



FIREFIIGHTERS RETIREMENT SYSTEM

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MEETING OF THE BOARD OF TRUSTEES
March 7, 2018 and
March 8, 2018

A two-day meeting of the Board of Trustees was held on March 7, 2018, and March 8, 2018 at the Firefighters' Retirement System building in Baton Rouge, Louisiana. Mr. Stacy Birdwell, Chairman, called the meeting to order at 2:00 p.m on March 7, 2018.

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

Ms. Poche called the roll. A quorum was not yet present.

MEMBERS PRESENT

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

OTHERS PRESENT

Louis Romero
Steven Stockstill
Layne McKinney
Denise Poche
Michael Barnes
David Barnes
Christopher Todisco
Jack Flaherty
Chad Gross
Todd Vandam
Eric Hovey
Brad Boyd

March 7, 2018

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

TRUSTEE-OATH OF OFFICE

Mr. Stockstill advised the board that Louis Romero had been appointed as the PFFA representative on the FRS board of trustees. Mr. Stockstill administered the statutory and constitutional oaths to Mr. Romero.

Chairman Birdwell observed that the board had attained a quorum upon Mr. Romero's swearing in.

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

INTERVIEWS - ABSOLUTE RETURN FIXED INCOME MANAGER INTERVIEWS

The board of trustees interviewed managers of three Absolute Return Fixed Income funds that were previously selected by the board of trustees at their meeting held on January 11, 2018. The managers are as follows:

GAM USA Inc.

Jack Flaherty, Investment Director
Christopher Todisco, Director-Business Development

Loomis|Sayles

Chad Gross, Vice President
Todd Vandam, Vice President/Portfolio Manager

Payden & Rygel

Eric Hovey, Senior Vice President
Brad Boyd, Senior Vice President/Portfolio Strategist

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 45 minutes for its presentation and 15 minutes for questions by the board.

Upon conclusion of the final presentation, the board members discussed various related items with NEPC representative David Barnes. (see attached Exhibit #1) Mr. Barnes gave a summary comparing and contrasting the three Absolute Return Fixed Income funds. During the course thereof, he answered several questions posed by board members. Mr. Barnes concluded by identifying Payden & Rygel as the manager/fund that NEPC recommends for selection.

MOTION: Mr. Tarleton moved to defer selection of an Absolute Return Fixed Income manager. Mr. Adomako seconded. The motion passed.

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

RECESS

Chairman Birdwell recessed the FRS board meeting.

March 8, 2018

RECONVENE

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

Mr. Jeselink gave the invocation and Ms. Mathews led the pledge of allegiance.

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

MEMBERS PRESENT

Mr. Stacy Birdwell
Mr. Perry Jeselink
Ms. Marsha Guidry (designee of Commissioner Jay Dardenne)
Ms. Amy Mathews (designee of Treasurer John Schroder)
Mr. Louis Romero
Mr. Jerry Tarleton

OTHERS PRESENT

Steven Stockstill	Nicole Edmonson
Layne McKinney	Paul Richmond
Denise Poche	Jim Rizzo (by teleconference)
Michael Becker	Dawn Moeller
Jason Starns	
Jamie Grady	
David Barnes	
Chris Hill	
Gary Curran	
Greg Curran	
Paul Schmidt	
Todd Jacobsen	
John Gallagher (by teleconference)	
Richard Williams	
Ben Huxen	

MINUTES

MOTION: Mr. Tarleton moved to approve the minutes of the board meeting held on February 5-6, 2018. 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. Jeselink 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 #3) He stated that all applications were in order.

MOTION: Mr. Tarleton moved to approve the retiree applicants. Mr. Jeselink 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)

Audrey Bourque- Mr. Starns presented the application of Audrey Bourque, surviving spouse of Roy Paul Bourque. He stated that the application was in order.

MOTION: Mr. Tarleton moved to approve the application of Audrey Bourque. Mr. Jeselink seconded. The motion passed.

Chris Thomas Dubea - Mr. Starns presented the application of Chris Thomas Dubea, surviving spouse of Gayle Scallan Dubea. He stated that the application was in order.

MOTION: Mr. Tarleton moved to approve the application of Chris Thomas Dubea. Mr. Jeselink seconded. The motion passed.

Shanna Laborde Duplechain- Mr. Starns presented the application of Shanna Laborde Duplechain, surviving daughter of Gayle Scallan Dubea. He stated that the application was in order.

