



## **FIREFIIGHTERS RETIREMENT SYSTEM**

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### **MEETING OF THE BOARD OF TRUSTEES February 13, 2014**

A meeting of the Board of Trustees was held on February 13, 2014 at the Public Safety Building in Baton Rouge, Louisiana. Mr. Charlie Fredieu, Chairman, called the meeting to order at 8:30 a.m.

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

Ms. Etheridge called the roll. A quorum was present.

#### **MEMBERS PRESENT**

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

#### **OTHERS PRESENT**

Steven Stockstill  
Kelli Rogers  
Layne McKinney  
Jason Starns  
David Barnes

#### **MINUTES**

Mr. Birdwell indicated that a correction needed to be made on page 5 of the minutes of the board meeting held on December 16 & 17, 2013. In the matter regarding the survivor application of Candace Ann Cash. The person seconding Mr. Birdwell's motion for approval of the survivor application needed to be changed from Mr. Birdwell to Mr. Jeselink.

**MOTION:** Mr. Birdwell moved to approve the minutes of the board meeting held on December 16 & 17, 2013, including the correction. Mr. Tarleton seconded. The motion passed.

**MOTION:** Mr. Birdwell moved to approve the minutes of the board meeting held on January 9, 2014. Mr. Tarleton seconded. The motion passed.

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

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

- Option 4 Selection

Mr. Jeselink moved to approve the Option 4 selection, inclusive of the "pop-up" feature, of Steven Scott Stockstill. Mr. Birdwell 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 Charlene Viator Delaune, surviving spouse of Martin Joseph Delaune. He stated that the application was in order.

MOTION: Mr. Jeselink moved to approve the application of Charlene Viator Delaune. Messrs. Birdwell and Tarleton jointly seconded. The motion passed.

MOTION: Mr. Birdwell moved to approve the application of Roseanna Landry Usie. Mr. Jeselink seconded. The motion passed.

MOTION: Mr. Birdwell moved to approve the application of Andree' Gaston Falgout. Mr. Tarleton seconded. The motion passed.

- Disability Applications

PROCEDURE: To obtain disability benefits, a member must furnish the retirement office with an application for disability retirement. For the following applicant(s), the 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 submitted a detailed report in laymen's terms of his findings based on the examination performed and the medical records reviewed. Prior to the meeting, the board of trustees was provided with the disability application, job description, State Medical Disability Board doctor's report and all medical records related to each applicant, for their advance review. (R.S. 11:215, 216, 218, & 2258)

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[NOTE: By giving advance notice on its posted agenda, the board of trustees reserved its right to enter executive session pursuant to R.S. 42: 17(A)(1) for discussion of any privacy protected physical or mental health information related to the disability applicants.]

Mr. Starns presented the disability application of [REDACTED]. He advised the board that based upon the report by State Medical Disability Doctor, Dr. Steven Kelley, the staff recommendation was for the approval of disability retirement and discontinuation of disability recertification.

MOTION: Mr. Birdwell moved to accept the staff recommendation. Mr. Jeselink: seconded. The motion passed.

Mr. Starns presented the disability application of [REDACTED]. He advised the board that based upon the report by State Medical Disability Doctor, Dr. Glenn Gomes, the staff recommendation was for the approval of disability retirement and discontinuation of disability recertification.

MOTION: Mr. Birdwell moved to accept the staff recommendation. Mr. Tarleton seconded. The motion passed.

Mr. Starns presented the disability application of [REDACTED]. He advised the board that based upon the report by State Medical Disability Doctor, Dr. Thad Broussard, the staff recommendation was for the approval of disability retirement and discontinuation of disability recertification.

MOTION: Mr. Jeselink moved to accept the staff recommendation. Mr. Tarleton seconded. The motion passed.

[NOTE: The following items posted on the Agenda were all discussed during the board meeting, and although they were not discussed in the order shown on the posted Agenda, the entries are recorded here in an order that follows the posted Agenda.]

**FRS-GA LLC**

Chairman Fredieu recessed the regular board meeting. The board members then assembled in their capacity as the "Advisory Committee" to FRS-GA LLC. After meeting in that separate capacity, Chairman Fredieu reconvened the regular board meeting. Thereafter, Mr. Stockstill, manager of the FRS-GA LLC, recommended that the FRS board authorize and appropriate to FRS-GA LLC an amount to cover such expenses as might be necessary to transact the legal affairs of the LLC.

MOTION: Mr. Broussard moved to authorize the expense of up to \$25,000.00 in relation to the legal matters involving FRS-GA LLC. Mr. Birdwell seconded. The motion passed.

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

**SAIL VENTURE PARTNERS**

NOTE: By giving notice on its posted agenda, the board of trustees reserved its right to enter executive session pursuant to R.S. 42:17(A)(1) for discussion of character or professional competence of the juridical entities identified in agenda item II(1); and further, by giving notice on its posted agenda, the 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. Broussard moved to resume public session. Mr. Jeselink seconded. The motion passed unanimously. The board resumed public session.

