



FIREFIGHTERS RETIREMENT SYSTEM

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MEETING OF THE BOARD OF TRUSTEES JANUARY 13, 2011

A meeting of the board of trustees was held on January 13, 2011 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.

Chief Gerard "Jerry" Tarleton was sworn in as the new fire chief representative on the FRS board of trustees.

Ms. Penny Gandy called the roll. A quorum was present.

BOARD MEMBERS PRESENT

Mr. Charles Fredieu, Chairman
Mr. Stacy Birdwell
Dr. Steven Procopio
Mayor Jimmy Durbin
Mayor Mayson Foster
Mr. John Broussard
Mr. Jerry Tarleton

OTHERS PRESENT

Mr. Steven Stockstill	Mr. Eldon Ledoux
Ms. Kelli Rogers	Mr. Matt Robertson
Mr. Jason Starns	Mr. Patrick Searcy
Ms. Penny Gandy	Mr. Donnie Gauthier
Mr. Gary Curran	Mr. Leo Johnson
Ms. Lauren Bailey	Mr. Curtis Beauregard
Mr. Mike Gallagher	Mr. Matt Robertson
Mr. Joe Meals	Mr. Patrick Carpenter
Mr. Eddie Appel	Mr. Glenn Ellis
Mr. Troy Serigne	Ms. Michelle Cunningham

ELECTION OF FRS BOARD OFFICERS

Mr. Fredieu asked for nominations for chairman of the FRS board of trustees.



**FIREFIGHTERS' RETIREMENT SYSTEM
BOARD MEETING**

**JANUARY 13, 2011
PAGE 2**

MOTION: Mr. Birdwell nominated Mr. Charles Fredieu for chairman of the FRS board of trustees. Mayor Foster moved for nominations to cease and for Mr. Fredieu to be deemed as elected by acclamation. There being no opposition, Mr. Charles Fredieu was elected by acclamation as chairman of the board.

Chairman Fredieu asked for nominations for vice chairman of the board.

MOTION: Mayor Foster nominated Mr. Stacy Birdwell for vice chairman of the FRS board of trustees. Mayor Durbin seconded and moved for nominations to cease and for Mr. Birdwell to be deemed as elected by acclamation. There being no opposition, Mr. Birdwell was elected by acclamation as vice chairman of the board.

MINUTES

MOTION: Mr. Birdwell moved to approve the minutes of the board meeting held on December 9, 2010. Mayor Foster 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. Broussard 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.

**FIREFIGHTERS' RETIREMENT SYSTEM
BOARD MEETING**

**JANUARY 13, 2011
PAGE 3**

MOTION: Mr. Birdwell moved to approve the new retiree applicants. Mr. Broussard 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)

Mr. Starns presented the application of Mrs. Johnnie Taylor Herrington, surviving spouse of Mr. Billy Ray Herrington. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the surviving spouse application for Mrs. Johnnie Taylor Herrington. Mr. Broussard seconded. The motion passed.

Mr. Starns presented the application for Mrs. Gearlene Lambert White, surviving spouse of Mr. Benny White. He stated the application was in order.

MOTION: Mr. Birdwell moved to approve the surviving spouse benefit for Mrs. Gearlene Lambert White. Mayor Durbin seconded. The motion passed.

Mr. Starns presented the application of Mrs. Andrea Lundy Hendrix, surviving spouse of Mr. Michael Shane Hendrix. Mr. Starns also presented the application for Nicholas Shane Hendrix and Holly Deshay Hendrix, surviving children of Mr. Michael Shane Hendrix. He stated that the applications were in order.

MOTION: Mr. Birdwell moved to approve "line of duty" surviving spouse benefit based on R.S. 11:2256(B)(1)(a)(i) for Mrs. Andrea Lundy Hendrix and moved to approve "line of duty" surviving children benefit based on R.S. 11:2256(B)(2)(a) for Nicholas Shane Hendrix and Holly Deshay Hendrix. Mayor Durbin seconded. The motion passed.

