



FIREFIIGHTERS RETIREMENT SYSTEM

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MEETING OF THE BOARD OF TRUSTEES DECEMBER 9, 2010

A meeting of the board of trustees was held on December 9, 2010, at the Public Safety Building in Baton Rouge. Mr. Charles Fredieu, Chairman, called the meeting to order at 8:30 a.m.

Mayor Durbin gave the invocation and Mr. Halphen led the pledge of allegiance.

Ms. Penny Gandy called the roll.

MEMBERS PRESENT

Mr. Charles Fredieu, Chairman
Mayor Jimmy Durbin
Mayor Mayson Foster
Mr. Sammy Halphen
Mr. Paul Smith
Dr. Steve Procopio
Mr. John Broussard

OTHERS PRESENT

Mr. Steven Stockstill
Ms. Kelli Rogers
Mr. Jason Starns
Ms. Penny Gandy
Mr. Greg Curran
Ms. Lauren Bailey
Ms. Laura Gail Sullivan
Mr. Matt Tessier
Mr. Joe Meals
Mr. Matt Ross

Mr. Eldon Ledoux
Mr. Matt Robertson
Mr. Patrick Searcy
Mr. Donnie Gauthier
Mr. Curtis Beauregard
Mr. John Champagne
Mr. James Wilson
Mr. Mike Gallagher
Mr. Kirk Reasonover
Mr. Wesley Barr

MINUTES

MOTION: Mayor Durbin moved to approve the minutes of the board meeting held on November 10, 2010. Mr. Halphen seconded. The motion passed.

APPLICANTS

- New Members

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PROCEDURE: 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. Jason Starns presented the list of new member applicants. (see attached Exhibit #1) He stated that all applications were in order.

MOTION: Mr. Halphen moved to approve the new member applicants. Mayor Durbin seconded. The motion passed.

- Retirees

PROCEDURE: Written notification of retirement is received and the member's file is reviewed for proper documentation and to determine that the applicant meets the legal criteria necessary to receive payment in the form of a monthly retirement benefit. Calculations for retirement are performed by the benefit analyst and verified by the system's administrator. All retirement applications were submitted and benefits calculated in accordance with all applicable state laws.

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

MOTION: Mr. Halphen moved to approve the new retiree applicants. Mayor Durbin seconded. The motion passed.

- 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 license (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)

Mr. Starns presented the application of Mr. Marty Paul Couvillion, handicapped child of Mr. Paul Randall Couvillion. Mr. Paul Couvillion made application for DROP with an Option 4 selection. Per R.S. 11:2259(A), an Option 4 selection must be approved by the board of trustees. Mr. Starns stated that the application was in order.

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MOTION: Mr. Smith moved to approve the Option 4 Selection for Mr. Marty Paul Couvillion. Mr. Halphen seconded. The motion passed.

Mr. Starns presented the application of Courtney Thibodeaux, surviving minor child of Mr. Nathan Ray Thibodeaux. He stated the application was in order.

MOTION: Mr. Smith moved to approve the surviving child benefit for Courtney Thibodeaux. Mayor Durbin seconded. The motion passed.

Mr. Starns presented the application of Mrs. Jeanene Adams Genusa, surviving spouse of Mr. Gary Paul Genusa. He stated that the application was in order.

MOTION: Mr. Smith moved to approve the surviving spouse application for Mrs. Jeanene Adams Genusa. Mr. Halphen seconded. The motion passed.

- Disability Applications

PROCEDURE: 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 has submitted a detailed report in laymen's terms of his findings based on the examination performed and the medical records reviewed. The board of trustees has been provided with the disability application, job description, State Medical Disability Board doctor's report and all medical records for review. (R.S. 11:215, 216, 218, & 2258)

Mr. Starns presented the application for disability retirement of [REDACTED]

MOTION: Mr. Halphen moved to enter executive session. Mayor Durbin seconded. The motion passed.

MOTION: Mayor Foster moved to resume public session. Mr. Halphen seconded. The motion passed.

MOTION: Mr. Halphen moved to accept the staff's recommendation of denial for disability retirement for [REDACTED]. Mayor Foster seconded. The motion passed.

