

District Attorneys' Retirement Systems
Board of Trustees Meeting
December 8, 2022

The meeting of the Board of Trustees of the Louisiana District Attorneys' Retirement System was held on Thursday, December 8, 2022, at 9:30 a.m. at the DARS office in Baton Rouge, LA.

Present: Brad Burget, Don Burkett, Houston Gascon III, H. Todd Nesom, Scott Perrilloux, Andy Shealy, J. Reed Walters, and Rep. John Illg.

Also Present: Kristi Spinoso, Sharon Hill, Gwen Hicks, Dale Lee, Greg Curran, Aaron Vann, Ryan McDonald, Cyndi McKinney, Ari Rastegar, Garrett Orgeron, Michelle Cunningham, Kenny Herbold, Loren Lampert, and Darrell Ourso.

Absent: Senator Kirk Talbot.

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 September 18, 2022, and November 3, 2022, minutes as presented. The motion carried.

A motion was made and seconded to approve the financial statements for September, October, and November 2022. The motion carried.

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

- Terry Westerfield, retired effective 6/25/22, Option 2, benefit amount \$4,273.54;
- Randall J. Meyer, retired effective 8/27/22, Option 2, benefit amount \$3,451.59;
- Dean M. Wattigny, retired effective 9/1/22, Option 2, benefit amount \$2,433.46;
- Robert C. Vines, retired effective 9/3/22, Option 2, benefit amount \$10,997.95;
- Hamilton S. Winters, retired effective 11/2/22, Option 2, benefit amount \$2,303.00.

The following retiree deaths were reported:

- Dianne Adkins, died 9/23/22, no further benefit due;
- Alexander L. Doyle, died 10/30/22, Option 2, survivor benefit amount \$1,445.60.

A motion was made and seconded to nominate Scott Perrilloux as Chairman of the DARS Board of Trustees. Another motion was made and seconded to nominate Andy Shealy as Chairman of the DARS Board. Discussion was had. Scott Perrilloux withdrew his nomination. A motion was made and seconded for acclamation of Andy Shealy as Chairman of the DARS Board. The motion carried.

A motion was made and seconded to nominate Scott Perrilloux as Vice Chairman of the DARS Board and as a designated signatory on bank accounts and other documents. A motion was made and seconded to close the nominations. The motions carried.

A motion was made and seconded to nominate Kristi Spinosa as Secretary/Manager of the DARS Board. A motion was made and seconded to close the nominations. The motions carried.

Discussion was had on the election for the open Retired District Attorney seat on the Board. Kristi Spinosa stated that there is no authority to appoint in the statute. Reed Walters stated that we probably need to change the statute or set a rule.

Ms. Spinosa disseminated a draft of the special election letter with a timeline presented for the seat to be filled by mid-February 2023. A motion was made and seconded to call a special election with the timeline presented. The motion carried.

Andy Shealy, Scott Perrilloux, Todd Nesom, and Kristi Spinosa reported on their site visit to Vann Equity Management in Plano, TX, where they took a tour of VEM offices.

Aaron Vann led a discussion on the Encore extension request whereby the term would be extended for two years, until December 31, 2024, and may be extended by the Manager for up to one additional year, to market and sell the Real Estate Assets. A motion was made and seconded to grant the extension and authorize the DARS Chairman, Vice Chairman, and Investment Advisor to sign the extension paperwork. The motion carried.

Ari Rastegar was available to the Board to answer questions concerning the recent issues with Tony Falterman and his involvement in Rastegar Holdings. Mr. Rastegar stated that Mr. Falterman was never appointed to his Board but that a REIT was being considered with Mr. Falterman as an advisor, but the REIT was never established. The Board expressed concern that Mr. Falterman had a conflict.

Discussion was had on when and how the DARS rate of return on Rastegar investments was set at 7% with 5% returned and 2% accrued. Mr. Rastegar stated that it was set up years ago with John Vann. Aaron Vann and Ari Rastegar are working on a plan to move DARS to a 7% return instead of the 5%/2% and Rastegar stated that they will begin to pay DARS the 2% owed going forward instead of accruing that amount.

Aaron Vann stated that VEM and their staff have no investments with Rastegar. VEM has done their due diligence with Rastegar in person and DARS interest is deemed safe. We are still waiting on Rastegar's 2021 audit and Mr. Vann will tell DARS if anything comes to light.

Aaron Vann and Ari Rastegar will work on drafting a side letter and Mr. Rastegar stated that he will follow our requirements to the letter.

Mr. Gascon asked that Ari Rastegar send a representative to each DARS meeting for the next several months and he agreed.

Kristi Spinosa disseminated a draft of Board Member Conflicts of Interest Policy – Investments and Ari Rastegar stated he would have counsel look at it and explore with Aaron Vann to true up as a show of good faith to make reparations. A motion was made and seconded to authorize Kristi Spinosa, Aaron Vann, Sandy Fliderman, and Arthur Weissman to work on the policy for presentation at the next meeting. The motion carried.

Aaron Vann reported that the total portfolio appreciated 3.59% for the fiscal year beginning July 1, 2022, while the blended index has appreciated 3.49%. The total portfolio depreciated -3.17% for the 3rd quarter ending September 30, 2022, while

the blended index depreciated -5.54%. Updated year-to-date through December 6, 2022, the portfolio depreciated -11.34% while the blended index depreciated -11.08%. As of December 6, 2022, all assets total \$482,765,981.

