

Minutes of the meeting of the Board of Trustees of the Louisiana District Attorneys' Retirement System held at the New Orleans Marriott in New Orleans, Louisiana, on Sunday, September 13, 2015, at 9:30 a.m.

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

Also Present: Pete Adams, Roxanne Barrios Juneau, Steve Mergler, Greg Curran, Kristi Spinosa, Gwen Hicks, and John Vann

Absent: Representative J. Kevin Pearson and Senator Elbert L. Guillory

Mr. Adams reported that there may be a conflict of interest due to two members who have repaid contributions for service. This will be addressed as an agenda item later in the meeting.

A motion was made and seconded to approve the June 29, 2015, meeting minutes as published. The motion was unanimously approved.

A motion was made and seconded to approve the financial statements for June, July, and August 2015. The motion was unanimously approved.

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

- Thomas J. Kliebert, effective June 23, 2015, Option II, benefit amount \$1,481.12;
- Mark Rhodes, effective May 15, 2015, Option II, benefit amount \$7,662.58;
- Ettie Sue Bernie, effective July 1, 2015, Maximum, benefit amount \$8,368.30;
- Shirley T. Nossaman, effective July 31, Maximum, benefit amount \$2,347.82;
- George D. Ross, effective July 31, 2015, Option II, benefit amount \$4,459.21;
- Timothy J. McElroy, effective September 5, 2015, Option II, benefit amount \$8,892.41.

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

- Richard Gauthier, died July 28, 2015, no further benefits due.

Mr. Falterman reported that he had some concerns about the pending sale of Boston Private and what would happen to DARS if there is a sale.

Mr. Vann stated that he is not an employee of the bank. He explained that when the bank acquired Banyon Partners he was a shareholder. He explained that Rushmore was acquired in a merger with Banyon. Shortly after, Boston Private made an offer to purchase the new company. He concluded that the situation was not in his best interest or that of his clients.

He stated he is a Board member of Banyon only. Steve Mergler and other members are employed by the bank. Per the bank, it is not for sale. If something should happen to Mr. Vann, Steve Mergler would take over or the Board could pick someone else.

Mr. Falterman stated that there is no way of knowing if Mr. Vann or Mr. Mergler would still be there.

Mr. Vann stated that he is completely independent from the bank and without the bank, he would still be in business with the same staff providing the same services. He further stated that his contract expires on September 30, 2015, and he has a meeting scheduled on October 1 with the bank to address the future. His contract has both a one year non-compete and a two year non-solicitation clause. He is a bank advisor and a board member of Banyon. He is retained to represent former Rushmore clients. Mr. Vann reported that the fund at its peak was valued at \$365 million. The market was down 14% but the portfolio was only down 7%. Last December, we raised 10% in cash and at the last meeting, he recommended we continue to withdraw funds. An additional 8% has been withdrawn so far this year. They took small cap dollars out earlier and did not reinvest. We also took out large cap and did invest. Mr. Vann reported that the MLP's portfolio was down 20%. He stated that they liquidated the ETF and that he felt it was a good choice.

He recommended moving 3.5% from cash to equities.

A motion was made. No action taken at this time.

Mr. Vann reported that there are three reasons the market has declined. China used to be a growth of infrastructure economy but now is overbuilt with untapped supply. China had shock announcement allowing the YUAN to float free, with no ties to the dollar, which makes their goods cheaper. There is talk of the Federal Reserve raising rates.

Mr. Vann reviewed the Market Review charts. He reported that corporate America is not reinvesting and this is a problem. Corporations are buying back their own stock to improve earnings instead. He further reported that the Leading economic indicators declined in the index for the first time this year. Prior to two previous recessions, the indicators tended to peak at 120.

Mr. Vann reported that the S&P composite index went through a 14-year consolidation of the gains from the 1974-2000 bull and has since moved to all-time highs. All global markets will either grow or consolidate together. If there is a recession, there will be no place for investors to hide. Russia is in a recession now that could lead into Europe. If oil continues to go down, conditions could be worse; however, he does not believe there can be much more damage to the market.

