



## **FIREFIIGHTERS RETIREMENT SYSTEM**

3100 Brentwood Drive  
Baton Rouge, Louisiana 70809  
Telephone (225) 925-4060 • Fax (225) 925-4062



**MEETING OF THE BOARD OF TRUSTEES**  
**December 13, 2017 and**  
**December 14, 2017**

A two-day meeting of the Board of Trustees was held on December 13, 2017, and December 14, 2017 at the Firefighters' Retirement System building in Baton Rouge, Louisiana. Mr. Stacy Birdwell, Chairman, called the meeting to order at 3:00 p.m on December 13, 2017.

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

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

### **MEMBERS PRESENT**

Mr. Stacy Birdwell  
Mr. Afranie Adomako (designee of Commissioner Jay Dardenne)  
Mr. John Broussard (designee of Treasurer John Schroder)  
Mr. Charlie Fredieu  
Mr. Perry Jeselink  
Mr. Jerry Tarleton

### **OTHERS PRESENT**

Steven Stockstill  
Layne McKinney  
Denise Poche  
Michael Becker  
Jamie Grady  
David Barnes  
Matthew Swaim  
Patrick Delay  
Francis Finelli

### **December 13, 2017**

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

**PUBLIC OPENING OF SEALED RETIREE NOMINATIONS/RETIREE ELECTION**

[NOTE: On November 14, 2017, nomination forms were sent to FRS retirees for the purpose of nominating candidates to fill the retiree representative position on the board of trustees, which will become vacant on December 31, 2017. The election was held according to state law and board approved election rules. The election was conducted under the supervision of the FRS accounting department. A two-person system was used for the election. At least two people were involved in each stage of the process, including anytime a ballot was mailed out, received in, or counted. All returned ballots were logged on a master list and verified to assure the postmark was no later than Wednesday, December 13, 2017. Only those ballots were counted in the election. All ballots were kept under lock and key from the date they were received at FRS until the date of opening. Ballots were opened on Wednesday, December 13, 2017, in an open public meeting as noted on the duly posted FRS agenda. There were a total of 65 different names placed in nomination. Ten 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.]

Mr. Stockstill reported that the FRS staff conducted a successful nomination process, without challenge or contest. He then submitted an authenticated log of nominees to each board member present. (see attached Exhibit #1) He explained the statutory process governing the election of a retiree representative to the board and then the floor was opened for nominations to be made from the authenticated list.

NOMINATION: Mr. Fredieu placed the name of Stacy Birdwell into nomination for the position of retiree representative to the FRS board of trustees.

MOTION: After the third unanswered call, Mr. Fredieu moved that the nominations be closed and that Mr. Birdwell be deemed elected by acclamation to the position of FRS retiree representative. Mr. Adomako seconded. The motion passed by roll call vote with the following tally:

Afranie Adomako	Yea
Stacy Birdwell	Yea
John Broussard	Yea
Charlie Fredieu	Yea
Perry Jeselink	Yea
Jerry Tarleton	Yea

(6-0)

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

**PRIVATE EQUITY MANAGER INTERVIEW - CARLYLE PARTNERS VII**

The board of trustees interviewed managers of one Private Equity fund that was previously requested by the board of trustees at their meeting held on November 9, 2017. The managers are:

Carlyle Partners VII L.P.

Francis Finelli, Managing Director

Patrick Delay, Investor Relations

The candidate firm made a presentation to the FRS board based on information contained in the firm's profile as provided to the board by NEPC. The candidate firm was allocated 45 minutes for its presentation and 15 minutes for questions by the board.

Upon conclusion of the presentation, the board members discussed various related items with NEPC representative David Barnes. During the course thereof, he answered several questions posed by board members.

Mr. Stockstill recalled that the FRS board previously retained the law firm of Klausner Kaufman to draft a standardized side letter to assure that FRS was acting in compliance with Louisiana law when entering contracts with investment managers. He explained that Mr. Becker had submitted the FRS side letter to Carlyle for pre-acceptance in advance of this board meeting. Mr. Stockstill said Carlyle proposed changes to the FRS side letter that would significantly impact FRS' compliance with Louisiana law. He observed that it is not yet certain whether FRS and Carlyle will reach a meeting of the minds regarding the side letter. Mr. Stockstill further recommended that the board retain Klausner Kaufman for the purpose of negotiating the side letter with Carlyle and, if that endeavor is successful, then the board will have the option of going forward with the investment, or not. He said that, if the board is inclined to accept that recommendation, then there is no need for action as part of this discussion because the matter can be addressed by simply authorizing the Klausner Kaufman retainer with budget amendment to cover the expense related thereto. [See entry herein below captioned "FY2017-2018 FRS Budget Amendment"]

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

**RECESS**

Chairman Birdwell announced that the board would stand in recess until the next morning.

**FIREFIGHTERS' RETIREMENT SYSTEM  
BOARD MEETING**

**DECEMBER 14, 2017  
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**December 14, 2017**

**RECONVENE**

Chairman Birdwell reconvened the FRS board meeting which had previously stood in recess.

