

**MASTER STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES OF THE  
DISTRICT ATTORNEYS' RETIREMENT SYSTEM OF THE STATE OF LOUISIANA**

Effective Date, March 18, 2021

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## **MASTER STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES OF THE DISTRICT ATTORNEYS' RETIREMENT SYSTEM OF THE STATE OF LOUISIANA**

**Introduction** - The District Attorneys' Retirement System of the State of Louisiana (DARS) is governed by the Louisiana Revised Statutes 11:1581 through 1702. Many of the general retirement provisions found in Louisiana Revised Statutes 11:1 through 11:292 apply to the District Attorneys' Retirement System. The DARS members and employers are also covered by other sections of state law and by specific federal laws and regulations. DARS is directed by an elected Board of Trustees consisting of six active members, one retired member, and two ex-officio members who are chairpersons of the Louisiana House and Senate Retirement Committees. The Trustee Board is staffed by the Office of the Director.

The Board has authority to hire investment managers, custodians, actuaries, consultants, custodians and counsel to provide professional assistance in achieving DARS objectives. The Board has adopted minimum standards for Investment Managers to be considered.

1. Be registered and in good standing and current with all requirements of the Securities and Exchange Commission (SEC).
2. Provide a clear and concise statement of investment philosophy, process, documentation of sufficient staff and investment implementation.
3. Have a minimum of \$100,000,000 under discretionary investment management.
4. Demonstrate skill and competence by possessing a current independent verification of performance in compliance with SEC guidelines for "advertising" and in compliance with the Chartered Financial Analyst Institute General Investment Performance standards (GIPS).
5. Provide a minimum three-year GIPS verified performance record.
6. Annually provide SEC Form ADV part 1 **and** part 2.

### Custodian and Safe Keeping of Assets.

The Board has adopted stringent standards for custodianship of assets which require that all investment assets be custodied with a Federally Registered and insured Custodian Bank that will accept and deliver securities based on actions of Investment managers. The Custodian Bank is required to register the assets and securities in the separate name of the District Attorneys Retirement System, segregate the assets of DARS from other accounts, and provide monthly reconciled reports to DARS and designated interested parties approved by DARS. The Board has also adopted the utilization of LAMP as a depository created by the State of Louisiana as agency for distribution of pension payments as well as require that operation funds for business of the fund such as payment for services, staff salaries and other approved operational items be deposited in a Federally Insured Bank. Each depository shall maintain sufficient insurance through FDIC, the Comptroller of the Currency of the United States and disclose financial statements at least once a year or sooner if any material changes occur.

### Investment of Assets

DARS is to be managed with the care, skill, prudence, and diligence that a prudent person/expert familiar with such matters would use in like circumstances. The duties of the Trustees, approved delegations to investment managers and other fiduciaries, prohibited transactions, authorized transactions and liability for breach of fiduciary duties are all set forth in the Revised Statutes of the State of Louisiana. Fiduciaries and professional service providers must read and abide by these provisions, which are provided by DARS to all investment managers, advisors and consultants.

Investment managers are granted discretionary authority to manage stated assets for the Board. This Master Statement communicates policies regarding the current asset allocation strategies of DARS and the duties and obligations of investment managers.

Investment managers are required to purchase securities that are not only liquid in marketability but are also capable of being registered and custodied through the Depository Trust or Federal Reserve System. No unregistered securities will be allowed to be purchased that will require the custodian to utilize safekeeping or lock box services unless the investment manager seeks and receives specific written approval from the board and the investment manager agrees in writing to be responsible for informing the custodian of the proper pricing, all call dates, all interest due dates, and assumes responsibility for the accurate reporting for that asset.

Investment managers once chosen will be retained so long as the Board determines that the investment philosophy utilized and returns realized are appropriate for the long-term needs of DARS.

#### Investment of Assets Reporting and Communicating Requirements

Investment Advisor, Provider (Vendor) obligations.

For Accounting and operational duties pertaining to the operation of the office of the executive Director the Vendor will communicate directly with the Executive Director and only if directed to communicate with other staff, Vendors, Investment, or professional providers.

