



## **FIREFIIGHTERS RETIREMENT SYSTEM**

3100 Brentwood Drive  
Baton Rouge, Louisiana 70809  
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**MEETING OF THE BOARD OF TRUSTEES**  
**September 7, 2016 and**  
**September 8, 2016**

A two-day meeting of the Board of Trustees was held on September 7, 2016, and September 8, 2016 at the Firefighters' Retirement System building in Baton Rouge, Louisiana. Mr. Charlie Fredieu, Chairman, called the meeting to order at 2:00 p.m on September 7, 2016.

Mr. Birdwell gave the invocation and Mr. Tarleton led the pledge of allegiance.

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

### **MEMBERS PRESENT**

Mr. Charlie Fredieu  
Mr. Afranie Adomako (designee of Commissioner Jay Dardenne)  
Mayor David Amrhein  
Mr. Stacy Birdwell  
Mr. John Broussard (designee of Treasurer John Kennedy; arrived after roll call)  
Mayor Ron Roberts  
Mr. Jerry Tarleton

### **OTHERS PRESENT**

Steven Stockstill  
Layne McKinney  
Jason Starns  
Michael Becker  
Denise Poche  
David Barnes  
William Supple  
Harry Rosenbluth  
William Grayson  
Chris Ibach  
Gretchen Muller  
Francis Sempill

### **September 7, 2016**

Chairman Fredieu 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 - GLOBAL EQUITY MANAGER INTERVIEWS**

The board of trustees interviewed managers of three Global Equity funds that were previously selected by the board of trustees at their meeting held on August 11, 2016. The managers are as follows:

Boston Partners Global Equity

William Supple, Managing Director  
Harry Rosenbluth, Senior Advisor

Principal Global Opportunities Equity

Williams Grayson, Director, Institutional Marketing  
Christopher Ibach, Portfolio Manager  
Gretchen Muller, Research Analyst

Walter Scott Global Equity

Francis Sempill, Head of Client Service

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 Global Equity funds. During the course thereof, he answered several questions posed by board members.

MOTION: Mr. Birdwell moved to select Boston Partners Global Equity as the Global Equity manager finalist with the stipulation that, if the contract negotiations should fail, then contract negotiations would automatically proceed with Principal Global Opportunities Equity instead, without further board action being needed. Mayor Roberts seconded. The motion passed.

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

**RECESS**

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

**September 8, 2016**

**RECONVENE**

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

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

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

**MEMBERS PRESENT**

Mr. Charlie Fredieu

Mr. Afranie Adomako (designee of Commissioner Jay Dardenne, arrived after roll call)

Mayor David Amrhein (arrived after roll call)

Mr. Stacy Birdwell

Mr. John Broussard (designee of Treasurer John Kennedy)

Mr. Perry Jeselink

Mayor Ron Roberts

Mr. Jerry Tarleton

**OTHERS PRESENT**

Steven Stockstill

Layne McKinney

Jason Starns

Michael Becker

Denise Poche

David Barnes

Greg Curran

Paul Schmidt

Margaret Corley

Henry Olinde

**MINUTES**

MOTION: Mr. Birdwell moved to approve the minutes of the board meeting held on August 11, 2016. 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. Birdwell 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. Birdwell 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).

**Nancy Allen-** Mr. Starns presented the application of Nancy Allen, surviving spouse of Michael Allen. He stated that the application was in order.

MOTION: Mr. Jeselink moved to approve the application of Nancy Allen. Mr. Birdwell and Tarleton jointly seconded. The motion passed.

**Nancy Louise Frazier-** Mr. Starns presented the application of Nancy Louise Frazier, surviving spouse of Dave Arnold Frazier. He stated that the application was in order.

MOTION: Mr. Jeselink moved to approve the application of Nancy Louise Frazier. Mr. Birdwell seconded. The motion passed.

**Donna Marie Zeigler-** Mr. Starns presented the application of Donna Marie Zeigler, surviving spouse of Russell Rene Zeigler. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application of Donna Marie Zeigler. Mr. Tarleton seconded. The motion passed.

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

#### **MONTHLY FLASH REPORT - AUGUST 2016**

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 August 2016. In lieu thereof, Mr. Barnes presented and explained a chart containing the composite returns for each major asset class. (see attached Exhibit #4)

**RISK BUDGETING - ALLOCATION OF CAPITAL - GLOBAL EQUITY**

After reviewing the composite returns chart, Mr. Barnes brought it to the board's attention that, upon selection of the Global Equity manager finalist the prior day, he did not discuss asset allocation. He said the system that NEPC uses to allocate funds between managers in the same asset class is called "risk budgeting", which provides data for the board to use when making that allocation decision. He said, most plan sponsors, unfortunately, put their finger in the air and say "let's do a 50/50 blend". Mr. Barnes said that a 50/50 allocation of capital between managers does not necessarily mean a 50/50 allocation of risk. It doesn't mean the risk is balanced, so NEPC tries to show what the active risk profile looks like if the board does a 50/50 allocation between managers. He drew the board's attention to a chart titled "Active Risk Budget - Global Equity". (see attached Exhibit #5) He said the left side pie chart shows a 50/50 allocation of capital between Boston Partners and Thornburg. He said, if the board allocates 50% of the capital to Boston Partners, which is a lower volatility manager, and Thornburg, which is a much higher volatility manager, the pie chart on the right side shows what the "risk balance" looks like. He said NEPC extracts the risk balance by looking at historical correlation of the two managers, the historical tracking error of the two managers, and those are not constant because they fluctuate over time. He said the chart shows that a 50/50 allocation between these two managers results in 75% of the active risk being concentrated with Thornburg, the higher volatility manager. He then said that, in order to balance out the asset class by active risk, 65% of the capital should be allocated to Boston Partners and 35% to Thornburg. In answer to a board member's question, Mr. Barnes explained that a 50/50 risk budget would require that capital be taken from Thornburg and reallocated to Boston Partners. That way, one manager would not dominate the asset class' performance. Mr. Barnes said that NEPC's recommendation was to allocate 65% of the total assets of the Global Equity asset class to Boston Partners and 35% to Thornburg.

