



FIREFIIGHTERS' RETIREMENT SYSTEM

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



MEETING OF THE BOARD OF TRUSTEES May 13, 2021

Because of the 15-person maximum occupancy limit of the FRS board room, there is insufficient square footage to accommodate in-person public attendance. For that reason, the meeting was also made available by audio/video teleconferencing. All persons (including the public) were invited to attend by teleconference and comment regarding matters on the agenda. Remote attendees were also invited to submit comments for the public record by use of the FRS office email address. In adherence to Governor Edward's Proclamation No. 66 JBE 2021 regarding Phase III of Resilient Louisiana, and in conjunction with the Open Safety requirements, effective 03/30/2021, social distancing and face covering was made mandatory, all as enforced by the State Fire Marshal.

A meeting of the Board of Trustees was held on May 13, 2021. Chairman Perry Jeselink called the meeting to order at 8:30 a.m.

Chairman Jeselink gave the invocation and Mr. Romero led the pledge of allegiance.

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

MEMBERS PRESENT

Perry Jeselink
Jerry Tarleton
Stacy Birdwell
Lindsay Schexnayder (designee of Commissioner Jay Dardenne)
Mayor David Amrhein
John Broussard (designee of Treasurer John Schroder)
Louis Romero

OTHERS PRESENT

Steven Stockstill	Attending by Teleconference-	R. Bergeron
Layne McKinney	Chief Terry Stuard	Chad Sr.
Michael Becker	Cyril Espanol	Chris (last name not provided)
Jason Starns	Jason Burge	Nicky (last name not provided)
Ben Johnson	Dave Berns	1-***-***-6141 (name not provided)
Brandon Trahan	Chief Chris Kaufmann	
Ashley Duhe	Lindsay Saienni	
David Barnes	Mark Waniewski	
Greg Curran	Brian Lutman	
Dawn Moeller	Brennen LeBlanc	

MINUTES

MOTION: Mr. Birdwell moved to approve the minutes of the board meeting held on April 15, 2021. Ms. Schexnayder 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 May 2021. (see attached Exhibit #1) He stated that all applications were in order.

MOTION: Mr. Birdwell moved to approve the new member applicants for the month of May 2021. Ms. Schexnayder seconded. The motion passed unanimously

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 May 2021. (see attached Exhibit #2)
He stated that all applications were in order.

MOTION: Mr. Birdwell moved to approve the retiree applicants for the month of May 2021. Ms. Schexnayder seconded. The motion passed unanimously

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)

Tommie Beebe Fredieu- Mr. Starns presented the application of Tommie Beebe Fredieu, surviving spouse of Charles Ervin Fredieu. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application of Tommie Beebe Fredieu. Ms. Schexnayder seconded. The motion passed unanimously

Marjory Hollifield House- Mr. Starns presented the application of Marjory Hollifield House, surviving spouse of Raymond Hugh House. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application of Marjory Hollifield House. Mr. Romero seconded. The motion passed unanimously

Elizabeth Lewis- Mr. Starns presented the application of Elizabeth Lewis, surviving spouse of James Norman Lewis. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application of Elizabeth Lewis. Mr. Romero seconded. The motion passed unanimously

Donna Levet Sutherland- Mr. Starns presented the application of Donna Levet Sutherland, surviving spouse of Norbert William Sutherland. He stated that the application was in order.

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MOTION: Mr. Birdwell moved to approve the application of Donna Levet Sutherland. Mr. Romero seconded. The motion passed unanimously

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

JOSEPH N. BROYLES v. CANTOR FITZGERALD & CO., ET AL

Joseph N. Broyles v. Cantor Fitzgerald & Co., et al., Suit No. 3:10-854-JJB-SCR, 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. Birdwell moved to enter executive session to discuss the agenda item shown above. Mr. Romero seconded. The motion passed unanimously.

MOTION: Mr. Birdwell moved to resume public session. Mr. Tarleton seconded. The motion passed unanimously.

