

R E P O R T

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA

JUNE 30, 2019 AND 2018

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA

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Duplantier Hrapmann Hogan & Maher, LLP

INDEPENDENT AUDITOR'S REPORT

December 23, 2019

Lindsay J. Calub, CPA, LLC
Guy L. Duplantier, CPA
Michelle H. Cunningham, CPA
Dennis W. Dillon, CPA
Grady C. Lloyd, III CPA

Heather M. Jovanovich, CPA
Terri L. Kitto, CPA

Michael J. O' Rourke, CPA
David A. Burgard, CPA
Clifford J. Giffin, Jr., CPA
William G. Stamm, CPA

A.J. Duplantier, Jr., CPA
(1919-1985)

Felix J. Hrapmann, Jr., CPA
(1919-1990)

William R. Hogan, Jr., CPA
(1920-1996)

James Maher, Jr., CPA
(1921-1999)

New Orleans

1615 Poydras Street,
Suite 2100
New Orleans, LA 70112
Phone: (504) 586-8866
Fax: (504) 525-5888

Northshore

1290 Seventh Street
Slidell, LA 70458
Phone: (985) 641-1272
Fax: (985) 781-6497

Houma

247 Corporate Drive
Houma, LA 70360
Phone: (985) 868-2630
Fax: (985) 872-3833

Napoleonville

5047 Highway 1
P.O. Box 830
Napoleonville, LA 70390
Phone: (985) 369-6003
Fax: (985) 369-9941

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

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, 2019 and 2018, 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, 2019 and 2018, 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 11 to the financial statements, the total pension liability for the District Attorneys Retirement System of Louisiana was \$468,110,361 and \$454,564,197 at June 30, 2019 and 2018, 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, 2019 and 2018 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 23, 2019 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 Parker, 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, 2019

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, 2019. 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 2019 by \$435,940,046, which represents an increase from last fiscal year.
- Contributions to the plan by members totaled \$5,032,751, a decrease of \$86,741 or 1.69% from the prior year.
- The fair value of investments reflected a net increase of \$12,902,849 or 3.08%. The net position held in trust for pension benefits increased by \$13,555,052 or 3.21%.
- The rate of return on the System's investments was 4.5% based on the market value. This is lower than the prior year's 8.9% market rate of return.
- Pension benefits paid to retirees and beneficiaries increased by \$672,041 or 3.85%. 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, 2019.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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, 2019 and 2018</u>	
	<u>2019</u>	<u>2018</u>
Cash and investments	\$ 434,130,934	\$ 421,038,938
Receivables	1,791,237	1,346,056
Prepaid expense	21,000	-
Total assets	435,943,171	422,384,994
Total Liabilities	3,125	-
Net Position - Restricted for Pension Benefits	\$ 435,940,046	\$ 422,384,994

	Statement of Changes in Fiduciary Net Position	
	<u>June 30, 2019 and 2018</u>	
	<u>2019</u>	<u>2018</u>
Additions:		
Contributions	\$ 15,198,401	\$ 13,858,939
Net investment income	18,780,081	34,802,927
Other additions	767,313	1,931,606
Total additions	34,745,795	50,593,472
Deductions	21,190,743	20,812,303
Increase in Plan Net Position	\$ 13,555,052	\$ 29,781,169

Fiduciary net position increased by \$13,555,052 or 3.21%. All of these positions are restricted in use to provide monthly retirement allowances to members who contributed to the System as employees and their beneficiaries. The increase in fiduciary net position was a result of the investment and contribution income exceeding the benefits paid.

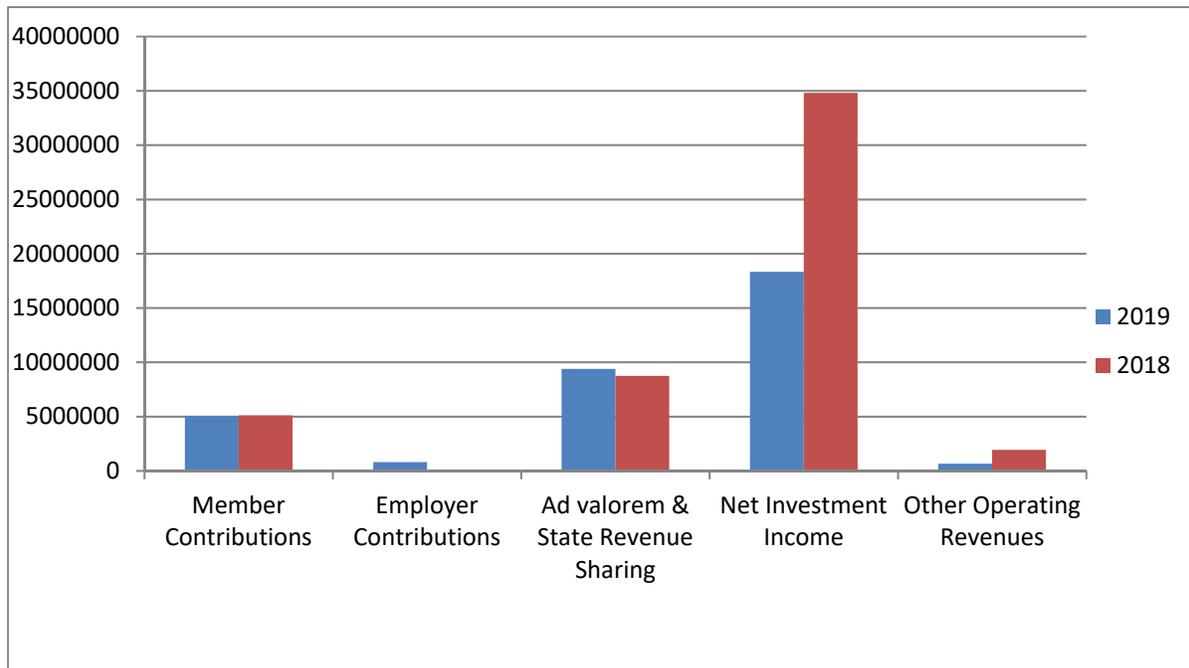
DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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 gain of \$18,780,081 as compared to a gain of \$34,802,927 in the previous year. The change was mainly due to an increase in the appreciation of bonds and exchange traded funds.

