



FIREFIIGHTERS RETIREMENT SYSTEM

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MEETING OF THE BOARD OF TRUSTEES February 6, 2018

A meeting of the Board of Trustees was held on February 6, 2018 at the Firefighters' Retirement System building in Baton Rouge, Louisiana. Mr. Stacy Birdwell, Chairman, called the meeting to order at 8:30 a.m.

Mr. Jeselink gave the invocation and Mayor Amrhein led the pledge of allegiance.

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

MEMBERS PRESENT

Mr. Stacy Birdwell
Mr. Perry Jeselink
Mr. Afranie Adomako (designee of Commissioner Jay Dardenne)
Mayor David Amrhein
Representative Barry Ivey (designee of House Speaker)
Ms. Amy Mathews (designee of Treasurer John Schroder)
Mr. Jerry Tarleton

OTHERS PRESENT

Steven Stockstill
Layne McKinney
Denise Poche
Michael Becker
Jamie Grady
Jason Starns
Louis Romero
David Barnes
Jason Burge
Gary Curran
Dawn Moeller
Elizabeth Thornton
Paul Schmidt

ELECTION OF BOARD OFFICERS

Chairman. Pursuant to FRS by-laws, Mr. Stockstill conducted the election of board chairman. Upon call for nominations, Mr. Adomako nominated Stacy Birdwell for the position of FRS board chairman. Upon three calls for further nominations, no other nominees were given.

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MOTION: After three unanswered calls for further nominations, Mr. Jeselink moved that nominations be closed and Mr. Birdwell be deemed elected by acclamation to the position of FRS board chairman. Mr. Tarleton seconded. The motion passed.

Vice Chairman. Mr. Birdwell conducted the election of board vice-chairman. Upon call for nominations, Mr. Tarleton nominated Perry Jeselink for the position of FRS board vice-chairman. Upon three calls for further nominations, no other nominees were given.

MOTION: After three unanswered calls for further nominations, Ms. Mathews moved that nominations be closed and Mr. Jeselink be deemed elected by acclamation to the position of FRS board vice-chairman. Mr. Adomako seconded. The motion passed.

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

MINUTES

MOTION: Mr. Tarleton moved to approve the minutes of the board meeting held on December 13 and 14, 2017. Mr. Adomako seconded. The motion passed.

MOTION: Mr. Tarleton moved to approve the minutes of the board meeting held on January 10 and 11, 2018. Mr. Adomako 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.

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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 #2) 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)

Arline Britten Richard- Mr. Starns presented the application of Arline Britten Richard, surviving spouse of Larry Jean Richard. He stated that the application was in order.

MOTION: Mr. Tarleton moved to approve the application of Arline Britten Richard. Mr. Jeselink seconded. The motion passed.

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

JOSEPH N. BRYLES v. CANTOR FITZGERALD & CO., ET AL

Joseph N. Bryles v. Cantor Fitzgerald & Co., et al., Civil Action No. 3:10-854-JJB-SCR, United States District Court, Middle District of Louisiana consolidated with *Joseph N. Broyles, et al. versus Cantor Fitzgerald & Co. et al.*, Civil Action No. 3:10-857-JJB-SCR, United States District Court, Middle District of Louisiana; and *In re Sand Spring Capital III*, Case No. 11-13393, US Bankruptcy Court, District of Delaware - A consolidation of five funds managed by Commonwealth Advisors.

[NOTE: 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 litigation position of FRS in the matters referenced in agenda item II(1) (see litigation cited above); all pertinent notifications had been provided.]

MOTION: Mr. Tarleton moved to enter executive session to discuss the agenda item shown above. Mr. Jeselink seconded. The motion passed unanimously.

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

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

RATIFICATION

Pursuant to the motions made in the absence of a quorum at the board of trustees meeting held on January 10-11, 2018, ratification was needed of the following motions.

