



FIREFIIGHTERS RETIREMENT SYSTEM

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MEETING OF THE BOARD OF TRUSTEES March 13, 2014

A meeting of the Board of Trustees was held on March 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 Mayor Foster 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
Mayor Mayson Foster
Senator Elbert Guillory
Mr. Perry Jeselink
Mr. Jerry Tarleton

OTHERS PRESENT

Steven Stockstill
Layne McKinney
Jason Starns
Sara Etheridge
David Barnes
Margaret Corley
Bob Rust
Ashley Porche
Michelle Cunningham
Bill Stamm
Jacob Putnam
Brad Cryer

MINUTES

MOTION: Mr. Birdwell moved to approve the minutes of the board meeting held on February 13, 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.

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- 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 Vicki Marcom Baughman, surviving spouse of Donald Farris Baughman. He stated that the application was in order.

MOTION: Mr. Jeselink moved to approve the application of Vicki Marcom Baughman. Mr. Tarleton seconded. The motion passed.

Mr. Starns presented the application of Delores Manning LaPoole, surviving spouse of Gregory James LaPoole. He stated that the application was in order.

MOTION: Mr. Jeselink moved to approve the application of Delores Manning LaPoole. Mr. Birdwell seconded. The motion passed.

Mr. Starns presented the application of Katherine Lomax Sarrett, Peyton Ashton Sarrett, and Braden Cole Sarrett, the surviving spouse and children of James Brandon Sarrett. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application of Katherine Lomax Sarrett, Peyton Ashton Sarrett, and Braden Cole Sarrett. Mr. Tarleton seconded. The motion passed.

Mr. Starns presented the application of Mary Helen Jones Seal, surviving spouse of Murton Hayward Seal, Jr. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application of Mary Helen Jones Seal. Mr. Jeselink seconded. The motion passed.

DUTY v. FRS

[NOTE: By giving notice on its duly 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 matters referenced in agenda item II(1); all pertinent notifications had been provided.]

Chairman Fredieu called for the next item of business, which was the lawsuit styled as *Duty v. FRS et al.*, Suit No. 81,283A, 10th Judicial District Court, Parish of Natchitoches.

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. Mr. Tarleton 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.

MONTHLY FLASH REPORT - FEBRUARY 2014

Mr. Barnes presented the monthly flash report for February 2014. (see attached Exhibit #3) The overall fund was up/down as follows: 3.0% for the month of February as compared to the allocation index of 2.9%; 9.0% for the fiscal year to date as compared to the allocation index of 9.4%; 8.8% for the trailing 12 months as compared to the allocation index of 12.2%; and 5.0% for the trailing 3 years as compared to the allocation index of N/A%.

COMMITTEE REPORT - INVESTMENT COMMITTEE

[NOTE: The Investment Committee met on March 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 February 2014, (ii) FRS asset allocation update and recommendations, (iii) Presentation of NEPC Secondaries Manager Market Survey and profile of three fund managers recommended by NEPC as candidates for the FRS board to interview, 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, Charlie Fredieu (ex-officio), Perry Jeselink (alternate), and Jerry Tarleton. Also present were, Steven Stockstill, Layne McKinney, Sara Etheridge, Rhett Humphries, 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:

- Asset Allocation Update

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

Mr. Barnes then discussed the FRS Asset Allocation Update (see attached Exhibit #4), including NEPC's 2014 capital market observations, general actions for NEPC clients, focused actions for public funds, and focused actions for FRS. He discussed the current targets for each asset class in the FRS portfolio and compared that to the amount of funds allocated to each asset class as of January 31, 2014, all on a percentage basis. Mr. Barnes used the hedge fund class as an example and showed that the current target is 5% of the FRS portfolio for that asset class, but the actual allocation is only equal to 1%. He then showed three alternative targets for which NEPC recommended that the board choose one of the three. However, in continuing NEPC's analysis of the hedge fund class, Mr. Barnes showed that all three alternative targets allocate 0% to the hedge fund class. He indicated that the FRS portfolio could achieve the goal of diversity without the unmeasurable risks associated with hedge funds. Mr. Barnes then addressed the treatment of the Private Equity asset class as recommended in each of the three alternative targets, which ranged between 0-12%.

Mr. Barnes then presented NEPC's recommended asset allocation mix which was nominated as "Alternative Mix B". He said that mix reduces the hedge fund allocation to 0% of the overall FRS portfolio, keeps the private equity allocation at about 8%, and takes the other 9% that was created by those reductions and spreads it evenly across all the other asset classes. Lastly, he indicated that the recommended mix included minimum and maximum rebalancing ranges as shown on the NEPC report to maintain the optimal risk profile.

MOTION: Mr. Birdwell stated that the FRS investment committee voted to adopt NEPC's recommendation of Alternative Mix B, along with the rebalancing ranges, and to make all appropriate changes to the FRS written investment policy if approved by the board, and he moved that recommendation in the form of a motion. Mr. Tarleton seconded. After further lengthy discussions, the motion passed. Senator Guillory abstained from voting.

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

- Private Markets, Secondaries Investment Strategy and Market Survey

Mr. Barnes recalled that last month (February 2014) the FRS board approved an overall \$50 million commitment to the private equity asset class for calendar year 2014. He said that included a recommendation of \$25 million to be allocated to the secondaries sector and \$25 million to be allocated to buy-out growth managers. He said the NEPC team considers the \$50 million allocation to be a "reboot" of FRS' private equity program because the system had not allocated any funds to that asset class in vintage years 2012 and 2013. For that reason, NEPC recommended that the FRS board start with the secondaries search. He then described the meaning of the secondaries market

and the function of a secondaries manager. He also described the make up of a secondaries fund and a secondaries fund-of-funds. For added context, he explained the "J curve" affect of private equity investing and how secondaries managers avoid negative returns by investing in mature companies or funds that hold mainly mature companies.

