



FIREFIIGHTERS' RETIREMENT SYSTEM

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



MEETING OF THE BOARD OF TRUSTEES November 8, 2018

A meeting of the Board of Trustees was held on November 8, 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 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)
Mr. John Broussard (designee of Treasurer John Schroder)
Mr. Louis Romero
Treasurer John Schroder (arrived after roll call)
Mr. Jerry Tarleton
Mayor Ronny Walker

OTHERS PRESENT

Steven Stockstill
Layne McKinney
Denise Poche
Jason Starns
Michael Becker
Ben Johnson
David Barnes
Paul Schmidt
Gary Curran
Elizabeth Thornton
Dawn Moeller
Darrin Guzzardo
Karen Guzzardo

MINUTES

MOTION: Mr. Tarleton moved to approve the minutes of the board meeting held on October 11, 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 #1) He stated that all applications were in order.

MOTION: Mr. Tarleton moved to approve the new member applicants. Mayor Walker 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 #2) He stated that all applications were in order.

MOTION: Mr. Tarleton moved to approve the retiree applicants. 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 ██████████. Mr. Starns stated that, based on the report by State Medical Disability Board doctor, Dr. Douglas Mendoza, the staff recommendation was for approval of the Application for Disability Retirement (Job-Related) and suspending the requirement of disability recertification.

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

- Disability Conversion Applicant

PROCEDURE: Retirees who apply for conversion from regular retirement to a disability retirement are required to submit detailed medical information as part of the application in support of their claim that the disability was job-related and occurred during active employment as a firefighter, even though the actual physical disability may not have become manifest until after the effective date in DROP or after commencement of service retirement. Once received, the application is reviewed by staff and medical records are forwarded to a State Medical Disability Board doctor to determine if sufficient documentation is present to certify that the retiree's disability occurred during active employment and was a direct result of working as a firefighter. If the medical information submitted is not sufficient for the doctor to determine the date and cause of the disability, then an appointment is scheduled for the applicant to undergo a physical examination. For the applicant to become eligible for conversion, the State Medical Disability Board doctor must furnish a medical report certifying the retiree's disability and that the disability was a direct result of employment as a firefighter. (R.S. 11:2258(B) and Administrative Rule)

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[NOTE: By giving advance notice on its posted agenda, the board of trustees reserved its 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 conversion applicant.]

██████████ - Mr. Starns presented the disability conversion application of ██████████. He advised the board that based upon the report by State Medical Disability Board doctor, Dr. Thad Broussard, the staff recommendation was for the approval of disability conversion and suspending the requirement of disability recertification.

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

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

MONTHLY FLASH REPORT - OCTOBER 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 October 2018. In lieu thereof, Mr. Barnes presented and explained a chart containing the composite returns for each major asset class. (see attached Exhibit #3)

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

COMMITTEE REPORT - INVESTMENT COMMITTEE

[NOTE: The Investment Committee met on November 7, 2018, at the FRS office in Baton Rouge at 2:00 p.m. to discuss the following business set forth in its posted agenda- (i) The FRS monthly investment performance results for October 2018, (ii) Presentation by representatives of Stone Harbor Local Markets Fund relative to watch status, (iii) Presentation by representatives of Thornburg Global Opportunities strategy relative to watch status, (iv) Update regarding departure of key personnel at Rothschild Asset Management, 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, and Mr. Romero. Also present were Mr. Birdwell, Mayor Walker, Steven Stockstill, Layne McKinney, Denise Poche, Michael Becker, Andrew Tufts, Elizabeth Thornton, David Barnes, David Oliver, John Madden, Tonja Truesdell, Miguel Oleaga and Joshua Rubin.]

