

R E P O R T

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA

JUNE 30, 2020 AND 2019

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA

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December 28, 2020

Board of Trustees
District Attorneys' Retirement System
State of Louisiana
2525 Quail Drive
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Report on the Financial Statements

We have audited the accompanying financial statements of the District Attorneys' Retirement System (the System) of the State of Louisiana as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District Attorneys' Retirement System of the State of Louisiana as of June 30, 2020 and 2019, and the respective changes in its net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As disclosed in Note 10 to the financial statements, the total pension liability for the District Attorneys Retirement System of Louisiana was \$523,180,498 and \$468,110,361 at June 30, 2020 and 2019, respectively. The actuarial valuations were based on various assumptions made by the System's actuary. Because actual experience may differ from the assumptions used in the actuarial valuation, there is a risk that the total pension liability at June 30, 2020 and 2019 could be understated or overstated.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 28, 2020 on our consideration of the District Attorneys' Retirement System of the State of Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District Attorneys' Retirement System's internal control over financial reporting and compliance and should be considered in assessing the results of our audit.

Duplantier, Sharpner, Hogan and Oakes, LLP

New Orleans, Louisiana

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

The Management's Discussion and Analysis of the District Attorneys' Retirement System financial performance presents a narrative overview and analysis of the System's financial activities for the year ended June 30, 2020. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the information contained in the District Attorneys' Retirement System's financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- The District Attorneys' Retirement System's assets exceeded its liabilities at the close of fiscal year 2020 by \$443,953,251, which represents an increase from last fiscal year. The net position held in trust for pension benefits increased by \$8,013,205 or 1.84%.
- Contributions to the plan by members totaled \$5,011,809, a decrease of \$20,942 or 0.42% from the prior year.
- The fair value of investments as of June 30, 2020 is \$443,785,057 which is a net increase of \$11,449,260 or 2.65%.
- The rate of return on the System's investments was 3.15% based on the market value. This is lower than the prior year's 4.48% market rate of return.
- Pension benefits paid to retirees and beneficiaries increased by \$1,465,156 or 8.08%. This increase is due to an increase in the number of retirees and their benefit amounts.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the System's basic financial statements, which are comprised of three components:

- Statement of Fiduciary Net Position,
- Statement of Changes in Fiduciary Net Position, and
- Notes to the Financial Statements.

This report also contains required supplemental information in addition to the basic financial statements.

The statement of fiduciary net position report the System's assets, liabilities, and resultant net position - restricted for pension benefits. It discloses the financial position of the System as of June 30, 2020.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The statement of changes in fiduciary net position reports the results of the System's operations during the year, disclosing the additions to and deductions from the plan net assets. It supports the change that has occurred to the prior year's net position value on the statement of plan net position.

FINANCIAL ANALYSIS OF THE SYSTEM

The District Attorneys' Retirement System provides benefits to all eligible employees of the Louisiana Judicial Districts in the State of Louisiana. Employee contributions and earnings on investments fund these benefits.

	Statement of Fiduciary Net Position	
	<u>June 30, 2020 and 2019</u>	
	<u>2020</u>	<u>2019</u>
Cash and investments	\$ 445,863,265	\$ 434,130,934
Receivables	3,005,284	1,791,237
Prepaid expense	21,000	21,000
Total assets	<u>448,889,549</u>	<u>435,943,171</u>
Total Liabilities	<u>4,936,298</u>	<u>3,125</u>
Net Position - Restricted for Pension Benefits	<u>\$ 443,953,251</u>	<u>\$ 435,940,046</u>

	Statement of Changes in Fiduciary Net Position	
	<u>June 30, 2020 and 2019</u>	
	<u>2020</u>	<u>2019</u>
Additions:		
Contributions	\$ 17,401,078	\$ 15,198,401
Net investment income	13,623,812	18,780,081
Other additions	823,946	767,313
Total additions	<u>31,848,836</u>	<u>34,745,795</u>
Deductions	<u>23,835,631</u>	<u>21,190,743</u>
Increase in Plan Net Position	<u>\$ 8,013,205</u>	<u>\$ 13,555,052</u>

Fiduciary net position increased by \$8,013,205 or 1.84%. The net position is restricted in use to provide monthly retirement allowances to members who contributed to the System as employees and their beneficiaries and administrative expenses. The increase in fiduciary net position was a result of the investment and contribution income exceeding the benefits paid.

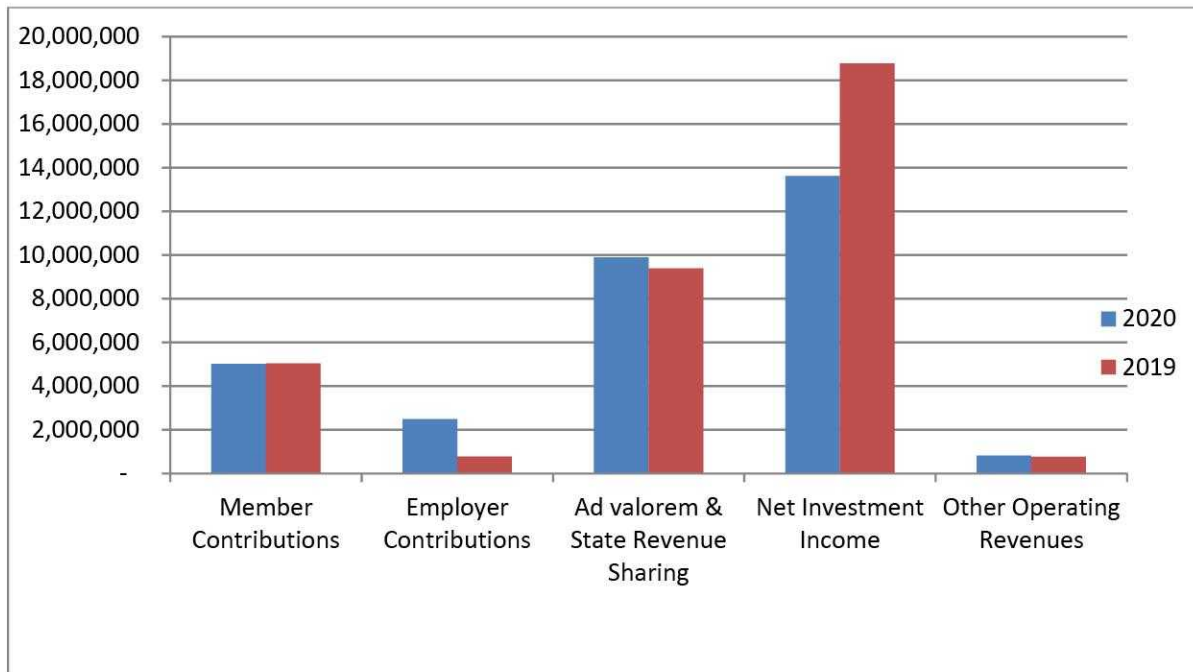
DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE SYSTEM (Continued)

Additions to Fiduciary Net Position

Additions to the System's fiduciary net position were derived from member and employer contributions, ad valorem taxes and state revenue sharing funds, and investment income. The System experienced a net investment income of \$13,623,812 as compared to a net investment income of \$18,780,081 in the previous year.

