



FIREFIIGHTERS RETIREMENT SYSTEM

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MEETING OF THE BOARD OF TRUSTEES June 11, 2015

A meeting of the Board of Trustees was held on June 11, 2015 at the Public Safety Building in Baton Rouge, Louisiana. Mr. Charlie Fredieu, Chairman, called the meeting to order at 8:30 a.m.

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

Ms. Brown called the roll. A quorum was present.

MEMBERS PRESENT

Mr. Charlie Fredieu
Mayor David Amrhein
Mr. Stacy Birdwell
Mr. Perry Jeselink
Mr. John McLean
Mr. Jerry Tarleton

OTHERS PRESENT

Steven Stockstill
Layne McKinney
Jason Starns
Brandi Brown
Michael Becker
David Barnes
Gary Curran
Paul Schmidt
Phil Preis
Charles Gordon
Van Mayhall, Jr.

MINUTES

MOTION: Mr. Jeselink moved to approve the minutes of the board meeting held on May 13-14, 2015, subject to certain specified technical corrections. Mr. Tarleton 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. Messrs. Jeselink and Tarleton jointly 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 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.

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

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

FRS, ET AL. v. CITCO GROUP LIMITED, ET AL., SUIT NO. 619601, 19TH JUDICIAL DISTRICT COURT, EAST BATON ROUGE PARISH, LOUISIANA

[By giving advance notice on its duly posted agenda, the 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 litigation, and where an open meeting would have a detrimental effect on the litigating position of FRS in the judicial matter cited above; all pertinent notifications had been provided.]

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

MOTION: Mr. Birdwell moved to resume public session. Mr. Tarleton seconded. The motion passed unanimously.

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

COMMITTEE REPORT - BUDGET AND FINANCE COMMITTEE

[NOTE: The Budget and Finance Committee met on June 10, 2015, at the FRS office in Baton Rouge at 1:00 p.m. to discuss the following business set forth in its posted agenda- Discussion and action regarding: **(i)** GASB 68 Employer Pension Reports, and **(ii)** The FRS Operating Budget for Fiscal Year 2015-16, and all matters related to the foregoing items. The minutes of that meeting are embedded herein. Committee members present were Mr. Tarleton, chairman; Mayor Amrhein, Mr. Birdwell, and Mr. Jeselink. Also present were Mr. Charlie Fredieu, Steven Stockstill, Layne McKinney, Brandi Brown, Jamie Grady, and Michelle Cunningham.]

Mr. Tarleton gave the investment committee report. In doing so, he recognized Ms. Michelle Cunningham who explained nature and content of the following reports-

GASB Reports and 2015-16 Financial Audit

Ms. Cunningham stated that Duplantier did the testing of GASB 68 information, audited a lot of detailed information, and audited the June 30, 2013 and June 30, 2014 time periods. Reports were issued. (see attached Exhibit #3 and Exhibit #4) The reports are available to the participating FRS employers so they can "pick up" their proportionate share of the liability they will need for their financial statements. She said all the information they may need to comply with GASB 68 is in the two audit reports. Ms. Cunningham said that both audit reports have a clean opinion.

The board was then presented with a copy of three retainer agreements applicable to Duplantier, Hrapmann, Hogan & Maher, LLP. The three agreements included-

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- The Agreed-Upon Procedures which FRS have specified to perform participant data testing on participants in the System as of and for the period ending June 30, 2015, prepared in relation to the implementation of GASB 67. (see attached Exhibit #5)
- The audit of the Schedule of Employer Allocations as of June 30, 2015, prepared in relation to the implementation of GASB 68. (see attached Exhibit #6)
- The audit of the FRS Financial Statements, including notes to the financial statements, as of and for the year ending June 30, 2015. (see attached Exhibit #7)

Ms. Cunningham explained the nature and content of the three agreements. The board thoroughly discussed the two GASB reports and the three retainer agreements.

MOTION: Mr. Tarleton reported that the FRS Budget and Finance Committee recommended approval of the GASB 68 reports for the June 30, 2013 and June 30, 2014, time periods and he moved that recommendation in the form of a motion. Mr. Jeselink seconded. The motion passed.

MOTION: Mr. Tarleton moved to accept the three retainer agreements as presented. Mr. Birdwell seconded. The motion passed.

