



## **FIREFIIGHTERS RETIREMENT SYSTEM**

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**MEETING OF THE BOARD OF TRUSTEES**  
**December 16, 2013 and**  
**December 17, 2013**

A meeting of the Board of Trustees was held on December 16, 2013 and December 17, 2013 at the Public Safety Building in Baton Rouge. Mr. Charlie Fredieu, Chairman, called the meeting to order at 1:00 p.m. on December 16, 2013.

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. Alfranie 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  
David Barnes  
Rhett Humphreys  
Danny Laird

### **December 16, 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 - RISK PARITY MANAGER**

The board of trustees interviewed two Risk Parity manager RFP candidates that were selected by the board of trustees at their meeting held in November, 2013. The candidates and applicable representatives are as follows:

AQR Capital Management

Michael Mendelson  
Curtis Krause

Putnam Investments

Christian J. Galipeau  
Jason Vaillancourt

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 RFP finalists' presentations, the board members discussed the RFP finalists with NEPC representatives, David Barnes and Rhett Humphreys. (see attached Exhibit #1) Likewise, Ms. Rogers gave her impressions of the finalists.

MOTION: Mr. Birdwell moved that FRS invest 5% of FRS' total portfolio in a Risk Parity strategy, with 60% of that sum being allocated to AQR Capital Management and 40% to Putnam Investments. Mayor Foster seconded. The motion passed.

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

**PUBLIC OPENING OF SEALED RETIREE NOMINATIONS**

[NOTE: On 11/25/13, nomination forms were sent to FRS retirees for the purpose of nominating a person or persons to fill the Retiree Representative position on the FRS board of trustees. Nomination forms were collected through 12/16/13. Nominations that were received by the FRS office were logged in, date stamped, and kept sealed in a locked safety cabinet. On this date, the system administrator opened the sealed nomination envelopes and announced each nominee's name. The executive director created a log of the announced nominees. Thereafter, the system administrator authenticated the nominee log by affixing his signature thereto. Board members who witnessed all or a part of the opening of the sealed envelopes were Afranie Adomako, Stacy Birdwell, Mayor Durbin, Charlie Fredieu, and Perry Jeselink. Also in attendance during the entire process was Mr. and Mrs. Danny Laird. All persons present were provided a copy of the authenticated nominee log.]

Sealed nomination forms were opened, nominee names were announced, and an authenticated log of nominees was provided to each person present. There were a total of 177 different names placed in nomination. Eight of the nomination forms were deemed spoiled, which did not have an impact on the outcome of the process. No challenge to the election process was lodged. (see attached Exhibit #2)

Thereafter, Chairman Fredieu recessed the meeting.

**December 17, 2013**

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

**MEMBERS PRESENT**

Mr. Charlie Fredieu  
Mr. Stacy Birdwell  
Mr. Alfranie 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

**RETIREE ELECTION/OATH OF OFFICE**

Mr. Stockstill reported that the system conducted a successful nomination process, without challenge or contest. He then submitted the authenticated log of nominees to all board members present. He explained the statutory process governing the election of a Retiree Representative to the board and then the floor was opened for any nominations to be made from the authenticated list.

NOMINATION: Mr. Birdwell nominated Mr. Fredieu as the Retiree Representative to the FRS board of trustees.

MOTION: Mayor Durbin moved to close the nominations. The motion was jointly seconded by Stacy Birdwell and Perry Jeselink. The motion passed. There being no other nominations, Mr. Fredieu was elected by acclamation as the Retiree Representative to the FRS board of trustees.

Mr. Fredieu was administered the oath of office as the duly elected Retiree Representative to the FRS board of trustees.

### **MINUTES**

MOTION: Mr. Birdwell moved to defer the minutes of the board meeting held on November 14, 2013. 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 #3) He stated that all applications were in order.

MOTION: Mr. Birdwell moved to approve the new member applicants. Mayor Durbin 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 #4) He stated that all applications were in order.

MOTION: Mr. Birdwell moved to approve the new retiree applicants. Mr. Adomako 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 Candace Ann Cash, surviving spouse of Todd Kevin Cash. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application of Candace Ann Cash. Mr. Jeselink seconded. The motion passed.

