

District Attorneys' Retirement Systems
Board of Trustees Meeting
January 23, 2020

Minutes of the Board of Trustees of the Louisiana District Attorneys' Retirement System that was held at the DARS Office located at 2525 Quail Drive, on Thursday, January 23, 2020, at 9:30 a.m.

Present: Anthony Falterman, Don Burkett, Dale Lee, Todd Nesom, Scott Perrilloux, Andy Shealy, and Reed Walters

Also Present: Kristi Spinosa, Gwen Hicks, Sharon Hill, John Vann, Aaron Vann, Jonathan Solo, Garrett Orgeron, Michelle Cunningham, Greg Curran, Kate McCabe, Jon Bangor, Mike Czopor, Steven Richter, Kameron George, Cindy Averette, and John Trainor

Absent: Senator Peacock and Representative Abraham

Roll call was conducted and there was a quorum.

Tony Falterman asked the group to review the agenda regarding the following two statements concerning conflicts disclosure:

- I have reviewed the agenda, and I have no conflicts of interest to disclose.
- If a conflict arises during this meeting, I will disclose it and take appropriate action to resolve it.

The group reviewed the agenda and no conflicts were reported.

A motion was made and seconded to approve the minutes of the November 1, 2019, and the November 19, 2019, meetings as published. The motion carried.

Kristi Spinosa reported that our auditor and CPA have been working to revamp the general ledger accounts and the breakout of investment accounts. Therefore, there were no financial statements to review at this time.

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

- Terry Boudreaux, retired effective September 1, 2019, Option 2, benefit amount of \$9,783.85;
- Bill Starr, retired effective September 14, 2019, Maximum, benefit amount of \$7,108.42;
- Bruce E. Hampton, retired effective December 3, 2019, Maximum, benefit amount of \$5,159.96;
- John Francis Young, retired effective October 16, 2019, Maximum, benefit amount of \$1,641.09;

The following deaths were reported:

- Robert L. Menuet, died October 12, 2019, no further benefit due
- Charles Livaudais, died October 10, 2019, survivor benefit \$604.96

Michelle Cunningham and Garrett Orgeron presented an overview of the audit process and reviewed the DARS audit ending June 30, 2019. No significant deficiencies that were material weaknesses in internal control were identified. There were no violations of laws or regulations that have a direct and material effect on the financial statements.

There were significant deficiencies identified during the audit regarding how investments were recorded and reconciled; the investment policy is vague in the area of investment risk; the system office did not have on site all investment contracts and operating agreements; the system office does not have real time access to the custodial trust statements; and the custodian statements list the account number on the statement only, and not all statements are reported by the custodian. All of these issues are currently being addressed.

Michelle Cunningham reported that they will be issuing a report within the next week on GASB 68.

John Vann introduced Jonathan Solo who is a managing partner with Vann Equity Management.

Mr. Vann stated that three companies will make presentations concerning custodianship for DARS.

For BNY Mellon, Kate McCabe, Jon Bangor, and Mike Czopor addressed the group stating that BNY Mellon is one of the largest custodian banks. They reported that all accounting procedures and reporting on auditor's footnotes and GASB are already in place within their system. They could also give our auditors access to the DARS platform. Their annual fee would be \$75K.

For US Bank, Steven Richter and Kameron George addressed the group stating that they would offer direct line to experienced senior team, real time 24/7 access to custody account, investment name included on trust statement, alternative assets posted to custody account, and DARS assets held separately from bank balance sheet assets. Their annual fee would be \$50,285 guaranteed for five years. They can also offer (for a separate fee) online access to our members where members could view contribution balances, change their address, and other such online information.

For Hancock Whitney, Cindy Averette and John Trainor addressed the group stating that they are based locally in Baton Rouge. They can also meet all criteria set forth by our auditors for accounting and reporting. Their annual fee would be \$26,363.

After the presentations, discussion was had on which bank could best meet our needs. A motion was made and seconded to retain US Bank as our custodian bank. The motion carried.

John Vann reported that assets have appreciated 4.46% net since September 30, 2019, while the benchmark has appreciated 4.91%. Assets have appreciated 18.12% net since December 31, 2018 while the benchmark has appreciated 17.49%. There have been no significant events with the alternative managers this quarter.

