



FIREFIGHTERS' RETIREMENT SYSTEM

3100 Brentwood Drive
Baton Rouge, Louisiana 70809
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MEETING OF THE BOARD OF TRUSTEES November 10, 2022

A meeting of the Board of Trustees was held on November 10, 2022 at the Firefighters' Retirement System building in Baton Rouge. Chairman Perry Jeselink called the meeting to order at 8:30 am.

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

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

MEMBERS PRESENT

Perry Jeselink
Jerry Tarleton
Stacy Birdwell
Brian Fleming (designee of Commissioner Jay Dardenne)
John Broussard (designee of State Treasurer John Schroder)
Louis Romero
Mayor Ronny Walker

OTHERS PRESENT

Steven Stockstill	Chris Kaufmann
Marella Houghton	John Gallagher
Layne McKinney	Robert Burkett
Michael Becker	Paul Smith
Ashley Vicknair	Bernie Piro
Ben Johnson	Cheryl Gross
Caitlin Myers	Chad Duffaut
William Hall	
Daniel Loper	
David Barnes	
Robert Klausner	
Greg Curran	
Alana Perrin	
Joey David	
Dennis Onderick	
Brennen LeBlanc	
Kenneth Herbold	

MINUTES

MOTION: Mr. Birdwell moved to approve the minutes of the board meeting held on October 13, 2022. Mr. Romero 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 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.

Ms. Myers presented the list of new member applicants for the month November 2022. (see attached Exhibit #1) She stated that all applications were in order.

MOTION: Mr. Birdwell moved to approve the new member applicants for the month of November 2022. Mr. Romero 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.

**FIREFIGHTERS' RETIREMENT SYSTEM
BOARD MEETING**

**NOVEMBER 10, 2022
PAGE 3**

Ms. Myers presented the list of new retirees for the month of November 2022. (see attached Exhibit #2) She stated that all applications were in order.

MOTION: Mr. Birdwell moved to approve the retiree applicants for the month of November 2022 including the additions. Mr. Romero seconded. The motion passed unanimously.

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

- Disability Applicants

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.]

Ms. Myers presented the disability application of Mr. Myers stated that, based on the report by State Medical Disability Board doctor, the staff recommendation is 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 for approval of the application for a Job-Related Disability Retirement for Mr. Romero seconded. The motion passed unanimously.

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

RECESS FRS BOARD MEETING

CONVENE FRS-LLC JOINT ADVISORY COMMITTEE

[NOTE: The FRS-LLC Joint Advisory Committee met on November 10, 2022, at the FRS office in Baton Rouge at 8:30 a.m. to discuss the following business set forth in its posted agenda- (i) Discussion and advisory action regarding updates of the following LLC's: FRS-

**FIREFIGHTERS' RETIREMENT SYSTEM
BOARD MEETING**

**NOVEMBER 10, 2022
PAGE 4**

LB, FRS-LB#1, FRS-LB#3, and FRS-GA, and all related matters. The minutes of that meeting are embedded herein. Committee members present were Mr. Stockstill, manager; Mr. Jeselink, Mr. Tarleton, Mr. Birdwell, Mr. Fleming, Mr. Broussard, Mr. Romero, Mayor Walker. Others present were Marella Houghton, Layne McKinney, Michael Becker, Ben Johnson, Ashley Vicknair, Caitlin Myers, William Hall, David Barnes, Greg Curran, Brennan LeBlanc, Alana Perrin; Joey David, Dennis Onderick, Robert Klausner, Chris Kaufmann, Paul Smith, Bernie Piro, Kenneth Herbold, John Gallagher, Chad Duffaut, and Cheryl Gross.]

- Discussion and advisory action regarding updates of the following LLCs: FRS-LB, FRS-LB#1, FRS-LB#3, and FRS-GA

Mr. Stockstill informed the committee that the developers for the Georgia property are asking for a 90 day extension. He added that Treasurer Schroder and Mr. Becker are supportive of the extension. Mr. Stockstill recommended that the committee approve the 90 day extension.

MOTION: Mr. Tarleton moved to approve a 90 day extension on the Georgia property. Mr. Birdwell seconded. The motion passed unanimously.

