



FIREFIGHTERS RETIREMENT SYSTEM

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MEETING OF THE BOARD OF TRUSTEES

June 14, 2007

A meeting of the board of trustees was held on June 14, 2007, at the Public Safety Building in Baton Rouge. Mr. Charlie Fredieu, Chairman, called the meeting to order at 8:30 a.m.

Mr. Sammy Halphen gave the invocation and Mr. Paul Smith led the pledge of allegiance.

Miss Rita Smith called the roll.

MEMBERS PRESENT

Charlie Fredieu, Chairman
Mayor Clarence Hawkins
Paul Smith
Stacy Birdwell
Sammy Halphen
Barbara Goodson
John Broussard (designee of Treasurer John Kennedy)

OTHERS PRESENT

Steven Stockstill	Adam Patterson
Kelli Chandler	Mike Gallagher
Jason Starns	Earl Bush
Rita Smith	Craig Miller
Gary Curran	Eldon Ledoux
Joe Meals	

MINUTES

Mr. Stacy Birdwell moved to postpone adoption of the minutes of the board meeting held on May 24, 2007. Mr. Sammy Halphen seconded. The motion passed.

APPLICANTS

- New Members

PROCEDURE: Each enrollment application is reviewed by staff to determine eligible job classification, date of hire, employer certification, and medical waiver information.

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Mr. Jason Starns presented a list of 30 applicants for membership. (see attached Exhibit #1) Mr. Starns stated that an enrollment application was received for each individual and that each application for membership was completed in accordance with all applicable state laws. Mr. Birdwell moved to approve the new applicants. Mr. Halphen seconded. The motion passed.

- New Retirees

PROCEDURE: Notification of retirement is received and 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 preformed by the benefit analyst and verified by the administrator.

Mr. Starns presented a list of 5 new retirees. Mr. Starns stated that each individual had met the criteria necessary to retire as outlined in state law. Mr. Birdwell moved to approve the new retirees. Mr. Halphen seconded. The motion passed.

Todd Ardoin- Lafayette
Thomas Hayden- St. Tammany #1
Robert Richardson- Eunice

Frederick Bird, Sr.- Iberia Parish #1
Deryl Brown- Eunice

- Correction of Administrative Error

PROCEDURE: The FRS executive director may correct administrative errors and make all adjustments relative to such correction. Any such correction must be based on sufficient documentation, which must be submitted to the board of trustees at the next board meeting. (R.S. 11:2260.1)

Mr. Starns stated that a benefit calculation was done incorrectly in 2001 for Mr. James Koster. Mr. Koster's beneficiary's date of birth was entered into the computer database incorrectly, which resulted in an overpayment being made to the Mr. Koster's DROP account.

Mr. Birdwell moved to correct the administrative error that occurred regarding Mr. James Koster's benefits. Mr. Halphen 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 retirement application is reviewed and the designated beneficiary's information is verified to match the documents submitted. [NOTE: Individuals who

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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 member, the beneficiary or survivor is still required to submit all necessary documents; however, payment is made as set forth in the merger agreement (contract) effecting beneficiaries and survivors.] (R.S. 11:2256 and R.S. 11:2259)

Mr. Starns stated that the notarized application for survivor benefits had been received and reviewed by the retirement office and all supporting documentation had been received by the retirement office. The member's records were reviewed by the staff to determine survivor benefit eligibility and to determine that the survivor benefit calculation is completed per applicable state laws and any merger agreements. The board of trustees has been provided with a copy of the application for survivor benefits along with copies of all supporting documentation.

Mr. Birdwell moved to grant survivor benefits to Mrs. Cathy Hartdegen, surviving spouse of Mr. Joseph Hartdegen, Jr. Mr. Halphen seconded. The motion passed.

- Disability Applicant

PROCEDURE: Applications for disability retirement, current job duties and all medical records pertaining to the injury or illness are received at the retirement office. The staff reviews the member's past and present medical history to assure the injury or illness is not preexisting. An appointment is then scheduled with a State Medical Disability Board doctor specializing in the area of the claimed disability. The doctor submits to the retirement office a detailed report in laymen's terms of his findings based on the examination performed and medical records reviewed. A State Medical Disability Board doctor must certify in his report that the applicant is totally incapacitated such that he can no longer perform his normal duties. The board of trustees is supplied with the disability application, job description, State Medical Disability Board doctor's report and all medical records for review prior to the meeting. (R.S. 11:215, 216, 218, and 2258)

Mr. Starns stated that application had been submitted to the board and that he was seeking job-related disability benefits based on lung disease. Mr. Starns stated that was examined by the State Medical Disability Board doctor (Dr. Glenn Gomes), whose report was included in the board's information package.