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 October 2018. (see minute entry captioned above as "Monthly Flash Report - October 2018")

- Stone Harbor Local Markets Fund

Mr. Jeselink recalled that representatives from Stone Harbor Local Markets Fund had come before the Investment Committee after previously being placed on "watch status". The representatives presented a report to the Investment Committee titled "Presentation to the FRS Board" which included details regarding Stone Harbor's business update, future outlook, valuations and returns. (see attached Exhibit #4)

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

- Thornburg Global Opportunities

Mr. Jeselink recalled that representatives from Thornburg Global Opportunities had also come before the Investment Committee after previously being placed on "watch status". The representatives presented a report to the Investment Committee titled "Louisiana Firefighters' Retirement System Update" which included details regarding Thornburg's business update and future outlook. (see attached Exhibit #5)

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

[EDITORIAL NOTE: During the FRS Investment Committee meeting held on November 7, 2018, the committee collectively acknowledged the prudence of continued monitoring of the two aforementioned asset management firms that are on watch status. The committee scheduled a follow-up review of the firms to occur one-year from the date that the firms were initially placed on watch status. However, Mr. Barnes of NEPC emphasized that NEPC will be monitoring the two firms on at least a monthly basis in the interim period and will report to the FRS board any action that NEPC recommends during the interim period, if any.]

- Rothschild Asset Management

Mr. Jeselink recalled that Mr. Barnes informed the Investment Committee that NEPC had been notified that Rothschild Asset Management (RAM) had announced that Michael Wood, the division's Chief Executive Officer/Chief Operating Officer, decided to leave RAM, effective October 31, 2018. Rothschild had stated that they will not be replacing the Chief Executive role. Instead, the RAM's Business Management Committee, which is comprised of senior leaders from across the firm, will assume all day-to-day business management responsibilities. Kathryn Orozco will assume the role of Chief Operating Officer. NEPC's recommendation was for no action at this time. While NEPC views any professional departure as significant, they feel that this departure will not affect Rothschild's core business of investments.

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

That concluded the Investment Committee report.

ACTUARIAL VALUATION - FY 2017-18

Mr. Curran, FRS Actuary, addressed the board. He drew the board's attention to the FRS Annual Valuation for FY 2017-18. (see attached Exhibit #6) Mr. Curran then highlighted certain portions of the valuation, including the schedules. He explained the Summary Results by indicating that, since last year, FRS has - (i) Increased its funding percentage from 75.82% to 76.40%, (ii) Increased its UAL by \$13.9 million, and (iii) Increased the employer contribution rate by 1.25% beginning July 1, 2019.

After receiving several questions from the board members, and discussing subjects related thereto, Mr. Curran concluded his presentation.

MOTION: Treasurer Schroder moved to adopt the Valuation report as presented by Mr. Curran. Mr. Tarleton seconded. The motion passed.

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

FRS STATEMENT OF PLAN NET ASSETS AND STATEMENT OF CHANGES IN PLAN NET ASSETS, Q1 FY2018-19

Mr. Layne McKinney, FRS CPA, addressed the board. He drew the board's attention to two reports titled "Statement of Plan Net Assets" and "Statement of Changes in Plan Net Assets". (see attached Exhibit #7) He explained each report on a line-by-line basis.

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

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

FRS BUDGET TO ACTUAL COMPARISON - Q1 FY 2018-19

Mr. Ben Johnson, FRS Accountant, addressed the board. He drew the board's attention to a report titled FRS "Budget to Actual Comparison" for the 1st Quarter of FY 2018-19. (see attached Exhibit #8) He highlighted pertinent line items of the report and explained certain variances related thereto.

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

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

POLICY - DROP SUBACCOUNT SELECTION

Mr. Stockstill addressed the board. He recalled that state law defines the rules governing the FRS Deferred Retirement Option (DROP) Plan. (see attached Exhibit #9) The law allows a member who becomes eligible to participate in the DROP plan on or after January 1, 2019, upon termination of participation in the plan, to allocate the balance of his individual account into either or both the portfolio or the money market subaccounts, but that allocation decision must be submitted to FRS "within the period prescribed by the board". Mr. Stockstill advised that the board would need to set the period prescribed for this allocation decision to be submitted to FRS.

