

District Attorneys' Retirement Systems
Board of Trustees Meeting
May 20, 2021

The meeting of the Board of Trustees of the Louisiana District Attorneys' Retirement System was held on Thursday, May 20, 2021, at 9:30 a.m.

Present: Anthony Falterman, Don Burkett, Dale Lee, Todd Nesom, Scott Perrilloux, Andy Shealy, Reed Walters, and Representative John Ilig

Also Present: Kristi Spinosa, Sharon Hill, Gwen Hicks, Aaron Vann, John Vann, Loren Lampert, and Jack Lazzaro

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.

The group reviewed the agenda and no conflicts were reported.

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

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

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

- Felix Bruyninckx III, retired effective 2/1/2021, Option 2, benefit amount \$1,526.51;
- Desmond Stanford, retired effective 4/7/2021, Option 2, benefit amount \$1,359.69;
- Charles L. Cook, retired effective 5/1/2021, Maximum, benefit amount \$2,919.27;
- George Celles IV, retired effective 3/17/2021, Maximum, benefit amount \$1,572.25;
- Carlos Lazarus, retired effective 3/16/2021, Option 3, benefit amount \$6,184.36;
- Gary V. Evans, retired effective 1/11/2021, Maximum, benefit amount \$5,084.20. Kristi Spinosa reported that after much research, she did not find any issue with member not having an oath of office for the first 2-3 years as an ADA.

The following deaths were reported:

- Thomas C. Walsh, Jr., died 2/17/2021, no further benefit due;
- Toretha Wagner, died 4/10/2021, no further benefit due

Aaron Vann reported that VEM has been in contact with Setter Capital, an independent investment bank primarily focused on the private equity secondary market, and they have provided information on a buyer of the Louisiana Funds assets at 18% on the NAV. VEM recommended that the Board accept the offer. A motion was made and seconded to accept the offer as recommended. The motion carried. Reed Walter suggested that we

May 20, 2021

DARS Board of Trustee Meeting

Page 2

refer this issue to Jeff Landy to investigate Louisiana Funds.

Aaron Vann reminded the Board that Parametric will be changing strategies from the current LDI Portfolio to a 1-10 BBB Minimum Credit Quality Corporate Ladder Strategy. VEM stated that now is the time to be substituting credit risk for interest rate risk. This new strategy includes an approximate 30% reduction in Duration (7.2 => 5.1) and a 10 basis point pick-up in yield (1.5% => 1.6%). Documentation will be sent to the Chairman for approval. The Board agreed to this change in strategy.

Aaron Vann led a discussion on a potential new investment called the TCW Direct Lending Rescue Fund. The existing TCW investments are returning between 7-10%. The new investment will have a return expectation between 15-20% and would have a slightly higher risk. VEM stated that this is a safe investment with three insurance companies already invested in it, along with the Virginia Retirement System. The total commitment would be \$10M, with \$3M invested in years 1, 4, and 7. We would start receiving interest payments in year 2. VEM recommends this investment to help better meet DARS monthly cash obligations in the back half of the year and avoid touching principal. A motion was made and seconded to invest in the TCW Direct Lending Rescue Fund as presented. The motion carried. Discussion was had on how to classify this investment. A motion was made and seconded to classify it as a non-core fixed income investment, third party manager sourced like Dorsey. The motion carried.

The updated Master Statement of Investment Policies and Objective of DARS which includes a section on investment of assets reporting and communicating requirements was disseminated for informational purposes.

Aaron Vann reported that the total portfolio appreciated 16.13% for the fiscal year beginning July 1, 2020, while the index has appreciated 14.39%. The total portfolio appreciated 2.39% for the first quarter ending March 31, 2021, while the index has appreciated 1.96%. The portfolio appreciated 4.72% while the index appreciated 4.90% for the year to date through May 16, 2021. As of May 16, 2021, all assets total \$507,124,932.

