



FIREFIIGHTERS' RETIREMENT SYSTEM

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MEETING OF THE BOARD OF TRUSTEES June 3, 2021

Because the 100% occupancy load of the FRS board room is a maximum of 15 persons, as determined by the State Fire Marshal, 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 Safely requirements, effective 03/30/2021, social distancing and face covering was made mandatory, all as enforced by the State Fire Marshal.

A special meeting of the Board of Trustees was held on June 3, 2021. Chairman Perry Jeselink called the meeting to order at 8:30 a.m.

Chairman Jeselink gave the invocation and Mr. Birdwell 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 (attended via zoom)

OTHERS PRESENT

Steven Stockstill	Attending via Zoom-	Chris Kaufmann
Layne McKinney	Kevin Balaod	Terry Stuard
Jason Starns	Joey Sanders	Lindsay Saienni
Michael Becker	Randy Hess	BR Net (name not provided)
Ben Johnson	Dawn Moeller	1-214-883-3912 (name not provided)
Ashley Duhe	Drew Fox	1-516-205-2007 (name not provided)
David Barnes	Nate Bishop	
Stephen Brouillette	Brennen LeBlanc	

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MINUTES

MOTION: Mr. Birdwell moved to approve the minutes of the board meeting held on May 13, 2021. Mr. Tarleton 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 June 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 June 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.

Mr. Starns presented the list of new retirees for the month of June 2021. (see attached Exhibit #2) He stated that all applications were in order.

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MOTION: Mr. Birdwell moved to approve the retiree applicants for the month of June 2021. Mr. Tarleton 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)

Sharon Hawes Doughty- Mr. Starns presented the application of Sharon Hawes Doughty, surviving spouse of Lester Nathaniel Doughty. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application of Sharon Hawes Doughty. Mr. Tarleton seconded. The motion passed unanimously

Loretta Ruth Tilley- Mr. Starns presented the application of Loretta Ruth Tilley, surviving spouse of Garry Wayne Tilley. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application of Loretta Ruth Tilly. Mr. Tarleton seconded. The motion passed unanimously

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

FRS OPERATING BUDGET FOR FISCAL YEAR 2021-2022

Ben Johnson, FRS Accountant, drew the board's attention to the FRS Operating Budget for fiscal year 2021-2022. (see attached Exhibit #3) He explained each line item of the report and answered questions that arose relative thereto.

Mr. Stockstill explained that there is no money in the budget for conferences due to the unpredictability of statewide COVID-19 restrictions. He said, if the board would like to appropriate funds in case the LAPERS conference is held later this year, then a motion to that effect would be necessary. He observed that the budget, as presented, is a -1.59% decrease from the prior year's

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operating budget; and, if the attendance cost for the LAPERS conference is amended into the budget, then the amended budget is a -0.84% decrease from the prior year's operating budget.

MOTION: Mr. Broussard moved to amend the budget to add funds for the LAPERS conference. Ms. Schexnayder seconded. The motion passed.

MOTION: Mr. Birdwell moved to adopt the budget as amended. Ms. Schexnayder seconded. The motion passed.

Mr. Johnson drew the board's attention to the FRS Investment Expense Estimate and Capital Items for fiscal year 2021-2022. (see attached Exhibit #4) He explained each line item of the report and answered questions that arose relative thereto.

MOTION: Mr. Birdwell moved to adopt the FRS Investment Expense Estimate and Capital Items budget. Mr. Broussard 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 for FRS-LB, FRS-LB#1, FRS-LB#3, and FRS-GA met on June 3, 2021, at 8:30 a.m. to discuss the following business set forth in its posted agenda- (i) Discussion and advice regarding FY 2021-2022 operating budgets for 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, Ms. Schexnayder, and Mr. Tarleton. Also present were, Layne McKinney, Michael Becker, Jason Starns, Benjamin Johnson, Ashley Duhe, David Barnes, Stephen Brouillette, Chris Kaufmann, Terry Stuard, Lindsay Saienni, Brennen LeBlanc, Kevin Balaod, Joey Sanders, Randy Hess, and Dawn Moeller.]

- FY 2021-2022 Operating Budgets for FRS-LB, FRS-LB#1, FRS-LB#3, and FRS-GA

Mr. Johnson then presented the board with the "FRS-LB, FRS-LB#1, FRS-LB#3, and FRS-GA budgets for FY 2021-2022". (see attached Exhibit #5) He explained each line item of the budgets and answered questions that arose relative thereto.

MOTION: Mr. Birdwell moved to advise approval of the budgets of "FRS-LB, FRS-LB#1, FRS-LB#3, and FRS-GA for FY 2021-2022". Mr. Tarleton seconded. The motion passed.