	<u>2019</u>	<u>2018</u>	<u>Increase Percentage</u>
Member contributions	\$ 5,032,751	\$ 5,119,492	-1.69%
Employer contributions	775,650	-	100%
Ad valorem & state revenue sharing	9,390,000	8,739,447	7.44%
Net investment income	18,780,081	34,802,927	-46.04%
Other additions	767,313	1,931,606	-60.28%
Total	<u>\$ 34,745,795</u>	<u>\$ 50,593,472</u>	



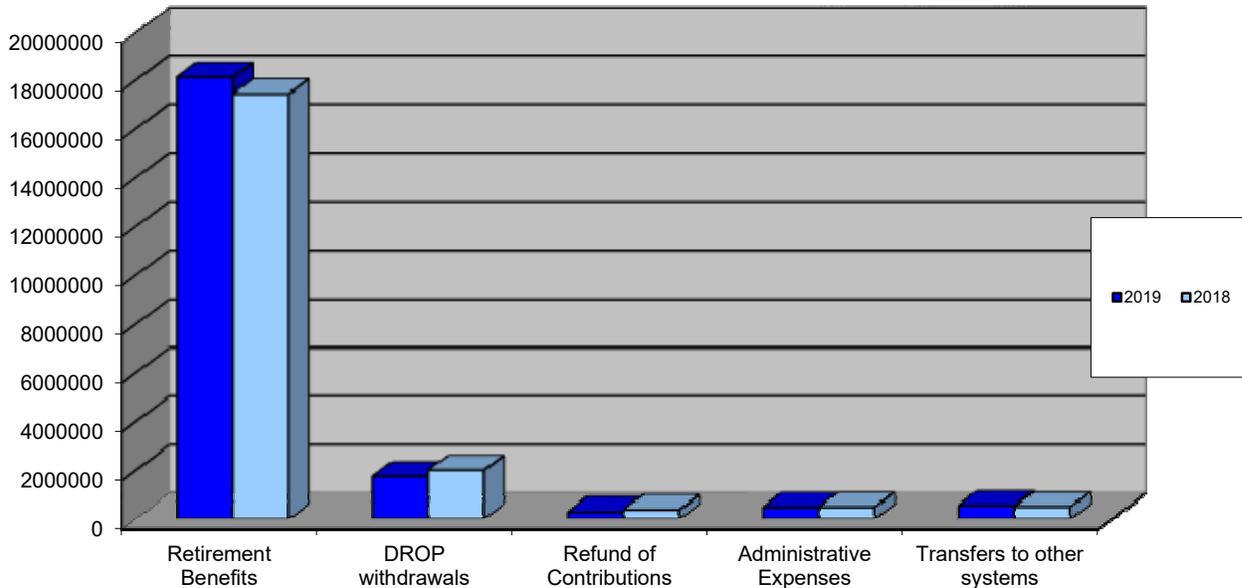
DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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 \$21,190,743 in fiscal year 2019. The increase in retirement benefit payments to \$18,129,494 from \$17,457,453 is due largely to an increase in the number of retirees and newer retirees earning higher benefit amounts than previous retirees.

	<u>2019</u>	<u>2018</u>	Increase (Decrease) <u>Percentage</u>
Retirement benefits	\$ 18,129,494	\$ 17,457,453	3.85%
DROP withdrawals	1,747,982	2,016,998	-13.34%
Refunds of contributions	272,696	368,351	-25.97%
Administrative expenses	503,990	478,367	5.36%
Transfers to other systems	536,581	491,134	9.25%
Total	<u>\$ 21,190,743</u>	<u>\$ 20,812,303</u>	



