

Minutes of the Board of Trustees of the Louisiana District Attorneys' Retirement System that was held at the Louisiana District Attorneys Association on Thursday, January 17, 2019, 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, Gwen Hicks, John Vann, Gary Curran, Aaron Vann, William Coenen, Garrett Orgeron, Michelle Cunningham, and Loren Lampert.

Absent: Senator Peacock and Representative Abraham

Roll call was conducted; there was a quorum.

A motion was made and seconded to approve the minutes of the November 14, 2018, meeting, as published. The motion carried.

A motion was made and seconded to approve the financial statements for November, and December 2018. The motion carried.

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

- David P. Doughty retired effective September 8, 2018, Maximum, benefit amount \$3,078.92;
- Kathryn E. Hill retired effective August 15, 2018, Maximum, benefit amount \$4,086.44;
- James T. Phillips retired effective June 6, 2018, Maximum, benefit amount \$1,113.05;
- Howat A. Peters, Jr., retired effective March 3, 2018, benefit amount \$7,543.88:

Mr. Falterman advised the Board the following retiree death:

- Howat A. Peters, Jr., died November 23, 2018, no further benefits due.

Mr. Richard Babb and Mr. Joe Lovett with Louisiana Fund I and II gave an overview of the funds. Mr. Lovett reported that the fund was created in 2004 and has 18 limited partners.

Mr. Lovett reported that Esperance Pharmaceutical, the main investment with Louisiana Fund I, has an upcoming corporate investment of \$25 million in new cash to be invested into the company. They are also in initial planning for an IPO in late 2019. There is potential overall return of \$15 million to \$60 million in 2020.

Mr. Lovett reviewed the portfolio valuation of the fund. He reported that the DARS portion of the portfolio valuation is \$2 million.

He next reported that Louisiana Fund II has a \$13 million total capital committed and gave a return analysis on BioStable, Mirata, Salarius and Esperance.

Mr. Burton inquired as to how often should the DARS office get reports on value of funds of this type. Mr. Vann stated that each fund has a disclosure of when they will have a valuation. Some have valuations on an annual basis, some have quarterly updates, etc.

Mr. Babb stated that they do quarterly financials, and they have a year-end audit. He anticipates their audit will be complete by March 30, 2019.

Mr. Vann reported that the newly revised investment policy addresses reporting.

Mr. Tim Daniel from First Trust Corporation gave an education presentation on structured notes. He also reported that the DARS portfolio contains \$21.4 million in structured notes.

Next, Mr. Vann asked that the Board reschedule its July 18, 2019, meeting to July 25, 2018, to provide additional time to compile year end data.

Mr. Vann reported on the updated investment policy stating. He noted a change is needed to adjust the rate of return from 7% to 6.5%.

Discussion was had on the changes to the investment policy and Rastegar.

A motion was made and seconded to approve the revised Investment Policies and Objectives document, as amended, with a reduced assumed rate of return of 6.5%, and to increase the maximum percentage of alternative investments in the portfolio to 20%. The motion carried.

Mr. Vann then reviewed the quarterly letter as of December 31, 2018. The DARS investment portfolio return quarter year to date through December 31, 2018, was -8.89% vs -7.48% for the benchmark. The total value of the holdings as of December 31, 2018, was \$380,686,828.

As of January 15, 2019, the market value of the DARS portfolio has increased by \$11,157,584 to a total value of \$392,655,211.14. DARS increased 2.67% for the period while the index appreciated 1.76%, thus recapturing most of the 4th quarter underperformance.

He reported the underperformance for the 4th quarter can be attributed to two areas of the portfolio, but all other investments have outperformed their benchmarks.

Aaron Vann reported to the Board the 1st Quarter 2019 Market Outlook. Growth is slowing across the globe. International investment is still sound for the long term, but they will be reducing the exposure by 50% and moving funds back into the US equity markets.

Mr. Vann reported that the active MLP manager has underperformed the benchmark for more than three years and cannot justify an active management fee currently annualizing .75%.

He as recommended removing Eagle and utilizing the benchmark index thus improving returns, reducing volatility and reducing expenses by close to \$100,000.00 per annum.

A motion was made, and seconded, and approved to remove the MLP manager and move the funds to the index.

Mr. Vann reported to the Board that he would like Aaron Vann to attend some the DARS meetings solo, with their approval.

Ms. Spinosa reported to the Board that retirement benefits have reached a little over \$1.3 million every month. Mr. Falterman is aware of this. Frequently during the year, DARS needs cash quickly due extra payments for Back-Drop, transfers outs, and refunds that are impossible to anticipate.

She stated that Mr. Vann's office has recommended an automatic monthly cash deposit from Fidelity to the LAMP account to have these funds available. The staff could notify Mr. Vann five days before automatic cash deposit is due if the funds are not needed. The amount of \$1.3 million per month is recommended.