**FIREFIGHTERS' RETIREMENT SYSTEM
BOARD MEETING**

**JANUARY 13, 2011
PAGE 4**

- Disability Applications

PROCEDURE: Application for disability retirement, current job duties, and all medical records pertaining to the injury or illness were received and reviewed by the retirement office staff. An appointment was scheduled with a state medical disability board doctor specializing in the area of the claimed disability. The doctor has submitted a detailed report in laymen's terms of his findings based on the examination performed and the medical records reviewed. The board of trustees has been provided with the disability application, job description, state medical disability board doctor's report and all medical records for review. (R.S. 11:215, 216, 218, & 2258)

[NOTE: Applicant ██████████ was considered by the board of trustees at its regular business meeting held in November, 2010. (see minutes 11-10-10) The board reviewed the medical report of Dr. Thad Broussard which states- "I do believe that she has the ability to return to gainful and functional employment. The F.C.E. . . . was performed in October 2009 which makes it one year old at this time. There are essentially two . . . choices here; one is to accept her objectively measured findings . . . or alternatively repeat the F.C.E. with the same examiner and compare the results." The board chose to provide ██████████ with an updated F.C.E. in order to assure the greatest quality of care. In this meeting of January 2011, the board is reconsidering ██████████ disability application along with Dr. Broussard's prior report and the updated F.C.E.]

██████████ - Mr. Starns presented the application for disability retirement of ██████████ ██████████. Mr. Starns stated that the applicant was seen by Steve Allison, DPT, a board certified physical therapist. In his report, Mr. Allison stated, that "██████████ has reached maximum rehabilitation potential for her work-related injuries." "Her residual functional capacity has remained basically the same as compared to the previous functional capacity evaluation completed on October 30, 2009." "Therefore, based on all available evidence at this time, she is not capable of safely returning to her regular job duties as a firefighter or any form of heavy work. In my professional opinion, she will be totally and permanently incapacitated from returning to work as a firefighter." "However, in my professional opinion, the chronic pelvic pain that she was being treated for prior to membership in the Firefighters' Retirement System is not directly related to nor the proximate cause of her current disability associated with the lumbosacral pain, chronic right pelvic pain, and chronic right sacroiliac joint instability."

Based upon the prior report of Dr. Thad Broussard and the updated F.C.E. as provided by the physical therapist, Steve Allison, the staff recommendation was for the approval of disability retirement and approval of continuing disability recertification.

MOTION: Mr. Birdwell moved to accept the staff's recommendation for ██████████. Mayor Durbin 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. Paul Dammers, the State Medical Disability Board doctor. In his report, Dr. Dammers stated, that "Testing was completed without incident, although the patient was at times tearful during memory testing, but otherwise pleasant and happy; during the middle of testing he had some bouts of irritability, seemingly unprovoked. Notably, significant differences in the patient's task persistence and cooperation with testing were apparent, when he was aware that he was being evaluated as regards his memory. He seemed to put forth less effort during memory testing, and as testing will show, he did appear to have suboptimal motivation..." "Further indicative of concern was his endorsement pattern on the Credibility Scale where he earned a score of 40/100. A low score on the Credibility Scale does not confirm a diagnosis of malingering, but a low score is consistent with the finding that the individual is not being straightforward during evaluation." "This patient is a 56-year-old gentleman employed as a fire department captain, and reportedly already placed in the "drop program" for retirement, at which time he suffered what, by review of records, would appear to be a relatively mild cerebrovascular accident. Certainly, CVA would not be of a magnitude that would be expected to cause pervasive impairment of higher cognition. Nonetheless, the patient has complained of persistent problems, with particular complaint of expressive difficulties and poor memory. Testing at this time reveals him likely to be in the average to low average range premorbidly. In the context of testing it was unusual that he seemed to obviously put forth less effort whenever he felt that he was being tested as regards his memory. Testing revealed suboptimal motivation for the purposes of memory testing, indicating malingered memory impairment on the TOMM. Furthermore, he showed bilateral motor impairment which would not be consistent with his CVA. He did not endorse any degree of depression/anxiety that would seem to serve as an alternative explanation." "This individual may have true difficulties of a relative nature directly stemming from his CVA, but interpretation at this time is complicated by his obvious suboptimal motivation and issue of secondary gain seeking medical disability over regular retirement."

**FIREFIGHTERS' RETIREMENT SYSTEM
BOARD MEETING**

**JANUARY 13, 2011
PAGE 6**

Based upon the report of Dr. Paul Dammers and the board policy regarding disability conversions, the staff recommendation was for denial of disability conversion.

MOTION: Mr. Birdwell moved to accept the staff recommendation for [REDACTED] Mayor Durbin seconded. The motion passed.