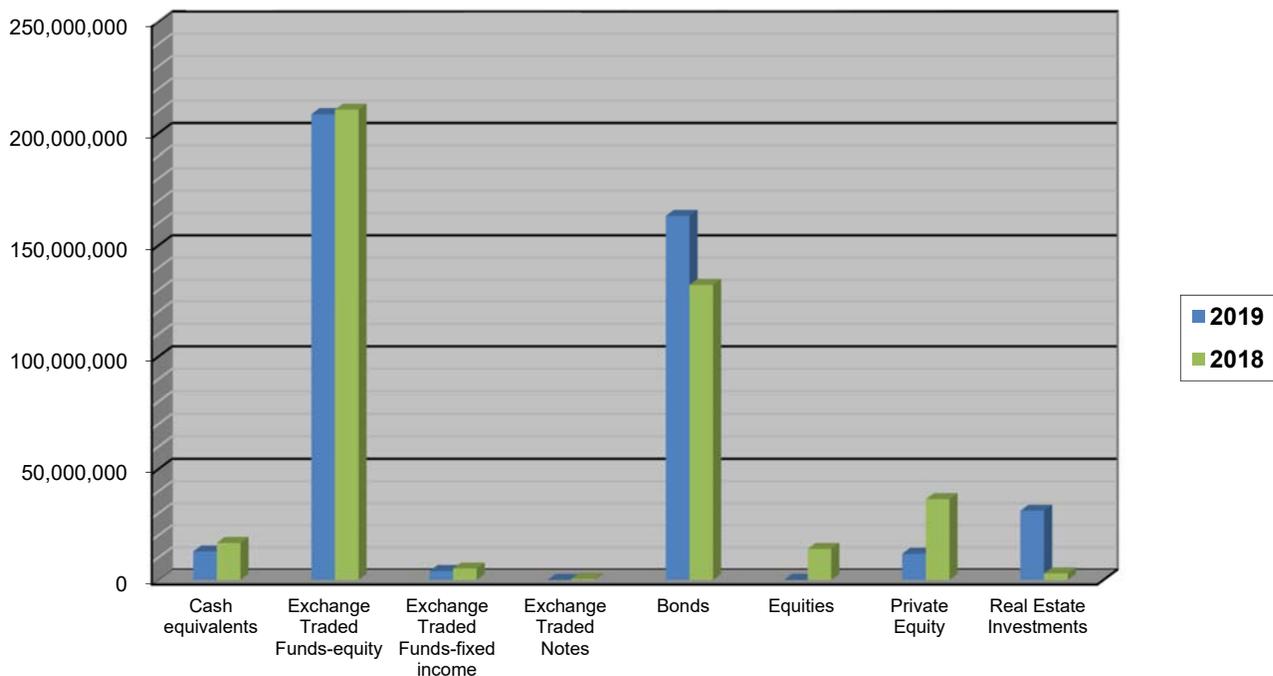
DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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, 2019 were \$432,335,797 as compared to \$419,432,948 at June 30, 2018, which is an increase of \$12,902,849 or 3.08%. The major factor contributing to this increase was the increase in bonds. The System's investments in various markets at the end of the 2019 and 2018 fiscal years are detailed in the following table:

	<u>2019</u>	<u>2018</u>	Increase (Decrease) <u>Percentage</u>
Cash equivalents	\$ 12,898,985	\$ 16,812,542	-23.28%
Exchange traded funds - equity	208,706,064	210,745,456	-0.97%
Exchange traded funds - fixed income	4,026,500	5,161,860	-22.00%
Exchange traded notes	-	455,315	-100.00%
Bonds	163,469,182	132,559,140	23.32%
Equities	-	14,072,745	-100.00%
Private equity	11,879,964	15,595,474	-23.82%
Real estate investments	31,355,102	24,030,416	30.48%
Total	<u>\$ 432,335,797</u>	<u>\$ 419,432,948</u>	



DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS:		
Cash	\$ 1,795,137	\$ 1,605,990
Receivables:		
Employer contributions	56,673	-
Member contributions	357,405	402,359
Accrued interest and dividends	1,377,159	943,697
Total	<u>1,791,237</u>	<u>1,346,056</u>
Prepaid expense:		
Prepaid rent	21,000	-
Total	<u>21,000</u>	<u>-</u>
Investments (at fair value):		
Cash equivalents	12,898,985	16,812,542
Bonds:		
Treasury bills	11,553,955	7,430,794
U.S Government backed	9,641,645	9,353,005
Municipal	83,630,460	80,305,520
Corporate	58,643,122	35,469,821
Equity	-	14,072,745
Private equity	11,879,964	15,595,474
Exchange traded funds - equity	208,706,064	210,745,456
Exchange traded funds - fixed income	4,026,500	5,161,860
Exchange traded notes	-	455,315
Real estate	31,355,102	24,030,416
Total investments	<u>432,335,797</u>	<u>419,432,948</u>
Total assets	<u>435,943,171</u>	<u>422,384,994</u>
 LIABILITIES	 <u>3,125</u>	 <u>-</u>
 NET POSITION - RESTRICTED FOR PENSION BENEFITS	 <u>\$ 435,940,046</u>	 <u>\$ 422,384,994</u>

