



FIREFIIGHTERS' RETIREMENT SYSTEM

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MEETING OF THE BOARD OF TRUSTEES October 13 & 14, 2021

Pursuant to Proclamation No. 117 JBE 2021 issued by Governor John Bel Edwards, there are no further restrictions reducing building occupant capacities. Full capacity as authorized by the OSFM, based upon the adopted codes, is now permitted. For that reason, the FRS board meetings are now being held in the FRS board room in Baton Rouge, Louisiana, without regard to the former capacity limitations. Proclamation Nos. 133 JBE 2021 and 137 JBE 2021 provide, in part: "All individuals in the State of Louisiana shall be required to wear a face covering over the nose and mouth when indoors in any place outside of a private residence[.]" For anyone who would like to view the meetings by remote means, the meetings will continue to be offered through Zoom audio/video sessions. Any person (including the public) can choose to attend by teleconference and submit comments regarding matters on the agenda.

A two-day meeting of the Board of Trustees was held on October 13, 2021 and continued on October 14, 2021 at the Firefighters' Retirement System building in Baton Rouge. Chairman Perry Jeselink called the meeting to order at 8:30 a.m.

Chairman Jeselink gave the invocation and Mr. Romero led the pledge of allegiance.

Ms. Vicknair called the roll. A quorum was present.

MEMBERS PRESENT

Mr. Perry Jeselink
Mr. Jerry Tarleton
Mr. Stacy Birdwell
Ms. Lindsay Schexnayder (designee of Commissioner Jay Dardenne)
*Mayor David Amrhein
*Mr. John Broussard (designee of State Treasurer John Schroder)
Mr. Louis Romero
Mayor Ronny Walker

*Attended via zoom

OTHERS PRESENT

Steven Stockstill	Brennen LeBlanc
Layne McKinney	Dawn Moeller
Michael Becker	Henry Olinde

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Jason Starns
Brandon Trahan
Ben Johnson
Ashley Vicknair
Caitlin Myers
David Barnes
Joey David
Kevin Balaod
Attending via Zoom-
Paul Schmidt

Drew Fox
Lindsay Saienni
Melissa Cahill
Randy Hess
Jackie Rantanen
Ryan Smith
Mark Joseph
Matt (last name not provided)
BD (name not provided)

EDITORIAL NOTE: IN THE FOLLOWING MINUTE ENTRIES, ACTION REGARDING EACH VOTE WAS ACCOMPLISHED BY ROLL CALL VOTE. IN INSTANCES WHERE THE VOTE WAS UNANIMOUS, THE MINUTE ENTRY WILL SIMPLY MEMORIALIZE THE RESULT AS UNANIMOUS. IN ANY INSTANCE WHERE THE VOTE WAS NOT UNANIMOUS, THE MINUTE ENTRY WILL MEMORIALIZE THE ACTUAL ROLL CALL VOTE AND TALLY. ALL VOTING CAN BE VERIFIED BY AVAILABLE SOURCES.

MINUTES

Mr. Stockstill explained that there was an administrative error in the August minutes. He added that the error was under the Flash Report update and the wording “fiscal year” should have been “calendar year”.

MOTION: Mr. Tarleton moved to accept the administrative correction of the wording under Flash Report in the August minutes. Mayor Walker seconded. The motion passed unanimously.

MOTION: Mr. Birdwell moved to approve the minutes of the board meeting held on August 11 & 12, 2021 as corrected. Mayor Walker 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

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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 September 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 September 2021. Mr. Tarleton seconded. The motion passed unanimously.

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

MOTION: Mr. Birdwell moved to approve the new member applicants for the month of October 2021. Mr. Tarleton 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 months of September & October 2021. (see attached Exhibit #3 & 4) He stated that all applications were in order.

MOTION: Mr. Birdwell moved to approve the retiree applicants for the months of September & October 2021. Mr. Tarleton seconded. The motion passed unanimously.

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

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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 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)

Lori Conner Brown & Braden Brown- Mr. Starns presented the application of Lori Conner Brown & Braden Brown, surviving spouse and child of Kenneth Scott Brown. He stated that the application was in order. Mr. Starns explained that the staff recommendation was for approval of the application based upon R.S. 11:2256(B)(1)(d) (in the line of duty).