	<u>2020</u>	<u>2019</u>	<u>Increase Percentage</u>
Member contributions	5,011,809	\$ 5,032,751	-0.42%
Employer contributions	2,492,875	775,650	221.39%
Ad valorem & state revenue sharing	9,896,394	9,390,000	5.39%
Net investment income	13,623,812	18,780,081	-27.46%
Other additions	823,946	767,313	7.38%
Total	<u>\$ 31,848,836</u>	<u>\$ 34,745,795</u>	



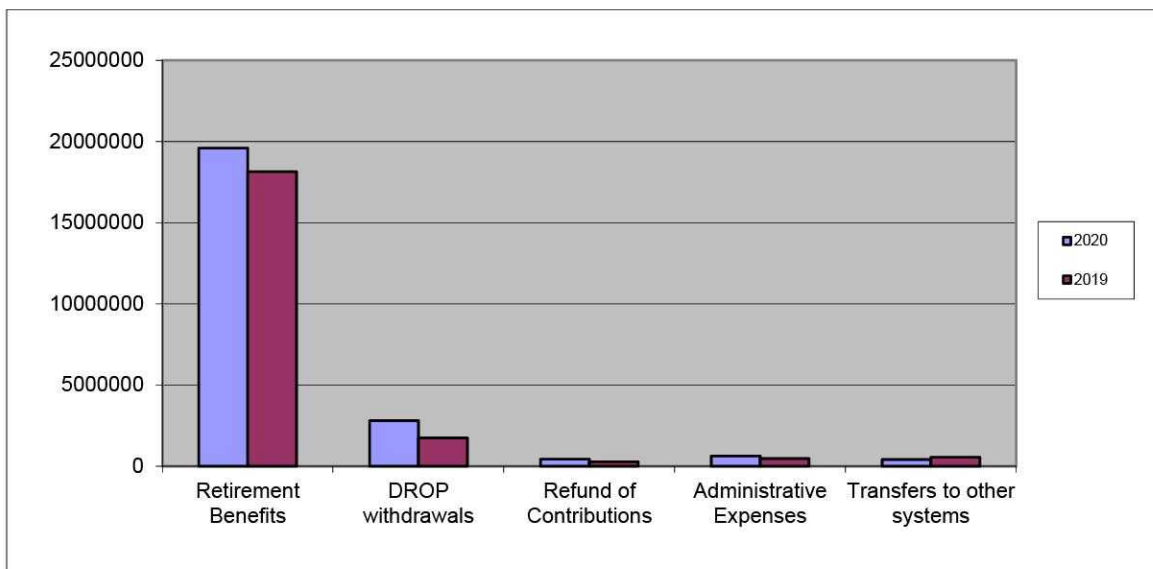
DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE SYSTEM (Continued)

Deductions from Fiduciary Net Assets

Deductions from fiduciary net assets include retirement, death, and survivor benefits; administrative expenses; and transfers to other systems. Deductions from plan net position totaled \$23,835,631 in fiscal year 2020. The increase in retirement benefit payments to \$19,594,650 from \$18,129,494 is due largely to an increase in the number of retirees and newer retirees earning higher benefit amounts than previous retirees.

	<u>2020</u>	<u>2019</u>	Increase (Decrease) <u>Percentage</u>
Retirement benefits	\$ 19,594,650	\$ 18,129,494	8.08%
DROP withdrawals	2,803,775	1,747,982	60.40%
Refunds of contributions	421,866	272,696	54.70%
Administrative expenses	614,687	503,990	21.96%
Transfers to other systems	400,653	536,581	-25.33%
Total	<u>\$ 23,835,631</u>	<u>\$ 21,190,743</u>	



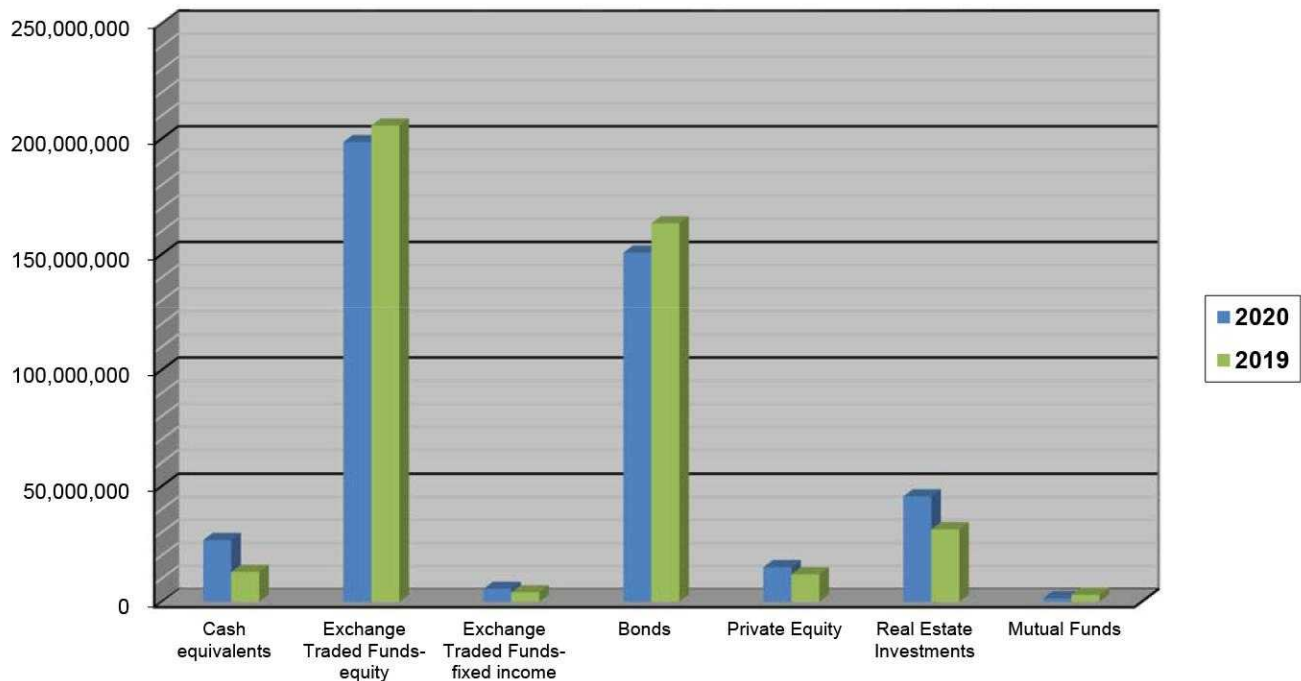
DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE SYSTEM (Continued)

Investments

The District Attorneys' Retirement System is responsible for the prudent management of funds held in trust for the exclusive benefits of its members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments and cash equivalents at June 30, 2020 were \$443,785,057 as compared to \$432,335,797 at June 30, 2019, which is an increase of \$11,449,260 or 2.65%. The major factor contributing to this increase was the increase in real estate. The System's investments in various markets at the end of the 2020 and 2019 fiscal years are detailed in the following table:

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u> <u>Percentage</u>
Cash equivalents	\$ 26,728,459	\$ 12,898,985	107.21%
Exchange traded funds - equity	198,600,289	205,721,737	-3.46%
Exchange traded funds - fixed income	5,575,230	4,026,500	38.46%
Bonds	150,776,606	163,469,182	-7.76%
Private equity	14,948,869	11,879,964	25.83%
Real estate investments	45,659,105	31,355,102	45.62%
Mutual Funds	1,496,499	2,984,327	-49.85%
Total	<u>\$ 443,785,057</u>	<u>\$ 432,335,797</u>	



DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

Requests for Information

Questions concerning any of the information provided or requests for additional financial information should be addressed to Kristi Spinosa, Director, District Attorneys' Retirement System, 2525 Quail Drive, Baton Rouge, Louisiana 70808, (225) 267-4824.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS:		
Cash	\$ 2,078,208	\$ 1,795,137
Receivables:		
Employer contributions	183,757	56,673
Member contributions	370,325	357,405
Ad valorem & revenue sharing	46,333	-
Accrued interest and dividends	2,404,869	1,377,159
Total	<u>3,005,284</u>	<u>1,791,237</u>
Prepaid expense:		
Prepaid rent	21,000	21,000
Total	<u>21,000</u>	<u>21,000</u>
Investments (at fair value):		
Cash equivalents	26,728,459	12,898,985
Bonds:		
Treasury notes	12,250,370	11,553,955
Mortgage backed securities	14,431,369	9,641,645
Municipal	54,550,128	83,630,460
Corporate	69,544,739	58,643,122
Private equity	14,948,869	11,879,964
Exchange traded funds - equity	198,600,289	205,721,737
Exchange traded funds - fixed income	5,575,230	4,026,500
Real estate	45,659,105	31,355,102
Mutual Funds	1,496,499	2,984,327
Total investments	<u>443,785,057</u>	<u>432,335,797</u>
Total assets	<u>448,889,549</u>	<u>435,943,171</u>
LIABILITIES:		
Investments Payable	4,936,298	3,125
Total liabilities	<u>4,936,298</u>	<u>3,125</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS	<u>\$ 443,953,251</u>	<u>\$ 435,940,046</u>

