



FIREFIIGHTERS RETIREMENT SYSTEM

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MEETING OF THE BOARD OF TRUSTEES November 12, 2014 and November 13, 2014

A meeting of the Board of Trustees was held on November 12, 2014 and November 13, 2014 at the Public Safety Building in Baton Rouge. Mr. Charlie Fredieu, Chairman, called the meeting to order at 2:00 p.m. on November 12, 2014.

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

Ms. Sara Etheridge called the roll. A quorum was present.

MEMBERS PRESENT

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

OTHERS PRESENT

Steven Stockstill
Layne McKinney
Sara Etheridge
David Barnes
Sean Ruhmann
John Martin
Robert B. Bellinger
Judy K. McCoy
Blaise P. Keane
Shauna Dills

November 12, 2014

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

INTERVIEWS - CORE REAL ESTATE MANAGERS

The board of trustees interviewed three Core Real Estate RFP respondents that were previously selected by the board of trustees at their meeting held in October, 2014. The candidates and applicable representatives are as follows:

AEW Capital Management, LP

John Martin, Director

ASB Real Estate Investments

Robert B. Bellinger, President

Judy K. McCoy, Managing Director

Heitman

Blaise P. Keane, Vice President

Shauna Dills, Vice President

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 Sean Ruhmann, Director of Real Assets Research with NEPC. (see attached Exhibit #1) Messrs. Barnes and Ruhmann gave a summary comparing and contrasting the three real estate management companies. During the course thereof, they answered several questions posed by board members. Following a thorough discussion, Mr. Barnes stated that NEPC's recommendation was to make a total \$36 million commitment for the Core Real Estate asset class, with \$12 million being allocated to each management firm that was interviewed.

MOTION: Mr. Birdwell moved NEPC's recommendation in the form of a motion. Mr. Broussard seconded. The motion passed.

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

RECESS

Chairman Fredieu declared the board to be in recess until November 13, 2014, at 8:30 am CST.

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November 13, 2014

Chairman Fredieu reconvened the board meeting.

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

Ms. Sara Etheridge called the roll. A quorum was present.

MEMBERS PRESENT

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

OTHERS PRESENT

Steven Stockstill
Layne McKinney
Jason Starns
Sara Etheridge
Gary Curran
David Barnes
Margaret Corley
Stephanie Little
Bob Klausner
Chris Brown
Paul Schmidt

MINUTES

MOTION: Mr. Birdwell moved to approve the minutes of the board meeting held on October 9, 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 #2) 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 #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 Evelyn Johnson Holden, surviving spouse of Michael Robert Holden. He stated that the application was in order.

MOTION: Mr. Jeselink moved to approve the application of Evelyn Johnson Holden. Mr. Birdwell seconded. The motion passed.

Mr. Starns presented the application of Betty Fong Miller, surviving spouse of Michael Leroy Miller. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application of Betty Fong Miller. Mr. Tarleton seconded. The motion passed.

Mr. Starns presented the application of Annette Granger Deshotel, surviving spouse, and Chase Phillip Deshotel, surviving child of Gregory Damaine Deshotel. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application of Annette Granger Deshotel and Chase Phillip Deshotel. Mr. Tarleton seconded. The motion passed.

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

- 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. 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.

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[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. Craig Springmeyer, State Medical Disability Doctor on September 11, 2014.

Based upon the report of Dr. Craig Springmeyer, the staff recommendation was for the continuation of disability allowance and discontinuance of disability recertification.

MOTION: Mr. Jeselink moved to accept the staff recommendation. Messrs. Birdwell and Tarleton jointly 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.]

Mr. Chris Brown appeared on behalf of Sail Capital Partners (SCP) which is the investment manager of the Sail Venture Partners II and Louisiana Sustainability funds. Also appearing by telephone only was Hank Habicht, managing partner of SCP, and Mr. David Herman of the Gordian Group. Mr. Habicht began by explaining a proposed opportunity for FRS to invest additional assets into the Sail fund.

