



## **FIREFIIGHTERS RETIREMENT SYSTEM**

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### **MEETING OF THE BOARD OF TRUSTEES MARCH 8, 2012**

A meeting of the board of trustees, was held on March 8, 2012 at the Public Safety Building in Baton Rouge. Mr. Charlie Fredieu, Chairman, called the meeting to order at 8:30 a.m.

Mayor James Durbin gave the invocation and Mr. Birdwell led the pledge of allegiance.

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

#### **MEMBERS PRESENT**

Mr. Charlie Fredieu  
Mr. Stacy Birdwell  
Mr. Jerry Tarleton  
Mr. John Broussard  
Mayor Mayson Foster  
Mayor James Durbin

#### **OTHERS PRESENT**

Steven Stockstill  
Kelli Rogers  
Jason Starns  
Penny Gandy  
Joe Meals  
Greg Curran  
Patrick Searcy  
Jim West  
Earl Bush  
Marc Norton  
James McNeil  
Perry Jesselink  
Crista Maxwell  
Walter Morales  
Bob Rust

Memorial. Chairman Fredieu advised the board that former FRS board chairman and longtime trustee Michael Hemphill passed away. He noted that Mr. Hemphill acted as chairman of the board he ran the system as director for many years. Chairman Fredieu said that Mr. Hemphill was

instrumental in building the current FRS office. Chairman Fredieu asked to have a moment of silence in memory of Mr. Hemphill.

Mr. Stockstill said he would eventually like to talk about naming the board room the "Michael D. Hemphill Memorial Board Room" with a wood and brass plaque outside the board room.

### **MINUTES**

MOTION: Mr. Birdwell moved to approve the minutes of the board meeting held on February 9, 2012. Mr. Tarleton seconded. The motion passed.

MOTION: Mr. Birdwell moved to amend his previous motion approving the minutes of February 9, 2012, to add the announcement of Kelli Rogers as the newly hired FRS Investment Officer. Mr. Tarleton seconded. The motion passed.

### **APPLICANTS**

- 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 #1).

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

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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 Glenda Holley Bloomer, surviving spouse of Andy Merle Bloomer. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application for Glenda Holley Bloomer. Mr. Tarleton seconded. The motion passed.

Mr. Starns presented the application of Andrea Leigh Bloomer, surviving handicapped child of Andy Merle Bloomer. He stated that the application was not complete because Ms. Bloomer's doctor did not provide a detailed response regarding Ms. Bloomer's disability. A request has been sent to the doctor for a detailed report on Ms. Bloomer's disability.

MOTION: Mayor Foster moved to table the application of Andrea Leigh Bloomer until more information is provided by the doctor. Mr. Tarleton seconded. The motion passed.

- Disability Conversion Applicants

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. For the applicant to become eligible for conversion, 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 ██████████ was seen by State Medical Disability Board doctor, Dr. Garland Green on September 16, 2011. Dr. Garland Green stated that ██████████ is not disabled and, based on Dr. Green's opinion, the board denied ██████████ application. ██████████ appealed the board's decision. Mr. Starns stated that a second appointment was scheduled with State Medical Disability Board

doctor, Dr. Carl Lavie. In his report, Dr. Lavie stated, "Although my initial impression was to agree with Dr. Green's assessment, I believe that the combination of moderate symptoms, a quite low exercise capacity, both aortic stenosis as well as aortic regurgitation, and the mechanical evidence of ischemia at a low workload all would prevent [REDACTED] from currently returning to the extremely vigorous exertion that is required for a firefighter. On the other hand, even with this amount of cardiac disease, [REDACTED] would be able to do a moderate amount of exertion at the job site, so he would not be disabled from jobs that require moderate exertion. However, he would not be able to perform the extremely heavy exertion that would be required for a firefighter." "Additionally, even if he was a not totally disabled from a cardiovascular standpoint in August 2009, he was forced to retire at that time despite wanting to continue working. Therefore, even without progression of his cardiovascular and valvular heart disease (as mentioned above I assume he has had progression of disease now, but is also very difficult to determine if he had some aortic stenosis in the past that was not fully detected), it would still be very difficult to return to work as a firefighter 2½ years after being forced to retire." "Therefore, in summary, I believe that [REDACTED] is disabled as a firefighter, and this disability occurred long after he enrolled in Firefighters' Retirement System on August 8, 1981. It is very difficult for me to know the exact timing of his disability, but this certainly occurred some time between August 2009 and the present time, January 20, 2012."

Based upon the reports of Dr. Garland Green and Dr. Carl Lavie, the staff recommendation was to follow the statutory procedure that applies when the board receives conflicting medical reports. In that situation, the two physicians who examined [REDACTED] and then wrote conflicting medical reports both select a third specialist to conduct a third examination and prepare a third report for the FRS board of trustees.

