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MEETING OF THE BOARD OF TRUSTEES
October 9, 2013 and
October 10, 2013

A meeting of the Board of Trustees was held on October 9, 2013 and October 10, 2013 at the Public Safety Building in Baton Rouge. Mr. Charlie Fredieu, Chairman, called the meeting to order at 2:00 p.m. on October 9, 2013.

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

Mrs. Susan Waite called the roll. A quorum was present.

MEMBERS PRESENT

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

OTHERS PRESENT

Steven Stockstill
Kelli Rogers
Layne McKinney
Jason Starns
Susan Waite
Margaret Corley
Gary Curran
David Barnes
Rhett Humphreys
Paul Schmidt
Bob Rust

October 9, 2013

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

INTERVIEWS - GLOBAL TACTICAL ASSET ALLOCATION MANAGER

The board of trustees interviewed three Global Tactical Asset Allocation manager RFP candidates that were selected by the board of trustees at their meeting held in September, 2013. The candidates and applicable representatives are as follows:

BlackRock
Douglas E. McNeely
Oscar D. Pulido, CFA

Grantham, Mayo, Van Otterloo & Co., LLC (GMO)
Edmund Bellord
Drew Tamoney

PIMCO/Research Affiliates (PIMCO/RA)
Matt Clark, CFA - PIMCO
John M. West, CFA - RA

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 Rhett Humphreys. (see attached Exhibit #1)

Chairman Fredieu recognized Mr. David Barnes to provide NEPC's analysis of the RFP respondent interviews.

Mr. Barnes indicated that, if the board asked NEPC to rank the three candidates, NEPC would rank them as follows - BlackRock (first), GMO (second) and PIMCO/RA (third). Mr. Barnes explained that with BlackRock and GMO it is a matter of splitting hairs between the two regarding which would rank higher or lower. BlackRock is not reliant on the underlying suite of funds for implementation. They can go anywhere and do anything through the direct securities selection. GMO and PIMCO, if they want to implement a US equity allocation, then GMO is resigned to looking at the US equity product of GMO, or PIMCO is resigned to looking at the US equity products of PIMCO. For PIMCO it is not that big of an issue in a fixed income fund as they have a large suite of fixed income products. For GMO it is not that big of an issue on the equity side as they have a large suite of equity products. Mr. Barnes indicating that, like last month, all of these managers are appropriate. This is only getting down to which one is most appropriate for FRS.

Mr. Barnes continued by advising that when you look at PIMCO, they only have a few equity funds to chose from. They have stocks plus, small cap stocks plus, emerging markets plus and a global equity portfolio. They are a little restricted on how to move the gears on the equity side. Same thing with GMO on fixed income. They are an equity shop, just like PIMCO. There is a little limitation there whereas for BlackRock, where they are building the portfolios from the ground up by security selection, there is not quite that restriction. The fees are attractive for all of them. GMO is the lowest at .59 basis points, the commingled fund for BlackRock is .67 basis points, and then you see a big jump to .86 basis points for PIMCO. Mr. Barnes characterized BlackRock as having a few more tools in the bag.

Chairman Fredieu stated that he had some issues with GMO, and that maybe it was just due to their presentation, but that he would not judge them solely on who was sent to handle the presentation. Mr. Birdwell and Mayor Foster both agreed.

Mr. Stockstill reminded the board of the question he asked the GMO representatives, and caught them in a trap. He said the marketers from GMO indicated that in 2008 they "offered" their clients an in-kind distribution, which leads you to believe redeeming investors had a choice to receive cash or in-kind securities. But, upon further inquiry, the GMO representatives clarified that GMO "required" their investors to take a portion of their redemptions in-kind. Mr. Stockstill indicated that GMO was not very straight forward with board and, for that reason, he would call into question anything else they said.