For any investment proposals or communications, the Vendor, Separate Account Investment Manager, Alternative Asset Manager or other service provider will communicate directly with the Investment Management Advisor/Consultant exclusively with a copy of communications to the Executive Director. Direct communication, entertainment, solicitation of any member of the Board or Staff of DARS is strictly prohibited and will cause immediate termination of and redemption of assets or reassignment to other providers/separate account investment managers or alternative providers.

Investment managers must manage DARS assets according to their stated investment policies as presented to the Board. No deviation from stated policy is authorized unless first discussed with the Board and its consultants, and written approval is issued from the Board. All Investment Managers, Consultants, and Advisors agree that they will read and acknowledge this Master Statement of Investment Policies and Objectives. Further that all performance reports, excel spreadsheets reflecting performance history, securities /custodial statements, bank statements and any other financial data and reports produced by vendors are the property of the District Attorneys Retirement System and shall promptly be delivered to the Executive Director electronically whenever requested by The Chairman, the Executive Director, or The Plan Attorney. Any provider of any services to DARS shall incorporate this Master Statement as part of any contract or agreement and agrees that this Master Statement shall supersede any contract or agreement entered into by DARS.

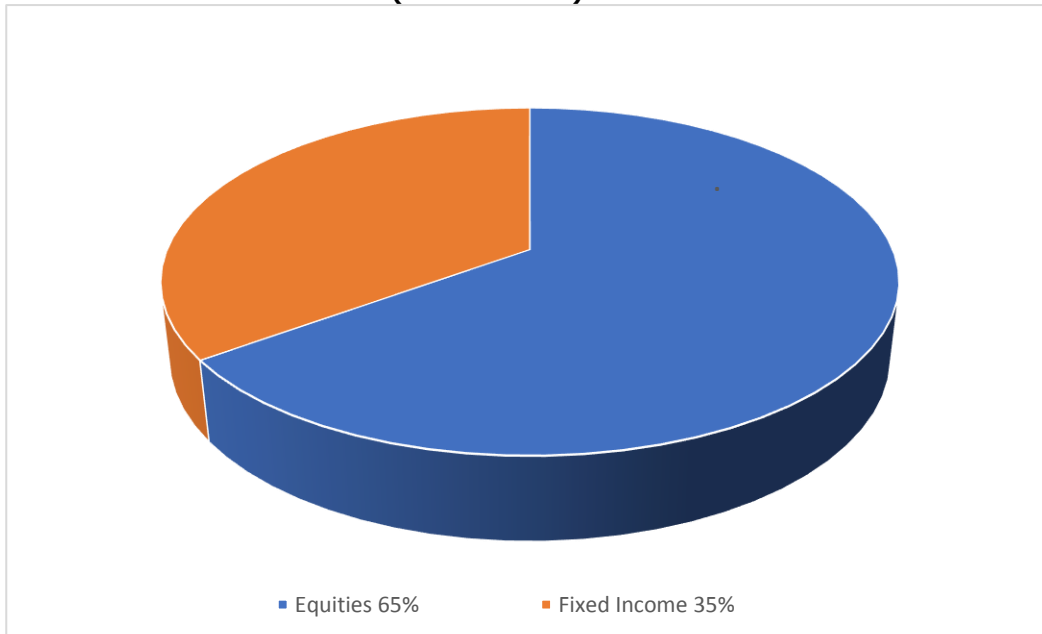
The Board believes that a target net annualized return of 7.5% per year for the total fund is necessary to achieve and maintain a fully funded status and, ultimately, develop a surplus. DARS anticipates that a net compounded return of 1.0% above the existing actuarial assumption of 6.5%, when combined with contributions, will achieve the objectives of the Board and DARS.

**I. Objectives of Asset Allocation** - DARS's Asset Allocation Strategy is based on long-term investment expectations balanced by annual benefit and cash expenditure requirements. The Board believes DARS's expectations can be met by reasoned diversification.