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

#### **MONTHLY FLASH REPORT - FEBRUARY 2012**

Mr. Joe Meals presented the monthly flash report for February 2012. (see attached Exhibit #2) He began by noting that the overall fund was up/down as follows: 2.2% for the month of February as compared to the blended index of 2.2%; 1.1% for the fiscal year to date as compared to the blended index of 5.2%; 2.3% for the trailing 12 months as compared to the blended index of 6.3%; and 14.7% for the trailing 3 years as compared to the blended index of 18.3%.

#### **COMMITTEE REPORT - INVESTMENT COMMITTEE**

[NOTE: The Investment Committee met on March 8, 2012, at the FRS office in Baton Rouge at 3:00 p.m. to discuss and take action with regard to the following business that was set forth in its posted agenda: (A) The FRS monthly investment performance results for February 2012, (B) FRS Asset

Allocation Study, (C) Feasibility of reallocating assets held by Barrow Hanley into a public equity portfolio; (D) Use of standardized scorecards for evaluation of managers during search process; (E) Comprehensive review of Consulting Services Group; and all matters related to the foregoing items. Committee members present were Stacy Birdwell, chairman; John Broussard, Mayor Mayson Foster, Dr. Steven Procopio, Jerry Tarleton and Charlie Fredieu, ex officio. Also present were Joe Meals, Stephanie Little and Margaret Corley. The minutes of that meeting are embedded herein.]

Committee chairman Birdwell recognized Mr. Joe Meals to give the investment committee report.

- **AEW**

Chairman Fredieu advised the board that Marc Norton and James McNeil from the Hotel, Food and Service Workers' Union had a dispute with an existing FRS manager, AEW. He advised the board that the union representatives would like to be placed on the agenda to discuss this dispute.

MOTION: Mr. Birdwell moved to add this item to the agenda. Mr. Tarleton seconded. The motion passed unanimously.

Mr. Marc Norton advised the board that AEW Capital Management, an existing FRS manager, owns Hotel Frank in San Francisco, California. He said that in 2010 the hotel was sold to a division of Wells Fargo Bank and in December 2010 AEW purchased the hotel from Wells Fargo. Mr. Norton said that AEW brought in a new management team called Provenance. Mr. Norton stated that Provenance did not honor the union contract that was in place at Hotel Frank. He further noted that Provenance has not paid any medical or pension benefits since May 2010. He further noted that Provenance fired many employees who had worked at the hotel for years. Mr. Norton advised the board that in September 2010 a boycott of the hotel was held by the workers and supported by the union.

Mayor Foster asked what Mr. Norton would like the FRS board to do. Mr. Norton said that he would like the FRS board to do two things. He said that he would like FRS to ask the CEO of AEW to come before the FRS board and explain what procedures are being done to deal with this issue. He advised the board that he would like FRS to hold off any additional investments in AEW until this matter is resolved. Mayor Foster noted that Mr. Norton is asking FRS to place the board into the management function of one of FRS' investments. Mr. Stockstill advised the board that taking this step might place FRS in a position of assuming some liability. Mr. McNeil advised the board that because of the boycott on Hotel Frank, customers are not visiting the hotel, which in turn is generating less revenue for the investment.

With regard to Mr. Norton's request to "hold off" any additional investment in AEW, Mr. Stockstill advised the board that FRS and AEW have a contract in place and FRS has already committed to

provide capital if AEW makes a capital call. He noted that FRS might be in breach of that contract if FRS fails to satisfy its contractual obligations.

Mr. Meals stated that Mr. McNeil notified him of this issue about six weeks ago. Mr. Meals said that he, in turn, spoke with J.D. Davis, a client service representative of AEW. Mr. Davis said he would look into the situation. Mr. Meals said that Mr. Mark Davidson, the portfolio manager of AEW Fund VI, called Mr. Meals and said that AEW is aware of the situation. Mr Davidson said that AEW had requested a meeting with the union and the union was not willing to meet at that time.

MOTION: Mr. Birdwell moved to invite AEW to appear before the board and provide an update on the investment as part of the regular manager review process. Mr. Tarleton seconded. Mayor Foster opposed the motion. The motion passed 5 to 1.

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

- **Thornburg Asset Management**

Mrs. Crista Maxwell, a client service representative of Thornburg Asset Management, an existing FRS manager, presented the board with a packet of information. (see attached Exhibit #3) Mrs. Maxwell discussed such topics as the Global Opportunities Strategy Investment Team, Investment Philosophy, Investment Process, Portfolio and Risk Characteristics, Sector Attribution, Country Attribution, Purchases and Sales, Country Weights vs. Benchmark, and the Top Ten Holdings of the Portfolio.

