



FIREFIIGHTERS RETIREMENT SYSTEM

P.O. Box 94095, Capitol Station
Baton Rouge, Louisiana 70804-9095
Telephone (225) 925-4060 • Fax (225) 925-4062



MEETING OF THE BOARD OF TRUSTEES
April 9, 2014 and
April 10, 2014

A meeting of the Board of Trustees was held on April 9, 2014 and April 10, 2014 at the Public Safety Building in Baton Rouge. Mr. Charlie Fredieu, Chairman, called the meeting to order at 3:00 p.m. on April 9, 2014.

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

Mrs. Sara Etheridge called the roll. A quorum was present.

MEMBERS PRESENT

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

OTHERS PRESENT

Steven Stockstill
Layne McKinney
Jason Starns
Sara Etheridge
Greg Curran
David Barnes
Jeff Roberts
Paul Schmidt

April 9, 2014

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

INTERVIEWS - PRIVATE EQUITY SECONDARIES MARKET MANAGER

The board of trustees interviewed two Private Equity Secondaries Market manager RFP candidates that were previously selected by the board of trustees at their meeting held in March, 2014. The candidates and applicable representatives are as follows:

Landmark Partners

Chad Alfeld, Partner

Jason Neal, Vice President

Lexington Partners

Duncan Chapman, Partner

Lee Tesconi, 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 a total of one-hour, with the format being 45 minutes for the 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, David Barnes and Jeff Roberts, senior consultant with the NEPC Private Equity Research Group. (see attached Exhibit #1)

Chairman Fredieu recognized Messrs. Barnes and Roberts to provide NEPC's analysis of the RFP respondent interviews.

Mr. Roberts indicated that both candidates are very high quality firms. He further stated that, while Lexington is a NEPC preferred manager, one of the things NEPC cited as a potential issue is the very large fund that Lexington proposes to raise. To execute that perfectly, a market has to be there to absorb that much capital. Mr. Roberts said he felt more comfortable with Landmark, which is a similar firm, but is raising a smaller fund. He then compared and contrasted the two funds, whereupon he concluded by saying that NEPC recommended Landmark Partners as the finalist. Mr. Barnes said that the deciding factor between the two candidates is the size of fund they are seeking to raise. The following motion was made after several questions were posed by the board members-

MOTION: Mayor Durbin moved to select Landmark Partners as the Private Equity Secondaries Market Manager finalist. Mayor Foster seconded. A roll call vote was requested with the following results- Chairman Fredieu, yes; Mr. Birdwell, yes; Mr. Adomako, no; Mayor Durbin, yes; Mayor Foster, yes; Mr. Jeselink, yes; and Mr. Tarleton, yes. The motion passed.

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MOTION: Mr. Jeselink moved to select Lexington Partners on a contingency basis, to be retained only if a contract cannot be perfected between FRS and Landmark Partners. Mayor Durbin seconded. The motion passed.

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

COMMITTEE REPORT - BUDGET AND FINANCE COMMITTEE

[NOTE: The Budget and Finance Committee met on April 9, 2014, at the FRS office in Baton Rouge at 2:00 p.m. to discuss the following business set forth in its posted agenda- Discussion and action regarding FRS organizational structure and personnel succession plan, and all related matters. The minutes of that meeting are embedded herein. Committee members present were Mayor Foster, chairman; Mr. Birdwell, Mr. Jeselink, and Mr. Tarleton. Also present were, Steven Stockstill, Layne McKinney, and Sara Etheridge.]

Committee chairman Foster gave the committee report and, in doing so, he made the following motion as recommended by the Budget and Finance Committee:

MOTION: Chairman Foster moved to amend the Fiscal Year 2013-14 FRS operating budget to increase the administrative expense component from \$783,885.⁰⁰ to \$814,500.⁰⁰. Mayor Durbin seconded. The motion passed.

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

COMMITTEE REPORT - PERSONNEL COMMITTEE

[NOTE: The Personnel Committee met on April 9, 2014, at the FRS office in Baton Rouge at 1:00 p.m. to discuss the following business set forth in its posted agenda- (i) Discussion and action regarding FRS organizational structure and personnel succession plan, and all related matters. The minutes of that meeting are embedded herein. Committee members present were Mr. Birdwell, chairman; Mr. Broussard, Mayor Durbin, and Mr. Fredieu. Also present were, Steven Stockstill, Layne McKinney, and Sara Etheridge.]

Committee chairman Birdwell reported that the Personnel Committee met and reviewed certain changes in the FRS organizational structure, along with job descriptions and salary ranges for three new FRS positions, all as proposed by the executive director and, in doing so, he said the Personnel Committee recommended adoption of the changes as presented. (see attached Exhibit #2)

MOTION: Chairman Birdwell moved the Personnel Committee's recommendation in the form of a motion. Mr. Jeselink seconded. The motion passed.

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

Thereafter, Chairman Fredieu recessed the meeting.

April 10, 2014

Chairman Fredieu reconvened the board meeting. Roll was called. A quorum was present.

GASB 67/68 TESTING OF CENSUS DATA

Ms. Michelle Cunningham appeared before the board and explained that the new GASB standards will require FRS to test the census data submitted to the system from certain randomly chosen municipalities, parishes, and fire protection districts, all beginning in the current audit cycle.