MONTHLY FLASH REPORT - DECEMBER 2010

Mr. Joe Meals presented the monthly flash report for December 2010. (see attached Exhibit #3) He began by noting that the overall fund was up/down as follows: 3.3% for the month of December as compared to the blended index of 3.6%; 14.1% for the fiscal year to date as compared to the blended index of 14.2%; 13.1% for the trailing 12 months as compared to the blended index of 12.1%.

COMMITTEE REPORT

[NOTE: The Investment Committee met on January 12, 2011, 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, Dr. Steven Procopio, Mayor Mayson Foster and Mr. Charles Fredieu, ex officio. Also present were Mrs. Lauren Bailey and Mr. Joe Meals.]

Committee chairman Birdwell recognized Mr. Joe Meals to give the Investment Committee report, which proceeded as set forth herein below.

- Blackrock

Mr. Meals advised the board that, based on prior approval, Blackrock, an existing FRS manager, was converted to a global equity market strategy. As part of that conversion, a fee structure was proposed by Blackrock that would allow Blackrock to earn 20% of the returns that exceed the ACWI All World Index. However FRS counter-proposed only allowing the 20% participation if Blackrock exceeded the referenced index by at least 2%. He said the counter-proposal is under consideration by Blackrock, but has not been accepted at this time. He indicated that the same information had been provided to the investment committee.

The discussion of this matter was concluded with no action being needed or taken.

- Republic Business Credit

Mr. Meals recalled that last month, the FRS board asked that the governing documents of the Delaware based Limited Liability Company set up by the officers of Republic Business Credit (RBC), an existing FRS manager, be reviewed by outside counsel. Mr. Van Mayhall of Breazeale,

**FIREFIGHTERS' RETIREMENT SYSTEM
BOARD MEETING**

**JANUARY 13, 2011
PAGE 7**

Sachse and Wilson reviewed the documents and advised that the documents were acceptable under all state and federal laws.

Mr. Meals recalled that last month, the FRS board was presented with a draft copy of a promissory note that RBC proposed to be issued by RBC to FRS, securing FRS' capital investment in RBC. The board asked for the draft promissory note to also be reviewed by outside counsel. Mr. Mayhall reviewed the promissory note and recommended certain modifications that were acceptable to the RBC officers and advised that the note, as modified, complied with all state and federal laws. After discussing the matter, the investment committee recommended authorizing the FRS executive director to execute the note as modified.

MOTION: Mayor Durbin moved to accept the recommendation of the investment committee regarding the promissory note. Mr. Birdwell seconded. The motion passed.

Mr. Meals observed that the RBC Operating Agreement assigns two representatives of FRS as members of the RBC board of members. Mr. Meals said the FRS investment committee discussed the matter and the committee recommended that the FRS investment committee chairman and the executive director be appointed as the FRS representatives of the RBC board of members.

MOTION: Mayor Durbin moved to accept the investment committee's recommendation regarding the FRS representatives of the RBC board of members. Mr. Broussard seconded. The motion passed.

Mr. Steven Stockstill advised the board that he is continuing to perform the due diligence previously requested by the board regarding obtaining information about Mr. Allen Frederic's prior employment with Gulf Coast Bank and Trust along with all appropriate credit reports.

The discussion of this matter was concluded with no further action being needed or taken.

- Securities Lending Agreement

Mr. Meals recalled that last month, he directed the board's attention to the securities lending program that exists between FRS and JP Morgan Chase bank. He said that a recent FRS audit revealed that the credit rating of certain securities held as collateral by JPM Chase in the securities lending program had been downgraded to a level that violated the securities lending agreement. Mr. Meals presented the committee (and later the full board) with a spreadsheet titled "Securities Lending Collateral Summary" and analyzed the value of the particular securities that had been downgraded. (see attached Exhibit #4) After discussing the securities lending program with the committee, Mr. Meals recommended that FRS terminate its participation in the program and pay the loss that FRS will incur in closing out the securities lending account with JPM Chase. He said the investment committee adopted his suggestion as a recommendation to the full board.

MOTION: Mr. Birdwell moved the investment committee's recommendation in the form of a motion. Mr. Broussard seconded. The motion passed.

The discussion of this matter was concluded with no further action being needed or taken.

