



FIREFIIGHTERS RETIREMENT SYSTEM

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MEETING OF THE BOARD OF TRUSTEES September 11, 2014

A meeting of the Board of Trustees was held on September 11, 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 Mr. Birdwell 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
Mr. Broussard
Mayor David Amrhein
Mayor Jimmy Durbin
Mr. Perry Jeselink
Mr. Jerry Tarleton

OTHERS PRESENT

Steven Stockstill
Layne McKinney
Jason Starns
Sara Etheridge
Michael Becker
David Barnes
Gary Curran
Paul Schmidt
Bob Klausner
Bob Rust
Nancy LaGarde
Tommy Meagher
Hank Habicht

MINUTES

MOTION: Mr. Birdwell moved to approve the minutes of the board meeting held on August 14, 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. Mayor Durbin and Mr. Tarleton 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. Birdwell moved to approve the new retiree applicants. Mr. Tarleton seconded. The motion passed.

SAIL VENTURE PARTNERS II AND LOUISIANA SUSTAINABILITY FUND

[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)(1) for discussion of character or professional competence of the juridical entities identified in agenda item II(1); The FRS board of trustees further reserved its right to enter executive session pursuant to R.S. 42:17(A)(1) 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 regarding the juridical entities identified in Agenda Item II(1); all pertinent notifications had been provided.]

Mr. Hank Habicht appeared on behalf of Sail Capital Partners (SCP) which is the investment manager of the Sail Venture Partners II and Louisiana Sustainability funds. He provided the board with a hard copy of a power point slide program, but did not use the computer-projector for the presentation. (see attached Exhibit #3) Mr. Habicht started his presentation by acknowledging that there is a lot of concern about the first-quarter (2014) valuations of the funds. He then proceeded to update the board regarding Sail financing and provided a company-by-company valuation and explained the 2014 first-quarter valuations. He narrowed his focus to the FRS holdings and what the prospects are for better returns compared to where Sail is now because, as he expressed his belief, that those better returns are "in the works".

Mr. Habicht was presented with a one-page excerpt from one of Sail's prior power point presentations titled "Sail Capital Partners Fund Structure". (see attached Exhibit #4) The chart shows four rows identified as (1) Limited Partners, (2) Blockers, (3) Portfolio Companies, and (4) Dropdown Fund. Mr. Habicht was asked if the chart reflects the current SCP fund structure. He said this chart showed the structure as of the end of calendar year 2013 or the beginning of 2014. He further explained the following- In June 2014, when Sail Exit Partners (SEP) was created, the funds that held SNTech shares contributed those shares to SEP and SEP "assumed" Sail II XP JV. A lender ("the Chris Ryan Group") then infused \$2.75 million into SEP in the form of a loan. Mr. Habicht negotiated the terms of the loan, which included obligating all of the shares held by SEP as collateral for the loan. The managing principals of Sail Capital Partners approved the loan by the Chris Ryan Group. At the time that approval was given, Mr. Habicht and Mr. Walter Schindler were the only managing principals authorized to consider approving or denying the transaction. Two of the five managing principals had retired by then and a third had been moved to less than full-time status and with no right to vote on this matter. On or about the beginning of June 2014, a meeting was held for the specific purpose of considering the \$2.75 million transaction and both Messrs. Habicht and Schindler voted for its approval. When the transaction was executed, about \$350 thousand of the \$2.75 million was paid directly to SCP in the form of management fees. An additional approximately \$800 thousand was paid in the form of professional fees to banks and lawyers, and a commission was paid to an unidentified individual and an associate in New York city who were contracted as agents for SCP. Of the approximately \$800 thousand, roughly \$500 thousand was paid in the form of legal fees and the balance was paid as a commission. Of the \$2.75 million, about \$1.6 million was actually applied as funding for the portfolio companies, primarily SNTech.

Upon question by Mr. Broussard, Mr. Habicht confirmed that, not only had all of the SNTech shares been contributed to SEP, but all shares of all of the other portfolio companies formerly held by Sail Venture II and Louisiana Sustainability had also been contributed to SEP, thereby leaving no direct ownership of the former portfolio companies.

Mr. Habicht fielded questions from other board members regarding the SCP funds and then closed out his presentation with final comments.

MOTION: Mr. Birdwell moved to enter executive session. Mr. Tarleton seconded. The motion passed unanimously.

MOTION: Mayor Durbin moved to resume public session. Mr. Tarleton seconded. The motion passed unanimously.

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

FRS COLA AUTHORITY

Mr. Bob Klausner addressed the board regarding the FRS board of trustees' authority to grant a cost-of-living adjustment (COLA). He observed that there had been some discussion amongst all of the statewide retirement systems whether the current statutes authorize a board to grant a COLA if all the preconditions are satisfied; or, alternatively, whether a board must first seek the passage of additional legislation to do so. He said that the Sheriff's Pension and Relief Fund asked him to look into the matter and the sheriffs and assessors had already asked for an AG opinion on the subject.

Mr. Klausner opined that the statutes give the FRS board specific authority to pay a COLA if a certain series of financial events is established. He said there are legal advisors for other governmental entities taking the position that additional legislation is necessary to pay a COLA. He cited some research that had been performed by PAR (Public Affairs Research Council) saying that the prohibitory language in the Louisiana Constitution regarding retirement benefits does not address COLAs. (Art. 10, Sec. 29(F) "Benefit provisions for members of any public retirement system, plan, or fund that is subject to legislative authority shall be altered only by legislative enactment.") In summary he said that he finds no impediment for FRS to grant a COLA, and there is no need for any additional legislation, assuming the system meets all of the financial requirements.