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

MONTHLY FLASH REPORT - APRIL 2021

Mr. Barnes presented the monthly flash report for the month of April 2021. (see attached Exhibit #3) The overall fund was up/down as follows: 2.8% for the month of April as compared to the allocation index of 2.8%; 22.5% for the fiscal year to date as compared to the allocation index of 21.4%; 27.6% for the trailing 12 months as compared to the allocation index of 26.2%; 9.2% for the trailing 3 years as compared to the allocation index of 10.0%; and 9.9% for the trailing 5 years as compared to the allocation index of 10.4%.

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

FRS INVESTMENTS

- Presentation by NEPC regarding Asset Allocation Implementation

Mr. Barnes drew the board's attention to a document titled "2021 FRS Asset Allocation Implementation and Rebalancing" (see attached Exhibit #4) He recalled that during last month's board meeting, Alternative Policy B was approved (see minutes April 2021). He explained that, on this date, the portfolio allocation is at about 3.6% in private equity and it needs to get to 9%. He

added that the private asset classes are not like the public stock and bond market, it takes time to reach an allocation target. The managers call capital over time as they find investment ideas. So, it takes a couple of years to build up the private equity portfolio and increase the allocation towards the target. He then added that NEPC proposes a staged implementation plan for Alternative Policy B, to get from where FRS is to the long term policy targets that were approved last month. Mr. Barnes explained that he used intermediate stages to set achievable targets and those targets effect things like the rebalancing range. He explained that NEPC recommends that FRS begin stage 1 of implementation for Alternative Policy B and simultaneously rebalance certain asset classes which he identified. He added that, if the recommendations are approved, then next month, NEPC will bring to the board a revised investment policy statement showing the updated asset allocation. He added that NEPC will also incorporate a section of the private real assets portfolio describing the asset class and it's role in the portfolio. Mr. Barnes explained that NEPC will continue exploring the implementation plan through the fund of one model by interviewing Hamilton Lane and HarbourVest for potential selection.

Chairman Jeselink asked Michael Becker, FRS CIO, to comment regarding the recommendations from NEPC. Mr. Becker explained that NEPC's recommendations are necessary next steps to follow up the action taken by the board last month. He agreed with Mr. Barnes about the implementation taking a little bit of time for some things to happen. Mr. Becker said he anticipates it will take a few calendar-quarters to actually get the money invested. He explained that the board will need to allow Hamilton Lane and HarbourVest more than the usual amount of time to present their informational material because it is such a large monetary commitment which cannot be undone. Mr. Becker said each fund manager will explain its sub-strategies so the board can compare and contrast the two managers.

MOTION: Mr. Birdwell moved to accept NEPC's recommendations to begin the first stage of implementation and to rebalance. Mr. Tarleton seconded. The motion passed unanimously.

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

PRELIMINARY QUARTERLY FINANCIAL REPORTS - 3Q FY2020-21

- Statement of Changes in Fiduciary Net Position - Preliminary - 3Q FY2020-21
- Statement of Fiduciary Net Position - Preliminary - 3Q FY2020-21

Mr. McKinney presented a report titled "Statement of Changes in Fiduciary Net Position - Preliminary" applicable to the third quarter of FY2020-21. (see attached Exhibit #5) He then presented a report titled "Statement of Fiduciary Net Position - Preliminary" applicable to the third quarter of FY2020-21. (see attached Exhibit #6) He explained each report on a line-by-line basis.

MOTION: Mr. Birdwell moved to accept the reports titled Statement of Changes in Fiduciary Net Position - Preliminary and the Statement of Fiduciary Net Position - Preliminary for the third quarter of FY2020-21 as presented by Mr. McKinney. Mr. Romero seconded. The motion passed.

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

FRS BUDGET TO ACTUAL COMPARISON - 3Q FY 2020-21

Ben Johnson, FRS Accountant, drew the board's attention to a report titled FRS "Budget to Actual Comparison" applicable to the 3rd Quarter of FY 2020-21. (see attached Exhibit #7) 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. Birdwell moved to adopt the report titled FRS Budget to Actual Comparison as presented by Mr. Johnson. Mr. Romero seconded. The motion passed.

