



FIREFIGHTERS RETIREMENT SYSTEM

P.O. Box 94095, Capitol Station
Baton Rouge, Louisiana 70804-9095
Telephone (225) 925-4060 • Fax (225) 925-4062



MEETING OF THE BOARD OF TRUSTEES APRIL 8, 2010

A meeting of the board of trustees was held on April 8, 2010, at the Public Safety Building in Baton Rouge. Mr. Charles Fredieu, Chairman, called the meeting to order at 8:30 a.m.

Mayor Durbin gave the invocation and Mr. Birdwell led the pledge of allegiance.

Mayor Mayson Foster was sworn into office as a trustee of the Firefighters' Retirement System.

Ms. Kelli Chandler called the roll.

MEMBERS PRESENT

Mr. Charles Fredieu, Chairman
Mr. Stacy Birdwell, Vice Chairman
Mr. John Broussard
Mayor Jimmy Durbin
Mayor Mayson Foster
Ms. Barbara Goodson
Mr. Sammy Halphen

OTHERS PRESENT

Mr. Steven Stockstill
Ms. Kelli Chandler
Mr. Jason Starns
Dakota Cooley
Mr. Joe Meals
Mr. Mike Gallagher
Mr. Walter Morales
Mr. Kirk Reasonover

MINUTES

MOTION: Mr. Stacy Birdwell moved to approve the minutes of the board meeting held on March 2, 2010. Mayor Durbin seconded. The motion passed.



APPLICANTS

- New Members

PROCEDURE: Each enrollment application is reviewed by staff to determine eligible job classification, date of hire, employer certification, and medical waiver information. Each application for membership was completed and submitted in accordance with all applicable state laws.

Mr. Jason Starns presented the list of new member applicants. (see attached Exhibit #1) He stated that all applications were in order.

MOTION: Mr. Birdwell moved to approve the new member applicants. Mr. Halphen seconded. The motion passed.

- Retirees

PROCEDURE: Written notification of retirement is received and the member's file is reviewed for proper documentation and to determine that the applicant meets the legal criteria necessary to receive payment in the form of a monthly retirement benefit. Calculations for retirement are performed by the benefit analyst and verified by the system's administrator. All retirement applications were submitted and benefits calculated in accordance with all applicable state laws.

Mr. Starns presented the list of new retirees. (see attached Exhibit #2) He stated that all applications were in order.

MOTION: Mr. Birdwell moved to approve the new retiree applicants. Mr. Halphen seconded. The motion passed.

- Survivor Applications

PROCEDURE: Survivors applying for benefits must furnish the retirement office with a notarized application for survivor benefits, a copy of the member's death certificate, a marriage license (if beneficiary is a spouse), and the beneficiary's birth certificate. Once received, the deceased member's records are reviewed by staff to determine survivor benefit eligibility and to determine that the survivor's benefit calculation is completed per all applicable state laws and any merger agreements. [NOTE: Individuals who retired under another retirement system where FRS is a third party administering payments as a result of a merger, and where the individual becomes deceased after the merger, the beneficiary or survivor is still required to submit all necessary documents; however, payment is made as set forth in the merger agreement (contract) affecting beneficiaries and survivors.] (R.S. 11:2256 and R.S. 11:2259)

**FIREFIGHTERS' RETIREMENT SYSTEM
BOARD MEETING**

**APRIL 8, 2010
PAGE 3**

Mr. Starns presented the application of Mrs. Donna Teil Peet, surviving spouse of Mr. Emerson Anthony Peet, Jr. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve surviving spouse benefits for Mrs. Donna Teil Peet. Mr. Halphen seconded. The motion passed.

Mr. Starns presented the application of Mrs. Donna Roberts Taylor, surviving spouse of Mr. Denny Fey Taylor. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve surviving spouse benefits for Mrs. Donna Roberts Taylor. Mr. Halphen seconded. The motion passed.

Mr. Starns presented the application of Mrs. Janice Marie Tullos, surviving spouse of Mr. Donald Wayne Tullos. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve surviving spouse benefits for Mrs. Janice Marie Tullos. Mr. Halphen seconded. The motion passed.

- Disability Recertification Applications

PROCEDURE: Once each year during the first five years following the initial board of trustees approval for disability retirement, and once every three year period thereafter, all disability retirement members must undergo a medical examination by a state medical disability board doctor who must recertify that the disability retiree continues to be disabled from performing his duties. This recertification is required for the continuation of a disability member's benefits. The state medical disability board doctor's report has been provided to the board trustees.