The discussion of this matter was concluded with no 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

COMMITTEE REPORT - INVESTMENT COMMITTEE

[NOTE: The Investment Committee met on June 2, 2021, at 1:00 p.m. to discuss the following business set forth in its posted agenda- (i) The FRS monthly investment performance results for May 2021, (ii) Presentation by representatives of NEPC, regarding report titled "Private Fund of One Review and Proposals" and selection of Fund of One finalist, and all related matters. The minutes of that meeting are embedded herein. Committee members present were Mr. Tarleton, chairman; Mr. Birdwell, Mr. Broussard, and Ms. Schexnayder. Also present were, Mayor Amrhein, Steven Stockstill, Layne McKinney, Michael Becker, Ben Johnson, Ashley Duhe, David Barnes, Shahar Shpon, Michael Augustine, Keith Kleinman, Elina Magid, Dawn Moeller, Lindsay Saienni, Samantha Jones, Rowen Descallar, Nate Bishop, F.D. Burns, Peter Lipson, Brian Gildea, Drew Fox, Jackie Rantanen, TC Rolfstad, Matt Silverio, Kristen Kelly, Melissa Cahill, Monique Austin, Michael Dean, and Edward Powers.]

[EDITORIAL NOTE: On June 2, 2021, the FRS Investment Committee received presentations from two investment firms regarding each firm's Fund of One structure, organization, and strategy. The two firms were (1) Hamilton Lane Advisors LLC, and (2) HarbourVest Partners LLC. After interviewing representatives of the two firms, the board received an analysis and recommendation from NEPC. Mr. Barnes indicated that, in NEPC's opinion, the Fund of One sponsored by HarbourVest Partner's was slightly more suitable to FRS, rather than Hamilton Lane and, for that reason, Mr. Barnes said NEPC recommended selection of HarbourVest as the finalist in the manager search process.]

Mr. Tarleton gave the investment committee report. He explained that, since this month's board meeting was moved up by one week, the monthly Flash Report was not yet available, but Mr. Barnes gave a brief update on how things looked at the close of May 2021. (see attached Exhibit #6)

- Presentation by NEPC regarding report titled "Private Fund of One Review and Proposals" and selection of Fund of One finalist

Mr. Tarleton explained to the board that Mr. Barnes presented the investment committee with a report titled "Private Fund of One Review and Proposals" (see attached Exhibit #7) Mr. Tarleton reminded the committee about a list of questions prepared by staff that was furnished to each committee member to ask the candidate managers, if they so chose. Mr. Tarleton then explained that Mr. Barnes presented the committee with NEPC's introduction and recap of the two managers.

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Mr. Tarleton explained that Brian Gildea, Drew Fox, Jackie Rantanen, TC Rolfstad, Matt Silverio, Kristen Kelly, Shahr Shpon, Michael Augustine, Keith Kleinman, and Elina Magid jointly presented the investment committee with Hamilton Lane's Fund of One Presentation. (see attached Exhibit #8) Each representative outlined key points in the way Hamilton Lane operates a Fund of One strategy. The representatives then answered questions from the investment committee and concluded their presentation.

Mr. Tarleton explained that Monique Austin, Nate Bishop, Melissa Cahill, Michael Dean, Edward Powers, Samantha Jones and Peter Lipson jointly presented the investment committee with HarbourVest's Fund of One Presentation. (see attached Exhibit #9) Each representative outlined key points in the way HarbourVest operates a Fund of One strategy. The representatives then answered questions from the investment committee and concluded their presentation.

Mr. Tarleton said that Mr. Barnes informed the investment committee that NEPC recommended choosing HarbourVest for the Fund of One finalist. He said Mr. Barnes explained that both firms were very impressive and the competition was close, but HarbourVest came out slightly ahead of Hamilton Lane. Mr. Tarleton explained that the investment committee voted to accept NEPC's recommendation and to forward that recommendation to the full board.

Mr. Stockstill recalled that, due to the 2-hour length of each candidate firm's presentations, and the fact that due to the late hour of the evening in which the investment committee adjourned, the circumstances may have left NEPC in a position of not being able to fully provide the investment committee with its rationale for recommending HarbourVest instead of Hamilton Lane, along with any other information NEPC was obligated to provide in accordance with its fiduciary duty. Mr. Stockstill said that, for that reason, the agenda had been organized in a way that gives NEPC at least one full hour to present all information that NEPC is obligated to present to the FRS board. He recommended that Mr. Barnes be given the opportunity to supplement his remarks from the previous day in order to assist the FRS board in making a fully informed decision regarding the selection of a Fund of One manager.

Mr. Barnes then recalled that he mentioned yesterday that each one of the candidate managers has its strengths and weaknesses. Mr. Barnes indirectly acknowledged that he had one-hour to make his presentation and said that he would "very briefly walk through". At this point, Mr. Stockstill interrupted to remind Mr. Barnes that this is a due diligence exercise in which the FRS board is heavily dependent on NEPC's expertise and advice. Mr. Stockstill said that Mr. Barnes should not "briefly" address the subject but, instead, should advise the FRS board of everything the board needs to know in order to make an informed decision. Mr. Barnes used approximately 15 minutes to provide information primarily related to the investment performance and fee structure of the two candidate funds.

