



FIREFIIGHTERS RETIREMENT SYSTEM

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MEETING OF THE BOARD OF TRUSTEES JANUARY 10, 2013

A meeting of the Board of Trustees was held on January 10, 2013 at the Public Safety Building in Baton Rouge. Mr. Charlie 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.

Mr. Steven Stockstill administered the oath of office to Mr. Stacy Birdwell, as one of the trustees representing the Professional Fire Fighters' Association.

Mrs. Susan Waite called the roll. A quorum was present.

MEMBERS PRESENT

Mr. Charlie Fredieu
Mr. Stacy Birdwell
Mr. Afranie Adomako
Mr. John Broussard
Mayor James Durbin
Mayor Mayson Foster
Mr. Perry Jeselink
Mr. Jerry Tarleton

OTHERS PRESENT

Steven Stockstill
Kelli Rogers
Layne McKinney
Jason Starns
Susan Waite
Gary Curran
Stephanie Little
Margaret Corley
Kirk Reasonover
Mike Sands
Yvonne Utz
Murphy Arseneaux
Barry Weinsten
Robert Balsler

BOARD OFFICERS

Mr. Fredieu was elected Chairman of the Board by acclamation. Mr. Birdwell was elected Vice Chairman of the Board by acclamation.

MINUTES

Upon request by the executive director, Chairman Fredieu deferred approval of the minutes of the board meeting held on December 14, 2012, until next month.

APPLICANTS

- New Members

PROCEDURE: The FRS enrollment process, including the completion of the applicant forms, the physical examination, and the completion of any waivers of preexisting conditions, must be completed and all documents received by FRS within six months of the date of employment. If the FRS enrollment process is not completed within six months from the date of employment, the applicant will be a member eligible to begin vesting for regular benefits from the date of employment, but not eligible to begin vesting for disability benefits until the completion of the enrollment process. It is the statutory responsibility of the employer to insure that the enrollment process is timely completed or to provide FRS with notice of noncompliance by the applicant. If a member who has not completed the enrollment process becomes injured in the line of duty and applies for disability benefits, then the member must prove that the disabling condition was not preexisting. 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. Starns presented the list of new member applicants. (see attached Exhibit #1) He stated that all applications were in order.

MOTION: Mr. Jeselink moved to approve the new member applicants. Mr. Foster seconded. The motion passed.

- Retirees

PROCEDURE: To retire, a member must furnish the retirement office with an application for retirement. When the application is received by the retirement office, 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

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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. Jeselink and Mr. Tarleton jointly seconded. The motion passed.

IN THE MATTER OF CONSULTING SERVICES GROUP (A-3390), U.S. SEC.

[In the Matter of Consulting Services Group (A-3390), U.S. Securities and Exchange Commission, Atlanta Regional Office, Atlanta, Georgia.]

[NOTE: By giving notice on its duly posted agenda, the FRS board of trustees reserved its right to enter executive session pursuant to R.S. 42:17(A)(2) for discussion of strategy or negotiations with respect to actual or prospective litigation where an open meeting would have a detrimental effect on the litigating position of FRS in the matter referenced in agenda item II(1); all pertinent notifications had been provided.]

MOTION: Mr. Birdwell moved to enter executive session: Mr. Tarleton seconded. The motion passed unanimously. The board entered executive session.

MOTION: Mr. Birdwell moved to resume public session. Mayor Durbin seconded. The motion passed unanimously. The board resumed public session.

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

NCPERS/PRUDENTIAL INSURANCE COMPANY

Mr. Stockstill recalled that the board previously approved forwarding the Duty to Defend, Hold Harmless, and Indemnity Agreement ("Agreement"), to NCPERS, Prudential and Gallagher for execution. Mr. Stockstill explained that Prudential's legal department reviewed the Agreement and notified FRS that Prudential had a corporate insurance policy with a maximum \$20,000,000.⁰⁰ limitation of liability. He said Prudential substantially revised the Agreement from a format that was very broad in its protection of FRS to one with limitations on the indemnification obligations owed to FRS. Mr. Stockstill said that any change to the previous decision made by the board would depend on how much risk the board is willing to tolerate. He said the Agreement, as revised, opened FRS to potential liability.

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Discussion and questions by and between the board regarding the revisions to the Agreement, possible amounts of liability and how much risk would be involved were fielded by Mr. Stockstill, who informed the board that there was no way to foresee all possible risks FRS could potentially be exposed to.