Mr. Vann outlined several key focus points for 2020 as follows:

- Recession risks have risen, but we expect resilience.
- Employment gains have slowed.
- Earnings growth has slowed but should be positive in 2020.
- Inflation, though rising slowly, remains below the federal reserve targets.
- The global economy has slowed, but not stalled.
- The Fed should remain on hold in 2020.
- Long term interest rates will likely continue to remain low.
- US and global equity valuations are above long-term averages.
- International stocks offer long-term opportunities.
- Broad diversification and careful portfolio management are required in the current late cycle environment.

Kristi Spinosa disseminated the DARS investment policy excerpt (pages 4-5) that is being amended to address the auditor's finding that the policy is vague in the area of investment risk. The final amended policy will be presented when completed.

Discussion was had on who needs to have authority to sign on behalf of DARS besides just the chairman. A motion was made and seconded to approve Kristi Spinosa, Director, and Dale Lee, Trustee, as additional authorized signers on behalf of DARS. The motion carried.

John Vann reported that the loan he had with Rastegar has been moved to a personal account he had.

Tony Falterman stated that at this time DARS should stay with Vann Equity Management while we transition to a new custodial bank. The Trustees agreed.

Aaron Vann stated their continued commitment to DARS. He reported that a succession plan for John Vann has been implemented and reported that Jonathan Solo has been brought in as a managing partner. He also reported that key portfolio management and back office software is fully connected to custodians and operational.

John Vann reviewed a timeline for transitioning with the new custodial bank, which should be complete by the end of March. He also stated that as chairman of Vann Equity Management, he will be in an advisory role.

Kristi Spinosa disseminated a response letter to Brent Coreil addressing a rehire issue where Mr. Coreil was rehired without enough service credit as stated in the rehire statute. He was also drawing a retirement benefit during the rehire period. Tony Falterman stated that he had a response letter from Mr. Coreil but it has not yet been reviewed, therefore, the Board agreed to table the issue until all correspondence can be properly reviewed. This item will be on the agenda for the next meeting.

Ms. Spinosa presented a draft budget for FY21 for review. The DARS budget must be submitted to the Joint Legislative Committee on the Budget 60 days prior to the beginning of the legislative session. A motion was made and seconded to adopt the budget as presented. The motion carried.

Don Burkett stated that when he filed his annual financial disclosure form, he filed 6.1, but was later informed that he should have filed 6.0 and included Form D. All trustees should do likewise.

Kristi Spinosa reported that Senator Ed Price has been appointed Chairman of the Committee on Retirement, and Representative Clay Schexnayder will be Ex Officio of the House Retirement Committee.

Ms. Spinosa also reported that Senator Peacock will carry our bill to have the \$18K salary minimum apply to all members of DARS, not just ADAs.

Kristi Spinosa disseminated a list of investment managers used by other retirement systems for informational purposes.

A motion was made and seconded to adopt the audit for year ending June 30, 2019, as presented. The motion carried.

The date of the next meeting is Thursday, March 19, 2020, at 9:30 a.m. at the DARS Office in Baton Rouge, LA.

Anthony G. Falterman, Chairman

Kristi Spinosa, Director

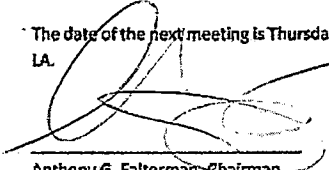
Retirement, and Representative Clay Schexnayder will be Ex Officio of the House Retirement Committee.

Ms. Spinoso also reported that Senator Peacock will carry our bill to have the \$18K salary minimum apply to all members of DARS, not just ADAs.

Kristi Spinoso disseminated a list of investment managers used by other retirement systems for informational purposes.

A motion was made and seconded to adopt the audit for year ending June 30, 2019, as presented. The motion carried.

The date of the next meeting is Thursday, March 19, 2020, at 9:30 a.m. at the DARS Office in Baton Rouge, LA.



Anthony G. Falterman, Chairman



Kristi Spinoso, Director