



## **FIREFIIGHTERS RETIREMENT SYSTEM**

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### **MEETING OF THE BOARD OF TRUSTEES March 12, 2015**

A meeting of the Board of Trustees was held on March 12, 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. Etheridge called the roll. A quorum was present.

#### **MEMBERS PRESENT**

Mr. Charlie Fredieu  
Mayor Amrhein  
Mr. Stacy Birdwell  
Mr. Perry Jeselink  
Mr. John McLean  
Ms. Lori Pierce  
Mayor Ron Roberts  
Mr. Jerry Tarleton

#### **OTHERS PRESENT**

Steven Stockstill  
Layne McKinney  
Jason Starns  
Michael Becker  
David Barnes  
Greg Curran  
Paul Schmidt  
Stephanie Little  
Margaret Corley  
Henry Olinde

#### **MINUTES**

**MOTION:** Mr. Birdwell moved to approve the minutes of the board meeting held on February 13, 2015. 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 #1) He stated that all applications were in order.

MOTION: Mr. Jeselink moved to approve the new member applicants. Mr. Birdwell 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.

MOTION: Mr. Jeselink moved to approve the new retiree applicants. Messrs. Birdwell and Tarleton jointly 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.

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[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 Nina Dianne Chandler, surviving spouse of Jacob Curtis Chandler. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application of Nina Dianne Chandler. Mr. Tarleton seconded. The motion passed.

Mr. Starns presented the application of Willie Mae Meyers Romero, surviving spouse of Whiley Paul Romero. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application of Willie Mae Meyers Romero. Mr. Tarleton seconded. The motion passed.

Mr. Starns presented the application of Emma Lee West, surviving spouse of Calvin Joseph West, Sr. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application of Emma Lee West. Mr. Tarleton 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 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)

[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.]

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Mr. Starns presented the disability application of [REDACTED]. He advised the board that based upon the report by State Medical Disability Board doctor, Dr. Kelly J. Scrantz, the staff recommendation was for the approval of disability retirement and discontinuation of disability recertification.

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

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

**LITIGATION - MATTHEWS V FRS, ET AL**

[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)(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 III(1); all pertinent notifications had been provided.]

The board attended to the lawsuit styled as *Matthews v. FRS, et al.*, Suit No. C633379, 19<sup>th</sup> Judicial District Court, East Baton Rouge Parish, Louisiana; and all related matters.

MOTION: Mr. Tarleton moved to enter executive session. Mr. Birdwell 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.

**MONTHLY FLASH REPORT - FEBRUARY 2015**

Mr. Barnes presented the monthly flash report for February 2015. (see attached Exhibit #3) The overall fund was up/down as follows: 3.4% for the month of February as compared to the allocation index of 3.0%; 0.3% for the fiscal year to date as compared to the allocation index of 1.0%; 3.4% for the trailing 12 months as compared to the allocation index of 6.5%; and 5.3% for the trailing 3 years as compared to the allocation index of N/A%.

**COMMITTEE REPORT - INVESTMENT COMMITTEE**

[NOTE: The Investment Committee met on March 11, 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 February 2015, (ii) FRS Private Equity Review, (iii) FRS Real Estate Review, (iv) Update regarding Small/Mid Cap equity manager Request For Proposal, (v) Time-Weighted Return vs. Dollar-Weighted Return Education, (vi) The lawsuit styled as *New Orleans Fire Fighters Pension and Relief Fund, et al. v. The City of New Orleans, et al.*, Suit No. 2014-C-2224, Supreme Court of Louisiana; 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. McLean, Mr. Tarleton, and Mr. Fredieu in his ex officio capacity. Also present were Mayor Roberts, Steven Stockstill, Layne McKinney, Michael Becker, Sara Etheridge, David Barnes, Margaret Corley, and Melissa Harris.]

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

- Small-Mid Cap Core/Growth Equity Manager Search (RFP)

Mr. Barnes presented a report titled "SMID Core/Growth Search Screening", dated March 11, 2015. (see attached Exhibit #4) He recalled that the request for proposals (RFP) for this search had been approved by the FRS board in December of 2014. The RFP was publicly advertised. NEPC posted the RFP on its firm's website for managers to download. He said 39 investment managers responded and that's about half of the institutional quality small-mid cap universe. Mr. Barnes stated that, overall, there was a good participation rate. He said 11 of those 39 managers were excluded, because they didn't meet the minimum criteria or they submitted an RFP response for a strategy that was not the type being requested. Others might have submitted a small cap value strategy, even though in the RFP, it is clearly stated that the RFP seeks a small-mid cap growth manager. The remaining candidates were analyzed through NEPC's pass screen, the performance analytics screen, where NEPC downloads the performance that the managers submit to the database, and that performance is run through a quantitative computer model that screens five factors. The primary goal of the screen is to look for performance consistency over time. From there, Mr. Barnes met with NEPC's research specialist in this area. Together, they were able to eliminate from the screen a few candidates whose performance consistency ranked at the bottom of all the respondents. He then met with NEPC's small and mid cap core and growth manager specialist, who was able to look at the remaining list of the candidates and provide additional information. For example, the specialist looked at the respondent named Janus and noted that, even though they ranked fairly higher in the screens, their investment team basically got up and walked out a few years ago. When the investment team that is responsible for a majority of the good performance leaves, that is usually a red flag. So the specialist was able to provide some color around some of the managers.