Mr. Stockstill then updated the committee regarding the FRS-LB#1 property in Arizona. He recalled that there is a buyer who is interested in paying all cash up front, which the committee previously authorized to move forward with. He added that the purchase agreement was received and reviewed. Between Treasurer Schroder, Mr. Becker, and Mr. Stockstill, some minor changes were made and the sale should move to closing by next week.

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

ADJOURN FRS-LLC JOINT ADVISORY COMMITTEE

RECONVENE FRS BOARD MEETING

ACTUARIAL VALUATION - FY 2021-22

Greg Curran, FRS Actuary, addressed the board. He drew the board's attention to the FRS Annual Valuation for FY 2021-22. (see attached Exhibit #3) Mr. Curran then highlighted certain portions of the valuation, including the schedules. He explained the Summary Results by indicating that, since last year, FRS has - (i) Increased its funding percentage from 78.76% to 80.41%, (ii) Decreased its UAL by \$32 million, and (iii) Decreased the employer contribution rate by 0.75% beginning July 1, 2023.

Mr. Stockstill drew the board's attention to page 11 from the valuation report. He referenced a line item called "contribution gain" and asked Mr. Curran the following question- If FRS experiences a contribution gain, if that gain was put into the funding deposit account, what would be the impact on the employer contribution rate the following year? Mr. Curran drew the board's attention to the bottom portion of page 19 and explained that in this particular year with the rounding rule, it did not make a difference. He added that taking money from any gain or loss in a valuation and putting it into an account would interfere with the employer contribution rate that comes out of the valuation. Mr. Stockstill recalled to Mr. Curran about the -0.07% following year payment on page 19 and asked Mr. Curran this question- In those years where there is a contribution gain and the rounding rule would not cause any change in the employer contribution rate, either now or in the future, what would be the adverse actuarial affect, if any, of putting that money (gain) into the funding deposit account? Mr. Curran explained that, because of the rounding rule, if money were taken out, then it would have an effect next year. Mr. Stockstill wanted to make sure he understood Mr. Curran and asked this question- If no matter where the money is taken from today, it will still need to be made up tomorrow? Mr. Curran answered affirmatively. Mr. Stockstill asked if that essentially summarizes his explanation. Mr. Curran said yes.

Mr. Stockstill then drew the board's attention to page 1 towards the bottom regarding the employer contribution rate dropping from 33.25% to 32.50%. He recalled that, once the board approves the rate, then it goes before PRSAC for their consideration. He added that the board could adopt the valuation based a contingency that, if PRSAC approves the valuation as is, then the rate would stay the same and the money would be put into the funding deposit account. He added that if PRSAC does not adopt the valuation as is, then it obviates that option. Mr. Curran agreed with Mr. Stockstill and explained that he has had clients do that before. He added that PRSAC has no say in this statutorily, they simply choose between two valuations to set the minimum. Mr. Stockstill explained that he wanted to throw that option out there as a consideration for the FRS board. He then asked Mr. Curran a question, but first explained that he asks the same question every year, and conveys the answer to FRS members at conferences and seminars, to wit: Based on this valuation and in Mr. Curran's professional opinion, is the system actuarially sound or unsound? Mr. Curran answered explaining that he totally thinks the system is sound.

MOTION: Mr. Tarleton moved to accept the FRS Annual Valuation for FY 2021-22 as presented by Mr. Curran. Mr. Broussard seconded. The motion passed unanimously.

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

FINANCIAL REPORTING

Greg Curran drew the board's attention to a report titled "Information for Financial Reporting as of June 30, 2022" (see attached Exhibit #4) He highlighted certain portions of the report and answered questions from the board.

**FIREFIGHTERS' RETIREMENT SYSTEM
BOARD MEETING**

**NOVEMBER 10, 2022
PAGE 6**

MOTION: Mr. Broussard moved to accept the report as presented by Mr. Curran. Mr. Tarleton seconded. The motion passed unanimously.

Mr. Birdwell pointed out to Mr. Curran, the board is adopting the report, but the board is not adopting the numbers for the system to use. Mr. Curran explained that the board is adopting the numbers for the financial statements. Mr. Birdwell explained that he needed the clarification because he has watched someone use the numbers from the Information for Financial Reporting (GASB) to inform the members of the system that FRS was 87% funded. He added that this year the report states that FRS is 74% funded and he wanted to make sure that everyone knows that the numbers on the GASB report are not used for the systems' calculation. Mr. Curran said Mr. Birdwell is correct, and further explained that is why his office prepares and presents the reports separately. He added that anyone who is concerned about the funding of this plan should focus their information on the annual funding valuations and understand that for accounting statement purposes, the accounting industry sees things differently.