██████████ - Mr. Starns presented the application for disability recertification of ██████████. Mr. Starns stated that the applicant was seen by Dr. Stephen Wilson, the State Medical Disability Board doctor. In his report, Dr. Wilson stated, that "After my examination of this 48 year old patient on February 23, 2010, I feel like he injured his neck when he was working as a firefighter in October 2003. He subsequently had to have surgery. I do not feel at the present time that he can return to work as a regular firefighter. He could return to light duty work, however I do not feel like he should return to work except if he could find a job where he does not have to lift more than 40 pounds or more than 15 pounds on a regular basis. He should also return to activities that require only occasional bending, stooping, crawling, or climbing. With these limitations, I do not think he can return to work as a regular firefighter."

Based upon the report of Dr. Stephen Wilson, the staff recommendation was for the approval of continuation of disability retirement and the approval for continuation of disability re-certification.

**FIREFIGHTERS' RETIREMENT SYSTEM
BOARD MEETING**

**APRIL 8, 2010
PAGE 4**

MOTION: Mr. Birdwell moved to approve the staff recommendation. Mr. Halphen seconded. The motion passed.

██████████ - Mr. Starns presented the application for disability recertification of ██████████. Mr. Starns stated that the applicant was seen by Dr. Howard Woo, the State Medical Disability Board doctor. In his report, Dr. Woo stated, that "My final recommendation is that the patient needs the continuation of the medical treatment for interstitial cystitis. His interstitial cystitis is quite refractory and expects this is going to be a lifelong debilitation. So I will continue to support his medical disability, secondary to interstitial cystitis."

Based upon the report of Dr. Howard Woo, the staff recommendation was for the approval of continuation of disability retirement with the requirement of continued disability re-certification.

MOTION: Mr. Birdwell moved to approve the staff recommendation. Mr. Halphen seconded. The motion passed.

- Disability Conversion Applicant

PROCEDURE: Retirees who apply for conversion from regular retirement to a disability retirement are required to submit detailed medical information as part of the application in support of their claim that the disability was job-related and occurred during active employment as a firefighter, even though the actual physical disability may not have become manifest until after the effective date in DROP or after commencement of service retirement. Once received, the application is reviewed by staff and medical records are forwarded to a State Medical Disability Board doctor to determine if sufficient documentation is present to certify that the retiree's disability occurred during active employment and was a direct result of working as a firefighter. If the medical information submitted is not sufficient for the doctor to determine the date and cause of the disability, then an appointment is scheduled for the applicant to undergo a physical examination. The State Medical Disability Board doctor must furnish a medical report certifying the retiree's disability and that the disability was a direct result of employment as a firefighter. (R.S. 11:2258(B) and Administrative Rule)

██████████ - Mr. Starns presented the application for disability conversion of ██████████. Mr. Starns stated that the applicant was seen by Dr. Glen Gomes, the State Medical Disability Board doctor. In his report, Dr. Gomes stated, that "He developed squamous cell carcinoma of the larynx in March 2009. This cancer involved his vocal cords, lymph nodes, and airway and extended into the hypopharynx. In layman's terms, he developed a cancer of the throat. The development of the cancer is directly related to the inhalation of chemicals and fumes that firemen are routinely exposed. With the development of this cancer, this patient is completely disabled. This is a complete and permanent disability. The cancer this patient developed is directly related to the inhalation of fumes and chemicals in his job as a fire captain. This particular cancer is caused by the exposure to smoke, heat, and other carcinogens. It is my opinion that there is clear and convincing evidence that the

**FIREFIGHTERS' RETIREMENT SYSTEM
BOARD MEETING**

**APRIL 8, 2010
PAGE 5**

conditions that caused the development of this cancer occurred during active employment as a firefighter. The development of this cancer is the dominant cause of his disability which occurred after the effective date of his service retirement."

Based upon the report of Dr. Glenn Gomes, the staff recommendation was for the approval of the disability conversion and discontinue the requirement for disability re-certification.

MOTION: Mr. Birdwell moved to approve the staff recommendation. Mr. Halphen seconded. The motion passed.

LITIGATION REPORT - FRS v. NORTHERN TRUST

Mr. Kirk Reasonover appeared before the board and explained that an event had occurred that effects the FRS class action lawsuit versus Northern Trust (security lending) currently pending in Chicago, Illinois. He recalled that FRS filed a class action lawsuit on behalf of previously unrepresented governmental pension plans and that lawsuit runs parallel with the pending ERISA class action lawsuit. He explained that, since his last briefing before the board, another governmental pension plan has filed a lawsuit seeking certification of a class on behalf of governmental plans, i.e., the Chicago Teachers Plan. He said that, after discussing the situation with the lawyers for the Chicago plan, he now recommends that FRS join with the Chicago plan in prosecuting the lawsuit together, instead of battling over who would be the more appropriate lead class plaintiff.