Mr. Stockstill explained that he prepared a bill and, if enacted into law, it would allow FRS to indirectly provide NCPERS/Prudential information about active members. The current law only allows for providing information about retirees to recognized organizations. Further discussion of this proposed legislation took place during the section of all legislative acts to be submitted for consideration (see below).

MONTHLY FLASH REPORT - DECEMBER 2012

Ms. Rogers advised that due to the transition process with NEPC, the date of the board meeting and other factors, the flash report for December 2012 was not yet available.

After a question and answer session, this matter was concluded with no action being needed or taken.

COMMITTEE REPORT - INVESTMENT COMMITTEE

[NOTE: The Investment Committee met on January 9, 2013, at the FRS office in Baton Rouge at 3:00 p.m. to discuss the following business set forth in its posted agenda- (A) The FRS monthly investment performance results for December 2012, (B) Status of custodial bank activities, BoNY, (C) FRS written Investment Policy Statement, and (D) NEPC analysis of request for additional investment capital by Sail Venture Management o/b/o Sail Pre-Exit Acceleration Fund, LP and all matters related to the foregoing items. The minutes of that meeting are embedded herein. Committee members present were Stacy Birdwell, chairman; Alfranie Adomako, John Broussard, Perry Jeselink, Mayor Mayson Foster, and Charlie Fredieu. Also present were Mayor Jimmy Durbin, Margaret Corley, Steven Stockstill, Kelli Rogers, Layne McKinney, Susan Waite, David Barnes and Rhett Humphreys.]

Committee chairman Birdwell gave the committee report and, in so doing, he recognized Ms. Kelli Rogers to provide information regarding the NEPC transition plan that was discussed by the investment committee.

NEPC TRANSITION

Ms. Rogers indicated that the investment consultant transition from CSG to NEPC had gotten off to a good start and everything is going well. During her comments, Mr. David Barnes distributed a chart showing the NEPC Transition Plan/Timeline. (see attached Exhibit #3) She said that a lot of the leg work had already been done as far as opening the lines of communication between NEPC and

various parties and getting the data loaded as needed by NEPC. There had been some delays of getting the historical data from CSG that was caused by the intervening holidays, but that is done now. NEPC is working on the first draft of the monthly flash report and that will be ready by tomorrow (01/10/13). Ms. Rogers stated that Mr. Barnes had given his comments to the investment committee concerning the overall market for the month and calendar year.

Mr. Barnes said that the timeline that he had been given by the NEPC performance analytics team is that the custodial statements for FRS will be available for NEPC to electronically download on the fourth business day of each month. Then, on the fifth business day, NEPC can transfer that electronic download to the NEPC reporting system, which will allow NEPC to produce the monthly flash report by the sixth business day going forward.

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

FRS CUSTODIAL BANK - BANK OF NEW YORK

Ms Rogers introduced Ms. Yvonne Utz, who is the FRS Relationship Executive with the Bank of New York (BNY). Ms. Utz first highlighted several items BNY worked on with FRS since August 2011, including the termination of Tradewinds, and then assistance with the transition to a Vanguard small cap and a Vanguard mid cap fund. She indicated that most items had been very straightforward, with a major component being working with FRS' auditors to make sure all valuations were in prior to closing the books for 2012.

Ms. Utz went on to indicate that BNY had a model change last year whereby they reviewed how they were servicing relationships and looking at how those relationships would be serviced in the future. BNY made the decision to centralize various administrative responsibilities in their Pittsburgh office. As a result of this centralization, several persons in the FRS service model were displaced, and at the same time, several new persons were added to the FRS service model. The primary servicer for FRS is Jim Mahoney. Ms. Utz will continue to be the Relationship Executive servicing FRS' relationship, and will begin to attend the monthly FRS board meetings.

Upon completion of Ms. Utz's report, various board members asked questions regarding the timing of the relationship changes and whether the BNY team failed to disclose any of the changes during the BNY interview that occurred when FRS hired BNY. Ms. Utz assured the board that the centralization of services was not considered by BNY until after the finalization of the relationship with FRS. Ms. Rogers also assured the board members that should there be any problems or changes to the level of services provided, that the board would be informed immediately.

