



## **FIREFIGHTERS RETIREMENT SYSTEM**

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### **MEETING OF THE BOARD OF TRUSTEES NOVEMBER 8, 2012**

A meeting of the Board of Trustees was held on November 8, 2012 at the Public Safety Building in Baton Rouge. Mr. Charlie Fredieu, Chairman, called the meeting to order at 8:30 a.m.

Mayor Durbin 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  
Mr. Afranie Adomako  
Mr. John Broussard  
Mayor James Durbin  
Mayor Mayson Foster  
Mr. Perry Jeselink  
Mr. Jerry Tarleton  
Representative Kevin Pearson

#### **OTHERS PRESENT**

Steven Stockstill  
Kelli Rogers  
Layne McKinney  
Jason Starns  
Susan Waite  
Greg Curran  
Stephanie Little  
Margaret Corley  
Joe Meals  
Joseph Klumpp  
Kirk Reasonover  
Wesley Bar  
Peter Mougey



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**MINUTES**

MOTION: Mr. Birdwell moved to approve the minutes of the board meeting held on October 11, 2012. Mr. Jeselink and Mr. Tarleton jointly 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. 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.



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MOTION: Mr. Tarleton moved to approve the new retiree applicants. Mr. Jeselink 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 Pauline Cobb Bedgood, surviving beneficiary of Thurman Curtis Bedgood. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application for Pauline Cobb Bedgood. Mr. Tarleton seconded. The motion passed.

Mr. Starns presented the application of Frances McBryde Goodman, surviving spouse of Randall Cade Goodman. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application of Frances McBryde Goodman. Mr. Tarleton seconded. The motion passed.

Mr. Starns presented the application of Connie Lee Carter Lender, surviving spouse of Thomas Lee Lender. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application of Connie Lee Carter Lender. Mr. Tarleton 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, 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)

██████████ - Mr. Starns presented the application for the disability retirement of ██████████. He advised the board that based upon the report by State Medical Disability Doctor, Dr. Thad Broussard, the staff recommendation was for the approval of disability conversion and to discontinue the requirement for disability recertification.

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

**COMMITTEE REPORT - COMMITTEE OF THE WHOLE**

[NOTE: The Committee of the Whole met on November 7, 2012, at the FRS office in Baton Rouge at 8:00 a.m. to interview the six RFP candidates that were selected by the board of trustees in October, 2012. The minutes of that meeting are embedded herein. Committee members present were Charlie Fredieu, chairman; Stacy Birdwell, Mayor James Durbin, John Broussard, Jerry Tarleton, Perry Jeselink, Mayor Mayson Foster, Afranie Adomako, Representative Kevin Pearson. Also present were Stephanie Little, Margaret Corley, Steven Stockstill, Kelli Rogers, Layne McKinney and Susan Waite.]

The six RFP candidates and applicable representatives are as follows:

Segal Rogers Casey:

John Dickson  
Alan Kosan  
Jeff Boucek

Marquette Associates:

Brian Wrubel  
Kelli Schrade  
Ray Caprio

Meketa Investments:

Leandro Testino  
Brian Dana  
Fran Peters

Bogdahn:

Joseph Bogdahn  
Brett Hazen  
Mike Walker



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Fiduciary First:

Jamie Hayes  
Lisa Garcia  
John Guthery  
Don Fallen

NEPC:

Rhett Humphreys  
David Baner  
Sean Gill

Each candidate presented to the board a presentation in accordance with the Presentation Rules and Observations and answered questions based on the List of Proposed Questions. Each candidate was held to the strict format of 45 minutes for the presentation and 15 additional minutes were reserved for questions by the Committee of the Whole.

Upon conclusion of the final presentation, the Committee of the Whole discussed and agreed to present the following motions to the board at the November 8, 2012 board meeting for consideration:

**MOTION:** The Committee of the Whole recommended to the full board that FRS hire New England Pension Consultants (NEPC) as the FRS Investment Consultant subject to fee negotiations and contract approval.

