



## **FIREFIIGHTERS RETIREMENT SYSTEM**

3100 Brentwood Drive  
Baton Rouge, Louisiana 70809  
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**MEETING OF THE BOARD OF TRUSTEES**  
**January 13, 2016, and**  
**January 14, 2016**

A two-day meeting of the Board of Trustees was held on January 13, 2016, and January 14, 2016, at the Public Safety Building in Baton Rouge. Mr. Charlie Fredieu, Chairman, called the meeting to order at 1:00 p.m. on January 13, 2016.

Mr. Jeselink gave the invocation and Mr. Birdwell led the pledge of allegiance.

Ms. Brandi Brown called the roll. A quorum was present.

### **MEMBERS PRESENT**

Mr. Charlie Fredieu  
Mayor David Amrhein  
Mr. Stacy Birdwell  
Mr. John Broussard  
Mr. Perry Jeselink  
Mr. John McLean  
Mr. Jerry Tarleton

### **OTHERS PRESENT**

Steven Stockstill  
Layne McKinney  
Michael Becker  
Brandi Brown  
David Barnes  
Jamie Grady  
Debbie Charleville  
David Barnes  
Jeff Roberts  
Nathan Bishop  
Peter Lipson  
Louis Mintz  
Christopher Stringer  
Chris Mackay

**January 13, 2016**

Chairman Fredieu began by explaining that the meeting would be held over a two-day period, with the first day primarily involving search candidate interviews and the second day being reserved for the regular monthly business to come before the board.

**TRUSTEE ELECTION - FIRE CHIEF**

An election was held for the position of Fire Chief representative on the FRS Board of Trustees. The election was held according to board approved election rules. A two-person system was used for the election; meaning at least two people had to be involved anytime a ballot was mailed out, received in, or counted. The election was conducted under the supervision of the FRS accounting department. All returned ballots were logged on a master list and verified to assure that the postmark was no later than Monday, 01/11/16. Only those ballots were counted in the election. All ballots were kept under lock and key from the date they were received at FRS until the date of opening. Ballots were opened on Wednesday, 01/13/16, in an open public meeting as noted on the duly posted FRS agenda. The results of the election are as follows-

Benoit	24
Tarleton	31
Williams	08

There were no challenges to the election results or the election procedures. Only one ballot was spoiled. That ballot was received without the signature of the voting Chief on the return envelope. As per the rules, that ballot remained sealed and did not count in the election. The discarded, spoiled ballot would not have had an impact on the election results. All ballots and return envelopes are kept permanently in the FRS office for any interested party to review, inspect, or copy.

MOTION: Mr. Birdwell moved to accept the results of the Fire Chief Trustee election and to formally declare Chief Jerry Tarleton as the trustee-elect. Mr. Jeselink seconded. The motion passed.

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

**TRUSTEE EDUCATION - PRIVATE EQUITY BUYOUT/GROWTH EQUITY**

Messrs. Barnes and Roberts presented educational material related to the Philosophy of Private Equity, the Definition and Overview of the Private Equity Markets, the Mechanics of Private Equity Investing, the Life Cycle of a Private Equity Fund, How to Build a Private Equity Program, the J-Curve Impact, Private Equity Vehicle Structures, including Liquid and Semi-Liquid Structures, Illiquid or Closed-End Structures, and a Comparison of Investment Vehicles, with particular emphasis on the Co-Investment Structure.

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

**INTERVIEWS - GROWTH EQUITY AND BUYOUT STRATEGY MANAGER  
INTERVIEWS**

The board of trustees interviewed managers of three Growth Equity and Buyout Strategy funds that were previously selected by the board of trustees at their meeting held on December 3, 2015. The managers are as follows:

HarbourVest Partners Co-Investment Fund IV

Nathan F. Bishop, Managing Director  
Peter B. Lipson, Managing Director

JFL Equity Investors IV

Louis N. Mintz, Partner

Private Advisors Small Company Coinvestment Fund LP

Chris Mackay, Partner  
Christopher Stringer, Partner  
Tripp Taliaferro, Partner

Each candidate firm made a presentation to the board based on information contained in the firm's respective RFP response. Each candidate firm was allocated 30 minutes for its presentation and 15 minutes for questions by the board.

Upon conclusion of the final presentation, the board members discussed various related items with NEPC representatives Jeff Roberts and David Barnes. (see attached Exhibit #1) Messrs. Roberts and Barnes gave a summary comparing and contrasting the three Growth Equity and Buyout Strategy funds. During the course thereof, they answered several questions posed by board members. Following a thorough discussion, Mr. Barnes stated that NEPC's recommendation was to redeem \$40 million from the BlackRock [US Fixed Income] Index Fund and to invest that same amount according to the following allocations- \$25 million with HarbourVest Partners Co-Investment Fund IV and \$15 million with Private Advisors Small Company Coinvestment Fund LP. The board discussed NEPC's recommendation and after exploring the risk parameters of the allocation decided to accept the choice of managers as recommended by NEPC, but with different allocable amounts.

