



## **FIREFIIGHTERS RETIREMENT SYSTEM**

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### **MEETING OF THE BOARD OF TRUSTEES FEBRUARY 14, 2013**

A meeting of the Board of Trustees was held on February 14, 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.

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  
Greg Curran  
Yvonne Utz  
David Barnes  
Danny Laird  
Martin Moore

#### **MINUTES**

MOTION: Mr. Birdwell moved to approve the minutes of the board meeting held on December 14, 2012. Mayor Durbin seconded. The motion passed.

**FIREFIGHTERS' RETIREMENT SYSTEM  
BOARD MEETING**

**FEBRUARY 14, 2013  
PAGE 2**

MOTION: Mr. Birdwell moved to approve the minutes of the board meeting held on January 10, 2013. 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: Mayor Foster moved to approve the new member applicants. Mr. Tarleton and Mayor Durbin jointly 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. Jeselink moved to approve the new retiree applicants. 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 Sue LaCaze Desadier, surviving spouse of Donald Jerald Desadier. He stated that the application was in order.

MOTION: Mr. Jeselink moved to approve the application for Sue LaCaze Desadier. Mr. Tarleton seconded. The motion passed.

Mr. Starns presented the application of Hazel Marie Washington, surviving spouse of Horace Joseph Washington. He stated that the application was in order.

MOTION: Mr. Jeselink moved to approve the application of Hazel Marie Washington. Mr. Tarleton seconded. The motion passed.

Mr. Starns presented the application of Shirley Tucker Goldman, surviving spouse of Edward Lemle Goldman, Jr. He stated the application was in order.

MOTION: Mr. Jeselink moved to approve the application of Shirley Tucker Goldman. 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

**FIREFIGHTERS' RETIREMENT SYSTEM  
BOARD MEETING**

**FEBRUARY 14, 2013  
PAGE 4**

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)

[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 application for the disability retirement of ██████████. 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 job-related disability retirement and to discontinue the requirement for disability recertification.

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

██████████ - Mr. Starns presented the application for the disability retirement of ██████████. He advised the board that based upon the report by State Medical Disability Doctor, Dr. Thad Broussard, the staff recommendation was for the denial of job-related disability retirement

MOTION: Mayor Durbin moved to enter executive session. Mr. Birdwell and Mayor Foster jointly seconded. The motion passed unanimously. The board entered executive session.

MOTION: Mr. Broussard moved to resume public session. Mr. Tarleton seconded. The motion passed unanimously. The board resumed public session.

MOTION: Mayor Durbin moved to accept the staff recommendation and deny the application as a job-related disability. Mr. Jeselink seconded. The motion passed.

- Disability Recertification Applicants

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.

[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 recertification applicant.]



██████████ - Mr. Starns presented the application for disability recertification of ██████████. Mr. Starns stated that the applicant was seen by Dr. William Jekot, State Medical Disability Doctor on January 22, 2013. In his report, Dr. Jekot stated, that "In my opinion the patient is totally disabled as a firefighter and will eventually come to a (sic) knee replacement."

Based upon the report of Dr. William Jekot, the staff recommendation was for the continuation of disability retirement and the approval of discontinuance of disability recertification.

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

#### **NCPERS/PRUDENTIAL INSURANCE COMPANY**

Mr. Stockstill referred to a letter received from Gallagher Benefit Services, stating the reasons Gallagher's legal counsel found that Gallagher could not comply with the proposed Indemnity and Hold Harmless Agreement provided by FRS counsel.

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

#### **FRS LB#1 - ADVISORY COMMITTEE**

MOTION: Mr. Birdwell moved to recess the board meeting. Mr. Tarleton seconded. The motion passed. The board meeting recessed.

[NOTE: Ordinarily, business related to the property known as "Nothing Left To Prove", which is owned and held solely by FRS LB#1, LLC, would be discussed as an agenda item for the FRS board of trustees. Such discussions only involve providing the FRS board with information. No business decisions regarding FRS LB#1 are made. In this instance, the matter involved a business decision with a legally binding effect. For that reason, the FRS board of trustees recessed its regular meeting. Then, a meeting of the FRS LB#1 Advisory Committee was held, comprised of all FRS trustees present. See minutes of FRS LB#1 dated 02/14/13 for more information relative thereto. Thereafter, the FRS board of trustees reconvened its regular business meeting.]

MOTION: Mr. Birdwell moved to reconvene the board of trustees meeting for FRS. Mr. Tarleton seconded. The motion passed.

#### **MONTHLY FLASH REPORT - JANUARY 2013**

Mr. Barnes presented the monthly flash report for January 2013. (see attached Exhibit #3) The overall fund was up/down as follows: 2.9% for the month of January as compared to the blended index of 2.8%; 9.5% for the fiscal year to date as compared to the blended index of N/A%; 6.4% for

the trailing 12 months as compared to the blended index of N/A%; and 7.4% for the trailing 3 years as compared to the blended index of N/A%.

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 February 13, 2013, at the FRS office in Baton Rouge Louisiana, at 3:00 p.m. to discuss the following business set forth in its posted agenda -(A) The FRS monthly investment performance results for January 2013, (B) FRS quarterly investment report, (C) Global Asset Allocation educational presentation, (D) FRS written Investment Policy Statement, (E) NEPC analysis of request for additional investment capital by Sail Venture Management o/b/o Sail Pre-Exit Acceleration Fund, LP, (F) FRS Investment Portfolio Summaries, 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, Perry Jeselink (alternate for John Broussard), Mayor Mayson Foster, Jerry Tarleton, and Charlie Fredieu. Also present were Mayor Jimmy Durbin, Steven Stockstill, Kelli Rogers, Layne McKinney, Susan Waite, David Barnes and Rhett Humphreys.]