**MOTION:** The Committee of the Whole recommended to the full board that the FRS Chairman, FRS Vice Chairman, and the FRS Executive Director be appointed with authority to negotiate the fees and contract terms for the new investment consultant.

**MOTION:** The Committee of the Whole recommended to the full board that, if the Chairman, Vice Chairman, and the Executive Director could not reach an agreement of terms and conditions of the contract with NEPC, then fee and contract negotiations would move to the next ranked consultant candidate in the order that was presented by tally, until an agreement was reached.

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

This concluded the report of the Committee of the Whole.

**FRS INVESTMENT CONSULTANT RFP PROCESS**

Mr. Stockstill advised that on Wednesday, November 7, 2012, the board members met as a Committee of the Whole and interviewed six investment consultant candidates. After the interviews and discussion amongst the Committee of the Whole, the committee members scored the candidates using a scale of 1 - 5, with 1 being the most favorable and 5 being the least favorable. After a tally of the scores of the board members the following results were yielded:

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The candidate with the lowest and most favorable score was NEPC; followed by Meketa, Marquette, Bogdahn, and Segal. The tally sheets and scores will be entered into the record and made a part of the permanent record. After the Investment Officer announced the results to the Committee of the Whole, the following motions were made:

MOTION: Mr. Birdwell moved to approve the recommendation to hire NEPC as the Investment Consultant. Mr. Tarleton seconded. The motion passed.

MOTION: Mayor Foster moved to approve the recommendation of authority to negotiate the fees and contract terms by the suggested parties with NEPC. Mayor Durbin seconded. The motion passed.

MOTION: Mr. Birdwell moved to approve the fee and contract negotiation authority of the FRS Chairman, FRS Vice Chairman, and the FRS Executive Director. Mayor Durbin seconded. The motion passed.

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

**FRS V. REGIONS MORGAN KEEGAN, ET AL.**

[NOTE: Although discussion and action regarding lawsuit styled as *Firefighters' Retirement System v. Regions Bank et al* was taken up later in the meeting, the entries are recorded here in order to follow the order set forth in the posted Agenda.]

[*Firefighters' Retirement System v. Regions Bank, et al.*, Suit No. 567,874, Division O, 19<sup>th</sup> Judicial District Court, East Baton Rouge Parish, Louisiana.]

[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)(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 had been provided.]

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

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

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



**ACTUARIAL STUDY - CHANGING ACCRUAL RATE FOR NEW HIRES**

Mr. Curran presented an actuarial report analyzing several proposals related to the FRS benefit structure, which was requested by Dr. Procopio at the board meeting of October 11, 2012. (see attached Exhibit #3)

After discussion of this matter it was agreed to postpone any further discussion thereof until the December, 2012 meeting and to forward the analysis to the Funding Review Panel.

MOTION: Mr. Birdwell moved to forward the actuarial report to the Funding Review Panel with a notation that the board has taken the matter under advisement. Mr. Tarleton seconded. The motion passed.

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

**MONTHLY FLASH REPORT - OCTOBER 2012**

[NOTE: Due to the date of the FRS board meeting the blended index numbers were not yet available on the October 2012 flash report, and therefore not included.]

Mr. Joe Meals presented the monthly flash report for October 2012. (see attached Exhibit #4) The overall fund was up/down as follows: -0.3% for the month of October as compared to the blended index of N/A; 4.4% for the fiscal year to date as compared to the blended index of N/A; 3.7% for the trailing 12 months as compared to the blended index of N/A; and 6.1% for the trailing 3 years as compared to the blended index of N/A.

