



## **FIREFIIGHTERS RETIREMENT SYSTEM**

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



**MEETING OF THE BOARD OF TRUSTEES**  
**August 15, 2018 and**  
**August 16, 2018**

A two-day meeting of the Board of Trustees was held on August 15, 2018, and August 16, 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 August 15, 2018.

Mr. Jeselink gave the invocation and Mr. Romero 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 (arrived after roll call)  
Mr. John Broussard (designee of Treasurer John Schroder)  
Mr. Louis Romero  
Mr. Jerry Tarleton  
Mayor Ronny Walker

### **OTHERS PRESENT**

Steven Stockstill  
Layne McKinney  
Denise Poche  
Michael Becker  
Andrew Tufts  
David Barnes  
Josh Ko  
Elizabeth Thornton  
Nathan Bishop  
Julie Ocko  
Monique Austin  
Andrew Pataky  
Marc Sacs  
Bob Debolt  
Gregory Ciaverelli  
Chris Mackay  
Todd Milligan



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**August 15, 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.

**INTERVIEWS - PRIVATE EQUITY MANAGER INTERVIEWS**

The board of trustees interviewed managers of three Private Equity funds that were previously selected by the board of trustees at their meeting held on April 12, 2018. The managers are as follows:

HarbourVest

Monique Austin, Senior Vice President, Counsel  
Nathan Bishop, Managing Director  
Julie Ocko, Managing Director

Mesirow Financial

Bob DeBolt, Chief Investment Officer  
Andrew Pataky, Senior Vice President  
Marc Sacks, Chief Executive Officer

Private Advisors

Gregory Ciaverelli, Partner, Chief Operating Officer  
Chris Mackay, Partner  
Todd Milligan, Partner

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 Josh Ko. (see attached Exhibit #1) Mr. Ko gave a summary comparing and contrasting the three Private Equity funds. During the course thereof, he answered several questions posed by board members. Mr. Ko concluded by identifying Harbourvest and Private Advisors as the manager/fund that NEPC recommends for selection.

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

**RECESS**

Mr. Jeselink moved to recess the FRS board meeting. Mr. Tarleton seconded. The motion passed.

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**August 16, 2018**

**RECONVENE**

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

Mr. Jeselink gave the invocation and Mr. Romero 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 (arrived after roll call)  
Mr. John Broussard (designee of Treasurer John Schroder)  
Mr. Louis Romero  
Mr. Jerry Tarleton  
Mayor Ronny Walker

**OTHERS PRESENT**

Steven Stockstill  
Layne McKinney  
Denise Poche  
Michael Becker  
Jason Starns  
Ben Johnson  
Andrew Tufts  
Elizabeth Thornton  
David Barnes  
Gary Curran  
Paul Schmidt  
Darin Leedy  
Chuck Gordon

**MINUTES**

MOTION: Mr. Tarleton moved to approve the minutes of the board meeting held on July 10-11, 2018. Mayor Walker 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. Jeselink moved to approve the new member applicants. Mr. Tarleton 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. 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.

- 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)

**Keisha Avery** - Mr. Starns presented the application of Keisha Avery, surviving daughter of Annette Johnson. He stated that the application was in order.

MOTION: Mr. Tarleton moved to approve the application of Keisha Avery. Mayor Walker seconded. The motion passed.

**Annabelle Cavalier** - Mr. Starns presented the application of Annabelle Cavalier, surviving spouse of Argey Joseph Cavalier. He stated that the application was in order.

MOTION: Mr. Tarleton moved to approve the application of Annabelle Cavalier. Mayor Walker and Mr. Jeselink jointly seconded. The motion passed.

**Muriel Joy Solley** - Mr. Starns presented the application of Muriel Joy Solley, surviving spouse of James Leonard Solley. He stated that the application was in order.

MOTION: Mr. Tarleton moved to approve the application of Muriel Joy Solley. Mr. Jeselink seconded. The motion passed.

**Cynthia Sibley Taylor** - Mr. Starns presented the application of Cynthia Sibley Taylor, surviving spouse of James Roy Taylor. He stated that the application was in order.

MOTION: Mr. Tarleton moved to approve the application of Cynthia Sibley Taylor. Mayor Walker 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. Douglas Mendoza, the staff recommendation was for the approval of job-related disability retirement and continuing the requirement of disability recertification.