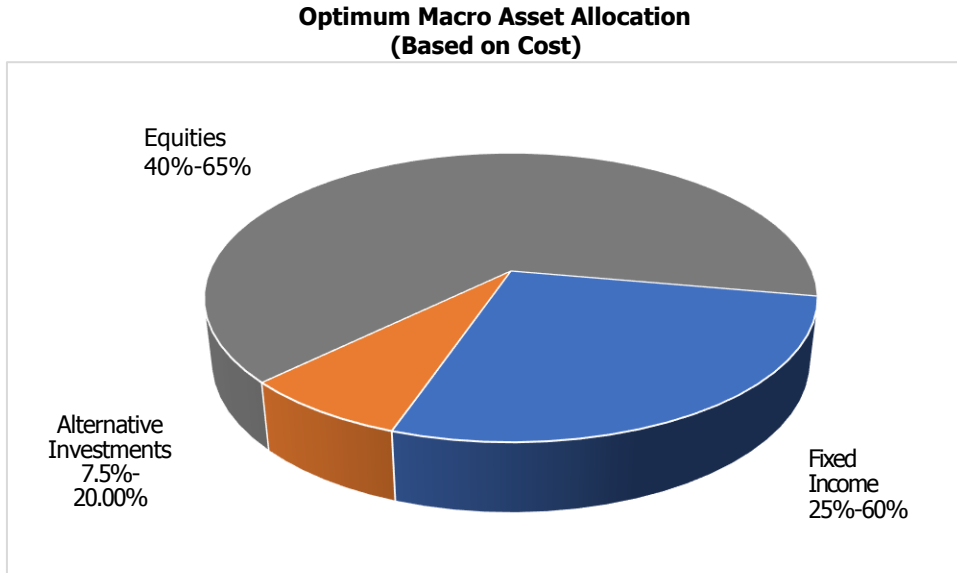
In compliance with R.S. 11:263, DARS allows sixty-five (65%) of fund's total portfolio to be allocated to equity investments provided that at least 10% of total equity portfolio to be invested in one or more index funds. The State of Louisiana Department of Justice Civil Division issued opinion number 97-61 which states, in part, that "It is our advice that the LDAR, in the exercise of a good faith attempt to comply with La. R. S. 11:263." DARS having considered the opinion of The State of Louisiana Department of Justice has officially adopted the original cost method for calculation of compliance with the asset allocation requirements of La. R.S. 11:263.

The following represents the legislative authorized asset allocation of the total Fund.

**Legislative Authorized Asset Allocation  
(Based on Cost)**



In recognition of Legislative direction and the growth needs of DARS, the Board has adopted the following target allocation for its funds.



The Board recognizes that periodic rebalancing is appropriate in response to changing market conditions. As such ranges for asset class investing have been adopted as follows:

- A. Fixed Income investments at cost at 25% to 60%
- B. Equity investments at cost 40% to 65%
- C. Alternative investments at cost 7.5% to 20.0%

Further the investment advisor shall, in the best interest of the DARS Board of Trustees and the portfolio, be allowed to reallocate, move, invest, reinvest or otherwise be authorized manage the portfolio in the percentage range hereinafter established. The investment advisor shall communicate with the Chairman of the Board on all asset class allocation changes.

<b>Asset Class</b>	<b>Allocation Range</b>
Large Cap	20% to 40%
Mid Cap	10% to 25%
Small Cap	5% to 20%
<u>International</u>	<u>5% to 15%</u>
<b>Equities 40% to 65%</b>	

- A. Active Fixed Income Pool** - The Active Fixed Income portion of DARS concentrates on a total return approach. The performance goal is to exceed the total rate of return of the Shearson-Lehman Government Corporate Bond Index by 40 basis points on an annual basis over consecutive three-year periods.

A minimum investment objective is to equal the rate of return of six-month Treasury Bills on an annual basis. Avoidance of loss of principal is paramount in the Fixed Income Pool. Active fixed income portfolio managers must evaluate the following risks in managing DARS's assets:

- **Interest rate risk** - The impact of changing interest rate on principal in a long-term fixed income investment.
- **Reinvestment risk** - The risk that coupon payments from fixed income may not be reinvested at the same or higher rate.
- **Default or credit risk** - The risk that the bond may not make its interest payments on time or that it may be downgraded in its quality rating, resulting in decreased principal value.
- **Real return (inflation)** - The impact of inflation on the principal value of a fixed income investment.
- **Call risk** - The risk that the issuer may call the bond, denying the pool the number of years' income originally anticipated. Managers are expected to be sensitive to call features.