See accompanying notes.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ADDITIONS:		
Contributions:		
Members	\$ 5,032,751	\$ 5,119,492
Employer	775,650	-
Ad valorem taxes	9,173,355	8,533,902
State revenue sharing funds	216,645	205,545
Total contributions	<u>15,198,401</u>	<u>13,858,939</u>
Investment income:		
Interest and dividend income	9,710,483	12,080,333
Net appreciation in fair value of investments	9,760,140	23,212,112
Less investment expense	(690,542)	(489,518)
Net investment income	<u>18,780,081</u>	<u>34,802,927</u>
Other additions:		
Transfers from other retirement systems	690,745	1,895,623
Interest retained on repayment of refunded contributions	37,008	31,316
Miscellaneous income	39,560	4,667
Total other additions	<u>767,313</u>	<u>1,931,606</u>
Total additions	<u>34,745,795</u>	<u>50,593,472</u>
DEDUCTIONS:		
Benefits	18,129,494	17,457,453
DROP withdrawal	1,747,982	2,016,998
Refund of contributions	272,696	368,351
Transfers to other retirement systems	536,581	491,134
Administrative expenses	503,990	478,367
Total deductions	<u>21,190,743</u>	<u>20,812,303</u>
NET INCREASE IN PLAN NET POSITION	13,555,052	29,781,169
NET POSITION - RESTRICTED FOR PENSION BENEFITS:		
Beginning of year	<u>422,384,994</u>	<u>392,603,825</u>
END OF YEAR	<u>\$ 435,940,046</u>	<u>\$ 422,384,994</u>

See accompanying notes.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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, 2019 AND 2018

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 is calculated using the last reported sales price at current exchange rates. Fair value of investments in limited partnerships is calculated as the System's percentage of ownership of the partners' capital reported by the partnership. 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, 2019 and 2018.

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 service under any publicly funded retirement system within the state and who are currently

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

2. PLAN DESCRIPTION: (Continued)

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, 2019 and 2018, the statewide retirement system membership consists of:

	<u>2019</u>	<u>2018</u>
Inactive plan members or beneficiaries		
currently receiving benefits	357	349
Inactive plan members entitled to but		
not yet receiving benefits	396	364
Active plan members	734	744
Total Participants	1,487	1,457

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.

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.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

2. PLAN DESCRIPTION: (Continued)

Benefits: (Continued)

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.

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

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
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JUNE 30, 2019 AND 2018

2. PLAN DESCRIPTION: (Continued)

Back-DROP AND DROP: (Continued)

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, 2019 and 2018. 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 up to a maximum of .2% of the ad valorem taxes shown to be collected. 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 3.83% and 0% for the years ended June 30, 2019 and 2018. The actual employer contribution was 1.25% and 0% for the years ended June 30, 2019 and 2018, respectively.

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

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
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JUNE 30, 2019 AND 2018

3. CONTRIBUTIONS AND RESERVES: (Continued)

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, 2019 and 2018 was \$199,217,626 and \$196,016,277, 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, 2019 and 2018 was \$58,849,937 and \$54,975,865, 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, 2019 and 2018 was \$172,009,714 and \$165,157,069, respectively.

D) Back-Deferred Retirement Option Plan Account:

The Back-Deferred Retirement Option Plan (Back-DROP) Account receives and holds the retirement benefits deposited on behalf of DROP participants at time of retirement. A participant may receive a lump sum payment of the Back-DROP deposit or systematic disbursements approved by the Board of Trustees. The Back-DROP account balance as of June 30, 2019 was \$5,862,769 and \$6,235,783, respectively.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

4. DEPOSITS, CASH EQUIVALENTS, AND INVESTMENTS:

Following are the components of the System's deposits, cash equivalents, and investments at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash (bank balance)	\$ 901,427	\$ 839,871
Cash equivalents	12,898,985	16,812,542
Investments	<u>419,436,812</u>	<u>402,620,406</u>
Total	<u>\$ 433,237,224</u>	<u>\$ 420,272,819</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, 2019 and 2018, cash equivalents in the amount of \$4,713,871 and \$8,336,321, 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, 2019 and 2018, cash equivalents in the amount of \$8,185,114 and \$8,476,221, 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. 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

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
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4. DEPOSITS, CASH EQUIVALENTS, AND INVESTMENTS: (Continued)

Investments: (Continued)

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, 2019 and 2018, 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, 2019, 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, 2019 and 2018.

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, 2019			
	<u>Fair Value</u>	<u>U.S. Government and Agency Obligations and Mortgage-Backed Securities</u>	<u>Other 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
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Credit Risk: (Continued)

June 30, 2018			
	<u>Fair Value</u>	<u>U.S. Government and Agency Obligations and Mortgage-Backed Securities</u>	<u>Other Bonds</u>
AAA	\$ 12,361,295	\$ -	\$ 12,361,295
AA+	16,295,132	6,319,775	9,975,357
AA	19,912,640	-	19,912,640
AA-	14,347,650	-	14,347,650
A+	5,103,613	-	5,103,613
A	9,816,336	-	9,816,336
A-	4,758,704	-	4,758,704
BBB+	942,297	-	942,297
BBB	1,812,652	-	1,812,652
Not Rated	47,208,821	10,464,024	36,744,797
	\$ 132,559,140	\$ 16,783,799	\$ 115,775,341

The System invested in an exchange traded note that was exposed to the credit risk of JPMorgan Chase and Company during the year ended June 30, 2018. The note has a maturity date of May 24, 2024 and a market value of \$-0- and \$455,315 as of June 30, 2019 and 2018, respectively.

The System also invests in an exchange traded bond fund with a balance of \$4,026,500 and \$5,161,860 at June 30, 2019 and 2018, respectively. The bond fund's credit quality rating had a range of Aaa – Baa as of June 30, 2019 and 2018.