- Disability Conversion Applicant

PROCEDURE: Retirees who apply for conversion from regular retirement to a disability retirement are required to submit detailed medical information as part of the application in support of their claim that the disability was job-related and occurred during active employment as a firefighter, even though the actual physical disability may not have become manifest until after the effective date in DROP or after commencement of service retirement. Once received, the application is reviewed by staff and medical records are forwarded to a State Medical Disability Board doctor to determine if sufficient documentation is present to certify that the retiree's disability occurred during active employment and was a direct result of working as a firefighter. If the medical information submitted

is not sufficient for the doctor to determine the date and cause of the disability, then an appointment is scheduled for the applicant to undergo a physical examination. For the applicant to become eligible for conversion, the State Medical Disability Board doctor must furnish a medical report certifying the retiree's disability and that the disability was a direct result of employment as a firefighter. (R.S. 11:2258(B) and Administrative Rule)

[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 applicants.]

Mr. Starns presented the application for disability conversion of [REDACTED] and recommended approval of the application with discontinuance of the disability recertification.

MOTION: Mr. Broussard moved to approve the staff recommendation regarding the application of [REDACTED]. Mr. Birdwell seconded. The motion passed.

#### **2014 FRS LEGISLATION**

Mr. Stockstill explained the following 2014 legislative bill drafts to the board and addressed questions that arose relative thereto-

- Deletes requirement of active employee to obtain spousal consent to remove former spouse as an optional beneficiary prior to retirement. Mr. Birdwell moved to approve submission of the bill draft to the legislature. Mayor Durbin seconded. The motion passed.
- Requires court order to be provided to system in the event of seizure or garnishment of benefits. Mayor Foster moved to approve submission of the bill draft to the legislature. Mr. Birdwell seconded. The motion passed.
- Requires retirement system disability applicants to be examined by physicians that are required to serve on the systems' State Medical Disability Board. Mr. Birdwell moved to approve submission of the bill draft to the legislature. Mayor Durbin seconded. The motion passed.
- Authorizes board of trustees to adopt group trust provisions as part of plan pursuant to IRS Revenue Ruling. Mr. Birdwell moved to approve submission of the bill draft to the legislature. Mayor Durbin seconded. The motion passed.
- Reduces benefit accrual rate from 3⅓% to 3% for new hires with less than 30 years of service and extends DROP participation from 3 to 5 years for members with 30 or more years of service. Mr. Birdwell moved to approve submission of the bill draft to the legislature. Mayor Durbin seconded. The motion passed.
- Authorizes conversion of unused earned leave to retirement credit. Mr. Broussard moved to approve submission of the bill draft to the legislature, subject to a revision adding an option for

the employing entity to decide whether the conversion is to uniformly occur upon entry in the DROP plan or upon separation of service. Mayor Durbin seconded. The motion passed.

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

#### **ACT 170 - COST OF LIVING ADJUSTMENT PAYMENT METHOD**

Mr. Stockstill explained the provisions of "Act 170" of the 2013 legislative session, which provides for two alternative methods of attaining authority to pay cost-of-living adjustments (COLAs) and requires the board to select by December 31, 2013, which method will govern FRS relative thereto. (see attached Exhibit #5) He explained the "Old Method" which requires the system to meet the annual target funded ratio for the board to have authority to pay a COLA. By comparison, he said the "New Method" sets forth three funding tiers that provide the system authority to pay a COLA if FRS fits within any one of the tiers. Both methods require there to be excess interest earnings, as determined by the system actuary, in order to pay a COLA.

The board engaged in a comprehensive discussion of the subject involving all board members and the FRS actuary.

MOTION: Mr. Birdwell moved to adopt the "New Method" of paying COLAs pursuant to Act 170 of the 2013 legislative session. Mr. Jeselink seconded. The motion passed.

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

#### **2013 CONSOLIDATED ANNUAL FINANCIAL STATEMENT (CAFR)**

Michelle Cunningham explained the Independent Auditor's Report, beginning with certain format changes that had been made and implemented in this report. (see attached Exhibit #6) Ms. Cunningham is a partner at the accounting firm commonly known as Dupantier Hrapmann, which conducts the annual independent audit of FRS. She said that FRS received the highest and cleanest opinion that it could receive in the audit. Ms. Cunningham indicated that the audit was conducted in compliance with government audit standards and that there were no deficiencies found in the system's internal controls, nor was there found any non-compliance with the applicable laws and regulations.

