

MINUTES

The Board of Trustees of the Municipal Police Employees' Retirement System held a Regular Meeting on Wednesday, April 18, 2012, at 7722 Office Park Boulevard, Baton Rouge, Louisiana.

The meeting was called to order by Chairman Henry Dean at 9:01 a.m.

Pledge of Allegiance:

Chairman Henry Dean led the pledge of allegiance.

Members Present:

Cdr. Henry Dean, Chairman
Cpl. Mark Huggins, Vice Chairman
Mayor Barney Arceneaux
Chief Stephen Caraway
Chief Christopher Elg
Chief K.P. Gibson
Capt. Kelly Gibson
Capt. (Ret.) Willie Joe Greene
Mr. Ron Henson, designee for State Treasurer
Mayor Tim Matte
Dr. Steve Procopio, designee for DOA Commissioner
Sgt. (Ret.) Larry Reech

Members Absent:

Chief Dwayne Munch
Senator Elbert Guillory
Representative Kevin Pearson

Others Present:

Ms. Kathy Bourque, Director
Ms. Daphne Rusk, Administrative Assistant
Mr. Randy Roche, General Counsel
Mr. Brett Hazen, Segal Rogerscasey
Mr. Gary Curran, GS Curran & Company, Ltd
Mr. Richard Hartzell, JPMorgan
Ms. LA Tucker, Monroe Police Department
Mr. M.A. Calloway, Monroe Police Department
Mr. Duane Huddleston, Shreveport Police Department
Mr. Bill Grayson, Principal Global Investors
Mr. John Berg, Principal Global Investors
Mr. Todd Hearle, Summit Partners
Mr. James Freeland, Summit Partners
Mr. Thomas Roberts, Summit Partners
Mr. Jeff Yates, CPERS
Mr. Chad King, Baton Rouge Police Department
Mr. Chris Nassif, Alexandria Police Department

Public Comment:

Chairman Dean called for public comment. There was no comment from the public in attendance.

Pending Litigation:

Motion by Mr. Huggins seconded by Mr. Reech to go into executive session at 9:02 a.m. to discuss litigation matters regarding Randy Zinna. Without objection the motion carried.

Back to regular business at 9:13 a.m.

Approval of minutes:

Motion by Mr. Reech seconded by Mr. Caraway to approve the minutes of the meeting held March 21, 2012 as presented. Without objection the motion carried.

Approval of retirement applications:

Motion by Mr. Huggins seconded by Mr. K.P. Gibson to approve the applications for regular retirement. Without objection the motion carried.

<u>NAME</u>	<u>CITY/TOWN</u>	<u>EFF. DATE</u>	<u>YEARS OF SERVICE</u>	<u>PLAN</u>
James Bettevy	Alexandria	03/24/12	30.00	2a
Lloyd Chapman	Westwego	04/01/12	28.65	02
James O'Hern	New Orleans	04/01/12	14.76	Max
Walter Pine, Jr.	DeRidder	03/14/12	23.12	Max

Motion by Mr. Greene seconded by Mr. Reech to approve the applications for DROP. Without objection the motion carried.

<u>NAME</u>	<u>CITY/TOWN</u>	<u>EFF. DATE</u>	<u>YEARS OF SERVICE</u>	<u>PLAN</u>
Mark Griffin	Morgan City	03/01/12	21.00	Max
Stacy Lockett	Baton Rouge	02/13/12	27.07	2a
Theresa Meunier	New Orleans	02/07/12	26.78	Max
Christopher Nassif	Alexandria	02/20/12	27.06	Max
Wondell Smith	New Orleans	02/13/12	25.07	2a

Motion by Mr. Caraway seconded by Mr. K.P. Gibson to approve the applications for DROP to regular retirement. Without objection the motion carried.

<u>NAME</u>	<u>CITY/TOWN</u>	<u>EFF. DATE</u>	<u>YEARS OF SERVICE</u>	<u>PLAN</u>
Dwayne Arceneaux	Lafayette	03/31/12	29.32	Max
Forrest Austin	New Orleans	04/01/12	33.96	2a
John Duzac	New Orleans	03/31/12	26.10	Max
John Gill	Bossier City	03/31/12	29.68	Max
Jerome Laviolette	New Orleans	03/30/12	25.37	2a
Gregory McGaa	Lake Charles	04/28/12	20.00	2a
Richard Pilinski	Bossier City	04/20/12	29.01	02
Phillip Stansell	Monroe	04/15/12	25.87	02
Justin Vitrano	New Orleans	03/13/12	26.52	02

Disability Retirement:

Ms. Terrie Slade (Bogalusa) attended the board meeting to provide information relative to her application for disability retirement. Chairman Dean advised Ms. Slade that she had the option of having her application discussed in open session or executive session. Ms. Slade opted for executive session.

