



## FIREFIGHTERS RETIREMENT SYSTEM

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### MEETING OF THE BOARD OF TRUSTEES September 23, 2008

A meeting of the board of trustees was held on September 23, 2008, at the New Orleans Marriott, 555 Canal Street, New Orleans, Louisiana. Mr. Charlie Fredieu, Chairman, called the meeting to order at 2:45 p.m.

Mayor Clarence Hawkins gave the invocation and Mr. Stacy Birdwell led the pledge of allegiance.

Mr. Jason Starns called the roll.

#### MEMBERS PRESENT

Charlie Fredieu, Chairman  
Mayor Clarence Hawkins  
Mayor Jimmy Durbin  
Stacy Birdwell  
Sammy Halphen  
Barbara Goodson  
Paul Smith

#### OTHERS PRESENT

Steven Stockstill  
Jason Starns  
Brent Philip  
Gary Curran  
Joe Meals  
Mike Gallagher

Lauren Gail Sullivan  
Laura Bailey  
Tom Krebbs  
Kirk Reasonover  
Harry Stansburry  
Brendan McCarthy

#### VENUE

In consideration of the recent disruption of business activity caused to the FRS office by Hurricanes Gustav and Ike, Mr. Birdwell moved to authorize the venue of the board meeting to be moved to New Orleans for the month of September 2008. Mr. Halphen seconded. The motion passed.

#### MINUTES

Mr. Birdwell moved to adopt the minutes of the board meeting held on August 21, 2008. Mr. 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.

Mr. Jason Starns presented a list of 15 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. Halphen moved to approve the new members. Mr. Birdwell 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 performed by the benefit analyst and verified by the administrator.

Mr. Starns presented a list of 2 new retirees. (see attached Exhibit #2) 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.

[NOTE: Chairman Fredieu announced that there are no applicants for benefits in the following categories- survivor benefits, disability benefits, disability re-certifications, and disability conversions.]

**MONTHLY FLASH REPORT- JULY 2008**

Mr. Joe Meals presented the monthly flash report for August 2008. (see attached Exhibit #3) He began by noting that the overall fund was up/down as follows: -0.6% for the month of August as compared to the blended index of 1.3%; and -2.3% for the fiscal year to date as compared to the blended index of 0.7%; and -4.7% for the trailing 12-months as compared to the blended index of -4.4%.

**INVESTMENT REPORT**

[NOTE: Because of the recent disruption of business activity caused to the FRS office by Hurricanes Gustav and Ike, the Investment Committee did not meet during the month of September, 2008.]

- **Securities Lending Update**

Mr. Meals introduced Mr. Mike Gallagher and Brendan McCarthy for an update regarding the securities lending program managed on behalf of FRS by representatives of JP Morgan Chase bank. Mr. McCarthy explained the exposure to Lehman Brothers securities in the securities lending account (CashCo), which equals about \$202,000 for FRS' proportionate share of the total account. [NOTE: Lehman Brothers entered Chapter 11 bankruptcy reorganization status.] Mr. McCarthy said that JP Morgan has now segregated the Lehman paper into a separate account known as the liquidating account for tracking and payout purposes. Following certain questions by Mr. Meals and Chairman Fredieu, Mr. McCarthy explained the impact of the changes made in the securities lending program, including implementation of a recent SEC order to curtail short selling in certain financial securities.

This matter was concluded with no action being needed or taken.

- **Clinton CES and Magnolia Funds**

I. CES Fund. Mr. Meals recalled that the Clinton CES fund is a collateralized preferred return strategy that is invested in publicly traded global equities from the long and short standpoint, with a 12% guaranteed return. He said that the dislocation in the market has been detrimental to this strategy to the extent that it is going to trigger the mechanism that is built into the portfolio for automatic liquidation. He said the Clinton Group inquired whether FRS would relax the trigger so the portfolio is not forced to liquidate.

Mr. Meals recommended against relaxing the trigger mechanism because the CES Fund securities are not the securities that the market is having a difficult time pricing. He said liquidity is not as bad for these securities compared to the asset-backed and mortgage-backed areas.

After further discussions, the board concluded that the liquidation trigger is already contained in the agreement existing between the Clinton Group and FRS and, as such, it is self-operative, meaning no motion is necessary to trigger the liquidation. However, the board acknowledged the importance of formally recognizing the occurrence of events that make the trigger event operative.

