FIREFIGHTERS 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
APRIL 12, 2012

A meeting of the board of trustees was held on April 12, 2012 at the Public Safety Building in Baton Rouge. Mr. Charlie Fredieu, Chairman, called the meeting to order at 8:30 a.m.

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

Mr. Perry Jeselink was sworn in as a trustee for the Firefighters' Retirement System.

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

MEMBERS PRESENT

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

OTHERS PRESENT

Steven Stockstill
Kelli Rogers
Jason Starns
Penny Gandy
Joe Meals
J.D. Davis
Robert Cade
Carl Finley
Bob Rust

MINUTES

MOTION: Mr. Birdwell moved to approve the minutes of the board meeting held on February 9, 2012. Mayor Foster seconded. The motion passed.

MOTION: Mr. Birdwell moved to approve the minutes of the board meeting held on March 8, 2012. Mayor Foster seconded. The motion passed.

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 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. Jason Starns presented the list of new member applicants. (see attached Exhibit #1) He stated that all applications were in order.

MOTION: Mr. Birdwell moved to approve the new member applicants. Mayor Foster 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. Birdwell moved to approve the new retiree applicants. Mr. Jeselink 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 Patricia Ann Kirkland Hemphill, surviving spouse of Michael Dennis Hemphill. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application for Patricia Ann Kirkland Hemphill. Mr. Jeselink seconded. The motion passed.

Mr. Starns presented the application of Noah Tyler Hemphill, surviving minor child of Michael Dennis Hemphill. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application for Noah Tyler Hemphill. Mr. Jeselink seconded. The motion passed.

Mr. Starns presented the application of Mary Louise Gilley, surviving spouse of James Oliver Gilley. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application for Mary Louise Gilley. Mr. Jeselink seconded. The motion passed.

Mr. Starns presented the application of Bernice Bergeron Blanchette, surviving spouse of Theodore Russell James Blanchette. He stated that the application was in order.

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

Mr. Starns presented the application of Andrea Leigh Bloomer, surviving handicapped child of Andy Merle Bloomer. He stated that the application was in order.

MOTION: Mr. Birdwell moved to approve the application for Andrea Leigh Bloomer. Mayor Durbin seconded. The motion passed.

- Disability Conversion Applicants

PROCEDURE: Retirees who apply for conversion from regular retirement to a disability retirement are required to submit detailed medical information as part of the application in support of their claim that the disability was job-related and occurred during active employment as a firefighter, even though the actual physical disability may not have become manifest until after the effective date in DROP or after commencement of service retirement. Once received, the application is reviewed by staff and medical records are forwarded to a State Medical Disability Board doctor to determine if sufficient documentation is present to certify that the retiree's disability occurred during active employment and was a direct result of working as a firefighter. If the medical information submitted is not sufficient for the doctor to determine the date and cause of the disability, then an appointment is scheduled for the applicant to undergo a physical examination. For the applicant to become eligible for conversion, the State Medical Disability Board doctor must furnish a medical report certifying the retiree's disability and that the disability was a direct result of employment as a firefighter. (R.S. 11:2258(B) and Administrative Rule)

[redacted] Mr. Starns presented the application for disability conversion of [redacted] Mr. Starns stated that [redacted] was seen by State Medical Disability Board doctor, Dr. D. Rubin Patel on March 16, 2012. In his report, Dr. Patel stated, "[redacted] has requested a disability conversion through the Firefighters' Retirement System. [redacted] worked as a firefighter until his retirement. He was never considered disabled during this time period. In fact, he wore hearing aids to overcome his hearing loss. The patient was able to perform all responsibilities of a district chief during his employment with and without the use of hearing aids. Hence, it is my opinion that the patient should not be considered for disability conversion as he was not disabled at any time during his employment through the Firefighters' Retirement System."

Based upon the report of Dr. D. Rubin Patel, the staff recommendation was for the denial of disability conversion.

At the request of [redacted] attorney, Mr. Carl Finley, the board entered into executive session.

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

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

MOTION: Mr. Birdwell moved to reject the staff recommendation and approve the disability conversion application. Mr. Jeselink seconded.

Mr. Birdwell withdrew his motion. Mr. Jeselink withdrew his second.

