



FIREFIIGHTERS RETIREMENT SYSTEM

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MEETING OF THE BOARD OF TRUSTEES

April 11, 2013

A meeting of the Board of Trustees was held on April 11, 2013 at the Public Safety Building in Baton Rouge. Mr. Charlie Fredieu, Chairman, called the meeting to order at 8:30 a.m.

Mr. Jeselink gave the invocation and Mr. Birdwell led the pledge of allegiance.

Mrs. Susan Waite called the roll. A quorum was present.

MEMBERS PRESENT

Mr. Charlie Fredieu
Mr. Stacy Birdwell
Mr. Afranie Adomako
Mr. John Broussard
Mayor James Durbin
Mayor Mayson Foster
Mr. Perry Jeselink
Mr. Jerry Tarleton

OTHERS PRESENT

Steven Stockstill
Kelli Rogers
Layne McKinney
Jason Starns
Susan Waite
Greg Curran
David Barnes
Rhett Humphreys
Bob Rusk
Phil Preis
Melissa Harris
Yvonne Utz

MINUTES

MOTION: Mayor Foster moved to approve the minutes of the board meeting held on March 14, 2013. Mr. Birdwell seconded. The motion passed.

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

MOTION: Mr. Birdwell moved to approve the new member applicants. Mr. Jeselink seconded. The motion passed.

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

MOTION: Mr. Jeselink moved to approve the new retiree applicants. Mr. Birdwell seconded. The motion passed.

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- **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 Odelia Ourso Smith, surviving spouse of Carroll Hilman Smith. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application of Odelia Ourso Smith. Mr. Tarleton seconded. The motion passed.

Mr. Starns presented the application of Jaunita Royer Babineaux, surviving spouse of John Calvin Babineaux. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application of Jaunita Royer Babineaux. Mr. Tarleton seconded. The motion passed.

WINDING UP PETITION

[In the Matter of the Companies Law (2011 Revision) and In the Matter of FIA Leveraged Fund, FSD No. 0013/2012, In the Grand Court of the Cayman Islands, Financial Services Division; and the same matter pending In the Court of Appeal of the Cayman Islands, Civil Appeal No. 6 of 2012; In re Fletcher International, Ltd., Chapter 11 Case No. 12-12796 (Reg), United States Bankruptcy Court, Southern District of New York]

[NOTE: By giving notice on its 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 where an open meeting would have a detrimental effect on the litigating position of FRS in the matter referenced in agenda item II(1); all pertinent notifications had been provided.]

MOTION: Mr. Birdwell moved to enter executive session. Mr. Tarleton seconded. The motion passed unanimously. The board entered executive session.

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MOTION: Mr. Birdwell moved to resume public session. Mr. Foster seconded. The motion passed unanimously. The board resumed public session.

MOTION: Mr. Tarleton moved to retain the law firm of Preis Gordan to represent FRS in connection with pending litigation in the 19th Judicial District Court, East Baton Rouge Parish, with a retainer of \$50,000.00 per month to be divided one-third each between the three systems involved in the litigation (FRS/MERS/NOFF), and with a provision allowing for a thirty- day termination option for each of the systems. Any hours in excess of the retainer amount will not be paid by the systems. Mr. Birdwell seconded. The motion passed.

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

INSURANCE COVERAGE - OFFICE OF RISK MANAGEMENT PRESENTATION

Melissa Harris, Risk Underwriting Manager with the State of Louisiana, Office of Risk Management gave a presentation regarding the ORM insurance coverage afforded to FRS, the Board of Trustee's and FRS staff. Ms. Harris provided a summary of the insurance coverages which are available to the state and statewide public retirement systems, and reviewed the coverages specific to FRS. (see attached Exhibit #3)

After a question and answer session, the discussion of this matter was concluded with no action being needed or taken.

MONTHLY FLASH REPORT - MARCH 2013

Mr. Barnes presented the monthly flash report for March 2013. (see attached Exhibit #4) The overall fund was up/down as follows: 1.7 % for the month of March as compared to the allocation index of 1.6%; 12.0% for the fiscal year to date as compared to the allocation index of N/A%; 5.9% for the trailing 12 months as compared to the allocation index of N/A%; and 6.8% for the trailing 3 years as compared to the allocation index of N/A%.

After a question and answer session, the discussion of this matter was concluded with no action being needed or taken.