Mr. Mergler reviewed the economic expansions/recessions chart. He reported that the current expansion is beginning its 7<sup>th</sup> year, more than one year longer than the average expansion.

Mr. Vann reported that the market is currently expecting the Federal Reserve to begin raising interest rates in mid-2015; some investors have expressed concern about the potential impact on equities in 2015. Rising rates are generally associated with rising stock prices, when yields are below 5%.

Mr. Vann stated that bonds have provided “equity-like” returns over the past 30 years as interest rates dropped to all-time lows in 2012. The expectation is for equities to outperform bonds over the next cycle.

He reported that bonds are not a healthy investment now. Dorsey has done great managing our bond investments; it is just not a good idea to purchase new ones. Our fixed income portfolio for at least the next three years will be maxed at 3%.

Mr. Mergler stated that Dorsey is intentionally moving very slow on acquiring new positions.

Mr. Vann reported following the 2011 market correction, volatility has remained relatively low while the S&P 500 remained in a sustained uptrend. Since August 2015, volatility has picked up with VIX spiking more than 100% in a week. With the S&P 500 moving into correction territory, it was determined on August 25, 2015, to begin hedging the tactical portfolios.

Mr. Mergler states that this is not a good time to do new puts, as they are too costly because of high volatility.

Mr. Vann reported that Dan Heard at Morgan Stanley recommends the System take the proceeds from recent alternative investments and reinvest. Mr. Vann recommends we decline the recommendation and to put those profits in the bond portfolio.

Mr. Burton wanted to know why the recommendation to put the proceeds in bonds instead of the money market?

Mr. Vann stated that Dorsey does not charge a fee, and he will technically put the money in a money market. This will give Dorsey the ability to invest when the time is right. They invest in short term, two to three year maturity bonds. He does not risk money in 10-year bonds, which is where the interest rates and bond formula come into play. He feels there is too much uncertainty in equities now, and this is the better move.

Mr. Gascon wanted to know which alternative investment generated the funds.

Mr. Mergler stated that it was Strategic Storage Trust, which was invested in rental space.

Mr. Mergler stated that most of the Level II Report had already been addressed.

Mr. Vann reviewed the current asset allocation. He reported that numbers will change due to pending transfers. Fixed will be about 31% and equity will decrease as well. We are close now to maximum equity exposure.

Mr. Mergler reported on allocation changes of the portfolio. Mid, small and international funds have the most issues.

A motion was made, and seconded to move 3.5% from cash to equities. The motion was unanimously approved.

Mr. Vann stated that an additional motion needed to be made to move the profit from Strategic Storage Trust to money markets, equities or Dorsey. Mr. Vann recommended Dorsey.

A motion was made, and seconded to move the profit from Strategic Storage Trust to Dorsey. The motion was unanimously approved.

Discussion was had whether Behringer investment should be left in the alternative investment report. It was decided to leave it there to help to track future performance.

Mr. Vann stated that total cost for all fees is \$600,000, which is the lowest cost fund with which he is aware.

Mr. Vann stated that the downside to the portfolio is the MLP's, which are down due to market turnaround, but starting to come back nicely. Exposure is only about 4.16%. He reported to the Board that this is first time that they have been this cautious, but will give notice if that changes.

Mr. Adams reviewed the memo to the Board regarding repayment of refunded contributions to restore prior service credit. He reported that it had been long term practice of DARS, without direction of the Board, to allow members to repay refunded contributions to restore prior service credit. He further noted that is a common practice among state and statewide systems.

He stated that recently a question arose about the legal authority for the long-term practice, specifically whether a partial repayment was allowed. After much research it was found that there is no statute to support the repayment practice in any form.

Mr. Adams reported that Ms. Spinosa did an extensive review of Board minutes, and found no originating Board policy authorizing the practice, despite the decades of completing such transactions.

Mr. Adams stated at this time the staff does not currently support rescinding any completed repayments; however, we are not moving forward with new requests pending a resolution.

Ms. Spinosa stated that approximately 5-10 requests are frozen at this time.

She reported that they have met with Mr. Schmidt on the issue and are waiting his legal opinion as to how to proceed. Mr. Schmidt is specifically researching whether there is a way to support this practice through our recent legislative changes related to qualification.