- Franchise Equity Partners, III

Mr. Meals recalled that, last month, Franchise Equity Partners (FEP), an existing FRS manager, requested authority to begin raising and investing capital in its Fund IV, even though all of the capital committed to its Fund III had not yet been called and invested. He was questioned by board members regarding the amount of committed capital, on a percentage basis, that had already been invested by Fund III of which FRS is an investor. As a follow-up to last month's discussion, Mr. Meals stated that Fund III was 67.7% invested at the end of December, 2010. He said capital calls pending for the month of January 2011 would put Fund III at 73.3% invested.

The discussion of this matter was concluded with no action being needed or taken.

- Land Baron - St. George Air Parc

Mr. Meals advised the board that Land Baron, an existing FRS manager, has provided FRS with the closing documents pertaining to the land swap between FRS and the city of St. George, Utah, all as previously authorized by the board. (see attached Exhibit #5) Mayor Durbin noted that Mr. Van Mayhall had reviewed the closing documents and advised FRS that they are ready to be executed.

MOTION: Mayor Durbin acknowledged the review conducted by Mr. Mayhall, and moved to authorize the FRS executive director to execute the closing documents and return them to Land Baron and to pay the expenses of Mr. Mayhall's review. Mr. Birdwell seconded. The motion passed.

The discussion of this matter was concluded with no further action being needed or taken.

- PIMCO

Mr. Meals advised the board that PIMCO, an existing FRS manager, has been fighting a private lawsuit related to its trading of futures contracts in clients accounts during May and June of 2005. He said PIMCO agreed to make a settlement payment of approximately \$92 million to the plaintiff class plus plaintiffs' attorneys' fees and expenses. He said the settlement is being borne by PIMCO, not the PIMCO funds or any client. He said the settlement is expected to be presented to the court for approval sometime in 2011 and, if approved, should resolve all of the class claims against PIMCO and PIMCO funds.

The discussion of this matter was concluded with no action being needed or taken.

- Invesco - Termination of Account; Reallocation of Funds

Mr. Meals said the investment committee discussed the feasibility of continuing its investment in the Global REIT strategy. (see attached Exhibit #6) He said the committee concluded that FRS should terminate its investment in that asset class and allocate the funds elsewhere in the FRS portfolio. He recommended to the investment committee that FRS terminate its relationship with Invesco (Global REIT account), redeem the \$28 million in that account, and reallocate it as follows- \$10 million to the existing Blackrock Global equity account, \$7.5 million to the existing Vanguard Large Cap Index account, and using the remaining \$10.5 combined with \$4.5 from the FRS cash account, to allocate \$15 million to the existing Blackrock International Equity account. That would leave sufficient funds in the cash account to satisfy future capital calls. Mr. Meals said the investment committee recommended those allocations to the full board.

MOTION: Mr. Birdwell moved the investment committee's recommendation in the form of a motion. Mayor Durbin seconded. The motion passed.

The discussion of this matter was concluded with no further action being needed or taken.

- Commonwealth

Mr. Meals advised the board that two public retirement systems, MERS and Registrar of Voters, had filed a lawsuit against Commonwealth, an existing FRS manager. Mr. Meals said the lawsuit was filed as a class action.

The discussion of this matter was concluded with no action being needed or taken.

FRS ACTUARIAL VALUATION AS OF JUNE 30, 2010

Mr. Gary Curran presented the board with the FRS Actuarial Valuation as of June 30, 2010. (see attached Exhibit #7)

The board engaged in a thorough discussion regarding the valuation, including an extensive question and answer session.

MOTION: Mr. Birdwell moved to accept the FRS Actuarial Valuation as of June 30, 2010. Mr. Tarleton seconded. The motion passed.

The discussion of this matter was concluded with no further action being needed or taken.

FRS FINANCIAL STATEMENTS FOR FISCAL YEAR 2009 - 2010

Ms. Kelli Rogers introduced Ms. Michelle Cunningham of Duplantier, Hrapmann, Hogan and Maher, LLP, to present the FRS 2010 Financial Report and give an overview of the audit. (see attached Exhibit #8)

The board engaged in a thorough discussion regarding the financial report, including an extensive question and answer session.

MOTION: Mr. Broussard moved to approve the FRS 2010 Financial Report. Mr. Birdwell seconded. The motion passed.

The discussion of this matter was concluded with no further action being needed or taken.