Mr. Starns referred to a report written by the State Medical Disability Board doctor (Dr. Gomes), which provides as follows: "The patient meets American Medical Association criteria for mild impairment of lung function." Dr. Gomes concluded that is unable to return to any type of employment as a firefighter. Mr. Starns referred to the doctor's report and the medical records and recommended approval of disability benefits.

Mr. Birdwell moved to approve job-related benefits and to exempt from the recertification process. Mr. Smith seconded.

After a lengthy discussion, Mr. Birdwell withdrew his motion and Mr. Smith also withdrew his second.

Mr. Birdwell moved to approve job-related benefits and to get more information from [REDACTED] fire chief. Specifically, the board asked for verification that [REDACTED] was fighting a barge fire while working for the fire department, not a private employer. Mr. Smith seconded. The motion passed

INVESTMENT REPORT

[NOTE: The Investment Committee did not meet in the month June 2007. All investment related items were presented directly to the full board.]

- Monthly Flash Report - May 2007

Mr. Adam Patterson presented the monthly flash report of May 2007. (see attached Exhibit #2) He began by noting that the overall fund was up/down as follows: 1.7% for the month of May as compared to the blended index of 1.8%; 17.5% since June 30th as compared to the blended index of 16.0%; and 18.0% for the trailing 12 months as compared to the blended index of 16.2%.

- Put - Spread Collar

Mr. Joe Meals observed that the large cap equity market increased in value during the month of May 2007. He said the put-spread collar is protecting the FRS portfolio against the downside. He referred to the put-spread collar spreadsheet (see attached Exhibit #3) and said the hedge lost \$5.0 million in May, but the net gain is still \$3.7 million. He stated that the value of the hedge was a negative \$5.0 million. He said the overall portfolio has experienced a gain of \$17.7 million since the hedge was put on in February and the large cap portfolio has gained \$12.7 million during that same period.

- Educational Presentation - U.S. Economy

Mr. Meals gave an overview of the U.S. economy. He presented a series of charts as part of the overview. (see attached Exhibit #4) To begin the presentation, he referenced page #1 of the charts and discussed the annual performance of the S&P 500 Index from January 1997 through May 2007 and on a weekly basis from June 2002 to June 2007. Next he referenced page #2 and discussed the Historical Yield Curve of the fixed income market and the dynamics of change occurring from January through June 2007. He then referred to page #3 and explained the performance of the Lehman Brothers Aggregate Index from June 1-11, 2007. He discussed the quality ratings of the fixed income instruments along with the maturity (duration) periods. He then discussed various industry sectors such as collateral mortgage backed securities, asset backed securities, corporate instruments, utility instruments, and those issued by financial institutions. Lastly, he referenced

page #4 and explained the dynamics affecting the value of U.S. currency, including the fluctuation of value occurring on an monthly and annual basis from 1988 through 2007.

- Regions Morgan Keegan

Mr. Meals stated that Regions Morgan Keegan's investment performance is down 6.4% for the fiscal year to date and also for the trailing twelve month period. Mr. Meals said that these were unusually low numbers. He presented a two-page chart showing Regions Morgan Keegan's performance returns on a monthly basis for the last twelve months (see attached Exhibit #5). He presented a chart on the second page showing a rolling one-year performance analysis of Regions Morgan Keegan versus the Lehman US Aggregate Bond Index from March 2002 through April 2007. In conclusion, he said that the disappointing performance results have caused him to closely scrutinize Regions Morgan Keegan. He said if their sub-performance continues, then he will return to the board with recommendations.

- Portfolio Recommendations

Mr. Meals presented a list of five portfolio recommendations to the board. (see attached Exhibit #6) The list was as follows: (1) Invite Commonwealth to present their investment grade strategy as a potential replacement for PIMCO, (2) Invite KBC to present a Water Resource strategy for a 3% allocation to be funded from the Fisher account, (3) Invite Orleans Capital to present an Energy Strategy for a 3% allocation to be funded also from the Fisher account, (4) Invest the balance of the Fisher account in a "terror-free" EAFE Index fund, and (5) Invite AEW to present their Real Estate Opportunity Fund for a \$15 million commitment to funded from the FRS cash account. Mr. Meals said that, as a follow-through step, he will be inviting the referenced managers to make an appearance before the FRS investment committee and board for due diligence purposes.

That included the investment report with no additional action being needed or taken.

COMMITTEE REPORT - BUDGET AND FINANCE COMMITTEE

[NOTE: The Budget and Finance Committee met on June 13, 2007, at the FRS office in Baton Rouge at 3:00 p.m.]