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ADDITIONS:		
Contributions:		
Members	\$ 5,011,809	\$ 5,032,751
Employer	2,492,875	775,650
Ad valorem taxes	9,680,993	9,173,355
State revenue sharing funds	215,401	216,645
Total contributions	<u>17,401,078</u>	<u>15,198,401</u>
Investment income:		
Interest and dividend income	11,296,736	9,710,483
Alternative Investment income	2,606,854	-
Net appreciation in fair value of investments	423,498	9,760,140
Less investment expense	(703,276)	(690,542)
Net investment income	<u>13,623,812</u>	<u>18,780,081</u>
Other additions:		
Transfers from other retirement systems	820,160	690,745
Interest retained on repayment of refunded contributions	-	37,008
Miscellaneous income	3,786	39,560
Total other additions	<u>823,946</u>	<u>767,313</u>
Total additions	<u>31,848,836</u>	<u>34,745,795</u>
DEDUCTIONS:		
Benefits	19,594,650	18,129,494
DROP withdrawal	2,803,775	1,747,982
Refund of contributions	421,866	272,696
Transfers to other retirement systems	400,653	536,581
Administrative expenses	614,687	503,990
Total deductions	<u>23,835,631</u>	<u>21,190,743</u>
NET INCREASE IN PLAN NET POSITION	8,013,205	13,555,052
NET POSITION - RESTRICTED FOR PENSION BENEFITS:		
Beginning of year	<u>435,940,046</u>	<u>422,384,994</u>
END OF YEAR	<u>\$ 443,953,251</u>	<u>\$ 435,940,046</u>

See accompanying notes.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

The District Attorneys' Retirement System (System) was created on August 1, 1956 by Act 56 of the 1956 session of the Louisiana Legislature for the purpose of providing retirement allowances and other benefits for district attorneys and assistant district attorneys in each parish, and employees of this System and the Louisiana District Attorneys' Association. The System is administered by a Board of Trustees. Benefits, including normal retirement, early retirement, disability retirements, and death benefits, are provided as specified in the plan.

The System is governed by a Board of Trustees composed of seven elected members and two legislators who serve as ex-officio members, all of whom are voting members. The Board consists of a Chairman; six active, participating district attorneys; and one retired district attorney participating in the System. The chairmen of the Louisiana Senate Finance and House Retirement Committee serve as ex-officio members. The Chairman may be either an active or retired district attorney, elected by the members of the System for a term of five years. Reelection is permissible. The Board members serve three-year staggered terms. All members of the Board of Trustees must complete legislatively required hours of training.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB). These financial statements include the requirements of GASB Statement Number 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments and Related Standards*. GASB 34 requires the inclusion of a management discussion and analysis as supplementary information.

Basis of Accounting:

The System's financial statements are prepared using the accrual basis of accounting. Employer and employee contributions are recognized in the period in which the employee is compensated for services performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Interest income is recognized when earned.

Ad valorem taxes and revenue sharing monies are recognized in the year appropriated by the legislature.

Expenditures are recognized in the period incurred.

The Fund reports under the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*. GASB No. 67 established standards of financial reporting for defined benefit pension plans. Significant changes included specifying the approach of contributing entities to measure pension liabilities of benefits provided through the pension plan, increased the note disclosure requirements, and provided for additional required supplementary information schedules.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Method Used to Value Investments:

As required by GASB Statement No. 72, *Fair Value Measurement and Application*, the System's investments are reported at fair value. This statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. This statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs - other than quoted prices - included within Level 1 that are observable for the asset or liability, whether directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage backed security. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. These disclosures are organized by type of asset or liability. GASB 72 also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). These disclosures are located in Note 5.

Fair value of short-term investments approximates cost. Fair value of securities traded on a national or international exchange including mutual funds and exchange-traded funds are calculated using the last reported sales price at current exchange rates. Fair value of investments in limited partnerships and limited liability companies are calculated as the System's percentage of ownership of the partners' capital reported by the partnership or limited liability company. Fair value of real estate investment trusts is calculated based on the System's share of income and expenses as reported by the trust. Because of inherent uncertainties in estimating fair values, it is at least reasonably possible that the estimates will change in the near term.

2. PLAN DESCRIPTION:

The District Attorneys' Retirement System State of Louisiana is the administrator of a cost-sharing, multiple employer defined benefit pension plan. The System was established on the first day of August, nineteen hundred and fifty-six and was placed under the management of the Board of Trustees for the purpose of providing retirement allowances and other benefits as stated under the provisions of R.S. 11, Chapter 3 for district attorneys, assistant district attorneys in each parish, and employees of this retirement system and the Louisiana District Attorneys' Association. The total number of participating employers was 109 for each of the years ended June 30, 2020 and 2019.

All persons who are district attorneys in the State of Louisiana, assistant district attorneys in any parish of the State of Louisiana, or employed by this retirement system and the Louisiana District Attorneys' Association, except for elected or appointed officials who have retired from

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

2. PLAN DESCRIPTION: (Continued)

service under any publicly funded retirement system within the state and who are currently receiving benefits, shall become members as a condition of their employment; provided, however, that in the case of assistant district attorneys, they must be paid an amount not less than the minimum salary specified by the Louisiana District Attorneys' Retirement System Board of Trustees. At June 30, 2020 and 2019, the statewide retirement system membership consists of:

	<u>2020</u>	<u>2019</u>
Inactive plan members or beneficiaries		
currently receiving benefits	386	357
Inactive plan members entitled to but		
not yet receiving benefits	417	396
Active plan members	731	734
Total Participants	1,534	1,487

Benefits:

Members who joined the System before July 1, 1990, and who have elected not to be covered by the new provisions, are eligible to receive a normal retirement benefit if they have 10 or more years of creditable service and are at least age 62, or if they have 18 or more years of service and are at least age 60, or if they have 23 or more years of service and are at least age 55, or if they have 30 years of service regardless of age. The normal retirement benefit is equal to 3% of the member's average final compensation for each year of creditable service. Members are eligible for early retirement at age 60 if they have at least 10 years of creditable service or at age 55 with at least 18 years of creditable service. Members who retire prior to age 60 with less than 23 years of service credit, receive a retirement benefit reduced 3% for each year of age below 60. Members who retire prior to age 62 who have less than 18 years of service receive a retirement benefit reduced 3% for each year of age below 62. Retirement benefits may not exceed 100% of final average compensation.

Members who joined the System after July 1, 1990, or who elected to be covered by the new provisions, are eligible to receive normal retirement benefits if they are age 60 and have 10 years of service credit, are age 55 and have 24 years of service credit, or have 30 years of service credit regardless of age. The normal retirement benefit is equal to 3.5% of the member's final average compensation multiplied by years of membership service. A member is eligible for an early retirement benefit if he is age 55 and has 18 years of service credit. The early retirement benefit is equal to the normal retirement benefit reduced 3% for each year the member retires in advance of normal retirement age. Benefits may not exceed 100% of average final compensation.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

2. PLAN DESCRIPTION: (Continued)

Benefits: (Continued)

Disability benefits are awarded to active contributing members with at least 10 years of service who are found to be totally disabled as a result of injuries incurred while in active service. The member receives a benefit equal to 3% (3.5% for members covered under the new retirement benefit provisions) of his average final compensation multiplied by the lesser of his actual service (not to be less than 15 years) or projected continued service to age 60.

Upon the death of a member with less than 5 years of creditable service, his accumulated contributions and interest thereon are paid to his surviving spouse, if he is married, or to his designated beneficiary, if he is not married. Upon the death of any active, contributing member with five or more years of service or any member with 23 years of service who has not retired, automatic Option 2 benefits are payable to the surviving spouse. These benefits are based on the retirement benefits accrued at the member's date of death with the option factors used as if the member had continued in service to earliest normal retirement age. If a member has no surviving spouse, the surviving minor children under 18 or disabled children are paid 80% of the member's accrued retirement benefit divided into equal shares. If a member has no surviving spouse or children, his accumulated contributions and interest are paid to his designated beneficiary. In lieu of periodic payments, the surviving spouse or children may receive a refund of the member's accumulated contributions with interest.

Upon withdrawal from service, members not entitled to a retirement allowance are paid a refund of accumulated contributions upon request. Receipt of such a refund cancels all accrued rights in the System.

Cost-of-Living:

The Board of Trustees is authorized to grant retired members and surviving spouses of members who have retired an annual cost-of-living increase of 3% of their original benefit, (not to exceed \$60 per month) and all retired members and surviving spouses who are 65 years of age and older a 2% increase in their original benefit. In lieu of other cost-of-living increases the board may grant an increase to retirees in the form of "Xx(A&B)" where "A" is equal to the number of years of credited service accrued at retirement or death of the member or retiree and "B" is equal to the number of years since death of the member or retiree to June 30 of the initial year of increase and "X" is equal to any amount available for funding such increase up to a maximum of \$1. In order for the board to grant any of these increases, the System must meet certain criteria detailed in the statute related to funding status and interest earnings.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

2. PLAN DESCRIPTION: (Continued)

BACK-DROP AND DROP:

In lieu of receiving a service retirement allowance, any member who has more years of service than are required for a normal retirement may elect to receive a Back-Deferred Retirement Option Program (Back-DROP) benefit.