MOTION: Mayor Roberts moved to accept NEPC's 65/35 allocation recommendation. Mr. Tarleton seconded.

Mr. Broussard stated that he was opposed to the motion because he did not think now is the time to make that decision. He felt it more appropriate to address risk budgeting during the annual asset allocation meeting. Mr. Broussard recalled that FRS had put out a Request for Proposal (RFP) for \$60+ million dollars and he believed that should be the mandate for the newly hired manager. He expressed his belief that the decision regarding allocating the assets, based on risk, should be discussed during the asset allocation meeting; but not at this point, which would be like doing it mid-stream.

MOTION: Mr. Birdwell made a substitute motion to allocate \$66 million to Boston Partners Global Equity and to discuss the allocation of capital between managers at a later time. Mr. Broussard seconded. A roll call vote was taken and the motion passed with the following tally -

Fredieu	Yes
Birdwell	Yes
Adomako	Abstain
Amrhein	No
Broussard	Yes
Jeselinck	Yes
Roberts	Yes
Tarleton	Yes

(6-2)

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

**COMMITTEE REPORT - FRS POLICY, BY-LAWS & PROCEDURE COMMITTEE**

[NOTE: The FRS Policy, By-Laws & Procedure Committee met on September 7, 2016, at the FRS office in Baton Rouge at 1:00 p.m. to discuss the following business set forth in its posted agenda-  
(i) Discussion and action regarding FRS policy relative to the number of hours that must be worked to be defined as full-time or part-time employment for retirement purposes, and all related matters. The minutes of that meeting are embedded herein. Committee members present were Mayor Amrhein, chairman; Mr. Adomako, Mayor Roberts, and Mr. Fredieu. Also present were Mr. Birdwell, Mr. Tarleton, Steven Stockstill, Layne McKinney, Denise Poche, Michael Becker, Michelle Cunningham and Patrick Butler.]

[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 litigating position of FRS in the matter.]

Mayor Amrhein gave the FRS Policy, By-Laws & Procedure Committee report. He reported that one agenda item was discussed and resulted in no action item being approved for recommendation to the full board.

- FRS Policy

Mayor Amrhein recalled the committee's discussion for the board. Mr. Stockstill addressed the board and explained the current FRS policy that was established on October 24, 1980 that defines a full time firefighter as an individual who works at least 35 hours per week. (see attached Exhibit #6)

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

**LOUISIANA COMPLIANCE QUESTIONNAIRE**

Mr. McKinney presented the board with a copy of the Louisiana Compliance Questionnaire (see attached Exhibit #7), which is required to be submitted to the Legislative Auditor each year as part of the annual audit.

MOTION: Mr. Birdwell moved to approve the Louisiana Compliance Questionnaire for submission as part of the 2015-16 annual audit. Mayor Amrhein seconded. The motion passed.

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

**BANK OF NEW YORK EDUCATION SESSION**

Mr. Schmidt with the Bank of New York presented the board with an hour long educational session related to the role of a custodian, custody technology change, selecting subcustodians, life of a trade, global institutional accounting, class action process and filing, global risk solutions, daily cash sweep investment, and all related matters.

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

**OFFICE OF INSPECTOR GENERAL FOR CITY OF NEW ORLEANS - NOFF**

Before adjourning the meeting, Mr. Birdwell asked to discuss the letter written by the Office of Inspector General for the City of New Orleans. (see attached Exhibit #8) The letter raised questions regarding the cost of the Firefighters' Pension and Relief Fund for the City of New Orleans resulting from its disability retirees. The letter states that "Firefighters in the (State of Louisiana) Firefighters' Retirement System experience a disability rate of about 10%, while New Orleans firefighters experienced disability retirement rates as high as 94%." Mr. Birdwell requested a report of FRS' disability pensions listed by jurisdiction and showing the percentage of each jurisdiction's disability retirements compared to their total retirees.

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

**ADJOURNMENT**

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



**FIREFIGHTERS' RETIREMENT SYSTEM  
BOARD MEETING**

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**FUTURE MEETINGS**

FRS Policy, Bylaws & Procedures Committee  
3100 Brentwood Drive  
Baton Rouge, Louisiana  
Wednesday, October 12, 2016 at 2:00 p.m.

Investment Committee  
3100 Brentwood Drive  
Baton Rouge, Louisiana  
Wednesday, October 12, 2016 at 3:00 p.m.

FRS Board of Trustees  
3100 Brentwood Drive  
Baton Rouge, Louisiana  
Thursday, October 13, 2016 at 8:30 a.m.

SUBMITTED BY:

APPROVED BY:

  
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Steven S. Stockstill, Executive Director

  
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Mr. Charlie Fredieu, FRS Chairman