A discussion was had regarding the applicable interest that accrues to a member while the member is in the period prescribed by the board for selection of the DROP subaccount. It was recognized that the provisions of R.S. 11:2257(G)(2)(a) provide that- "Unless the plan participant makes the election" to allocate his balance into the subaccount that earns interest at the same rate as the system's portfolio, then "the board of trustees shall place the credited amounts in liquid asset money market investments chosen at the discretion of the board of trustees." (emphasis added) The board further recognized that the money market subaccount is the mandatory default option of the foregoing statute and, based on that recognition, directed the staff to prepare a policy for crediting interest at the default money market rate during the 90-day period in which a member must select which DROP subaccount to which he will allocate his DROP balance.

MOTION: Mr. Tarleton submitted a motion comprised of four components. He moved- (1) A DROP participant must choose the subaccount or subaccounts into which he will allocate his DROP balance within a 90-day period starting at the end of such person's DROP participation, irrespective of whether or not the person separates from service, and (2) If the person chooses to allocate any funds to the money market rate subaccount, interest attributable to the subaccount balance shall be credited at the applicable money market rate beginning on the day after the end of the person's DROP participation period, and (3) If the person chooses to allocate any funds to the system's portfolio rate subaccount, interest attributable to the subaccount balance shall not begin to accrue until the day after the person's separation from service, and (4) If the person fails or refuses to make the allocation selection, then the person's entire DROP account balance shall be allocated to the money market rate subaccount effective at the end of the 90-day selection period. Mayor Walker seconded. The motion passed.

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

PROPOSED LEGISLATION

Mr. Stockstill explained the following concepts identified throughout the prior year by various board members as possibly being the subject of legislation proposed by FRS in the upcoming regular legislative session of 2019 and addressed questions that arose relative thereto-

- **FRS Funding Method/Amortization.** Under present law, FRS is statutorily required to use the "entry age normal" funding method for purposes of producing the system's annual actuarial valuation. The proposed law would change the funding method to the "frozen initial liability" funding method. Additionally, all of the present amortization bases would be aggregated into two amortization bases, those being the "merger bases" and the "non-merger bases" for purposes of smoothing the annual payments of the system's unfunded accrued liability without extending the payout period.
- **Social Security Opt-Out.** Under present law, if a member is employed by a municipality that requires its employees to participate in social security, then the member is allowed by law to opt-out of FRS participation on an individual basis. Then, later, the member can opt back into FRS and then, even later, opt back out of FRS. The proposed law would limit the opt-out to a one time election with no ability to opt-back into the system.
- **Standardized Physical Examination.** Under present law, each employee must undergo a physical examination in order to become a participating member of FRS. However, the type of physical examination is determined on a department by department basis, with no uniformity. The proposed law would require all parishes, municipalities and fire protection districts to use a standardized NFPA physical examination for FRS membership purposes.
- **Optional Beneficiary.** Under present law, if an FRS member is not married at the time he enters into retirement, and thereafter becomes married, he is allowed to designate his spouse as an optional beneficiary. The proposed law as originally presented would have set a time period in which such a member would be allowed to make that designation. However, a thorough discussion revealed certain unequal effects of the law, e.g., a member who is divorced at retirement can rename a new spouse as his designated beneficiary, but a person who becomes divorced after retirement cannot have that same right. The staff suggested that the proposed law would be redrafted as a repealer of present law for further consideration of the board.
- **Refund of Contributions.** Under present law, a member who separates from covered employment prior to eligibility for retirement can request a refund of employee contributions after 90 days have lapsed from the date of separation. The proposed law would accelerate the refund period to 30 days.

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

ADJOURNMENT

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

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FUTURE MEETINGS

**FRS Investment Committee
3100 Brentwood Drive
Baton Rouge, Louisiana
Wednesday, December 19, 2018 at 3:00 p.m.**

**FRS Board of Trustees
3100 Brentwood Drive
Baton Rouge, Louisiana
Thursday, December 20, 2018 at 8:30 a.m.**

SUBMITTED BY:



Denise Poche, FRS Board Secretary

APPROVED BY:



Stacy Birdwell, FRS Chairman