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

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

**MEMBERS PRESENT**

Mr. Stacy Birdwell  
Mr. Afranie Adomako (designee of Commissioner Jay Dardenne)  
Mr. John Broussard (designee of Treasurer John Schroder)  
Mr. Charlie Fredieu  
Mr. Perry Jeselink  
Senator Barrow Peacock  
Mr. Jerry Tarleton

**OTHERS PRESENT**

State Treasurer John Schroder  
Steven Stockstill  
Layne McKinney  
Denise Poche  
Michael Becker  
Jason Starns  
Jamie Grady  
David Barnes  
Margaret Corley  
Gary Curran  
Paul Schmidt  
Dawn Moeller  
Elizabeth Thornton

**MINUTES**

MOTION: Mr. Tarleton moved to approve the minutes of the board meeting held on November 9, 2017. Mr. Jeselink 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 #2) He stated that all applications were in order.

MOTION: Mr. Tarleton moved to approve the new member applicants. Mr. Adomako 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 manager and verified by the system's CPA. 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. Tarleton moved to approve the retiree applicants. Mr. Adomako seconded. The motion passed.

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

- 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 licence (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)

**Patricia Coldwell Davis-** Mr. Starns presented the application of Patricia Coldwell Davis, surviving spouse of Charles Sanford Davis, Jr. He stated that the application was in order.

MOTION: Mr. Jeselink moved to approve the application of Patricia Coldwell Davis. Mr. Tarleton seconded. The motion passed.

**Peggy Greene Skyles-** Mr. Starns presented the application of Peggy Greene Skyles, surviving spouse of Harold Ray Skyles. He stated that the application was in order.

MOTION: Mr. Jeselink moved to approve the application of Peggy Greene Skyles. Mr. Tarleton seconded. The motion passed.

**Gwendolyn Simpson Toney-** Mr. Starns presented the application of Gwendolyn Simpson Toney, surviving former spouse of George Rex Albarado, III. He stated that the application was in order.

MOTION: Mr. Tarleton moved to approve the application of Gwendolyn Simpson Toney. Mr. Jeselink seconded. The motion passed.

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

#### **FY 2016-17 FRS FINANCIAL STATEMENTS**

Mr. Layne McKinney, FRS CPA, presented the FRS 2016-2017 Financial Statements. While a hard copy of the report was distributed, Mr. McKinney stated that this is the same report that had been sent by email to each board member earlier in the week. (see attached Exhibit #4). Mr. McKinney noted that FRS received the best possible opinion for its audit.

Mr. McKinney directed the board's attention to the Statement of Changes in Fiduciary Net Position where he discussed each section of the statement. He said that the Net Increase in Fiduciary Net Position for 2017 was \$193.8 million as compared to a Net Decrease of \$19.2 million in 2016. Mr. McKinney then discussed the report titled Statement of Fiduciary Net Position. He said that the total assets as of June 30, 2017 were \$1.6 billion as compared to \$1.4 billion as of June 30, 2016. Mr. McKinney answered questions asked by board members.

Mr. Stockstill recalled that, during the entrance conference with the Louisiana Legislative Auditor for the FY 2017 annual audit, it was stated that an audit performed by the Louisiana Legislative Auditor is more thorough compared to most other audit firms. He then asked if Mr. McKinney found that to be true. Mr. McKinney confirmed that it was. Mr. Stockstill asked Mr. McKinney to provide a couple of examples of the auditor's thoroughness. Mr. McKinney stated that the Louisiana Legislative Auditor performed a verification of contracts for fund managers and vendors, which was much more than what had been done previously. The auditor also conducted a detailed review of all credit card expenditures and expense reports.

Mr. Broussard clarified that, while the Louisiana Legislative Auditor did perform a more thorough audit, the previous audit firm, Duplantier, Hrapmann, Hogan and Mayer, had not done anything incorrectly and that they had done everything according to Generally Accepted Accounting Principles (GAAP) in the United States of America and the related Governmental Auditing Standards. Mr. McKinney agreed with Mr. Broussard's clarification.

Chairman Birdwell asked Elizabeth Thornton and Dawn Moeller of the Louisiana Legislative Auditor's office to report on the FRS staff's cooperation during the audit. Ms. Moeller stated that the staff was patient and provided very timely responses to the auditors' requests.

Mr. Stockstill stated that, while the Louisiana Legislative Auditor did not find any reportable items or items that gave the auditors concern, the auditors were helpful in pointing out some areas that could be improved. Mr. Stockstill observed that the good result of this audit is a direct consequence of the board's effort to build a professional staff. He recalled the following facts- Mr. McKinney, Mr. Becker and Ms. Grady all have accounting degrees; Mr. Becker and Ms. Grady have master's degrees; Mr. McKinney and Mr. Becker are both CPAs and Ms. Grady is a recently confirmed Certified Fraud Examiner (CFE).

MOTION: Mr. Jeselink moved to accept the FRS 2016-2017 Financial Statement. Mr. Tarleton seconded. The motion passed.