MOTION: Mr. Birdwell moved to approve the application of Lori Conner Brown & Braden Brown with the staff's recommendation of the death being defined as Job-Related. Mr. Romero seconded. The motion passed unanimously.

Cammy Liz Cormier- Mr. Starns presented the application of Cammy Liz Cormier, surviving daughter of Joseph Francis Pitarro. He stated that the application was in order.

Rosemari Estrella Gahn- Mr. Starns presented the application of Rosemari Estrella Gahn, surviving spouse of Terrence Ray Gahn, Jr.. He stated that the application was in order.

Jason Gautreaux- Mr. Starns presented the application of Jason Gautreaux, surviving son of Leslie Gautreaux. He stated that the application was in order.

Justin Gautreaux- Mr. Starns presented the application of Justin Gautreaux, surviving son of Leslie Gautreaux. He stated that the application was in order.

Wendy Harlan- Mr. Starns presented the application of Wendy Harlan, surviving daughter of Leslie Gautreaux. He stated that the application was in order.

Debra Sue Lafoe- Mr. Starns presented the application of Debra Sue Lafoe, surviving spouse of Harold Louis Lafoe. He stated that the application was in order.

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Ginger Rae Webb- Mr. Starns presented the application of Ginger Rae Webb, named beneficiary of Ralph Edward Parker, III. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve all applications presented by Mr. Starns. Mayor Walker seconded. The motion passed unanimously.

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

- **Disability Applications**

PROCEDURE: To obtain disability benefits, a member must furnish the retirement office with an application for disability retirement. For the following applicant(s), the 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 submitted a detailed report in laymen's terms of his findings based on the examination performed and the medical records reviewed. Prior to the meeting, the board of trustees was provided with the disability application, job description, State Medical Disability Board doctor's report and all medical records related to each applicant, for their review. (R.S. 11:215, 216, 218, & 2258)

[NOTE: By giving advance notice on its duly posted agenda, the board of trustees reserved the right to enter executive session pursuant to R.S. 42:17(A)(1) for discussion of any privacy protected physical or mental health information related to the disability applicants.]

██████████ Mr. Starns presented the disability application of ██████████. Mr. Starns stated that, based on the report by State Medical Disability Board doctor, Dr. Deepesh Rubin Patel, the staff recommendation was for approval of the Application for Disability Retirement (Non-Job-Related) and suspending the requirement of disability recertification.

MOTION: Mr. Birdwell moved to accept the staff recommendation regarding ██████████. Ms. Schexnayder seconded. The motion passed.

██████████ Mr. Starns presented the disability application of ██████████. Mr. Starns stated that, based on the report by State Medical Disability Board doctor, Dr. Deepesh Rubin Patel, the staff recommendation was for approval of the Application for Disability Retirement (Job-Related) and suspending the requirement of disability recertification.

MOTION: Mr. Birdwell moved to accept the staff recommendation regarding ██████████. Mr. Romero seconded. The motion passed.

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

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FRS, ET AL v JOSEPH R. GRECO, ET AL

FRS, et al. v. Joseph R. Greco , et al., Suit No. 641387, 19th Judicial District Court, East Baton Rouge Parish, Louisiana

[NOTE: By giving notice on its duly 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 litigation, and where an open meeting would have a detrimental effect on the litigation position of FRS in the judicial matter cited in Agenda Item II(2); all pertinent notifications had been provided.]

MOTION: Mr. Birdwell moved to enter executive session to discuss the item listed above. Mr. Romero seconded. The motion passed unanimously.

MOTION: Mr. Birdwell moved to resume public session. Mr. Tarleton seconded. The motion passed unanimously.

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

MONTHLY FLASH REPORT - AUGUST 2021

Mr. Barnes presented the monthly flash report for the month of August 2021. (see attached Exhibit #5) The overall fund was up/down as follows: 1.4% for the month of August as compared to the allocation index of 1.5%; 11.2% for the calendar year to date as compared to the allocation index of 9.7%; 20.6% for the trailing 12 months as compared to the allocation index of 18.5%; and 10.4% for the trailing 3 years as compared to the allocation index of 10.7%.