MOTION: Mr. Tarleton moved to approve the application of Shanna Laborde Duplechain. Mr. Jeselink seconded. The motion passed.

The Estate of Alice Whittington Greene- Mr. Starns presented the application of the Estate of Alice Whittington Greene, surviving estate of Alice Whittington Greene. He stated that the application was in order.

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MOTION: Mr. Tarleton moved to approve the application of the Estate of Alice Whittington Greene. Mr. Jeselink seconded. The motion passed.

Doris Carter Haynes- Mr. Starns presented the application of Doris Carter Haynes, surviving spouse of Ernest Nathan Haynes. He stated that the application was in order.

MOTION: Mr. Jeselink moved to approve the application of Doris Carter Haynes. Mr. Tarleton seconded. The motion passed.

Brett Patrick Juneau- Mr. Starns presented the Drop/Option 4 selection application of Brett Patrick Juneau. He stated that the application was in order.

MOTION: Mr. Tarleton moved to approve the Drop/Option 4 selection application of Brett Patrick Juneau. Mr. Jeselink seconded. The motion passed.

Grace Chapman King- Mr. Starns presented the application of Grace Chapman King, surviving spouse of Cordell Stephen King. He stated that the application was in order.

MOTION: Mr. Tarleton moved to approve the application of Grace Chapman King. Mr. Jeselink seconded. The motion passed.

Brigette Laborde - Mr. Starns presented the application of Brigette Laborde, surviving daughter of Gayle Scallan Dubea. He stated that the application was in order.

MOTION: Mr. Tarleton moved to approve the application of Brigette Laborde. Mr. Jeselink seconded. The motion passed.

Christopher Blaine Laborde - Mr. Starns presented the application of Christopher Blaine Laborde, surviving son of Gayle Scallan Dubea. He stated that the application was in order.

MOTION: Mr. Tarleton moved to approve the application of Christopher Blaine Laborde. Mr. Jeselink seconded. The motion passed.

Bobbie Sommer McInnis- Mr. Starns presented the application of Bobbie Sommer McInnis, surviving spouse of Lonnie McInnis. He stated that the application was in order.

MOTION: Mr. Tarleton moved to approve the application of Bobbie Sommer McInnis. Mr. Jeselink seconded. The motion passed.

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

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- 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 review. (R.S. 11:215, 216, 218, & 2258)

[NOTE: By giving advance notice on its duly posted agenda, the board of trustees reserved the 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 disability application of ██████████. He advised the board that based upon the report by State Medical Disability Board doctor, Dr. Amy Rabalais, the staff had no recommendation on the disability application.

MOTION: Mr. Tarleton moved to approve a non-job-related disability regarding ██████████. Ms. Mathews seconded. The motion passed.

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

MONTHLY FLASH REPORT - FEBRUARY 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 February 2018. In lieu thereof, Mr. Barnes presented and explained a chart containing the composite returns for each major asset class. (see attached Exhibit #4)

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

FRS PRIVATE EQUITY IMPLEMENTATION OPTIONS

Chris Hill, Senior Research Consultant with NEPC, presented a report titled "Private Equity Implementation Options" for the board to consider regarding future private equity investments. (see attached Exhibit #5) In doing so he discussed private equity and private debt, differences between the two asset classes, economic return drivers, fees and fund structures, the J-curve pattern, investment planning considerations, and fund strategies, and answered questions related thereto.

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

2018 ANNUAL ASSET ALLOCATION UPDATE

Mr. Barnes presented the board with a report titled "2018 Asset Allocation Update". (see attached Exhibit #6) He said that NEPC's recommendation is to maintain the current 4% target for the private equity class, but pursue a different implementation path by using a fund-of-funds approach beginning in 2018. He said that, if the board chooses to go down this path, then NEPC will go back and rework the strategic plan and present the new plan for action at the April 2018 board meeting. The board directed NEPC to present its revised recommendations at the next board meeting.

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

FRS ACTUARIALLY ASSUMED INTEREST RATE

Mr. Stockstill recalled that, during the recent PRSAC meeting, there was a discussion involving the annual actuarial valuation for FRS. He said that typically, by law, the valuation goes to the PRSAC committee for discussion and, if they approve it, then PRSAC is also implicitly setting the employer contribution rate for the upcoming fiscal year. The law requires PRSAC to set the employer contribution rate by the last Monday in February. Because of the timing of the recent PRSAC meeting, a discussion was begun but not completed. The PRSAC discussion involved some of the valuation assumptions used by FRS' actuary, primarily the actuarially assumed interest rate. The legislative actuary, in conjunction with his consulting actuary, had a different opinion with regard to that rate. The differing opinions were discussed and it was clear that continuing discussions are needed. The legislative auditor asked if FRS would facilitate further discussion of this with the legislative actuary at a FRS board meeting to help the board members understand the issue.

