



FIREFIIGHTERS RETIREMENT SYSTEM

P.O. Box 94095, Capitol Station
Baton Rouge, Louisiana 70804-9095
Telephone (225) 925-4060 • Fax (225) 925-4062



MEETING OF THE BOARD OF TRUSTEES OCTOBER 11, 2012

A meeting of the Board of Trustees was held on October 11, 2012 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.

Mr. Layne McKinney called the roll. A quorum was present.

MEMBERS PRESENT

Mr. Charlie Fredieu
Mr. Stacy Birdwell
Mr. John Broussard
Mayor James Durbin
Mr. Perry Jeselink
Dr. Steve Procopio
Mr. Jerry Tarleton

OTHERS PRESENT

Steven Stockstill
Kelli Rogers
Layne McKinney
Jason Starns
Gary Curran
Stephanie Little
Margaret Corley
Joe Meals

MINUTES

MOTION: Mr. Birdwell moved to approve the minutes of the board meeting held on August 9, 2012, with staff being given authority to correct the final motion related to the item captioned "Non-Job Related Disability" as shown on Page 9 thereof. The record will correctly reflect that the subject matter was tabled in its entirety. Mr. Tarleton seconded. The motion passed.

Mr. Birdwell moved to approve the minutes of the board meeting held on August 27, 2012. Mr. Jeselink seconded. The motion passed.

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Mr. Birdwell moved to approve the minutes of the board meeting held on September 13, 2012. Mr. Jeselink seconded. The motion passed.

[NOTE- Although discussion and action regarding the Applicant items was taken up later in the meeting, the entries are recorded here in order to follow the order set forth in the posted Agenda.]

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.

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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)

Mr. Starns presented the application of Helena Langley Blanchette, surviving spouse of Albert Joseph Blanchette. He stated that the application was in order.

MOTION: Mr. Jeselink moved to approve the application for Helena Langley Blanchette. Mr. Birdwell seconded. The motion passed.

Mr. Starns presented the application of Julie Faye Guidry, surviving spouse of Ronald Joseph Guidry. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application of Julie Faye Guidry. Mr. Tarleton seconded. The motion passed.

Mr. Starns presented the application of Rebecca Box Roach, surviving spouse of Rodney Lane Roach. He stated that the application was in order.

MOTION: Mr. Jeselink moved to approve the application of Rebecca Box Roach. Mr. Birdwell seconded. The motion passed.

INVESTMENT CONSULTANT RFP - CANDIDATE INTERVIEW SELECTION

Mr. Stockstill introduced the subject matter with a discussion of the process used to accomplish the board's due diligence obligations. He indicated that the FRS executive director and FRS investment officer had interviewed four RFP candidates to supplement but not substitute for the board's diligence.

Ms. Rogers, FRS investment officer, provided the results of the staff interviews. She summarized the strengths, weaknesses, opportunities and threats of each of the RFP candidates. Thereafter, she recommended that Marquette, Meketa, and NEPC be interviewed by the board.

MOTION: After thorough discussions, Mr. Birdwell moved to approve the following RFP candidates to be interviewed by the board- Bogdahn, Fiduciary, Marquette, Meketa, NEPC, and Segal. Mr. Broussard seconded. The motion passed.

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

ACTUARIAL STUDY - FUNDING REVIEW PANEL

Mr. Gary Curran presented the results of a study regarding the actuarial impact of certain modifications to the FRS plan if they were to be adopted. (see attached Exhibit #3) His study was limited to newly hired employees.

The first item considered was changing the period for measuring the final average compensation from 36 months to 60 months. He said the study looks at a reduction of the plan's normal cost and does not affect the UAL. The savings of this item was projected to be 0.32% in the short term and 1.26% in the long term.

The second item involved changing the benefit accrual rate from 3.33% to 3%. The savings of this item was projected to be 0.57% in the short term and 2.19% in the long term.

The third item involved changing the DROP eligibility to eliminate the 25-and-out provision. The savings of this item was projected to be 0.19% in the short term and 0.51% in the long term.

Mr. Curran said that the projected savings are not "additive", meaning if you add the sum of the parts, the savings will not equal the whole. It will be somewhere close though. Moreover, the short term savings would probably take a full five years to achieve the projected amounts.

MOTION: After comprehensive discussions involving all board members present, Mr. Broussard moved to accept the Curran report and authorize it to be forwarded to the Funding Review Panel, without any recommendation relative thereto. Dr. Procopio seconded. The motion passed.

MOTION: Dr. Procopio moved to authorize Mr. Curran to study the actuarial impact of setting the FRS benefit accrual rate at 3% for new hires, and if any such employee attains 30 years of service, then the benefit accrual rate would be 3 1/3% applicable retroactively to all years of service. Mr. Tarleton seconded. The motion passed.

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

MONTHLY FLASH REPORT - SEPTEMBER 2012

Mr. Joe Meals presented the monthly flash report for September 2012. (see attached Exhibit #4) He said the overall fund was up/down as follows: 1.8% for the month of September as compared to the blended index of 1.6%; 4.5% for the fiscal year to date as compared to the blended index of 4.4%; 12.6% for the trailing 12 months as compared to the blended index of 19.9%; and 7.1% for the trailing 3 years as compared to the blended index of 10.7%.

COMMITTEE REPORT [NOTE: There were no committee meetings in October, 2012.]