MOTION: Mr. Broussard moved to authorize FRS' executive director to retain legal counsel to protect FRS' interest in the Sail matter. Mr. Tarleton seconded. The motion passed.

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

**MONTHLY FLASH REPORT - JANUARY 2014**

Mr. Barnes presented the monthly flash report for January 2014. (see attached Exhibit #3) The overall fund was up/down as follows: -2.2% for the month of January as compared to the allocation index of -2.0%; 5.9% for the fiscal year to date as compared to the allocation index of 7.0%; 6.1% for the trailing 12 months as compared to the allocation index of 9.4%; and 4.5% for the trailing 3 years as compared to the allocation index of N/A%.

**COMMITTEE REPORT - INVESTMENT COMMITTEE**

[NOTE: The Investment Committee met on February 12, 2014, at the FRS office in Baton Rouge at 3:00 p.m. to discuss the following business set forth in its posted agenda- (i) The FRS monthly investment performance results for January 2014, (ii) NEPC Private Equity Program Review and 2014 Strategic Investment Plan, (iii) NEPC memorandum regarding PIMCO organizational leadership changes, and all matters related to the foregoing items. The minutes of that meeting are embedded herein. Committee members present were Stacy Birdwell, chairman; Afranie Adomako, John Broussard (for State Treasurer Kennedy), Mayor Mayson Foster, and Jerry Tarleton. Also present were, Mayor Jimmy Durbin, Steven Stockstill, Kelli Rogers, Layne McKinney, Sara Etheridge, and David Barnes.]

Committee chairman Birdwell gave the committee report and, in doing so, he recognized Mr. Barnes who provided information to the board as follows:

- Private Equity Program Review

Mr. Barnes indicated discussed the January 2014 flash report including a brief discussion of the asset classes and managers.

Mr. Barnes then discussed the NEPC Private Equity Update (see attached Exhibit #4). He began with an explanation of the macro environment for calendar year 2014, including NEPC's expectation that bottom-up manager assessment will take the forefront in that period. He then explained NEPC's tactical recommendations for certain PE strategies, including Buyouts/Growth Equity, Direct Lending, Distressed, Mezzanine, Secondaries, Venture Capital, and Energy. Mr. Barnes then directed the board's attention to NEPC's recommendations which included a \$50mn allocation for 2014 vintage year funds, i.e., \$25mn for a buyout manager and \$25mn for a secondaries manager. He said the buyout piece of the allocation would be the "anchor" of the PE portfolio and the secondaries allocation would gain the system an early return and provide diversification. Mr. Barnes explained the targets for strategies such as Venture, Growth/Buyout, Mezzanine, Secondaries, Distressed, Energy, and Fund of Funds. He said, if the board approves the stated targets, then he would adjust the FRS investment policy to reflect the targets. Mr. Barnes then summarized by placing the NEPC recommendations before the board.

Mr. Birdwell noted that the FRS investment committee heard the presentation by NEPC, including the PE allocation recommendations and the committee recommended that the full board adopt the NEPC recommendations.

MOTION: Mayor Durbin moved to adopt the FRS investment committee's recommendation. Mr. Tarleton seconded. The motion passed.

Mr. Barnes noted that FRS currently allocates about 7½% of the total portfolio to PE. He said he could run the numbers to show what impact it would have on the portfolio if the PE target were left at 8%. He said that the newly approved commitments would not significantly impact the system from reaching the 8% target, but NEPC would re-run the pacing plan using an 8% assumed target and show the impact it would have on the expected return of the portfolio over the next 5 to 7 year period if the target is reduced from 12% to 8% and the impact it would have on the pacing plan.

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

- PIMCO Organizational Changes

Mr. Barnes discussed the NEPC memorandum regarding the restructuring of investment personnel at PIMCO. (see attached Exhibit #5) He said PIMCO is now on the NEPC watch list, but there is no recommended action at this time.

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

- HB80 - Proposed Investment Bill (2014 RS)

Mr. Barnes said that the essence of HB80 is that it sets a universal investment policy for all covered pension plans regulating how it is invested in bonds, the average quality of the bond portfolio, how much can be invested in alternative investments and how the phrase "alternative investments" is defined. He said the first thing that NEPC noted is that the definition of alternatives is very broad, including any unregistered stocks or bonds. That even incorporates bonds that are held in a traditional bond portfolio but are not registered. He said that some of NEPC's ideas about broadening the mandate within the FRS fixed income portfolio would be impacted by that definition. The definition would include such things as bank loans, which NEPC does not consider an alternative investment.