Chairman Fredieu then indicated that looking at PIMCO's results in the last five years, they by far have the best figures. Mr. Broussard stated that PIMCO is predominantly a bond fund. Since 2008 if you wanted to win in the market, you had to be in bonds. There is a good reason why PIMCO out performed the last five years and conversely Mr. Broussard stated he would be willing to bet that in the next five years PIMCO is going to underperform because of that. They are a bond firm. Chairman Fredieu asked Mr. Broussard if he thought they (PIMCO) would do that good in the next five years. Mr. Broussard responded that interest rates are not going lower, the t-bill is at .5 basis points, it isn't going lower.

Ms. Rogers indicated to Chairman Fredieu that he may want to look at consistency. The percentage of positive months, BlackRock has 60% compared to GMO with 50% and PIMCO with 49%. Sixty percent of the time, BlackRock had positive months, versus GMO and PIMCO. The rolling one year basis excess returns greater than 0%, 78% of the time BlackRock had excess returns whereas PIMCO was only 55%, and that 78% is above the benchmark, that is excess returns. The rolling three year numbers are even greater.

Mayor Foster asked Ms. Rogers if she had any strong feelings regarding the candidates interviewed. Ms. Rogers responded that her only question was to Mr. Barnes regarding PIMCO mentioning the diversifying aspect, that it would be a better fit to have more of the bond exposure and is a compliment to our overall portfolio. Ms. Rogers indicated she did not know if that was necessarily the case.

Mr. Barnes responded stating PIMCO would have a really good point for this plan if the global tactical asset allocation plan was going to be made up of only one fund. However, the Global Tactical Asset fund will be paired with a Risk Parity manager where FRS will get a lot of exposure to other market environments which will entail a higher exposure to bonds, TIPS and others along those lines. By pairing PIMCO with a Risk Parity manager you will get overexposure to the bond market.

Mr. Humphreys' stated that PIMCO makes a great core holding if it is the only one. But in FRS' case, you are looking to parities to match them with PIMCO, GMO or BlackRock. You would be doubling down and getting two funds doing roughly the same thing.

Mr. Birdwell asked what made PIMCO and a Risk Parity manager correlate versus all of FRS' other investments? Why match a Global Tactical Asset Allocation fund with a Risk Parity fund?

Mr. Barnes stated that in February NEPC spoke to the board about moving money out of hedge funds and putting a 10% allocation to global asset allocations. NEPC said at that time that it would mean paring global asset allocation with risk parity so they are complimentary. BlackRock and GMO indicated today they are looking at expected returns, but tomorrow these managers are going to say we aren't forecasting returns, we are forecasting risk. To combine those two is very complimentary. Mr. Barnes continued by stating that PIMCO said they aren't forecasting returns, they were looking at balance. PIMCO is forecasting returns but they have an eye turned very close toward balance, and what NEPC is saying by paring either BlackRock or GMO, you are getting more complimentary to the paring of global tactical asset allocation and risk parity. It is not that PIMCO is not appropriate, we are splitting hairs, talking about the most appropriate for what FRS is looking to accomplish. From NEPC's perspective the most appropriate is probably BlackRock, then GMO and then PIMCO.

Mr. Humphreys' also stated that when NEPC modeled this 10% allocation, one of the words coined was the idea of creating an exotic beta, which just means we wanted to take 10% of the portfolio and make it different than the other 90%. You do that by pairing a couple of these things that look different from anything else in your portfolio and when they're put together, they definitely look different.

Chairman Fredieu asked if it was NEPC's recommendation that FRS hire just one of the global tactical asset allocation managers. Mr. Humphreys' responded in the affirmative, stating NEPC's recommendation was to hire one of the three, BlackRock, GMO or PIMCO. Mr. Birdwell asked what the amount of the investment would be, and Mr. Barnes responded 5% in the global asset allocation fund and 5% in the risk parity fund, roughly $61,000,000.00.

Ms. Rogers indicated that BlackRock has been the most consistent. Mr. Barnes agreed and added that consistency is just when looking at common time frames. When you look over BlackRock's whole history, again, in any given year it may not perform as consistently.