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- Disability Recertification Applications

PROCEDURE: Once each year during the first five years following the initial board of trustees approval for disability retirement, and once every three year period thereafter, all disability retirement members must undergo a medical examination by a State Medical Disability Board doctor who must recertify that the disability retiree continues to be disabled from performing his duties. This recertification is required for the continuation of a disability member's benefits, unless the board waives the recertification. The State Medical Disability Board doctor's report was provided in advance to the board trustees.

██████████- Mr. Starns presented the application for disability recertification of Mr. John Hite. Mr. Starns stated that the applicant was seen by Dr. Howard Woo, the State Medical Disability Board doctor. In his report, Dr. Woo stated, that "██████████ interstitial cystitis conditions have not improved. At this time all ██████████ medication is needed to maintain his present condition. I may recommend sacral nerve stimulation to see whether or not it can help him with his urinary symptoms."

Based upon the report of Dr. Howard Woo, the staff recommendation was for the approval of continuation of disability retirement and continuation of disability recertification.

MOTION: Mr. Halphen moved to approve the staff recommendation. Mayor Durbin seconded. The motion passed.

- Disability Conversion Applicant

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

██████████████████████- Mr. Starns presented the application for disability conversion of ██████████.
██████████████████████ Mr. Starns stated that the applicant was seen by Dr. Garland Green, the State Medical Disability Board doctor. In his report, Dr. Green stated, that "The patient's cardiac history

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began in 1999 when he was diagnosed with severe coronary artery disease. The patient underwent angioplasty and stenting at that time. The patient's history has also been complicated by COPD and asbestosis with significant dyspnea symptoms... The patient underwent a heart catheterization again about four months ago which revealed an open stent from the previous heart cath and a chronically blocked left circumflex coronary artery..." "The patient has cardiovascular risk factors that include hyperlipidemia and chronic history of tobacco use which he quit in 1999. Smoke inhalation and firefighting are not known causes of coronary artery disease. However, it could have played some role in the patient's condition. The patient does have known cardiovascular risk factors as I stated above, which are known to play a role in the development of coronary artery disease. At this time the patient would be disabled and unable to perform tasks as a firefighter. The patient is also limited in his ability to perform his teaching tasks, which require prolonged work days due to limitations from both lung disease and coronary artery disease. I will defer to pulmonologist as to roles that firefighting played in the patient's lung disease."

Based upon the report of Dr. Garland Green, the staff recommendation was for the approval of the disability conversion and discontinue the requirement for disability recertification.

MOTION: Mr. Halphen moved to approve the staff recommendation. Mr. Smith seconded. The motion passed.

██████████ - Mr. Starns presented the application for disability conversion of ██████████
██████████ Mr. Starns stated that the applicant was seen by Dr. Garland Green, the State Medical Disability Board doctor. In his report, Dr. Green stated, that "██████████ is a 64 year old gentleman with a history of coronary artery disease, dyslipidemia and family history of coronary artery disease..." "The patient had percutaneous coronary intervention performed in November of 2008 and was able to return to work after that time frame. The patient, however, continued to have dyspnea with exertion limiting his ability to perform his tasks. The patient underwent stress testing later and was unable to complete the test due to extreme dyspnea and elevated heart rates. The patient was not, however, found to have any other blockages. Cardiac function has been normal on echocardiogram and the patient has not demonstrated any signs of congestive heart failure." ██████████
██████████ likely developed coronary artery disease as a result of his cardiac risk factors including family history and dyslipidemia. It is difficult to ascertain how much of a role his firefighting played in development of his condition, as it is not a lone risk factor. However, he did develop the condition while working as a firefighter." "The symptoms that ██████████ is experiencing do not have a definitive cause at this time although it could be related to microvascular disease. It is not recommended that he continue in his role as a firefighter due to the presence of these symptoms and potential for an adverse cardiac event..."

Based upon the report of Dr. Garland Green, the staff recommendation was for the approval of disability conversion and discontinue the requirement for disability recertification.

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MOTION: Mr. Halphen moved to approve the staff recommendation. Mr. Smith seconded. The motion passed.

MONTHLY FLASH REPORT - NOVEMBER 2010

Mr. Joe Meals presented the monthly flash report for November 2010. (see attached Exhibit #3) He began by noting that the overall fund was up/down as follows: 0.1% for the month of November as compared to the blended index of 0.2%; 10.3% for the fiscal year to date as compared to the blended index of 10.4%; 9.1% for the trailing 12 months as compared to the blended index of 9.6%.

