

District Attorneys' Retirement Systems
Board of Trustees Meeting
January 27, 2022

The meeting of the Board of Trustees of the Louisiana District Attorneys' Retirement System was held on Thursday, January 27, 2022, at 9:30 a.m. at the DARS office in Baton Rouge, LA.

Present: Anthony Falterman, Don Burkett, Scott Perrilloux, Andy Shealy, Todd Nesom, Reed Walters, Representative John Illg

Also Present: Kristi Spinosa, Sharon Hill, Gwen Hicks, Kenny Herbald, Joey David

Participating via Webex: Dale Greg Curran, John Vann, Cyndi McKinney, Alan Maples, Ryan McDonald

Absent: Senator Kirk Talbot

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.

No conflicts were reported.

A motion was made and seconded to approve the November 18, 2021, minutes as presented. The motion carried.

A motion was made and seconded to approve the financial statements for November and December 2021. The motion carried.

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

- Darwin C. Miller, retired effective 10/9/2021, Maximum, benefit amount \$9,375.73;
- Camille Buras-Tiff, retired effective 12/26/2021, Option 3, benefit amount \$2,763.85;
- Charles Gravel/Elycia Abrusley, retired effective 11/25/2021, Option 2, benefit amount \$2,000.37

The following retiree deaths were reported:

- Leslie D. Ligon Jr., died 10/13/2021, survivor benefit \$756.49;
- Willard T. Armitage Jr., died 10/5/2021, survivor benefit \$1,728.39;
- David Hufft, died 12/12/2021, survivor benefit \$5,904.98;
- Abbott J. Reeves, died 12/3/2021, no further benefit due;
- Gladys Jewell, died 1/24/2022, no further benefit due

Greg Curran led a discussion on the proposed FY23 contract for actuarial services. He stated that the cost is broken down into two categories. For actuarial services the annual cost for FY23 would be \$48,840, and for benefit

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calculations, the annual cost would be \$43,320, for an annual total of \$92,160. A motion was made and seconded to approve the FY23 contract as presented. The motion carried.

A copy of the Actuarial Review of the 2021 Actuarial Valuation of the District Attorneys' Retirement System was disseminated for informational purposes. Kenny Herbald, from the Louisiana Legislative Auditor's office, stated that they did not identify any actuarial assumption or method that violates any ASOPs. LLA recommended the following for consideration by the DARS Board and by the Public Retirement Systems' Actuarial Committee.

- COLAs – Currently, DARS' Board and its actuary do not anticipate future COLAs in the actuarial valuations. For DARS' 2021 Actuarial Valuation for finding purposes, we accept the 2021 treatment of not recognizing future COLAs in the finding calculations of costs as appropriate treatment in this situation.
- Investment Return Assumption – The System's assumption remains approximately 70 basis points higher than the investment return benchmark calculated by the LLA. We recommend the System continue to lower its investment return assumption and consider:
 - Incorporating conservatism in the assumption by consistently targeting a rate that is closer to a 60% probability of achieving the assumption over time; and
 - Reflecting the impact of cash flow timing on total expected returns.

Mr. Herbald stated that he and the LLA want a good relationship with DARS and all retirement systems.

John Vann reported for Vann Equity Management due to Aaron Vann being ill. Mr. Vann introduced Cyndi McKinney, VEM operations manager. She introduced Ryan McDonald who is a licensed financial investment advisor who has experience in all aspects of the financial planning business. She also introduced Alan Maples, J.D., who is a licensed financial investment advisor and estate attorney.

John Vann reported that the total portfolio appreciated 3.20% for the fiscal year beginning July 1, 2021, while the index has appreciated 3.63%. The total portfolio appreciated 3.93% for the fourth quarter ending December 31, 2021, while the index has appreciated 3.52%. The portfolio appreciated 11.86% while the index appreciated 10.03% for the year through December 31, 2021. As of December 31, 2021, all assets total \$531,629,963.

Mr. Vann stated that fixed income, especially Dorsey and Parametric, have performed very well. They plan on reducing equities and move to Parametric, and to bring Dorsey down a little and redistribute.

Tony Falterman stated that the Fed may raise interest rates four times this year. Mr. Vann agreed stating that a fourth rate hike has more than a 70% probability in December 2022, while a fifth hike has a 35% probability.