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 \$373,217,419 and \$348,921,771 at June 30, 2019 and 2018, 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.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Custodial Credit Risk: (Continued)

The System had \$4,713,871 and \$8,336,321 as of June 30, 2019 and 2018, 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:

<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>
U.S. Government and Agency Obligations and Mortgage-Backed Securities	\$ 21,195,600	\$ 62,764	\$ 1,500,015	\$ 5,031,872	\$ 14,600,949
Other 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>
<u>June 30, 2018</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>
U.S. Government and Agency Obligations and Mortgage-Backed Securities	\$ 16,783,799	\$ -	\$ 1,692,669	\$ 4,938,526	\$ 10,152,604
Other bonds	115,775,341	498,418	60,305,851	39,823,138	15,147,934
	<u>\$ 132,559,140</u>	<u>\$ 498,418</u>	<u>\$ 61,998,520</u>	<u>\$ 44,761,664</u>	<u>\$ 25,300,538</u>

The System also invests in a bond fund with a balance of \$4,026,500 and \$5,161,860 at June 30, 2019 and 2018, respectively. The average portfolio duration of this bond fund is 2.9 years at June 30, 2019. The average portfolio duration of this bond fund ranged from 2.8 years at June 30, 2018.

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.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Money-Weighted Rate of Return:

For the years ended June 30, 2019 and 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.48% and 8.93%, respectively. The money-weighted return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

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, 2019 and 2018:

	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 bills	11,553,955	11,553,955	-	-
U.S. Government Agency obligations	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	208,706,064	208,706,064	-	-
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			

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

5. FAIR VALUE DISCLOSURES: (Continued)

	6/30/2018	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	\$ 16,812,542	\$ -	\$ 16,812,542	\$ -
Fixed Income Investments:				
Treasury bills	7,430,794	7,430,794	-	-
U.S. Government Agency obligations	9,353,005	-	9,353,005	-
Municipal bonds	80,305,520	-	80,305,520	-
Corporate bonds	35,469,821	-	35,469,821	-
Exchange traded funds	5,161,860	5,161,860	-	-
Total Fixed Income Investments	137,721,000	12,592,654	125,128,346	-
Equity Securities:				
Equities	14,072,745	14,072,745	-	-
Exchange traded funds	210,745,456	210,745,456	-	-
Exchange traded notes	455,315	455,315	-	-
Total Equity Securities	225,273,516	225,273,516	-	-
Total Investments at Fair Value Level	379,807,058	\$ 237,866,170	\$ 141,940,888	\$ -
Investments measured at the Net Asset Value (NAV)				
Private equity	15,595,474			
Real estate investments	24,030,416			
Total Investments at NAV	39,625,890			
Total Investments	\$ 419,432,948			

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
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JUNE 30, 2019 AND 2018

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, 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	<u>31,355,102</u>	<u>-</u>	n/a	n/a
Total Investments measured at the NAV	<u>\$ 43,235,066</u>	<u>\$ 4,168,998</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, 2018 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	\$ 15,595,474	\$ 4,979,108	n/a	n/a
Real estate	<u>24,030,416</u>	<u>-</u>	n/a	n/a
Total Investments measured at the NAV	<u>\$ 39,625,890</u>	<u>\$ 4,979,108</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
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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. \$1,000,000 was committed to Louisiana Fund I, L.P. with \$1,000,000 in capital invested at June 30, 2019. \$2,000,000 was committed to Louisiana Fund II, LP with \$1,700,000 in capital invested at June 30, 2019. \$2,000,000 was committed to Louisiana Ventures, L.P. with \$1,900,000 in capital invested at June 30, 2019. Louisiana Ventures, L.P. was liquidated during the year and there are no future commitments due to the fund as of June 30, 2019. The fair value of the Louisiana partnerships as of June 30, 2019 and 2018 was \$3,727,587 and \$5,394,479, respectively.

The System committed to invest \$15,000,000 in three partnerships. \$5,000,000 was committed to Cotton Creek Capital Partners II, L.P. with \$4,514,783 in capital invested at June 30, 2019. \$5,000,000 was committed to Cotton Creek Capital Partners III, L.P. with \$1,616,219 in capital invested at June 30, 2019. \$2,000,000 was committed to Themelios Ventures II Side Car, L.P. with \$2,000,000 in capital invested at June 30, 2019. The fair value of the three partnerships as of June 30, 2019 and 2018 was \$8,152,377 and \$10,200,995, respectively.

7. REAL ESTATE INVESTMENTS:

The System invested in a real estate investment trust for the year ending June 30, 2019 and 2018. 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 \$2,980,108 at June 30, 2019 and 2018, respectively.

The System committed to invest \$28,000,000 in two real estate funds. \$5,000,000 was committed to Encore GP Fund, L.P. with \$5,000,000 in capital invested at June 30, 2019. \$23,000,000 was committed to Rastegar Holding Company, LLC with \$23,000,000 in capital invested at June 30, 2019. The fair value of the real estate funds as of June 30, 2019 and 2018 was \$28,341,853 and \$21,050,308, respectively.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
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7. REAL ESTATE INVESTMENTS: (Continued)

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

During the subsequent year the System committed and funded an additional \$15,000,000 to Rastegar Holding Company, LLC.