Mayor Hawkins stated that the budget and finance committee met and received the proposed budget for Fiscal Year 2007-08 (see attached Exhibit #7). He said that after thorough discussions, the committee recommends approval of the proposed FY 07-08 budget, with certain amendments made by the committee. He read the amendments from a list that was distributed to the board.(see attached Exhibit #8). After reading the recommended amendments, Mayor Hawkins then moved to adopt the proposed FY 07-08 budget as amended. Mr. Birdwell seconded. The motion passed.

Ms. Kelli Chandler recalled that the current FRS policy for capital assets is that such items are capitalized if their value equals or exceeds \$2,000. She said the staff recommends reducing the value of a capital asset from \$2,000 to \$1,000. Mr. Birdwell moved the recommendation in the form of a motion. Mr. Halphen seconded. The motion passed.

QUARTERLY FINANCIAL REPORT - 1Q 2007

Ms. Chandler presented the quarterly financial report for the period ending March 31, 2007. Mayor Hawkins moved to adopt the quarterly report. Mr. Halphen seconded. The motion passed.

COLA DISTRIBUTION POLICY/RESOLUTION

Mr. Stockstill introduced the COLA subject matter. He recalled that the System's Recommendations Committee met on May 24, 2007, and discussed the method by which COLAs are distributed. As part of that discussion, the committee recommended a method for paying COLAs to retirees immediately after the statutorily required one-year waiting period, instead of waiting anywhere from 12 to 23 months thereafter. The context of the committee recommendation was reduced to a written policy and Mr. Stockstill now presented the policy for consideration by the board. (see attached Exhibit #9)

Mr. Stockstill explained that present law requires a retiree to wait one-year before he or she is eligible to receive a COLA. However, the method that is currently used to pay COLAs causes a retiree to wait a protracted period before actually receiving the COLA. He explained that the proposed policy would allow for payment of COLAs immediately when they become due. That method is consistent with the letter and spirit of the law. He said, if the policy is adopted, then all future retirees will receive their COLA in that manner. However, he pointed out that there are still several retirees who have been retired for more than one-year, but have not yet begun to receive a COLA. He said those retirees are "in the pipeline". He said the new policy will be used to pay those retirees the COLA that is due them, but first, the board should memorialize its original intent regarding those retirees.

Mr. Stockstill presented a memorializing resolution and explained that it says, when the board authorized the COLAs for calendar years 2006 and 2007, the board intended to encumber all such funds necessary to pay retirees who were in the pipeline. (see attached Exhibit #10) He said, if that truly was the board's intent, and that intent is memorialized by the resolution, then that means the funds were already legally obligated, but the funds were not disbursed correctly. He said, if the board adopts the resolution, then the already encumbered funds will be disbursed to those retirees. He said the disbursement method will be corrected going forward if the board also adopts the proposed policy for distributing COLAs. With that, he said, there will be a one-time correction for the retirees who are in the pipeline (to match the board's original intent) and the new policy will assure that no similar corrections are needed in the future.

Mr. Broussard moved for adoption of the resolution. Mayor Hawkins seconded.

The motion passed.

Mr. Smith asked how the policy would work in connection with PRSAC?

Mrs. Goodson said that is a good point. She said, according to the policy, COLAs are made effective January 1st of the calendar year following approval of the COLA. She said PRSAC may not meet before the first of the year.

Mr. Stockstill said, to correct that, if you move the phrase "following the approval of the COLA" to the beginning on the second sentence so it will read "Following the approval of the COLA, COLAs shall be made effective January 1st of the calendar year."

Mayor Hawkins moved to adopt the policy with that change. Mr. Birdwell seconded.

The motion passed.

That concluded the discussion and action regarding this matter.

LITIGATION UPDATE

- Moity v. FRS

Mr. Stockstill informed the board that the Supreme Court denied the system's writ of certiorari in the matter of Moity v. FRS. He said the system will now have to pay Mr. Moity disability benefits based on the ruling of the appellate court.

After further discussions, this matter was concluded with no action being needed or taken.

LEGISLATIVE UPDATE

Mr. Stockstill gave an update of the posture of all bills pending in the legislature and, as part of other business, notified the board that the Joint Legislative Retirement Committee would be meeting on Monday, June 18th, at 1:00, to take action regarding the St. George and Central merger requests.

ADJOURNMENT

Being no further business to come before the board, Mayor Hawkins moved to adjourn. Mr. Halphen seconded. The meeting was adjourned without opposition.

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FUTURE MEETINGS

**Investment Committee Meeting
at the Public Safety Building in Baton Rouge
on Wednesday, July 11, 2007, at 3:00 p.m.**


**FRS Board Meeting
at the Public Safety Building in Baton Rouge
on Thursday, July 12, 2007, at 8:30 a.m.**

SUBMITTED BY:

APPROVED BY:



Rita Smith, Secretary



Mr. Charles Fredieu, Chairman