



FIREFIIGHTERS RETIREMENT SYSTEM

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MEETING OF THE BOARD OF TRUSTEES AUGUST 9, 2012

A meeting of the Board of Trustees was held on August 9, 2012 at the Public Safety Building in Baton Rouge. 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.

Mr. Layne McKinney called the roll. A quorum was present.

MEMBERS PRESENT

Mr. Charlie Fredieu
Mr. Stacy Birdwell
Mayor James Durbin
Mayor Mayson Foster
Mr. Perry Jeselink
Dr. Steve Procopio
Mr. Jerry Tarleton

OTHERS PRESENT

Steven Stockstill
Kelli Rogers
Layne McKinney
Jason Starns
Gary Curran
Stephanie Little
Danny Laird
Mary Laird
Afranie Adomako
Connie Ezell (stenographer)

MINUTES

MOTION: Mr. Jeselink moved to approve the minutes of the board meeting held on July 12, 2012. Chief 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. Jeselink 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. Jeselink 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, and when appropriate the 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 job-related disability retirement of

Mr. Starns stated that there was a new board-procedure in place. The medical records are submitted directly to the State Medical Disability Board doctor. If the staff recommendation matches the doctor's recommendation to approve the disability, then the applicant's medical records will not be included in the board material. If his recommendation is to deny, then the medical records will be in the board material.

Mr. Starns stated that the staff recommendation is for approval of a job-related disability retirement and to discontinue the requirement for disability recertifications.

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

COMMITTEE REPORT - SYSTEM'S RECOMMENDATIONS COMMITTEE

[NOTE: The System's Recommendation Committee met on August 8, 2012, at the FRS office in Baton Rouge at 2:00 p.m. to discuss the following business set forth in its posted agenda-NCPERS/Gallagher/Prudential Decreasing Term Group Life Insurance Plan availability to FRS members and retirees. The minutes of that meeting are embedded herein. Committee members present were Mayor James Durbin, chairman; Jerry Tarlton, Perry Jeselink and Gary Curran. Also present were Charlie Fredieu, Stacy Birdwell, Stephanie Little, and Bill Robinson.]

Committee chairman Durbin gave the following committee report-

- **NCPERS/Gallagher/Prudential Request**

Mayor Durbin stated that the System's Recommendation Committee met yesterday and a presentation was made by Mr. Bill Robinson from Gallagher Benefit Services, Inc., representing Prudential Insurance Company as an insurer doing business with the National Conference on Public Employee Retirement Systems (NCPERS). Mayor Durbin explained the prior communications that had taken place between the FRS executive director and Mr. Robinson. He said Mr. Robinson was requesting that FRS furnish a third-party mailing agent with labels to be used to mail group life insurance open enrollment applications to FRS actives and retirees. Chairman Durbin said the committee determined that NCPERS/Gallagher/Prudential must formally request the labels from the FRS executive director. Also, he stated that, there is and will be no connection to or relationship with FRS, other than a request by NCPERS/Gallagher/Prudential to FRS for the mailing labels. He stated that, as a further condition, there must be a hold harmless and indemnification agreement by NCPERS/Gallagher/Prudential covering FRS in the event there is any type of claim for damages by any insured person or party. He said Mr. Robinson acknowledged that on behalf of NCPERS/Gallagher/Prudential.

The committee voted, to recommend to the full board, to authorize the FRS executive director to have the hold harmless and indemnity agreements prepared by the Kean Miller law firm in Baton Rouge. Thereafter, the agreements will be presented to the board for approval.

MOTION: Mr. Birdwell moved the committee recommendation in the form of a motion. Mr. Tarleton seconded. The motion passed.

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

MONTHLY FLASH REPORT - JULY 2012

Mr. Joe Meals forwarded the monthly flash report for July 2012. (see attached Exhibit #3) The overall fund was up/down as follows: 1.4% for the month of July as compared to the blended index of 1.4%; 1.4% for the fiscal year to date as compared to the blended index of 1.4%; 0.2% for the trailing 12 months as compared to the blended index of 8.3%; and 8.1% for the trailing 3 years as compared to the blended index of 11.4%.