**MURPHREE VENTURE PARTNERS**

Mr. Stockstill referenced a continuing problem with Murphree Venture Partners, an existing FRS manager. He recalled that staff has come to the board year end and year out stating that Murphree has not provided financial reports on a timely basis. Mr. Stockstill reminded the board that it had agreed to hire a law firm to file a lawsuit compelling Murphree Venture Partners to provide FRS with financial statements in a timely fashion. FRS retained the services of a Delaware attorney who prepared and served a petition on Murphree. Murphree requested that FRS not file same. Instead, an agreement was prepared by the Delaware attorney and Murphree, which Mr. Stockstill indicated he needs to review. The agreement indicates that Murphree will provide financial statements and capital statements on a GAAP basis going forward. Mr. Stockstill confirmed with Ms. Rogers that this would be acceptable since she was most familiar with the issues with Murphree. Ms. Rogers confirmed acceptance. Murphree also agreed to: (1) Provide the GAAP based statements by August 31<sup>st</sup> of each year, (2) Pay a fine in the amount of \$500.00 per day if they are late, and (3) Reimburse FRS for all legal expenses incurred.

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

**ACTUARIAL STUDY - CONVERSION OF UNUSED SICK AND ANNUAL LEAVE TO RETIREMENT CREDIT**

Mr. Mike Sands, as Director of Civil Service and Pay Plan Administrator for the Lafayette City Parish Government ("City Parish") came before the board with the following request. The City Parish employs about 2,400 people and most of them are in four statewide plans, MERS, PERS, FRS and MPERS. The civil service board is interested in going to a system where unused leave is converted to retirement credit. Of these four statewide systems three of them already have that provision in their statutes. FRS does not. The City Parish wanted to ask if the FRS board will move to include that in the statutes, in a way that is not detrimental to FRS.

Mr. Fredieu asked if a study had been done on this issue. Mr. Stockstill referred to an actuarial study that had been prepared by the FRS actuary, dated July 6, 2012. (see attached Exhibit #5)

After thorough discussion and questions by and between the board, and including Mr. Sands and Mr. Curran, Mr. Broussard indicated that the board needed to review the statute(s) in order to come to a cohesive understanding of what the statutes actually indicate.

**MOTION:** Mr. Birdwell moved to forward the actuarial study relative to authorizing the conversion of unused sick and annual leave to retirement credit to the Funding Review Panel, and for the board to review the current statutes of the other systems at the next board meeting. Mr. Tarleton seconded. The motion passed.

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

**PROPOSED POLICY - CHANGING COVERED EMPLOYMENT DURING DROP**

Mr. Starns presented a proposed policy regarding a member who, during DROP participation, changes employment from one fire department to another, both of which are covered by FRS. (see attached Exhibit #6) The proposed policy relates to R.S. 11:2257(I)(2) - The member would stop DROP participation and he would not receive his retirement benefits. He would go to work at the second fire department and contribute to FRS and accrue post-DROP service credit.

Mr. Stockstill said that, if a person is in DROP and he switches employers within FRS, the question is whether the member is allowed to continue in DROP with the new employer or is he treated as if he had terminated his employment with the first employer. If he has to come out of DROP to work for the second employer, then he would be treated as a rehired retiree.



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The board participated in a detailed discussion about various scenarios regarding benefits accrued from fire department "A" versus fire department "B" and what the member can or cannot do under the proposed policy.

MOTION: Mr. Birdwell moved to accept the proposed policy. Mr. Broussard seconded. The motion passed.

**PROPOSED POLICY - PAYMENT OF DROP/IBO PROCEEDS WITH NO BENEFICIARY NAMED**

Mr. Starns presented a proposed policy regarding administering a DROP/IBO account when a member dies and no beneficiary is named on the account. The proposed policy relates to R.S. 11:2259(C)(4) and R.S. 11:2257(I)(1), (2) and (3) - If no beneficiary is named by the member, a lump sum payment equal to the account balance would be paid to the member's estate, or the succession administrator upon receipt of a certified court order naming the succession administrator. (see attached Exhibit #7)

MOTION: Mr. Broussard moved to approve the proposed policy. No second.

Mayor Durbin questioned the term "the estate" as being vague, and requested a better definition and to include language about payment in accordance with the judgment of possession of the deceased. Mr. Stockstill responded that the succession administrator is given season over all the assets. The deceased member's retirement account is one of the assets. The policy turns an estate asset over to the succession administrator. Mayor Durbin then indicated there are successions which don't require a succession administrator which results in a judgment of possession outside of having to appoint an administrator or executor. Mr. Stockstill said that if there is no succession then the deceased member's retirement account is held until such time as a succession is opened, an administrator appointed or FRS receives a certified judgment of possession.