HIGH YIELD BONDS

Mr. Meals presented a set of charts. (see attached Exhibit #5) The first chart was titled "Manager vs Benchmark: Excess Return" and it showed the quarterly returns of the Barclays High Yield BaB, Barclays High Yield Index, and the BofA Merrill Lynch US High Yield Master II, since Q2 1998 through Q2 2012. The second chart was titled "Risk-Return Table" and it showed a summary of certain annualized statistics for the prior three-year period as they relate to the same three entities shown in the first chart. The third showed the same thing for an annualized 5-year period. The last chart related the same information based on an annualized 10-year period.

Mr. Meals then presented a second set of charts. (see attached Exhibit #6) These charts related to an index product that would offer market exposure to the high yield sector, without allocating any funds to an active manager.

After analyzing the referenced charts, Mr. Meals concluded that, in his opinion, there is not a good "market like" index product available that would support allocating funds thereto. He recommended that the board leave the money that would otherwise be allocated in either equity or cash until such time as a manager search can be conducted. Mr. Meals said there is no action required this month,

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because the funds that will be distributed as a result of liquidating the Ashmore Emerging Market Debt Fund will not be received by FRS until next month.

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

[NOTE: Financial journalists who read the foregoing entry, please note- FRS board members and staff do not comment regarding investment transactions. Please do not call or write seeking any such comment or you will be told "no comment". High Yield asset managers who read the foregoing entry, please note- The FRS board is not seeking information from managers or firms at this time. If the board makes a future decision to seek a High Yield manager, then the system will use a Request for Proposal process, the details of which will be included in FRS' minutes duly posted on its website. Any unsolicited mail or email will be promptly discarded. Any telephone call or email will be treated similarly. Thanks for your attention to this matter.]

LSV - WATCH STATUS

Mr. Meals said he reviewed the LSV Asset Management response letter regarding being placed on "watch status" and, in his opinion, there is no cause for concern. He gave further explanation of his opinion.

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

MURPHREE VENTURE PARTNERS (MVP) - FINANCIAL STATEMENTS

Mr. Stockstill recalled that MVP is chronically late in providing its financial statements to FRS and, this year, they provided them on an income tax basis instead of a fair market basis (GAAP) as needed by FRS. Moreover, MVP has failed to provide any of the quarterly statements that they are required to provide. Mr. Stockstill referenced certain provisions of the MVP Limited Partnership Agreement and explained that MVP has an obligation to provide the foregoing reports to FRS on a timely basis.

As a result of MVP's chronic failure to adhere to its responsibilities under the Agreement, Mr. Stockstill recommended the following two actions- First, that FRS retain Delaware counsel to prepare a Petition for filing in court demanding that MVP perform its specific obligations but, before filing, make one last amicable demand for them to correct their failure subject to certain conditions, and second, that FRS demand the right to have the FRS investment officer conduct an on-site review of MVP's books and records.

MOTION: After discussions by the board members, Mr. Birdwell moved to accept the staff recommendation. Messrs. Tarleton and Jeselink jointly seconded. The motion passed.

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

CERTIFICATION OF INTERNATIONAL TAX LAWS

Mr. Stockstill presented forms received from the Bank of New York (FRS' custodial bank) regarding securities trading conducted by FRS investment managers in Japan, Australia, and Indonesia, and all related matters. The forms require FRS to certify that its activities in those countries conform to certain specific international tax laws, which requires a working knowledge of those laws.

MOTION: After discussions by the board members, Mr. Broussard moved to direct the staff to strike the offending language (citations to unfamiliar international laws), sign the forms, and submit them to the custodial bank. Dr. Procopio seconded. The motion passed.

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

DROP - DISCONTINUANCE OF PLEDGE

Mr. Stockstill explained that FRS received a letter from Mr. Bobby Cannon (President/CEO, Professional Fire Fighters Credit Union) requesting authority to lower the loan guarantee pledge of a member who took out a loan with the credit union and pledged part of his FRS DROP balance as collateral. (see attached Exhibit #7) Mr. Stockstill indicated that the pledge agreement requires the member to pledge at least 125% of the original loan value and that amount is irrevocable.

Mr. Birdwell explained that FRS ends up paying more for members of the "DROP protected class" because if they keep their money in DROP (and they pledge their DROP balance against a loan instead of withdrawing the balance), then FRS has to pay money to their DROP account if the capital markets devalue.

MOTION: Based on that cost analysis, Mr. Birdwell moved to leave the current policy in place without any change made thereto. Mr. Jeselink seconded.

MOTION: Mr. Broussard made a substitute motion to deny Mr. Cannon's request and to discontinue the authority for members to pledge their DROP funds against a loan, prospectively, not retroactively. Mr. Tarleton seconded. The chairman called the substitute motion to a vote. The motion passed.

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

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ADJOURNMENT

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

FUTURE MEETINGS

**FRS Committee of the Whole
Public Safety Building
3100 Brentwood Drive
Baton Rouge, Louisiana
Wednesday, November 7, 2012 at 8:00 a.m.**

**FRS Board of Trustees
Public Safety Building
3100 Brentwood Drive
Baton Rouge, Louisiana
Thursday, November 8, 2012 at 8:30 a.m.**

SUBMITTED BY:



Steven Stockstill, Executive Director

APPROVED BY:



Mr. Charles Fredieu, FRS Chairman