Motion by Mr. Kelly Gibson seconded by Mr. K.P. Gibson to go into executive session at 11:04 a.m. to discuss Ms. Terrie Slade's disability application. Without objection the motion carried.

Back to regular session at 11:15 a.m.

Motion by Mr. Reech seconded by Mr. Arceneaux to approve Ms. Terrie Slade's (Bogalusa) duty related disability application as submitted. Without objection the motion carried.

Custodian Report by JPMorgan:

Mr. Richard Hartzell represented JPMorgan at the meeting. Total market value as of March 31, 2012 was \$1,411,412,011.84.

Investment Consultant's Report:

Mr. Hazen presented the analysis of performance ending March 31, 2012. Market value as of March 31, 2012 was \$1,410,009,051. Performance for the month of March 2012 was 0.65%.

Mr. Hazen recommended the termination of Batterymarch to fund the Standard Life GTAA portfolio that will have emerging markets exposure as well.

Motion by Mr. Reech seconded by Mr. Caraway to terminate Batterymarch as recommended by Segal Rogerscasey. Without objection the motion carried.

Mr. Hazen stated that Standard Life will receive approximately 5% of the total portfolio and recommended the funds come from Batterymarch (1.81%), State Street Bond Index (2.5%) and William Blair (.69%).

Motion by Mr. Reech seconded by Mr. Greene to allocate approximately \$8 million to Energy Opportunities which will bring the total allocation to the 3% of the total portfolio. Without objection the motion carried.

Mr. Hazen advised that Global Transition Solutions (GTS) will provide the transition services for funding Standard Life and shifting additional funds to Energy Opportunities.

Investment Managers Presentation:

Principal Global Investors:

Mr. Bill Grayson and Mr. John Berg represented Principal Global Investors to present their annual report. The portfolio value as of March 31, 2012 was \$87,036,776.

Summit Partners:

Mr. James Freeland, Mr. Todd Hearle and Mr. Thomas Roberts representing Summit Partners presented an overview of Summit Credit Investing which has been actively investing in credit since 1994. Summit has invested nearly \$1.3 billion across more than 70 credit investments and has generated nearly \$2.1 billion in cumulative value as of September 2011.

Mr. Caraway left the meeting at 10:45 a.m.

Mr. Hazen recommended investing in Summit Partners Credit which is a private equity investment that is concentrated on middle market lending. Initial discussion was focused on a 1-2% allocation; given the 3 year investment period, a slightly larger allocation would be appropriate if the Board so desired.

Motion by Mr. Huggins seconded by Mr. Reech to allocate 2.5% or \$40 million to Summit Partners Credit Funding. Without objection the motion carried.

2012 Legislation:

Mr. Duane Huddleston, Assistant Chief of Police Shreveport Police Department addressed the board regarding current legislation and thanked the board for the support

on HB 14 and withdrawing HB 28. Mr. Huddleston expressed his views about HB 1174 regarding nonhazardous and hazardous employees hired after January 2013 and stated that while no one wants a change, he understands that change is the only way to keep the system solid in order to pay future benefits.

Mr. Roche addressed the following proposed legislation:

HB 5 Rep Pearson Would authorize legislative staff to attend executive sessions of each state and statewide retirement system. (Passed House referred to Senate Committee)

HB 14 Rep Talbot Reemployed retirees after July 1, 2012 benefits will cease and they will not pay contributions to system and will not earn additional benefits. It is the employer's responsibility to notify MPERS of reemployment of member. (Effective 7/1/12) (No action)

HB 27 Rep Arnold Provides that an application for benefits shall not be effective prior to receipt of the application by the system office and provides that benefits are not payable prior to termination of employment. (Effective 7/1/12) (Passed House referred to Senate Committee)