**MONTHLY FLASH REPORT - NOVEMBER 2017**

Mr. Barnes presented the monthly flash report for November 2017. (see attached Exhibit #5) The overall fund was up/down as follows: 1.0% for the month of November as compared to the allocation index of 1.4%; 5.9% for the fiscal year to date as compared to the allocation index of 6.5%; 16.3% for the trailing 12 months as compared to the allocation index of 16.7%; and 5.8% for the trailing 3 years as compared to the allocation index of 6.7%.

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

**HEITMAN AMERICA REAL ESTATE TRUST**

Mr. Barnes advised the board that NEPC had received notice that Heitman recently announced that Heitman entered into a binding agreement to redeem OM Asset Management's ("OM" or "Old Mutual") ownership interest in Heitman. (see attached Exhibit #6) As background, in calendar year 2000, OM acquired a 50% ownership stake in Heitman. As part of the agreement, Heitman was given the right of first offer to buy back the 50% stake from OM if there was a change in ownership of OM. In early 2017, OM sold a portion of their business to HNA, which is a Chinese conglomerate, and triggered the Heitman buy-back clause in the partnership documents. Heitman elected to buy back OM's stake for \$110M (both parties hired third party valuation firms), and Heitman now is going to be 100% employee-owned by its 38 partners. NEPC views this as a positive development as Heitman's employees' financial interest will now be further aligned with the Heitman firm as a whole. The transaction will result in no change in the day to day operations of Heitman.

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

**REQUEST FOR PROPOSAL (RFP) - ABSOLUTE RETURN FIXED INCOME**

Michael Becker, FRS CIO, stated that on October 16<sup>th</sup>, 2017, FRS issued the absolute return fixed income RFP. The stated deadline included in the RFP for submission of cover letter from prospective candidates was November 24<sup>th</sup>, 2017. However, the FRS office was closed on November 23<sup>rd</sup> and 24<sup>th</sup> due to the Thanksgiving holiday. At least 8 of the 36 responses were delivered the following business day on November 27<sup>th</sup> although the postmarked delivery date on the parcels was the 24<sup>th</sup>.

Mr. Stockstill explained that, because the timing of FRS' receipt of the RFP responses (November 27<sup>th</sup>), joined with the need for NEPC to compile and publish the profiles of each candidate one week in advance of this board meeting (December 6<sup>th</sup>) for the trustees' advance review, the staff accepted the late RFP responses and tacitly treated them as having been submitted in a timely fashion, all based on the executive authority of the FRS board chairman and vice chairman.

Mr. Becker recalled that the RFP states that FRS reserves the right to waive any minor irregularities in any proposal. He then recommend that the board accept all submissions received on or before the



close of business on November 27<sup>th</sup>. The number of responses received on the 27<sup>th</sup> was a material amount relative to the overall number of responses. Additionally, the responses would have likely been received if the FRS office was open. No board member raised an objection to the foregoing action or exercise of executive authority regarding the RFP process.

Mr. Barnes provided the update of the ongoing Unconstrained "Absolute Return" Fixed Income asset manager search. He said FRS received 36 responses to its Request for Proposal (RFP) and that six respondents were immediately eliminated because they failed to attain the minimum criteria set forth therein. Nine managers were excluded because their responses were not related to the asset class that was made the subject of the RFP process. The remaining candidates were run through NEPC's proprietary screen to observe consistency of performance. They were then scored, ranked, and listed in the report titled "Unconstrained Absolute Return Fixed Income Search Screening". (see attached Exhibit #7)

Mr. Barnes identified six candidates for which NEPC would compile a profile and submit the profile to the board for review at its next meeting in January of 2018. He then discussed each of those six candidates and gave the reasons why NEPC had narrowed the list down to those candidates.

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

#### **FY2017-2018 FRS BUDGET AMENDMENT**

Jamie Grady, FRS staff accountant, drew the board's attention to the FRS Proposed Annual 2017-2018 Budget Changes. (see attached Exhibit #8) She explained the report on a line-by-line basis.

Mr. Stockstill recommended an additional \$5,000.00 allocation towards legal expenses to retain the law firm of Klausner Kaufman to negotiate with Carlyle Partners on acceptable side letter language. [See entry herein above captioned "Private Equity Manager Interview - Carlyle Partners VII"]

MOTION: Mr. Tarleton moved to approve the Proposed Annual Budget Changes with an additional \$5,000.00 allocation for retention of Klausner Kaufman. Mr. Jeselink seconded. The motion passed.

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

#### **ADJOURNMENT**

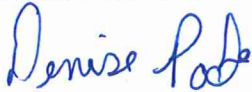
Mr. Tarleton moved to adjourn the meeting. Mr. Jeselink seconded. The motion passed.

**FUTURE MEETINGS**

**FRS Investment Committee  
3100 Brentwood Drive  
Baton Rouge, Louisiana  
Wednesday, January 10, 2018 at 3:00 p.m.**

**FRS Board of Trustees  
3100 Brentwood Drive  
Baton Rouge, Louisiana  
Thursday, January 11, 2018 at 8:30 a.m.**

SUBMITTED BY:



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Denise Poche, FRS Board Secretary

APPROVED BY:



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Stacy Birdwell, FRS Chairman