MOTION: Mr. Jeselink moved to redeem \$10 million from the BlackRock [US Fixed Income] Index Fund and allocate that \$10 million to Private Advisors Small Company Coinvestment Fund LP. Mayor Amrhein seconded. The motion passed.

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MOTION: Mr. Broussard moved to redeem \$30 million from the BlackRock [US Fixed Income] Index Fund and allocate that \$30 million to HarbourVest Partners Co-Investment Fund IV. Mr. Jeselink seconded. The motion passed.

The board asked the FRS executive director to provide information at the next month's board meeting regarding the provisions of the governing documents concerning the managers' authority to deviate from the types of investments that were explained by the managers when they made their presentations to the board. Board members expressed their reliance on the managers' representations that their investments would be limited to the types of securities described at the board meeting.

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

**RECESS**

Mr. Birdwell moved for the board to stand in recess until January 14, 2016, at 8:30 am CST. Mr. Jeselink seconded. The motion passed.

**January 14, 2016**

**RECONVENE**

Chairman Fredieu reconvened the FRS board meeting which had previously stood in recess.

Mr. Jeselink gave the invocation and Mr. Birdwell led the pledge of allegiance.

Mr. Jerry Tarleton was administered the oath of office as the newly elected Fire Chiefs' representative to the FRS board of trustees.

Ms. Brandi Brown called the roll. A quorum was present.

**MEMBERS PRESENT**

Mr. Charlie Fredieu  
Mayor David Amrhein  
Mr. Stacy Birdwell  
Mr. John Broussard  
Mr. Perry Jeselink  
Mr. John McLean  
Mr. Jerry Tarleton

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**OTHERS PRESENT**

Steven Stockstill  
Layne McKinney  
Michael Becker  
Jason Starns  
Brandi Brown  
David Barnes  
Gary Curran  
Paul Schmidt

**ELECTION OF BOARD OFFICERS**

Chairman. Pursuant to FRS by-laws, Mr. Stockstill conducted the election of board chairman. Mr. Birdwell placed the name of Charlie Fredieu into nomination for the position of FRS board chairman. No other names were given upon three calls for further nominations.

MOTION: After the third unanswered call, Mr. Birdwell moved that nominations be closed and that Mr. Fredieu be deemed elected by acclamation to the position of FRS board chairman. Mr. Tarleton seconded. The motion passed.

Vice Chairman. Mr. Fredieu then conducted the election of board vice-chairman. Mr. Jeselink placed the name of Mr. Birdwell into nomination for the position of FRS board vice-chairman. No other names were given upon three calls for further nominations.

MOTION: After the third unanswered call, Mr. Jeselink moved that nominations be closed and that Mr. Birdwell be deemed elected by acclamation to the position of FRS board vice-chairman. Mr. Tarleton seconded. The motion passed.

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

**MINUTES**

MOTION: Mr. Birdwell moved to approve the minutes of the board meeting held on December 3, 2015. Mr. Tarleton seconded. The motion passed.

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

**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 #2) He stated that all applications were in order.

MOTION: Mr. Birdwell moved to approve the new member applicants. Mr. Tarleton 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 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 #3) He stated that all applications were in order.

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

- Survivor Application

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).

**Nancy Carol Forest-** Mr. Starns presented the application of Nancy Carol Forest, surviving spouse of Allen Francis Forest. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application of Nancy Carol Forest. Mr. Tarleton seconded. The motion passed.

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

#### **FRS FINANCIAL AUDIT FOR FY ENDING JUNE 30, 2015 (ADDED SCHEDULE)**

Michelle Cunningham notified the board that the audit report presented to the board on December 3, 2015, did not contain a supplementary schedule of compensation, benefits and other payments to the agency head or chief executive officer. (see attached Exhibit #4) She said the Louisiana Legislative Auditor's office had requested that the schedule be included therein. She said, now, the audit report is updated to include that supplementary schedule.

Mr. Stockstill recommended adoption of the supplementary schedule as part of the annual FRS financial audit report. He said the same information had already been published on the FRS website before the date by which the legislative auditor had given for submission of the schedule. However, he indicated that the attorney who represents one or two of the other statewide systems indicated her belief that the law cited by the legislative auditor does not apply to the statewide systems. Mr. Stockstill repeated his recommendation to submit the information to the legislative auditor, but he simultaneously asked for authority to submit a request for an Attorney General opinion on the subject.

MOTION: Mr. McLean moved to approve the FRS Financial Audit for Fiscal Year Ending June 30, 2015, as amended by the inclusion of the supplementary schedule as requested by the Louisiana Legislative Auditor's office. Mr. Birdwell seconded. The motion passed.

MOTION: Mr. McLean moved to authorize FRS to seek an attorney general opinion regarding the question whether statewide retirement systems, and particularly FRS, are covered within the law cited by the Louisiana Legislative Auditor as requiring the submission of the supplementary schedule at issue. Mr. Broussard seconded. The motion passed.