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

- **FRS Asset Allocation Study**

Mr. Meals presented the board with a chart titled "FRS Asset Allocation Proposed Adjustments" as of February 29, 2012. (see attached Exhibit #4) He then directed the board's attention to the proposed allocation and target ranges shown on the chart. He said these are long term strategic targets. He noted that in a normal environment this is where FRS would like to be. Mr. Meals said the investment committee recommended that the full board adopt CSG's proposed asset allocation and target ranges.

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

Mr. Meals said that the investment committee further recommended that the full board reclassify the portfolio of Greenspring Associates, an existing FRS manager, from being a domestic equity investment to a private equity investment.

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

Mr. Meals said that the investment committee further recommended that the full board terminate and liquidate the existing FRS investment accounts with the asset management firms known as Barrow Hanley Inc. and Lighthouse Partners.

MOTION: Mr. Broussard moved the investment committee's recommendation regarding Barrow Hanley Inc. in the form of a motion. Mr. Tarleton seconded. The motion passed.

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

Mr. Meals said that the investment committee recommended that the full board place the system's annual allocation of the Insurance Premium Tax Fund proceeds into the FRS cash account when received.

MOTION: Mr. Birdwell moved to- (1) Deposit the 2012 allocation of Insurance Premium Tax Fund proceeds in to the FRS cash account upon receipt thereof, (2) Deposit the proceeds of the Barrow Hanley Inc. and Lighthouse Partners liquidations into newly created Vanguard accounts based on the following allocations- 60% in large cap, 20% in mid cap and 20% in small cap. Mr. Broussard seconded. The motion passed.

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

- **Standardized Scorecards for Manager Evaluations**

Mr. Meals presented the board with a copy of a CSG form that is used for purposes of evaluating investment managers based on 17 factors. (see attached Exhibit #5) Mr. Meals said that the investment committee recommended to the full board that the FRS staff be given time to review the form and possibly compare it to forms used by other systems. He noted that the form would be the same for all managers and would be sent yearly to all managers and returned to FRS in a timely fashion. Mr. Meals presented the board with a score card form that would be used for each manager participating in the search process when FRS is retaining a new manager. (see attached Exhibit #6)

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

- **Investment Consultant Diligence Questionnaire**

Mr. Meals presented the board with a Due Diligence Questionnaire form that he received from the FRS investment committee. (see attached Exhibit #7) He said the investment committee recommended a new policy requiring the FRS investment consultant to complete the due diligence questionnaire every even numbered year, by the end of the first quarter, with all numbers being reported as of the end of prior calendar year, and with the first such questionnaire being due by April 2012.

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.

- **CA Recovery Fund**

Mr. Meals advised the board that in December, 2011, FRS submitted a redemption notice to the CA Recovery Fund, an existing FRS investment. He noted that Mr. Morales, manager of the fund, despite having a 90 day period to make the redemption, stated that he was having difficult selling the positions at the price they were recorded for determining the NAV of the portfolio. Mr. Morales wanted the board to consider taking an in-kind distribution as opposed to liquidating the position. Mr. Meals noted that the investment committee recommended that the full board invite Mr. Morales to appear and explain the difficulty of selling the positions.

Mr. Walter Morales presented the board with a listing of the assets in the fund that have the largest amount of discrepancy. He noted all the assets that are mortgage backed, the asset backed security holdings and corporate holdings. Mr. Morales advised the board that the bulk of the valuation comes from the mortgage backed security holdings. He noted that, since these are less liquid assets, different bids are received from various brokers. Mr. Morales noted that he received FRS' redemption request in early December 2011. In mid December he began to value the assets. He noted that, if he had tried to liquidate the assets in December, then FRS would have been lucky to get \$.75 on the \$1.00. He noted that, by January 2012, the gap had narrowed to about 80-85% of where it was priced. He said today it is about 90% of where they are priced. Mr. Morales noted that he believes the best way to sell the assets is as a package, rather than selling them individually.

Chairman Fredieu asked Mr. Morales why he believed the value has increased in three months. Mr. Morales responded by stating that December is not a good time to put things up for bid. People are closing their books for the year and no one wants to commit any capital. Mr. Broussard advised the board that many firms have year end fiscal years and, for that reason, many firms do not like to purchase assets at the end of the year.



Mayor Foster asked Mr. Morales if FRS was the only investor in the CA Recovery Fund. Mr. Morales said FRS is not the only investor. Mayor Foster asked if there were additional securities in the fund other than the ones being discussed. Mr. Morales said only the assets where a price variance has been created are being discussed. Mr. Meals advised the board that the prices shown on the list of assets are as of 02/29/12, so these prices would be used to determine the NAV of the fund at the end of February. Mr. Meals asked Mr. Morales what the total value of the fund was at the end of February 2012. Mr. Morales responded roughly about \$30 million. Mr. Meals noted that there is about \$10 million in securities in the fund that can be cashed right away.