Mr. Brown turned the board's attention to a hand-out that he prepared for the occasion. (see attached Exhibit #4) He said, back in June (2014) Sail set up a fund known as Sail Exit Partners to capitalize a portfolio company known as SNTech and the money that came in from that transaction was used to get a term sheet from a group known as the Gordian Group. The term sheet was advantageous to "old money", i.e., money that had gone in from a previous Sail fund in which FRS is an investor. The Meridian Group gave extremely favorable terms to preserving that old cash as well as giving good terms to the "note money" that was put in on behalf of Sail II and LSF. However, because of a family health crisis, the Meridian Group stepped away from the investment and was unable to close. Since then, Sail has been pursuing a number of alternative investors to step in and fill that gap to keep the

company going. During that time period, the available money was exhausted. He explained that what Sail is now trying to do is maximize the value of the note money that was put in and the old investments. However, we've (Sail) has reached the point where it is running out of options and that is why Sail engaged the Gordian Group. The Gordian Group is looking for the best financing for the company (SNTech) both in and out of the Chapter 11 bankruptcy process to maximize the value for the debt holders and potentially the equity holders. There is a lot of value pent up in SNTech for both LSF and Sail II in terms of a return profile.

Bob Klausner stated that he had spoken with the CEO of SNTech and was told that all previous orders were stale and the company was inoperable. Moreover, it would take about \$12 million to put the company in a position of operability to go out and get orders. In response, Mr. Brown explained that the order stack at one point was as much as \$6-7 million and those have gone stale; but in the last three months, we (Sail) have talked to large orderers such as JCI and Greenheck, who are still adamant that they want to fill their orders and continue on. JCI at one point had an 80 thousand unit order and it appears that they would follow through with it. Greenheck, who is a large motor supplier for HVAC systems is still adamant that this is the motor of choice for them and, as recent as July, still wanted their order in and talking about placing larger orders to help the company forward.

In response to additional questions by Mr. Klausner regarding orders, Mr. Hank Habicht confirmed that there are no active orders pending, meaning that there is no active order such that they can just call up and say "ok, we're delivering next week".

Mr. Klausner then inquired regarding the value of the company in a Chapter 11 bankruptcy proceeding. Mr. Habicht addressed the question along with advisors hired by Sail as consultants. Following this discussion of valuation, the Sail representatives concluded their remarks and confirmed that they had been allowed the opportunity fully disclose all information that is necessary for the FRS board to understand the subject matter.

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

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

MOTION: Mr. Broussard moved to authorize the FRS executive director to take all steps necessary to implement the advice of FRS counsel, Bob Klausner, in the Sail matter. Mr. Birdwell seconded. The motion passed.

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

MONTHLY FLASH REPORT - OCTOBER 2014

Mr. Barnes presented the monthly flash report for October 2014. (see attached Exhibit #5) The overall fund was up/down as follows: 0.8% for the month of October as compared to the allocation index of 0.9%; -1.4% for the fiscal year to date as compared to the allocation index of -0.9%; 4.0% for the trailing 12 months as compared to the allocation index of 7.3%; and 6.3% for the trailing 3 years as compared to the allocation index of N/A%.

FRS INVESTMENTS - ADVISORY RESEARCH INC.

Mr. Barnes explained the nature and volatility of the assets being managed by Advisory Research Inc, an existing FRS manager. He noted the concentrated holdings of Advisory's portfolio and said that they are currently underperforming the market, but in the long run NEPC expects Advisory's performance will exceed the market. He said, Advisory remains on NEPC's focus placement list of advisors.

Mr. Broussard noted that, if FRS had indexed the Advisory assets to the Russell 2500, then FRS would be several-hundred basis points ahead of its position this fiscal year. He said the assets are not just underperforming, but they are significantly underperforming. He said that assets can't be managed that far behind the benchmark, with an expectation to beat the benchmark. Mr. Broussard recommended that someone from Advisory should be invited to appear before the board and explain their investment thesis. Mr. Barnes said that would be a good next step. Mr. Stockstill said he would ask Mr. Becker to make that happen.