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

RECESS FRS BOARD MEETING

CONVENE FRS-LB, FRS-LB#1, FRS-LB#3, and FRS-GA JOINT ADVISORY COMMITTEE MEETING

[NOTE: The Joint Advisory Committee of FRS-LB, FRS-LB#1, FRS-LB#3, and FRS-GA met on May 13, 2021, at 8:30 a.m. to discuss the following business set forth in its posted agenda- (i) Discussion and action regarding budgetary balances related to FRS-LB, FRS-LB#1, FRS-LB#3, and FRS-GA , and all related matters. The minutes of that meeting are embedded herein. Committee members present were Mr. Stockstill, manager; Mayor Amrhein, Mr. Birdwell, Mr. Broussard, Mr. Jeselink, Mr. Romero, Ms. Schexnayder, and Mr. Tarleton. Also present were, Layne McKinney, Michael Becker, Jason Starns, Ben Johnson, Brandon Trahan, Ashley Duhe, David Barnes, Dawn Moeller, Brennen LeBlanc, Terry Stuard, Dave Berns, Jason Burge, Lindsay Saienni, Greg Curran, Cyril Espanol, Mark Waniewski, and Brain Lutman.]

- Budgetary Balances regarding FRS-LB, FRS-LB#1, FRS-LB#3, and FRS-GA

Mr. McKinney drew the board's attention to the budgetary balances of FRS-LB, FRS-LB#1, FRS-LB#3, and FRS-GA. (see attached Exhibit #8) He answered questions that arose relative thereto. Mr. Stockstill recommended that the advisory committee consider authorizing the manager to allocate the funds to be appropriated from FRS amongst the LLCs, so the budgetary transactions can be accomplished without further meetings of the advisory committee.

MOTION: Mayor Amrhein moved to authorize the manager of FRS-LB LLC to allocate \$100,000 amongst the subsidiary LLCs, so the budgetary transactions can be

accomplished without further meetings of the advisory committee. Mr. Romero seconded. The motion passed unanimously.

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

**ADJOURN FRS-LB, FRS-LB#1, FRS-LB#3, and FRS-GA JOINT ADVISORY
COMMITTEE MEETING**

RECONVENE FRS BOARD MEETING

APPROPRIATION OF FUNDS TO FRS-LB LLC

Mr. Stockstill explained that the motion approved by the LLC joint advisory committee was for funds to be allocated between the LLCs. Now, a motion by the FRS board of trustees is necessary to appropriate the funds from FRS to FRS-LB LLC.

MOTION: Mr. Broussard moved to appropriate \$100,000 from FRS to FRS-LB LLC. Mr. Romero seconded. The motion passed unanimously.

REQUEST FOR INFORMATION

Mr. Stockstill explained that he received a request for information that he initially thought would require analysis to be done by Greg Curran and would go beyond the services set forth in the system's contract with G.S. Curran & Co. (see attached Exhibit #9) To put the information request into context, he first referenced minutes from prior years' meetings showing the history of the three Investment Consultants that have serviced FRS from prior to 2001 up to the current date. He noted that, in 2001, the year of the 9-11 terror strike, the investment consultant was Becker Burke. In 2009, there was a capital market melt down related to the sub prime mortgage loan crisis that soon spread into all sectors of the capital markets. In the prior year there were notable economic failures that caused many companies to go out of business such as Bear Stearns, Countrywide Financial, Fannie Mae/Freddie Mac, Merrill Lynch, Lehman Brothers, Washington Mutual Bank, Wachovia Bank, and caused the Iceland Krona to substantially devalue. The federal government stepped in with economic bail outs of such financial institutions as AIG, GM, Bank of America, CitiGroup, JP Morgan, Wells Fargo, GMAC, Chrysler, Goldman Sachs, Morgan Stanley, US Bancorp, Capital One, Regions, Hartford, American Express, Bank of New York, State Street, Northern Trust, and Black Rock. During the period of that melt down, CSG was the system's investment consultant. During the period immediately prior to the melt down, CSG had been making investment recommendations that would transition the system's portfolio from the posture it had been in with Becker Burke, to a new CSG posture. However, when the melt down occurred, it was at a time when CSG had been recommending that FRS expand its portfolio into the real estate class. Unfortunately, and unforeseeably, the market melt down started in the sector related to real estate mortgages and spread like an infection into the broader real estate market and then all other asset classes of the capital

