar program. The program is designed to cushion the portfolio in the event of a severe selloff.

Since the program was initiated, there have not been any severe market pullbacks. On October 3, 2014, a position was established of S&P 500 puts costing \$390,242, with expiration in December 2014. The S&P 500 was 1968 at the time the position was initiated. The S&P subsequently fell to 1820 on October 16, 2014, and the position rose to a value more than 3 1/2 times the initial cost, or over \$1.35 million. Though the market subsequently rallied, the protective put was working as intended during the pullback. Due to high levels of market volatility, the put remains in place.

Mr. Vann reported that they have been negotiating with Loomis about fees, but have not been able to agree to an acceptable fee.

He reported that approximately \$15 million has been reallocated from the Small and Mid Cap strategies to Large Cap allocations. He will recommend the current amount in the cash account be transferred to Dorsey Capital Management, since they were unable to negotiate an acceptable fee with Loomis Sayles.

Mr. Vann reviewed the Level II Report. As of October 31, 2014, the total of assets were \$345,010,552.20. He also reviewed the current asset allocation.

He reported on the investment and management fees. He stated that with the portfolio at \$345 million, the cost for a year is about \$500,000.

Mr. Vann reported on the alternative investments. He reported that the Louisiana Ventures investment is very conservative. The MLP investment is up \$16 million and we have made \$7 million.

He reviewed the Market & Portfolio Review reporting that the earnings growth for the S&P 500 Index has been driven by revenue growth and margin expansion while stock buybacks contributed only 0.4% toward EPS growth in the most recent quarter.

He reported that bonds have provided equity-like returns over the past 30 years as interest rates dropped to all-time lows in 2012. Their expectation is for equities to outperform bonds over the next cycle.

Mr. Vann reported that earnings have continued to rise through the bull market, reaching all-time highs in the most recent quarter.

He recommended that the current amount in the cash account of \$18 million be transferred to Dorsey Capital Management.

A motion was made and seconded to approve the move of \$18 million from the cash account to Dorsey Capital Management. The motion was unanimously approved.

Mr. Curran reported on the Actuarial Valuation as of June 30, 2014. He stated there are 773 active members in the system, of whom 372 have vested retirement benefits; 250 former members or their beneficiaries are receiving retirement benefits. An additional 267 former members have contributions remaining on deposit with the system. Of this number, 89 former members have vested rights for future retirement benefits.

He reported that there was a reduction in the valuation interest rate from 7.50% to 7.25%. The net effect of the changes in assumptions on the normal cost accrual rate was an increase of 2.0418%.

Mr. Curran reported that there were no changes to the system during the 2014 Regular Session of the Louisiana Legislature.

He further reported that during 2014, the fund earned \$7,113,449 of dividends, interest, and other recurring income. The system experienced net actuarial investment earnings of \$12,004,442, more than the actuarial earnings rate of 7.50% for the fiscal year.

Mr. Curran reviewed the demographics and liability experience of the system stating that the average member is 47 years old with 10.97 years of service and an annual salary of \$75,461. The plan has experienced an increase in the active plan population of 41 members over the last five years. The retired member population increased by 13 during the last fiscal year. Over the last five years, the retired number increased by 74. During this same period, annual benefits in payment increased by \$4,042,063.

He reviewed the effects of various factors on the funds cost structure.

Mr. Curran reported that they are recommending a minimum net direct employer contribution rate of 3.50% for fiscal year 2016.

Mr. Falterman stated that this will be a year with increased retirements due to the elections. He questioned if it would be prudent for the Board to set the employer rate at 4%.

Mr. Curran stated that this Board does not have the authority to set the employer rate under current law.

Discussion was had on the possibility of freezing the rate. Some of the statewide plans have the authority to do this. Since some of the plans already have the authority, DARS could be added to the existing statutes. The problem could be the contributions from state payroll paid by the State.

Mr. Curran reviewed various charts in the report.

He reviewed Exhibit I explaining how they calculate the cost of the plan.