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

MONTHLY FLASH REPORT - SEPTEMBER 2021

Mr. Barnes presented the monthly flash report for the month of September 2021. (see attached Exhibit #6) The overall fund was up/down as follows: -1.9% for the month of September as compared to the allocation index of -2.0%; 9.2% for the calendar year to date as compared to the allocation index of 7.5%; 20.3% for the trailing 12 months as compared to the allocation index of 17.9%; and 9.6% for the trailing 3 years as compared to the allocation index of 9.8%.

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

FRS INVESTMENT REPORT

- Fisher Investments - Proposed Change to Investment Guidelines

Mr. Barnes drew the board's attention to the memorandum titled "Fisher Investments Proposed Guideline Changes". (see attached Exhibit #7) He explained that, under the guidelines being proposed, the maximum portfolio allocations would be extended to permit a higher concentration level in the portfolio, Fisher would be permitted to hold nearly 60% of the portfolio in an individual sector, and the portfolio would be subject to a higher level of stock-specific risk by increasing the allowable position size of individual securities at the time of purchase. Mr. Barnes recalled that the FRS Investment Committee and Board expressed a desire to reduce active risk and concentration levels within the FRS public equity portfolio. He added that the guidelines being proposed by Fisher would potentially increase the active risk and portfolio concentration within the FRS public equity portfolio. Mr. Barnes explained that NEPC's recommendation is to not approve Fisher's request to revise the portfolio guidelines.

After further discussions, a consensus opinion was developed by the board members. The consensus was to invite representatives of Fisher to address the board directly about the guideline changes that they are requesting. The FRS staff confirmed that it would arrange an appearance by Fisher at the next available meeting.

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

- AQR - Liquidation and Rebalancing Proposal

Mr. Barnes drew the board's attention to a report titled "AQR Risk Parity - Liquidation/Rebalancing". (see attached Exhibit #8) He explained that, on August 20th, the AQR Fund's board decided to liquidate AQR Risk Parity II Fund Class I, in which FRS is invested. He recalled that NEPC and the FRS staff met with AQR on August 25th to discuss the liquidation plan. He added that the fund has approximately \$57 million in assets under management (AUM), with FRS accounting for approximately \$45.5 million of the fund assets. He also added that the fund will begin transitioning to cash on October 13th and will be fully liquidated by November 25th. Mr. Barnes then explained that the fund will continue to be managed by the existing risk parity portfolio management team through October 13th. Mr. Barnes explained that NEPC's recommendation is to re-allocate the AQR assets as follows- 70% re-allocated to equities and 30% re-allocated to fixed income.

MOTION: Mayor Walker moved to accept NEPC's recommendation to reallocate the AQR assets as stated. Mr. Tarleton seconded. The motion passed unanimously.

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

- NEPC Due Diligence of Hamilton Lane - Status Report

Mr. Stockstill drew the board's attention to the contract currently in place between FRS and NEPC. He highlighted the provision in the contract that indicates NEPC's "[s]ervices include . . . due diligence reviews[.]" (see attached Exhibit #9) Additionally, he highlighted the contractual provision stating that, of NEPC's "82 consultants, 67 have advanced degrees and/or are professionally certified,

the highest concentration of professionally certified employees of any firm in the investment consulting industry. Our 62 senior consultants average over 20 years of investment experience." Mr. Stockstill opined that NEPC, with its highest concentration of professionals with advanced degrees, is in a superior position to conduct extensive due diligence reviews of investment managers that NEPC recommends for retention by FRS; and that FRS relies on NEPC for the exercise of that contractually bargained service. He recalled that FRS had forwarded a second series of due diligence questions to NEPC regarding Hamilton Lane. (see attached Exhibit #10) Mr. Stockstill then discussed NEPC's response to FRS' second series of questions, wherein NEPC indicated that NEPC would conduct certain due diligence exercises on behalf of FRS. (see attached Exhibit #11) He then said that NEPC had been asked to give a status report of its due diligence of Hamilton Lane.

Mr. Barnes explained that NEPC had requested data to conduct an additional analysis of Hamilton Lane's secondaries for the due diligence process. He added that NEPC requested that data on August 26th. On September 16th NEPC received access to Hamilton Lane's data files containing the requested information. NEPC held a follow up call with Hamilton Lane on October 4th to discuss details and clarification of the data received. The NEPC due diligence research team sent questionnaires to both Hamilton Lane and HarbourVest. NEPC has also set up additional telephone calls with Hamilton Lane and HarbourVest to focus on different areas. Those calls are scheduled to be held this week.