- (A) Based on recommendation of Mr. Barnes (NEPC), Mayor Amrhein moved to invite representatives of the below listed funds to appear for finalist-interviews at the FRS board meeting to be held in March 2018. Mr. Tarleton seconded. The putative motion passed.

- GAM
- Loomis, Sayles & Company
- Payden & Rygel

MOTION: Mr. Tarleton moved to ratify the foregoing putative motion. Mr. Jeselink seconded. The motion passed unanimously.

- (B) Based on recommendation of Mr. Stockstill, Mayor Amrhein moved to amend the draft of FRS proposed legislation regarding the Deferred Retirement Option (DROP) Plan to delete from present law the language related to DROP subaccounts because that is not an option offered to FRS members. Mayor Amrhein moved to amend the bill to remove the un-needed language. Mr. Tarleton seconded. The putative motion passed.

MOTION: Mr. Tarleton moved to ratify the foregoing putative motion. Mr. Jeselink seconded. The motion passed unanimously.

- (C) Mr. Tarleton moved to approve the hardship request for accelerated refund of employee contributions for Ms. Kimberly Brooks. Mayor Amrhein seconded. The putative motion passed.

MOTION: Mr. Tarleton moved to ratify the foregoing putative motion. Mr. Jeselink seconded. The motion passed unanimously.

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

FRS EMPLOYER PENSION REPORT

Mr. Layne McKinney, FRS System CPA, presented the "Employer Pension Report for the Year Ended June 30, 2017." (see attached Exhibit #3) He explained the report on a line-by-line basis and answered all questions that arose.

MOTION: Mr. Tarleton moved to accept the report as presented. Mr. Jeselink seconded. The motion passed.

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

RECESS FRS BOARD MEETING

CONVENE MEETING OF FRS SUBSIDIARY LLCs JOINT ADVISORY COMMITTEE

[NOTE: The FRS Joint Advisory Committee met on February 6, 2018, at the FRS office in Baton Rouge at 8:30 a.m. to discuss the following business set forth in its duly posted agenda- Discussion and action regarding Agreed Upon Procedures report produced by the Office of Louisiana Legislative Auditor regarding Limited Liability Corporations identified as FRS-LB, FRS-LB#1, FRS-LB#3, and FRS-GA. The minutes of that meeting are embedded herein. Committee members present were Mr. Stockstill, manager; Mr. Birdwell, Mr. Jeselink, Mr. Adomako, Mayor Amrhein, Representative Ivey, Ms. Mathews, and Mr.

Tarleton. Also present were Layne McKinney, Denise Poche, Michael Becker, Louis Romero, David Barnes, Gary Curran, Paul Schmidt, Dawn Moeller and Elizabeth Thornton.]

Mr. Stockstill recalled that, several years ago, when the newly hired FRS investment consultant (CSG) first reviewed the system's portfolio, it was observed that FRS had no real estate investments as part of its asset allocation. The FRS investment consultant then recommended that FRS begin making real estate investments to further diversify its portfolio. Mr. Stockstill also recalled that, when the board of trustees voted to invest in direct real estate, it was immediately before the 2008-2009 capital market crash. At the time, it was FRS' strategy to purchase and hold certain real estate tracts for no longer than 6-18 months and then sell the property to a developer. It was not FRS' intention to develop or improve the property. However, after two or three investments had been made, the real estate market crashed and the value of the FRS properties plummeted. FRS was not comfortable selling the property at the "crash" value and began holding the property, waiting for the real estate prices to rebound. However, by holding onto the property, FRS runs a risk of liability. At the advice of a retained attorney, and in order to insulate FRS from liability, FRS created certain subsidiary LLCs, each of which holds one tract of property. In order to give FRS members and taxpayers of the state the utmost confidence in the proper handling of the funds for those LLCs, and to demonstrate total transparency, FRS asked the Louisiana Legislative Auditor to conduct a review of the LLCs finances based on procedures agreed upon between FRS and the Auditor.