Mr. Vann stated that the Fed policy outlook has changed drastically over the past three months. If the Fed gets more aggressive on rate hikes, that will pressure the market multiple and result in at least a pullback, if not a correction, given current valuations. So, as we start 2022, we are firmly focused on inflation stats and Fed rates.

John Vann stated that they expect 2022 to be very volatile in the equity markets, and we are likely to see an ongoing rotation from growth sectors like technology and biotechnology, to economically-sensitive, cyclical stocks in sectors like industrials and basic materials, that should benefit from the infrastructure program and all of the stimulus in general, to value stocks and economic reopening stocks like theaters, restaurants, airlines, and cruise

lines. VEM believes that it makes sense to maintain exposure to all three types of stocks (growth, value, and international) In this environment.

Mr. Vann stated that that from 2022 on, slower economic growth, higher wage costs, higher interest rates, and potentially, higher corporate taxes could make further profit gains much more difficult to achieve.

Todd Nesom questioned John Vann about his investment in Rastegar that was discussed at the last meeting. Mr. Vann stated that it was a separate investment and his SEC attorney had said that it was not a conflict of interest.

Garrett Orgeron presented the fiscal year 2021 DARS audit and stated there were no findings. A motion was made and seconded to accept and adopt the report as presented. The motion carried.

Kristi Spinosa disseminated HB20 and HB 24, filed by Representative Illg on behalf of DARS. HB 20 addresses clarification of rehired members and DARS Board composition. HB 24 addresses the transfer of service credit and purchase of accrual rate and BackDROP disbursement within 90 days. Ms. Spinosa thanked Representative Illg and Joey David for their assistance in getting these bills filed.

Kristi Spinosa stated that we will not be moving forward with any legislation concerning reverse transfers.

Ms. Spinosa disseminated the estimated calendar year 2022 cash analysis for informational purposes. She further stated she does not anticipate needing any operational or benefit related funding from investments until late summer or early fall.

Kristi Spinosa gave an update on the *Diaz case*. Mr. Diaz has filed a writ with the La. Supreme Court on his denied motion for summary judgement. The Court has requested a DARS opposition brief by February 1.

Ms. Spinosa stated that we need to change our Board meeting schedule because the September meeting is historically scheduled to coincide with the LAPERS Conference. The conference is now scheduled for September 18-20, 2022. The new meeting date is September 18.

The Opal Group/LATEC Investment Education Symposium is scheduled for February 23-25, 2022, at the Royal Sonesta in New Orleans. Registration is free for DARS Trustees; however, there are no more hotel rooms available at the conference site.

The PRSAC meeting regarding our valuation is scheduled for February 23, 2022. After the adoption of the recommended valuation rate by PRSAC, the Board will need to formally adopt our employer rate at 9.5% effective July 1, 2022.

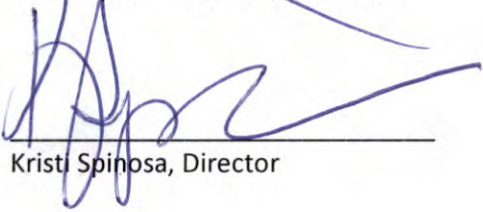
Kristi Spinosa presented the draft DARS budget for FY2023 for review stating that it includes a salary adjustment for the Pension Assistant position held by Sharon Hill of 18%. This percentage is supported by the salary study of like La. statewide pension positions conducted by Ms. Spinosa. A cost-of-living salary increase for Gwen Hicks of 3.5% of her hourly rate was also approved. No salary increase or adjustment was included in the draft budget for Director/General Counsel position. Statewide system comparison data was provided to the Board for reference.

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 salary adjustment of the Director/General Counsel position held by Ms. Spinosa. The motion carried. When the meeting publicly resumed, a motion was made and seconded to accept the budget as presented without an adjustment to the Director/General Counsel position; however, Ms. Spinosa was granted a cost-of-living increase of just over 5% to \$150,000 annually. The motion carried.

The date of the next meeting is Thursday, March 17, 2022, at 9:30 a.m. at the DARS office in Baton Rouge, LA.



Anthony G. Falterman, Chairman



Kristi Spinosa, Director