Mr. Stockstill requested that the board postpone this proposed policy until the December, 2012 board meeting to allow him sufficient time to review the statutes and proposed policy language.

Mr. Broussard withdrew his motion.

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

**PROPOSED POLICY - NON-JOB RELATED DISABILITY RETIREE MAKING APPLICATION FOR JOB-RELATED DISABILITY BENEFITS**

Mr. Starns presented a proposed policy regarding retirees receiving non-job related disability benefits and whether they can apply for job-related disability benefits based on the same injury that gave rise to the original non-job related benefits. (see attached Exhibit #8)

After a thorough discussion by the board of the meaning of this proposed policy and the possibility of restructuring the proposed policy for clarification purposes, the board postponed action on the proposed policy until such time as the proposed policy is revised.

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

**PROPOSED POLICY - FRS MEMBER THAT QUALIFIES FOR DUAL EMPLOYMENT**

Mr. Starns presented a revised proposed policy, which was requested by the board in the June, 2012 board meeting regarding a member that is employed on a full time basis by more than one fire department, and if that member must contribute on the salary earned at each fire department job. The proposed policy states that if a member has full time employment with more than one employer and the member meets eligibility requirements with each employer then the member and each employer must contribute to FRS. Each employer is treated as separate and the member accrues benefits based upon years of creditable service and average final compensation with each employer. The member must meet vesting and eligibility requirements with each employer; each employer is responsible for providing information and contributions to FRS. Mr. Starns informed the board that full time is considered to be a minimum of 34 hours per week. (see attached Exhibit #9)

There was much discussion regarding the proposed policy and issues raised by a member with dual employment. There was further discussion regarding examples of how dual full time employment could work and the role of each employer in that situation.

**MOTION:** Mr. Tarleton moved to accept the proposed policy. Mayor Durbin seconded. Mr. Jeselink voted no, Mr. Birdwell abstained and all others voted yes. The motion passed.

After further discussions by the board, Mr. Curran said the policy appears to be a good and reasonable approach and it will protect the system from costs associated therewith.

After further lengthy discussions between the board members, regarding various employment scenarios, the board concluded that the proposed policy is prudent.

**MOTION:** As a matter of parliamentary precaution, a second motion was made by Mr. Broussard to accept the proposed policy. Mayor Durbin seconded. The motion passed.



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

**NCPERS/PRUDENTIAL GROUP DECREASING TERM LIFE INSURANCE**

This item was deferred to the December 2012 board meeting.

**FUNDED STATUS ANALYSIS**

Mr. Stockstill drew the board's attention to three documents. The first was a study by NCPERS saying that the Fitch Rating Agency considers a funded ratio of 70% or above to be adequate. The second was a study by the GAO (the federal Government Accounting Office) regarding state and local governmental retirement plans stating that if you have a funded ratio of 80% or better, that is considered to be sound. The third document was a brief written by the American Academy of Actuaries that purports to debunk the 80% pension funding standard myth. He said this provides the board with three view points that as a fiduciary can be used to form an opinion as to whether 80% funded status is adequate or not.

**ADJOURNMENT**

MOTION: There being no further business, Mr. Tarleton moved to adjourn. Mr. Broussard seconded. The motion passed.

**FUTURE MEETINGS**

**FRS Investment Committee  
Public Safety Building  
3100 Brentwood Drive  
Baton Rouge, Louisiana  
Thursday, December 13, 2012 at 3:00 p.m.**

**FRS Board of Trustees  
Public Safety Building  
3100 Brentwood Drive  
Baton Rouge, Louisiana  
Friday, December 14, 2012 at 8:30 a.m.**

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SUBMITTED BY:

APPROVED BY:



Susan L. Waite, FRS Board Secretary



Charles Fredieu, FRS Chairman