The Back-DROP benefit is based upon the Back-DROP period selected and the final average compensation prior to the period selected. The Back-DROP period is the lesser of three years or the service accrued between the time a member first becomes eligible for retirement and his actual date of retirement. At retirement, the member's maximum monthly retirement benefit is based upon his service, final average compensation, and plan provisions in effect on the last day of creditable service immediately prior to the commencement of the Back-DROP period. In addition to the monthly benefit at retirement, the member receives a lump-sum payment equal to the maximum monthly benefit as calculated above multiplied by the number of months in the Back-DROP period. In lieu of receiving the lump-sum payment, the member may leave the funds on deposit with the System in an interest-bearing account.

Prior to January 1, 2009, eligible members could elect to participate in the Deferred Retirement Option Program (DROP) for up to three years in lieu of terminating employment and accepting a service benefit. During participation in the DROP, employer contributions were payable and employee contributions were reduced to ½ of 1%. The monthly retirement benefits that would have been payable to the member were paid into a DROP account, which did not earn interest while the member was participating in the DROP. Upon termination of participation, the participant in the plan received, at his option, a lump-sum from the account equal to the payments into the account or systematic disbursements from his account in any manner approved by the Board of Trustees. The monthly benefits that were being paid into the DROP would then be paid to the retiree. All amounts which remain credited to the individual's sub-account after termination of participation in the plan were invested in liquid money market funds. Interest was credited thereon as actually earned.

3. CONTRIBUTIONS AND RESERVES:

Contributions:

The System is financed by employee contributions established by state statute at 8% of salary for active members at June 30, 2020 and 2019. In addition, the System receives revenue sharing funds as appropriated by the legislature and ad valorem taxes as determined by the Public Retirement Systems' Actuarial Committee. According to state statute, in the event that the contributions from ad valorem taxes and revenue sharing funds are insufficient to provide for the gross employer actuarially required contributions, the employer is required to make direct contributions as determined by the Public Retirement Systems' Actuarial Committee. The actuarially determined employer contribution was 3.38% and 3.83% for the years ended June 30, 2020 and 2019, respectively.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

3. CONTRIBUTIONS AND RESERVES: (Continued)

Contributions: (Continued)

The actual employer contribution was 4.0% and 1.25% for the years ended June 30, 2020 and 2019, respectively.

Administrative costs of the fund are financed through ad valorem taxes and state revenue sharing monies.

Reserves:

Use of the term "reserve" by the System indicates that a portion of the net assets are legally restricted for a specific future use. The nature and purpose of these reserves are explained below:

A) Pension Reserve:

The Pension Reserve consists of the reserves for all pensions, excluding cost-of-living increases, granted to members and is the reserve from which such pensions and annuities are paid. Survivors of deceased beneficiaries also receive benefits from this reserve. The Pension Reserve balance as of June 30, 2020 and 2019 was \$223,490,502 and \$199,217,626, respectively.

B) Annuity Savings:

The Annuity Savings is credited with contributions made by members of the System. When a member terminates his service, or upon his death before qualifying for a benefit, the refund of his contributions is made from this reserve. When a member retires, the amount of his accumulated contributions is transferred to the Pension Reserve to provide part of the benefits. The Annuity Savings balance as of June 30, 2020 and 2019 was \$60,640,415 and \$58,849,937, respectively.

C) Pension Accumulation:

The Pension Accumulation consists of contributions paid by employers, interest earned on investments and any other income not covered by other accounts. This reserve is charged annually with an amount, determined by the actuary, to be transferred to the Pension Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by other accounts. The Pension Accumulation balance as of June 30, 2020 and 2019 was \$152,952,347 and \$172,009,714, respectively.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

D) Back-Deferred Retirement Option Plan and Deferred Retirement Option Plan:

The Back-Deferred Retirement Option Plan (Back-DROP) and Deferred Retirement Option Plan (DROP) Accounts consist of the reserves for all members who upon eligibility elect to deposit into the Back DROP or DROP account retirement benefits. A participant may receive a lump sum payment or systematic disbursements approved by the Board of Trustees of their Back DROP or DROP funds. The Back-DROP account balance as of June 30, 2020 was \$6,869,987 and \$5,862,769, respectively.

4. DEPOSITS, CASH EQUIVALENTS, AND INVESTMENTS:

Following are the components of the System's deposits, cash equivalents, and investments at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash (bank balance)	\$ 2,051,501	\$ 901,427
Cash equivalents	26,728,459	12,898,985
Investments	417,056,598	419,436,812
Total	<u>\$ 445,836,558</u>	<u>\$ 433,237,224</u>

Deposits:

The System's bank deposits were fully covered by federal depository insurance and pledged securities held in joint custody.

Cash Equivalents:

At June 30, 2020 and 2019, cash equivalents in the amount of \$17,435,236 and \$4,713,871, respectively, were held by a sub-custodian, managed by a separate money manager and are in the name of the System's custodian department.

At June 30, 2020 and 2019, cash equivalents in the amount of \$9,293,223 and \$8,185,114, respectively, consist of government pooled investments. The funds are managed by the Louisiana Asset Management Pool (LAMP), held by a custodial bank, and are in the name of the System. All of LAMP's investments are AAAM rated by S&P.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 60 days and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
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JUNE 30, 2020 AND 2019

4. DEPOSITS, CASH EQUIVALENTS, AND INVESTMENTS: (Continued)

Cash Equivalents: (Continued)

The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

Investments:

State statutes authorize the System to invest under the Prudent-Man Rule. The Prudent-Man Rule shall require each fiduciary of a retirement system and each board of trustees acting collectively on behalf of the system to act with care, skill, prudence, and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The System shall not invest more than 65% of the total portfolio in equity investments, as a result of legislation enacted during the 2004 regular session. At June 30, 2020 and 2019, the System was in compliance with this legislation.

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System's investment policy states that no more than 5% (of cost) of the assets assigned to an investment manager may be invested in the securities of one issuer. This restriction applies to active investment management programs and does not apply to Index Funds or Exchange Traded Funds as they are diversified investment pools by definition and practice. At June 30, 2020, there were no investments other than Exchange Traded Funds which exceeded 5% of net assets available for benefits or 5% of the assets assigned to an investment manager.

Credit Risk:

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Following are the credit ratings of the System's investments in long-term debt securities at June 30, 2020 and 2019.

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STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

4. DEPOSITS, CASH EQUIVALENTS, AND INVESTMENTS: (Continued)

Credit Risk: (Continued)

The System's investment policy regarding credit risk requires each investment manager to closely monitor the investment credit ratings and to report any concerns to the investment consultant and the Board.

June 30, 2020			
	<u>Fair Value</u>	<u>Treasury notes and Mortgage-Backed Securities</u>	<u>Municipal and Corporate Bonds</u>
AAA	\$ 6,642,476	\$ -	\$ 6,642,476
AA+	12,021,675	7,737,023	4,284,652
AA	14,376,176	-	14,376,176
AA-	11,784,655	-	11,784,655
A+	4,951,331	-	4,951,331
A	8,399,003	-	8,399,003
A-	6,438,373	-	6,438,373
BBB+	3,917,412	-	3,917,412
BBB	1,050,832	-	1,050,832
BBB-	177,988	-	177,988
Not Rated	81,016,685	18,944,715	62,071,970
	<u>\$ 150,776,606</u>	<u>\$ 26,681,738</u>	<u>\$ 124,094,868</u>
June 30, 2019			
	<u>Fair Value</u>	<u>Treasury notes and Mortgage-Backed Securities</u>	<u>Municipal and Corporate Bonds</u>
AAA	\$ 10,371,535	\$ -	\$ 10,371,535
AA+	24,082,482	10,526,390	13,556,092
AA	20,787,209	-	20,787,209
AA-	14,532,977	-	14,532,977
A+	4,946,957	-	4,946,957
A	10,916,017	-	10,916,017
A-	4,529,778	-	4,529,778
BBB+	1,924,424	-	1,924,424
BBB	974,667	-	974,667
Not Rated	70,403,136	10,669,210	59,733,926
	<u>\$ 163,469,182</u>	<u>\$ 21,195,600</u>	<u>\$ 142,273,582</u>

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

4. DEPOSITS, CASH EQUIVALENTS, AND INVESTMENTS: (Continued)

Credit Risk: (Continued)

The System invests in an exchange traded bond fund with a balance of \$5,575,230 and \$4,026,500 at June 30, 2020 and 2019, respectively. The bond fund's credit quality rating had a range of Aaa – Baa as of June 30, 2020 and 2019.