MOTION: Mayor Durbin moved to have the FRS board formally recognize that a liquidation event has occurred with respect to the CES fund, and to furnish the Clinton Group with notice that a liquidation of the fund is now required pursuant to the agreement existing between the Clinton Group and FRS. Mr. Birdwell seconded. The motion passed. [NOTE: This motion was made after the discussion of the Magnolia Fund below, but the minute entry is placed at this location for purposes of context.]

II. Magnolia Fund. The losses that have been encountered in the Magnolia Fund are less than the losses in the CES fund, because the mortgage-backed assets that they have in the portfolio are holding up better than the CES fund. The Magnolia fund has taken losses and it is likely that it will hit the liquidation trigger as well, but the losses have been gradual and Clinton has been making adjustments all along. The mortgage-backed market is not working efficiently right now. The value of a security today if you were going to get a bid on it is worth more than people are willing to bid. There are a lot of forced sellers in the market today and no buyers. The government is now stepping up to buy the securities in order to bring some normalcy to the market. If the board does not suspend the liquidation trigger on this fund, then Clinton will be forced to sell the securities into a market where Clinton will not receive the value of the securities being sold. Mr. Meals then recommended that the liquidation trigger be removed with respect to the Magnolia Fund until such time that FRS gives notice to the Clinton Group.

Mr. Birdwell asked if removing the liquidation trigger could be coupled with a provision allowing FRS to require liquidation at the end of any given day instead of at the end of the month? Mr. Meals responded in the affirmative.

MOTION: Following further discussions involving other board members, Mr. Birdwell moved to propose a written change to the Clinton Magnolia Fund agreement, relative to the appropriate enumerated section, suspending the self-operating liquidation event, with FRS having the unilateral authority to re-institute such liquidation event by the close of any business day of which FRS provides written notice to the Clinton Group. Mr. Smith seconded. The motion passed.

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

III. Alethia Contract. Mr. Stockstill recalled that the board approved the retention of Alethia as a large cap manager, subject to legal review and approval of the contract as proposed by Alethia. Mr. Stockstill presented a list of substantive provisions contained in the contract that would need to be approved by the board before he would be authorized to sign the contract on behalf of the board.

MOTION: Mr. Smith moved to approve the Alethia contract changes as proposed by Mr. Stockstill. Mr. Birdwell seconded. The motion passed.

IV. Tradewinds Contract. Mr. Stockstill recalled that the board approved the retention of Tradewinds as a large cap manager, subject to legal review and approval of the contract as proposed by Tradewinds. Mr. Stockstill presented a list of substantive provisions contained in the contract that would need to be approved by the board before he would be authorized to sign the contract on behalf of the board.

MOTION: Mr. Smith moved to approve the Tradewinds contract changes as proposed by Mr. Stockstill, including fees payable at 65 basis points. Mr. Birdwell seconded. The motion passed.

**LITIGATION UPDATE**

Mr. Stockstill recalled that FRS is involved in a securities lawsuit styled "FRS v. Regions Morgan Keegan, et al., case number 567,874, section 22, 19<sup>th</sup> Judicial District Court", and he recommended that the board enter executive session to discuss litigation strategy related thereto.

MOTION: Mayor Durbin moved that the board enter executive session to discuss litigation strategy related to the referenced lawsuit as posted on the meeting agenda. Mr. Halphen seconded. The motion passed unanimously.

MOTION: Mayor Hawkins moved that the board enter regular session. Mayor Durbin seconded. The motion passed unanimously.

This matter was concluded with no action being needed or taken.

**ADJOURNMENT**

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

**FUTURE MEETINGS**

**FRS Investment Committee Meeting  
at the Public Safety Building  
3100 Brentwood Drive,  
Baton Rouge, Louisiana  
on Wednesday, October 8, 2008, at 3:00 p.m.**

**FRS Board Meeting  
at the Public Safety Building  
3100 Brentwood Drive,  
Baton Rouge, Louisiana  
on Thursday, October 9, 2008, at 8:30 a.m.**

SUBMITTED BY:

APPROVED BY:

  
Steven Stockstill, FRS Board Secretary

  
Mr. Charles Fredieu, FRS Chairman