



FIREFIIGHTERS' RETIREMENT SYSTEM

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MEETING OF THE BOARD OF TRUSTEES April 9, 2020

IN ADHERENCE TO JBE PROCLAMATION 2020-33, THE FRS CHAIRMAN RULED THAT ALL MANDATORY FRS BOARD MEETINGS WILL BE HELD BY TELECONFERENCE UNTIL FURTHER NOTICE. THE CHAIRMAN ALSO RULED THAT VOTING FOR EACH MOTION MUST BE ACCOMPLISHED BY A ROLL CALL VOTE. PUBLIC NOTICE OF THE TELEPHONIC BOARD MEETING WAS POSTED IN A TIMELY FASHION, INCLUDING THE DIAL-IN NUMBER AND ACCESS CODE, AT THE PRIMARY FRS OFFICE AND ON THE FRS WEBSITE.

A meeting of the Board of Trustees was held on April 9, 2020 via teleconference. Chairman Stacy Birdwell called the meeting to order at 8:45 a.m.

Mr. Jeselink 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. Perry Jeselink
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	Kristofer Kelleher
Layne McKinney	LouAnn Eisenhut
Jason Starns	Lindsay Annie
Michael Becker	Gregory Curran
Benjamin Johnson	
Brandon Trahan	
Ashley Duhe'	
David Barnes	
Mark Waniewski	
Chris Kaufmann	

**FIREFIGHTERS' RETIREMENT SYSTEM
BOARD MEETING**

**APRIL 9, 2020
PAGE 2**

EDITORIAL NOTE: IN THE FOLLOWING MINUTE ENTRIES, ACTION REGARDING EACH VOTE WAS ACCOMPLISHED BY ROLL CALL VOTE. IN INSTANCES WHERE THE VOTE WAS UNANIMOUS, THE MINUTE ENTRY WILL SIMPLY MEMORIALIZE THE RESULT AS UNANIMOUS. IN ANY INSTANCE WHERE THE VOTE WAS NOT UNANIMOUS, THE MINUTE ENTRY WILL MEMORIALIZE THE ACTUAL ROLL CALL VOTE AND TALLY. ALL VOTING CAN BE VERIFIED BY AVAILABLE SOURCES.

MINUTES

MOTION: Mr. Jeselink moved to approve the minutes of the board meeting held on March 12, 2020. Mr. Romero seconded. The motion passed unanimously.

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 April 2020. (see attached Exhibit #1) He stated that all applications were in order.

MOTION: Mr. Jeselink moved to approve the new member applicants for the month of April 2020. Mr. Romero seconded. The motion passed unanimously.

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

**FIREFIGHTERS' RETIREMENT SYSTEM
BOARD MEETING**

**APRIL 9, 2020
PAGE 3**

- 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 for the month of April 2020. (see attached Exhibit #2) He stated that all applications were in order.

MOTION: Mr. Jeselink moved to approve the retiree applicants for the month of April 2020. Mayor Walker seconded. The motion passed unanimously.

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

- 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. Thad Broussard, the staff recommendation was for approval of the Application for Disability Retirement (Job-Related) and suspending the requirement of disability recertification.

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

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

MONTHLY FLASH REPORT - MARCH 2020

Mr. Barnes presented the monthly flash report for the month of March 2020. (see attached Exhibit #3) The overall fund was up/down as follows: -8.5% for the month of March as compared to the allocation index of -7.7%; -6.8% for the fiscal year to date as compared to the allocation index of -6.1%; -4.1% for the trailing 12 months as compared to the allocation index of -3.0%; and 2.2% for the trailing 3 years as compared to the allocation index of 3.5%.

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

FRS INVESTMENT REPORT

- Implementation of 2020 FRS Rebalancing Plan

Mr. Barnes recalled that, at last month's board meeting, a motion was made to identify the equity asset classes that are currently at least 1% under the policy targets and use the incoming insurance premium tax (IPTF) funds to rebalance those equity asset classes 1/3 of the way back toward the policy targets and allocate any remaining IPTF funds to the core bond portfolio. He explained that the IPTF funds (\$28 million) was not sufficient to fund the rebalancing plan in its entirety.