Custodial Credit Risk:

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The System is not exposed to custodial credit risk for investments in the amount of \$365,741,847 and \$384,386,860 at June 30, 2020 and 2019, respectively.

The System's policy to mitigate the custodial credit risk is to obtain the custodian's audited financial statements, SSAE 16 (formerly SAS 70) report and supplemental information as well as documentation outlining SIPC and supplemental insurance coverage. This information is reviewed by the investment consultant.

The System had \$17,435,236 and \$4,713,871 as of June 30, 2020 and 2019, respectively, in cash equivalents, which is exposed to custodial credit risk since the investment is held in the name of the System's custodian's trust department.

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in the interest rates will adversely affect the fair value of an investment.

The System's policy regarding interest rate risk requires each investment manager to closely monitor the maturities and interest rates of investments and to report any concerns to the investment consultant and the Board.

The System had the following investments in long-term debt securities and maturities in years:

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STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

4. DEPOSITS, CASH EQUIVALENTS, AND INVESTMENTS: (Continued)

Interest Rate Risk: (Continued)

<u>June 30, 2020</u>		<u>In Years</u>			
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater than 10</u>
Treasury Bonds and Mortgage-Backed Securities	\$ 26,681,739	\$ 2,997,990	\$ 5,088,300	\$ 5,142,255	\$ 13,453,194
Municipal and Corporate Bonds	124,094,867	731,401	84,251,168	20,396,963	18,715,335
	<u>\$ 150,776,606</u>	<u>\$ 3,729,391</u>	<u>\$ 89,339,468</u>	<u>\$ 25,539,218</u>	<u>\$ 32,168,529</u>
<u>June 30, 2019</u>		<u>In Years</u>			
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater than 10</u>
Treasury Bonds and Mortgage-Backed Securities	\$ 21,195,600	\$ 62,764	\$ 1,500,015	\$ 5,031,872	\$ 14,600,949
Municipal and Corporate Bonds	142,273,582	4,964,530	93,164,632	26,386,218	17,758,202
	<u>\$ 163,469,182</u>	<u>\$ 5,027,294</u>	<u>\$ 94,664,647</u>	<u>\$ 31,418,090</u>	<u>\$ 32,359,151</u>

The System also invests in exchange traded bond funds with a balance of \$5,575,230 and \$4,026,500 at June 30, 2020 and 2019, respectively. The average portfolio duration of this bond fund is 9.96 years at June 30, 2020. The average portfolio duration of this bond fund ranged from 2.9 years at June 30, 2019.

The System invests in collateralized mortgage obligations. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

Money-Weighted Rate of Return:

For the years ended June 30, 2020 and 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.15% and 4.48%, respectively. The money-weighted return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Commitments:

The System committed to invest \$8,000,000 in a direct lending fund of which \$5,120,000 is the remaining commitment as of June 30, 2020. This investment is reported as a corporate bond in the statement of net fiduciary position.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

5. FAIR VALUE DISCLOSURES:

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The System has the following recurring fair value measurements as of June 30, 2020 and 2019:

	6/30/2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Cash Equivalents	\$ 26,728,459	\$ 26,728,459	\$ -	\$ -
Fixed Income Investments:				
Treasury notes	12,250,370	12,250,370	-	-
Mortgage backed securities	14,431,369	-	14,431,369	-
Municipal bonds	54,550,128	-	54,550,128	-
Corporate bonds	69,544,739	-	69,544,739	-
Exchange traded funds	5,575,230	5,575,230	-	-
Total Fixed Income Investments	156,351,836	17,825,600	138,526,236	-
Equity Securities:				
Exchange traded funds	198,600,289	198,600,289	-	-
Mutual funds	1,496,499	-	1,496,499	-
Total Equity Securities	200,096,788	198,600,289	1,496,499	-
Total Investments at Fair Value Level	383,177,083	\$ 243,154,348	\$ 140,022,735	\$ -
Investments measured at the Net Asset Value (NAV)				
Private equity	14,948,869			
Real estate investments	45,659,105			
Total Investments at NAV	60,607,974			
Total Investments	\$ 443,785,057			

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

5. FAIR VALUE DISCLOSURES: (Continued)

	6/30/2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Cash Equivalents	\$ 12,898,985	\$ -	\$ 12,898,985	\$ -
Fixed Income Investments:				
Treasury notes	11,553,955	11,553,955	-	-
Mortgage backed securities	9,641,645	-	9,641,645	-
Municipal bonds	83,630,460	-	83,630,460	-
Corporate bonds	58,643,122	-	58,643,122	-
Exchange traded funds	4,026,500	4,026,500	-	-
Total Fixed Income Investments	167,495,682	15,580,455	151,915,227	-
Equity Securities:				
Exchange traded funds	205,721,737	205,721,737	-	-
Mutual funds	2,984,327	2,984,327	-	-
Total Equity Securities	208,706,064	208,706,064	-	-
Total Investments at Fair Value Level	389,100,731	\$ 224,286,519	\$ 164,814,212	\$ -
Investments measured at the Net Asset Value (NAV)				
Private equity	11,879,964			
Real estate investments	31,355,102			
Total Investments at NAV	43,235,066			
Total Investments	\$ 432,335,797			

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

5. FAIR VALUE DISCLOSURES: (Continued)

The unfunded commitments and redemption terms for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2020 are presented in the following table.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Investments measured at the NAV				
Alternative assets:				
Private equities	\$ 14,948,869	\$ 4,862,316	n/a	n/a
Real estate	45,659,105	-	n/a	n/a
Total Investments measured at the NAV	<u>\$ 60,607,974</u>	<u>\$ 4,862,316</u>		

The unfunded commitments and redemption terms for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2019 are presented in the following table.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Investments measured at the NAV				
Alternative assets:				
Private equities	\$ 11,879,964	\$ 4,168,998	n/a	n/a
Real estate	31,355,102	-	n/a	n/a
Total Investments measured at the NAV	<u>\$ 43,235,066</u>	<u>\$ 4,168,998</u>		

Private Equity:

Private equity is an asset class consisting of equity securities and debt in limited partnerships that are not publicly traded on a stock exchange. Private equity funds employ a combination of strategies to earn superior risk-adjusted returns. The fair values of the investments in this type have been determined using the net asset value (NAV) per share (or equivalent) of the System's ownership interest in partners' capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated approximately 7 to 15 years from the commencement of the fund.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
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5. FAIR VALUE DISCLOSURES: (Continued)

Real Estate Investments:

Real estate is an asset class consisting of real estate investment trusts (REIT) and commercial real estate funds that are not publicly traded on an exchange. These investments employ a strategy of investing in commercial real estate such as storage units, hotels and other properties. The fair values of the investments in this type have been determined using the net asset value (NAV) per share (or equivalent) of the System's ownership of shares or percentage of each fund.

6. PRIVATE EQUITY:

The System committed to invest \$5,000,000 in three Louisiana Partnerships of which \$4,900,000 has been funded as of June 30, 2020. One partnership, Louisiana Ventures, L.P., was transferred during the year ended June 30, 2019 to Louisiana Ventures LP Liquidating Trust. The fair value of the Louisiana partnerships as of June 30, 2020 and 2019 was \$5,811,451 and \$5,210,101, respectively.

The System committed to invest \$12,000,000 in three partnerships. \$5,000,000 was committed to Cotton Creek Capital Partners II, L.P. with \$4,646,502 in capital invested at June 30, 2020. \$5,000,000 was committed to Cotton Creek Capital Partners III, L.P. with \$1,871,182 in capital invested at June 30, 2020. \$2,000,000 was committed to Themelios Ventures II Side Car, L.P. with \$2,000,000 in capital invested at June 30, 2020. The future commitments due to the fund for Cotton Creek II, L.P. and Cotton Creek III, L.P. as of June 30, 2020 are \$353,498 and \$3,128,818, respectively. The fair value of the three partnerships as of June 30, 2020 and 2019 was \$8,382,618 and \$8,152,377, respectively.