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

OFFICE OF RISK MANAGEMENT

[NOTE: By giving notice on its duly posted agenda, the board of trustees reserved its right to enter executive session pursuant to R.S. 42:17(A) for discussion of strategy or negotiations with respect to litigation and cyber security protective measures; all pertinent notifications had been provided.]

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

MOTION: Mr. Jeselink moved to resume public session. Mr. Tarleton seconded. The motion passed unanimously.

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

RECESS

Chairman Jeselink placed the meeting in recess with intent to reconvene tomorrow morning.

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RECONVENE

Chairman Jeselink reconvened the FRS board meeting which had previously stood in recess.

Ms. Vicknair called the roll. A quorum was present.

MEMBERS PRESENT

Mr. Perry Jeselink

Mr. Jerry Tarleton

Mr. Stacy Birdwell

Ms. Lindsay Schexnayder (designee of Commissioner Jay Dardenne)

*Mayor David Amrhein

*Mr. John Broussard (designee of State Treasurer John Schroder)

Mr. Louis Romero

Mayor Ronny Walker

*Attended via zoom

OTHERS PRESENT

Steven Stockstill

Layne McKinney

Michael Becker

Jason Starns

Brandon Trahan

Ashley Vicknair

Caitlin Myers

Joey David

Greg Curran

David Barnes

Attending via Zoom-

Brennen LeBlanc

Kevin Balaod

Paul Schmidt

Chris Kaufmann

Terry Stuard

R. Bergeron

Chad Duffaut

Mark Waniewski

Kenneth Herbold

RETIREMENT OF FRS BENEFITS MANAGER

Mr. Stockstill explained that FRS benefits manager, Jason Starns, told him couple months ago that he would be retiring in about a year. However, more recently, Mr. Starns accelerated his retirement to occur at the beginning of November of this year. Mr. Stockstill added that, according to the FRS succession plan, the FRS benefits analyst, Brandon Trahan, would move into the benefits manager position leaving his current position vacant. He added that Caitlin Myers has been hired to fill the vacant position. Mr. Stockstill explained that Ms. Myers has been working side by side with Mr. Starns to learn the operations and duties of the benefits department. He added that, because of Covid, the training process had been delayed a few weeks, therefore he asked Mr. Starns if he would stay at FRS for another month. Mr. Stockstill said Mr. Starns agreed to stay until the end of the year and would continue to train Ms. Myers. Mr. Stockstill concluded by saying that this report was for informational purposes only and no action was needed.

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

ADMINISTRATIVE CORRECTION - JAMES MORGAN

Mr. Starns drew the board's attention to a Correction of Service Credit and Benefit Amount document. He explained that the correction was for member James Eugene Morgan. He added that Mr. Morgan completed a transfer of creditable service in November 2003 and the transfer included 3.6 years of creditable service at a 2.5% accrual rate and 4.5 years of creditable service at a 3.33% accrual rate. He also added that when Mr. Morgan's record was updated to reflect the transfer of service the wrong year was entered. Mr. Starns explained that the original employment date was 12/09/2008 with the revised employment date being 06/09/2004, leaving him with 4.5 years but instead, the date 06/09/2003 was entered, leaving him with 5.5 years of service. He stated to the board that he spoke with Mr. Morgan to let him know the error and explained that his benefit amount will be reduced to reflect the corrected employment date and years of creditable service and the overpayment will be recouped by reducing the monthly benefit until the overpayment of benefits has been repaid. Mr. Starns concluded by explaining that R.S. 11:2260.1 requires FRS to let the board of trustees know when there is an administrative error and there was no action needed.

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

DROP APPLICATION - EDDIE BERTHELOT

Brandon Trahan, FRS Benefits Analyst, drew the board's attention to a document explaining a situation regarding a DROP application. He explained that the DROP application was for Mr. Eddie Berthelot that was submitted on September 27, 2021. He added that Mr. Berthelot requested his application be effective for October 9, 2021, on his 50th birthday. Mr. Trahan continued to explain that Mr. Berthelot planned on submitting the application earlier, to meet the 30 day submission period, but he lost his important documents, including his birth certificate, during Hurricane Ida. Mr. Berthelot was also on duty August 27, 2021 through September 20, 2021. Mr. Trahan explained that

he reviewed the birth certificate that was submitted for Mr. Berthelot and it was issued on September 24, 2021. He informed Mr. Berthelot that the 30 day application policy was a board policy and he could not waive the board policy but his request would be submitted to the board of trustees. Mr. Trahan explained that the staff recommendation was to accept Mr. Berthelot's application for DROP with an effective date of October 9, 2021 based on his individual circumstances related to Hurricane Ida.