COMMITTEE REPORT - INVESTMENT COMMITTEE

[NOTE: The Investment Committee met on April 10, 2013, at the FRS office in Baton Rouge at 3:00 p.m. to discuss the following business set forth in its posted agenda - (A) The FRS monthly investment performance results for March 2013, (B) NEPC Rebalancing Timeline, (C) NEPC Implementation Proposal Nos. 1 and 2, (D) Offer to purchase FRS-owned property known as FRS LB#1, and all matters related to the foregoing items. The minutes of that meeting are embedded

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herein. Committee members present were Stacy Birdwell, chairman; Afranie Adomako, John Broussard and Jerry Tarleton. Also present were Perry Jeselink (alternate for Mayor Mayson Foster), Charlie Fredieu (alternate for John Broussard), Steven Stockstill, Kelli Rogers, Layne McKinney, Susan Waite, David Barnes and Rhett Humphreys.]

Committee chairman Birdwell gave the committee report and, in doing so, he recognized Mr. David Barnes who provided information to the board as follows:

NEPC REBALANCING TIMELINE

Mr. Barnes began with a discussion of the Rebalancing Timeline Proposal (see attached Exhibit #5) to show the timeline for the initial four searches, starting with the liquid investments, because they will be funded with other liquid investments, the stock and bond portfolios. The GTAA and Risk Parity searches take place as shown on the timeline because they will be funded from the less liquid elements of the portfolio, primarily from the hedge fund portfolio.

Ms. Rogers explained that while the proposed timeline is somewhat aggressive, it is believed to be attainable. Ms. Rogers advised that the intention was not for the process to be rushed and if at any point anyone felt more time or information was needed to review the various asset classifications, the timeline could be adjusted.

MOTION: Mr. Birdwell indicated that the FRS investment committee voted to recommend to begin the search for the Emerging Market Equity funds and the necessary advertising associated with same, and he moved that recommendation in the form of a motion. Mayor Durbin seconded. The motion passed.

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

CASH FLOW PROPOSAL

Mr. Barnes discussed the cash flow proposal and several main components. One component was the estimated dollar value of the new searches. Associated with that component, there was a recommendation to eliminate two funds because of concentration issues and potential volatility issues. During the discussion of the cash flow proposal, the investment committee requested all previous data affecting the numbers included on the cash flow proposal be included in one summary for convenience of review. Mr. Barnes indicated that NEPC would consolidate all of the information into one report and present that to the investment committee and board next month.

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

INDEX FUND MANAGER FEE QUOTES

Mr. Barnes advised the investment committee that after discussions with Ms. Rogers it was determined to be appropriate, without disclosing which client NEPC was requesting the information on behalf of, to send a fee proposal request to the five major index providers, requesting each to provide a fee proposal. With the information received from each of the five major index providers, NEPC prepared a summary of the fee proposals. (see attached Exhibit #6)

Mr. Barnes indicated there is the opportunity for cost savings in the range of approximately \$100,000.00 to \$115,000.00 per year compared to what is being paid for the index funds presently.

Mr. Barnes continued by indicating that the provided summary is only a survey to see if there were fee setting opportunities, and if there were, to what magnitude could fees be saved. Mr. Barnes advised the board that this information was provided to the investment committee with a request for approval to go back and summarize the initial five providers, to outline their organizational structures, the performance of the funds each has proposed, and a brief summary of the proposed fees. This information will be aggregated to show the potential costs savings. With each of those five provider summaries will come a recommendation from NEPC for next months meeting.

MOTION: Mr. Birdwell indicated that the FRS investment committee voted to recommend directing NEPC to prepare a summary report on four of the five index providers, excluding Northern Trust from the group, and he moved that recommendation in the form of a motion. Mayor Durbin seconded. The motion passed.

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

ARIZONA PROPERTY

MOTION: Mr. Birdwell advised that the FRS investment committee voted to recommend declining the purchase offer related to the property owned by FRS in Phoenix, Arizona and he moved that recommendation in the form of a motion. Mr. Tarleton seconded. The motion passed.

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

This concluded the committee report of the Investment Committee.

THIRD QUARTER BUDGET

Mr. McKinney provided the board with a presentation on the budget-to-actual comparison for the 3rd quarter period ending March 31, 2013. (see attached Exhibit #7) Administrative costs are all currently under budget with the exception of payroll taxes, such overage due to an unemployment

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claim. Professional Services all remain under budget with the exception of an increase in the fee charged by the accountants, which amount will not change again prior to the end of the fiscal year. Office expenses are mainly under budget, with the exception of increased costs for office supplies, paper, and office furniture for a new employee. Additionally, advertising expenses are over budget due to two items not originally in the budget, \$5300 advertising related to the investment consultant search and advertising related to filling the vacant system paralegal position. Three items in travel expenses were not included in the budget, legal support staff travel, due diligence review travel, and hotel expenses for the due diligence review. Mr. Broussard suggested increasing the advertising budget due to investment manager searches coming in the next several months.

