



FIREFIGHTERS RETIREMENT SYSTEM

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MEETING OF THE BOARD OF TRUSTEES MARCH 10, 2011

A meeting of the board of trustees was held on March 10, 2011 at the Public Safety Building in Baton Rouge. Mr. Charlie Fredieu, Chairman, called the meeting to order at 8:30 a.m.

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

Ms. Penny Gandy called the roll. A quorum was present.

MEMBERS PRESENT

Mr. Charlie Fredieu
Mr. Stacy Birdwell
Dr. Steven Procopio
Mayor Jimmy Durbin
Mayor Mayson Foster
Mr. Jerry Tarleton
Mr. Paul Smith

OTHERS PRESENT

Mr. Steven Stockstill
Ms. Kelli Rogers
Mr. Jason Starns
Ms. Penny Gandy
Mr. Greg Curran
Mr. Joe Meals
Mr. Patrick Searcy
Mr. Jason King
Mr. Brian Ruiz
Mr. Eddie Appel
Mr. Troy Serigne

MINUTES

MOTION: Stacy Birdwell moved to approve the minutes of the board meeting held on February 10, 2011. Mayor Durbin seconded. The motion passed.

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APPLICANTS

- New Members

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. Birdwell moved to approve the new member applicants. Mr. Tarleton 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 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. Birdwell moved to approve the new retiree applicants. Mr. Tarleton 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)

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Mr. Starns presented the application of Mattie Charlene Alger, surviving spouse of Charles Gene Alger. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the surviving spouse application for Mattie Charlene Alger. Mr. Tarleton seconded. The motion passed.

Mr. Starns presented the application for Martha Harris Branin surviving spouse of James Marshall Branin. He stated the application was in order.

MOTION: Mr. Birdwell moved to approve the surviving spouse benefit for Martha Harris Branin. Mayor Durbin seconded. The motion passed.

Mr. Starns presented the application for Kalani Mourad Merrill, surviving spouse of Richard Joseph Merrill, Jr. He stated the application was in order.

MOTION: Mr. Birdwell moved to approve the surviving spouse benefit for Kalani Mourad Merrill. Mayor Durbin seconded. The motion passed.

Mr. Starns presented the application for Karen Compton Temple, surviving spouse of Richard Allen Temple, Sr. He stated the application was in order.

MOTION: Mr. Birdwell moved to approve the surviving spouse benefit for Karen Compton Temple. Mayor Durbin 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]. After Mr. Starns' introduction of the application, Mr. Stockstill drew the board's attention to an apparent discrepancy in doctor Glen Gomes' medical narrative report regarding the date of the diagnosis of Sarcoidosis. The doctor indicated that the original condition was diagnosed in 1995 and then stated that the x-ray abnormalities did not become evident until 1999. Due to the seemingly conflicting statements, Mr. Stockstill asked that the matter be deferred until next month for clarification from the doctor.

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MOTION: Mr. Birdwell moved to defer based on the recommendation of Mr. Stockstill. Mr. Tarleton seconded. The motion passed.

MONTHLY FLASH REPORT - FEBRUARY 2011

Mr. Joe Meals presented the monthly flash report for February 2011. (see attached Exhibit #3) He began by noting that the overall fund was up/down as follows: 1.9% for the month of February as compared to the blended index of 1.5%; 17.3% for the fiscal year to date as compared to the blended index of 12.6%; 15.2% for the trailing 12 months as compared to the blended index of 12.2%.

COMMITTEE REPORT

[NOTE: The Investment Committee met on March 9, 2011, at the FRS office in Baton Rouge at 3:00 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. Stacy Birdwell, chairman, Mr. John Broussard, Mr. Paul Smith, Dr. Steven Procopio, Mayor Mayson Foster and Mr. Charlie Fredieu, ex officio. Also present were Mr. Joe Meals, Mr. Bill Gravenor and Mr. Tom Robinson.]

Committee chairman Birdwell recognized Mr. Joe Meals to give the Investment Committee report, which proceeded as set forth herein below.

- Blackrock

[NOTE: Based on the board's prior approval, Blackrock, an existing FRS manager, was converted to a global equity market strategy. As part of that conversion, a fee structure was proposed by Blackrock that would allow Blackrock to earn 20% of the returns that exceed the ACWI All World Index. However FRS counter-proposed only allowing 20% participation if Blackrock exceeds the referenced index by at least 2%. Blackrock accepted the counter-proposal.]