A motion was made, seconded, and approved to automatically deposit \$1.3 million into the DARS Lamp account on a monthly unless notified not to do so by DARS staff.

Mr. Falterman asked that Mr. Vann to report on Rastegar.

Mr. Vann reported that the Board at the last meeting was considering moving \$30 million to Rastegar but ran into asset allocation limits. Currently there is \$23 million invested with Rastegar, with a 7% return.

Discussion was had on investing more funds with Rastegar and having Mr. Rastegar attend the next meeting. Discussion was had, and no action was taken.

The Board suggested Mr. Vann begin researching other alternative investments.

Michelle Cunningham, with Duplantier, Hrapmann, Hogan & Maher, LLP, reported that Bill Stamm has retired. She has taken over supervision of the DARS account.

She then gave a presentation on the requirements needed by management and the auditor's responsibility related to the audit.

Ms. Cunningham then reported that there were no findings in the DARS audit for FY 2018.

Garrett Orgeron next reviewed the balance sheet and income statement and reported that total assets as of June 2018 was \$422,384,994 million compared to \$392,603,825 million in June 2017.

Ms. Cunningham stated that due to upcoming changes in staffing, an analysis of internal controls should be done specifically in the areas of cash receipts, cash disbursements and financial reporting.

Discussion was had on the monthly procedures of maintaining the Back-Drop payments, monthly payments, and federal tax payments.

Mr. Falterman asked if there was a problem how the staff was doing anything now or costing anything extra for the procedures that are used at this time.

Ms. Cunningham stated no direct extra cost, but it is more work for the staff to track all elements of Back Drop transactions and this created more opportunity for error.

Mr. Falterman directed staff to add this issue to the agenda for the next meeting.

A motion was made, and seconded, to approve the DARS Audit Report for Fiscal Year 2018. The motion carried.

Mr. Adams reported that the Board has received a Petition for Damages from Michael Futrell.

A motion was made, and seconded, to go into Executive Session for discussion. The motion carried.

The Board returned from Executive Session.

A motion was made, and seconded, to enter into a settlement with Mr. Futrell. Specifically, that no service will be granted for fiscal years in which the member was employed for the entire year but did not meet the minimum annual fiscal year salary requirement of \$18,000 (2009-2010). In the years when the member was employed for the entire year and met the minimum annual fiscal year salary requirement, a full month of service was granted if there were any contributions reported during the month. In years when the member was not employed for the entire year, he is granted partial credit if the pay that was reported, when annualized, meets the minimum annual fiscal year salary requirements (03/03/08 – 06/30/08). No service credit is granted for years in which the member was not employed for the entire year and the annualized pay did not meet the minimum annual fiscal year salary requirement (07/01/14 – 06/23/15). No service credit is granted for the months in which no contributions were reported (12/2013; 02/2014 – 04/2014). The motion carried.

The Board next addressed the possibility of four-year Back-DROP. Mr. Curran reported that if four year Back-DROP was implemented, there would be an immediate increase in the employer rate.

Discussion was had and no action was taken.

Mr. Adams reported to the Board about the draft of the Fee Based Pay Amendment Draft & Publication Notice Draft.

Discussion was had on how possible legislation would correct future issues regarding the fee-based pay.

A motion was made, and seconded, to approve moving forward with publication of public notice. The motion carried.

Mr. Shealy reported on suggestions for changes to the DARS elections statutes, such as an increase in the number of trustees, different classes of trustees, and possibly two retired members.

Discussion was had on the examples that Mr. Shealy documented.

Mr. Adams noted it is too late to file legislation that would impact 2019 elections.

Mr. Adams next gave a status report on the LDAA renovations.

Mr. Falterman advised the Board of the retirement of Gwen Hicks effective January 1, 2020. He also complimented Sharon Hill on her resume' that was presented to DARS. Ms. Hill has agreed to replace Ms. Hicks upon her retirement.

Ms. Spinosa gave a brief update on the proposed Travel Policy and Employee Manual.

A motion was made, and seconded, to approve the proposed Travel Policy and Employee Manual for the District Attorneys' Retirement System.

A motion was made, and seconded, for the Board to go into Executive Session to discuss staff salaries.

The Board returned from Executive Session.

A motion was made, and seconded, to approve a salary increase of 4%, effective January 1, 2018, for Ms. Spinosa and Ms. Hicks.

Mr. Shealy asked that the Board consider a trip to Dallas to Mr. Vann's office. The trip would be for DARS education and for Trustees to meet all of Mr. Vann's staff in order to better understand each person's role in the organization. Mr. Falterman agreed in concept, but stated he preferred the trip to take place after the 2019 DARS election.

With no further business the meeting was adjourned.



Anthony G. Falterman, Chairman



E. Pete Adams, Director