During the year ended June 30, 2020 the System committed to invest \$2,000,000 in TCW Direct Lending partnership with \$720,000 capital invested as of June 30, 2020. The future commitments due to the fund are \$1,280,000. The fair value of the fund is \$754,800 at June 30, 2020.

7. REAL ESTATE INVESTMENTS:

The System invested in a real estate investment trust for the year ending June 30, 2020 and 2019. The fair value of the investment is calculated based on the estimated value of the company's assets less the estimated value of the company's liabilities divided by the number of shares of common stock outstanding. The company also engages an independent third-party valuation firm to perform a review of the estimated fair values of assets and liabilities. The fair market value of the System's investment in the real estate investment trust was \$3,013,249 and \$3,013,249 at June 30, 2020 and 2019, respectively.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

7. REAL ESTATE INVESTMENTS: (Continued)

The System committed to invest \$43,000,000 in three real estate funds. \$5,000,000 was committed to Encore GP Fund, L.P. with \$5,000,000 in capital invested at June 30, 2020. \$23,000,000 was committed to Rastegar Holding Company, LLC with \$23,000,000 in capital invested at June 30, 2020. \$15,000,000 was committed and invested in Rastegar Multi Yield LLC. The fair value of the real estate funds as of June 30, 2020 and 2019 was \$42,645,856 and \$28,341,853, respectively.

One fund has a 2021 expected exit strategy. The other real estate funds provide for redemptions at the funds' sole discretion. In the event the funds elect to exercise its redemption rights the transaction will close within 90 days from written notice.

8. USE OF ESTIMATES:

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

9. OFFICE LEASING:

The System has a 10-year lease for office space which began July 1, 2019 with a monthly rent of \$6,000. Total rent expense for each of the years ended June 30, 2020 and 2019 was \$72,000 and \$30,000, respectively.

Minimum future rental payments under the lease is as follows:

<u>Year ended</u> <u>June 30th</u>	<u>Amount</u>
2021	\$ 72,000
2022	72,000
2023	72,000
2024	72,000
2025	72,000
Thereafter	<u>288,000</u>
Total minimum future rental payments	<u>\$ 648,000</u>

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
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JUNE 30, 2020 AND 2019

10. NET PENSION LIABILITY OF EMPLOYERS:

The components of the net pension liability of the plan's employers determined in accordance with GASB No. 67 as of June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Total Pension Liability	\$ 523,180,498	\$ 468,110,361
Plan Fiduciary Net Position	<u>443,953,251</u>	<u>435,940,046</u>
Employers' Net Pension Liability	<u>\$ 79,227,247</u>	<u>\$ 32,170,315</u>
Plan Fiduciary Net Position as a % of the Total Pension Liability	84.86%	93.13%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Actuarially determined amounts regarding the net pension liability are subject to continual revision as actual results are compared to past expectations, and new estimates are made about the future.

The actuarial assumptions used in the June 30, 2020 and 2019 valuations (excluding mortality) was based on the results of an experience study for the period July 1, 2014 through June 30, 2019. The actuarial assumptions used in the June 30, 2020 and 2019 valuation were based on the assumptions used in the June 30, 2020 and 2019 actuarial funding valuation.

Information on the actuarial valuation and assumptions is as follows:

Valuation date	June 30, 2020 and 2019
Actuarial cost method	Entry Age Normal Cost
Investment rate of return	6.25% and 6.50% per annum, respectively
Inflation Rate	2.30% and 2.40% per annum, respectively
Mortality	Mortality rates based on the Pub-2010 table for General Above-Median Employees multiplied by 115% for males and females, each with full generational projection using the MP2019 scale. Disabled retirees are modeled on the same tables and scales.
Salary increases	5.00% and 5.50%, respectively

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

10. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term geometric expected rate of return was 8.50% and 7.56% as of June 30, 2020 and 2019, respectively.

Best estimates of real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	Long-Term Target Asset <u>Allocation</u>	<u>Rates of Return</u>	
		<u>Real</u>	<u>Nominal</u>
Equities	48.28%	5.54%	
Fixed Income	24.54%	1.09%	
Alternatives	26.77%	1.87%	
Cash	0.42%	0.00%	
System Total			6.11%
Inflation			<u>2.39%</u>
Expected Arithmetic Nominal Return			<u>8.50%</u>

Best estimates of real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	Long-Term Target Asset <u>Allocation</u>	<u>Rates of Return</u>	
		<u>Real</u>	<u>Nominal</u>
Equities	48.42%	5.13%	
Fixed Income	40.10%	1.65%	
Alternatives	10.99%	0.78%	
Cash	0.49%	0.00%	
System Total			5.07%
Inflation			<u>2.49%</u>
Expected Arithmetic Nominal Return			<u>7.56%</u>

The discount rate used to measure the total pension liability was 6.25% and 6.50% at June 30, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contribution from participating employers and non-employer contributing entities will

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

10. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In accordance with GASB 67, regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following presents the net pension liability of the participating employers calculated using the discount rate of 6.25% as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower, 5.25% or one percentage point higher, 7.25% than the current rate at June 30, 2020.

	Changes in Discount Rate		
	2020		
	Current Discount		
	<u>1% Decrease</u>	<u>Rate</u>	<u>1% Increase</u>
	5.25%	6.25%	7.25%
Net Pension Liability	<u>\$ 144,724,006</u>	<u>\$ 79,227,247</u>	<u>\$ 24,344,035</u>

For the year ended June 30, 2019, the net pension liability of the participating employers was calculated using the discount rate of 6.5%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 5.5% or one percentage point higher 7.5% than the current rate at June 30, 2019.

	Changes in Discount Rate		
	2019		
	Current Discount		
	<u>1% Decrease</u>	<u>Rate</u>	<u>1% Increase</u>
	5.50%	6.50%	7.50%
Net Pension Liability (Asset)	<u>\$ 87,628,910</u>	<u>\$ 32,170,315</u>	<u>\$(15,052,682)</u>

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

11. TRANSACTIONS WITH RELATED ORGANIZATION:

The Director and Assistant Director of the System served the same positions with Louisiana District Attorney's Association through June 30, 2019. During the year ended June 30, 2019, the System shared certain common functions and costs with the Louisiana District Attorney's Association (LDAA). The LDAA provided office space, office equipment, administrative and accounting services to the System during the years ended June 30, 2020 and June 30, 2019. The System incurred \$38,432 and \$192,731 during the years ended June 30, 2020 and 2019, respectively, in costs associated with the LDAA. Effective July 12, 2019, the System hired a Director. Each entity has a separate board.

12. RECLASSIFICATIONS:

Certain amounts in 2019 have been reclassified to conform to the 2020 presentation. These reclassifications have no effect on the net position of the System.

13. RISK AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of novel coronavirus disease ("COVID-19") as a pandemic. This matter may negatively impact the results of operations and financial position. The related financial impact cannot be reasonably estimated at this time.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FOR THE SEVEN YEARS ENDED JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability				
Service cost	\$ 12,992,534	\$ 12,944,169	\$ 12,205,873	\$ 11,645,505
Interest	30,555,884	29,754,249	28,539,171	27,456,268
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	4,404,409	(9,338,975)	207,379	(1,796,724)
Changes of assumptions	29,494,313	-	12,292,550	11,300,225
Benefit payments	(22,398,425)	(19,877,476)	(19,474,451)	(18,789,893)
Refunds of member contributions	(421,866)	(272,696)	(368,351)	(599,683)
Other	443,288	336,893	1,586,019	477,132
Net change in total pension liability	<u>55,070,137</u>	<u>13,546,164</u>	<u>34,988,190</u>	<u>29,692,830</u>
Total pension liability - beginning	468,110,361	454,564,197	419,576,007	389,883,177
Total pension liability - ending (a)	<u>\$ 523,180,498</u>	<u>\$ 468,110,361</u>	<u>\$ 454,564,197</u>	<u>\$ 419,576,007</u>
Plan Fiduciary Net Position				
Contributions - member	\$ 4,991,814	\$ 4,926,590	\$ 4,973,945	\$ 4,865,302
Contributions - employer	2,492,875	775,650	-	-
Contributions - non-employer contributing entities	9,896,394	9,390,000	8,739,447	8,219,395
Net investment income	13,623,812	18,780,081	34,802,927	28,228,802
Benefit payments	(22,398,425)	(19,877,476)	(19,474,451)	(18,789,893)
Refunds of member contributions	(421,866)	(272,696)	(368,351)	(599,683)
Administrative expenses	(614,687)	(503,990)	(478,367)	(539,682)
Other	443,288	336,893	1,586,019	477,132
Net change in plan fiduciary net position	<u>8,013,205</u>	<u>13,555,052</u>	<u>29,781,169</u>	<u>21,861,373</u>
Plan fiduciary net position - beginning	435,940,046	422,384,994	392,603,825	370,742,452
Plan fiduciary net position - ending (b)	<u>\$ 443,953,251</u>	<u>\$ 435,940,046</u>	<u>\$ 422,384,994</u>	<u>\$ 392,603,825</u>
Net pension liability - ending (a) - (b)	<u>\$ 79,227,247</u>	<u>\$ 32,170,315</u>	<u>\$ 32,179,203</u>	<u>\$ 26,972,182</u>
Plan fiduciary net position as a percentage of total pension liability	84.86%	93.13%	92.92%	93.57%
Covered payroll	\$ 62,321,875	\$ 62,052,000	\$ 62,174,313	\$ 60,816,275
Net pension liability as a percentage of covered payroll	127.13%	51.84%	51.76%	44.35%