He referred them to Exhibit IX to review year-to-year comparisons.

Mr. Curran reported that there are three statutes that pertain to COLAs that affect DARS, and explained those laws. He stated that PERSAC will adopt the report in January and then a decision can be made about issuing COLAs.

A motion was made and seconded to approve the Actuarial Valuation report by Gary Curran for June 30, 2014. The motion was unanimously approved.

Mr. Curran reported that a separate report will be issued for financial reporting due to GASB. This report will be sent to Duplantier, Hrapmann, Hogan & Maher, the auditors of the system.

He reported his concerns about a special act of the Legislature prompted by John Rowley that was passed many years ago. The Act states that Mr. Rowley's benefit paid by Sheriffs Pension & Relief Fund would be deposited into a DARS account. The current value of the account is over \$1 million dollars.

Mr. Falterman suggested that Mr. Adams send a letter to Mrs. Rowley advising her of the dollars in the fund and providing some direction as to possible options for the funds. Mr. Adams will report at the next meeting.

Mr. Adams reported that he spoke to the Legislative Auditor about the situation of adding fees to calculate final average compensation. He stated that the Legislative Auditor is closing the investigation into the issue and has not found anything, and recommended no action be taken.

Mr. Howard Doughty gave a presentation about Social Security and the Windfall Elimination Provision.

He stated that he knew that most members of DARS do not pay into social security. If a member did pay into social security, the benefit amount could be reduced once the individual begins receiving a DARS retirement benefit. He reported that there are some exceptions. If someone has 30 or more years of substantial earnings in the social security system, they are exempt from a reduction. Another exception is for those who were eligible to retire prior to 1986.

Mr. Doughty stated that Act No. 1954 of 1985, granted early retirement to certain employees covered by one of the 13 public retirement systems. The early retirement provision is available to any member

covered under a public retirement system who on September 1, 1985, had sufficient service credit to be eligible for normal retirement.

Discussion was had on reviewing member files to identify those who would possibly have been eligible to retire prior to 1985 with 10 years of service. The retirement system could then notify the member of this information.

Mr. Adams suggested sending a letter and a copy of the act to all active members advising that if they are planning on retiring in the next six months with ten years, they may be exempt from the Windfall Elimination Provision, and should contract DARS to verify eligibility. The office would research those cases.

A motion was made and seconded that Mr. Adams draft a letter to all active members pertaining to the Windfall Elimination Provision. The motion was approved; Mr. Gascon abstained.

Ms. Juneau reported that with all issues such as GASB regulations and the internal efforts to store all DARS records electronically, the need for tighter security has increased.

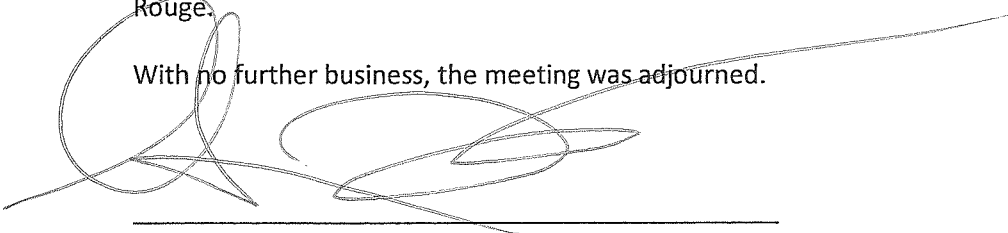
She stated that quotes have been obtained to run an IT Security Audit. She expects the cost to be approximately \$3,000-\$5,000. And it is recommended that this is performed annually.

A motion was made and seconded to have Mr. Adams select the best quote for these services. The motion was approved.

A motion was made and seconded to approve the proposed DARS meeting dates for 2015. The motion was unanimously approved.

The next meeting will be held Thursday, February 19, 2015, at 9:30 a.m. at LDAA Headquarters in Baton Rouge.

With no further business, the meeting was adjourned.



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Anthony Falterman



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E. Pete Adams