MOTION: Mr. Tarleton moved to accept the staff recommendation regarding ██████████. Mr. Romero seconded. The motion passed.

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

**FRS, ET AL v CITGO GROUP LIMITED, ET AL**

*FRS, et al. v. Citgo Group Limited, et al.*, Suit No. 3:13-cv-00373-SDD-EWD, U.S. District Court, Middle District, Louisiana

[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, and where an open meeting would have a detrimental effect on the litigation position of FRS in the judicial matter cited in Agenda Item II(1); all pertinent notifications had been provided.]

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

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



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

**LEGISLATIVE ACTUARY - INVESTMENT RETURN ASSUMPTION**

Mr. Gary Curran, FRS Actuary, continued a discussion that occurred at a prior board meeting (see FRS minutes, July 10-11, 2018) regarding information received by the Legislative Auditor relative to the annual FRS valuation and the assumed rate of return (discount rate) applicable thereto.

Mr. Stockstill distributed a copy of Article 10, Section 29 of the Louisiana Constitution, along with R.S. 11:2252, 2260, and 2262 which, when all are read together, establishes the legal concepts of actuarial soundness, FRS funding methods, FRS definition of actuarial assumptions, and FRS annual valuation by the actuary. (see attached Exhibit #4)

Mr. Curran said that an impression had been created by the Legislative Auditor's consulting actuary, in particular, and the Legislative Auditor's staff actuary, to a lesser extent, that somehow the Legislative Auditor's office has a process that they go through, and contrarily, G.S. Curran and Company does not. Mr. Curran said that, by comparison, his office has been going through its own similar process for quite a number of years. He stated that his office has been doing what they have always done, which is to assemble information given to it by FRS and the system's consultants. Then they come up with a consensus of all the information for purposes of performing objective calculations and analyses. Mr. Curran said that, at the end of the day, the return assumption is a subjective decision. The actuary cannot simply dump numbers into the top of a machine and get an answer out of the bottom. That's not how the process works. All of the inputs going into the system are subjective inputs. He explained that the primary difference between G. S. Curran and the Legislative Actuary's process is the time frame in which they are looking at estimates. G. S. Curran is trying to get the longest feasible time frame since this is a pension plan that will theoretically be a perpetual going concern. Mr. Curran stated that the Legislative Auditor's office has taken the position that they want to use mid-term return assumptions. They do not want long-term assumptions because they believe the long-term assumptions are less accurate than the mid-term assumptions. Mr. Curran said his office does not agree with solely using the mid-term assumption.

Mr. Stockstill directed the board's attention to a memo from G.S. Curran and Company. (see attached Exhibit 5) The memo stated with regard to the economic assumptions, G.S. Curran had determined that a reduction in the valuation interest rate by 1% (without any change to other collateral factors) would increase the actuarially required employer contribution rate for Fiscal 2018 by 16.85% of payroll. Had the valuation interest rate been set at 6.9% for Fiscal 2017, the estimated employer contribution rate would have been set at approximately 34.68% of payroll. Had the valuation interest rate been set at 6.4%, the estimated employer contribution rate would have been set at approximately 43.1% of payroll. Had the valuation interest rate been set at 6.0%, the estimated employer contribution rate would have been set at approximately 49.84 of payroll. Mayor Walker voiced his concern that this change would devastate municipalities and force them to make very hard decisions.



Mr. Stockstill recalled that during the joint board meeting held on July 10, 2018, Mr. Rizzo had presented possible solutions to budget challenges in Mr. Rizzo's report titled "Investment Return Assumptions" dated July 10, 2018. (see attached Exhibit 6) One particular solution presented, Option 3 (Smoothing Inputs), would set the valuation interest rate at 5.94% and would raise the estimated employer contribution rate to approximately 50% of payroll by 2020.

Mr. Curran stated that as of FRS' latest valuation, its funding status was at 75.82%. Mr. Stockstill asked whether in Mr. Curran's professional opinion, if a pension plan of FRS' size, demographics, and funding status would be considered a healthy plan. Mr. Curran stated it could be healthier but that it was not unhealthy. Mr. Stockstill asked whether FRS is actuarially sound. Mr. Curran responded in the affirmative.