No fixed income manager may self-deal either as an agent or a principal. All transactions must be third party and arm's length transactions. Interest Rate Risk and Credit Rate Risk monitoring has been delegated to the specific Investment Manager and is reviewed by the Consultant on a quarterly basis. Any concerns will be reported to the Board. The Active Fixed Income Pool will vary in size according to the Board's allocation decisions. Optimally the combined assets of the Active Fixed Income Pools will equal 35% of the total Fund.

**B. Equity Investment Pool** - The purpose of the equity allocation is to build sufficient assets, through growth over the long-term and to build a surplus. Each equity component will strive to exceed the rate of return of the Standard & Poor's 500 Index by 100 basis points, unless a different benchmark has been specified.

The Board hires Investment Managers based on an evaluation of the investment manager's investment philosophy, long-term performance and ability to complement existing portfolio styles. Investment Managers must adhere to their stated investment philosophy. The Board may also select and retain Index Mutual Funds and/or Exchange Traded Funds (ETF's). Diversification of management philosophies and styles is actively practiced by the Board.

**C. Diversification Among Styles** - A variety of investment styles will be utilized to enhance returns and reduce volatility over different market cycles. An analysis of styles indicates that a Balanced Style will be used as the primary base for the fund, which will be, complimented by Core Equity/Value and Small Cap/Growth investment management styles. Active managers will be retained to manage portions of the Equity Investment Pool. Each manager will be measured against an index reflective of its style and capitalization.

**D. Alternative Investments** - DARS has authorized up to 12.5% of total fund assets for investment in Alternative Investments that are designed for Retirement Benefit Funds. These investments include but are not limited to private equity, real estate limited and general partnerships, venture capital limited and general partnerships, oil and gas limited partnerships and futures contracts in Commodities. Each investment shall be evaluated and monitored by the Investment Consultant and reported on a quarterly basis. Alternatives will be held and reported at cost and market value by the Custodian Bank.

Distributions received and contributions made will adjust the cost basis. Recognition of gain or loss will be realized when the Alternative is liquidated. Alternative Investment Managers must agree to provide independent third party audited reports at least annually, and to provide copies of all communications and reports to the Chairman of the Board of Trustees, The Executive Director, The Plan Attorney, The Plan Accounting firm and the Plan Investment Consultant/Advisor. In addition, all Alternative Managers must agree to accept responsibility to distribute any reports, communications, valuations, within ten days of production to the Board, the State Auditor, the Investment Advisor, the Plan Attorney, the plan Accountant and the Plan Actuary. The Alternative Managers will quarterly provide a complete listing of all email and internet URL addresses, phone numbers, physical locations and a complete organizational chart of all employees and addresses to all noted previously.

**E. Index ETF Collar Overlay** — DARS has authorized the Equity portion of the total fund to engage in a strategic program of utilizing Puts and Covered Calls to protect the equity portfolio because of the increased volatility that Global and Domestic markets are experiencing. DARS expects tactical implementation of an active program to provide a protective Collar around the portfolio.

**F. Structured Notes—DARS** has authorized the use of Structured Notes designed to provide principal protection for all asset classes in the portfolio. As Structured Notes are illiquid, the utilization may not impact any foreseeable distributions required during the term of the Structured Note. Structured Notes must be diversified among Parties and Counter Parties to minimize the impact of credit quality and liquidity of the issuer. Should any issuer be evaluated as a default risk the Structured Note may be liquidated at market value subject to best liquidation.

**II. General Investment Guidelines** - In addition to Louisiana Statutes, the following prudent guidelines are established by DARS:

**A. Liquidity** - As long as DARS retains a fully funded or surplus position there shall be no requirement on investment managers for liquidity to meet retirement needs.

The Board requires equity managers to reinvest all earnings without consideration of total Fund cash liquidity. However, all managers must invest in readily marketable securities, listed on a national securities exchange or traded on NASDAQ.