Mr. Barnes provided a NEPC report titled "House Bill No. 80, Commentary on Impact to Firefighters' Retirement System of Louisiana". (see attached Exhibit #6) He explained the report. The board discussed the commentary of NEPC. Following that discussion, the board requested that NEPC take into consideration the goals and objectives of the FRS portfolio and return to the board in February with any suggested "tweaks" that would allow FRS to attain its goals within the parameters of the tweaked bill.

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

This concluded the investment committee report.

#### **STATEMENT OF PLAN NET ASSETS AND STATEMENT OF CHANGES IN PLAN NET ASSETS FOR Q2, 2013**

Mr. Layne McKinney presented the board with the Statement of Plan Net Assets and Statement of Changes in Plan Net Assets, as of December 31, 2013. (see attached Exhibit #7) He advised that the plan's net assets have increased by \$101.1 million since the end of the year audit (June 30, 2013). The total receivables for FRS increased by \$14.8 million, primarily due to two receivables from GMT Capital and Argonaut. Domestic equities increased \$26.5 million, primarily due to opening three new index positions with Mellon Capital. Global equities decreased \$44.1 million, primarily due to sell-offs or capital distributions from three funds, KBC, BlackRock, and Thornburg. International equities increased \$83.8 million, primarily due to increasing the existing positions in

Fisher and LSV. Emerging market equity increased \$62.9 million, primarily due to three positions that FRS did not have at the close of last fiscal year, Acadian, Mellon Beta, and OFI. Core fixed income decreased \$11.8 million, primarily due to FRS reducing its position in PIMCO. Emerging market debt increased \$58.1 million, primarily due to opening a new position with Stone Harbor. Hedge fund positions decreased \$81.4 million, primarily due to the system's effort to liquidate its hedge fund holdings. Private equity decreased \$9.5 million. Real estate increased \$50.8 thousand, which was a minor adjustment. Property, plant, and equipment decreased \$22.7 thousand, which was primarily due to accumulated depreciation. Notes receivable increased \$612.7 thousand, which was primarily due to the new St. George note authorized by legislation passed in the 2013 legislative session. Mr. McKinney then explained the components that resulted in the \$101.1 million increase of plan net assets. This included all contributions to FRS, netted out by all deductions, thereby arriving at the increase of plan net assets.

Mayor Foster asked a question regarding the percentage of the total FRS portfolio that is held in the Mellon Capital Management portfolio and whether that holding is sufficiently diversified. Mr. Barnes of NEPC addressed the board in answer to Mayor Foster's questions.

MOTION: Mr. Birdwell moved to approve the Statement of Plan Net Assets and Statement of Changes in Plan Net Assets for Q2, 2013. Mr. Jeselink seconded. The motion passed.

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

**2014 LEGISLATION**

Mr. Stockstill presented the original version of the following bills which had been prefiled in the legislature as of the date of the board meeting-

HB65*	Montoucet	RETIREMENT/FIREFIGHTERS: Authorizes the board of trustees of the Firefighters' Retirement System to adopt group trust provisions pursuant to Internal Revenue Service rulings
HB66*	Montoucet	BOARDS/COMMISSIONS: Requires state-affiliated physicians to serve on the State Medical Disability Board upon request of the Firefighters' Retirement System
HB67*	Montoucet	RETIREMENT/FIREFIGHTERS: Provides relative to the accrual rate and Deferred Retirement Option Plan participation in the Firefighters' Retirement System
HB75*	Montoucet	RETIREMENT/FIREFIGHTERS: Requires court order be provided to the Firefighters' Retirement System before the system can seize or garnish benefits of a member
HB76*	Montoucet	RETIREMENT/FIREFIGHTERS: Provides relative to the removal of a former spouse as a designated beneficiary of an active member of the Firefighters' Retirement System

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HB77*	Montoucet	RETIREMENT/FIREFIGHTERS: Provides for conversion of leave to service credit in the Firefighters' Retirement System
HB80	Miller	RETIREMENT/STATE-STWIDE: Provides relative to investments by the state, statewide, and Harbor Police retirement systems
SB4	Peacock	FIREFIGHTERS RETIREMENT: Provides benefits for members hired on or after January 1, 2015. (6/30/14)
SB6	Martiny	FIREFIGHTERS RETIREMENT: Adds an additional retiree representative to the board of trustees. (6/30/14)

After reviewing and discussing each bill, the board took the matter under advisement for further consideration.

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

**ADJOURNMENT**

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

**FUTURE MEETINGS**

**FRS Investment Committee  
3100 Brentwood Drive  
Baton Rouge, Louisiana  
Wednesday, March 12, 2014 at 3:00 p.m.**

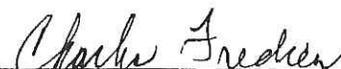
**FRS Board of Trustees  
3100 Brentwood Drive  
Baton Rouge, Louisiana  
Thursday, March 13, 2014 at 8:30 p.m.**

SUBMITTED BY:

APPROVED BY:



Steven S. Stockstill, Executive Director



Mr. Charles Fredieu, FRS Chairman