markets. In reaction, and also in 2009, CSG began to recommend immediate changes to the system's portfolio to make it safer in declining capital markets. At this point of the portfolio transition, the FRS asset value had declined from \$1.11 billion to \$779 million, a \$337 million loss. It wasn't until calendar year 2011 that the FRS asset value had recovered back to \$1.14 billion, slightly higher than its pre-melt down value. That recovery level was achieved 10 years ago (2011) and was partially aided by changes the board had begun making to the system's portfolio in 2009. In 2012, CSG was terminated and NEPC was retained as the system's new investment consultant. NEPC continued the process of making its recommendations for the FRS portfolio and has continued to the current date. Mr. Stockstill then referred to a report showing the system's investment performance for the 1, 3, 5, and 10-years periods, measured as of March 31, 2021. (see attached Exhibit #10) He noted the following returns for those same periods, 30.7%, 8.1%, 9.3%, and 5.9% respectively. Mr. Stockstill said that he has asked Mr. Barnes and Mr. Curran the following question on numerous prior occasions- Does the 1, 3, and 5-year returns, which exceed the earnings rate that the system assumes it will earn each year, show that changes to the portfolio that had begun being put into place 10 or more years ago are now bearing fruit? He said that, on each occasion that they were asked, Mr. Barnes and Mr. Curran both answered that the positive portfolio performance numbers are now reflecting the changes that were made in previous years, the point being that the current portfolio is not the same portfolio that existed 10 or more years ago and should not be expected to underperform in the same way it did 10 or more years ago. The 3 and 5-year numbers more accurately reflect the current portfolio structure and expectations of future performance should be based on the current portfolio, not the past.

Chief Kaufmann addressed the board. His request for information related to the board's adoption last month of an asset allocation with a projected earnings rate of 5.6% over the 10-year period. He asked what the impact would be to the employer contribution rate if the system's assumed earnings rate is 7% but the portfolio is only projected to earn 5.6%. He expressed that there needs to be some sort of relief, so the portfolio can catch up and the employers don't have to be challenged to fund their department.

Mr. Stockstill said he had asked Mr. Curran to be prepared to answer this simple question- If PRSAC set the rate at 5.6%, what would the resulting employer contribution rate be? He then referred to a letter written from Mr. Curran to the FRS board. (see attached Exhibit #11) The letter explains that, for a 1% reduction of the valuation interest rate, the employer contribution rate would be expected to increase by 15.86%. The Curran letter added that a reduction from 7% to 5.6% implies that the employer contribution rate would increase by 22%.

Mr. Curran addressed the board. He explained that to forecast the whole plan, would mean to forecast the population of the future, to calculate expected costs or savings from our demographics and to forecast investment returns scenarios and see what would occur. He added that what he has done is not a full forecast, everything he is doing assumes that we have no gains or losses. Mr. Curran explained that the employer contribution rate is not based on the market rate of return and a five year smoothing is used to try to smooth out the employer rate. He added that the calculation

focuses on what the actuarial rate of return and the actuarial value of assets are because that is what drives the employer contribution rate.