COMMITTEE REPORT

[NOTE: The Investment Committee met on December 8, 2010, at the FRS office in Baton Rouge at 2:00 p.m. to discuss the business set forth in its posted agenda. The minutes of that meeting are embedded herein. Committee members present were Mr. John Broussard, Mr. Paul Smith, Dr. Steven Procopio and Mr. Charles Fredieu, ex officio. Committee Chairman Stacy Birdwell was not in attendance so board chairman Fredieu presided. Also present were Mrs. Lauren Bailey, Mr. Joe Meals, and Mr. Matt Ross.]

Chairman Fredieu recognized Mr. Joe Meals to give the Investment Committee report. Mr. Meals presented five committee recommendations along with information relative thereto.

- Blackrock

Mr. Meals advised the board that, based on prior board approval, Blackrock, an existing FRS manager, was converted from a domestic mandate to a global equity market strategy. Because of that change, Blackrock shifted from its domestic strategy manager (Bob Doll) to a global equity management team. The management fee also changed with the shift to a global equity market strategy. Mr. Meals said the investment committee recommended approval of a new 40 basis point fixed management fee, with an incentive allowing Blackrock to earn 20% of the returns that exceed ACWI All World Index by at least 2%. Blackrock will only participate in the incentive if their account exceeds the benchmark plus 2% and then they will receive 20% of any excess over that.

MOTION: After further discussion, Mayor Foster moved to accept the committee's recommendation. Mr. Halphen seconded. The motion passed.

- Republic Business Credit (RBC)

Mr. Meals advised the board that the compensation arrangement between Republic Business Credit, an existing FRS manager, and Pontchartrain Capital was not fully disclosed in the original meeting between RBC and FRS. Mr. Meals noted that, in addition to the 1.5% fee being paid, Pontchartrain

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Capital was also given an additional 12% equity interest in RBC. RBC did not previously fully disclose the full amount of compensation inuring to Pontchartrain Capital. Once Mr. Meals advised RBC of this, RBC provided a disclosure statement to FRS. (see attached Exhibit #4) Mr. Meals further advised the board that the managers of RBC had created a Delaware based Limited Liability Company (LLC) to hold their interest in RBC, including their voting rights. Mr. Meals said he had told the RBC managers that FRS would like to be furnished with a copy of the governing documents of the Delaware LLC, to inquire how their voting rights will be distributed. Mr. Meals further advised the board that RBC had furnished for advance review a copy of a promissory note that will be issued to FRS upon receipt of RBC's funding from FRS. (see attached Exhibit #5)

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

- Thornburg

Mr. Meals advised the board that Thornburg, an existing FRS international equity manager, made a decision based on positive economic reasons to purchase a number of preferred shares of Volkswagen stock. The preferred shares were purchased at a discounted price and do not have voting rights. Mr. Meals said that, although the reason for purchasing the preferred shares seems economically sound, a question was raised whether or not the purchase violated the FRS written investment policy. (see attached Exhibit #6) He said the FRS investment committee discussed the matter and recommended authorizing Thornburg to continue handling the Volkswagen shares with discretion. Mr. Meals also reminded the board that Thornburg is another investment manager that was previously authorized to shift to a global equity market strategy. He said Thornburg requested, and the FRS investment committee so recommended, that the FRS written investment policy be amended to authorize the global strategy as an amendment to the Thornburg contract.

MOTION: After further discussion, Mr. Halphen moved to accept the recommendations of the FRS investment committee. Mr. Smith seconded. The motion passed.

- Land Baron - St. George Air Parc

Mr. Meals recalled that, last month, the FRS board asked the principals of Land Baron, an existing FRS manager, to provide information regarding the road frontage and topography of the land proposed to be swapped between FRS-LB#3 and the city of St. George, Utah. In response, the principals of Land Baron provided FRS with an explanation of the proposed swap and a topographic map. (see attached Exhibit #7) In summary, the explanation concluded that "The property we (FRS-LB#3) are swapping to the City (St. George) has zero frontage along the Airport Parkway. Its frontage is along a future internal circulatory road to be built and funded by the developer, this is a far inferior right of way and will not generate the traffic count or the exposure that the trade parcel currently has. This trade gives the property we are exchanging into existing infrastructure (pavement, utilities, etc.) and creates a larger contiguous parcel with a bigger main corner presence

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for future development. If the pensions agree to the swap the benefits will dramatically outweigh any down side potential. Upon completion we will have superior location, closer proximity to the main terminal, closer proximity to utilities, better configuration of those parcels on a main contiguous corner, higher traffic counts and immediate marketability for some small users."