Chairman Fredieu asked what part, if any Merrill Lynch plays in BlackRock. Mr. Barnes responded that this team used to be in Merrill Lynch. BlackRock is a large firm, not because it just happened to grow, but by acquiring investment manager firms that it found attractive and complimented its existing product lines.

Mr. Humphreys then stated that Mayor Foster had asked him a question earlier regarding the potential conflicts of disclosure from NEPC, Mike Manning, NEPC's Managing Partner. Mr. Humphreys wanted to add a little more clarity on why there is nothing to cause concern. Mike Manning is an elected managing partner, serving a three year term. He is not a permanent president in place, lording over a bunch of partners. The other item is that he is a single digit equity holder in NEPC, which means with 33 partners he does not wield any power. He doesn't preside over the research group. The Chief Investment Officer who does report to him, is a large equity holder, comparable to Mr. Manning, along with the Director of Alternative Assets, Director of Research and Strategy, Director of Hedge Funds and Chief Compliance Officer who are all partners. NEPC's chief compliance officer does not report to Mr. Manning, he reports to NEPC's external Chairman of the Board. It would be difficult for Mr. Manning to do anything regarding his wife, who works at GMO, which would be in conflict with anything NEPC does with FRS.

Mr. Birdwell stated that it appeared that the board was in agreement regarding the top two candidates. He continued by asking Mr. Barnes that if NEPC was making this same presentation to another retirement system, would NEPC narrow it down to these same three knowing what they know regarding PIMCO. Mr. Barnes indicated that it would depend on the other systems' circumstances. If the other retirement system was not implementing a risk parity portfolio, for instance if they have a real asset portfolio where they already have TIPS and commodities stocked up when NEPC comes on to the relationship, they aren't looking for diversifying assets as they have them. They wouldn't need a risk parity portfolio. It would be a different set of candidates.

Mr. Birdwell indicated he realized it would be a different set of circumstances based on that, but NEPC knew when it recommended these three finalists, they are in NEPC's preferred list, and NEPC already had all of this data. Mr. Birdwell stated that he was just curious as to why PIMCO was thrown into the three finalists if they were going to be excluded because of the investments FRS is going to make. Mr. Barnes responded that NEPC is stating that all of them are appropriate, even if FRS chooses PIMCO.

Mr. Humphreys interjected that the answer to Mr. Birdwell's question was that NEPC can't be presumptuous. It would be wrong for NEPC to sit down with clients and say this is the guy we want, we won't show them PIMCO because we feel like this in terms of the final outcome. If FRS votes for PIMCO today, what that will mean is we go back to the analysts in Boston and talk about the best fit for risk parity, we will react to that choice. NEPC is looking ahead already.

Mr. Birdwell indicated he just meant that out of the big list was there another manager instead of PIMCO that could have been submitted as one of the three. Mr. Barnes responded in the negative.

Mr. Broussard then stated that he could give a different view. Mr. Broussard indicated that he likes the way PIMCO is set up. If they had more equity choices, he would think they would have the superior month just because the depth and breadth of their coverage. However, Mr. Broussard continued, what you have is a bond house that has a half dozen equity offerings - they don't offer the broadness needed in the kind of asset allocation model that this requires. BlackRock does not have that problem. BlackRock is every bit as big as PIMCO, they cover the earth and offer a ton of fixed income and equity. If you get right down to it, they are just more consistent.

Mr. Stockstill indicated to the board that when they make its motion to select a manager, since there are only three managers, the board should rank them so in the event that whoever the first choice is, if we can't get them for whatever reason, we can move to number two, then number three until we are able to lock in one manager.

Mr. Birdwell asked if we would be getting too many if the funds are split between two managers. Mr. Humphreys responded that if this was only a risk parity allocation and the board wanted to split the funds between two managers, that would be fine, it makes more work for staff. However, in this case, this is one area where it really doesn't set well to split. The reason is, imagine you hire two global tactical asset allocation managers who are going to try to over weight and under weight the market. From quarter to quarter, you would be paying all these fees where one quarter could go by, one manager over weighted equities, the other over weighted bonds, you broke even and paid them 60 basis points to break even. Mr. Humphreys stated he has seen clients in too many instances go in with two or three of these and through time, they end up paring it back to one.