(Continued)

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FOR THE SEVEN YEARS ENDED JUNE 30, 2020

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service cost	\$ 11,303,932	\$ 11,530,918	\$ 10,855,750
Interest	26,307,692	26,425,694	25,710,047
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(1,986,736)	(2,281,483)	(8,973,206)
Changes of assumptions	-	(6,366,162)	7,220,453
Benefit payments	(20,733,190)	(14,149,837)	(12,053,372)
Refunds of member contributions	(562,626)	(648,617)	(382,621)
Other	1,113,277	(591,375)	185,003
Net change in total pension liability	<u>15,442,349</u>	<u>13,919,138</u>	<u>22,562,054</u>
Total pension liability - beginning	374,440,828	360,521,690	337,959,636
Total pension liability - ending (a)	<u>\$ 389,883,177</u>	<u>\$ 374,440,828</u>	<u>\$ 360,521,690</u>
Plan Fiduciary Net Position			
Contributions - member	\$ 4,847,187	\$ 4,800,295	\$ 5,630,420
Contributions - employer	2,125,900	4,109,229	4,682,271
Contributions - non-employer contributing entities	8,657,954	8,314,617	8,120,371
Net investment income	6,734,928	9,060,366	49,586,276
Benefit payments	(20,733,190)	(14,149,837)	(12,053,372)
Refunds of member contributions	(562,626)	(648,617)	(382,621)
Administrative expenses	(495,267)	(367,794)	(314,495)
Other	1,113,277	(591,375)	185,003
Net change in plan fiduciary net position	<u>1,688,163</u>	<u>10,526,884</u>	<u>55,453,853</u>
Plan fiduciary net position - beginning	369,054,289	358,527,405	303,073,552
Plan fiduciary net position - ending (b)	<u>\$ 370,742,452</u>	<u>\$ 369,054,289</u>	<u>\$ 358,527,405</u>
Net pension liability - ending (a) - (b)	<u>\$ 19,140,725</u>	<u>\$ 5,386,539</u>	<u>\$ 1,994,285</u>
Plan fiduciary net position as a percentage of total pension liability	95.09%	98.56%	99.45%
Covered payroll	\$ 60,740,000	\$ 58,703,271	\$ 57,747,897
Net pension liability as a percentage of covered payroll	31.51%	9.18%	3.45%

Schedule is intended to show information for 10 years. Additional years will be presented as they become available.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY
FOR THE SEVEN YEARS ENDED JUNE 30, 2020

Fiscal Year Ended	Total Pension Liability	Plan Fiduciary Net Postion	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of Total Pension Liability	Covered Payroll	Employers' Net Pension Liability as a Percentage of Covered Payroll
2020	\$ 523,180,498	\$ 443,953,251	\$ 79,227,247	84.86%	\$ 62,321,875	127.13%
2019	468,110,361	435,940,046	32,170,315	93.13%	62,052,000	51.84%
2018	454,564,197	422,384,994	32,179,203	92.92%	62,174,313	51.76%
2017	419,576,007	392,603,825	26,972,182	93.57%	60,816,275	44.35%
2016	389,883,177	370,742,452	19,140,725	95.09%	60,740,000	31.51%
2015	374,440,828	369,054,289	5,386,539	98.56%	58,703,271	9.18%
2014	360,521,690	358,527,405	1,994,285	99.45%	57,747,897	3.45%

Schedule is intended to show information for 10 years. Additional years will be presented as they become available.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
EMPLOYER AND NON-EMPLOYER CONTRIBUTING ENTITIES
FOR THE SEVEN YEARS ENDED JUNE 30, 2020

<u>Fiscal Year Ended</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Liability</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2020	\$ 12,105,048	\$ 12,389,269	\$ (284,221)	\$ 62,321,875	19.88%
2019	10,173,810	10,165,650	8,160	62,052,000	16.38%
2018	8,978,608	8,739,447	239,161	62,174,313	14.06%
2017	8,035,045	8,219,395	(184,350)	60,816,275	13.52%
2016	8,645,340	10,783,854	(2,138,514)	60,740,000	17.75%
2015	12,807,925	12,423,846	384,079	58,703,271	21.16%
2014	12,426,112	13,750,791	(1,324,679)	57,747,897	23.81%

Schedule is intended to show information for 10 years. Additional years will be presented as they become available.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
FOR THE SEVEN YEARS ENDED JUNE 30, 2020

<u>Fiscal Year End</u>	<u>Annual Money-Weighted Rate of Return*</u>
2020	3.15%
2019	4.48%
2018	8.93%
2017	7.20%
2016	1.40%
2015	2.41%
2014	17.01%

* Annual money-weighted rates of return are presented net of investment expense.

Schedule is intended to show information for 10 years. Additional years will be presented as they become available.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020 AND 2019

1. SCHEDULE OF CHANGES IN NET PENSION LIABILITY:

The total pension liability contained in this schedule was provided by the System's actuary, G. S. Curran and Company, Inc. The new pension liability is measured as the total pension liability less the amount of the fiduciary net position of the fund.

2. SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY:

The schedule of employers' net pension liability shows the percentage of the System's employers' net pension liability as a percentage of covered employee payroll. The employers' net pension liability is the liability of contributing employers to members for benefits provided through the System. Covered employee payroll is the payroll of all employees that are provided with benefits through the System.

3. SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND NON-EMPLOYER CONTRIBUTING ENTITIES:

The difference between the actuarially determined contributions for employers and non-employer contributing entities and the contributions reported for employers and non-employer contributing entities, and the percentage of contributions received to covered employee payroll is presented in this schedule. Ad valorem taxes and revenue sharing funds received from the State of Louisiana are considered to be support from non-employer contributing entities.

4. SCHEDULE OF INVESTMENT RETURNS:

The annual money-weighted rate of return is shown in this schedule. The money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. This expresses investment performance adjusted for the changing amounts actually invested throughout the year, measured using monthly inputs with expenses measured on an accrual basis.