Mr. Barnes said NEPC also looked at the portfolio of each manager. For example, the objective is to pair the yet to be selected manager as a compliment to the existing FRS manager known as Advisory Research, to build in some diversification and stability into the portfolio. He said NEPC looked at the manager's underlying holdings. Many managers, including some managers on NEPC's focus placement list, were very concentrated. He noted that the existing FRS manager known as

Advisory Research is holding 25-30 stocks, which is very volatile. NEPC is trying to build in some stability, so NEPC did not want to line up a concentrated portfolio along with another concentrated portfolio, which would potentially add volatility. So, for those managers where NEPC saw a high degree of concentration, they were cut, including some of NEPC's focus placement list managers, because they were just not a good fit for the FRS portfolio.

Mr. Barnes referenced a page of Exhibit #4 showing managers' names listed in red. He said those managers responded to the search, but were excluded for some reason. In the commentary section, the reason for excluding each manager is listed in summary form. He said that, on the last page of the report, is a list of all managers that remained in consideration. There are a total of 8 managers, 6 of which are on NEPC's focus placement list. Mr. Barnes said that NEPC will compile a profile of each of the 8 managers for presentation to the FRS board next month (April), along with a recommendation of 2 to 4 managers for interviewing, depending on how many the board chooses to select.

MOTION: Mr. Birdwell moved to accept the RFP report presented by NEPC, including the narrowing down to 8 finalists. Mr. Tarleton seconded. The motion passed.

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

This concluded the Investment Committee report.

**NEW ORLEANS FIRE FIGHTERS PENSION AND RELIEF FUND, ET AL. v. THE CITY OF NEW ORLEANS, ET AL., SUIT No. 2014-C-2224, SUPREME COURT OF LOUISIANA**

Mr. Stockstill presented this case to the board and explained its relevance. He said the New Orleans firefighters had been involved in litigation versus the City of New Orleans regarding contributions allegedly owed by the city to the pension fund. He said, in district court, the city defended itself by alleging that the pension fund owed the city a duty of good faith and loyalty (fiduciary duty), and that the board of trustees of the pension fund had breached that duty based on certain investments the board had made on behalf of the fund. Ultimately, the city was arguing for an offset of any money it owes the pension fund, based on losses sustained by the pension fund because of alleged bad investment practices of the pension board. He said the district court held in favor of the pension fund and reasoned that the pension board did not owe a fiduciary duty to the city, because the governing statutes specify that the fiduciary duty is owed to members, beneficiaries and survivors. The list of persons owed a fiduciary duty does not include the city, therefore the pension board did not owe a fiduciary duty to the city. The city appealed the district court's decision and the court of appeals affirmed the lower court based on substantially the same reasoning. The city appealed to the Louisiana Supreme Court which reversed the decision of the lower courts and remanded the case back to the district court for further proceedings. Mr. Stockstill said the relevance of this case, based on the Supreme Court's holding, is that a board of trustees apparently does owe the pension plan's employer base a fiduciary duty, at least regarding the type of investments made by the board.

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

**2015 REGULAR LEGISLATIVE SESSION - PENDING LEGISLATION**

Mr. Stockstill presented and explained the provisions of the following bills pending in the 2015 regular legislative session-

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 ENROLLMENT REPORT - STATE SUPPLEMENTAL PAY**

Mr. Stockstill provided copy of correspondence sent at the instruction of the FRS board of trustees to the chairman of the Jefferson Parish Fire Civil Service Board dated 02/20/15 (see attached Exhibit #5), and he made reference to a letter that was sent by the Office of the State Examiner to the Jefferson Parish Fire Civil Service Board dated March 2, 2015 (see attached Exhibit #6).

Mr. Starns then provided the board with an update regarding the statewide survey that has been underway by FRS regarding examining those employees who are receiving state fire supplemental pay, but who are not enrolled in FRS.

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

**ADJOURNMENT**

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

**FUTURE MEETINGS**

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

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

SUBMITTED BY:

APPROVED BY:



Steven S. Stockstill, Executive Director



Mr. Charles Fredieu, FRS Chairman