Mr. Falterman suggested waiting until we get a response from Mr. Schmidt.

A motion was made and seconded to wait on the opinion from Mr. Schmidt before authorizing the authority to proceed and then inform all members who have a pending request. The motion was unanimously approved.

Mr. Adams reported that DARS currently has two requests pending to purchase military service credit as permitted by R.S. 11:153. Both of the pending requests involve members who are not yet vested in the system. Purchase of military service credit is not without restriction. Mr. Adams explained that a member cannot purchase military service to meet eligibility for retirement.

The two pending requests are from Mr. Rex English and Mr. William Armitage. In order to make the purchase less expensive, Mr. English would like to purchase the time now, yet continue to work until independently vested. Mr. Armitage would like to purchase in order to vest, and then retire.

Mr. English has also requested an installment plan, which is only legally permissible with Board approval. Mr. Falterman stated that he did not like the idea of installment payments.

A motion was made, and seconded to enter into a contract with Mr. English for his purchase of military service. Motion carried. Mr. Walters opposed. If Mr. English chooses to proceed with the purchase, Mr. Falterman requested the contract be sent to the Board for approval. This can be done via email if prior to the next meeting. Andy Shealy requested that a waiver of future liability be included in the contract.

A motion was made, and seconded not to allow any installments for the purchase. The motion was unanimously approved.

Mr. Adams gave an update on IRS qualification. He reported there is one retiree that will meet the 415 excess benefit limitation.

Mr. Adams stated that he had spoken to Mr. Schmidt regarding funding of this portion of the benefit. Mr. Schmidt suggested employer contributions from the office of the retiree, i.e., the 27<sup>th</sup> Judicial District. Discussion was had.

Mr. Adams reported that he needs the Board to approve the District Attorneys' Excess Benefit Plan, which would be the policy for the excess benefits paid under Section 415(b).

A motion was made and seconded to approve the District Attorneys' Excess Benefit Plan as presented. The motion was unanimously approved.

Mr. Adams advised the board on a memo from Mr. Schmidt regarding Required Minimum Distribution (RMD) requirements and a resolution that DARS will follow the procedure for excess limits.

A motion was made and seconded to approve the Resolution of the Board of Trustees of the District Attorneys' Retirement System. The motion was unanimously approved.

Ms. Spinosa reported to the Board that since July 1, 2015, a number of direct transfers, a/k/a rollovers of funds and repayment of refunds for transfer have been received. In the future, staff will detail such transactions in the financial statements to keep the Board informed.

She reported that the 22<sup>nd</sup> Judicial District had reporting errors that could cause problems on W-2's but the problem has been solved. After qualification changes were fully implemented, State payroll was the only employer that did not correctly withhold employee contributions on a pre-tax bases as of effective July 1, 2015. State payroll has made the correction and has assured us that this will not affect W-2's.

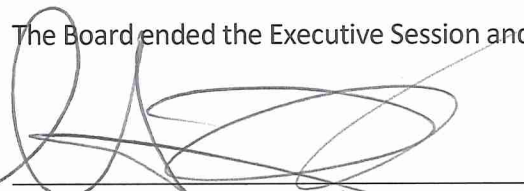
Mr. Adams reported that the LDAA purchased the DARS program software from the owner of Southwest following his retirement. LDAA IT staff, Kristi and Gwen are working to get the system up-to-date with changes to improve accuracy and efficiency. With the new updates, the software may be attractive for sale to other systems. The LDAA owns the software at this point.

Mr. Falterman informed the Board that he has some concerns about losing DARS board members in 2017. New members will likely have little knowledge about DARS. He would like Mr. Adams to make a presentation to the elected DAs at the Fall Meeting of Elected DAs in Lafayette, Louisiana, in mid-November.

A motion was made and seconded to have the DARS meeting in Lafayette on Tuesday, November 17, 2015, at noon. The motion was unanimously approved.

Meeting went into Executive Session.

The Board ended the Executive Session and with no further business the meeting was adjourned.



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Anthony G. Falterman, Chairman



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E. Pete Adams, Director