



## **FIREFIIGHTERS RETIREMENT SYSTEM**

3100 Brentwood Drive  
Baton Rouge, Louisiana 70809  
Telephone (225) 925-4060 • Fax (225) 925-4062



### **MEETING OF THE BOARD OF TRUSTEES October 09, 2014**

A meeting of the Board of Trustees was held on October 09, 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  
Mr. Perry Jeselink  
Mr. Jerry Tarleton

#### **OTHERS PRESENT**

Steven Stockstill  
Layne McKinney  
Jason Starns  
Sara Etheridge  
Michael Becker  
Rhett Humphries  
Gary Curran  
Paul Schmidt  
Stephanie Little

#### **MINUTES**

MOTION: Mr. Birdwell moved to approve the minutes of the board meeting held on September 11, 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 #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. Messrs. Jeselink and Broussard jointly seconded. The motion passed.

- Disability Recertification Applicant

PROCEDURE: Once each year during the first five years following the initial board of trustees approval for disability retirement, and once every three year period thereafter, all disability retirement members must undergo a medical examination by a state medical disability board doctor who must recertify that the disability retiree continues to be disabled from performing his duties.



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This recertification is required for the continuation of a disability member's benefits. The state medical disability board doctor's report has been provided to the board trustees.

[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 recertification applicant.]

██████████ - Mr. Starns presented the application for disability recertification of ██████████. Mr. Starns stated that the applicant was seen by Dr. Andrew Morson, State Medical Disability Doctor on September 17, 2014.

Based upon the report of Dr. Andrew Morson, the staff recommendation was for the discontinuation of disability allowance.

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

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

**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.]

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

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

MOTION: Mr. Broussard moved to authorize the FRS executive director to retain legal counsel in this matter and to incur the necessary reasonable expenses relative thereto. Mr. Jeselink seconded. The motion passed.

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

**LITIGATION - COMMONWEALTH FUNDS**

[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(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 matters referenced in agenda item II(2); all pertinent notifications have been provided.]

The board attended to the lawsuits styled as *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; and all related matters.

MOTION: Mr. Broussard moved to enter executive session. Messrs. Jeselink and Tarleton jointly seconded. The motion passed unanimously.

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

MOTION: Mr. Birdwell moved to authorize representatives of the FRS board of trustees to attend the mediation relative to the above captioned lawsuits to be held on October 29-30, 2014, and to further authorize those representatives to settle the claims asserted directly by FRS and the claims asserted on behalf of the Commonwealth funds. Mr. Tarleton seconded. The motion passed.

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

**MONTHLY FLASH REPORT - SEPTEMBER 2014**

Due to the date of the board meeting and the timing of investment data availability, or lack thereof, there was no flash report for the month of September 2014.

**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 September 2014, (ii) Real Estate strategic plan, (iii) Update regarding resignation of key portfolio manager at PIMCO, 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 Rhett Humphries, Steven Stockstill, Layne McKinney, and Sara Etheridge.]

Mr. Birdwell gave the investment committee report.

- Core Real Estate Manager Interview/Selection

Mr. Birdwell observed that Mr. Rhett Humphries presented the investment committee with a written presentation titled "Core Real Estate Fund Review". (see attached Exhibit #3) Mr. Humphries explained NEPC's analysis of the overall Core Real Estate market, and then narrowed down his discussion to six particular core real estate funds.

MOTION: Mr. Birdwell reported that the investment committee recommended that the FRS board invite AEW Core Property Trust, ASB Allegiance Real Estate Fund, and Heitman America Real Estate Trust to appear before the board for the purpose of conducting interviews and selection of two core real estate managers, and he moved that 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.

- PIMCO - Key Personnel Transition

Mr. Matt Clark appeared on behalf of PIMCO to provide a PIMCO leadership and transition update. (see attached Exhibit #4) Mr. Clark discussed certain high profile clients that had recently redeemed their accounts/assets from PIMCO. He said that, at the time of the recent announcement of Mr. Bill Gross' resignation from PIMCO, the fund size was approximately \$225 billion and now it is about \$185 billion. The asset depletion has been about 10-15% of assets under management. Mr. Clark said that, due to market conditions as early as 2013, PIMCO began preparing itself for redemptions by adding liquidity to the portfolio. As such, PIMCO is well postured for the redemptions related to Mr. Gross' departure from the firm.

Mr. Broussard observed that FRS invested in the PIMCO Total Return Fund. He said he checked the Bloomberg website and it lists Bill Gross as the portfolio manager and the same for the Morningstar website. Now Mr. Gross has left the firm. Mr. Broussard said the PIMCO Total Return Fund is supposed to be a core bond fund and it is the largest allocation to any manager in the entire FRS portfolio. He further observed that it is, in fact, an Alternative Fixed Income Fund, it is not core. Mr. Broussard noted that as his objection to the current PIMCO allocation and added to that the abrupt departure of the man who is the portfolio manager and the face of the firm. For those reasons, and for the good of FRS, he recommended a reallocation of the assets.

Mr. Clark said that Mr. Broussard's observations are (and have been) made by others in the industry. He acknowledged that the fund is not a Core Fund, but he then defined it as a Core Plus Fund. He said it will use a much wider range of instruments and also a much wider range of sectors.

Mr. Birdwell reported that Mr. Rhett Humphries presented the investment committee with a written presentation titled "Index Fund Manager Summary". (see attached Exhibit #5) Mr. Humphries explained NEPC's analysis of Index Fund market, including the tracking record and performance of seven particular managers.

The board thoroughly discussed the options available relative to Mr. Broussard's and NEPC's recommendations.

MOTION: Following those discussions, Mr. Birdwell noted that the investment committee recommended liquidation of the FRS-PIMCO account, in its entirety, and reallocating those assets into the BlackRock Fixed Income Index, and he moved that 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.

This concluded the Investment Committee report.

#### **LITIGATION - MATTHEWS V FRS, ET AL**

[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 III(2); all pertinent notifications have been provided.]

The board attended to the lawsuit styled as *Matthews v. FRS, et al.*, Suit No. C633379, 19<sup>th</sup> Judicial District Court, East Baton Rouge Parish, Louisiana; and all related matters.

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

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

MOTION: Mr. Broussard moved to authorize the retention of Mr. Henry Olinde to act as counsel in the above captioned matter, including the expenses relative thereto. Mr. Birdwell seconded. The motion passed.



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

**CONVERSION OF LEAVE (ACT NO. 403, 2014 R.S.)**

The board entered discussions on the topic of this item but, through those discussions, it became apparent that more information would be needed for the board to fully address the subject. For that reason, the discussion was postponed until such information could be compiled and provided.

**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, November 12, 2014 at 02:00 p.m.**

**FRS Board of Trustees  
3100 Brentwood Drive  
Baton Rouge, Louisiana  
Thursday, November 13, 2014 at 08:30 a.m.**

SUBMITTED BY:

APPROVED BY:



Steven S. Stockstill, Executive Director



Mr. Charles Fredieu, FRS Chairman