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

2013 ACTUARIAL VALUATION - HEALTHY ANNUITANT TABLE

[NOTE: At the end of the board meeting held on August 14, 2014, in the agenda item named "Other Business", Mr. Greg Curran explained that a mortality table contained in the FY2013 Actuarial Valuation had been mislabeled. He requested that the board re-adopt the valuation, but to re-adopt

the newly (correctly) titled table included therein. Since that substantive action had not been included on the August 2014 board meeting agenda, the matter was carried forward to this September 2014 board meeting, whereupon it was included on the pertinent agenda.]

Mr. Gary Curran explained that this item regarded a "type-o" in the prior year's actuarial valuation and asked the board to make a technical correction.

MOTION: Mr. Birdwell moved to adopt the table identified as "RP2000 Healthy Annuitant Table" in lieu of the table identified as "RP2000 Combined Healthy Table" as set forth in the FRS 2013 Actuarial Valuation. Mr. Tarleton seconded. The motion passed.

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

MONTHLY FLASH REPORT - AUGUST 2014

Mr. Barnes presented the monthly flash report for August 2014. (see attached Exhibit #5) The overall fund was up/down as follows: 2.0% for the month of August as compared to the allocation index of 1.9%; 0.5% for the fiscal year to date as compared to the allocation index of 0.8%; 11.7% for the trailing 12 months as compared to the allocation index of 14.9%; and 7.1% for the trailing 3 years as compared to the allocation index of N/A%.

COMMITTEE REPORT - INVESTMENT COMMITTEE

[NOTE: The Investment Committee met on August 10, 2014, at the FRS office in Baton Rouge at 3:00 p.m. to discuss the following business set forth in its posted agenda- Discussion and action regarding FRS investments, including but not limited to: (i) The FRS monthly investment performance results for August 2014, (ii) Real Estate strategic plan, (iii) Update regarding existing FRS manager known as Timbervest, (iv) FRS property known as Nothing Left to Prove and/or Cielo Crossing, and (v) FRS property known as St. George Air Parc, and all matters related to the foregoing items. The minutes of that meeting are embedded herein. Committee members present were Mr. Birdwell, chairman; Mr. Adomako, Mr. Broussard, Mr. Jeselink, and Mr. Tarleton. Also present were Mr. Fredieu, Mayor Amrhein, and Mayor Durbin. Also present were David Barnes, Sean Ruhman, Steven Stockstill, Layne McKinney, and Sara Etheridge.]

- Timbervest

Mr. Barnes advised that NEPC has provided the board with a memo explaining that an SEC administrative law judge has issued a cease and desist order to the FRS asset manager known as Timbervest related to a previous transaction in a portfolio separate from that of FRS. (see attached Exhibit #6) He said a disgorgement order had also been issued to Timbervest in the sum of \$1.9 million, plus interest.

MOTION: Mr. Birdwell stated that the FRS investment committee voted to recommend that Timbervest be placed on the FRS watch list for the reasons explained in the NEPC memo, and he moved the committee's 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.

- Real Estate Strategic Plan

[NOTE- Trustee Training. By giving notice on its duly posted agenda, it was noted that discussions of the subject of Real Estate as an investment class may be applied as credit for trustee training pursuant to R.S. 11:185.]

Mr. Barnes recalled that he presented the FRS investment committee with educational information related to formation of an FRS Real Estate Strategic Plan. (see attached Exhibit #7) He then confirmed that, next month, NEPC will bring to the FRS board the profiles of all such managers being considered for recommendation by NEPC.

MOTION: Mr. Birdwell stated that the FRS investment committee voted to recommend the commitment of \$35 million for allocation to Private Real Estate Core managers and he moved that 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.

- **FRS-LB#1 NOTHING LEFT TO PROVE/CIELO CROSSING**

Mr. Stockstill, acting in his capacity as manager of FRS-LB#1, presented information regarding a recently received broker price opinion (BPO) relative to the Cielo Crossing property. He explained that, based on the BPO, he was considering instructing the broker to leave the subject property "off the market" for a one-year period at which time a new assessment of marketing feasibility will be considered. After receiving further details, the FRS board, acting in its capacity as "advisory committee" to the manager of FRS-LB#1, moved as follows-

MOTION: Mayor Durbin moved to recommend that the manager hold the Cielo Crossing property "off the market" for a period of one year at which time a new marketing feasibility assessment should be conducted. Mr. Tarleton seconded. The motion passed.

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

• **FRS-LB#3 ST. GEORGE AIR PARC**

Mr. Stockstill, acting in his capacity as manager of FRS-LB#3, presented information regarding a recently received broker price opinion (BPO) relative to the St. George Air Parc property. He explained that, based on the BPO, he was considering instructing the broker to leave the subject property "off the market" for a one-year period at which time a new assessment of marketing feasibility will be considered. After receiving further details, the FRS board, acting in its capacity as "advisory committee" to the manager of FRS-LB#3, moved as follows-

MOTION: Mayor Durbin moved to recommend that the manager hold the St. George Air Parc property "off the market" for a period of one year at which time a new marketing feasibility assessment should be conducted. Mr. Tarleton seconded. The motion passed.

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

ADJOURNMENT

Mr. Birdwell moved for adjournment of the meeting. Mr. Tarleton seconded. The motion passed.

FUTURE MEETINGS

**FRS Investment Committee
3100 Brentwood Drive
Baton Rouge, Louisiana
Wednesday, October 8, 2014 at 03:00 p.m.**

**FRS Board of Trustees
3100 Brentwood Drive
Baton Rouge, Louisiana
Thursday, October 9, 2014 at 08:30 a.m.**

SUBMITTED BY:


Steven S. Stockstill, Executive Director

APPROVED BY:


Mr. Charles Fredieu, FRS Chairman