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PRELIMINARY AND
STATEMENT OF FIDUCIARY NET POSITION - PRELIMINARY FOR FIRST QUARTER
OF FY2022-23**

Mr. Layne McKinney, FRS CPA, addressed the board. He drew the board's attention to two reports titled "Statement of Changes in Fiduciary Net Position-Preliminary " (see attached Exhibit #5) and "Statement of Fiduciary Net Position-Preliminary for first quarter of FY2022-23". (see attached Exhibit #6) He explained each report on a line-by-line basis.

MOTION: Mr. Birdwell moved to accept the Statement of Changes in Fiduciary Net Position - Preliminary and the Statement of Fiduciary Net Position-Preliminary for the first quarter of FY2022-23 as presented by Mr. McKinney. Mr. Tarleton seconded. The motion passed.

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

FRS BUDGET TO ACTUAL COMPARISON FY2022-23

Mr. Johnson, FRS Accountant, addressed the board. He drew the board's attention to the FRS FY2022-23 Annual/Quarterly Budget to Actual Comparison. (see attached Exhibit #7) In explaining some of the line items of the report, he highlighted certain variances.

MOTION: Mr. Birdwell moved to accept the staff report as presented by Mr. Johnson. Mr. Romero seconded. The motion passed.

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

MONTHLY FLASH REPORT - OCTOBER 2022

Mr. Barnes presented the monthly flash report for the month of October 2022. (see attached Exhibit #8) The overall fund was up/down as follows: 3.7% for the month of October as compared to the allocation index of 3.1%, -15.4% for the calendar year to date as compared to the allocation index of -15.8%; -14.3% for the trailing 12 months as compared to the allocation index of -14.7%; and 3.5% for the trailing 3 years as compared to the allocation index of 3.2%.

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

COMMITTEE REPORT - INVESTMENT COMMITTEE

[NOTE: The Investment Committee met on November 9, 2022, at the FRS office in Baton Rouge at 1:00 p.m. discuss the following business set forth in its posted agenda- (i) Educational presentation regarding emerging market equity strategy-(a) Arrow Street Capital, (b) William Blair Investment Management, LLC, (ii) The FRS monthly investment performance results for October 2022, (iii) MSCI Emerging Markets Index Manager Search, (iv) FRS securities proxy voting policy, and all items related to the foregoing items. The minutes of that meeting are embedded herein. Committee members present were Mr. Tarleton, chairman; Mr. Birdwell, Mr. Broussard, Mr. Romero and Mr. Fleming. Also present were Perry Jeselink, Mayor Ronny Walker, Steven Stockstill, Marella Houghton, Layne McKinney, Michael Becker, Daniel Loper, Ashley Vicknair, David Barnes, Alana Perrin, Leslie Baccini, Anne Luisi, Casey Preyss and Kelly Allison.]

Mr. Stockstill informed Chairman Jeselink that due to the board losing a quorum shortly, the only item that would need a motion under the investment report would be the emerging Markets Index Manager Search. Mr. Stockstill explained that the FRS securities proxy voting policy could be tabled to next months meeting.

- Educational presentation regarding emerging market equity strategy-

(a) Arrow Street Capital

(b) William Blair Investment Management, LLC

Mr. Tarleton explained to the board that the investment committee received a presentation from Leslie Baccini and Anne Luisi from Arrow Street Capital via zoom. (see attached Exhibit #9) He added that Ms. Baccini and Ms. Luisi educated the committee concerning the firm's overview, strategy, and supporting materials. Mr. Tarleton added that the investment committee then received a presentation from Casey Preyss and Kelly Allison from William Blair Investment Management, LLC. (see attached Exhibit #10) He added that Mr. Preyss and Ms. Allison educated the committee concerning the firm's overview, an emerging markets overview, philosophy and process, portfolio analytics and performance, and positioning of the firm. Mr. Tarleton explained to the board that there was no action taken and these presentations were educational in nature.