**B. Diversification** - Just as DARS assets are diversified by investment management styles, each manager's portfolio must be diversified by issuer. A manager can concentrate no more than 5% (of cost) of the assets assigned to the manager in the securities of one issuer. The Board believes the 5% cap (of cost) to be a prudent restriction. 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.

**C. Preservation of Principal** - The Board believes that the preservation of principal requires the following:

1. The active utilization of purchasing puts to protect principal and selling of calls to produce income to reduce the cost of the puts.
2. At the time a security falls to a market value of 15% below the cost/book value, or below the most recent high value, the investment manager must advise the Board and its consultant in writing of the drop and the manager's recommended action; and

3. At the time a security falls to a market value of 20% below the cost/book value, the continued holding of that security must be justified in writing to the Board and its consultant.
4. The Board may provide specific exceptions to the above noted items, for certain investment managers under special circumstances. Unless an investment manager is notified in writing that it has obtained an exemption to the above items #1 and #2, they will be required to comply with the above items at all times.

**D. Selling Discipline** - Investment Managers must sell when, in their opinion, sales should be made.

Securities should be sold in accordance with prudent evaluation of the investments. Investment Managers must follow their stated selling discipline as presented to the Board.

**E. Execution and Brokerage** - The Board expects Investment Managers with discretion over OARS assets to use sound professional judgment in conducting each transaction to obtain the best possible unit price and execution terms. The Fund welcomes comment from each investment manager on the efficiency of service and quality of execution provided by all securities firms which the managers elect to utilize.

Each investment manager must provide an annual statement describing the methodology utilized by the firm to determine that the Fund has received best execution on transactions.

**F. Voting Proxies** - Each investment manager is required to vote all proxies for securities held for DARS so long as in the manager's belief the result of the ballot would serve to increase the value of the investment for DARS. Investment managers are required to submit to the Board and the consultant, quarterly, a summary of balloting.

**G. Custodianship**-The Board has retained Fidelity Investments, Boston, Massachusetts as Master Trust Custodian to settle and hold all assets of the Fund. The custodian will formally present their audited financial report and supplemental documentation on an annual basis which will subsequently be reviewed by the Consultant.

The Custodian, by separate agreement, may engage in a number of activities including but not limited to securities lending. If an investment manager is affected by the loan activities, notification will be provided by the Trust officer of the Custodian. The Consultant will be required to place the interest of the Board and the Fund ahead of its own and considered a Fiduciary to DARS. The Consultant will not participate in any form of outside compensation for services provided to OARS. The Consultant will be required to complete any disclosure forms for current or future legislative or disclosure requirements as enacted.

**H. Policy regarding Corporate Governance as it relates to "Prohibited Nations" and direct or indirect ownership of Non-U.S. (International) securities.**

1. Notwithstanding the prudent-person rule, DARS Board of Trustees (TTEE's) may, but is not required to divest itself of any holding in a company having facilities or employees, or both, located in a prohibited nation as the term is defined currently or redefined in the future.
2. DARS will constructively engage each company where direct ownership or each fund pool manager in which DARS has a direct or indirect ownership of securities having facilities or employees or both located in a prohibited nation. Such constructive engagement shall propose that the company engage in a strategy to remove facilities or employees or both from any prohibited nation.
3. DARS shall instruct its Investment Management Consultant to screen all direct and indirect ownership for those companies doing business or having facilities in a prohibited nation and to advise the DARS TTEE's of such holdings in compliance with the reporting requirements of HB 864.



4. DARS TRUSTEES will proactively share the list of names as well as constructive correspondence with those retirement boards identified in HB 864 and seek to communicate and coordinate with other retirement funds the information acquired by DARS TTEE's for the purpose of implementing change in Corporate behavior.

**III. Procedures for Performance Evaluation** - The Board has retained a consultant to advise it on a variety of issues, provide timely performance reports and opine on the progress achieved by investment managers. The consultant will monitor the performance of the Investment Managers and provide the Board with a written report addressing and making recommendations with respect to asset allocation, cash flow, manager allocation, performance, and bring to the attention of the Board any items necessary in the consultant's opinion, to improve the performance and operation of the Plan. The consultant's reports will compare the attribution and characteristics of each investment manager's portfolio relative to the applicable indices and relative to limits as defined in this Investment Policy. The consultant is considered a Fiduciary to DARS. As such, the consultant will place the interest of the Client first in its dealings at all time and may not accept any outside compensation or participate in any off-set programs that would provide benefit to the consultant because of his relationship with DARS.