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

#### **PRIVATE EQUITY MANAGER SEARCH**

In addressing the board of trustees, Mr. Barnes recalled that three Private Equity managers had made presentations at the August 15<sup>th</sup> board meeting. NEPC's recommendation had been for a \$50 million commitment to Harbourvest and a \$20 million commitment to Private Advisors. Mr. Barnes stated that many board members had expressed concern over the recommendation. Mr. Barnes advised the board of multiple pairings and scenarios as additional options.

MOTION: After further lengthy discussions, Mayor Walker moved to table the subject matter until the September 13, 2018 board meeting so additional information can be obtained from the three interviewed managers. Mr. Tarleton seconded. The motion passed.

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

#### **MONTHLY FLASH REPORT - JULY 2018**

Mr. Barnes presented the monthly flash report for July 2018. (see attached Exhibit #7) The overall fund was up/down as follows: 1.9% for the month of July as compared to the allocation index of 1.9%; 1.9% for the fiscal year to date as compared to the allocation index of 1.9%; 6.5% for the trailing 12 months as compared to the allocation index of 7.7%; and 6.5% for the trailing 3 years as compared to the allocation index of 7.5%.

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

**FRS STATEMENT OF CHANGES IN FIDUCIARY NET POSITION-PRELIMINARY AND  
STATEMENT OF FIDUCIARY NET POSITION-PRELIMINARY - QE 06/30/18**

Mr. McKinney, FRS CPA, addressed the board. He drew the board's attention to two reports titled "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 - QE 06/30/18**

Mr. Johnson, FRS Accountant, addressed the board. He drew the board's attention to a report titled the "Annual Budget to Actual Comparison". (see attached Exhibit #9) In explaining some of the line items of the report, he highlighted certain variances. Mr. Johnson indicated that, overall, FRS is over target for the year due to the additional unexpected Fletcher expenses but, without those expenses, FRS would have finished the fiscal year under budget, at 95.5%.

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

**CITY OF SHREVEPORT- REPORTING ERRORS**

Mr. Birdwell asked Mr. Starns if FRS was still having to hold the City of Shreveport's DROP enrollments due to unreported holiday pay from January and February of 2017. Mr. Starns advised that he was not holding any DROP enrollments but that the members' benefits had to be calculated based upon the salary that had been reported. Mr. Starns noted that the City of Shreveport had been late in reporting about six months of salary history. Mr. Starns continued that FRS had received all of the original reports but that the reports were not correct. To date, FRS has still not received the corrected reports from the City of Shreveport.

Mr. Birdwell asked what procedure FRS could explore to force the City of Shreveport to comply with sending in corrected reports and contributions. Mr. Stockstill explained that, as an administrative body, FRS lacks enforcement authority against the City of Shreveport. However, Mr. Stockstill said that FRS could seek a writ of mandamus against the city which, if successful, would result in a court order instructing the governmental official that should be making the corrections to do so immediately. He also stated that, since retirement is a contract between the employee and employer, then the affected employees could sue the other party to the contract (i.e., Shreveport) for a correction of their contributions, earnable compensation, and benefits.



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

**INVESTMENT MANAGER PERFORMANCE**

Mr. Stockstill noted that the FRS board chairman had requested a report showing the investment returns of all the managers that FRS has terminated and replaced in prior years, from the time they had been terminated up to the current date, and what that manager would have earned had they not been terminated. Chairman Birdwell said he was primarily interested in seeing the investment performance of managers who were finalists in manager searches but were not firms that had been recommended by NEPC. He said that would help gauge whether the managers who were being recommended by NEPC were performing better than those that were not recommended. He stated this would be helpful information but would also be a way to measure the FRS' consultant.

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

**ADJOURNMENT**

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

**FUTURE MEETINGS**

**FRS Investment Committee  
3100 Brentwood Drive  
Baton Rouge, Louisiana  
Wednesday, September 12, 2018 at 3:00 p.m.**

**FRS Board of Trustees  
3100 Brentwood Drive  
Baton Rouge, Louisiana  
Thursday, September 13, 2018 at 8:30 a.m.**

SUBMITTED BY:



Denise Poche, FRS Board Secretary

APPROVED BY:



Stacy Birdwell, FRS Chairman