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

**MONTHLY FLASH REPORT - DECEMBER 2015**

Mr. Barnes presented the monthly flash report for December 2015. (see attached Exhibit #5) The overall fund was up/down as follows: -1.8% for the month of December as compared to the allocation index of -1.5%; -4.4% for the fiscal year to date as compared to the allocation index of -3.2%; -2.6% for the trailing 12 months as compared to the allocation index of -1.5%; and 3.2% for the trailing 3 years as compared to the allocation index of 6.2%.

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

**SYNTHETIC MODELING OF 60/40 ALLOCATION**

Mr. Barnes presented a report titled "60/40 Analysis". (see attached Exhibit #6) The report showed the FRS Total Plan Composite investment returns as compared to the returns of a hypothetical portfolio that is comprised of 60% S&P Index holdings and 40% Barclay's Corporate Aggregate Bond Index holdings (60/40 portfolio). The report compared the returns over various periods of time and, in summary, showed the following-

	1 Year	5 Year	10 Year	11 Year	12 Year	15 Year	20 Year
Total FRS Plan Composite	-4.6%	3.7%	3.1%	4.2%	4.7%	3.7%	5.1%
60% S&P 500/ 40% BC Agg	1.0%	9.3%	6.2%	6.4%	6.7%	4.8%	7.4%

Mr. Barnes explained that if FRS had a 60/40 portfolio over the last 20 years, then the returns would have been superior to the returns that were actually earned; but, he said, holding a 60/40 portfolio on a going-forward basis does not assure greater returns compared to the current total plan composite. He explained that the projected investment returns for both equities and bonds over the next few years is much lower than prior years' returns. He said that is the reason NEPC prefers active



management compared to investing in a passively managed index. Mr. Barnes explained that NEPC believes active management will add value in the projected low return environment.

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

**POLICY - FRS MATERNITY LEAVE AND MATERNITY LEAVE WITHOUT PAY**

Mr. Stockstill presented a proposed policy regarding maternity leave for FRS employees. (see attached Exhibit #7) He compared the proposed FRS policy to the federal Family and Medical Leave Act.

MOTION: After a thorough discussion with the board, Mr. Birdwell moved to adopt the proposed policy as presented. Mayor Ahmrein seconded. The motion passed.

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

**FOREIGN INVESTMENT TAX MATTERS - ICE MILLER**

Mr. Stockstill presented a letter to FRS from its former custodial bank, JPM Chase. (see attached Exhibit #8) The letter enclosed documents required in order to file tax reclaims on behalf of FRS relating to taxes that were withheld on dividends paid while certain FRS assets were held in custody by JPM Chase bank. The letter dealt primarily with German and Finnish tax reclaims. In addition, Mr. Stockstill provided similar information related to a Japanese declaration of tax status and a re-registration in the Brazilian securities market. Mr. Stockstill indicated that the pool of investment related tax lawyers is small, but the pool of international investment tax lawyers is even smaller. He said he contacted the TRS general counsel and learned that TRS uses a tax law firm called Ice Miller to advise TRS regarding international investment tax matters. Mr. Stockstill said that he and Mr. Becker spoke with a partner at Ice Miller and learned that the law firm could provide a similar service for FRS. Mr. Stockstill recommended retaining Ice Miller to help assure that FRS does not violate any of the tax laws in the foreign markets in which the system has investment holdings; and to assist in reclaiming any taxes paid by FRS in foreign countries that should be reclaimed by FRS since FRS is a tax-exempt entity.

MOTION: Mr. Jeselink moved to retain the services of Ice Miller for the purpose of advising FRS regarding foreign tax matters. Mr. Tarleton seconded. The motion passed.

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

**TIMBERVEST - BUSINESS CONTINUITY PLAN**

The board briefly discussed the business continuity plan as presented by TimberVest Partners and the matter was rescheduled for further consideration at the next month's board meeting. (see attached Exhibit #9)

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

**ADJOURNMENT**

MOTION: Mr. Birdwell moved to adjourn. Mr. Tarleton seconded. The motion passed. There being no further business, the meeting of the FRS board of trustees was adjourned.

**FUTURE MEETINGS**

**FRS Budget and Finance Committee  
3100 Brentwood Drive  
Baton Rouge, Louisiana  
Wednesday, February 10, 2016 at 2:00 p.m.**

**FRS Investment Committee  
3100 Brentwood Drive  
Baton Rouge, Louisiana  
Wednesday, February 10, 2016 at 3:00 p.m.**

**FRS Board of Trustees  
3100 Brentwood Drive  
Baton Rouge, Louisiana  
Thursday, February 11, 2016 at 8:30 a.m.**

SUBMITTED BY:

APPROVED BY:

  
Steven S. Stockstill, Executive Director

  
Mr. Charles Fredieu, FRS Chairman