Layne McKinney, FRS System Administrator/CPA, provided a brief overview of the financial statements. He indicated that the total investment return for the system in fiscal year 2013 was 9.4%, which is a 13.4% improvement compared to the prior year.

Chairman Fredieu asked for an explanation of the difference between the total return rate shown in the audit report (9.4%) compared to the market rate of return shown in the annual actuarial valuation (10.5%). In response, Mr. Greg Curran, the FRS actuary, explained that the auditors calculate the rate of return differently as compared to the actuary, because the reports serve two different purposes. For that reason there are certain factors that are included in the audit calculation that are excluded from the actuarial calculation. Since the factors used in the calculations are different, the results are also different. Mr. Broussard explained that the audit report is produced to show the assets and liabilities as of a certain date, and the actuarial valuation is produced to reflect the system as a living entity going forward.

In response to a question by Mr. Birdwell, Mr. Curran confirmed that the rate of return as reported in the actuarial valuation is the rate that is used for DROP interest purposes.

After further review by Mr. McKinney, and additional questions by board members, Mayor Durbin asked whether the date of "June 30, 2012" on page 14 was correct. Mr. McKinney indicated that the date should be corrected to "June 30, 2013".

MOTION: Mr. Tarleton moved to adopt the FRS 2013 CAFR, subject to the correction of the date on page 14 thereof. Mayor Durbin and Mr. Birdwell jointly seconded. The motion passed.

Thereafter, and pursuant to FRS policy, Mr. McKinney explained the mid-year corrections to the annual FRS operating budget. After describing each line item change, he concluded by saying that the only changes being requested are amounts to be reallocated between line items within the budget, but the total amount originally budgeted (the bottom line) is not changing.

MOTION: Mr. Broussard moved to approve the mid-year budget changes and that, because the bottom line is not changing, the FRS policy requiring the mid-year budget changes to lay over for 30-days before action be waived. Mayor Foster seconded. The motion passed.

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

### **MONTHLY FLASH REPORT - NOVEMBER 2013**

Mr. Barnes presented the monthly flash report for November 2013. (see attached Exhibit #7) The overall fund was up/down as follows: 0.8 % for the month of November as compared to the allocation index of 0.5%; 7.1% for the fiscal year to date as compared to the allocation index of 7.2%; 10.5% for the trailing 12 months as compared to the allocation index of 13.5%; and 6.5% for the trailing 3 years as compared to the allocation index of N/A%.

### **INVESTMENTS**



Ms. Nicole Filingeri, Vice President for client service and administration, Oppenheimer Funds, was available to the board by teleconference to address the following two questions: (1) With regard to the Rochester Bonds and the California Municipal Bonds in which certain Oppenheimer funds invested, and with further regard to certain lawsuits brought against Oppenheimer on behalf of investors in those funds, and with further regard to the related SEC order versus Oppenheimer, were any of the lawsuit proceeds, or related settlement proceeds, or SEC penalties paid in whole or in part by any fund other than the particular funds that were the subject of such actions, and (2) With regard to the five team members specifically referenced in OFI's response to FRS' RFP, will OFI commit to immediately notify FRS if any one or more of those team members leaves the management team.

After Ms. Filingeri addressed these questions, the discussion of this matter was concluded with no action being needed or taken.

**RECESS/RECONVENE**

Chairman Fredieu recessed the regular board meeting. The board members then assembled in their capacity as the "Advisory Committee" to FRS-LB#2. After meeting in that separate capacity, Chairman Fredieu reconvened the regular board meeting.

**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 Board of Trustees  
Public Safety Building  
3100 Brentwood Drive  
Baton Rouge, Louisiana  
Thursday, January 9, 2014 at 8:30 a.m.**

SUBMITTED BY:

APPROVED BY:



Steven S. Stockstill, Executive Director



Mr. Charles Fredieu, FRS Chairman