Mr. Barnes then presented the NEPC Secondaries Market Survey (see attached Exhibit #5) which identifies large, institutional managers and newer managers that may have come across NEPC's radar screen. He drew the board's attention to a chart in the survey showing about 45 institutional quality managers in the secondaries market. He said that only about 15 of the 45 are presently open for new investors. He said NEPC's role is to identify the top 3 or 4 that are available to FRS and that NEPC believes is the most appropriate for FRS, giving consideration to the fact that those managers have made it through NEPC's due diligence process.

Mr. Barnes then presented the NEPC Private Equity Secondaries Manager Search report. (see attached Exhibit #6) He indicated that NEPC recommended the following three managers as being the most appropriate for the FRS board to interview- Deutsche Bank Alternative Asset Management Fund III, Landmark Partners Fund XV, and Lexington Capital Partners Fund VIII. He provided a summary of information for the individual funds and then covered their biographies in greater detail. Mr. Barnes said that, if the FRS board's intent is to interview two managers, then NEPC would recommend the two brand-name funds, Landmark and Lexington. He said, if the board desires to interview three managers, then NEPC would recommend adding Deutsche Bank as the third.

MOTION: Mr. Birdwell stated that the FRS investment committee voted to recommend interviewing Landmark and Lexington and he moved that recommendation in the form of a motion. Mayor Foster seconded. The motion passed. Senator Guillory abstained from voting.

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

This concluded the investment committee report.

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

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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
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)

- HB80 Miller

Regarding HB80, Mr. Stockstill reported that a meeting was held with Representative Miller. At that meeting Representative Miller indicated that he was not yet certain whether he was going to ask for his bill to be heard. Moreover, Representative Miller committed that, if he decided to ask for the bill to be heard, then he would first give FRS a chance to meet and explain the amendments as suggested by NEPC. For that reason, Mr. Stockstill asked the board to postpone taking any action on HB80.

- SB4 Peacock

Regarding SB4, this bill provides regarding the benefits of FRS members hired on or after January 1, 2015. The board engaged in a lengthy discussion involving all board members present. Upon conclusion of the discussion the following motions were made-

MOTION: Mr. Birdwell moved to oppose SB4 in its current form. Mr. Jeselink seconded.

SUBSTITUTE MOTION: Senator Guillory moved to take a position of neutrality to first allow a meeting between the author of the bill and other interested parties to take place. Mayor Foster seconded.

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Chairman Fredieu recognized the substitute motion as being the motion of higher rank and called for a roll call vote, which was cast as follows- Fredieu, abstain; Birdwell, nay; Adomako, abstain; Foster, yea; Guillory, yea; Jeselink, nay; and Tarleton, yea. The motion failed. [NOTE- R.S. 11:2260(A)(6) provides, in part- "An affirmative vote by at least five members of the board of trustees shall be necessary for a decision by the trustees."]

Chairman Fredieu then called the primary motion to the table and likewise called for a roll call vote, which was cast as follows- Fredieu, yea; Birdwell, yea; Adomako, abstain; Foster, nay; Guillory, nay; Jeselink, yea; and Tarleton, nay. The motion failed.

- SB6 Martiny

Regarding SB6, this bill proposes to add an additional retiree representative to the board of trustees.

MOTION: Mayor Foster moved that the FRS board take no position regarding SB6. Mr. Tarleton seconded. The motion passed.

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

GASB STANDARD NOS. 67 AND 68

[NOTE- Trustee Training. By giving notice on its duly posted agenda, it was noted that the subject of GASB Standard Nos. 67 and 68, as promulgated by the General Accounting Standards Board regarding the recognition and reporting of pension liabilities, including any unfunded accrued liability may be applied as credit for trustee training pursuant to R.S. 11:185.]

Michelle Cunningham (Duplantier Hrapmann) led a group presentation regarding the subject of GASB Standard Nos. 67 and 68. Also participating in the presentation were Bill Stamm (Duplantier Hrapmann), Jacob Putnam (Curran and Associates), and Brad Cryer (Louisiana Legislative Auditor's Office). Mrs. Cunningham had previously written a letter to FRS explaining certain aspects of GASB 67 and included a summary of required footnotes and supplementary information that must be included in FRS' financial statements beginning in the present audit cycle (FY 13-14) and continuing in each year thereafter. She also provided a set of two "white papers" regarding GASB Standard Nos. 67 and 68 that had been written by Duplantier Hrapmann. (see attached Exhibit #7). During the presentation all members of the panel gave input into the discussion as items related to their area of expertise arose.

After the discussion noted above, the board members engaged in a lengthy question and answer session resulting in an educational process that, in any other setting, would cost several thousands of dollars to bring together on one panel this number and quality of experts.

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

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ADJOURNMENT

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

FUTURE MEETINGS

**FRS Board of Trustees
3100 Brentwood Drive
Baton Rouge, Louisiana
Wednesday, April 9, 2014 at 3:00 p.m.
and
Thursday, April 10, 2014 at 8:30 a.m.**

SUBMITTED BY:

APPROVED BY:



Steven S. Stockstill, Executive Director



Mr. Charles Fredieu, FRS Chairman