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 leases office space on a month-to-month basis. Monthly rent was \$2,500 for each of the years ended June 30, 2019 and 2018. Total rent expense for each of the years ended June 30, 2019 and 2018 was \$30,000. The System has signed a 10-year lease in a new location effective July 1, 2019 with a monthly rent of \$7,000.

10. TRANSACTIONS WITH RELATED ORGANIZATION:

The System shares certain common functions and costs with the Louisiana District Attorney's Association (LDAA). The LDAA provides office space, office equipment, administrative and accounting services for the System. The System incurred \$192,731 and \$333,338 during the years ended June 30, 2019 and 2018, respectively, in costs associated with the LDAA.

11. 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, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Total Pension Liability	\$ 468,110,361	\$ 454,564,197
Plan Fiduciary Net Position	<u>435,940,046</u>	<u>422,384,994</u>
Employers' Net Pension Liability	<u>\$ 32,170,315</u>	<u>\$ 32,179,203</u>
Plan Fiduciary Net Position as a % of the Total Pension Liability	93.13%	92.92%

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

11. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

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, 2019 and 2018 valuations (excluding mortality) was based on the results of an experience study for the period July 1, 2009 through June 30, 2014. The actuarial assumptions used in the June 30, 2019 and 2018 valuation were based on the assumptions used in the June 30, 2019 and 2018 actuarial funding valuation.

Information on the actuarial valuation and assumptions is as follows:

Valuation date	June 30, 2019 and 2018
Actuarial cost method	Entry Age Normal Cost
Investment rate of return	6.50% and 6.50% per annum, respectively
Inflation Rate	2.40% and 2.40% per annum, respectively
Mortality	Mortality rates based on the RP-2000 Combined Healthy with White Collar Adjustment Sex Distinct Tables set back 1 year for females. The RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females was selected for disabled annuitants.
Salary increases	5.50%

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 7.56% and 9.45% as of June 30, 2019 and 2018, respectively.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

11. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

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>

Best estimates of real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2018 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	61.72%	10.82%	
Fixed Income	28.95%	6.36%	
Alternatives	8.85%	10.50%	
Cash	0.68%	0.50%	
System Total			6.95%
Inflation			<u>2.50%</u>
Expected Arithmetic Nominal Return			<u>9.45%</u>

The discount rate used to measure the total pension liability was 6.50% at June 30, 2019 and 2018, 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 be made at the actuarially determined rates approved by PERSAC 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.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

11. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

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 6.50% 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, 5.50% or one percentage point higher, 7.50% 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>

For the year ended June 30, 2018, the net pension liability of the participating employers was calculated using the discount rate of 6.50%, 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 5.50% or one percentage point higher 7.50% than the current rate at June 30, 2018.

	Changes in Discount Rate		
	2018		
	Current		
	Discount		
	<u>1% Decrease</u>	<u>Rate</u>	<u>1% Increase</u>
	5.50%	6.50%	7.50%
Net Pension Liability (Asset)	<u>\$ 86,640,312</u>	<u>\$ 32,179,203</u>	<u>\$(14,152,885)</u>

12. RECLASSIFICATIONS:

Certain amounts in 2018 have been reclassified to conform to the 2019 presentation. These reclassifications have no effect on the net position of the System.

REQUIRED SUPPLEMENTARY INFORMATION

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FOR THE SIX YEARS ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability			
Service cost	\$ 12,944,169	\$ 12,205,873	\$ 11,645,505
Interest	29,754,249	28,539,171	27,456,268
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(9,338,975)	207,379	(1,796,724)
Changes of assumptions	-	12,292,550	11,300,225
Benefit payments	(19,877,476)	(19,474,451)	(18,789,893)
Refunds of member contributions	(272,696)	(368,351)	(599,683)
Other	336,893	1,586,019	477,132
Net change in total pension liability	<u>13,546,164</u>	<u>34,988,190</u>	<u>29,692,830</u>
Total pension liability - beginning	454,564,197	419,576,007	389,883,177
Total pension liability - ending (a)	<u>\$ 468,110,361</u>	<u>\$ 454,564,197</u>	<u>\$ 419,576,007</u>
Plan Fiduciary Net Position			
Contributions - member	\$ 4,926,590	\$ 4,973,945	\$ 4,865,302
Contributions - employer	775,650	-	-
Contributions - non-employer contributing entities	9,390,000	8,739,447	8,219,395
Net investment income	18,780,081	34,802,927	28,228,802
Benefit payments	(19,877,476)	(19,474,451)	(18,789,893)
Refunds of member contributions	(272,696)	(368,351)	(599,683)
Administrative expenses	(503,990)	(478,367)	(539,682)
Other	336,893	1,586,019	477,132
Net change in plan fiduciary net position	<u>13,555,052</u>	<u>29,781,169</u>	<u>21,861,373</u>
Plan fiduciary net position - beginning	422,384,994	392,603,825	370,742,452
Plan fiduciary net position - ending (b)	<u>\$ 435,940,046</u>	<u>\$ 422,384,994</u>	<u>\$ 392,603,825</u>
Net pension liability - ending (a) - (b)	<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	93.13%	92.92%	93.57%
Covered payroll	\$ 62,052,000	\$ 62,174,313	\$ 60,816,275
Net pension liability as a percentage of covered payroll	51.84%	51.76%	44.35%