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

FRS STATEMENT OF PLAN NET ASSETS AND STATEMENT OF CHANGES IN PLAN NET ASSETS, Q1 FY2014-15

Mr. Layne McKinney, FRS CPA, addressed the board. He drew the board's attention to the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets. (see attached Exhibit #6) He explained each report on a line-by-line basis.

MOTION: See next minute entry.

The discussion of this matter was concluded with no action being taken at this time.

FRS ANNUAL BUDGET - MID YEAR BUDGET TO ACTUAL EXPENDITURES

Ms. Bradbury, FRS Accountant, addressed the board. She drew the board's attention to the Annual Budget to YTD Actual Comparison. (see attached Exhibit #7) In explaining each line item of the report, she highlighted some of the variances.

Chairman Fredieu asked if any budget adjustments were in order. Mr. Stockstill noted that Ms. Bradbury was submitting the proposed budget adjustments this month for the board's advance review, but they lay over until next month (Dec) when they will become an action item, all in accordance with FRS budget policy.

MOTION: Mr. Birdwell moved to accept the staff reports as presented by Mr. McKinney and Ms. Bradbury. Mr. Tarleton seconded. The motion passed.

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

ACTUARIAL VALUATION - FY 2013-14

Mr. Curran, FRS Actuary, addressed the board. He drew the board's attention to the FRS Annual Actuarial Valuation for FY 2013-14. (see attached Exhibit #8) Mr. Curran then explained the pertinent portions of the valuation, including the schedules. He highlighted the Summary Results by indicating that, since last year, FRS has- (1) Increased its funding percentage from 71.13% to 76.02%; (2) Decreased its UAL by \$41 million; and (3) Decreased the employer contribution rate by 2% beginning July 1, 2015.

Mr. Curran explained that with a funded ratio of 76.54%, he determined that for fiscal year 2014, the plan meets the criteria set forth in the law for granting a COLA from "excess interest earnings", particularly since no COLAs have been allocated within the three most recent fiscal years. However, he noted that, there is insufficient excess interest to fund the entire 3% COLA. He said the board may either grant the 2% to pensioners over age 65 or a portion of the 3% COLA adjustment in the range of 2.25% of the current benefit to all retirees who have been retired for a full year.

After receiving several questions from the board members, and discussing the subjects related thereto, Mr. Curran concluded his presentation.

MOTION: Mr. Jeselink moved to adopt the Valuation report as presented by Mr. Curran. Mr. Tarleton seconded. The motion passed.

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

2013 MORTALITY TABLES

Mr. Curran explained that the Mortality Tables used for the 2013 valuation were correctly given in the table listing of rates in the back of the 2013 Valuation report, but incorrectly identified in the list of assumptions. To correct that, he submitted a Memo to the board showing the correct list of tables that should have been identified in the assumptions. (see attached Exhibit #9)

MOTION: Mr. Birdwell moved to approve the corrected Mortality Tables identified in the above described Memo from Mr. Curran. Mr. Tarleton seconded. The motion passed.

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

ADJOURNMENT

MOTION: Mr. Birdwell moved to adjourn. Mr. Tarleton seconded. The motion passed. There being no further business, the meeting of the FRS board of trustees was adjourned.

FUTURE MEETINGS

**FRS Board of Trustees
3100 Brentwood Drive
Baton Rouge, Louisiana
Wednesday, December 10, 2014 at 2:00 p.m.**

**FRS Board of Trustees
3100 Brentwood Drive
Baton Rouge, Louisiana
Thursday, December 11, 2014 at 8:30 a.m.**

SUBMITTED BY:

APPROVED BY:



Steven S. Stockstill, Executive Director



Mr. Charles Fredieu, FRS Chairman