Mr. Barnes explained that, unlike last month, NEPC's asset allocation team now recommends that there should be an intentional bias toward US markets when rebalancing.

He said that FRS was able to rebalance about 1/3 of the way back to the policy target for US large cap equities. He went on to say that the US large cap equity rebalance was not as significant as anticipated because, by the time FRS received the IPTF funds, the US large cap equity markets had already recovered, meaning a price performance recovery had occurred.

Mr. Barnes explained that small and mid cap stocks got hit pretty hard in international markets and had not yet begun to recover. He then explained how the \$28 million of IPTF funds was implemented for rebalancing purposes. (see attached Exhibit #4) He said \$9 million was allocated back into the large cap index fund, and about \$10 million was allocated to the Small-Mid Cap managers (\$5 million each), \$4 million was allocated to the two international developed market managers, and \$5 million was allocated to the ACWI Index Fund. He stated that the FRS portfolio is no longer under weighted.

Mr. Barnes said NEPC now recommends that, for any equity asset class that becomes at least 1% under its policy target, FRS staff should be provided ongoing authority to rebalance up to 1/2 of the way back to the policy target, with funding coming primarily from the Blackrock US Index Fund, the AQR Risk Parity II MV fund and from FRS cash reserves.

MOTION: Mr. Jeselink moved NEPC's recommendation in the form of a motion. Mr. Romero seconded. The motion passed unanimously.

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

- NEPC's Market Perspectives

Mr. Barnes presented a report titled "NEPC's Market Perspectives" (see attached Exhibit #5) He highlighted key points in the report. He stated that NEPC is recommending that their clients consider partially rebalancing toward the client's policy targets. He explained that there is a very deep and sharp recessionary period being forecast right now. He said, for example, GDP is projected to contract by 34% and JP Morgan is expecting a contraction globally around 10%.

Mr. Barnes said that, based on the information NEPC is receiving regarding economic forecasts, a fairly significant, sharp snap back in economic activity is expected in the second half of 2020. He explained that the output that was lost in the beginning of calendar year 2020 is not expected to be made up in the second half of 2020. He said the idea is that both the fiscal and monetary policy efforts that are being enacted right now by the federal government is to ensure a recovery as the economy comes out of its contraction. Multiple actions are being taken to ensure that the economic situation does not spiral into a systemic, financial crisis. Mr. Barnes concluded by stating some key messages from NEPC- stay diversified, rebalance toward targets, and be vigilant regarding liquidity.

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

- Wilshire Associates - Independent Portfolio Review

Mr. Stockstill updated the board regarding the independent portfolio review being proposed by Wilshire Associates. He stated that pension managers thrive on information. He said, based on Mr. Barnes' presentation, the capital market could be divided into 2 segments, the pre-COVID markets and the post-COVID markets. He said NEPC analysts indicate there is a strong possibility of a deep recession. He defined a recession as being two consecutive quarters of negative GDP. With a deep recession being indicated, it would mean manufacturing productivity and employment will be at its lowest levels in a long time.

Mr. Stockstill said some experts feel that the expected economic contraction could dip into depression ranges if the systemic aspects of the economy are not reignited. He explained that FRS will probably close out the 2019-20 fiscal year without recovering its declines in asset values and possibly enter the next fiscal year without a recovery. Any form of recovery will probably not happen until sometime in fiscal year 2020-21 if not later. Mr. Stockstill said that, as a pension fund manager looking at the post-COVID environment, he needs more information to be able to make effective management decisions.