Mr. Birdwell stated he understood what Mr. Humphreys was saying, but there was a 50/50 chance of being negative, paying the fees for losing money. Mr. Birdwell further stated that he realized looking at it that way, with two strategies and put it all in that.

MOTION: Mayor Durbin moved that to select BlackRock, in the alternative and only if BlackRock is not attainable, then the board select PIMCO, if PIMCO is not attainable, the board will go to GMO, ranked in that order. Mr. Birdwell seconded. The motion passed.

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

Thereafter, Chairman Fredieu recessed the meeting.

October 10, 2013

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

MINUTES

MOTION: Mr. Birdwell moved to approve the minutes of the board meeting held on September 11 & 12, 2013. Mr. Tarleton seconded. The motion passed.

MOTION: Mr. Birdwell moved to amend the approved minutes of the board meeting held on September 11 & 12, 2013 to make a technical correction. Mayor Durbin 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 #2) He stated that all applications were in order.

MOTION: Mr. Jeselink 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 #3) 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 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 Amy Peet Reynolds, surviving spouse of Jack Reynolds. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application of Amy Peet Reynolds. Mr. Tarleton seconded. The motion passed.

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

[NOTE: The items posted on the Agenda were all discussed during the board meeting, and although they were not discussed in the posted order shown on the Agenda, the entries are recorded here in an order that follows the posted Agenda.]

IN THE MATTER OF JOSEPH N. BROYLES V. CANTOR FITZGERALD, ET AL

[Joseph M. 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 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 III(2)(E); 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 III(2)(E); all pertinent notifications had been provided.]

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

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

MOTION: Mayor Durbin moved to authorize the law firm of Reasonover & Olinde, LLC to withdraw as counsel of record for FRS in the matter of Joseph M. 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 to undertake the representation of the Commonwealth Advisors managed funds that are emerging from bankruptcy under the control of the investors, to report to the litigation manager for those funds, enter into a new engagement letter with the ongoing representation of FRS subject to any further decisions FRS may have, to be handled under the terms of the engagement letter by the law firm of Fishman, Haygood, Walmsley, Willis & Swanson, LLP and the Broyles Law Firm, LLC. Mr. Tarleton seconded. The motion passed.

MOTION: Mayor Durbin moved to authorize the executive director to execute the waiver of conflicts letter, subject to his review and approval of same on behalf of FRS. Mr. Tarleton seconded. The motion passed.

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

JEFFERSON PARISH CIVIL SERVICE MATTER

Upon the request of Mr. Craig Burkett, Chairman Fredieu deferred this item until the November 14, 2013 meeting.

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

LOUISIANA COMPLIANCE QUESTIONNAIRE

Mr. Stockstill advised the board that the document included in its board materials was the annual audit questionnaire which has to be approved by the board. (see attached Exhibit #4)

MOTION: Mr. Broussard moved to approve the Louisiana Compliance Questionnaire. 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 2013

Mr. Barnes presented the monthly flash report for September 2013. (see attached Exhibit #5) The overall fund was up/down as follows: 3.0% for the month of September as compared to the allocation index of 2.7%; 4.2% for the fiscal year to date as compared to the allocation index of 4.0%; 12.0% for the trailing 12 months as compared to the allocation index of 11.9%; and 7.3% for the trailing 3 years as compared to the allocation index of N/A%.

After a question and answer session, the discussion of this matter was concluded with no action being needed or taken.

COMMITTEE REPORT - INVESTMENT COMMITTEE

NOTE: The Investment Committee did not meet this month.

