



FIREFIGHTERS' RETIREMENT SYSTEM

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MEETING OF THE BOARD OF TRUSTEES March 12, 2020

A meeting of the Board of Trustees was held on March 12, 2020 at the Firefighters' Retirement System building in Baton Rouge, Louisiana. Chairman Stacy Birdwell called the meeting to order at 8:30 a.m.

Mayor Walker gave the invocation and Mr. Romero led the pledge of allegiance.

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

MEMBERS PRESENT

Mr. Stacy Birdwell
Mr. Afranie Adomako (designee of Commissioner Jay Dardenne)
Mayor David Amrhein
Mr. John Broussard (designee of State Treasurer John Schroder)
Mr. Louis Romero
Mr. Jerry Tarleton
Mayor Ronny Walker

OTHERS PRESENT

Steven Stockstill
Layne McKinney
Jason Starns
Michael Becker
Benjamin Johnson
Brandon Trahan
Ashley Duhe'
David Barnes
Griffin Guzan
Elizabeth Thornton
Michael Richmond
Mike Waniewski
Wesley Roan
Greg Curran
Chad Danenhower

MINUTES

MOTION: Mr. Adomako moved to approve the minutes of the board meeting held on February 12-13, 2020. Mr. Romero seconded. The motion passed.

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

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 for the month of March 2020. (see attached Exhibit #1) He stated that all applications were in order.

MOTION: Mr. Tarleton moved to approve the new member applicants for the month of March 2020. 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.

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Mr. Starns presented the list of new retirees for the month of March 2020. (see attached Exhibit #2)
He stated that all applications were in order.

MOTION: Mr. Tarleton moved to approve the retiree applicants for the month of March 2020. Mr. Romero 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)

Angela Hurley- Mr. Starns presented the application of Angela Hurley, surviving daughter of Noel John Twilbeck. He stated that the application was in order.

MOTION: Mr. Tarleton moved to approve the application of Angela Hurley. Mr. Romero seconded. The motion passed.

Jacqueline Millon- Mr. Starns presented the application of Jacqueline Millon, surviving daughter of Noel John Twilbeck. He stated that the application was in order.

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

Jodi Schwing- Mr. Starns presented the application of Jodi Schwing, surviving daughter of Noel John Twilbeck. He stated that the application was in order.

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

Noel John Twilbeck, Jr.- Mr. Starns presented the application of Noel John Twilbeck Jr., surviving son of Noel John Twilbeck. He stated that the application was in order.

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MOTION: Mr. Tarleton moved to approve the application of Noel John Twilbeck Jr. Mr. Romero seconded. The motion passed.

Malorie Zumbro- Mr. Starns presented the application of Malorie Zumbro, the named beneficiary of Kevin Matthew Coleman. He stated that the application was in order.

MOTION: Mayor Walker moved to approve the application of Malorie Zumbro. Mr. Romero seconded. The motion passed.

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

- 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)

[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. Rubin Patel, the staff recommendation was for the approval of disability conversion and suspending the requirement of disability recertification.

MOTION: Mr. Romero 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 - FEBRUARY 2020

Mr. Barnes presented the monthly flash report for the month of February 2020. (see attached Exhibit #3) The overall fund was up/down as follows: -3.7% for the month of February as compared to the allocation index of -3.8%; 1.8% for the fiscal year to date as compared to the allocation index of 1.7%; 5.6% for the trailing 12 months as compared to the allocation index of 6.2%; and 5.7% for the trailing 3 years as compared to the allocation index of 6.7%.

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

COMMITTEE REPORT - INVESTMENT COMMITTEE

[NOTE: The Investment Committee met on March 11 , 2020, 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 February 2020 , **(ii)** FRS 2020 Asset Allocation Update, **(iii)** Educational presentation by a company named Parametric regarding portfolio hedging strategies, and **(iv)** Update regarding retaining independent entity to provide 3rd party review and analysis of FRS portfolio, and all matters related to the foregoing items. The minutes of that meeting are embedded herein. Committee members present were Mr. Birdwell, chairman; Mr. Adomako, Mr. Broussard, Mr. Romero, and Mr. Tarleton. Also present were, Steven Stockstill, Layne McKinney, Michael Becker, Ashley Duhe', David Barnes, Mark Waniewski, Gregory Bauer, and Elizabeth Thornton.]