MOTION: Mr. Tarleton moved to accept Mr. Berthelot's application for DROP with the effective date of October 9, 2021 based on his individual circumstances related to Hurricane Ida. Ms. Schexnayder seconded. The motion passed unanimously.

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

FRS ACTUARIALLY ASSUMED VALUATION RATE

Mr. Greg Curran, FRS Actuary, addressed the board. He explained that this is the last opportunity to discuss the actuarially assumed valuation rate before his office completes the actuarial valuation for 2021. He recalled that the current assumed investment rate is set at 7%. He added that the discount of FRS' liabilities are heavily dependent on the interest rate and future average earnings rate assumptions used by the actuary. He continued explaining that, the greater the assumed rate, then the risk of not meeting the assumption is greater, and perhaps a greater expectation of cost increases if markets don't perform at that level. Given the extreme returns FRS experienced from the market in 2021, many prognosticators are likely to decrease their expectation of stock returns in the future and, if that does occur, then the reasonable range for the assumed rate of return is likely to come down anyway. FRS now has an opportunity to lower the assumed rate of return without expecting an immediate increase in the employer cost. Mr. Curran explained that he performed an analysis using a 25.9% investment return and worked through the actuarial value of assets smoothing methodology. Although Mr. Curran's firm hasn't completed the liability numbers, he could preliminarily estimate a reduction in the employer rate.

Mr. Curran clarified that the valuation is a totally separate component, which is what happens due to liability changes based on membership decisions. He added that his preliminary estimate is that assets would lower the employer rate by 2% given the returns in 2021. He added that, because of the smoothing method, that specific return is part of the next four years too. He also added there is potential for additional help from 2021's returns in the future.

Mr. Curran said that, while conducting the valuation analysis, his firm saw a couple of things in the data this year that could have an impact on cost. One thing is a significantly increased number of members entering DROP and retiring. There were also salary increases in the plan that could be above average for the year. Another thing is an increase in population, so the size of the system has grown and payroll for the plan grew reasonably well for the year.

Mr. Curran explained that a part of the cost is the unfunded accrued liability (UAL) payments that are set in a schedule, like a mortgage. The total cost needed from employers is around \$85.5 million. The payment on the UAL was \$67.4 million, which is a big part of the annual employer cost. He said, in a year that FRS just experienced, with a growth in payroll, that portion of the system's costs will be cheaper compared to the payroll the actuaries' had originally projected.

Finally, Mr. Curran explained that he does see good things, like perhaps a 2-2 ½% savings in terms of employer costs. That potentially gives FRS the opportunity to lower the assumed rate of return without feeling immediate pain. He said his firm's review did not show that FRS is outside of the range at 7%. If the board makes no changes and capital market returns decline in the next few years, FRS could be forced to lower the assumed rate of return. Lowering the assumed rate of return by 1%, would cause about a 15.86% increase in the employer rate. Mr. Curran questioned whether the board prefers to accept the risk by continuing the assumed rate of return at 7% and hopefully avoid future increases in the employer rate; or, alternatively, would the board prefer to experience an immediate reduction of the assumed rate of return. He explained that other systems are lowering their assumed rate of return with some sort of caveat.

Mr. Curran explained that FRS could authorize a reduction of the assumed rate of return with a limit stated either one of two ways: One, the actuary could be authorized to act in conjunction with the executive director to lower the rate as much as allowable by the valuation model; or two, the actuary could be authorized to lower the rate as much as possible, as long as the resulting employer rate is no greater than "x". He said the "x" factor might be set at a value that is no greater than the current employer contribution rate.

