

District Attorneys' Retirement Systems
Board of Trustees Meeting
February 16, 2023

The meeting of the Board of Trustees of the Louisiana District Attorneys' Retirement System was held on Thursday, February 16, 2023, at 9:30 a.m. at the DARS office in Baton Rouge, LA.

Present: Brad Burget, Don Burkett, David Burton, Houston Gascon III, H. Todd Nesom, Scott Perrilloux, Andy Shealy, Rep. John Illg, and Senator Kirk Talbot

Also Present: Kristi Spinosa, Sharon Hill, Gwen Hicks, Aaron Vann, Alan Maples, Stephen Brouillette, and Joey David

Absent: J. Reed Walters

Roll call was conducted and there was a quorum.

Andy 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.

A motion was made and seconded to approve the December 8, 2022, minutes as presented. The motion carried.

A motion was made and seconded to approve the financial statement for December 2022. The motion carried. There seemed to be a calculation error on the January 2023 financial statement. This item will be addressed later in the meeting.

Kristi Spinosa welcomed David Burton back to the DARS Board of Trustee. He was elected to fill Tony Falterman's seat.

A motion was made, seconded, and unanimously approved to accept the following retirements. Andy Shealy abstained from the vote on his retirement.

- S. Andrew Shealy, retired effective 1/1/23, Option #2, benefit amount \$6,914.61;
- Stephen P. Sheets, retired effective 1/1/23, Maximum, benefit amount \$7,500.01;
- Bruce G. Dearing, retired effective 1/1/23, Maximum, benefit amount \$9,257.95;
- Juan W. Pickett, retired effective 1/1/23, Option #2, benefit amount \$4,745.49.

The following retiree deaths were reported:

- Marilyn Scott, died 1/26/23, no further benefit due.

Jack Lazzaro, TCW, addressed the Board and reviewed our investments with them. He stated that last year was the worst year on record, but we still were at the 7% hurdle. When asked by the Board what safeguards are built in, Mr. Lazzaro stated that TCW is in the first position to sell off assets if necessary. He reported that TCW generally underwrites loans for five years, but they are usually paid off early.

Aaron Vann reported that the total portfolio appreciated 11.48% for the fiscal year beginning July 1, 2022, while the blended index has appreciated 11.77%. The total portfolio appreciated 4.44% for the 4th quarter ending December 31,

2022, while the blended index appreciated 7.62%. Updated year-to-date through February 14, 2023, the portfolio appreciated 5.73% while the blended index appreciated 4.95%. As of February 14, 2023, all assets total \$498,844,156.

Mr. Vann reported that the U.S. economy is teetering on the edge of recession the labor market is showing early signs of cooling. As of November 2022, the unemployment rate was at 3.7%, just 0.2% above its 50-year low in 2019. Wage growth has also moderated and will likely show further, providing some relief to businesses and inflation.

S&P 500 earnings continue to be challenged by slower growth. Inflation has peaked and should gradually fall over the next few years to much more manageable levels, regardless of whether the economy falls into recession. Global economic momentum has also slowed.

The U.S. dollar soared in 2022 and is now trading near a 2-year high in nominal terms. In real terms, once inflation is considered, the dollar is close to its highest level since 1985. 2022 was also a year of aggressive monetary tightening, with the Fed hiking rates by a cumulative 4.25%. The Federal Reserve is nearing the end of its tightening cycle.

Valuations have come down significantly across asset classes and the inverse stock-bond relationship should reassert itself.

Discussion was had on structured notes. We currently have an ending market value of \$52,294,704 in structured notes. Mr. Vann stated that we do not have a cap and we have a current return of 15%-16%. Our initial investment was \$38M. He also stated that the risk is low to moderate. The Board asked him to explain how structured notes work. Mr. Vann did so and stated that he will send investment education on structured notes to each Trustee. The Board asked that he put a presentation together for the next meeting to further explain and to show a breakdown of the \$52M and how much protection we have on it.

Discussion was had on Alternative Investments. Getting statements from all the alternatives is a problem. Aaron Vann suggested that the Board consider opening an account with Schwab and using the iCapital platform where we could use a single portal to see all investments and statements and obtain a single K-1. If we sold off LA Funds and Themelios on the secondary market, we could use those funds to set up iCapital. We could also unload some investments with Rastegar, however, if we initiate the redemption, we would take a 10% hit. The Board agreed to wait until the next meeting to decide whether to sell off LA Funds and Themelios.

Discussion was had on the Rastegar side letter. The letter needs to include a time frame for repayment of the presently accrued interest of approximately \$2.5M, and we need clarification on liquidation. A motion was made and seconded to have Rastegar true up by June 30, 2023, and allow 18 months to liquidate. The motion carried.

The agenda item on Investment Policy Statement Revisions was deferred until the next meeting.

Kristi Spinosa updated the Board on the BREC case regarding the constitutionality of Ad Valorem taxes being distributed to statewide retirement systems. DARS currently receives approximately \$10M annually in Ad Valorem taxes. We have hired outside counsel, Robert Klausner, to handle the case. Four other retirement systems, Sheriffs', Assessors', Clerks' and Registrars', have joined us in fighting this matter. Currently, several appeals are pending. Case law is in our favor.

Ms. Spinosa reported on a benefit error from 2018 on Ellison Travis whereby he has been paid too much on a monthly basis in the amount that totals approximately \$27K. Mr. Travis has submitted information from his tax advisor on the impact of the overpayment on his taxable income. He is willing to repay the overpayment of \$27,715.60, if DARS will issue amended 1099s for all years involved. Kristi Spinosa stated that we would need to involve our programmer to amend 1099s, so she suggested that we offer to settle with Mr. Travis in the amount of \$20,484, which is the overpayment amount

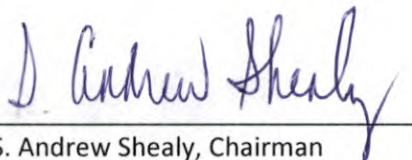
less the overpaid taxes Mr. Travis has already incurred. A motion was made and seconded to settle with Mr. Travis in the amount of \$20,484. The motion carried.

Kristi Spinosa led a discussion on an enrollment error on Kylie Miller LeBlanc who was hired in the 27th JD in November 2021, but the office did not enroll her in DARS until member was added to State warrant in August 2022. Between November 2021 and July 2022, social security was withheld from the member's paychecks instead of DARS contributions. The member has asked if she has to pay DARS the back contributions, or could she take shorter service credit. Discussion was had. A motion was made and seconded that member did not have pay back to her start date as long as she sends a letter or affidavit stating she understands that she will not have service credit for that period, nor will she be able to repay it at a later date. The motion carried.

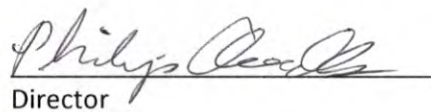
A motion was made and seconded to go into executive session pursuant to the provisions of LSA-R.S. 42:17 (A)(1) to discuss the budget and salaries of DARS Staff. The motion carried. When the meeting publicly resumed, a motion was made and seconded to approve the budget as presented including a 5% raise for Sharon Hill and Gwen Hicks, and to increase the salary of the Director, Kristi Spinosa, to \$170K. The motion carried.

The financial statement for January 2023 was recalculated with the total expenses being reported at \$73,433.85. All other calculations were correct. A motion was made and seconded to approve the January 2023 financial statement. The motion carried.

The next meeting of the Board of Trustees will be at 9:30 a.m. on Thursday, April 20, 2023, at the DARS office in Baton Rouge.



S. Andrew Shealy, Chairman



Director