With regard to the topography, the Land Baron explanation provided that "The Aerial Photo exhibit shows the existing conditions. The land in the vicinity of our (FRS-LB#3) holdings and the Airport is flat as a necessity for the 9,000 foot runway. Not till you get substantially West of these parcels does the Topography become a concern. [T]he affected area is very flat. Our research has indicated there are no washes or other drainage concerns with this swap." (see attached Exhibit #8)

After discussing the foregoing explanations, Mr. Meals said the FRS investment committee recommended that the board approve the swap of land between FRS-LB#3 and the city of St. George.

MOTION: After further discussion, Mr. Smith moved to accept the investment committee's recommendation. Mayor Foster seconded. The motion passed.

- Franchise Equity Partners, III

Mr. Meals advised the board that Franchise Equity Partners, an existing FRS manager, has a provision in their agreement stating that they cannot start a new fund until they have reached at least the 80% invested level in Fund III, in which FRS is an investor. Franchise Equity Partners are requesting FRS consent allowing them to start a Fund IV, because Fund III has not yet reached the required 80% invested level. In response to a trustee's question, Mr. Meals said Fund III is currently at about the 50% invested level, but a capital call will occur the second week of December that will bring Fund III close to the 70% level. Mr. Meals was asked to furnish the board in January 2011 with confirmation of the December capital call and the resulting invested level for Fund III. Mr. Meals said he would do so and then said the FRS investment committee recommends that FRS consent to the Franchise Equity Partners' request.

MOTION: After further discussion, Mr. Smith moved to accept the investment committee's recommendation. Mayor Foster seconded. The motion passed.

- Securities Lending Agreement

Mr. Meals explained the securities lending program that exists between FRS and JP Morgan Chase Bank. He said that a recent FRS audit revealed that the credit rating of certain securities held as collateral by JPM Chase in the securities lending program had been downgraded to a level that violated the securities lending agreement. He said the auditors suggested that the FRS board be

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notified of the violation and decision had to be made regarding whether to order the liquidation of the securities. Mr. Meals explained that it is not part of his contractual duties to monitor the JPM Chase portfolio and he was unaware of the situation until it was brought to his attention. Therefore, he needs more time before making a recommendation to the board regarding these securities. He said he would be prepared to make a recommendation to the board at the January 2011 meeting.

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

FRS ACTUARIAL VALUATION FOR FISCAL YEAR 2009 - 2010

Mr. Greg Curran presented the board with the Actuarial Valuation as of June 30, 2010. (see attached Exhibit #9) Referring to the Valuation (p1), Mr. Curran stated that FRS had 3,989 active members, with 1,776 vested, and 162 members participating in DROP. In addition, there are 1,749 members receiving a benefit; 442 terminated members due a refund, and 59 terminated members who will receive a benefit upon requirement for retirement. He noted a change to the mortality assumption for actives and retirees. In addition, changes were made to the assumed rates of retirement, DROP entry, disability, and the assumed rate of post-DROP retirement.

Mr. Curran stated that the employer contribution rate is 25.25%, for Fiscal Year 2012. Mr. Curran directed the board's attention to Exhibit I (p14), in the Actuarial Valuation and a discussion followed indicating how Mr. Curran arrived at 25.25% for the employer contribution rate. Mr. Curran noted that the annual payment requirement for the current members in FRS is \$46.7 million, this is used to pay retirement, death benefits, disability benefits, DROP benefits and refund of contributions to members of FRS. FRS needs \$35 million each year for the amortization of the Unfunded Accrued Liability. Mr. Curran directed the board through Exhibit I, and noted that FRS needs to collect \$85.9 million in 2011. Mr. Curran explained where FRS would obtain the \$85.9 million. He said first, the money will come from employee contributions, secondly, money will come from the insurance premium tax, which is around \$21.6 million, and lastly, the leftover \$48.7 million will be collected through employer contributions.

Upon questioning by Mayor Foster, Mr. Curran responded that the system uses a 7.5% valuation interest rate on any money received by the system.