MOTION: After further discussions, Mr. Broussard moved to authorize the FRS executive director to execute such documents that are necessary to adjust the class counsel for joint participation by FRS counsel and Chicago Teachers' counsel in the matter pending versus Northern Trust. Mr. Halphen seconded. The motion passed.

MONTHLY FLASH REPORT - MARCH 2010

Mr. Joe Meals presented the monthly flash report for March 2010. (see attached Exhibit #3) He began by noting that the overall fund was up/down as follows: 2.8% for the month of March as compared to the blended index of 3.6%; 17.0% for the fiscal year to date as compared to the blended index of 19.5%; 26.9% for the trailing 12 months as compared to the blended index of 31.7%.

COMMITTEE REPORT - INVESTMENT COMMITTEE

[NOTE: The Investment Committee met on April 7, 2010, at the FRS office in Baton Rouge at 3:00 p.m. to discuss the business set forth in its posted agenda. The minutes of that meeting are embedded herein. Committee members present were Mr. Stacy Birdwell, Chairman, Mr. John Broussard, Ms. Barbara Goodson, Mr. Sammy Halphen, and Mr. Charles Fredieu, ex officio. Also present was Mayor Mayson Foster and Mr. Joe Meals.]

Mr. Birdwell gave the Investment Committee report. He stated that the committee made three recommendations to bring before the board of trustees and he asked Mr. Joe Meals to present information relative thereto.

- **Bay Resource Partners Offshore Fund**

[NOTE: At the March 2, 2010, board meeting, Mr. Meals referred to correspondence that was previously received informing FRS that Bay Resources is requesting FRS to vote yes (by proxy) on the question of allowing an amendment to the fund documents regarding three items, to wit: (1) An increase in its management fee from 1% to 1.5%, (2) A change in the liquidity provisions from current monthly redemptions with a 30-day notice to quarterly redemptions with a 45-day notice, and (3) As it relates to redemptions in total, to institute a "gate" and restrict it to 20% of the value of the fund for any given quarterly redemption. Mr. Meals had asked the board to defer action on the matter until such time that CSG had an opportunity to complete an analysis of the matter and the board did defer the matter.]

In a follow-up report, Mr. Meals indicated that Bay Resources received the requisite number of votes from their other investors necessary for the proposed amendment to be approved, without FRS casting its proxy vote. The changes to the partnership agreement that were discussed at last month's FRS board meeting have been adopted and will go into effect July 1. He said it is CSG's recommendation that FRS remain an investor in the fund even at the higher management fee. Mr. Meals provided information regarding GMT's investment performance. (see attached Exhibit #4). He said GMT is not only a good long-short manager, they are also well diversified among sectors. Basically, FRS probably couldn't find another manager that would be equal in performance at a lesser fee, and GMT's fee is in line with the industry standard. So, while no one likes to see fees go up, in this particular case, Mr. Meals felt that the investment is something that FRS needs to stay with because the performance is better than it could get elsewhere.

Chairman Fredieu asked how much money did FRS originally commit to Bay Resources?

Mr. Meals expressed his belief that FRS started with \$10 million and at a later date added another \$10 million.

MOTION: After further discussions, Mr. Birdwell said that the investment committee recommends that FRS stay with GMT and accept the new changes and execute a new contract to that effect and he moved that recommendation in the form of a motion. Mr. Halphen seconded. The motion passed.

- **Cash Allocation: PIMCO-Vanguard**

Mr. Meals drew the board's attention to the FRS cash position. He said FRS has \$73 million in cash. He recommended that FRS invest \$40 million of that sum. (see attached Exhibit #5) He expressed his belief that another \$19 million of the \$73 million sum is likely to be called by managers in the next 3 to 6 months, so he recommended at least that amount remain in cash.

After further discussions, Mr. Meals recommended that FRS add \$20 million to its Core Fixed Income portfolio (PIMCO) and another \$20 million in a U.S. large cap index fund, which would be managed by Vanguard in the Vanguard mutual fund. He said Vanguard has a 9 basis point fee. He said that this recommendation is substantially influenced by the Senate Bill 594, that places certain restrictions on the FRS portfolio, including an indexing requirement, and that FRS should be mindful of what's being proposed even though it's not yet law. He said PIMCO and Vanguard are both very liquid investments so, if the law changes allowing for a different action, it will be easy to access those funds.

