

District Attorneys' Retirement System
Minutes of the Meeting of the Board of Trustees
November 27, 2023

The Board of Trustees of the District Attorneys' Retirement System held a special meeting on Monday, November 27, 2023 at the DARS Office, located at 2525 Quail Drive Baton Rouge, Louisiana 70808.

I. Call to Order

The meeting was called to order by Mr. Andy Shealy at 9:34 AM.

II. Roll Call

Ms. Danielle Ball called roll.

Members Present

Mr. David Burton
Mr. Houston Gascon
Mr. Scott Perrilloux
Mr. S. Andrew Shealy
Mr. Todd Nesom
Mr. Brad Burget
Mr. Don Burkett
Mr. J. Reed Walters
Senator Kirk Talbot
Representative John R. Illg Jr.

Member Absent

None

A Quorum was present.

Others Present

Mr. Philip Qualls, Director
Ms. Danielle Ball, Benefits Supervisor
Ms. Gwen Hicks, Pension Assistant
Mr. Greg Curran, Curran Actuarial
Ms. Laura Gail Sullivan, Attorney
Ms. Alana Perrin, Louisiana Senate Retirement Committee
Mr. Gary Welchel, Orleans Capital
Ms. Emily Becker, Orleans Capital
Mr. Aaron Vann, Vann Equity Management, LLC
Ms. Cindy McKinney, Vann Equity Management, LLC, via zoom
Mr. Richard Maples, Vann Equity Management, LLC, via zoom
Mr. Ryan McDonald, Vann Equity Management, LLC, via zoom
Mr. Arthur Weissman, Fintech, Inc., via zoom
Mr. Sandy Fliderman, Fintech, Inc., via zoom
Mr. Jack Lazzaro, TCW, via zoom

III. Conflicts Disclosure

Mr. Andy Shealy inquired if any member of the board needed to disclose a conflict of interest with items on the agenda.

Mr. Shealy disclosed that Argent Financial Group is his personal financial adviser. Argent recently acquired Orleans Capital, with which DARS has pre-existing investment contracts.

There were no additional disclosures.

IV. Public Comment

Mr. Shealy called for public comment. There were no public comments.

V. Review and Approval of Minutes

Motion by Mr. Todd Nesom and seconded by Mr. Houston Gascon to approve the minutes of the meeting held October 26, 2023. Mr. Walters abstained from voting; without objection, the motion carried.

VI. Retirement Activity

New retiree benefits were read by Mr. Shealy as per the agenda.

Motion by Mr. Scott Perrilloux and seconded by Mr. Reed Walters to approve the retirement activity. Without objection, the motion carried.

VII. Annual Valuation

Mr. Curran provided a summary of the actuarial valuation for fiscal year 2022-2023. Mr. Curran explained that active membership grew, which is a key stability point for the retirement system. Mr. Curran explained further that payroll (likely due to raises) also grew, along with retired members and members due a vested benefit. Benefits and payments amounted to just over an averaged \$26.5 million per year. Based on snapshot data of June over June, the market rate of return was 10.10% for the fiscal year. Mr. Curran explained that the investment rate of return, which incorporates smoothing, was 5.10% for the fiscal year, and that leaving the long-term expected rate of return at 6.10% was relatively conservative relative to the 2023 reasonable range of 6.20% to 7.39%. Mr. Curran stated that the Total Pension Liability is based on the Individual Entry Age Normal actuarial cost method as described in Statement 67 of the Government Accounting Standards Board (GASB 67), and that the valuation is based on the Aggregate Actuarial Cost Method. The funded status of the plan increased from 87.12% to 87.48%.

Mr. Curran stated that based on the data analysis completed, it is recommended that the minimum employer contribution rate should be 10.75%, and based on statutes the maximum employer rate would be 13.75%. Mr. Curran explained that there were cost increases on a dollar basis but cost decreases on a percentage basis, and he expanded on this point by stating that the board has the right to set the rate above the minimum requirement due to increased needs as costs grow. Mr. Curran shared information on the impact other systems have experienced with applying methodology of higher than minimum required employer contributions as credited to the Funding Deposit Account pursuant to R.S. 11:1658 & R.S. 11:1659.

Mr. Shealy asked for clarification on how the smoothing analysis is calculated; Mr. Curran explained that the smoothing technique turns percentages into dollars and there's more than averaging rates involved to determine employer contribution rates, including the effect on the net pension liability of differences between the projected earnings on pension plan investments and actual experience with regard to those earnings over a five-year period.

Mr. Curran outlined a number of risk measurements and relevant statutes that consequently amounted to informing the Board of Trustees that they are not authorized to provide a cost of living increase for this year.

This report will be available on www.ladars.org once it is approved by PRSAC.