Mr. Becker then provided information to the board. He too addressed investment performance and fee structures, but went on to more fully discuss structural risks associated with the Fund of One strategy. He questioned whether the Fund of One manager has the exclusive authority to bring an action against the General Partner of an underlying fund or, alternatively, whether FRS could

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institute a cause of action on its own initiative and without first having to obtain permission from the Fund of One General Partner. He questioned whether there would be other entities that rank senior to FRS when it comes to allocating invest opportunities. Would other entities get the best investment opportunities and FRS get stuck with the leftovers. He also addressed certain circumstances that might pose a conflict of interest with the Fund of One General Partner.

Mr. Stockstill then addressed the board in his capacity as general counsel. He first thanked Mr. Becker for providing a thorough analysis of the subject, including specifically those risks that the board needs to be aware of in order to make a fully informed decision regarding the selection of a finalist. Mr. Stockstill then admonished NEPC for not providing the information that Mr. Becker discussed. Mr. Stockstill said that, speaking as the board's lawyer, the information provided by Mr. Becker should have been provided by NEPC instead. He said that FRS pays its fee to NEPC to receive more than a skeleton analysis of investment performance and fees. He suggested that if, NEPC cannot provide an analysis of the structural risks involved in a \$350 million investment, then NEPC should bring in someone who can. He further suggested that, if NEPC does not have an expert on staff who can provide full and complete analysis to the FRS board, then perhaps the board should consider looking at the NEPC contract and adjust its fee downward to reflect the limited service being provided. Mr. Stockstill said, in all fairness, NEPC should be given a second chance to provide a more thorough analysis before the board selects the finalist.

Thereafter, a discussion between board members occurred in which a sentiment was expressed that some board members felt uncomfortable moving forward with a decision until after the two candidate firms have a chance to provide answers to the list of questions that had been provided by FRS staff. Board members expressed their belief that the fund managers also have a duty to provide the FRS board with all information about the fund and risks that are needed for the board to make an informed decision.

MOTION: Mr. Tarleton moved to postpone the selection of a finalist until the diligence questionnaire responses can be submitted by the candidate managers. Mayor Amrhein 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.

ACTUARIAL EQUIVALENCE ASSUMPTIONS

Stephen Bouillette, with G.S. Curran & Co., addressed the board. He drew the board's attention to the Option Factors and Actuarial Equivalence Assumptions for Fiscal Year 2021-2022. (see attached Exhibit #10) He answered questions from the board that arose relative thereto.

MOTION: Mr. Birdwell moved to accept the Actuarial Equivalence Assumptions. Mr. Tarleton seconded. The motion passed.

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

FRS POLICY - SUSPENSION WHILE IN DROP

Mr. Stockstill drew the board's attention to the proposed policy titled "Suspension While In DROP". (see attached Exhibit #11) Mr. Stockstill explained that the FRS staff experienced a situation where a member was suspended while in DROP and there was no policy regarding the FRS administrative procedure in that type of situation. He added that the proposed policy provides that, if a member is suspended, without pay, while enrolled in DROP, for any period of time, then that member will also have his DROP participation suspended for the same period of time as the work-related suspension. The DROP participation period will then be extended by the same length of the suspension, but the total cumulative duration of DROP participation will not exceed 36 months.

A lengthy discussion between board members occurred with most questions centering around the IRS view of in-service distributions and its treatment of DROP plans. Mr. Stockstill said the IRS would probably take a concerned view of a person who is already being exempted from the in-service distribution rules, but now, is receiving a DROP benefit while on suspension. He said that it took a number of years for the IRS to accept the concept of DROP, but the further a plan gets away from the form that was submitted to the IRS for approval, then the greater the risk of the IRS finding that the plan is operating outside its authority as a "qualified plan". Mr. Stockstill said that if the IRS were to find that paying a person DROP benefits while on suspension is a disqualifying event, then the tax ramifications would be catastrophic to FRS members and retirees.

MOTION: Mr. Tarleton moved to adopt the FRS Suspension while in DROP Policy. Mayor Amrhein seconded. The motion passed.

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

LEGISLATION

Mr. Stockstill advised the board that HB29 passed through the legislative process but the 5 year DROP provision was removed in the Senate. He added that HB28 also passed through the process and was heading to the Governor's office. Mr. Stockstill concluded by saying that HCR61 failed, but he recommended that the board still form a committee on its own initiative to study the issue that HCR61 addressed.

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

ADJOURNMENT

Mr. Birdwell moved to adjourn. Mr. Tarleton seconded. The motion passed.

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FUTURE MEETINGS

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

SUBMITTED BY:

APPROVED BY:



Ashley Duhe, FRS Board Secretary



Perry Jeselink, FRS Chairman