Mr. Vann reported that the U.S. economy is teetering on the edge of recession and excess labor demand could keep unemployment low and wages elevated. Inflation is falling but its moderation will be gradual. Global economic momentum is also slowing sharply. The dollar has soared this year and the S&P 500 earnings continue to be challenged by slower growth.

High inflation and the Fed's much more hawkish stance have led to a sharp backup in bond yields resulting in negative returns across fixed income markets. However, while the Fed appears likely to continue hiking rates through the end of the year, increased recession risks should limit further increases in long-term Treasury yields.

Valuations have fallen below their 25-year average for U.S. equities and international equities have come under pressure, but long-term opportunities remain.

Mr. Vann stated that if State Pension Funds were not allowed to use BlackRock, Vanguard, or State Street SPDR as ETF's it would be problematic, but we could find replacement ETF's although they would likely come at a slightly higher cost and some form of variation or tilt and not be index specific as ones currently run by the big three.

Michelle Cunningham and Garrett Orgeron presented the results of the June 30, 2022, financial statement audit and compliance audit on Statewide Agreed Upon Procedures stating that a significant deficiency was identified during the audit on management override of controls as follows:

A membership interest redemption agreement was entered into on June 29, 2022, between Rastegar Multi Yield, LLC, Rastegar Holding LLC and DARS. Per the agreement, the redemption request was recommended and approved by Board of Directors of the System, however, there is no documentation that the board recommended and approved the redemption request. One of the System's internal controls over investments and investment transactions requires investment agreements to be approved by the Board. This ensures the Board's knowledge and full approval on investment agreements. Not obtaining board approval to enter into the redemption agreement is a violation of the System's controls. We recommend the System ensure all controls over investments are complied with to ensure the safeguarding of all investments.

Response: The System is of the belief that this was an isolated incident. It is the longstanding policy of the Board to require majority vote in order to enter an investment contract. After learning of the issue, a special meeting of the Board was convened to address the agreement that prompted the finding. The Board voted to declare the redemption agreement null and void. The System did not suffer any financial loss and we do not anticipate any further issues of this type.

Also noted that upon applying the agreed upon procedures it was noted that DARS has not posted its sexual harassment policy and complaint procedure on its premises or website and the annual sexual harassment report was not prepared.

A motion was made and seconded to adopt the audit as presented. The motion carried.

Greg Curran presented the Actuarial Valuation report as of June 30, 2022, stating that the Value of Assets is \$511,313,156 and the market rate of return is -10.0% and the actuarial rate of return is 5.6%. The ratio of AVA to actuarial accrued liability is 87.12%. He stated that the minimum recommended employer rate for FY2024 is 11.00%. He also stated that he does not recommend a change in the assumption rate of 6.10% and probably won't look at it again until the next

experience study in four years. A motion was made and seconded to approve the valuation report as presented. The motion carried.

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

Kristi Spinosa led a discussion on the Recreation and Park Commission for the parish of EBR v. Gautreaux III, in his capacity as Sheriff of EBRP, on motion for preliminary injunction regarding the constitutionality of Ad Valorem taxes being distributed to statewide retirement systems. DARS currently receives approximately \$10M annually in Ad Valorem taxes. Other retirement systems, such as Sheriffs' will likely join us in fighting this matter. A motion was made and seconded to refer this matter to Bob Klausner and/or Bob Tarcza to serve as DARS Counsel on the case. The motion carried.

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 \$25K. Mr. Travis is gathering information from his tax advisor on the impact of the overpayment on his taxable income. He should have this information in time for the next DARS meeting. A motion was made and seconded to invite him to attend the next meeting to discuss the matter. The motion carried.

Kristi Spinosa presented a draft of the DARS FY2024 operating budget for review and discussion and/or approval at the next meeting. Overall, the budget has increased about 10%. The draft includes a 4% increase for staff, which is approximately one-half of the current inflation rate. The Director's salary would be a position adjustment based on other State Retirement System director salaries. A motion was made and seconded to introduce the draft and consider for adoption and discussion at the next meeting. The motion carried.

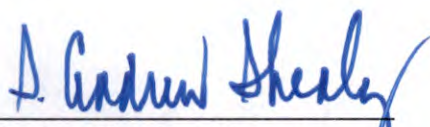
Discussion was had on the proposed DARS Board meeting dates for 2023. A motion was made and seconded to approve the following DARS Board meeting dates for 2023. The motion carried.

Thursday, February 16, 2023	9:30 a.m.
Thursday, April 20, 2023	9:30 a.m.
Thursday, May 18, 2023	9:30 a.m.
Monday, June 26, 2023 (LDAA Annual Conference)	TBA
Sunday, September 17, 2023 (LAPERS)	9:00 a.m.
Thursday, December 7, 2023	9:30 a.m.

Discussion was had on fiduciary insurance coverage limits, at \$1M, \$3M, or \$5M. A motion was made and seconded to approve a fiduciary insurance coverage limit of \$3M. The motion carried.

A motion was made and seconded to send a letter to the Louisiana Board of Ethics regarding a suspected violation of the Code of Governmental Ethics as required by agency heads under R.S. 11:11161(A). The motion carried.

The next meeting of the Board of Trustees will be at 9:30 a.m. on Thursday, February 16, 2023, at the DARS office in Baton Rouge.


S. Andrew Shealy, Chairman


Kristi Spinosa, Director