VISION CAPITAL PARTNERS, LLC

Mr. Stockstill informed the board that this item was a continuation of business that was discussed in last month's board meeting where the board, acting in its capacity as an advisory committee to FRS-GA, recommended the termination of Vision Capital as the manager of the Gainesville, Georgia property, of which FRS-GA is a co-owner. The termination notice was provided to Vision Capital, and there is a desire to move quickly because there is a $2,000,000.00 bank account that Vision Capital might try to withdraw funds from, under any pretext possible, while winding up their management affairs.

Therefore, prior to the time notice was given to Mr. Heitner of Vision Capital, the bank that held the $2 million was given notice that Vision Capital had been terminated as manager so the bank would know that, if it allowed Vision Capital to withdraw any funds, FRS-GA might seek judicial relief against the bank for allowing a wrongful withdrawal. In order to give the bank time enough to assimilate that information throughout its staff, notice was sent to the bank before notification was sent to Vision Capital. So the time period for notice to the bank and to Vision Capital was separated.

Mr. Stockstill continued that after receipt of the termination letter, Vision Capital hired a lawyer and is challenging the procedures used to terminate the company as manager. The lawyer hired by FRS has given Vision Capital's lawyer notice that we expect that his client, Rob Heitner or Vision Capital will not use any of the funds that are in any of the accounts to pay for legal fees to challenge FRS' termination of Vision Capital's manager position.

Mr. Bob Rust, Director of MERS, then addressed the board. He informed the board that the notice letter was sent to Bank of America, which is the bank that is holding the $2,000,000.00, but our lawyer has not been able to either fax and/or get a phone call through to the legal department of Bank of America. The bank did receive the notice letter. It was sent by certified mail showing receipt of delivery of the letter. But whether or not the bank has flagged the account is still unknown. It is believed that because there is a delivery receipt for the letter, that Bank of America is ultimately responsible for the protection of that money.

Mayor Foster asked where the lawyers were located. Mr. Stockstill responded that both FRS' lawyer, and Vision Capital's lawyer were located in Georgia. Vision Capital's lawyer is Baker Donelson. Mr. Rust indicated that MERS had originally hired Kean Miller to review the documents to confirm the termination process since there are actually two separate entities that own the property. FRS formed an LLC which is an owner, and the City of Austin Police Retirement System and MERS together formed one LLC which is the other owner. In order to terminate Vision Capital, there had to be unanimous consent by all of the owners. Vision Capital has been terminated and the reasons for termination, one of which is the agreement says Vision Capital has to market the property within five years. Vision Capital has apparently never marketed the property, it has been over six years and the owners seemingly have never received anything from Vision Capital or Mr. Heitner saying the property is being marketed.

Mr. Birdwell asked Mr. Rust if the timber had been cut. Mr. Rust responded that some had been, and that Ms. Rogers was going to address the board regarding that matter. Mr. Rust continued that MERS has pushed for over two years to have Vision Capital cut timber off the property since nothing else was being done with it in order to defer some of the fees. Vision Capital never did anything until very recently, like the beginning of this year. How much is being cut and how much money is being made, where that money is, is not clear. The timber is primarily hard wood, so it probably won't be a significant yield, however Mr. Rust indicated he did not know any amounts, but that is one of the questions that MERS has.

Ms. Rogers stated that she, MERS and Austin Police had discussed going to Gainesville, Georgia, and are trying to coordinate schedules. The purpose of the trip will be to go visit Vision Capital to look at its books, general ledgers, see how many accounts they have, try to get some bank statements and things like that. Additionally, they want to meet with other managers that could replace Vision Capital once the termination goes into effect, and also go look at the property, see how much timber has been cut, what has been done with the timber.

Mr. Stockstill then stated that, previously, the board approved the transfer of funds to FRS-GA for the FRS-manager to use in hiring the lawyer with a cap of $30,000.00. It was initially expected that only $10,000.00 would be needed up front, split three ways between MERS, FRS and Austin Police, for the lawyer to do what he has done up to this point, and that would be the end of it. This is an example of trying to get rid of a manager who, rather than doing the right thing, is instead going to fight his inevitable termination. Vision Capital and/or Rob Heitner has hired Baker Donelson. This might end up in court, but hopefully not.