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

INVESTMENT POLICY STATEMENT

[NOTE: By giving notice on its duly posted agenda, the FRS board of trustees reserved its right to apply the Investment Policy Statement presentation as credit for trustee training pursuant to R.S. 11:185.]

Mr. Barnes began the discussion of the proposed FRS Investment Policy. As part of that discussion he presented a series of slides titled "FRS Introduction to Portfolio Rebalancing". (see attached Exhibit #4) He explained that rebalancing involves the purchases and sales of investments in order to bring a portfolio back into line with its target allocations. He further explained the purpose of rebalancing and the considerations that should be factored into rebalancing. Mr. Barnes described the results of a portfolio that had been invested in 60% stocks and 40% bonds without rebalancing during the period from March 1, 1980 through March 1, 2012. Mr. Barnes observed that the failure to rebalance can lead to wide divergences from the system's target allocations and risk-return profiles. He then discussed the performance returns of a 60/40 portfolio. He focused on a portfolio that used annual rebalancing, and another portfolio that used quarterly rebalancing, and a third portfolio that did not use a rebalancing technique. He said the data resulting from each portfolio shows that rebalancing added almost 2% additional value to the performance of those that did rebalance. In conclusion he said that employing a disciplined, rules-based rebalancing strategy is important for risk management and long-term performance enhancement.

Following a more general discussion of the investment policy, the board by consensus asked to be provided with a copy of the second portion of the policy by around February 1st.

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

SAIL VENTURE MANAGEMENT - ADDITIONAL INVESTMENT CAPITAL

Mr. Barnes advised that NEPC was in the process of obtaining information necessary to provide an analysis of the SAIL request for an additional investment capital from FRS. NEPC has scheduled a meeting with applicable SAIL representatives, and also sent a standardized request for information. NEPC will provide all of the information to its analysts for preparation of a report on the request for additional investment capital, along with a report on the status of the current funds.

The discussion of this matter was concluded with no action being needed or taken. This concluded the committee report of the Investment Committee.

PROPOSED LEGISLATION

- Clarification of Public Records

This bill adds a provision relative to FRS only, that the home address of any FRS member may be made available if the request is made by a legislator, any state agency or employer reporting to FRS, or by any recognized association of FRS members. Discussion of this bill also involved its relation to the NCPERS/Prudential request for information about FRS members.

MOTION: Mr. Birdwell moved for this to be a FRS board-sponsored bill. Mr. Jeselink seconded. The motion passed.

- St. George Fire Department Employees

This bill would allow employees of the St. George Fire Department to have the transfer of certain service credit treated as a merger for purposes of the benefit accrual rate applicable thereto with the employer paying the actuarial cost thereof. The bill only applies to employees of the St. George Fire Department who transferred service credit from the New Orleans Fire Fighters' Pension and Relief Fund into FRS between certain dates and only applies to that service credit transferred.

MOTION: Mr. Jeselink moved for this to be a FRS board-sponsored bill. Mayor Durbin seconded. The motion passed.

- Conversion of Unused Sick and Annual Leave to Retirement Credit

This bill allows members to convert unused sick and annual leave to retirement credit, based on a conversion ratio. This is a redrafted bill incorporating prior comments of the board and the system actuary.

MOTION: Mr. Birdwell moved for this to be a FRS board-sponsored bill. Mr. Jeselink seconded. The motion passed.

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

PROPOSED POLICY - CHANGING EMPLOYERS DURING DROP

Upon request by the executive director, Chairman Fredieu deferred this item until the February 2013 board meeting.

PROPOSED POLICY - NON-JOB RELATED DISABILITY RETIREE MAKING APPLICATION FOR JOB-RELATED DISABILITY

Upon request by the executive director, Chairman Fredieu deferred this item until the February 2013 board meeting.

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ADJOURNMENT

MOTION: Mr. Jeselink moved to adjourn. Mr. Birdwell seconded. The motion passed.

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

FUTURE MEETINGS

**FRS Investment Committee
Public Safety Building
3100 Brentwood Drive
Baton Rouge, Louisiana
Wednesday, February 13, 2013 at 3:00 p.m.**

**FRS Board of Trustees
Public Safety Building
3100 Brentwood Drive
Baton Rouge, Louisiana
Thursday, February 14, 2013 at 8:30 a.m.**

SUBMITTED BY:

APPROVED BY:



Susan L. Waite, FRS Board Secretary



Mr. Charles Fredieu, FRS Chairman