Aaron Vann stated that with the rollout of vaccines for COVID, life could return to normal by the fall of 2021. The economic recovery should accelerate in the second half of 2021. A more realistic view on the federal budget over the next year suggests that the federal government will hit a new record high debt-to-GDP ratio by the end of FY2021. The economic recovery should accelerate in the second half of 2021, and job gains should follow as service sectors rebound in late 2021. S&P 500 earnings are poised to hit a new all-time high in 2021. Inflation should rise, but not surge. The Federal Reserve remains accommodative and has pledged to hold the federal funds rate at its current 0-0.25% target range until inflation is at 2% and on track to moderately exceed 2% for some time. Treasury yields have fallen to near-historic lows and real yields are negative. Valuations are high for U.S. equities and are likely to continue to grow quickly in the year ahead which should lead to some compression in the ratios. The plain vanilla 60/40 portfolio will be very low in the next few years, which highlights the urgency of finding other ways to boost portfolio returns without taking on inordinate amounts of risk. While growth has outperformed in recent years, value may do better over the next year or two. International stocks offer long-term opportunities.

Mr. Vann updated the Board on the Rastegar portfolio stating that the portfolio has been affected recently by both weather and COVID issues. Many properties experienced water issues from frozen pipes and local restrictions have been in place regarding evictions due to COVID. These issues have affected the portfolio's net operating income. Rastegar has implemented cost savings programs to reduce expenses and conserve cash. VEM has recommended to Rastegar that they continue to postpone quarterly distributions to conserve cash and protect

the asset value of the portfolio. As conditions continue to improve, VEM would expect Rastegar to re-instate distributions. Unpaid distributions will accrue.

The Act 1004 quarterly report summary was disseminated for informational purposes.

The contract renewal for FY2022 from G.S. Curran & Company was disseminated. There is no change in the contract, with the annual fee remaining \$78,960. Future contracts may have increased costs due to the time spent regarding PRSAC and the Legislative Auditor. A motion was made and seconded to approve the FY2022 contract as presented. The motion carried.

Ms. Spinosa reported that our legislative bill, HB 25, is up for final passage without any problems. There are no other retirement bills with issues.

The LAPERS Seminar is scheduled for September 12-14, 2021, in New Orleans.

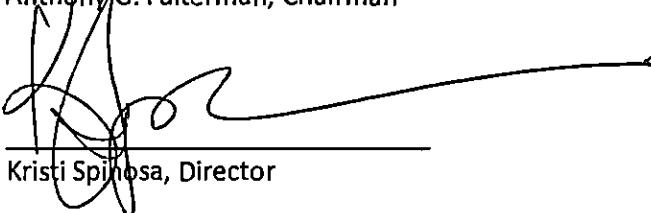
Kristi Spinosa reported on the RFPs submitted by auditing firms stating that Duplantier, Hrapmann, Hogan and Maher was the most cost-effective submission and she recommended that we stay with them. A motion was made and seconded to continue with Duplantier, Hrapmann, Hoagan and Maher. The motion carried.

Ms. Spinosa led a discussion on a retirement issue with member Mark Burton. Mr. Burton is vested with 10.33699 years as of his termination date on 12/31/2020. He submitted retirement paperwork with an option 2 benefit notarized on 4/15/2021, that was received at the DARS office on 4/26/2021. Mr. Burton died on 4/21/2021. Generally, the retirement date for non-active members is the date DARS receives the completed paperwork, which in this case was after the member died. However, the mail service to the DARS office has been very inconsistent. Many times over the last two years our mail is forwarded to the previous tenant, and it must be returned and/or rerouted. The actuary has confirmed an option 2 benefit in the monthly amount of \$1,975.66. Discussion was had. A motion was made and seconded that based upon the pattern of USPS mail issues, and that DARS otherwise would likely have received the retirement paperwork timely, to accept the retirement application of Mark Burton effective the notarized date of 4/15/2021. The motion carried.

Discussion was had on holding the next meeting in Destin, FL, in conjunction with the LDAA Annual Conference. The Board agreed. Kristi Spinosa will work with Roxie Juneau to set up the date and time, tentatively on Monday, June 28, 2021, around 1:30 p.m.



Anthony G. Falterman, Chairman



Kristi Spinosa, Director