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

FRS FY 2015-16 Operating Budget

Mr. Tarleton then recognized Ms. Jamie Grady who explained the FY 2015-16 FRS Operating Budget. She drew the board's attention to the copy of the budget that had been provided to the board members in advance of the meeting. (see attached Exhibit #8) However, she explained that there were certain changes that had been recommended by the FRS Budget and Finance Committee. She highlighted the changes to the amounts shown as budgeted for FY 15-16 as follows-

- On line item 3, Payroll Tax Expense, the amount shown should be changed from 10,055 to 10,985. This is for inclusion of the social security portion of the intern's budgeted salary.
- On line item 30, Building and Grounds Maintenance, the amount shown should be changed from 39,375 to 66,650. This is for replacement of three air conditioning units that are 15 to 19 years old, but the money will only be expended if or when a unit or units break or need to be replaced. She drew the boards attention to the page titled FRS Building & Equipment Maintenance Expense, line item 2, should now show "replacement of three air conditioning units", for a total of 27,725.
- On line item 37, Board Member Conference/Workshops, one board member was removed from attending a conference that was being hosted out of state. Line 37 should be changed from

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11,110 to 10,289; and line item 49 should be changed from 23,147 to 21,397; and line 57 should change from 6,650 to 5,850.

- On line 61, the Grand Total should be changed from 1,936,827 to 1,961,661; and the corresponding savings from last year's budget equals a savings of 15.63%.

MOTION: Following further discussions regarding the budget, Mr. Tarleton stated that the FRS Budget and Finance Committee recommended approval of the FRS FY 15-16 Operating Budget and he moved that recommendation in the form of a motion with inclusion of the changes explained by Ms. Grady. Mr. Birdwell seconded. The motion passed.

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

This concluded the FRS Budget and Finance Committee report.

MONTHLY FLASH REPORT - MAY 2015

Mr. Barnes presented the monthly flash report for May 2015. (see attached Exhibit #9) The overall fund was up/down as follows: 0.0% for the month of May as compared to the allocation index of -0.3%; 3.4% for the fiscal year to date as compared to the allocation index of 2.9%; 1.1% for the trailing 12 months as compared to the allocation index of 1.8%; and 7.0% for the trailing 3 years as compared to the allocation index of N/A%.

COMMITTEE REPORT - INVESTMENT COMMITTEE

[NOTE: The Investment Committee met on June 10, 2015, at the FRS office in Baton Rouge at 3:00 p.m. to discuss the following business set forth in its posted agenda- Discussion and action regarding FRS investments, including but not limited to: (i) The FRS monthly investment performance results for May 2015, (ii) NEPC Organizational Overview and Update, (iii) Update regarding Small/Mid Cap Growth equity manager, (iv) Update regarding Request for Proposal (RFP) for Unconstrained (Absolute Return) Fixed Income Strategy manager, (v) Real Estate Strategic Plan Update, (vi) Private Equity Strategic Plan Update, and all matters related to the foregoing items. The minutes of that meeting are embedded herein. Committee members present were Mr. Birdwell, chairman; Mr. Jeselink, Mr. Tarleton, Mr. McLean (serving as alternate member in the absence of Mayor Roberts), and Mr. Fredieu (service as ex officio member in the absence of Mr. Broussard). Also present were Mayor Amrhein, Steven Stockstill, Layne McKinney, Brandi Brown, Michael Becker, David Barnes, and Michael Manning.]

Mr. Birdwell gave the investment committee report. In doing so, he recognized Mr. Barnes who explained the following items-

- Unconstrained ("Absolute Return") Fixed Income Strategy Search; Request for Proposal (RFP)

Mr. Barnes drew the board's attention to an NEPC report titled "Absolute Return Fixed Income Search Screening". (see attached Exhibit #10) With reference to that report, he mentioned that he had provided the investment committee with an overview of the process that was used in the manager search. He said NEPC compiled a list of all the candidates that submitted responses to the proposal, along with a summary of the screening process used to narrow that list down to the seven managers that NEPC feels are appropriate and fit the mandate that FRS is looking to fill. Mr. Barnes said the investment committee approved the list of seven managers for recommendation to the board, for NEPC to begin compiling the manager profiles for presentation to the board next month.

MOTION: Mr. Birdwell confirmed that the investment committee recommended the seven managers referenced in the NEPC search report for the purpose of directing NEPC to compile profiles of those seven candidates at the next FRS board meeting and he moved that recommendation in the form of a motion. Mr. Tarleton seconded. The motion passed.

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

- Real Estate Program Review and 2015 Strategic Plan

Mr. Barnes drew the board's attention to a report titled "Real Estate Program Review and 2015 Strategic Plan", dated June 10-11, 2015. (see attached Exhibit #11) He recalled that he presented the report to the FRS investment committee along with NEPC's recommendation to: (1) Allocate \$25 million to non-core (value-add/opportunistic) real estate funds, and (2) Redeem \$20 million from the Sentinel Real Estate Fund and begin to collect dividends in an effort to balance the FRS portfolio exposure to the apartment sector.

Mr. Barnes acknowledged that there was some concern by the board about the timing of the Sentinel redemption, so no action was taken relative thereto; except to instruct NEPC to go back and perform additional analyses regarding the NEPC recommended commitment amounts if there is no Sentinel redemption. He also mentioned that representatives of the Sentinel Real Estate Fund would be invited to appear at the July meetings to give their perspective on the redemption request.