Mr. Stockstill said that Chris Kaufmann, Fire Chief, St. Tammany Fire Protection District #1, and Mark Waniewski, PMI CEO, originally brought to his attention the idea of using additional sources of information to measure the efficiency and performance of the FRS portfolio. Mr. Stockstill explained that, after working with Messrs. Kaufmann and Waniewski, he was ultimately directed

**FIREFIGHTERS' RETIREMENT SYSTEM
BOARD MEETING**

**APRIL 9, 2020
PAGE 6**

to the institutional team of Wilshire Associates to conduct an independent portfolio review. He said that board-approved talks between FRS and Wilshire resulted in a contract that is almost identical to the contract FRS has with NEPC, except it is a single project contract. He further explained that, as a good faith gesture, Wilshire reduced its fee from \$50,000 to \$45,000. Mr. Stockstill said the proposed contract has no objectionable provisions. (see attached Exhibit #6) He concluded by saying that he originally thought the concept of an independent portfolio review was a good idea, and then after exploring the concept further he recommended the review, and now, given the post-COVID economic forecasts by expert analysts, including NEPC, he now strongly recommends that FRS retain Wilshire to conduct an independent portfolio review.

MOTION: Mr. Adomako moved to approve the Wilshire contract as proposed based on Mr. Stockstill's recommendation. Mr. Broussard seconded. The motion passed unanimously.

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

G.S. CURRAN & COMPANY, LTD

Mr. Gregory Curran, FRS Actuary, with G.S. Curran & Company, LTD presented the proposed annual actuarial services contract (see attached Exhibit #7) for fiscal year 2020-21. He noted there were no significant changes from the prior year.

MOTION: Mr. Jeselink moved to approve G.S. Curran's annual contract. Mr. Tarleton seconded. The motion passed unanimously.

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

FRS POLICY - DROP INTEREST

Mr. Stockstill drew the boards attention to FRS DROP Interest Policy No. 071708 (see attached Exhibit #8) along with a statement of acknowledgment that members are being required to execute if they are withdrawing all or substantially all of their DROP balance. (see attached Exhibit #9) He recalled that Policy No. 071708 had been adopted in 2008 to address the situation where a member asks for a withdrawal of all the money credited to that person's DROP account. The question at the time was, how much interest would apply if the withdrawal occurred mid-month or some other time during the month. He said Policy No. 071708 addresses that circumstance. However, he explained that, in the past few days and weeks the market can be down 1,000 points on one day and be up 1,000 points the very next day. Due to the extreme daily volatility in the market, the calculation in Policy No. 071708 does not work. It causes FRS to overpay or underpay interest that is due to a person. He stated that, under the existing policy, if a person asks to withdraw the total DROP balance, FRS refers back to last month's flash report to see what the earnings or losses were and then uses a formula to bring the accrued interest up to the date of the withdrawal. He said the calculation can still lead to FRS overpaying or underpaying a member because there is no component embedded in the calculation to address the extreme daily volatility. Mr. Stockstill stated that he met with the

**FIREFIGHTERS' RETIREMENT SYSTEM
BOARD MEETING**

**APRIL 9, 2020
PAGE 7**

FRS accounting and investment staff regarding this situation and then he contacted the board chairman and vice chairman. After consulting with the staff and board chairmen, a policy was drawn up to more truly reflect the portfolio interest that should be applied under current circumstances. He further explained that the policy was implemented under executive emergency authority for those persons currently making withdrawals. Mr. Stockstill recommended adoption of the newly devised methodology as a policy and ratification of the actions that had been taken recently with respect to those who had withdrawn their DROP balance.

Chairman Birdwell observed that the discussions referenced by Mr. Stockstill also involved the FRS actuary.

MOTION: Mr. Tarleton moved in the form of a motion the adoption of the statement of acknowledgment attached to Policy No. 071708. Mr. Broussard seconded.

When Chairman Birdwell asked if there were any further discussion on the motion, Mr. Stockstill asked if the motion included ratification of the actions that had already been taken with respect to persons who recently withdrew their DROP balances.

MOTION: Mr. Tarleton re-urged his motion and included ratification of the actions that had already been taken with respect to persons who recently withdrew their DROP balances. Mr. Romero seconded. The motion passed unanimously.