Upon questioning by Mayor Durbin, Mr. Curran discussed the issue of the time lag in valuation because of the fiscal year ending June 30, 2010.

Upon questioning by Chairman Fredieu, Mr. Curran explained the amortization schedule and that the system is still paying for things that occurred in 2009.

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Mr. Curran advised that the experience loss in the assets was at \$1.4 million. Mr. Curran stated that, even though FRS had a 12.2% rate of return on the market basis, when that gain is averaged with the past 5 years, the actuarial rate of return was 6.1%, which is below the 7.5% assumed rate of return.

MOTION: After further discussion by the board, Mr. Broussard moved to accept the Actuarial Valuation as a draft and to take the Valuation under advisement by the board for thirty days. Mr. Smith seconded. The motion passed.

MOTION: Mr. Broussard moved to allow Mr. Curran to appear before the funding review panel to discuss any information that was presented to the FRS board relating to the Actuarial Valuation. Mr. Halphen seconded. The motion passed.

MOTION: Mr. Broussard moved to authorize Mr. Curran to send a letter to the state auditor's office advising that the valuation is still under review by the FRS board. Mr. Halphen seconded. The motion passed.

ACTUARIAL STUDY REGARDING 5 YEAR DROP

Mr. Greg Curran presented the results of a study previously requested by the board regarding the actuarial impact of adding a 5 year DROP benefit for FRS members who complete 30 years of service prior to DROP entry. Mr. Curran noted that five groups were used to conduct the study. He explained the disposition and cost impact of each group. In summary, he said that in order to arrive at an aggregate cost impact, a weighted average of the cost of each group was calculated based on the population distribution of the system. When those values were summed there was no measurable difference in the system's normal cost, indicating that the newly proposed DROP structure would likely produce no appreciable increase or decrease in the system's cost structure. (see attached Exhibit #10)

After further discussion by the board, this matter was concluded with no action being needed or taken.

FIRE CHIEF ELECTION

To update the board regarding the progress of the election of the fire chief position to the FRS board of trustees, Mr. Stockstill reported that nominations were received by the FRS office in accordance with the time line previously approved by the board. Mr. Jason Starns verified that each nominee was eligible to run for the position. The nominees for fire chief representative are as follows:

Charles Flynn, III - St. Tammany Fire Protection District #3
Jerry Tarleton - St. George Fire Protection District
Sammy Halphen - Bossier City

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John Halmers - Kenner

Mr. Halphen advised the board that he had accepted the position of Director of Homeland Security for Caddo Parish effective immediately and that he was regretfully resigning his position as a FRS trustee and formally withdrew his name from the election process.

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

ACCELERATED REFUND OF EMPLOYEE CONTRIBUTIONS

Mr. Kevin Armbruster sent a letter addressing the board asking for an accelerated refund of his employee contributions. The board requested that Mr. Armbruster be asked to provide the board with specific information pertaining to his hardship because board policy prohibits accelerated refunds from being paid based on generalized descriptions of unemployment.

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

BROYLES V. CANTOR FITZGERALD & CO., ET AL

Messrs. Kirk Reasonover and Wesley Barr appeared before the board to provide an update regarding the lawsuit styled as *Broyles v. Cantor Fitzgerald & Co., et al* currently pending in the 19th Judicial District Court in Baton Rouge, Louisiana.

MOTION: Mayor Foster moved to enter executive session. Mr. Broussard seconded. The motion passed.

MOTION: Mayor Foster moved to resume public session. Mr. Broussard seconded. The motion passed.

The board acknowledged the update provided by Messrs. Reasonover and Barr and the discussion of this matter was concluded with no action being needed or taken.

ADJOURNMENT

All remaining agenda items were deferred to next month's meeting. The meeting of the FRS board of trustees was adjourned.

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FUTURE MEETINGS

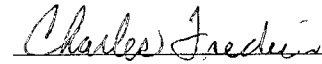
**FRS Investment Committee
Public Safety Building
3100 Brentwood Drive
Baton Rouge, Louisiana
Wednesday, January 12, 2010 at 3:00 p.m.**

**FRS Board of Trustees
Public Safety Building
3100 Brentwood Drive
Baton Rouge, Louisiana
Thursday, January 13, 2010 at 8:30 a.m.**

SUBMITTED BY:


Penny Gandy, FRS Board Secretary

APPROVED BY:


Mr. Charles Fredieu, FRS Chairman