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

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

### **QUARTERLY INVESTMENT REPORT**

Mr. Barnes provided NEPC's first quarterly performance report. (see attached Exhibit #4) Because this was the first such report being submitted by NEPC, Mr. Barnes explained the structure and format of the report. He said the initial section deals with market movement; the second is plan performance versus peer groups and benchmarks as well as the performance of the underlying managers versus peer groups and benchmarks; and the last section of the quarterly report goes into characteristics of the underlying portfolios as well as what drove performance.

Mr. Barnes explained that the performance of the overall plan is a function of three factors: (1) How the market moved; (2) FRS' position relative to that market movements; and (3) Did the underlying managers within each of those markets out-perform or under-perform according to the asset class.

He said market performance in the fourth quarter of 2012 was a risk-on environment and most equity and bond markets did well. When looking at how FRS was positioned relative to the quarter's market



movements, FRS was a little over-weight in global equities, significantly underweight in bonds, and had a very high cash allocation. The bond target, according to the current Investment Policy Statement is 22.5%, but the holdings only equal about 11%. Cash is up to around 9%. NEPC took a look at this and discussed where to put that cash to work. He said NEPC recommends reallocating \$95,000,000.<sup>00</sup> from the cash account to the PIMCO Total Return Fund, an existing FRS manager, to move FRS closer to its policy target for fixed income.

The reallocation of \$95,000,000.<sup>00</sup> is likely to be a temporary parking spot for two to six months. The PIMCO Total Return Fund is liquid and the average duration is significantly lower than Orleans Capital, another existing FRS manager. The average duration of the PIMCO fund (the measure of the interest rate sensitivity) is at four years whereas Orleans is at 5½ years, which means that if interest rates rise over that period, losses will be less in the PIMCO Total Return Fund than they would if the funds had been reallocated to the Orleans fund for that temporary time period. That was the basis for NEPC's recommendation and it was presented to the investment committee.

Mr. Birdwell indicated that the FRS investment committee recommended to move \$95,000,000.<sup>00</sup> in cash to the PIMCO Total Refund Fund.

MOTION: Mr. Birdwell moved the investment committee recommendation in the form of a motion. Mr. Broussard questioned the idea of putting the funds in fixed income at this time. After further input by Mr. Broussard and discussions between Mr. Broussard, Ms. Rogers and Mr. Barnes, Mayor Durbin seconded. The motion passed.

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

#### **GLOBAL ASSET ALLOCATION EDUCATIONAL PRESENTATION**

Mr. Birdwell noted that the Global Asset Allocation educational presentation was given to the investment committee.

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

#### **FRS 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 with a brief review of the first part of the FRS Investment Policy and the items discussed as a part thereof. (see attached Exhibit #5) Mr. Barnes went on with a general discussion of the second part of the FRS Investment Policy, including Investment Practices for all applicable

managers, applicable proxy voting guidelines, brokerage policy, securities lending, manager-selection procedures, Rate of Return Objectives, Communications and applicable reporting requirements for all applicable managers.

Ms. Rogers advised the board that further discussion of the information provided would take place at the next board meeting in order to allow sufficient time for board members to review and prepare comments and questions.

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 recommendation was that the board decline investing additional capital in the SAIL Acceleration Fund. Mr. Birdwell indicated the investment committee recommended that FRS follow NEPC's recommendation to decline the additional SAIL investment.

MOTION: Mr. Birdwell moved the investment committee 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.

#### **FRS INVESTMENT PORTFOLIO SUMMARIES**

Ms. Rogers presented a summary which condensed the terms and conditions contained in each investment contract with a FRS investment manager. The summaries are broken down between the type of fund (private equity, hedge fund, real estate, etc.) and the manager which falls under that particular category. Ms. Rogers indicated that the information included in each summary was determined by her review of each contract, and then extracting the relevant information to include on the summary.

Mr. Barnes also advised that next quarter NEPC would present a quarterly report for the private equity funds alone. They will look at the private equity performance from a dollar weighted perspective and provide an educational piece on the difference between the time weighted rates of return shown in the flash report and the dollar weighted returns which explains how much money FRS is getting back from the investments. Mr. Barnes indicated that a similar report would also be prepared for the real estate portfolio.

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**

Mr. Stockstill advised that all four of the board sponsored bills got introduced into the legislature.

Mr. Stockstill then introduced Mr. Danny Laird whom he said had submitted a draft bill to the FRS staff that would add one retiree representative to the FRS board of trustees. (see attached Exhibit #6) Mr. Laird then addressed the board.

Detailed discussions were held regarding whether to support Mr. Laird's bill and whether to prepare an amendment to the bill providing for staggering terms for what would be the two retiree board members, or alternatively, to put in a FRS board-sponsored bill in the 2014 session inclusive of Mr. Laird's proposed change and the other items.

Mr. Broussard suggested that the board postpone taking any position regarding Mr. Laird's proposed bill until after it is determined whether Mr. Laird is able to get the proposal introduced in the legislature; then the board can review the bill in its final official form.

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

**PROPOSED POLICY - CHANGING EMPLOYERS DURING DROP**

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

**ADJOURNMENT**

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

**FUTURE MEETINGS**

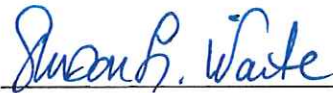
**FRS Investment Committee  
Public Safety Building  
3100 Brentwood Drive  
Baton Rouge, Louisiana  
Wednesday, March 13, 2013 at 3:00 p.m.**

**FIREFIGHTERS' RETIREMENT SYSTEM  
BOARD MEETING**

**FEBRUARY 14, 2013  
PAGE 10**

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

SUBMITTED BY:



Susan L. Waite, FRS Board Secretary

APPROVED BY:



Mr. Charles Fredieu, FRS Chairman