5. ACTUARIAL ASSUMPTIONS:

The information presented in the required supplementary schedules was used in the actuarial valuation for purposes of determining the actuarially determined contribution rate. The assumptions and methods used for the actuarial valuation were recommended by the actuary and adopted by the Board. Additional information on the assumptions and methods used as of the latest actuarial valuation are disclosed in the notes to the financial statements Note 10, Net Pension Liability of Employers.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020 AND 2019

6. CHANGES IN ACTUARIAL ASSUMPTIONS:

For the year ended June 30, 2020, there were changes noted to the inflation rate, investment rate of return, salary increases and mortality rate. Other changes over the past six years are as follows:

Valuation Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Inflation Rate	2.30%	2.40%	2.40%	2.50%
Investment rate of Return	6.25%	6.50%	6.50%	6.75%
Salary Increases	5.00%	5.50%	5.50%	5.50%
Mortality Rate	Based on the results of an actuarial experience study for the period of July 1, 2014 - June 30, 2019	Based on the results of an actuarial experience study for the period of July 1, 2009 - June 30, 2014	Based on the results of an actuarial experience study for the period of July 1, 2009 - June 30, 2014	Based on the results of an actuarial experience study for the period of July 1, 2009 - June 30, 2014

Valuation Date	June 30, 2016	June 30, 2015	June 30, 2014
Inflation Rate	2.50%	2.50%	2.75%
Investment rate of Return	7.00%	7.00%	7.25%
Salary Increases	5.50%	5.50%	6.25%
Mortality Rate	Based on the results of an actuarial experience study for the period of July 1, 2009 - June 30, 2014	Based on the results of an actuarial experience study for the period of July 1, 2009 - June 30, 2014	Based on the results of an actuarial experience study for the period of July 1, 2004 - June 30, 2009.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Actuarial fees	\$ 79,060	\$ 70,160
Auditing	59,656	48,913
Bank charges	9,182	9,893
Computer services	18,661	12,112
Consulting services	-	11,658
Dues	735	2,913
Expense of board meetings	1,587	1,435
Equipment leasing and maintenance	452	6,648
Insurance	22,711	14,698
Legal	13,058	-
Miscellaneous	9,085	2,789
Office furnishings	15,907	-
Office supplies and printing	500	3,131
Per diem	3,000	3,000
Postage	2,526	3,168
Rent	74,500	30,000
Registration fees	1,200	-
Salaries and fringe benefits	247,957	244,268
Shared services - LDAA	12,000	-
Surety bond	15,724	12,248
Telephone	6,290	7,894
Travel	<u>20,896</u>	<u>19,062</u>
Total administrative expenses	<u>\$ 614,687</u>	<u>\$ 503,990</u>

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PER DIEM AND TRAVEL EXPENSES TO TRUSTEES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

June 30, 2020

<u>Trustee</u>	<u>AMOUNTS PAID</u>		
	<u>Per Diem</u>	<u>Travel</u>	<u>Total</u>
David Burton	\$ 75	\$ 316	\$ 391
Don Burkett	375	1,253	1,628
Anthony Falterman	450	436	886
Dale Lee	450	-	450
Todd Neesom	375	-	375
Reed Walters	450	-	450
S. Andrew Shealy	450	250	700
Scott Perrilloux	375	-	375
	<u>\$ 3,000</u>	<u>\$ 2,255</u>	<u>\$ 5,255</u>

June 30, 2019

<u>Trustee</u>	<u>AMOUNTS PAID</u>		
	<u>Per Diem</u>	<u>Travel</u>	<u>Total</u>
David Burton	\$ 450	\$ 1,283	\$ 1,733
Don Burkett	450	2,066	2,516
Anthony Falterman	450	797	1,247
Dale Lee	450	-	450
Reed Walters	375	-	375
S. Andrew Shealy	375	287	662
Scott Perrilloux	450	-	450
	<u>\$ 3,000</u>	<u>\$ 4,433</u>	<u>\$ 7,433</u>

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2020

<u>E. Pete Adams, Executive Director</u>	<u>July 1, 2019- July 11, 2019</u>
Salary	\$ 2,408
Benefits - retirement	20
Total	<u>\$ 2,428</u>

<u>Kristi Spinoso, Executive Director</u>	<u>July 12, 2019- June 30, 2020</u>
Salary	\$ 132,238
Benefits - insurance	7,047
Benefits - retirement	10,579
Travel	2,129
Registration fees	120
Per Diem	195
Mobile Phone	1,644
Total	<u>\$ 153,952</u>



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

December 28, 2020

Board of Trustees
District Attorneys' Retirement System
State of Louisiana
2525 Quail Drive
Baton Rouge, Louisiana 70808-9042

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the District Attorneys' Retirement System of the State of Louisiana as of and for the year ended June 30, 2020 and the related notes to the financial statements and have issued our report thereon dated December 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered District Attorneys' Retirement System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District Attorneys' Retirement System's internal control. Accordingly, we do not express an opinion on the effectiveness of the District Attorneys' Retirement System's internal control.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses, we did identify a certain deficiency in internal control, described in the accompanying schedule of findings as 2020-01 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District Attorneys' Retirement System's Response to Audit Finding

The System's response to the finding identified in our audit is described in the accompanying schedule of findings. The System's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over compliance. Accordingly, this communication is not suitable for any other purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Sharpner, Hogan and Grady, LLP

New Orleans, Louisiana

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of the District Attorneys' Retirement System of the State of Louisiana for the year ended June 30, 2020 was unmodified.

2. Internal Control
Material weaknesses: None noted.
Significant deficiency: 2020-01.

3. Compliance and Other Matters
Noncompliance material to financial statements: None noted.

FINDINGS REQUIRED TO BE REPORTED UNDER GOVERNMENTAL AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA:

2020-01 Investments:

During the audit we noted the following regarding the System's investments:

- a. The System's investment policy is vague in the area of risk such as interest rate risk, custodian risk, and credit risk.

- b. Several proposed journal entries were provided to adjust investment values, record investment receivables and investment income in addition to re-class entries to properly report investment transactions

The System should have an investment policy that assist the board in making informed decisions regarding risk for investments. Not including this information in the investment policy does not provide guidance regarding the interest rate, custodian risk and credit rate risk. We recommend the System update their investment policy to include specific guidelines regarding risk.

All transactions for investments should be recorded on the general ledger on a monthly basis. Not recording these transactions could result in inaccurate financial reporting. We recommend the System review all documents; i.e. trust statements, manager statements and operating agreements to ensure all investment transactions are recorded timely.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

FINDINGS REQUIRED TO BE REPORTED UNDER GOVERNMENTAL AUDITING
STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA: (Continued)

2020-01 Investments: (Continued)

Management's Response:

- a. This issue has already been addressed by DARS. This was clearly communicated to the auditing firm during the drafting of this report and the auditor was on notice that the changes would be adopted at the at the December 2, 2020 meeting. The newly adopted language in the investment policy statement directly addresses interest rate risk, custodian risk, and credit risk and was developed in consultation with the auditor. The amending language more clearly articulates the position of the Board in these areas. Please note that these changes were originally scheduled to be made earlier in the year, but COVID-19-related issues slowed the process.
- b. This issue has already been addressed by DARS and this was communicated to the auditor prior to the issuing of this report. DARS asserts that proposed adjusting entries are not uncommon early in the audit process; however, the System has already taken additional steps to limit the number of adjusting entries for next fiscal year. At its December 2, 2020 meeting, the DARS Board approved a motion to begin quarterly CPA review (by another section of this auditing firm) of all investment postings to ensure proper posting throughout the fiscal year. Further, DARS staff and its investment consultant have re-intensified contact with alternative managers in an effort to stimulate more effective communication between the System, its CPA firm, and the custodian to be certain all entities have ongoing access to the most current statements. Additionally, DARS has offered to grant the auditor online account access to statements and/or to instruct managers to send a copy of statements to their office. It is of note that when questions were presented to DARS during the audit process it quickly facilitated communications between all parties involved and satisfactory answers were readily provided in all instances. We have also requested additional reporting by implementing on certain more complex alternative investments that should clarify returns going forward. Please note that our alternative investment managers only report on a quarterly basis so monthly posting is not possible in this asset class.

STATUS OF PRIOR YEAR'S FINDINGS:

2019-01 Investments

During the prior year the following findings regarding investments were noted during the audit:

- The System's investments were recorded at cost on the general ledger.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

FINDINGS REQUIRED TO BE REPORTED UNDER GOVERNMENTAL AUDITING
STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA:(Continued)

STATUS OF PRIOR YEAR'S FINDINGS: (Continued)

2019-01 Investments (Continued)

- Income from two partnerships was due to the System that the System was not aware of and thus not reported in the general ledger.
- The System maintains a reconciliation of the custodian statements to the general ledger. However, the investment accounts in the general ledger do not correlate to the investment balances in the reconciliation.
- The System's investment policy is vague in the area of investment risk such as interest rate risk, custodian risk, and credit risk. (This finding is repeated as a management comment in the current year.)
- The System did not have on site all investment contracts, operating agreements or partnership agreements.
- The System office does not have real time access to the custodial trust statements and relies on printed copies received through the mail. In addition, the System's director does not have access to the custodian.
- The custodian statements listed the account number on the statement only. In addition, not all investments were reported by the custodian.
- The System invested in a real estate investment fund that has not been audited since its inception in 2014.

This finding has been resolved in the current year with the exception to the System's investment policy. This is a repeated in the current year 2020-01.