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

- Private Equity Program Review and 2015 Strategic Plan

Mr. Barnes drew the board's attention to a report titled "Private Equity Program Review and 2015 Strategic Plan", dated June 10-11, 2015. (see attached Exhibit #12) He recalled that he presented the report to the FRS investment committee along with NEPC's recommendation to: (1) Allocate \$40 million to a Growth Equity/Buyout manager, and (2) Maintain an active commitment pace in each vintage year going forward. Mr. Barnes explained that the FRS Investment Committee approved a \$40 million commitment to private equity growth/buyout managers.

MOTION: Mr. Birdwell confirmed that the FRS Investment Committee recommended the allocation of \$40 million to private equity growth/buyout managers (yet to be selected in an RFP process), with the source of funding to be obtained through redemption of the Mellon Equity Index funds, unless or until such time that the board redirects the source of funding, and he moved that recommendation in the form of a motion. Mr. Tarleton seconded. The motion passed.

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

- Active Risk Budgeting Analysis

Mr. Barnes advised the board that NEPC had taken a look at how the FRS emerging market equity portfolio is structured and showed the investment committee that the dollars are allocated roughly equally between two managers, but active risk is disproportionately weighted toward one of the managers, i.e., OFI. In order to balance out the risk so that OFI's over/under performance is not dominating that piece of the portfolio, NEPC recommended a shifting of the assets. He said that would entail a move of \$8.5 million dollars from OFI to Acadian Asset Management. In answer to a board member's question, Mr. Barnes said that this is not a move to "juice" or enhance returns, it is a move to protect on the downside; to make sure one manager is not driving the returns. (see attached Exhibit #13)

MOTION: Mr. Birdwell stated that the FRS Investment Committee voted to approve NEPC's recommendation to move \$8.5 million between the two emerging equity market managers as explained by Mr. Barnes and he moved that recommendation in the form of a motion. Mr. Tarleton seconded. The motion passed.

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

This concluded the FRS Investment Committee report.

FRS FY 2015-16 ACTUARIAL VALUATION

Mr. Gary Curran, FRS Actuary, addressed the board. Mr. Curran described the services that would be provided during the upcoming valuation cycle. He explained that GASB Statements 67 and 68 require his office to do additional work, but he did not expect an increase in the costs similar to last year when his office was first gearing up to provide the reports. He presented a listing of the services to be provided and the rates applicable thereto. (see attached Exhibit #14)

MOTION: After further discussions, Mr. Tarleton moved to approve the actuarial contract for FY 2015-16, as amended. Mr. Birdwell seconded. The motion passed.

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

RECESS

MOTION: Mr. Birdwell moved to recess the FRS board meeting in order to facilitate a meeting of the FRS-LB#1 and FRS-LB#3 advisory committees to meet. Messrs. Tarleton and Jeselink jointly seconded. The motion passed.

MOTION: Mr. Tarleton moved to reconvene the FRS board meeting. Mr. Jeselink seconded. The motion passed.

APPROPRIATION TO FRS-LB LLC

Mr. Tarleton moved to appropriate funds from FRS to FRS-LB LLC in such an amount to pay for appraisals to be obtained regarding property owned by FRS-LB#1 and FRS-LB#3. Mr. Jeselink seconded. The motion passed.

2015 REGULAR LEGISLATIVE SESSION - PENDING LEGISLATION

Mr. Stockstill explained that the following bills are pending in the 2015 regular legislative session, which is set to adjourn sine die today at 6:00 pm, but none of the bills appear to be postured for passage-

HB40 Gaines RETIREMENT CREDIT: Authorizes the purchase of military service credit for vesting purposes in statewide retirement systems

HB47 St. Germain PROPERTY/COMMUNITY: Prohibits certain post-divorce earnable compensation in the Firefighters' Retirement System from being included in a former spouse's portion of community property

SB13 Peacock FIREFIGHTERS RETIREMENT: Provides benefits for members hired on or after January 1, 2016. (6/30/15)

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

FRS ACTUARIALLY ASSUMED INTEREST RATE

Discussion regarding the feasibility of reducing the FRS actuarially assumed interest rate was deferred until next month.

ADJOURNMENT

Mr. Tarleton moved to adjourn the meeting. Mr. Birdwell seconded. The motion passed.

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FUTURE MEETINGS

**FRS Investment Committee
3100 Brentwood Drive
Baton Rouge, Louisiana
Wednesday, July 8, 2015 at 3:00 p.m.**

**FRS Board of Trustees
3100 Brentwood Drive
Baton Rouge, Louisiana
Thursday, July 9, 2015 at 8:30 a.m.**

SUBMITTED BY:

APPROVED BY:



Steven S. Stockstill, Executive Director



Mr. Charles Fredieu, FRS Chairman