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 legislative Senate Bill-

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

Mr. Stockstill referenced previous discussions the board had regarding this bill and drew the board's attention to an amendment proposed for Senate Bill 20. (see attached Exhibit #10) The amendment, if adopted, allows eligibility for a 5-year DROP, if hired on or after 01/01/2021. He explained that he asked the actuary to study the concept of a 5-year DROP. The basis for the study was derived from three sources- first, was a similar amendment that had been discussed earlier this year by the FRS board, second, was prior years' analyses that had been conducted by the Currans on the same subject, and third, Mr. Stockstill asked Mr. Waniewski (PMI) to furnish him a copy of an amendment that Mr. Waniewski was working on with Chief Kaufmann (Fire Chief). He explained that all this information was given to the Currans and a few scenarios came from the study. The amendments the Currans had analyzed prior to this one, were always analyzed without including the 5-year final average compensation as part of the 5-year DROP and the prior results were that it would be essentially, actuarially neutral. Mr. Stockstill explained that, in Mr. Gary Curran's opinion, the tipping point toward possible savings here is that the proposed amendment would include the 5-

**FIREFIGHTERS' RETIREMENT SYSTEM
BOARD MEETING**

**APRIL 9, 2020
PAGE 8**

year final average compensation as part of the components that make up the DROP benefits. He then added that the minutes of last month's board meeting reflect a discussion about whether the board would support the amendment if it was introduced by someone else, other than FRS. He explained that his understanding of that prior discussion was that FRS would support the amendment, but only if it stays in the posture that fits within the analysis the Currans have given that would probably result in being actuarially neutral to a possibility of savings and if that amendment is not made as a condition of passing the bill. He explained that, since there was no action following the previous discussion by the board, he now asked for additional guidance.

MOTION: After thorough discussions being held by the board, Mr. Broussard moved to support the 5-year DROP amendment if it is introduced by someone else, other than FRS, as long as it is introduced in a posture that fits within the analysis that the Currans have given that would probably result in being actuarially neutral to a possibility of savings and if that amendment is not made as a condition of passing the bill. Mr. Romero seconded. The motion passed unanimously.

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

FRS POLICY - RECEIPTS REQUIRED FOR MEAL ALLOWANCES

The board discussed the rules of the FRS travel policy (modeled in part from PPM49) requiring receipts for meal allowances when engaged in FRS business travel. After thorough discussions were had, the board reached a consensus that the current FRS travel policy which allows meal reimbursements in the following amounts without a receipt- \$10 for breakfast, \$14 for lunch, \$29 for dinner, for a cumulative daily total of \$53 would be changed as follows- Effective immediately, a \$75.00 daily total allowance will be allowed for meal reimbursements for anyone traveling on behalf of FRS and there is no specific amount that applies to breakfast, lunch or dinner. Additionally, reimbursements will only occur if a receipt is turned in to the FRS Accounting Department. It was also discussed that the current amount of allowable reimbursements range from a daily total of \$53 to \$71 depending on whether the expense is incurred in a Tier I, II, III, or IV geographical location. It was clarified that the new \$75 daily total allowance, if adopted, will apply uniformly to all tiers, irrespective of location.

MOTION: Mayor Amrhein moved to amend the current FRS travel policy, applicable to anyone traveling on behalf of FRS, to delete the prior daily allowances and adopt a total daily meal allowance of up to \$75.00 a day, to apply uniformly across all tiers, but reimbursements will only occur if a receipt is furnished to the FRS Accounting Department. Mayor Walker seconded. A roll call vote was taken and the motion passed with the following tally-

Birdwell	Yes
Jeslink	Yes
Adomako	No
Amrhein	Yes
Broussard	Yes

**FIREFIGHTERS' RETIREMENT SYSTEM
BOARD MEETING**

**APRIL 9, 2020
PAGE 9**

Ivey	Absent
Peacock	Absent
Romero	Yes
Tarleton	Yes
Walker	Yes

(7-1)

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

ADJOURNMENT

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

FUTURE MEETINGS

**FRS Board of Trustees
3100 Brentwood Drive
Baton Rouge, Louisiana
Wednesday, May 13, 2020 at 2:00 p.m.**

**FRS Board of Trustees
3100 Brentwood Drive
Baton Rouge, Louisiana
Thursday, May 14, 2020 at 8:30 a.m.**

SUBMITTED BY:

APPROVED BY:



Ashley Duhe, FRS Board Secretary



Stacy Birdwell, FRS Chairman