Mr. Carl Finley advised the board that Dr. Patel's medical narrative report describing [redacted] hearing loss contained inconsistencies when compared to the conclusions reached in the audiology report. Specifically, Dr. Patel noted that, "[redacted]as bilateral moderate to severe sensorineural hearing loss dating back to 1987 when he had his first hearing tests at the Brown McHardy Clinic in Metairie." Mr. Finley noted that [redacted] had subsequent hearing tests up until 02/06/12 and were considered by Dr. Patel. He said Dr. Patel noted that there were other unrelated medical conditions and did go into an extensive history of [redacted] Mr. Finley said the inconsistencies are shown beginning on the second page of Dr. Patel's report, where the doctor mentions [redacted] seeing multiple physicians dating back to 2005 and his review of the responsibilities of a district chief as it relates to [redacted] He said that Dr. Patel's report goes into some background information regarding Firefighters' Retirement System, which Mr. Finley believes is unnecessary. Mr. Finley said that, when Dr. Patel questioned [redacted] about his hearing loss, "the patient reported hearing loss after his enrollment in Firefighters' Retirement System." He said that Dr. Patel then relates the 1987 report that shows moderate to severe hearing loss bilaterally. So, according to Dr. Patel's patient history, when [redacted] entered the fire profession he had good hearing, subsequently, [redacted] hearing deteriorated to "moderate to severe hearing loss" caused on the job. Dr. Patel continued, "it is worrisome for an individual to be able to respond to fires if he has hearing loss." Mr. Finley said that Dr. Patel's opinion is, since [redacted] did the job and did not ask for a disability during his employment, then he should be able to continue doing his job. Mr. Finley said the audiology report is consistent with regard to [redacted] hearing loss. Mr. Finley said that Dr. Patel failed to reference his own audiology report dated February 6, 2012, where clearly [redacted] hearing loss is well beyond the 45 decibels bilaterally.

MOTION: Mayor Durbin moved to approve the disability conversion based on Mr. Finley's comments regarding inconsistencies contained in Dr. Patel's report. Mr. Birdwell seconded. Mayor Foster opposed. The motion passed 6 to 1.

[redacted] Mrs. Gandy presented the application for disability conversion of [redacted] Mrs. Gandy stated that [redacted] was seen by State Medical Disability Board doctor, Dr. Thad Broussard on February 27, 2012. In his report, Dr. Broussard stated, "I think the patient was treated appropriately. I would have followed the same steps with the arthroscopic surgery. I would have tried the viscoelastic injections even though it was not helpful and ultimately, based on the records forwarded to me, would have proceeded with total knee arthroplasty. However, it is my opinion that this patient still remains symptomatic with the total knee arthroplasty. I have reviewed the records forwarded by his operating surgeon (Dr. Taylor). I think that this gentleman would be unable to

perform the essential duties of a fireman with his total knee and in fact would be a risk not only to himself but to others in the course of said duties. Therefore, my conclusion regarding with [redacted] that he is incapacitated and that he would not be able to perform his duties and that said disability occurred during his date of membership in the system after July 26, 1985." A follow up letter was forwarded to Dr. Thad Broussard on March 19, 2012, asking Dr. Broussard to answer the following questions: Based upon your Independent Medical Evaluation regarding [redacted] application for disability conversion and based upon [redacted] "job description" is [redacted] totally incapacitated for the further performance of his normal duties as Fire Driver? Dr. Broussard answered "Yes." If yes, that [redacted] is totally incapacitated for the further performance of his normal duties, then is the disabling condition likely to be permanent? Dr. Broussard answered "Yes." Based upon your review of the medical records and your medical examination, did [redacted] disabling condition occur after commencement of service in FRS (July 26, 1985)? Dr. Broussard answered "Yes."

Based upon the report of Dr. Thad Broussard, the staff recommendation was for the approval of disability conversion.

MOTION: Mr. Jeselink moved to accept the staff recommendation. Mr. Birdwell seconded. The motion passed.

MONTHLY FLASH REPORT - MARCH 2012

Mr. Joe Meals presented the monthly flash report for March 2012. (see attached Exhibit #3) He began by noting that the overall fund was up/down as follows: -0.4% for the month of March as compared to the blended index of 1.8%; 0.8% for the fiscal year to date as compared to the blended index of 7.5%; 1.3% for the trailing 12 months as compared to the blended index of 8.6%; and 13.2% for the trailing 3 years as compared to the blended index of 16.9%. [NOTE: Certain errors were identified in this flash report. A corrected version was subsequently provided to FRS. A copy of the corrected version is also attached to the minutes.]

COMMITTEE REPORT - INVESTMENT COMMITTEE

[NOTE: The Investment Committee met on April 12, 2012, at the FRS office in Baton Rouge at 3:00 p.m. to discuss and take action with regard to the following business that was set forth in its posted agenda: (A) The FRS monthly investment performance results for March 2012, (B) Board diligence review of existing asset manager known as AEW Capital Management, (C) Biennial board diligence review of existing investment consultant Consulting Services Group, (D) FRS redemption request pending with CA Recovery Fund, (E) Feasibility of terminating existing account with asset management firm known as Tradewinds Global Advisors based on change of key personnel; and all matters related to these foregoing items. Committee members present were Stacy Birdwell, chairman; Dr. Steven Procopio, and Charlie Fredieu, ex officio. Also present were Perry Jeselink,

Joe Meals, Marc Norton, Jamie McNeil, JD Davis and Marc Davidson. The minutes of that meeting are embedded herein.]