Mr. Rust also indicated that an appraisal has been ordered on the property.

Mayor Durbin asked how the fee accrued during the year under the contract, annually or was it paid upon reaching a certain date. Mr. Rust responded that Vision Capital sends a bill every December for the management fee for the coming year. Mayor Durbin then confirmed that Vision Capital has been paid by FRS through 2013.

MOTION: Mr. Birdwell moved to recommend that the FRS-GA manager (Mr. Stockstill) hire the attorney identified as John Almond and/or his law firm to execute the business of terminating the manager for Vision Capital, with a recommended cap on the legal fee of $30,000.00. Mr. Jeselink seconded. The motion passed.

MOTION: Mr. Jeselink moved to recommend a diligence trip to review the books and records and discover other managers that might provide the same services in Georgia. Mr. Tarleton seconded. The motion passed.

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

RISK PARITY OVERVIEW

Mr. Barnes began with a refresher on risk parity funds. Most pension plans want and need an outside return from the stock markets. The problem with just investing in the stock market is that you experience some wild swings, there is a lot of volatility in the return. Over the long term, there is a premium over risk free assets, like treasuries, but it is a fairly wild ride. Most institutional investors, whether it is an endowment, foundation or a pension plan, don't have the stomach for that wild ride. What has traditionally been added to the portfolios is bonds to add some stability. It has typically been approached by maintaining the majority of the assets in stocks, and a large minority of the asset being held in bonds to provide that stability of returns. What investors found over the years is those bonds don't quite provide the stability that was anticipated. If you decompose that volatility from that portfolio, say 60% stocks and 40% bonds what you find is the volatility of that combined portfolio is still driven largely by the stock component. Along come hedge funds, which offered another way to provide some stability. They are typically viewed as a stabilizer to the portfolio because they generally perform differently than everything in the portfolio. The idea was that hedge funds could provide better stability than what the bonds had historically provided. Ten or fifteen years later after institutional pension plans began dipping their toe in the water of hedge funds, there has been a little bit of disenchantment with hedge funds as that stabilizer largely because of unexpected problems that institutional investors had experienced, gates - when you'd go to get your money out, they'd say we will give you so much percentage this month and won't give you the rest of it until later down the road, illiquid side pockets that won't allow you to redeem for a while, blow ups, head lines, a lot of unexpected risks. Mr. Barnes continued, at NEPC for a long time have been proponents of a third way of introducing some of that stability into the portfolio, either as a compliment to hedge funds or as a replacement, depending on the clients circumstances. That third option is called global asset allocation (GTAA). Combining a GTAA manager with a risk parity manager. Risk parity is to look across the markets, look at that 60/40 traditional way of investing, not only is the risk dominated by the equities, it is really designed to perform well in one type of economic environment, where there is strong economic growth and low inflation. What risk parity does is look across the asset classes to see what is driving volatility in each asset class and try to balance the volatility across these asset classes by leveraging up the lower volatile asset classes and minimizing the exposure to some of the more volatile asset classes. When you level the risk most of the asset classes have roughly an equal risk adjusted return. What the risk parity managers try to do is figure out what is driving the volatility and how can it be stabilize or equalize the risk across the asset classes so the portfolio can be built so it performs well across a much broader range of market environments rather than only when things are going well, low inflation and reasonable growth. That is the concept behind risk parity. Does risk parity perform well in all market environments - no, there is no perfect wonder investment that will do well all the time, every time. It is positioned to do better across a broader range of environments. When would it be expected to not perform well? Several environments, first environment which it would not do well is when everything is selling off. As an investment strategy that is invested across a broad range of asset classes, and when most of the asset classes are selling off like in 2008, it will go down too. The second is when interest rate expectations experience a significant shift. For example, May and June was a prime example of when it would be expected that risk parity would underperform. The Federal Reserve made a significant announcement, to start tapering policies sooner than all of the markets expected. The market had built in expectations for interest rates to go up but they hadn't built them in to come into play that soon. So there was a huge shift in future interest rate expectations. In those cases, risk parity will underperform. The good news is, when looking back through history, those times when there have been those shifts, they have been few and far between and after those shifts, risk parities tended to do pretty well.

