



## **FIREFIIGHTERS RETIREMENT SYSTEM**

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### **MEETING OF THE BOARD OF TRUSTEES October 12, 2017**

A meeting of the Board of Trustees was held on October 12, 2017 at the Firefighters' Retirement System building in Baton Rouge, Louisiana. Mr. Stacy Birdwell, Chairman, called the meeting to order at 8:30 a.m.

Mr. Jeselink gave the invocation and Mr. Fredieu led the pledge of allegiance.

Ms. Poche called the roll. A quorum was not yet present.

#### **MEMBERS PRESENT**

Mr. Stacy Birdwell  
Mr. Perry Jeselink  
Mr. Afranie Adomako (designee of Commissioner Jay Dardenne)  
Mr. John Broussard (designee of Treasurer Ron Henson; arrived after roll call)  
Mr. Charlie Fredieu  
Mayor Ron Roberts

#### **OTHERS PRESENT**

Steven Stockstill  
Layne McKinney  
Denise Poche  
Jason Starns  
Michael Becker  
Jamie Grady  
David Barnes  
Greg Curran  
Paul Schmidt  
Annie Smith  
Emily Becker  
Farrell Crane, Jr.  
Gary Welchel

#### **MINUTES**

Prior to action, Mr. Stockstill requested that the minutes be amended as follows- On page 9, under the caption "General FRS Policies", in the sentence that reads "She stated this policy was being amended to correct out-of-date wording and job titles", between "was" and "being", insert the word

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"mainly". After amendment, the sentence will read as follows "She stated this policy was mainly being amended to correct out-of-date wording and job titles. "

MOTION: Mr. Jeselink moved to approve the minutes of the board meeting held on September 13-14, 2017, including the amendment requested by staff. Mayor Roberts 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. Jeselink moved to approve the new member applicants. Mr. Adomako seconded. The motion passed.

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

- 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 manager and verified by the system's CPA. All retirement applications were submitted and benefits calculated in accordance with all applicable state laws.

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Mr. Starns presented the list of new retirees. (see attached Exhibit #2) He stated that all applications were in order.

MOTION: Mr. Jeselink moved to approve the retiree applicants. Mr. Adomako seconded. The motion passed.

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

- 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 licence (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)

**Thomas Peter Ledet-** Mr. Starns presented the application of Thomas Peter Ledet, surviving father of Reed Thomas Ledet. He stated that the application was in order.

MOTION: Mr. Jeselink moved to approve the application of Thomas Peter Ledet. Mr. Adomako seconded. The motion passed.

**Charlotte Ann Nugent-** Mr. Starns presented the application of Charlotte Ann Nugent, surviving spouse of Fred Glynn Nugent. He stated that the application was in order.

MOTION: Mr. Jeselink moved to approve the application of Charlotte Ann Nugent. Mr. Adomako seconded. The motion passed.

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

- 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

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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, State Medical Disability Board doctor's report and all medical records related to each applicant, for their review. (R.S. 11:215, 216, 218, & 2258)

[NOTE: By giving advance notice on its duly posted agenda, the board of trustees reserved the 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 disability application of ██████████. He advised the board that based upon the report by State Medical Disability Board doctor, Dr. Andrew Morson, the staff recommendation was for the denial of job-related disability retirement based upon preexisting condition.

MOTION: Mr. Fredieu moved to enter executive session to discuss the agenda item shown above. Mr. Jeselink seconded. The motion passed unanimously.

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

MOTION: Mr. Jeselink moved to the accept the staff recommendation regarding ██████████. Mr. Adomako seconded. The motion passed.

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

**MONTHLY FLASH REPORT - SEPTEMBER 2017**

Mr. Barnes presented the monthly flash report for September 2017. (see attached Exhibit #3) The overall fund was up/down as follows: 1.4% for the month of September as compared to the allocation index of 1.3%; 3.7% for the fiscal year to date as compared to the allocation index of 3.7%; 13.0% for the trailing 12 months as compared to the allocation index of 12.4%; and 5.5% for the trailing 3 years as compared to the allocation index of 6.4%.

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

**COMMITTEE REPORT - INVESTMENT COMMITTEE**

[NOTE: The Investment Committee met on October 11, 2017, at the FRS office in Baton Rouge at 3:00 p.m. to discuss the following business set forth in its posted agenda- (I) Monthly flash report for September 2017, (ii) Review of Request for Proposal related to Unconstrained ("Absolute Return") Fixed Income Strategy, (iii) Update regarding key-man personnel change at existing FRS

investment manager known as Orleans Capital Management and Orleans Energy Opportunity Fund, (iv) Update regarding FRS diligence review of asset management firm known as Levine Leichtman Capital Partners, and all matters related to the foregoing items. The minutes of that meeting are embedded herein. Committee members present were Mr. Jeselink, chairman; Mr. Adomako, Mr. Broussard, Mayor Roberts, and Mr. Tarleton. Also present were Mr. Fredieu, Steven Stockstill, Layne McKinney, Denise Poche, Michael Becker, and David Barnes.]

Mr. Jeselink gave the Investment Committee report. In doing so he recognized Mr. Barnes who recalled his presentation of the monthly flash report to the Investment Committee for the month of September 2017. (see minute entry captioned above as "Monthly Flash Report - September 2017")

- Request for Proposals, Unconstrained ("Absolute Return") Fixed Income Strategy

Mr. Jeselink recalled that the Investment Committee reviewed the draft Request for Proposal (RFP) regarding the FRS search for an Unconstrained ("Absolute Return") Fixed Income Strategy manager. (see attached Exhibit #4) He noted that the Investment Committee voted to recommend that the FRS board approve the RFP with the following revision- On page 4 of the RFP, under Section III Timeline and Selection Process, change the date for Finalists interviews from February 8, 2017, to February 5, 2018.