Mr. Walters acknowledged that the 12% employer rate set forth for 2022-2023, above the minimum requirement, did not provide extraneous allowance to deposit into the Funding Deposit Account. Mr. Walters inquired how close was the extra allowance to providing an opportunity to deposit into said account.

Mr. Curran explained that it was very close. Mr. Curran stated that if you quantify the difference between the minimum rate and the 12% employer rate set and placed that in the Funding Deposit Account, then DARS would have had one more measure of negative news that would have resulted in a higher employer contribution rate this year. Therefore, in order to deposit into the account, you not only have to set the rate above the minimum, but you also have to incur a surplus of contributions. Further, the Funding Deposit Account could additionally be used to prefund future cost of living adjustments, in lieu of lowering the employer rate.

Mr. Gascon inquired as to whether Mr. Curran projected any future downside to the valuation due to the average age of the members in the DARS plan. Mr. Curran explained that many age factors, vesting status, and retirement eligibility vs retirement applications were baked into this valuation study and that while the census has many interesting factors, it is only one of many variables that affect valuation.

Motion by Mr. Reed Walters, Seconded by Mr. Scott Perrilloux, to present the report as provided to PRSAC. Unanimously, the motion passed.

VIII. Investment Report

a. Rastegar 2022 Financial Audit Draft

Mr. Qualls invited everyone to turn their attention to the Rastegar team assembled via zoom. Mr. Qualls explained that DARS does have a draft of the 2022 financial audit though it is not certifiably complete, and that the team is available for any questions or concerns.

Mr. Nesom questioned where DARS stands on accrued interest due to DARS.

Mr. Weissman stated that the accrued amount will be paid as soon as properties are sold. As of the last payments, Rastegar is back to paying the full amount on a quarterly basis.

Mr. Shealy clarified that he did hear current interest payments are being paid in a timely fashion, so the delinquent amount owed should not increase. Mr. Shealy further clarified that he did not hear what the amount of accrued unpaid interest currently is, as of today.

Mr. Weismann explained that he did not have that number.

Mr. Qualls stated that per the draft, the accrued but unpaid coupon is approximately \$3.6 million.

Mr. Burton questioned whether we will get additional interest on accruals above the \$3.6 million due to the lag in payments.

Mr. Nesom asked to clarify that as properties are sold and we get accrued interest back, do we also get a portion of the principal for the original investment in the property?

Mr. Weissman explained that as investments are paid off, then Rastegar can have an additional discussion with DARS to determine if they want to see additional payments based on principal; that as of now the only plan is to pay off the additional accrued interest.

Mr. Burton asked what interest rate is DARS accruing on the \$3.6 million owed. Mr. Weismann stated that the interest rate is 7%.

Mr. Shealy inquired as to how many properties are currently marketed for sale.

Mr. Weissman stated that he believes it is around 5-6 properties, but that he will confirm that information. Mr. Shealy inquired as to whether all 5-6 properties were sold, would that generate enough income to pay off the interest payments owed in addition to a payment return of the principal investment? Mr. Weissman explained that he would need to confirm that with his team, but he believes the answer to be yes.

Mr. Nesom stated that he would like to see a return of the original principal investment especially if we are only being paid accrued interest while the property is sold, thus no longer available as collateral.

Mr. Qualls explained that the investment with Rastegar is categorized as preferred stock, a type of perpetual investment such that DARS is paid off Rastegar will continue buying properties resulting in DARS having a vested interest in future acquired properties.

Mr. Burkett questioned whether DARS has any contract to get the principal back.

Mr. Nesom stated that originally DARS was to earn back the principal investment after 7-8 years.

Mr. Weismann explained that their primary focus has been to pay DARS the accrued \$3.6 million owed in interest.

Mr. Shealy asked if we had a listing of the properties owned and a listing of the properties listed for sale.

Mr. Weismann stated that he would gather and distribute this information.

b. Vann Equity Management

Mr. Vann provided a broad market analysis and performance update. Mr. Vann stated that the economy is holding up better than he expected – inflation and strong economic growth solidify hope for a soft landing.

Mr. Shealy noticed one thing not mentioned in the report - the rising debt limit and affect that those interest rates have on US debt; how will that impact the economy?

Mr. Vann explained that this is a consolidated report. Mr. Vann stated that increased debt liability is a major challenge and that increased tax burdens to American consumers with potentially rising or falling dollar values will anticipate more or less debt later on.

Mr. Shealy questioned what other items DARS should specifically look at in the investment portfolio to bring in other income streams in addition to traditional banking.

Mr. Vann turned the floor over to Mr. Lazarro with TCW, in answer to Mr. Shealy's inquiry.