POLICY - AUTOMATIC 2½% COLA and DISABILITY CONVERSION

[NOTE: At its meeting held on November 10, 2010, the FRS board of trustees heard the appeal of a member who sought to rescind his election to receive the automatic 2½% cost-of-living-adjustment (COLA) allowed by the provisions of R.S. 11:247. He alleged that he consented to the election, which includes a substantial actuarial reduction of benefits, but it was not "informed consent". In a separate matter, the board heard the appeal of a member who appealed the offset of disability benefits being applied because of the member's receipt of workers' compensation benefits and other earned income as reported by the member. Based on the terms of state law, primarily the irrevocable nature of the COLA election and the mandatory nature of the disability offset, the board denied both appeals, but directed the FRS staff to develop policies for board consideration to prevent the recurrence of the circumstances leading to the referenced appeals.]

Mr. Stockstill presented the board with a proposed Policy No. 120910-01 regarding the procedures a member must follow in order to elect the automatic 2½% COLA allowed by R.S. 11:247. (see attached Exhibit #9) The policy requires an in-person or telephonic conference with the appropriate FRS staff before selecting the automatic COLA. It requires the conference to be held before the effective date of the member's retirement and prohibits the processing of a member's retirement application until the conference is held if the member selected the automatic COLA. Lastly, it restricts the beneficiary options that are available to a member who selects the automatic COLA. He said adoption of the policy would require certain changes to the COLA application form and reviewed those changes with the board.

Mr. Stockstill then presented the board with a proposed Policy No. 120910-02 regarding the procedures a member must follow in order to elect to convert from a regular service retirement to a disability retirement allowed by R.S. 11:2258(B)(2). (see attached Exhibit #10) The policy requires an in-person or telephonic conference with the appropriate FRS staff before converting to a disability

**FIREFIGHTERS' RETIREMENT SYSTEM
BOARD MEETING**

**JANUARY 13, 2011
PAGE 11**

retirement. It requires the conference to be held before the effective date of the member's conversion and prohibits the processing of a member's conversion application until the conference is held if the member elects to make the conversion. Lastly, it restricts the beneficiary options that are available to a member who selects the conversion feature. He said adoption of the policy would require certain changes to the conversion application form and reviewed those changes with the board.

MOTION: Mr. Birdwell moved to adopt Policy No. 120910-01 regarding the automatic 2½% COLA and Policy No. 120910-02 regarding the disability conversion, along with changes to the pertinent application forms. Mr. Tarleton seconded. The motion passed.

MOTION: Mayor Foster said the effective date of the changes should be January 13, 2001, since that is the date the board approved the policies and moved that effective date in the form of a motion. Mr. Tarleton seconded. The motion passed.

The discussion of this matter was concluded with no further action being needed or taken.

LEGISLATIVE UPDATE

Mr. Stockstill presented the board with proposed legislation that, if approved, would be introduced on FRS' behalf in the upcoming 2011 regular legislative session. (see attached Exhibit #11) He said the bill provides regarding court authorization to find punitive damages in a breach of fiduciary lawsuit involving a state or statewide public retirement system, application of suspended or interrupted time limitations to public retirement systems that opt out of class action lawsuits; to establishing venue where a municipality and public retirement system are both named defendants in a lawsuit; establishing recovery involving fraud in certain securities transaction; to provide an effective date; and to provide for related matters. He said the bill is drafted in two different ways so the sponsor will have the choice between two different legislative strategies. He explained the details of the bill and then asked the board to determine whether it would like the bill to be introduced on FRS' behalf.

MOTION: Mayor Durbin moved to approve drafts as presented. Mr. Birdwell seconded. Mayor Foster abstained. The motion passed 6 to 1.

The discussion of this matter was concluded with no further action being needed or taken.

ADJOURNMENT

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

**FIREFIGHTERS' RETIREMENT SYSTEM
BOARD MEETING**

**JANUARY 13, 2011
PAGE 12**

FUTURE MEETINGS

**FRS Investment Committee
Public Safety Building
3100 Brentwood Drive
Baton Rouge, Louisiana
Wednesday, February 9, 2011 at 3:00 p.m.**

**FRS Board of Trustees
Public Safety Building
3100 Brentwood Drive
Baton Rouge, Louisiana
Thursday, February 10, 2011 at 8:30 a.m.**

SUBMITTED BY:



Penny Gandy, FRS Board Secretary

APPROVED BY:



Mr. Charles Fredieu, FRS Chairman