REQUEST FOR PROPOSAL

- Risk Parity - Request for Proposal

Mr. Barnes advised the board of the RFP search process for an allocation to a new asset class, Risk Parity manager search. A public advertisement was posted in *Pensions & Investments Magazine* and in *The Advocate* from August 5 - August 21, 2013. Eleven investment managers responded. (see attached Exhibit #6) Three candidates did not meet the minimum criteria or didn't meet the deadline. Two candidates submitted responses for products that did not fit the asset class description. Three of the six remaining candidates that responded to the RFP were on NEPC's focused placement list. The candidates were then evaluated and scored using NEPC's proprietary Performance Analysis Statistical Software. The results were reviewed by NEPC's research team and the list of candidates was then narrowed. Mr. Barnes went on to advise the board that it was NEPC's recommendation that as this is a new asset class, new managers and if FRS is going to send staff out to do onsite due diligence prior to hiring, this is the area where you want to spend those research dollars. When FRS' staff goes on site, they are not just looking at managers, they are getting comfortable with an overall asset class and can come back to the board and not just report on what they think of the underlying manager, but can report on the overall asset class itself. The other thing NEPC would propose is the candidates that are recommended, that they not interview next month, have interview in December. That will give staff time to organize a trip, do the due diligence, synthesize their thoughts and be prepared to come back and report what they found to the board. Additionally, over the past several months the board has been put through the ringer, there have been long meetings. There is no hurry so taking a breather isn't going to hurt the process.

NEPC's recommendation is to invite the following candidates for interviews by the board: (A) AQR Capital Management LLC; (B) PIMCO and (C) Putnam Investments, and to send staff to go review those managers. NEPC's researchers are going onsite with BlackRock to begin the deep evaluation process again, it is NEPC's recommendation to coordinate the FRS staff and our research team going at the same time so staff is able to discuss findings with NEPC researchers while onsite and come back and report to the board staff's thoughts on four candidates. NEPC believes it would be reasonable to select four candidates to interview. If the board decides to interview four candidates, NEPC would also recommend reducing the time for each candidate's presentation so the board has more time to hear from your investment officer for an analysis of the managers, rather than their marketing representatives.

Chairman Fredieu asked if there needed to be a motion. Mr. Stockstill stated that first the board needed to act on the candidates that NEPC is recommending to be interviewed.

MOTION: Mayor Foster moved to table the selection of the risk parity manager until the November meeting and further authorize the FRS investment officer to visit AQR, Putnam, and any other manager that the investment officer believes is appropriate for review. Mr. Tarleton seconded. The motion passed.

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

INVESTMENT MANAGEMENT CONTRACTS

Mr. Stockstill updated the board on the progress of the investment manager contracts by saying that they are progressing, that FRS has done everything it can and is waiting to hear from each investment manager as to what will accept.

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

EXCHANGE TRADED FUNDS (ETFs)

Ms. Rogers advised the board that ETF's were now being used for the emerging market exposure. Bank of New York Mellon and its transition group is managing that account. We also have gained temporary exposure to the emerging market debt market through using PIMCO who came in second in our emerging market debt search. It did not require any contract and will be able to roll from the total return fund into the emerging market debt fund.

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

ADJOURNMENT

MOTION: Mr. Birdwell 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 Investment Committee
3100 Brentwood Drive
Baton Rouge, Louisiana
Wednesday, November 13, 2013 at 3:00 p.m.

FRS Board of Trustees
3100 Brentwood Drive
Baton Rouge, Louisiana
Thursday, November 14, 2013 at 8:30 a.m.

SUBMITTED BY:

Susan L. Waite

Susan L. Waite, FRS Board Secretary

APPROVED BY:

Charles Fredieu

Mr. Charles Fredieu, FRS Chairman