Mr. Morales advised the board that the options available to FRS are first, to meet the redemption deadline but do it by distributing assets in-kind. Mr. Meals advised Mr. Morales that he did not feel this was an option for FRS. Mr. Morales said that the other option would be to sell the assets, but since the statement says the assets are \$10 million, Mr. Morales believes FRS could only get \$9 million for them at this time. Mr. Morales further said that another option is to give FRS the cash the fund will have at the end of the month and take more time to finish up the rest of the redemption. Chairman Fredieu asked Mr. Morales if all other investors have asked for redemptions, also. Mr. Morales advised the board that the bulk of the investors have asked for redemptions.

MOTION: Mayor Durbin moved that, upon agreement with Mr. Morales, FRS would receive a pro rata share of the cash in the CA Recovery Fund and, in consideration, FRS gives Mr. Morales a 30-day extension to liquidate the Fund assets, and FRS gets the greater of the value as calculated upon the expiration of the original redemption payment date or the value on the date the assets are actually sold, whichever is in FRS best interest. Mr. Broussard seconded.

Mr. Meals noted that he believes Mayor Durbin's point is, if there is \$10 million in readily available cash, then it should be dispersed to the investors who have asked for redemptions. Mr. Meals said that he recommends FRS give Mr. Morales a one-month extension.

MOTION: Mayor Durbin moved to amend his previous motion to include the condition that his motion is only effective if MERS approves the same extension. Mr. Broussard seconded.

MOTION: After further discussions, Mayor Durbin moved to withdraw his primary and amended motion. Mr. Broussard withdrew his second. Mr. Birdwell withdrew his second. The motions were withdrawn.

MOTION: Mr. Broussard moved that, upon written agreement, Mr. Morales is to liquidate those securities in the CA Recovery Fund that he is able to immediately liquidate and make payment of 100% of the proceeds in the estimated amount of \$10 million to the investors that currently have redemption requests pending and, in turn, the investors would agree to extend the redemption date

and payable date by a period of 30 days without any preconditions, subject to concurrence by the MERS board. Mayor Durbin seconded. The motion passed.

Mr. Stockstill advised that, if the liquidation is not concluded by next month's board meeting, then the matter will be placed on the agenda for discussion.

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

That concluded the investment committee report.

**IN THE MATTER OF THE COMPANIES LAW (2011 REVISION); IN THE MATTER OF  
FIA LEVERAGED FUND**

[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)(1) for discussion of character or professional competence of the juridical entities identified in agenda item III(2); the board of trustees further 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 judicial matters cited in agenda item III(2); all pertinent notifications had been provided.]

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

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

MOTION: Mr. Broussard moved to authorize the FRS executive director and any FRS board member or approved staff member to attend an upcoming judicial hearing regarding the Winding Up Petition styled as *In the Matter of the Companies Law (2011 Revision) and In the Matter of FIA Leveraged Fund*, FSD No. 0013/2012, In the Grand Court of the Cayman Islands, Financial Services Division, with concurrent approval of all related reasonable travel expenditures. Mayor Durbin seconded. The motion passed.

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

**FRS V. REGIONS BANK, ET AL**

This item was deferred until the April 2012 board meeting.

**IN RE ROBERT BLACK & KELLY J. BLACK (LAND BARON)**

This item was deferred until the April 2012 board meeting.

**IN RE SAND SPRING CAPITAL III**

This item was deferred until the April 2012 board meeting.

**2012 LEGISLATIVE SESSION**

Mr. Stockstill advised the board that the 2012 Legislative Session begins Monday, March 12, 2012. He noted that the Senate Retirement Committee will meet on Tuesdays during session. He noted that the House Retirement Committee has not decided on a day to meet as of this date. Mr. Stockstill noted that the first House Retirement Committee meeting will be March 15, 2012. Mr. Stockstill advised the board that there are currently five bills filed regarding FRS.

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

**2012 INSURANCE PREMIUM TAX FUND ALLOCATION**

Mr. Greg Curran advised the board that insurance premium tax fund payment will be about \$9,000 less than what was anticipated because the Insurance Department had some insurance refunds to disperse.

**ADJOURNMENT**

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

**FUTURE MEETINGS**

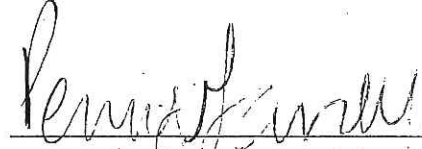
**FRS Investment Committee  
3100 Brentwood Drive  
Baton Rouge, Louisiana  
Wednesday, April 11, 2012 at 3:00 p.m.**

**FRS Board of Trustees  
3100 Brentwood Drive  
Baton Rouge, Louisiana  
Thursday, April 12, 2012 at 8:30 a.m.**


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SUBMITTED BY:

  
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Penny Gandy, FRS Board Secretary

APPROVED BY:

  
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Mr. Charles Fredieu, FRS Chairman