Mr. McKinney then presented the report compiled by the Louisiana Legislative Auditor titled "Agreed-Upon Procedures Report" and answered all questions that arose. (see attached Exhibit #4)

The discussion of this matter was concluded with no action being recommended.

**ADJOURN MEETING OF FRS SUBSIDIARY LLCs JOINT ADVISORY
COMMITTEE**

RE-CONVENE FRS BOARD MEETING

ACTUARIAL REVIEW OF THE 2017 ACTUARIAL VALUATION

Mr. Stockstill presented the board with the "Comprehensive Actuarial Review Of The 2017 Actuarial Valuation Of The Firefighters' Retirement System." He said this is the same report that was previously included in the board books, except this copy also contained FRS management's response. (see attached Exhibit #5) Mr. Stockstill further explained that, this year, the Louisiana Legislative Actuary developed his own report reviewing the assumptions used by the FRS actuary for FRS' valuation and the Legislative Actuary's report recommends an alternative view of the assumptions. He stated that there is a notable difference in the Legislative Actuary's opinion compared to the FRS

actuary's report. The Legislative Actuary had asked for FRS' response once FRS received a copy of the report, so the request was forwarded to G.S. Curran to prepare the response on behalf of FRS.

Mr. Curran addressed the board regarding FRS management's response. He explained that, pursuant to the Public Retirement Systems Actuarial Committee (PRSAC) statutes, the FRS actuary submits a report to PRSAC and the Louisiana Legislative Auditor's office can submit its own report to PRSAC. He said PRSAC chooses which report to accept. Mr. Curran then reviewed the Louisiana Legislative Auditor's summary of findings and offered his own response to each item listed.

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

MONTHLY FLASH REPORT - JANUARY 2018

Due to the date of the board meeting and the timing of the investment data availability, or lack thereof, there was no flash report for the month of January 2018. In lieu thereof, Mr. Barnes presented and explained a chart containing the composite returns for each major asset class. (see attached Exhibit #6)

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

COMMITTEE REPORT - INVESTMENT COMMITTEE

[NOTE: The Investment Committee met on February 5, 2018, at the FRS office in Baton Rouge at 3:00 p.m. to discuss the following business set forth in its posted agenda- (i) The FRS monthly investment performance results for January 2018, (ii) 2018 Annual Asset Allocation update; and all matters related to the foregoing items. The minutes of that meeting are embedded herein. Committee members present were Mr. Jeselink, chairman; Mr. Adomako, Mr. Broussard, and Mr. Tarleton. Also present were Mr. Birdwell, Mayor Amrhein, Louis Romero, Steven Stockstill, Layne McKinney, Denise Poche, Michael Becker, and David Barnes.]

Mr. Jeselink gave the investment committee report. In doing so he recognized Mr. Barnes who recalled his presentation of the investment performance results to the Investment Committee for the month of January 2018. (see minute entry captioned above as "Monthly Flash Report - January 2018")

- 20187 Annual Asset Allocation Update Report

Mr. Jeselink reported that the 2018 Annual Asset Allocation Update Report was presented by Mr. Barnes of NEPC. (see attached Exhibit #7) Mr. Barnes stated that NEPC had no recommendation at this time as NEPC wanted to explain in the report what they were seeing as an economic backdrop, what they are seeing as the place where FRS is, what that looks like in the current economic environment, and what are some of the risks in that environment. He stated NEPC then

looks at how the market tends to be pricing those risks and where are the investment opportunities relative to each other. Mr. Barnes stated that, what NEPC had modeled out, was designed to start a conversation with regards to what NEPC is thinking and what they are seeing in the market.

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

That concluded the Investment Committee report.

**FRS STATEMENT OF CHANGES IN FIDUCIARY NET POSITION-PRELIMINARY AND
STATEMENT OF FIDUCIARY NET POSITION-PRELIMINARY**

Mr. McKinney addressed the board. He drew the board's attention to the Statement of Changes in Fiduciary Net Position-Preliminary and the Statement of Fiduciary Net Position-Preliminary. (see attached Exhibit #8) He explained each report on a line-by-line basis.