(Continued)

STATE OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FOR THE SIX YEARS ENDED JUNE 30, 2019

	<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	<u>374,440,828</u>	<u>360,521,690</u>	<u>337,959,636</u>
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	<u>369,054,289</u>	<u>358,527,405</u>	<u>303,073,552</u>
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 SIX YEARS ENDED JUNE 30, 2019

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
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 SIX YEARS ENDED JUNE 30, 2019

<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>
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 SIX YEARS ENDED JUNE 30, 2019

<u>Fiscal Year End</u>	<u>Annual Money-Weighted Rate of Return*</u>
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, 2019 AND 2018

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 11, Net Pension Liability of Employers.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019 AND 2018

6. CHANGES IN ACTUARIAL ASSUMPTIONS:

For the year ended June 30, 2019, there were no changes noted to the inflation rate, investment rate of return, salary increases or mortality rate. Other changes over the past six years are as follows:

Valuation Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Inflation Rate	2.40%	2.40%	2.50%	2.50%	2.50%	2.75%
Investment rate of Return	6.50%	6.50%	6.75%	7.00%	7.00%	7.25%
Salary Increases	5.50%	5.50%	5.50%	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, 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	Based on the results of an actuarial experience study for the period of July 1, 2004 - June 30, 2009.

OTHER SUPPLEMENTARY INFORMATION

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Actuarial fees	\$ 70,160	\$ 68,695
Auditing	48,913	49,700
Bank charges	9,893	6,372
Computer services	12,112	10,865
Consulting services	11,658	1,874
Dues	2,913	835
Expense of board meetings	4,435	5,668
Equipment leasing and maintenance	6,648	6,124
Insurance	14,698	-
Legal	-	7,461
Miscellaneous	2,789	2,490
Office supplies and printing	3,131	6,042
Postage	3,168	4,463
Rent	30,000	30,000
Salaries and fringe benefits	244,268	250,509
Surety bond	12,248	-
Telephone	7,894	7,189
Travel - convention and conference	<u>19,062</u>	<u>20,080</u>
TOTAL	<u>\$ 503,990</u>	<u>\$ 478,367</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, 2019 AND 2018

June 30, 2019

<u>Trustee</u>	A M O U N T S P A I D		
	<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>

June 30, 2018

<u>Trustee</u>	A M O U N T S P A I D		
	<u>Per Diem</u>	<u>Travel</u>	<u>Total</u>
David Burton	\$ 525	\$ 1,548	\$ 2,073
Don Burkett	375	590	965
Houston Gascon	75	-	75
Anthony Falterman	450	712	1,162
Dale Lee	375	186	561
Reed Walters	450	-	450
S. Andrew Shealy	450	1,209	1,659
Scott Perrilloux	450	-	450
	<u>\$ 3,150</u>	<u>\$ 4,245</u>	<u>\$ 7,395</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, 2019

Agency Head: E. Pete Adams
Position: Executive Director

Salary	\$ 36,830
Benefits - insurance	1,888
Benefits - retirement	460
Travel	681
Registration fees	100
Total	<u>\$ 39,959</u>



Duplantier
Hrapmann
Hogan &
Maher, LLP

Lindsay J. Calub, CPA, LLC
Guy L. Duplantier, CPA
Michelle H. Cunningham, CPA
Dennis W. Dillon, CPA
Grady C. Lloyd, III CPA

Heather M. Jovanovich, CPA
Terri L. Kitto, CPA

Michael J. O' Rourke, CPA
David A. Burgard, CPA
Clifford J. Giffin, Jr., CPA
William G. Stamm, CPA

A.J. Duplantier, Jr., CPA
(1919-1985)

Felix J. Hrapmann, Jr., CPA
(1919-1990)

William R. Hogan, Jr., CPA
(1920-1996)

James Maher, Jr., CPA
(1921-1999)

New Orleans
1615 Poydras Street,
Suite 2100
New Orleans, LA 70112
Phone: (504) 586-8866
Fax: (504) 525-5888

Northshore
1290 Seventh Street
Slidell, LA 70458
Phone: (985) 641-1272
Fax: (985) 781-6497

Houma
247 Corporate Drive
Houma, LA 70360
Phone: (985) 868-2630
Fax: (985) 872-3833

Napoleonville
5047 Highway 1
P.O. Box 830
Napoleonville, LA 70390
Phone: (985) 369-6003
Fax: (985) 369-9941

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 23, 2019

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, 2019 and the related notes to the financial statements and have issued our report thereon dated December 23, 2019.

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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2019-01 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 Oakes, LLP

New Orleans, Louisiana

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019 was unmodified.