Mr. Stockstill stated that the board is going to be faced with a decision. He added that the models indicate that, if FRS closes out the 2020-21 fiscal year with portfolio earnings above 11.5% (currently at 22.5%), then that could have the effect of lowering the employer contribution rate in the next fiscal year. He said the question that will be put before the board is- Do you recognize a decrease in the employer contribution rate, with the potential of it going up the following year, or alternatively, do you leave it at the current rate and bank the extra money to help offset any future increases? Mr. Curran added that a third choice would be to lower the assumed rate of return, which would offset the gains. He then added that other retirement systems have instructed his office to run a valuation and lower the assumed rate of return as much as possible without seeing any increase of the employer rate. Mr. Stockstill asked the board members if they would like Mr. Curran to do that type of valuation for FRS, to see what it would be.

Mayor Amrhein expressed that any gains should be applied get the assumed rate of return closer to the numbers NEPC has set.

Chief Tarleton explained that, if FRS has the option to lower the assumed rate of return, then that option should be explored.

Mr. Stockstill asked Mr. Curran if that type of analysis can be done within the framework of the system's contract or would there be an extra cost. Mr. Curran said he could perform the analysis within his retainer at no additional cost.

Chief Kaufmann asked additional questions concerning the methodology for determining the system's assumed rate of return. Messrs. Curran and Becker addressed the subject matter.

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

FRS POLICY - INCORRECT REPORTING OF EARNABLE COMPENSATION

Mr. Stockstill drew the boards attention to the Incorrect Reporting of Earnable Compensation Addendum. (see attached Exhibit #12) Mr. Stockstill explained that the current policy needs to be amended to add the following provision "The employer may, at the sole discretion of FRS, be authorized to make multiple payments towards their obligations and the actuary will recalculate actuarial costs if necessary".

MOTION: Mr. Tarleton moved to approve the amendment made to the Incorrect Reporting of Earnable Compensation Policy. Mr. Broussard seconded. The motion passed unanimously.

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

2021 FRS LEGISLATION

Mr. Stockstill explained that the following legislation has been introduced and is being heard in the regular legislative session of 2021:

- HB28 Adams Provides relative to beneficiaries within the Firefighters' Retirement System

Mr. Stockstill drew the board's attention to HB29. He explained that the bill has passed through the House of Representatives and is now pending hearing in the Senate.

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

- HB29 Jefferson Provides relative to Firefighters' Retirement System's Deferred Retirement Option Plan and unfunded accrued liability

Mr. Stockstill drew the board's attention to HB29. He explained that the bill has passed through the House of Representatives and is now pending hearing in the Senate.

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

- HB34 Kerner Provides for membership for certain contract firefighters in Jefferson Parish in the Firefighters' Retirement System

Mr. Stockstill drew the board's attention to HB34. He explained that this bill was replaced by House Concurrent Resolution No. 61 by Representative Kerner.

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

- HCR61 Kerner Directs the Firefighters' Retirement System to form a committee to study issues related to allowing employees of private entities to participate in the system

Mr. Stockstill drew the board's attention to HCR61. (see attached Exhibit #13) He explained that this Resolution directs the Firefighters' Retirement System to form a committee to study issues related to allowing employees of private entities to participate in the system. He said this is an issue that has recurred several times beginning in 1984, and because there are several questions involving the IRS' position about the issue, he recommended that the board support HCR61 as long as the language remains in its current form and also to retain Robert Klausner as the advisor to the study committee if the HCR passes through both houses of the legislature.

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MOTION: Mr. Tarleton moved to support HCR61 and to retain Robert Klausner as the advisor to the study committee if the HCR passes through both houses of the legislature. Mayor Amrhein seconded. The motion passed unanimously.

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

ADJOURNMENT

Mr. Birdwell moved to adjourn. Mayor Amrhein seconded. The motion passed.

FUTURE MEETINGS

**FRS Investment Committee
Wednesday, June 2, 2021 at 1:00 p.m.
3100 Brentwood Dr. Baton Rouge, LA**

**FRS Board of Trustees
Thursday, June 3, 2021 at 8:30 a.m.
3100 Brentwood Dr. Baton Rouge, LA**

SUBMITTED BY:



Ashley Duhe, FRS Board Secretary

APPROVED BY:



Perry Jeselink, FRS Chairman