MOTION: Mr. Jeselink moved to accept the staff reports as presented. Mr. Tarleton seconded. The motion passed.

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

FRS ACTUAL TO BUDGET EXPENDITURE COMPARISON

Mrs. Grady, FRS Accountant, addressed the board. She drew the board's attention to the Annual Budget to Actual Comparison. (see attached Exhibit #9) In explaining some of the line items of the report, she highlighted certain variances. Mrs. Grady indicated that, overall, FRS is on target for the year.

MOTION: Mr. Jeselink moved to accept the staff report as presented. Mr. Tarleton seconded. The motion passed.

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

FRS LEGISLATION - 2018 REGULAR SESSION

Mr. Stockstill explained the following 2018 legislative bills to the board and addressed questions that arose relative thereto-

HB9	Ivey	RETIREMENT/FIREFIGHTERS: Provides for definitions relative to rollovers of sums to the Firefighters' Retirement System from other qualified plans under the provisions of the Internal Revenue Code
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- HB10 Ivey RETIREMENT/FIREFIGHTERS: Provides for the payment of refunded contributions to member of the Firefighters' Retirement System
- HB11 Ivey RETIREMENT SYSTEMS: Imposes on the Public Retirement Systems' Actuarial Committee a fiduciary duty to the state and statewide retirement systems
- HB12 Ivey RETIREMENT/BRD-COMMISSIONS: Requires the Public Retirement Systems' Actuarial Committee to report to the legislature
- HB21 Ivey RETIREMENT SYSTEMS: Adds members to the Public Retirement Systems' Actuarial Committee
- HB23 Ivey RETIREMENT/STATE-STWIDE: Provides for a limitation on investment portfolio allocation to alternative investments
- HB24 Ivey RETIREMENT/STATE-STWIDE: Requires actuaries to submit uniform reports of actuarial assumptions to the Public Retirement Systems' Actuarial Committee
- HB34 Pearson RETIREMENT/STATE-STWIDE: Provides relative to the use of terror-free index funds by the state and statewide retirement systems
- HB38 Hollis RETIREMENT/COLAS: Provides for the formula for distributions of benefit increases
- HB40 Ivey RETIREMENT/FIREFIGHTERS: Allows members of the Firefighters' Retirement System to allocate Deferred Retirement Option Plan funds between two separate interest bearing accounts
- HB41 Ivey RETIREMENT/FIREFIGHTERS: Provides relative to the fiduciary relationship between the Firefighters' Retirement System and its investment advisors
- SB3 Peacock RETIREMENT BENEFITS: Provides for benefits for survivors of hazardous duty plan members killed by an intentional act of violence (2/3 CA 10s29(F)) (gov sig)
- SB4 Peacock RETIREMENT SYSTEMS: Provides for the independence of state and statewide retirement systems' actuaries (6/30/18)

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- SB10 Peacock STATE EMPLOYEE RET.: Provides for firefighters at state agencies to be members of the hazardous duty plan (6/30/18)
- SB13 Peacock RETIREMENT SYSTEMS: Provides for the Public Retirement Systems' Actuarial Committee (6/30/18)
- SB17 Peacock RETIREMENT SYSTEMS: Provides for harmonization of federal and state law regarding creditable service for military time at La. retirement systems (gov sig)

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

ADJOURNMENT


The meeting was adjourned due to loss of a quorum.

FUTURE MEETINGS

**FRS Investment Committee
3100 Brentwood Drive
Baton Rouge, Louisiana
Wednesday, March 7, 2018 at 3:00 p.m.**

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

SUBMITTED BY:



Denise Poche, FRS Board Secretary

APPROVED BY:



Stacy Birdwell, FRS Chairman