MOTION: Mr. Birdwell said the investment committee recommends that FRS move \$40 million out of cash by adding \$20 million to the PIMCO account and allocating \$20 million to the Vanguard large cap index mutual fund and he moved that recommendation in the form of a motion. Mr. Halphen seconded. The motion passed.

- **Commonwealth Advisors.**

Mr. Walter Morales appeared for the purpose of updating the board regarding the funds known as Sand Spring Capital and CA Recovery Fund of which he manages on behalf of FRS.

Core Fund. Mr. Morales noted that there are three things that dominate the underlying statistics in the troubled assets portfolio, that being the prepayment rates, default rates and the level of interest rates. He said the LIBOR (interest) rate is starting to experience a slight elevation, but it is still off of a very low level. The default rate has continued to come down and that's good. The prepayment rate has actually gone lower, which has been one of the major culprits in the portfolio. He said there are 4 different parties that are negotiating to buy the assets of the fund by buying FRS' limited partnership interest in the fund. They want to buy FRS' assets and liabilities in the fund. He said there are two other parties that have started negotiations to just buy the assets that are in the fund. He said he is working on the bids everyday so, hopefully, at some point in the days ahead he will be able to update the board.

[NOTE: Mr. Morales also appeared at the FRS board meeting held in the month of March, 2010; see FRS minutes of that month for details.]

Mr. Meals observed that, during the presentation made by Mr. Morales at the March 2010 FRS board meeting, a discussion was had regarding FRS getting a distribution of the cash flow that was being built up in the fund. He said he did not believe FRS had gotten the distribution yet and asked about the status of the cash flow that is building up in the portfolio and why FRS has not received the distribution that it is expecting.

Mr. Morales indicated that State Street is processing the distribution and FRS should have received it by now.

After further discussions, Chairman Fredicu asked how much FRS invested in this fund.

Mr. Meals said FRS initially invested about \$25 million, and now the value is down to \$13 million.

CA Recovery Fund. Mr. Meals indicated that the CA Recovery Fund, by an unfortunate turn of events, is basically invested in the same thing that the core fund is invested in. So the underlying assets of the two funds, with the exception of administrative fees, are virtually the same.

Mr. Morales said the value of the recovery fund is up about 3% during March.

Chairman Fredieu observed that the recovery fund seems to have recovered a little bit.

Mr. Morales said it has done well and the trajectory on it still looks very strong. It looks like it has at least 18 months or so of really good returns.

Chairman Fredieu asked if this fund was available on the market for bidders.

Mr. Meals said the CA recovery fund account is not on the market right now because the cash flow is generating over a 20% return for holding it and the cash flows are still coming in pretty much in line as projected.

Mr. Morales said that prepayments are lower, but the defaults are a lot lower in this fund. So the cash flows and the rate of return are still holding up as projected. The defaults across the mortgage universe have come down dramatically.

The discussion of the Commonwealth funds was concluded with not action being needed or taken.

- **Liquidation of Two Securities**

Mr. Meals stated that there are two security positions currently be held in the FRS cash account. He said he suspected that the securities were deposited there as a result of a class action settlement. He said there are shares of Dinergy with a market value \$1,600 and there are 2,500 call options of

another company with a market value of about \$50,000. He recommended that the FRS executive director be given authority to liquidate those securities through the most economical medium that can be identified.

MOTION: Mr. Birdwell said that the investment committee voted to approve Mr. Meal's recommendation and he moved that recommendation in the form of a motion. Mr. Halphen seconded. The motion passed.

- **International Equities: Individual Account v. Commingled Fund**

Mr. Stockstill reported a situation to the board involving the FRS international equity accounts. He said that, periodically, he receives forms from JP Morgan which, if signed by FRS, would authorize the FRS investment manager to buy and sell securities on exchanges in certain specified foreign countries. He said the requests usually relate to a developing country, like Turkey or Brazil or Russia. He said the forms are difficult to understand and, as a Louisiana attorney, he does not have the framework of reference to determine the risks associated with authorizing managers to invest FRS funds in companies located in undeveloped and sometimes unstable countries. He said FRS has two such managers and JP Morgan sends FRS the Foreign Investor forms each time one of those managers needs authority to trade in a new undeveloped country. [NOTE: For example, if a manager wants authority to buy or sell securities on the exchange in Greece, then JP Morgan sends FRS forms asking for authority to do so. The same happens if the manager then wants to trade in Russia and so on for each country that requires foreign investors to submit the forms. The manager only needs one-time approval for each such country.]