Ms. Cunningham indicated that certain "white papers" recently published by the American Institute of Certified Public Accountants (AICPA) give guidance regarding how much testing should be done. (see attached Exhibit #3) She said, as a general rule, each participating employer that is a "significant employer" should be tested every year. The AICPA guidance indicates that a significant employer is any such employer that provides at least 20% of the total employer contributions paid to FRS. She said for FRS, based on last year's figures, that would be any employer that provides at least \$9.6 million of contributions. Other considerations for yearly testing might include any employer with whom FRS has had problems in the past regarding receipt of data or the accuracy of data being submitted.

Ms. Cunningham then explained the next level of employers as those who provide at least 5% of the total employer contributions paid to FRS. She said for FRS, based on last years figures, that would be any employer that provides at least \$2.4 million of contributions. Those employers would only be tested every five years.

She said, for all other employers, they would be tested once every ten years, on a rotating basis. She said the important factor is to test a representative sample of employers each year to determine the completeness and accuracy of the tested data.

Ms. Cunningham said that, if FRS does not do the testing or have someone do the testing for FRS, then that would cause the system auditor (Duplantier, Hrapmann) to do additional procedures on its end to make sure that FRS management's financial statements are fairly presented. She said the audit firm could still issue a clean opinion saying that the financial statements and footnotes are fairly stated, however, if FRS does not have the controls in place to assure that the census data is complete and accurate, then the auditor would identify that as a significant deficiency finding. If so, then that finding would have to be addressed with the legislative auditor.

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Ms. Cunningham explained that, based on the AICPA guidance, the data testing should first determine what controls are in place to assure that employees are being paid correctly and that the contributions for the eligible employees are remitted to FRS. She said that gaining an understanding of those controls and the strength of the controls will determine how much testing is needed. This can be done by selecting a random sample of employees, look to see if: (1) They have time cards or time sheets, (2) Do the time cards or sheets agree with the amount the employees are being paid. That will address whether they are being paid the correct salary. Tests should then be done to determine if each selected employee belongs in the system, meaning, is the employee eligible to be in FRS and are the correct contribution being remitted on his or her behalf.

MOTION: Upon recommendation by the executive director, Mr. Birdwell moved to enter executive session. Mr. Tarleton seconded. The motion passed unanimously.

MOTION: Mr. Tarleton moved to enter public session. Messrs. Birdwell and Mayor Durbin jointly seconded. The motion passed unanimously.

[NOTE: Action regarding the next minute entry was taken under the "Other Business" section of the agenda and, although it occurred later in the meeting, it is being reported in connection with this minute entry because the two items are directly related.]

After receiving additional information from Mrs. Cunningham and Mr. Layne McKinney, FRS' CPA, the executive director recommended that the board appoint a committee comprised of the board chairman, board vice-chairman, and himself, with authority to immediately retain an accounting firm or audit firm to conduct the testing of census data as recommended by the AICPA for the current audit cycle.

MOTION: Mr. Tarleton moved that recommendation in the form of a motion. Mayor Durbin seconded. The motion passed.

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

MINUTES

MOTION: Mayor Durbin moved to approve the minutes of the board meeting held on March 13, 2014. Mr. Tarleton seconded. The motion passed.

APPLICANTS

- New Members

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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 #4) He stated that all applications were in order.

MOTION: Mr. Jeselink moved to approve the new member applicants. Messrs. Birdwell 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 #5) 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 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

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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 Rodick Frame, surviving spouse of Robert Daniel Frame, Sr. He stated that the application was in order.

MOTION: Mr. Jeselink moved to approve the application of Amy Vicki Rodick Frame. Messrs. Birdwell and Tarleton jointly seconded. The motion passed.

Mr. Starns presented the application of Catherine Buford Hall, surviving spouse of David Clarence Hall. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application of Catherine Buford Hall. Mr. Tarleton seconded. The motion passed.

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

MONTHLY FLASH REPORT - MARCH 2014

Mr. Barnes presented the monthly flash report for March 2014. (see attached Exhibit #6) The overall fund was up/down as follows: 0.4% for the month of March as compared to the allocation index of 0.4%; 9.5% for the fiscal year to date as compared to the allocation index of 10.5%; 6.6% for the trailing 12 months as compared to the allocation index of 10.6%; and 4.9% for the trailing 3 years as compared to the allocation index of N/A%.

NEPC CIO DEPARTURE

Mr. Barnes provided the board with information regarding the departure of Mr. Erik Knutzen, who was the former Chief Investment Officer at NEPC. (see attached Exhibit #7)

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

AQR AND PUTNAM RISK PARITY MANAGER UPDATE

Mr. Stockstill explained the difference between investing in a Limited Partnership compared to a Mutual Fund. After comparing and contrasting some of the legal terms that typically apply to each of those investment vehicles, he asked the board to decide whether it is preferred to invest in the Limited Partnership offered by AQR and Putnam; or, alternatively, whether it is preferred to invest in the Mutual Fund vehicle offered by each of those firms.

Mr. Barnes explained the impact to the system's projected total return if the board opts to pay higher fees relative to the mutual fund vehicles. His analysis indicated that paying the higher fees would not "move the needle" with regard to the system's total returns.

MOTION: Mr. Birdwell moved to authorize the investment in both AQR's and Putnam's mutual funds instead of their commingled funds. Mr. Tarleton seconded. The motion passed.

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

ADJOURNMENT

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

FUTURE MEETINGS

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

SUBMITTED BY:



Steven S. Stockstill, Executive Director

APPROVED BY:



Mr. Charles Fredieu, FRS Chairman