Mr. Meals recalled that, at last month's meeting, the board discussed Blackrock's contract which proposed English Law (UK) as the controlling law and provides that the governing regulatory authority would be the SEC counterpart in Europe. Mr. Meals advised that, after further negotiations with Blackrock, the contract will still be under English law, but the jurisdiction will be the courts of New York. Mr. Meals advised that Blackrock agreed to be a fiduciary under Louisiana law. He said Mr. Stockstill revised the contract to clear up certain inconsistencies and submitted it to the representatives of Blackrock for final approval. Mr. Meals reported that he had not yet heard back from Blackrock.

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

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- Republic Business Credit

Mr. Meals advised that Wells Fargo, the senior lender for Republic Business Credit (RBC), a prospective FRS manager, provided FRS with a subordination agreement which had been discussed in part at last month's board meeting. Wells Fargo wanted FRS to sign over all rights in any bankruptcy proceedings. Mr. Meals advised Wells Fargo that FRS was not willing to do that because FRS wants to preserve its position as a creditor, although subordinated to Wells Fargo. Since that meeting, Mr. Meals advised RBC of FRS' suggested changes to the subordination agreement. Wells Fargo informed Mr. Meals that they could not agree to any of the changes proposed by FRS. Mr. Meals said that the FRS investment committee voted to recommend rescinding the \$15 million previously set aside for investment in RBC.

MOTION: Mr. Birdwell moved to accept the investment committee's recommendation but, as part of his motion, asked that RBC be told that FRS would still be interested in investing if a senior lender agreeing to FRS' position could be found. Mayor Foster seconded. The motion passed.

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

- Request for Proposal for Custodial Bank

Mr. Meals presented the board with a draft Request for Proposal for Custodial Bank Services. (see attached Exhibit #4) Mr. Meals advised the board of the procedure he suggested for narrowing the field of respondents and selecting the candidates to appear before the FRS board. Mr. Meals said that he had recommended approval of the Request for Proposal and selection procedure to the investment committee and, in turn, the investment committee recommended the same to the full board.

MOTION: Mr. Birdwell moved to accept the investment committee's recommendation. Mayor Foster seconded. The motion passed.

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

- Americus Real Estate Investments, Inc.

Mr. Meals advised the board that two principals of Americus Real Estate Investments, Inc., an existing FRS manager, appeared before the investment committee to discuss a request to revise the terms of their contract. (see attached Exhibit #5) Mr. Meals advised that three office properties are held by the fund. All three are 100% occupied by cash-paying tenants, which are governmental agencies. When FRS entered into the strategy, the exit was expected to occur within a five year period of time at which time a lease conversion would occur. In a lease conversion, the tenants would borrow money and purchase the property. This strategy was designed to work because

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government entities can borrow money at a lower interest rate compared to taxable individuals or entities. At this point, tax exempt rates are above the taxable rates, so the ability to implement the strategy has disappeared. The present terms of the partnership agreement state that, if lease conversions have not taken place at the end of five years, then Americus must liquidate the assets of the portfolio and return the cash to the investors. However, the principals of Americus said that today is not the best market environment to obtain a buyer for government leased office building. The principals believe the environment will improve and the price will increase for the property. Waiting for market improvement would require an extension of the terms of the partnership agreement. The principals proposed an amendment to the Fund partnership agreement. Instead of selling the properties as currently required, the Fund would continue to hold the properties until market conditions improve thereby warranting their sale, or up to 60 months, whichever occurs first.

As a condition of FRS' agreeing to amend the partnership agreement, Americus is prohibited from taking a management fee on the property until after FRS is paid a preferred return (cash on cash) of 9 ½%. Initially, the principals asked if they could continue their current fee of 1% of net asset value of the property. Mr. Meals said that would be unacceptable. The principals then asked to change the fee to 6% of net operating income. This structure results in their collecting about 50% of the fee currently being collected. Mr. Meals advised that, in order to change the partnership agreement, all three investors in the fund must agree to the changes. Mr. Meals said that he had recommended approval of both requests to the investment committee and, in turn, the investment committee recommends the same to the full board.

MOTION: Mr. Birdwell moved to accept the investment committee's recommendations. Mr. Smith seconded. Dr. Procopio opposed. The motion passed.

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

- Clinton Magnolia Group

Mr. Meals advised the board that, at last month's meeting, the board agreed to transition funds within the Clinton Magnolia Group, an existing FRS manager. The CES Fund is to be converted to the Magnolia strategy. Mr. Meals advised the board that the terms of the contract are still being discussed and no money has yet been converted to the Magnolia strategy.