Mr. Birdwell 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 February 2020. (see minute entry above captioned as "Monthly Flash Report - February 2020")

- Supplemental Investment Performance Estimate

Mr. Birdwell stated that Mr. Barnes of NEPC presented a report titled "FRS Performance Estimate". Mr. Birdwell explained that Mr. Barnes wanted to present information regarding portfolio gains and losses that occurred after the flash report dated February 29, 2020, and up to the most recent information available. He said Mr. Barnes had presented the Investment Committee with an estimate that was updated as of March 10, 2020. (see attached Exhibit #4) Mr. Barnes then furnished the board with an updated estimate as of March 11, 2020, and said NEPC would continue providing FRS with daily estimates until further notice. (see attached Exhibit #5)

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

- Insurance Premium Tax Fund/Rebalancing

Mr. Barnes said there will be approximately \$28 million of insurance premium tax (IPTF) funds coming into the FRS portfolio at the end of March or early in April. He said NEPC is not

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recommending using the IPTF funds to fully rebalance back to the policy targets. Mr. Barnes said the proposal submitted by NEPC to the FRS investment committee which was approved by the investment committee, and is now being submitted to the FRS board, is as follows: NEPC recommends identifying every equity asset class that is at least $\frac{1}{2}$ of 1% below its policy target, and then use the IPTF funds to rebalance $\frac{1}{3}$ of the way back toward the target. He said NEPC is not recommending that FRS come in to the capital market and bite off big chunks of equity purchases. As the markets decline it is best to buy additional shares by "dollar cost averaging". There is no way to know when current market declines are going to turn around and investors shouldn't take too big of a position too early. But the policy targets should be set with a long term perspective and FRS should maintain that long term perspective. FRS should be prudent about rebalancing back to its policy targets. Mr. Barnes repeated, NEPC's recommendation is to identify every equity asset class that is at least $\frac{1}{2}$ of 1% below its policy target, and then use the IPTF funds received by FRS to rebalance $\frac{1}{3}$ of the way back toward the policy targets and the remaining IPTF funds should be allocated to the core bond portfolio, i.e., the US debt index fund.

MOTION: Mr. Tarleton moved the investment committee's recommendation in the form of a motion, including the rebalancing plan and allocation of any remaining IPTF funds to the core bond portfolio. Mr. Adomako seconded. The motion passed.

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

- Wellington Blended Opportunities EMD Fund - Funding

Mr. Birdwell observed that the FRS investment committee approved a recommendation made by NEPC to reduce the initial funding for the newly selected Emerging Markets Debt manager Wellington to an allocation of 1.25% of the overall portfolio as compared to the original 5% target allocation.

Mr. Barnes said, originally, the policy target for allocating assets to emerging market bonds is 5%, which equals approximately \$85 million for purposes of funding the newly approved investment in the Wellington Blended Opportunities EMD Fund. For reasons similar to the proposed partial rebalancing plan, NEPC also recommends that FRS only fund about one-quarter (25%) of the target allocation to the Wellington investment. NEPC recommends that, instead of funding the full \$85 million, FRS only fund \$20 million initially. Assuming that when Wellington comes into the FRS office next week, for its due diligence meeting with FRS staff, there are no issues with diligence or with contracting. The idea is that, with markets down, FRS shouldn't make big moves. Instead, FRS should "dollar cost average" into the investment. The long term policy target would still to be to fund emerging market bonds at 5%, but the initial funding should begin at \$20 million, or approximately 1.25% of the overall portfolio. NEPC is recommending the allocation to be funded from existing safe haven assets, so FRS shouldn't pull big chunks of money from those safe haven assets. NEPC recommends that it should be done small and incrementally and then just monitor it.