Committee chairman Birdwell recognized Mr. Joe Meals to give the investment committee report

- **AEW**

Mr. Meals told the board that JD Davis and Marc Davidson appeared before the investment committee for a diligence review of AEW Partners, an existing FRS manager. They presented the committee with a book showing all existing real estate properties held in the AEW investment portfolio. (see attached Exhibit #4) Mr. Davis reviewed the book for the committee. He said, when the AEW fund closed in June of 2010, it had raised $424 million in committed capital of which $274 million is currently allocated to properties in the Fund and, of that amount, $202 million has been called to date. He noted that the fund is currently 52% leveraged. Mr. Davis said that FRS committed $20 million and, of that amount, $9.53 million of the capital has been called. $1.01 million has been distributed to FRS to date. Mr. Davis then said that 65% of the total AEW Fund capital has been allocated to 29 properties. He further explained the geographic diversity of the investments.

Mr. Meals further told the board that AEW submitted the standardized FRS manager diligence form to the investment committee for review and discussion. (see attached Exhibit #5)

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

- **Consulting Services Group**

This matter was deferred to the May 1, 2012 board meeting.

- **CA Recovery Fund**

Mr. Meals recalled that Walter Morales appeared at the board meeting held on March 8, 2012 to discuss the CA Recovery Fund, an existing FRS investment. He said, since that date, Mr. Morales has been successful in selling more of the portfolio securities than Mr. Morales initially thought might happen. Moreover, Mr. Morales was able to sell those positions at the prices reflected on the report presented at board meeting held in March 2012. Mr. Meals said that the cash distribution made by the CA Recovery Fund to FRS this month was about $4 million, which seems to be less than the amount that was expected. Mr. Meals said he would explore this further and report back to the FRS board next month.

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

- **Tradewinds Global Advisors**

Mr. Meals advised the board of the resignation by David Iben, the lead portfolio manager of Tradewinds Global Advisors, an existing FRS manager. He said Mr. Iben will be replaced by other internal Tradewind's staff. Mr. Meals advised that the investment committee discussed the matter and, based on Mr. Iben's resignation, recommends that FRS terminate its relationship with Tradewinds. The FRS investment committee further recommends that the Tradewind's portfolio be liquidated, with the funds being reallocated into the three existing Vanguard index funds in which FRS presently invests. The committee recommended allocating $90 million from Tradewinds along with $10 million from the FRS cash account, all to be allocated to the Vanguard index funds as follows- 60% large cap, 20% mid cap and 20% small cap.

MOTION: Mr. Birdwell moved the investment committee's recommendations 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.

This concluded the investment committee report.

IN THE MATTER OF THE COMPANIES LAW (2011 REVISION); IN THE MATTER OF FIA LEVERAGED FUND

[NOTE: By giving notice on its duly posted agenda, the FRS board of trustees reserved its right to enter executive session pursuant to R.S. 42:17(A)(1) for discussion of character or professional competence of the juridical entities identified in agenda items III(2); the board of trustees further 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 judicial matters cited in agenda item III (2); all pertinent notifications had been provided.]

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

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

Mr. Stockstill recommended that the FRS board authorize the FRS executive director to pay such minimum amount that is necessary to establish Federal Court jurisdiction and exercise warrant rights in the UCBI matter if that becomes an option available to FRS.

MOTION: Mr. Birdwell moved to accept the staff recommendation. Mr. Tarleton seconded. The motion passed.

Mr. Stockstill submitted for the record a copy of his travel log and work schedule related to attending a hearing in this matter during April 2-5, 2012. (see attached Exhibit #6)

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

FRS V. REGIONS BANK, ET AL

This matter was deferred to the May 1, 2012 board meeting.

IN RE ROBERT BLACK & KELLY J. BLACK (LAND BARON)

This matter was deferred to the May 1, 2012 board meeting.

IN RE SAND SPRING CAPITAL III

This matter was deferred to the May 1, 2012 board meeting.

10 YEAR ACTUARIAL FORECAST STUDY

This matter was deferred to the May 1, 2012 board meeting.

2012 LEGISLATIVE SESSION

Mr. Stockstill advised the board that SB33 requires FRS employers to pay employer contributions while members are in DROP. He said that both the LMA and PFFA oppose the bill. He asked for the board to express its position regarding the bill so that position can be conveyed to the legislature.

MOTION: Mr. Birdwell moved to oppose SB33. Mayor Durbin seconded. The motion passed.

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

ADJOURNMENT

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

FUTURE MEETINGS

FRS Board of Trustees
Public Safety Building
3100 Brentwood Drive
Baton Rouge, Louisiana
Tuesday, May 1, 2012 at 8:30 a.m.

SUBMITTED BY:

Penny Gandy, FRS Board Secretary

APPROVED BY:

Mr. Charles Fredieu, FRS Chairman