Reports and communications from all Advisors, Custodians, consultants and service providers will be addressed and delivered to the Executive Director (or a designee) at the offices of DARS. Copies of all reports and communications will be delivered to Level Four (as designated by Level Four). The custodian of the assets is considered the source for accounting purposes. All reports must tie to the source documents. Further all reports and communications shall be deposited to a "drop box" prepared by Per Stirling to aid in annual reconciliation and provided services to Independent Auditor.

All information, reports, data, etc., will be owned by DARS. In the event service providers are replaced they are required to submit a computer disk in Excel and Word format to the Executive Director containing easily read and transferable data. This disk is to be provided to the Executive Director within 30 days of the termination of services. The service providers agree to assist the auditor in preparation and understanding of the reports through the completion of the audit for the fiscal year that the service provider was engaged.

The investment managers must provide full cooperation to the consultant. All reports provided to the Board should be provided to the consultant. As part of the ongoing diligence and review process, investment managers should provide:

**A. On a monthly basis:**

1. A month end inventory;
2. A reconciliation between manager and custodian of cash and securities; and
3. A statement of performance, expressed in percentages, for the month reflecting total gross return and total net return after fees (if available).
4. Any changes in Credit rating, Default or Credit Risk, the impact on trending interest rates on Reinvestment and Interest Rate Risk, Call risk or the Investment Managers view of changing Interest rates. This report shall include the Investment Managers assessment, evaluation, and recommendations to address these risks.

**B. On a quarterly basis:**

5. A statement of performance, expressed in percentages, reflecting total gross return and total net return after fees, for current quarter, year to date and since-inception returns;
6. A Statement of fees;
7. A statement of manager expectations and strategies for the coming quarter;
8. A summary of all intra-quarter reports provided when the value of a security held fell 15% below its original cost or 15% below its most recent market high, and explain the continued holding of a security which dropped 20% below original cost.

**C. Regular Reports:** The consultant will prepare reports in compliance with HB 864 and present those reports to DARS for evaluation and distribution.

**D.** DARS and the consultant recognize that legislation and fiduciary requirements are continuously under review by federal, state and local legislative bodies. As a result, DARS and/or the consultant will recommend appropriate additions to the Master Policy in the form of addendums as it relates to any future changes that will impact investment management, fiduciary responsibility or disclosure requirements. Once addendums are accepted to this Master Statement of Investment Policies and Objectives, the consultant will incorporate any additional reporting or disclosures in its reporting process as noted in the addendum.

**E. Special Investment Manager Report** - Investment managers must advise the Board, its Chairman and consultant, in writing, of any changes in the investment manager's organization, decision making structure, ownership, investment style, key personnel or any other material change and state the anticipated impact on the investment manager's ability to provide the same style and type of management on a continuing basis.

**IV. Procedures for changes to this Master Statement** - The Board may consider input from any source for suggestions to improve or clarify this Master Statement. The Board will review any recommendations, and if considered appropriate, the Board will evaluate and vote upon potential changes in regular or special meetings. Only the Board can authorize any changes to the Master Statement and will instruct its Consultant/ Advisor to redraft the Master Statement and signify its approval by a recorded vote in a regular or special meeting dating and signing the revised document.

**Conclusion** - After the Annual Actuarial Statement has been produced and reviewed, goals and objectives are reviewed and recommendations made for changes to the Statement of Investment Policies, the investment managers are invited to submit enhancements or revisions for incorporation or consideration.

This statement is a working document structured to accomplish long-term and short-term planning. Investment managers and other fiduciaries are invited to contact the consultant if any questions exist about the interpretation or application of any provisions.

Honorable Anthony G. Falterman  
Retired District Attorney Chairman  
District Attorneys' Retirement System  
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Approved and adopted by Board of Trustees of the District Attorney's Retirement System of Louisiana on March 18, 2021

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*Anthony Falterman*  
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Anthony G. Falterman, Chairman