Chairman Jeselink asked Mr. Barnes and Mr. Becker to address the assumed rate of return, including future inflation expectations. Mr. Barnes explained that, for FRS' planning, he uses capital market assumptions based on market values as of December 31st of each year and those values are presented in February or March, in terms of the forecast for the portfolio on both a 10 year and 30 year basis. He added that NEPC updates the capital markets quarterly so, since then, NEPC has data from March 31st based on June 30th data. The direction thus far this year for capital market assumptions has been moving lower and, just as Mr. Curran said, that had a lot to do with the significant valuations NEPC has seen. NEPC's asset allocation team has been working on the September 30th data and just from the direction of capital markets NEPC has seen, it is not unreasonable to assume that those will be lower in terms of the capital markets expectations. Mr. Barnes explained in terms of their inflation expectations, NEPC has not seen a significant move for the next 5 and 10 year periods. NEPC's asset allocation team is estimating that the inflation path will be steeper over the next 5 years, but do not anticipate the inflation to rise significantly over the next 10 years.

Mr. Becker addressed the board. Mr. Stockstill asked Mr. Becker if NEPC's inflation expectations, in the spectrum of all investment consultants' inflation expectations, are reasonable but on the high side? Mr. Becker answered affirmatively. Mr. Becker added that NEPC's expectations would be more than the median. He continued by agreeing with Mr. Curran and Mr. Barnes about what has been seen in the capital markets over the last few years and not knowing if the trend is going to continue. He

added that there are a few items for consideration when setting the system's discount rate, i.e., like lowering the rate may lower the impact of not achieving the system's investment goal and there are costs, as Mr. Curran mentioned. He added that staying at the system's current discount rate could mean being on the higher end of the reasonable range or maybe even outside of the reasonable range. Mr. Becker explained that it would be his preference to be in the median of that range, giving FRS at least a 50/50 opportunity to achieve the system's goal. In addition, staying at the system's current discount rate could mean reevaluating the risk tolerance of the board. He noted that there is pretty high inflation this year and these transitory issues become more permanent because it sets forth expectations for things such as wages, housing and rent. This inflation is not currently seen as being a problem, but it could be something to consider in the next asset allocation study.

Mr. Curran explained that the assumed rate of return should not drive investments. Investments should be what the board is comfortable with and then the actuary makes the assumptions based thereon. Right now the choice is about how much investment protection the board wants to have versus immediate gratification in terms of lowering the employer rate.

Mr. Tarleton asked Mr. Curran how far the assumed investment rate could be lowered and leave everything else like it is? Mr. Curran answered that if the board is concerned about the costs, a caveat could be put in a motion, but the assumed rate could probably be lowered to 6.85% without causing an increase of the employer contribution rate, but that is not a guarantee.

Mayor Walker agreed that the board should lower the assumed investment rate without an increase of the employer contribution rate.

Mayor Amrhein stated that he would also like to see the assumed rate go down.

Mr. Curran explained that his office performed an analysis using the 7% assumed investment rate for 2022 to test what type of investment loss FRS could sustain and not expect an increase of the employer contribution rate. He added it would be about a 5% loss in the market value basis for the plan in 2022 and still have a neutral year because of the positives experienced in 2021.

Mr. Stockstill asked, based on the earnings Mr. Curran was referring to for the last fiscal year, has any of his firm's models accounted for a COLA in conjunction with the action discussed today? Mr. Curran answered negatively but explained that the models estimate that the system would be authorized to grant a COLA after this valuation. He added if the board chooses to grant a COLA, then the assumed investment rate could not be lowered to its maximum potential in order to assure no increase of the employer contribution rate.

When asked to frame an operative motion, Mr. Curran said that the motion would be to authorize the actuary to lower the valuation interest rate by as much as possible given the caveat that the employer rate for 2023 will not be greater than the rate that is being paid today and in 2022. Mayor Walker added that the motion should include not considering the granting of a COLA.

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MOTION: Mayor Walker moved to authorize the actuary to lower the assumed rate of return by as much as possible given the caveat that the employer rate for 2023 will not be greater than the rate that is being paid today and in 2022 and also to not consider the granting a COLA. Mayor Amrhein seconded. The motion passed unanimously.