2. Internal Control
Material weaknesses: None noted.
Significant deficiency: 2019-01

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:

2019-01 INVESTMENTS

The following findings regarding investments were noted during the audit:

- The System's investments were recorded at cost on the general ledger.
- 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.
- 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.
- Presently the custodian statements list the account number on the statement only. In addition, not all investments are reported by the custodian.
- The System invested in a real estate investment fund that has not been audited since its inception in 2014.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

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

2019-01 INVESTMENTS (Continued)

The System should record investments at fair market value in accordance with *Generally Accepted Accounting Principles*, maintain and review all investment contracts to ensure all funds are received and recorded, record investments either by type or by manager in the general ledger to provide reporting which will allow the System to make informed decisions, include specific guidelines on risk for investments in order to evaluate investment managers, retain all investment contracts on site, require the custodian to report all investments and to include investment names for ease of identification and reporting and to require an audit to be performed on the real estate partnership investment. Not performing the above procedures would result in incorrect reporting of investments, potential noncompliance with contracts, under or over reporting of investment income and expenses and incomplete investment data.

We recommend the following:

- Report all investments at fair market value in accordance with *Generally Accepted Accounting Principles*
- Update both the investment reconciliation and general ledger for ease of reporting in order to make informed decisions regarding investments
- Review the investment policy and include specific guidelines regarding risk
- Obtain and maintain all investment contracts at the System's office
- Review all investment contracts for compliance
- Require the custodian to report all investments of the System and include investment name on the custodian statement for ease of identification
- Require the real estate investment fund to obtain an audit for the next fiscal year end and provide to the System for their review.

Management's Response:

- Management will instruct its CPA to begin recording investments at fair market value in accordance with *Generally Accepted Accounting Principles*.
- The System is in the process of modifying its accounting system to create individual general ledger accounts in order to track investment income and expenses with greater specificity.

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

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

2019-01 INVESTMENTS (Continued)

Management's Response: (Continued)

- Management will work with the System's investment advisor to develop a report showing what is due the System on a monthly basis to ensure all funds are received and appropriate entries are made to the general ledger. In addition, management is in the process of modifying its accounting system to track investment income and expenses from all funds with more specificity. Further, the System is in the process of reviewing all investments to ensure the System office has a copy of all contracts currently in place.
- In consultation with the Board of Trustees and the investment consultant, System management will review the investment policy and include specific guidance for investment managers in the area of investment risk such as interest rate risk, custodian risk, and credit risk.
- The System is in the process of evaluating new custodians with the expectation to choose a new custodian in January 2020. The new custodian will be required to maintain individual subaccounts for all investments. Further mandates will include detailed statements including account number and name, as well as electronic access to statements for the System director.
- The System has been advised by the unaudited real estate investment fund in question that a full audit will be performed and provided to the System no later than June 30, 2020.

STATUS OF PRIOR YEAR'S FINDINGS:

None

DISTRICT ATTORNEYS' RETIREMENT SYSTEM
STATE OF LOUISIANA

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES

JUNE 30, 2019

DISTRICT ATTORNEYS' RETIREMENT SYSTEM

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Duplantier
Hrapmann
Hogan &
Maher, LLP

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES

Lindsay J. Calub, CPA, LLC
Guy L. Duplantier, CPA
Michelle H. Cunningham, CPA
Dennis W. Dillon, CPA
Grady C. Lloyd, III CPA

Heather M. Jovanovich, CPA
Terri L. Kitto, CPA

Michael J. O' Rourke, CPA
David A. Burgard, CPA
Clifford J. Giffin, Jr., CPA
William G. Stamm, CPA

A.J. Duplantier, Jr., CPA
(1919-1985)

Felix J. Hrapmann, Jr., CPA
(1919-1990)

William R. Hogan, Jr., CPA
(1920-1996)

James Maher, Jr., CPA
(1921-1999)

New Orleans

1615 Poydras Street,
Suite 2100
New Orleans, LA 70112
Phone: (504) 586-8866
Fax: (504) 525-5888

Northshore

1290 Seventh Street
Slidell, LA 70458
Phone: (985) 641-1272
Fax: (985) 781-6497

Houma

247 Corporate Drive
Houma, LA 70360
Phone: (985) 868-2630
Fax: (985) 872-3833

Napoleonville

5047 Highway 1
P.O. Box 830
Napoleonville, LA 70390
Phone: (985) 369-6003
Fax: (985) 369-9941

December 5, 2019

District Attorney's Retirement System
Board of Directors
2525 Quail Drive
Baton Rouge, LA 70808

We have performed the procedures enumerated below, which were agreed to by the District Attorneys' Retirement System (the "System") and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The System's management is responsible for those C/C areas identified in the SAUPs.

This agreed upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

- 1) We obtained the entity's written policies and procedures and determined whether those written policies and procedures addressed each of the following financial/business functions:
 - a) Budgeting, including preparing, adopting, monitoring, and amending the budget.

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- b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
- c) Disbursements, including processing, reviewing, and approving.
- d) Receipts and collections including receiving, recording, and preparing deposits.
- e) Payroll/Personnel, including (1) payroll processing and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) Credit Cards (and debit cards, fuel cards, P-cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.
- h) Travel and Expense Reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. (Not applicable)
- j) Debt Service, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements. (Not applicable)
- k) Disaster Recovery/Business Continuity, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (2) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Based on the procedures performed above we noted that the contracting policy does not include the types of services requiring written contracts or the standard terms and conditions required in each contract.

Managements Response:

The System is in the process of amending its written policy regarding contracts. The amendments will include the types of services requiring written contracts and the standard terms and conditions required in each contract.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs.

Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Duplantier, Chapman, Hogan and Parker, LLP

New Orleans, Louisiana