Mr. Lazarro explained that right now the economy is not the primary issue since 90% of DARS assets via TCW are in fixed income. Mr. Lazarro explained the breakdown of DARS investments under the TCW umbrella and asked for approval to increase the investment principal into TCW.

Discussion was had regarding the structure of TCW investments. Mr. Qualls explained that TCW primarily profits through private debt and that it will provide 5-7 years of cash flows that will mature. As a maturing retirement plan, Mr. Qualls cited that DARS investment portfolio needs cashflows to fund the deficit that Mr. Curran highlighted earlier in the meeting.

Motion by Mr. Todd Nesom and seconded by Mr. Brad Burgett to recommit to invest with TCW. Without objection, the motion carried.

c. Argent Financial Group

Mr. Shealy reiterated the disclosure that Argent is his personal advisor and consequently would remove himself from any voting or discussion.

Ms. Becker thanked the board for their time and informed the trustees that Orleans Capital was purchased by Argent Financial Group in April of 2023. Ms. Becker asked the board for their consent to continue working with Argent under the new management agreement.

Mr. Shealy left the meeting to attend other commitments. Mr. Perrilloux, as Vice-Chairman, conducted the rest of the meeting.

Mr. Burton inquired whether there was a plan to phase out the existing management team. Ms. Becker explained that Argent had offered contracts to the existing management team and was not planning to decrease team members. Further discussion was had regarding the organic growth of Argent Financial Group's acquisition of other institutions over the last five years.

Motion by Mr. Todd Nesom, seconded by Mr. Don Burkett, for consent to continue to do business with Orleans Capital under the Argent Financial Group Umbrella. With one objection from Mr. Reed Walters, the motion carried.

IX. Investment Policy Statement Revisions

a. Board Member Investment Conflict Policy Draft - Annual Board Certification of Policy

Mr. Qualls proposed changes to current investment policy statement. Primarily, the changes were to remove references to people no longer employed by DARS and outdated custodian references. Mr. Gascon clarified that the changes were technical in nature and not in substance.

Motion by Mr. Houston Gascon, seconded by Mr. Reed Walters, to approve changes set forth by Mr. Qualls. With no opposition, the motion carried.

X. Director's Report

Mr. Qualls informed the Board of Trustees that Ms. Gwen Hicks would be leaving DARS. Mr. Qualls extended utmost appreciation to Ms. Hicks for assisting with the director transition period and proclaimed that her presence will be missed.

Mr. Burkett proposed to pass a board resolution of appreciation, which was unanimously corroborated. Mr. Qualls stated that he would draft a resolution for the next meeting.

d. Audit Questionnaire

Mr. Qualls directed attention to the audit questionnaire which requires board approval prior to submission to auditors. Mr. Qualls asked the board to verify their addresses and board terms specifically before voting. Mr. Burget indicated a typo in his zip code. Mr. Qualls stated that it will be corrected before submission.

Motion by Mr. Houston Gascon, seconded by Mr. Reed Walters, to approve the audit questionnaire for submission. Without objection, the motion carried.

e. Investment Consultant RFP Update

Mr. Qualls highlighted that the window for accepting additional Request for Proposals has closed, and presented the scoring method devised for ranking submissions. Mr. Qualls explained that eight submissions were received. Mr. Qualls further emphasized that DARS is in receipt of additional hard and digital copies of each proposal that are readily available for the Board of Trustees to individually review.

Mr. Qualls plans to present preliminary findings at the February meeting, before the board's final decision in April. The board requested that Mr. Curran give any recommendations he may have regarding received submissions.

f. Glenn E Diaz v State of Louisiana, through the Board of Trustees of the District Attorneys' Retirement System Number: C-650070 19th Judicial District Court Update

Mr. Qualls informed the board that DARS won the motion for summary judgment in the above named case. As a result, DARS will not have to backpay any benefits between the requested date of retirement and the date the application for retirement was submitted.

g. Ethics and Preventing Sexual Harassment Trainings

Mr. Qualls reminded all members of the Board of Trustees to ensure they have met the calendar year requirements to complete ethics and sexual harassment trainings. Mr. Qualls extended an invitation to assist board members as necessary in obtaining certifications.

XI. Questions and Comments

Mr. Perrilloux clarified the rehire process and stipulations as per IRS regulations for DARS qualified retirement plan status. Mr. Qualls explained that IRS rehire regulations include a sixty day break in service as well as a salary limitation.


Mr. Perrilloux verified there was no additional business to address.

The meeting was adjourned at 11:52 AM.

Next Meeting Date: February 22, 2024.

To the best of my knowledge, the foregoing minutes accurately represent the actions taken at the meeting held on November 27, 2023.


S. Andrew Shealy, Chairman


Philip Qualls, Director