MOTION: Mr. Jeselink moved the committee's recommendation in the form of a motion. Mayor Roberts seconded. The motion passed.

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

- Orleans Capital Management and Orleans Energy Opportunity Fund

During the Investment Committee meeting, Mr. Barnes had advised the board there had been a personnel change at Orleans Capital Management and Orleans Energy Opportunity Fund with the passing of their founder, Mr. Louis F Crane. Ms. Emily Becker (Orleans Capital Management President), Mr. L. Farrell Crane, Jr. (Orleans Capital Management Investment Committee as well as Energy Opportunities Executive Team) and Mr. Gary Welchel (Marketing) addressed the board and presented their Firm Organizational Update. (see attached Exhibit #5)

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

- Levine Leichtman Capital Partners

Mr. Jeselink recalled that the FRS Investment Committee voted to recommend that the FRS board rescind its previous expression of interest in Fund VI which is managed by Levine Leichtman Capital Partners. (see FRS minutes of 09/14/17)

MOTION: Mr. Fredieu moved the committee's recommendation in the form of a motion. Mr. Jeselink seconded. The motion passed.

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

That concluded the Investment Committee report.

### **ACTUARIAL EQUIVALENCE AND OPTION FACTORS**

[NOTE: FRS provided notice on its duly posted agenda, that this agenda item involved but was not limited to discussing the role and scope of actuarial equivalence factors used in calculating transfers, purchases of service credit, IBO lump sum conversions, disability award lifetime equivalences, single life option factors, joint & survivor option factors, DROP balance life annuity conversions, sick and annual leave conversions, and retirement valuations. It was further noted on the agenda that the discussion of this agenda item may be applied as credit for trustee training pursuant to R.S. 11:185.]

Mr. Greg Curran presented the board with the Update of Actuarial Equivalence Factors that was continued from the prior month. (see attached Exhibit #6) He recalled that the Board of Trustees had recently approved a plan to reduce the actuarial rate of return from 7.5% to 7.0% over the five fiscal years from 2017 through 2021 in equal 0.10% increments. These changes will result in changes in assumptions in each of the annual actuarial valuation reports for fiscal 2017 through 2021. Although the board has elected to phase-in the effect of the change in actuarial rate of return over the coming five years to smooth out the effect of the change on employer contribution rates, the ultimate long-term rate of return assumption adopted by the board is 7.0%. Mr. Curran stated that it is G.S. Curran & Company's recommendation that the actuarial equivalence factors be recalculated at the ultimate long-term rate of return assumption approved by the board of 7.0% with an effective date of July 1, 2018 for implementation. He explained that an effective date of July 1, 2018 would align with the implementation of the new employer contribution rate calculated based upon the first step of the change in assumed rate of return. This will give the system time to calculate new actuarial equivalence factors and to incorporate new option factors in the software used by the staff to determine plan benefits. This lead time would also allow staff to incorporate the new factors in time to be used for estimated benefits with proposed dates of requirement on or after July 1, 2018.

MOTION: Mr. Jeselink moved to adopt the Update of Actuarial Equivalence Factors schedule as presented by Mr. Curran. Mr. Adomako seconded. The motion passed.

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

**FRS POLICY**

Mr. Starns presented the board with FRS Policy No. 10241980, titled "Minimum Hours Required for Membership". (see attached Exhibit #7) He stated that FRS had received an application to purchase prior service from a member who was formally documented as a "part time" employee on the date of initial employment and was not an active contributing member during the period of such service.

MOTION: Mayor Roberts moved to deny the application to purchase prior service credit based on the particular facts surrounding this person's application and acknowledged that a different result might occur if the board is faced with a different factual scenario. Mr. Fredieu seconded. The motion passed.

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

**FRS LEGISLATION - 2018 REGULAR SESSION**

Mr. Stockstill explained the following 2018 legislative bill drafts to the board and addressed questions that arose relative thereto-

- Provides with respect to the Deferred Retirement Option (DROP) Plan and the subaccount to which individuals' benefits are deposited. No action was taken at this time. (see attached Exhibit 8)

Discussion was had regarding whether the bill provides a specific date by which a DROP member must elect to allocate funds between the money market account and the portfolio account.

Discussion was had regarding whether the bill limits the allocation of funds to a one-time occurrence.

Discussion was had regarding authorizing current DROP members a one-time opportunity to annuitize the member's DROP balance in whole or in part.

- Provides with respect to definitions related to rollovers. Mr. Broussard moved to approve submission of the bill draft to the legislature. Mayor Roberts seconded. The motion passed. (see attached Exhibit 9)

Discussion was had regarding language that the U.S. Internal Revenue Service (IRS) requires FRS to have in its plan regarding rollovers in order to maintain FRS' status as a qualified plan.

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

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**ADJOURNMENT**

Mayor Roberts moved to adjourn the meeting. Mr. Jeselink seconded. The motion passed.

**FUTURE MEETINGS**

**FRS Investment Committee  
3100 Brentwood Drive  
Baton Rouge, Louisiana  
Wednesday, November 8, 2017 at 3:00 p.m.**

**FRS Board of Trustees  
3100 Brentwood Drive  
Baton Rouge, Louisiana  
Thursday, November 9, 2017 at 8:30 a.m.**

SUBMITTED BY:



Denise Poche, FRS Board Secretary

APPROVED BY:



Stacy Birdwell, FRS Chairman