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MOTION: Mr. Broussard moved the investment committee's recommendation in the form of a motion to the extent there are no diligence related issues and the staff is able to get through the contract negotiations. Mr. Romero seconded. The motion passed.

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

- NEPC 2020 Asset Allocation Update

Mr. Birdwell summarized Mr. Barnes' explanation regarding investment risk. Mr. Birdwell said that NEPC is exploring the financial impact of leaving the FRS portfolio where it currently is at on the broad spectrum of risk and subjecting the portfolio to the possibility of a decline of investment returns; or, alternatively, to extend the portfolio out on the spectrum of risk to increase the potential for greater portfolio returns. Mr. Barnes explained that, at this point in the market cycle, NEPC is expecting to update NEPC's capital market assumptions by considering the significant shifts in recent valuations and yields. He said NEPC is expecting to have the updated capital market assumptions by April 15th. Mr. Barnes stated that the board should postpone its Asset Allocation Update until after NEPC presents the most up-to-date information.

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

- Educational Presentation - Parametric Portfolio Associates

Mr. Birdwell reported that Gregory Bauer, CFA/CAIA of Parametric Portfolio Associates made an educational presentation to the investment committee regarding portfolio hedging strategies. He said Mr. Bauer's presentation provided detailed analyses of three hedge structures: Put, Collar, and a Put-Spread Collar, which are all designed to protect an investment portfolio from losses due to extraordinary volatility in the capital markets. Mr. Birdwell said that the presentation was for educational purposes and the investment committee took no action on this item. (see attached Exhibit #6)

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

- Mesirow - Amendment of Governing Document

Michael Becker, FRS CIO, stated that Mesirow Financial Private Equity Fund VII-A is the most recent private equity fund that FRS invested in with a \$35 million commitment. He explained that Mesirow forwarded an amendment to the limited partnership agreement that does two things. First, the amendment reduces to zero the management fee payable in certain circumstances. Second, the amendment addresses the conduct of the General Partner relative to securities laws. Mr. Becker recommended that the board take no action regarding the consent form, because the first matter is favorable and will most likely pass without FRS' signature and FRS already has a side letter in place that addresses the second matter.

MOTION: Mr. Tarleton moved to accept Mr. Becker's recommendation to take no action regarding the proposed Mesirow amendment. Mr. Broussard seconded. The motion passed.

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

That concluded the Investment Committee report.

WILSHIRE ASSOCIATES - INDEPENDENT PORTFOLIO REVIEW

Mr. Stockstill addressed the board. He recommended signing the portfolio review contract with Wilshire Associates in substantially the same form that it was submitted by Wilshire. To support his recommendation, he said retaining Wilshire would be for this one consulting service project and then the relationship would be concluded. Mr. Stockstill said he received Wilshire's proposed pricing for the project. Originally, it was presented to the board as a no-cost service. However, the Wilshire proposal outlines a three phase process with the first two being at no-cost. Then, if FRS hires Wilshire, the third phase would cost \$50,000. Mr. Stockstill said he had been informed that a third party would pick up the cost on behalf of FRS.

Mark Waniewski, PMI CEO, addressed the board. He stated that Wes Roan with Equitable was also present. Mr. Waniewski explained that the action taken by the board at its meeting held in February changed the paradigm and lead to a cost now being proposed by Wilshire. Mr. Waniewski said he believes that the memorandum of understanding (MOU) from Equitable can still be modified in such a way as to have the \$50,000 fee paid on behalf of FRS. He asked for a chance to work with the parties to bring about a modified MOU. Mr. Waniewski then answered questions from the board.

MOTION: Mr. Broussard moved to direct Mr. Stockstill to look over any revised MOU from Equitable to make sure it works in favor of the board's standardized terms for contracts and to return to the board with a comparison-contrast report. Mayor Walker seconded. The motion passed.