After lengthy discussions, it was noted that the situation could possibly be avoided by investing in a commingled fund instead of investing in a separate account on behalf of FRS. The question was then raised regarding the cost of a commingled account compared to a separate account.

Mr. Meals observed that it varies from fund to fund, but it is generally between 10 and 25 basis points difference between the management fee paid for a separate account and what FRS would pay for a commingle fund.

Mr. Halphen stated that it might be worth the higher fee to avoid unknown risks or unintended consequences.

Mayor Foster asked if FRS could continue international investing through the use of a commingled account.

Mr. Meals answered in the affirmative and said that FRS may possibly invest in a commingled fund with the same managers that are currently used by FRS. He said it is simply a matter of contacting the manager and saying FRS does not want to be in a separate account anymore. FRS wants to be

**FIREFIGHTERS' RETIREMENT SYSTEM
BOARD MEETING**

**APRIL 8, 2010
PAGE 10**

in a commingle fund. Then ask how FRS is to transition from one format to the other. Does FRS have to sell everything in the portfolio and convert it to cash and then buy shares in a commingled fund.

MOTION: Mr. Broussard moved to authorize Mr. Meals to ask each FRS international manager, who manages a separate account, about information regarding the availability of a commingled fund and explore the differences of the commingled funds versus the separate account in which FRS currently invests. Mr. Halphen seconded. The motion passed.

For clarification, Mr. Broussard said, if everything is perfect and they have a commingled account that is just like the separate account FRS is in, then we just move everything over and say our peace. If it involves firing the manager and choosing someone else that has a commingled trust, well then, we'll go down that road at that time.

Mr. Birdwell stated that the report of the Investment Committee was concluded.

INCREASED EMPLOYER CONTRIBUTIONS

Mr. Stockstill recalled the extension for payment of contributions that was made available to employers after Hurricane Katrina. He suggested that the board consider making similar arrangements available during the current fiscal situation being experienced by FRS employers. He asked the board for authority to discuss and promote the feasibility of such employer relief and clarified that no such plan would be put into place unless it was first preapproved by the board.

MOTION: Mr. Birdwell moved to authorize the executive director to discuss and promote such an employer payment plan. Mr. Halphen seconded. The motion passed.

RFP FOR AUDIT SERVICES

Mr. Stockstill advised the board that, according to FRS operating policy, it was time to issue a Request For Proposal (RFP) regarding FRS audit services. He stated that the operating policy requires rotation of audit firms ever five years in order to assure that new auditors have an opportunity to review the work of prior auditors. He presented a copy of the proposed RFP to the board members and discussed the advertising media and timelines applicable thereto. (see attached Exhibit #6)

MOTION: After further discussions, Mr. Birdwell moved to authorize the RFP as presented by staff. Mr. Halphen seconded. The motion passed.

**FIREFIGHTERS' RETIREMENT SYSTEM
BOARD MEETING**

**APRIL 8, 2010
PAGE 11**

LEGISLATIVE UPDATE

Mr. Stockstill presented for discussion the following House and Senate bills currently pending before the legislature- HB69, 72, 73, 143, 224, 228, 229, 329, 330, 392, 515, 930, 931, 958, 1103 and 1229; and SB11, 12, 13, 134, 594, 632 and SCR6. (see attached Exhibit #7)

After a discussion of these bills, the matter was concluded with no action or position being taken.

ADJOURNMENT

There being no further business, the meeting of the FRS board of trustees was adjourned.

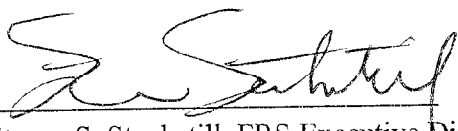
FUTURE MEETINGS

**FRS Budget and Finance Committee
Public Safety Building
3100 Brentwood Drive
Baton Rouge, Louisiana
Wednesday, June 9, 2010, at 1:30 p.m.**

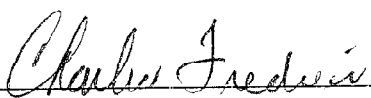
**FRS Investment Committee
Public Safety Building
3100 Brentwood Drive
Baton Rouge, Louisiana
Wednesday, June 9, 2010, at 3:00 p.m.**

**FRS Board of Trustees
Public Safety Building
3100 Brentwood Drive
Baton Rouge, Louisiana
Thursday, June 10, 2010, at 8:30 a.m.**

SUBMITTED BY:


Steven S. Stockstill, FRS Executive Director

APPROVED BY:


Mr. Charles Fredieu, FRS Chairman