COMMITTEE REPORT - INVESTMENT COMMITTEE

[NOTE: The Investment Committee met on August 8, 2012, at the FRS office in Baton Rouge at 3:00 p.m. to discuss the following business set forth in its posted agenda- (A) The FRS monthly investment

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performance results for July 2012, (B) Feasibility of investing in asset class known as High Yield Bonds (trustee training), and (C) The FRS request for ethics advisory opinion regarding CSG. The minutes of that meeting are embedded herein. Committee members present were Stacy Birdwell, chairman; John Broussard, Mayor Foster, Dr. Procopio and Perry Jeselink. Also present were Charlie Fredieu, Mayor Durbin, Stephanie Little and Joe Meals.]

Mr. Stockstill said the staff had furnished the investment committee with a set of proposed amendments to the FRS written investment policy. (see attached Exhibit #4) The proposed amendments were discussed by the investment committee members. The investment committee voted, to recommend to the full board, the adoption of the proposed amendments. He further said that, if the board is prepared to review the proposed amendments and vote on the committee recommendation without discussion, then a motion to that effect would be proper. However, if the board chooses to discuss the matter, then executive session would be the recommended procedure as duly posted on the FRS meeting notice.

MOTION: Mr. Birdwell moved the investment committee 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.

TRUSTEE EDUCATION - HIGH YIELD BOND ASSET CLASS

[NOTE: By giving notice in Item III(1)(B) of its duly posted agenda, and pursuant to R.S. 11:185(D)(3), the FRS board of trustees reserved its right to receive training conducted by the FRS investment consultant. The training was presented during the FRS investment committee meeting to the following trustees, who all signed an attendance sheet relative thereto- Charlie Fredieu, Stacy Birdwell, John Broussard, Mayor Durbin, Mayor Foster, Perry Jeselink, and Dr. Procopio. The training involved but was not limited to the following subjects: The definition of High Yield Bonds, and the market value risk, credit risk, interest rate risk, counter-party risk, inflation risk and concentration risk relative thereto.]

Mr. Meals referenced the trustee education that was provided to attendees of the FRS investment committee. He briefly explained the subject of the High Yield Bonds and described the material that was presented during the educational session. (see attached Exhibit #5)

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

CONSULTING SERVICES GROUP - SALE OF SUBSIDIARIES

Mr. Joe Meals provided an update regarding Consulting Services Group (CSG). CSG concluded a transaction in July where it sold certain subsidiary companies to an independent third party, including a wealth management company and hedge fund for a little over \$1 million. The money was in the company to be used for working capital and further system development. He advised that this left CSG with just one subsidiary company, their registered broker dealer. CSG is currently in discussions with a potential buyer for the broker dealer. Mr. Meals noted that, with these transactions, CSG will only have an institutional consulting practice. He noted that ownership of CSG has not changed as a result of this, but what CSG owns and where its sources of revenue come from has changed so that it will only be a consulting firm. Along with that transaction, Mr. Meals noted that three or four of CSG's employees resigned and have gone with the clients that went with the companies that were sold off. Lee Giovinetti is one of those who is no longer an employee of CSG even though he has retained his ownership in the firm.

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

FIA LEVERAGE FUND, ET AL.

[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; and the same matter pending In the Court of Appeal of the Cayman Islands, Civil Appeal No. 6 of 2012]

[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(3); 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 matter referenced in agenda item III(3); all pertinent notifications had been provided.]

MOTION: Mr. Birdwell moved to enter executive session. Mr. Jeselink 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.