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

HR166 STUDY COMMITTEE

[The HR166 Study Committee met on October 13, 2021 in Baton Rouge at 3:00 p.m. to discuss the following business set forth on its posted agenda - (i) Discussion and action regarding HR166 requiring the formation of a FRS study committee to submit a report to the House of Representatives prior to the beginning of the 2022 regular session of the legislature, and all related matters. The minutes of that meeting are embedded herein. Committee members present were: Mr. Jeselink, Mayor Amrhein, Mr. Birdwell, Mr. Broussard, Mr. Romero, Ms. Schexnayder, Mr. Tarleton, Mayor Walker, Mr. Adams, Mr. Bergeron, Mr. Istre, Mr. Lyons; Also present were Mr. Stockstill, Michael Becker, Ben Johnson, Ashley Vicknair, Caitlin Myers, Drew Fox, Kevin Balaod, and Robert Klausner.]

Robert Klausner addressed the committee. He explained that he reviewed all 14 of the Fire Protection Agreements provided by Chief Adams and did additional research regarding bankruptcy and taxation. He then referenced R.S. 11:2253(D). (see attached Exhibit #12) That statute determines FRS membership and states that, in any case of doubt, the board of trustees shall be the sole judge as to eligibility for membership. Mr. Klausner drew the committee's attention to one particular Fire Protection Agreement and used it as a proxy for all the agreements. (see attached Exhibit #13) He observed that, in the agreement, the district is aware of the significant cost and resources that would be required if the district were to attempt to form its own fire department and to staff it with directly hired employees. He referenced the enforcement of the Jefferson Parish Fire Code and other related ordinances and policies of Jefferson Parish that may from time to time be enacted, but only to the extent authorized by law. Mr. Klausner explained that whatever this entity becomes, it is going to have to have the same authority as the existing parish fire departments, whether it is by an ordinance or legislation. He referenced a provision in the agreement that explains, in the event that a company should cease operations voluntarily for whatever reason during the term of the agreement or be removed for just cause by the district in accordance with the provision of the agreement, all buildings, equipment or apparatus purchased with or through bond proceeds, appropriations from the Jefferson Parish general and special revenue funds, or contract consideration shall become property of the district. He explained that the FRS board, as a fiduciary, has the responsibility to make sure that any debt that was created is paid. He added that if contributions are not paid, then the member does not receive the credit of service.

Mr. Klausner continued to highlight certain provisions of the agreement. He explained that, based on his research, in order to get the 240 or so firefighters into FRS and not violate the federal tax code or violate the provisions of article 10 section 29 of the Louisiana Constitution, which protects certain statutory rights of statewide pension plan participants, there must be a sponsoring government that

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is the ultimate financially responsible party that has the legal obligation and ability to make payments if the fire company is unable to pay its debts. He added that, if Jefferson Parish believes that the current set up is the right thing for them then, it remains the right thing for them, but they will not be able to be participants in FRS. He informed the committee that the next step would be for the companies to collectively, or perhaps individually, to inquire whether the parish government has an interest in proceeding forward with the drafting of enabling legislation. He added that he will gladly furnish a report defining the issues for the companies to use in approaching any potential sponsor of legislation.

Mr. Klausner asked if he could receive a salary schedule for the companies so he can arrive at an average salary and get the actuary to calculate, applying the current FRS contributions, what the average employee and employer contributions would look like. Chief Adams answered affirmatively. Mr. Klausner said his understanding is that any firefighters newly enrolled in FRS pursuant to legislation would not be granted prior service credit and therefore there would be no past service liability. Chief Adams agreed and stated that they would not expect anything in the past, only moving forward. Mr. Stockstill recalled that this committee is required to submit a report to the House of Representatives and asked Mr. Klausner if his office will prepare the report. Mr. Klausner answered affirming he will submit the report to the House.

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

ADJOURNMENT

Mr. Romero moved to adjourn. Mr. Tarleton seconded. The motion passed unanimously.

FUTURE MEETINGS

**FRS BOARD OF TRUSTEES
3100 BRENTWOOD DRIVE
BATON ROUGE, LOUISIANA
TUESDAY, NOVEMBER 09, 2021, AT 08:30 AM
AND CONTINUING ON
WEDNESDAY, NOVEMBER 10, 2021 AT 08:30 AM**

**HR166 STUDY COMMITTEE
3100 BRENTWOOD DRIVE
BATON ROUGE, LOUISIANA
TUESDAY, NOVEMBER 09, 2021, AT 03:00 PM**

SUBMITTED BY:


Ashley Vicknair, FRS Board Secretary

APPROVED BY:


Perry Jeselink, FRS Chairman