- MSCI Emerging Markets Index Manager Search

Mr. Tarleton asked Mr. Barnes to present the MSCI Emerging Markets Index Manager Search to the board, since the time ran out during yesterday's investment committee meeting. Mr. Barnes drew the board's attention to the MSCI Emerging Markets Index Manager Search Report. (see attached Exhibit #11) He explained the list of managers and the products proposed for each. The managers listed were- BlackRock, Mellon Investment Corp, Northern Trust, State Street Global Advisors (Lending) and State Street Global Advisors (Non-Lending). He drew the board's attention to the product comparison page of his report explaining the management fee in basis points for both \$25mm and \$50 mm of assets. He continued explaining that Mellon has the lowest management fee when taking out State Street's (Lending Fund) and incorporating Mellon's administrative fee. Mr. Barnes then explained that all of the managers are pretty close to the benchmark. Mr. Barnes concluded his presentation and said that NEPC recommends choosing Mellon Investment Corp. He also said that NEPC's preference would be to index the smaller portion, 25%. Mr. Becker addressed the board and agreed with the recommendation of NEPC. He explained that they have the lowest fees and the lowest tracking error.

MOTION: Mr. Broussard moved to accept NEPC's recommendation to choose Mellon Investment Corp. at 25% for the Emerging Markets Index Manager. Mr. Jeselink seconded. The motion passed unanimously.

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

That concluded the Investment Committee report.

COMMITTEE REPORT - HR136 COLA STUDY COMMITTEE

[NOTE: The HR136 COLA Study Committee met on November 9, 2022, at the FRS office in Baton Rouge at 3:00 p.m. to discuss the following business set forth in its posted agenda- (i) Discussion and action regarding alternative methods of granting Cost-of-Living Adjustments, and all related matters. The minutes of that meeting are embedded herein. Committee members present were Mr. Jeselink, chairman; Mr. Curran, Mr. Herbold, Mr. Williams, Dr. Procopio, Mr. Birdwell, Mr. Broussard, Mr. Fleming, Representative Firment, Mr. Romero, Mr. Tarleton and Mayor Walker. Also present were, Steven Stockstill, Marella Houghton, Layne McKinney, Ashley Vicknair, Caitlin Myers, William Hall, Ben Johnson, Joey David, Robert Klausner, Alana Perrin, Bernie Piro, Paul Smith, Dennie Boyt, Gary Horton, Dodie Horton, Bobby Brimer, Cindy Brimer, and Kenneth Shepherd.]

- Alternative Methods of Granting Cost-of-Living Adjustments

Chairman Jeselink invited Robert Klausner to give the committee report. Mr. Klausner informed the board that the committee met on November 9, 2022 to discuss how to proceed with the draft report that was presented. (see attached Exhibit #12) He further informed the board that, in conclusion of

the meeting, the committee moved to draft the report to include within it certain changes that rename the funding deposit account as the "COLA pre-funding account", which makes it clear that this account is created solely for providing COLA benefits. Mr. Klausner added that the next change was in paragraph 1 on page 6, the language was added "or in the creation of the pre-funding account". He then added that on page 7, an addition was added to the recommendation explaining in the event there is a higher employee contribution, an increase in the ad-hoc benefit should be part of that consideration. He also added that a sentence was added stating the legislature should consider the continued status of R.S. 11:2260.

Chairman Jeselink asked Mr. Klausner to provide the board with any other details that were covered at the committee meeting. Mr. Klausner explained to the board that there was a discussion that focused largely on the interpretation of R.S. 11:2260, which is the current COLA provision. He added that members of the audience thought that the language "authorized" should be read the same as "is required to". He added the second thing that was discussed is using the term funding deposit account when there are other funds who use that term and there are differences in their statutes. He continued stating it would be more clear for FRS to call it a COLA pre-funding account. Mr. Klausner continued expressing that members of the audience were concerned with not receiving a COLA since 2015 and they like the aspect of R.S. 11:2260 to the extent that they had looked for a COLA every four years or so. He explained to the board that a question was raised to both the legislative actuary and FRS actuary as to whether or not, if a COLA pre-funding account were adopted, would the committee also keep R.S. 11:2260 as an alternative to that? He added that the question was not resolved but it was clear between the actuaries who felt if R.S. 11:2260 was kept and a COLA pre-funding account was created, then there would be a necessity of actuarially funding the possibility of a COLA under R.S. 11:2260, which would then increase the employer contribution rate going forward. He concluded the update with explaining that the committee resolved that specific matter with saying that the issue needs to be called to the legislature's attention in any bill the legislature would consider. He further concluded that Dr. Procopio asked what does restricted mean, in terms of waiting until the frozen unfunded liability would be paid off in 2034. He explained restricted means if the committee were to move forward with the COLA pre-funding account, any COLA that comes from that would be restricted to it's own assets. Mr. Klausner explained to the board that he will make the requested changes to the draft report to have ready for the committee at the December meeting.