Mr. McKinney advised that a draft budget for the year 2014 would be provided to the board for its review at the May board meeting.

Mr. McKinney went on to discuss the budget for legal fees. The Fletcher litigation fees are broken down and currently FRS incurred legal fees are over budget. Other legal fees not related to Fletcher, are also over budget. Mr. Stockstill discussed the legal fees in detail and indicated that a common thread line running through each of the cases he discussed, was that none of the expenses were foreseeable at the beginning of the fiscal year when the current budget was approved. One item in particular, the Duty litigation, the board had previously approved hiring attorney Henry Olinde to assist in the motion stage with the Duty litigation.

Mr. Stockstill advised the board that when Henry Olinde was originally hired it was to file several motions in connection with the Duty litigation. Mr. Stockstill indicated that portion of the work is near completion, however, Mr. Stockstill requested that the board change the nature of Mr. Olinde's representation from the limitation of filing motions, to full status of co-counsel for all litigation purposes. Mr. Olinde has time to assist with this case and can work on trial preparation.

MOTION: Mayor Durbin moved convert Mr. Olinde from motion counsel to full co-counsel on the Duty litigation. Mr. Birdwell seconded. The motion passed.

After additional questions, the discussion of this matter was concluded with no further action being needed or taken.

NON-SPONSORED LEGISLATION IMPACTING FRS

Mr. Stockstill advised that this item was a continued discussion from last month regarding proposed bills that were not requested by the FRS board, but would impact FRS. He said the board is being asked to take a position, if any, on House Bill No. 60, House Bill No. 61, Senate Bill No. 7 and Senate Bill No. 10.

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- House Bill No. 60 (Representative Talbot)

Prohibits certain members who are reemployed after retirement from receiving retirement benefits or accruing additional benefits.

MOTION: After board discussion, Mr. Birdwell moved to oppose House Bill No. 60. Mr. Tarleton seconded. After further discussion, the motion passed.

- House Bill No. 61 (Representative Badon)

Provides for the calculation of benefits (final average compensation).

MOTION: After board discussion, Mayor Durbin moved to oppose House Bill No. 61. Mr. Tarleton seconded. The motion passed.

- Senate Bill No. 7 (Senator Peacock)

Provides a sixty-month final average compensation period.

MOTION: After board discussion, Mr. Birdwell moved to oppose Senate Bill No. 7. Mr. Jeselink seconded. The motion passed.

- Senate Bill No. 10 (Senator Guillory)

Provides funding criteria a statewide retirement system must meet before granting a benefit increase.

MOTION: After board discussion, Mayor Durbin moved to support Senate Bill No. 10. Mr. Birdwell seconded. The motion passed.

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

ADAM MORIN LAWSUIT

Mr. Stockstill recalled that the board previously denied disability benefits to Mr. Adam Morin, based on a pre-existing condition. Mr. Morin filed a lawsuit versus FRS. Mr. Stockstill said he filed an Answer and Reconventional Demand in response to the lawsuit. He said that, in order for the lawsuit to receive the proper time and attention, he needed to refer the lawsuit to outside counsel. Mr. Stockstill requested that the board allow him to refer the lawsuit to Jewel "Trae" Welch.

MOTION: Mayor Durbin moved to approve the executive director's referral of the lawsuit to attorney Jewel "Trae" Welch. Mr. Tarleton seconded. The motion passed.

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

PROPOSED POLICY - CHANGING EMPLOYERS DURING DROP

This matter was deferred to the May 2013 board meeting.

**PROPOSED POLICY - NON-JOB RELATED DISABILITY RETIREE MAKING
APPLICATION FOR JOB-RELATED DISABILITY**

This matter was deferred to the May 2013 board meeting.

EMPLOYEE EDUCATIONAL ACHIEVEMENT

Mr. Stockstill advised the board that Ms. Rogers had taken the CAIA (Certified Alternative Investment Analyst) exam, and scored higher than average in 6 of 8 components, and in the other 2 components she scored outstanding and congratulated Ms. Rogers for this accomplishment.

ADJOURNMENT

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

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, May 8, 2013 at 3:00 p.m.**

**FRS Board of Trustees
Public Safety Building
3100 Brentwood Drive
Baton Rouge, Louisiana
Thursday, May 9, 2013 at 8:30 a.m.**

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SUBMITTED BY:



Susan L. Waite, FRS Board Secretary

APPROVED BY:



Mr. Charles Fredieu, FRS Chairman