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

STATEMENT OF FIDUCIARY NET POSITION - PRELIMINARY - 2Q FY2019-20

- Statement of Changes in Fiduciary Net Position - Preliminary - 2Q FY2019-20
- Statement of Fiduciary Net Position - Preliminary - 2Q FY2019-20

Mr. McKinney presented to the board the Statement of Changes in Fiduciary Net Position - Preliminary for the second quarter of FY2019-20. (see attached Exhibit #7) He then presented to the board the Statement of Fiduciary Net Position - Preliminary for the second quarter of FY2019-20. (see attached Exhibit #8) He explained each report on a line-by-line basis.

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MOTION: Mr. Tarleton moved to accept the Statement of Changes in Fiduciary Net Position - Preliminary and the Statement of Fiduciary Net Position - Preliminary for the second quarter of FY2019-20 as presented by Mr. McKinney. Mayor Walker seconded. The motion passed.

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

FRS BUDGET TO ACTUAL COMPARISON - 2Q FY 2019-20

Ben Johnson, FRS Accountant, drew the board's attention to a report titled FRS "Budget to Actual Comparison" for the 2nd Quarter of FY 2019-20. (see attached Exhibit #9) He highlighted pertinent line items of the report and explained certain variances related thereto. Mr. Johnson summarized by saying that, overall, FRS is on target for the year.

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

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

P&N CYBER SECURITY REPORT

Mr. Stockstill drew the boards attention to two reports from Postlethwaite & Netterville (P&N) titled Cybersecurity Gap Analysis Report and Security Recommendations presented by Michael Richmond, Director of Technology Services for P&N.

MOTION: Mr. Romero moved to defer the P&N reports to the next available meeting. Mayor Amrhein seconded. The motion passed.

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

FRS LEGISLATION - 2020 REGULAR SESSION

Mr. Stockstill referenced the following 2020 Senate Bill-

- SB20 Peacock Provides benefits for members hired on or after January 1, 2021

MOTION: Mayor Walker moved to support SB20. Mr. Broussard seconded. The motion passed with the following tally-

Birdwell	No	
Jeslink		Absent
Adomako	Yes	
Amrhein	Yes	

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Broussard Yes
Ivey Absent
Peacock Absent
Romero No
Tarleton Yes
Walker Yes
(5-2)

MOTION: Mr. Romero moved to support an amendment to SB20 adding authority for a 5-year DROP plan. Mr. Tarleton seconded. Mr. Greg Curran provided information regarding the actuarial impact of the amendment. During discussion of Mr. Romero's motion, Mayor Walker said he would support the amendment if it was introduced by someone else (other than FRS), but only if it applied to people who had not yet entered into DROP. Mr. Romero withdrew his motion.

MOTION: Mr. Tarleton moved to request that an amendment be added to SB20 addressing disability concerns. Mr. Broussard seconded. The motion passed. (see attached Exhibit #10)

The discussion of this matter was concluded with no further action.

ADJOURNMENT

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

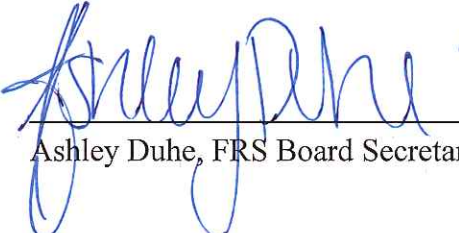
FUTURE MEETINGS

**FRS Board of Trustees
3100 Brentwood Drive
Baton Rouge, Louisiana
Wednesday, April 8, 2020 at 2:00 p.m.**

**FRS Board of Trustees
3100 Brentwood Drive
Baton Rouge, Louisiana
Thursday, April 9, 2020 at 8:30 a.m.**

SUBMITTED BY:

APPROVED BY:



Ashley Duhe, FRS Board Secretary



Stacy Birdwell, FRS Chairman