That concluded the HR136 COLA Study Committee report.

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

OTHER BUSINESS

Mr. Stockstill informed the board that this matter would require a vote from the board. He explained that he received an email from an individual that was concerned about her father not receiving a COLA. He added that she was requesting information that would have required Mr. Curran to answer. He then added that he responded to the email and had a pleasant exchange with the

individual and she understood that there were some things he could not answer. Mr. Stockstill continued explaining to the board that the individual found FRS' website and found Mr. Curran's firm and was able to email him her questions. He then explained that Mr. Curran informed him that the number of hours it would take him to answer her questions. Mr. Stockstill explained that in order for the board to allow Mr. Curran to provide the individual with the information requested, there would need to be a motion to cover the cost of Mr. Curran's office to take the time to provide the answers. Mr. Stockstill requested the board to allow this on a case by case basis.

Mr. Birdwell asked if the board could receive the nature of the questions that the individual was asking and also what the estimated cost would be. Mr. Stockstill invited Mr. Curran to answer the question, since he was the one who was contacted with the questions. Mr. Curran explained that he did not read all of the questions but he tries to stay within the COLA Committee contract, which the system is not charged for since it is a study committee. He added that there are times where he receives questions from members and individuals and he usually defers them to the executive director to know if he should get involved with them. He then added that he doesn't think that the charges will be huge, his hourly rate is usually about \$285 and this would take a couple of hours. Mr. Curran explained to the board that he believes in transparency and he would like the individual to get her questions answered in a timely manner. He added that the point of this matter is he does not know when the string of questions will end and this was outside of the study committee. He wanted to make sure Mr. Stockstill was on board with this and Mr. Stockstill wanted to make sure the board granted the authority for Mr. Curran to proceed.

Mr. Stockstill read the questions from the email. Why is there no money in the account that provides the increases? Was there not a rainy day fund for interest rate fluctuations? Was there an approximate \$7 million dollar gain? Why couldn't those funds be used to provide something for the firefighters? Do you have the right people in place on this board for decision making because in the state of Texas they have continued to pay a COLA to firefighters every year since 1975 and so what are we doing wrong? Mr. Stockstill explained that he could respond and tell her that she can review everything that is posted on the FRS website but he doesn't think that would be helpful and he would like her to actually understand the answers to her questions.

Mr. Birdwell said he would be comfortable for the board to ask the information to the actuary, Mr. Curran, and he gives the information to the board at whatever charge, and then the board relay that information to the member. Mr. Tarleton suggested that the staff put frequently asked questions on the FRS website for members to view.

MOTION: Mr. Birdwell moved to contract with Mr. Curran to allow questions to be answered to members and the board relay the answer to the member. Mr. Tarleton seconded. The motion passed unanimously.

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

**FIREFIGHTERS' RETIREMENT SYSTEM
BOARD MEETING**

**NOVEMBER 10, 2022
PAGE 11**

ADJOURNMENT

The meeting adjourned due to lack of a quorum.

FUTURE MEETINGS

**FRS Investment Committee
3100 Brentwood Drive
Baton Rouge, Louisiana 70809
Wednesday, December 7, 2022, at 01:00 pm**

**FRS HR136 COLA Study Committee
3100 Brentwood Drive
Baton Rouge, Louisiana 70809
Wednesday, December 7, 2022, at 03:00 pm**


**FRS Board of Trustees
3100 Brentwood Drive
Baton Rouge, Louisiana 70809
Thursday, December 8, 2022, at 08:30 am**

SUBMITTED BY:

APPROVED BY:



Ashley Vicknair, FRS Board Secretary



Perry Jeselink, FRS Chairman