BROYLES V. CANTOR FITZGERALD & CO. ET AL

[Joseph N. Broyles v. Cantor Fitzgerald & Co., et al., Civil Action No. 3:10-854-JJB-SCR, United States District Court, Middle District of Louisiana consolidated with Joseph N. Broyles, et al. versus Cantor Fitzgerald & Co. et al., Civil Action No. 3:10-857-JJB-SCR, United States District Court, Middle District of Louisiana; and In re Sand Spring Capital III, Case No. 11-13393, US Bankruptcy Court, District of Delaware - A consolidation of five funds managed by Commonwealth Advisors]

[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(4); The board of trustees further reserves 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 III(4); all pertinent notifications had been provided.]

MOTION: Mayor Foster moved to enter executive session. Mr. Birdwell 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: Mayor Durbin moved to substitute Reasonover & Olinde Law Firm with Fisher & Haygood Law Firm and Broyles Law Firm to act as co-counsel for FRS. Mr. Birdwell seconded. The motion passed.

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

**IN RE ROBERT BLACK & KELLY J. BLACK, DEBTOR
IN RE MICHAEL ALLEN CHERNINE, DEBTOR**

[In re Robert Black & Kelly J. Black, Debtor, Case No. BK-S-11-16998-BAM, and In re Michael Allen Chernine, Debtor, Case No. BK-S-11-16999-BAM, both pending in US Bankruptcy Court, District of Nevada]

Mr. Van Mayhall recalled that FRS had previously purchased an ownership interest in five separate parcels of real estate located in St. George, Utah. He said that the principles of Land Baron LLC (Black and Chernine) manage the property for FRS and Land Baron LLC also has a co-ownership interest in the same parcels of property. Mr. Mayhall further recalled that the board had previously authorized him to take steps to remove Land Baron and its principles from managing any of the real estate properties in which FRS has an ownership interest. He said that, in order to accomplish that

objective, it was necessary to give Land Baron (and its underlying investors) total ownership of one of the five parcels. In return, Land Baron (and its underlying investors) would forfeit any ownership interest in the other four parcels, thereby leaving FRS and other allied pension plans as the sole owners thereof. Mr. Mayhall said the net effect of the ownership exchange was to disassociate Land Baron (and its principles) from any of the FRS-owned properties and a corresponding increase in value of the four remaining parcels in which FRS has an ownership interest. He said that he had explained the proposed ownership interest exchange to the FRS executive director at a point where time was of the essence because the transaction had been negotiated with multiple owners and it needed to be concluded while all were in agreement. Mr. Mayhall said that, based on the FRS board's prior instruction to remove Land Baron (and its principles) from management, the FRS executive director gave his approval to conclude the ownership interest exchange transaction and removal of Land Baron (and its principles) as managers. Mr. Mayhall said that, although he and the FRS executive director was acting on prior board authority, Mr. Stockstill suggested bringing the matter before the full board for ratification of the transaction. That way there will be no question or cloud hanging over the title to the properties. Likewise, the board had previously approved the hiring of the Wakefield firm to manage the properties. He said that had been done and he was seeking ratification of that transaction too.

MOTION: Chief Tarleton moved to ratify the exchange of the St. George, Utah property as described by Mr. Mayhall and the retention of the Wakefield firm for property management purposes. Mr. Birdwell seconded. The motion passed.

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

ACTUARIAL STUDY - CONVERSION OF UNUSED SICK AND ANNUAL LEAVE

Mr. Stockstill stated that this matter had been brought to the board by Mr. Bob Burkett from the Jefferson Parish Fire Department and also Mr. Mike Sands, Human Relations representative of the City of Lafayette. Both had expressed an interest in having this study done.

Mr. Gary Curran provided the board with the results of his study of the actuarial impact of allowing the conversion of unused sick and annual leave to retirement credit. (see attached Exhibit #6) He explained several scenarios and the costs associated therewith. Mr. Curran said that, from a pure cost standpoint, the feature could be designed as neutral to FRS and the city would pay a reduced value for unused leave compared to what it would have otherwise paid. He said that FRS is at risk, either positive or negative. He noted that if FRS earns more than the assumed interest rate, then FRS profits from the transaction; but, if FRS earns less, then FRS takes a loss. Mr. Curran said that, even if the transaction is 100% neutral, with no gain or loss, the margin is a little bit more volatile with respect to the cost to FRS. He noted that this is because when FRS puts the additional liability on its books, then its cost becomes more volatile. Mr. Curran said that many issues need to be figured out prior to the drafting of a bill regarding this matter.