This minute entry reflects the discussion held in response to the legislative auditor's request. Appearing before the FRS board on behalf of the legislative auditor were Nicole Edmonson and Paul Richmond with the Louisiana Legislative Auditor's Office, Jim Rizzo (by teleconference) the Louisiana Legislative Auditor's consulting actuary, and Greg and Gary Curran with G.S. Curran.

Mr. Stockstill started by asking Mr. Richmond and Mr. Rizzo to expand on why they believed reducing the actuarially assumed rate of return (discount rate) from 7.5% to 7.0% in equal increments over a five year period was not aggressive enough. He also asked if there are other ways to get to a reduced rate that would not be as harsh as the current reduction plan is perceived to be. Mr. Richmond advised that the discount rate that has been used in the past was not low enough. He advised that they have a particular model that they use to come up with their "ideal" rate. He stated the reason they give PRSAC a single rate to come down to, instead of a range, is because usually, when given a range, the higher side will be selected versus the lower. Mr. Richmond said he understands the concern that, when the discount rate goes down, the employer contribution rate goes up which then leaves less money for other things to be budgeted in the local communities. He further

explained that the Louisiana Legislative Auditor's Office did not recommend a particular rate to PRSAC but did recommend that the committee not accept the valuation rate brought by G.S. Curran.

Gary Curran said that he felt it was important to go over some historical background before going into more detail, since not everyone present at the meeting had the same history as some of the board members. He stated that, for a very long period of time, the assumed rate of return was 7%. In the early 2000's when there was significant market under-performance, the Louisiana Municipal Association (LMA) came forward and proposed an increase in the valuation interest rate in order to reduce the employer contribution rate that the municipalities would have to pay. Mr. Curran said that he was "not real happy" with the direction of the move but did not believe 7.5% was an unreasonable number. He stated that G.S. Curran did begin to get concerned with the rates several years ago and has since had discussions with a number of clients. He said this was reflected in a memo to the FRS board last year that set forth an actual plan to set a target rate of 7 1/8% based upon the information that they had from NEPC at that time.

Chairman Birdwell asked what Mr. Richmond believes is an acceptable rate. Mr. Richmond said he would be comfortable with 6.5%-6.75% range. Mr. Birdwell then asked what kind of effect that rate would have on the employer contribution rate. Mr. Gary Curran answered stating that, for every 10th of a percent decrease in the discount rate, the employer contribution rate would increase by about 1.7%.

Mr. Rizzo addressed his idea on how to get from here to there without breaking the bank. He said the ways to do it are known as "smooth the input" or "smooth the output". He said we are currently smoothing the input but much too slowly in his opinion. Mr. Rizzo presented two separate options that could be used for reducing the rate in a manner that might be feasible with regard to the employers' budgeting processes.

Mr. Stockstill concluded the conversation by stating this discussion was a good start but the board would need to continue these types of discussions with the legislative auditor to reach a conclusion.

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

FRS EMPLOYER CONTRIBUTION RATE

Mr. Stockstill recalled that the board had previously voted to create an account that would save certain excess employer contributions for application at a later appropriate date, i.e., a "rainy day" fund. Essentially, since the proposed employer contribution rate is going down by .25%, the board can maintain the current rate and deposit the .25% difference into the rainy day fund.

MOTION: Mr. Tarleton moved to the maintain the current employer rate of 26.5% for the upcoming fiscal year. Mr. Jeselink 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-

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|--------------|---|
| 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 |
| 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 |

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- 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)
- 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

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

FUTURE MEETINGS

**FRS Investment Committee
3100 Brentwood Drive
Baton Rouge, Louisiana
Wednesday, April 11, 2018 at 3:00 p.m.**

**FRS Board of Trustees
3100 Brentwood Drive
Baton Rouge, Louisiana
Thursday, April 12, 2018 at 8:30 a.m.**

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SUBMITTED BY:



Denise Poche, FRS Board Secretary

APPROVED BY:



Stacy Birdwell, FRS Chairman