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

- FIA Leveraged Fund

Mr. Meals advised the board that FRS had experienced significant profits in the investment known as the FIA Leveraged Fund, an existing FRS fund. Mr. Meals advised that the initial investment was \$45 million and the fund is currently valued around \$60 million. Mr. Meals advised the board to

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redeem \$17 million from FIA and place the money in the FRS cash account. Mr. Meals said he had made the same recommendation to the investment committee and, in turn, the investment committee recommends the same to the full board.

MOTION: Mr. Birdwell moved to accept the investment committee's recommendation. Mayor Foster 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.

AMITE FIRE DEPARTMENT - ENROLLMENT

Mr. Stockstill notified the board that certain firefighters of the Amite Fire Department had approached the FRS staff and have been discussing their having not been enrolled as members of FRS. After Mr. Stockstill's comments on the topic, the board then heard from Jason King, a firefighter of the Amite Fire Department. Mr. King mentioned that there is currently a lawsuit pending on the subject. He said Charles Dirks, with Avant & Falcon, is the attorney representing the firefighters in the pending lawsuit.

MOTION: Mayor Durbin moved to defer this matter to next month and to invite Mr. Dirks to attend and participate in further discussions. Mr. Smith seconded. The motion passed.

AUTOMATIC 2½% COLA - APPEAL

[NOTE: At its meeting held on October 14, 2010, the FRS board of trustees heard the request of a member who sought to rescind his election to receive the automatic 2½% cost-of-living-adjustment (COLA) allowed by the provisions of R.S. 11:247. He alleged that he consented to the election, which includes a substantial actuarial reduction of benefits, but it was not "informed consent". Based on the terms of state law, primarily the irrevocable nature of the COLA election, the board denied the request and directed the FRS staff to develop policies to prevent the recurrence of the circumstances leading to the referenced appeal.]

Mr. Frederick Eisemann selected the irrevocable annual 2½% COLA option on his retirement application and then retired with reduced benefits. On October 14, 2010, he asked the board to authorize him to rescind that selection. The board denied Mr. Eisemann's request. Mr. Stockstill said this matter is on appeal from that prior board decision.

Mayor Durbin discussed the judicial concept known as a "case of first impression" and explained how the concept applied in this unique situation. He asserted that Mr. Eisemann should be allowed to rescind the choice he selected for the following reasons: (1) He made the choice based on forms

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provided to him by the Firefighters' Retirement System, (2) The procedure for selecting the COLA option are no longer in place, (3) The procedures have been updated and improved to protect both the member and the system from this ever reoccurring, where a member selects a particular retirement benefit without first knowing the significant reduction he is going to see in his checks, and (4) Because safeguards have now been put in place to prevent a reoccurrence, a precedent would not be set.

MOTION: Mayor Durbin moved to allow Mr. Eisemann to rescind the COLA choice he selected. Mr. Smith seconded. Mayor Foster and Dr. Procopio opposed. The motion passed 5 to 2.

FIREFIGHTERS' RETIREMENT SYSTEM V. REGIONS BANK, ET AL.

[NOTE: The board of trustees reserved its right to enter executive session pursuant to R.S. 42:17(A)(2) for discussions related to litigation strategy in the pending lawsuit styled as "Firefighters' Retirement System v. Regions Bank, et al., Suit No. 567,874, Division O, 19th Judicial District Court, East Baton Rouge Parish, Louisiana, all as cited on its posted agenda.]

Mr. Stockstill asked the board to enter executive session to discuss matters regarding the lawsuit noted on its posted agenda.

MOTION: Mr. Birdwell moved that the board enter executive session. Mr. Tarlton seconded. The board entered executive session.

MOTION: Mr. Birdwell moved to resume public session. Mayor Durbin seconded. The board resumed public session.

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

ADJOURNMENT

There being no further business, the meeting of the FRS board of trustees was adjourned.

FUTURE MEETINGS

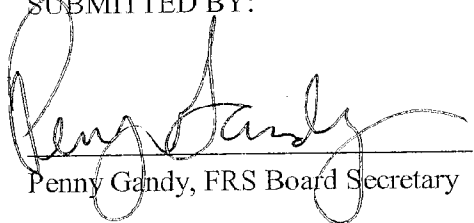
**FRS Investment Committee
Public Safety Building
3100 Brentwood Drive
Baton Rouge, Louisiana
Wednesday, April 13, 2011 at 3:00 p.m.**

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**FRS Board of Trustees
Public Safety Building
3100 Brentwood Drive
Baton Rouge, Louisiana
Thursday, April 14, 2011 at 8:30 a.m.**

SUBMITTED BY:



Penny Gandy, FRS Board Secretary

APPROVED BY:



Mr. Charles Fredieu, FRS Chairman