MOTION: Chief Tarleton moved to table discussion of requesting legislation authorizing the conversion of unused sick and annual leave to retirement credit. Mayor Durbin seconded. The motion passed.

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

NON-JOB RELATED/JOB-RELATED DISABILITY

Mr. Stockstill raised the following policy question for the board's consideration- Where a disability retiree is currently receiving non-job related disability benefits, can he subsequently apply to convert to a job-related disability? He said the statutes do not give a clear indication of how to treat this question and there is no policy currently in place.

Mr. Fredieu referenced a provision of law requiring a person to make application within a certain period of time.

Mr. Starns advised that R.S. 11:215(B) sets forth a time limit to file a disability application, i.e., within 30 days after the exhaustion of all sick and annual leave for which the applicant is eligible. He said that R.S. 11:215(C) states that, if the application is not filed while the member is in service, then it is presumed that the disability was not incurred during active employment.

Mr. Stockstill said the policy raises a couple of questions. One- If the disability retiree already had a choice to apply for job or non-job related benefits, and he chose to apply for non-job related benefits, and he was approved for non-job related benefits, does that end the matter on that injury (res judicata) or can he later apply for an upgrade to job-related benefits? Two- Is he disqualified from applying because the law requires a person to be a "member" to apply for benefits and he, by definition, is not a member, he is a beneficiary. Mr. Stockstill said that, based on a plain reading of the law, it appears that a beneficiary would not be able to subsequently upgrade his status in these circumstances.

MOTION: Mayor Durbin moved to adopt a policy holding that, once a member applies for non-job related disability benefits and is approved and the person goes past the period of being a member of the system, then the non-job related disability beneficiary is not statutorily eligible to subsequently apply for job-related disability benefits based on the same injury that gave rise to the non-job related disability benefits. Mayor Foster seconded.

MOTION: After further discussion, Mr. Tarleton made a superceding, non-debatable motion to table the entire subject matter. The board unanimously seconded. The motion passed.

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

POLICIES AND PROCEDURES REGARDING R.S. 11:191

Mr. Jason Starns advised the board that FRS currently has an employee who is employed on a full time basis with a fire department. This employee asked the following question for which there is no law or system policy- If a full time fire department employee goes to work on a full time basis for another fire department at the same time, would he contribute to the retirement system on both employments? Mr. Starns advised the board that R.S. 11:191 addresses dual employment and requires the person to be a contributing member of each retirement system during the term of his dual employment, but he cannot earn more than one year of service credit in any one year. Mr. Starns raised questions regarding, among other things, eligibility for disability related to the second job and how to calculate the final average compensation of the employee. All these being questions that are based on such rare circumstances that it has not lead to policies regarding dual employment being previously adopted.

Chairman Fredieu noted that, if the person is working full time for two different employers, then the jobs are separate and they should be treated as such for retirement purposes. Mr. Stockstill said if that is the consensus of the board, then a board policy should be adopted to that effect.

MOTION: Mr. Tarleton moved to have the staff recommend a policy to the board at a future board meeting. Mayor Foster seconded. The motion passed.

MOTION: Mayor Durbin moved to table this discussion. Mr. Tarleton seconded. The motion passed.

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

FUTURE MEETINGS

**Investment Committee
Public Safety Building
3100 Brentwood Drive
Baton Rouge, Louisiana
Wednesday, September 12, 2012 at 3:00 p.m.**

**FRS Board of Trustees
Public Safety Building
3100 Brentwood Drive
Baton Rouge, Louisiana
Thursday, September 13, 2012 at 8:30 a.m.**

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SUBMITTED BY:


Penny Gandy, FRS Board Secretary

APPROVED BY:


Mr. Charles Fredieu, FRS Chairman