HB 28 Rep Pearson Provides for definition of employee. (Withdrawn from files of the House)

HB 29 Rep Pearson Provides that for a disability retiree in MPERS, for any month that the retiree is also receiving workers' compensation benefits; the total of those two benefits combined cannot exceed the retiree's average final compensation. Further provides that the benefit paid in such circumstances shall be calculated such that MPERS and LWC each pay in proportion to the amount they respectively owed prior to the reduction. (Effective 7/1/12) (Passed House referred to Senate Committee)

HB 38 Rep Jones Would require each retirement system to notify another system if a retiree with a reciprocal returns to work. (Scheduled to be heard 4/19/12)

HB 1050 Rep Ritchie Provides for tax qualification status of MPERS (Scheduled to be heard 4/19/12)

HB 1174 Rep Danahay Establishes "Hazardous Duty" and "Non Hazardous Duty" sub plans in MPERS and FRS. (No action)

This bill is in response to the study conducted by the Funding Review Panel. I expressed concerns at the final meeting, but was not prepared to respond to questions as there was no language to address. This is a summary of the bill as it affects MPERS and my concerns for your review and comment.

Contributions (page 3)

Members hired prior to 1/1/2013 and members of the HDS sliding scale of 7.5% up to 10% based on employer contribution rate. 7.5% if equal or below poverty level.

Members in the NHDS pay a flat 8%. *This appears to mean that the non-hazardous duty members could be required to pay ½ percent more than the hazardous duty personnel who have a higher benefit.*

FAC (pages 4 and 5)

Members hired on or before 12/31/2012 FAC is 36 months, with salary increase limitation in each year of 15%.

Members hired on or after 1/1/2013 FAC is 60 months with salary increase limitation in each year of 15%.

Creates Hazardous Duty Subplan (pages 5 through 7)

Members first employed after 1/1/2013 in a hazardous duty position. Hazardous duty position is one eligible to receive state supplemental pay.

If a person has participated in another plan's DROP or IBO they are not eligible to be a member of the HDS.

Retirement eligibility: 25 years at any age

20 years at age 55 or thereafter
12 years hard time at any age actuarially reduced, not allowed to
participate in DROP or IBO

Accrual rate 3 1/3% for years in the HDS and applicable rate for prior service.

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§2241.5 Retirement benefit calculation

C. Average final compensation as defined in R.S. 11:2213 shall be based on all creditable service in the system.

This language is confusing as it could refer to the number of months used in the FAC or the average salary amount over the entire career of the member.

DROP remains at 3 years subject to new retirement eligibility.

This Section refers to eligible for regular retirement eligibility in the HDS, and then refers to participation in the DROP in accordance with provisions of R.S. 11:2221. This statute allows eligibility with 12 years of service at age 55 and 20 years of service at age 50 which conflicts with the HDS provisions.

Disability is identical to current plan.

Creates Non-Hazardous Duty Subplan (pages 7 through 9)

Members hired on or after 1/1/2013 that are by virtue of their position not eligible for state supplemental pay.

Retirement eligibility: 30 years of service at any age
25 years of service at age 55
20 years of service at any age actuarially reduced, not allowed to
participate in DROP or IBO
10 years of service at age 60

Accrual rate is 3% for years in the NHDS, and applicable rate for service in other plan.

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§2242.5 Retirement benefit calculation

C. Average final compensation as defined in R.S. 11:2213 shall be based on all creditable service in the system.

This language is confusing as it could refer to the number of months used in the FAC or the average salary amount over the entire career of the member.

DROP remains at 3 years subject to new retirement eligibility.

This Section refers to eligible for regular retirement eligibility in the NHDS, and then refers to participation in the DROP in accordance with provisions of R.S. 11:2221. This statute allows eligibility with 12 years of service at age 55 and 20 years of service at age 50 which conflicts with the HDS provisions.

Disability is identical to current plan.

This paragraph gives the NHDS the same disability benefit as the HDS. In the HDS the benefit is calculated at 3% which is a reduction in the regular 3 1/3% benefit with a minimum of 40%. In the NHDS the regular benefit is 3% there is no reduction in the disability benefit which is also calculated at 3%, with the minimum benefit being 40%. This would appear to be inequitable.

SB 2 Sen Guillory Provides for attendance of legislative staff at certain executive sessions of public retirement boards. (Passed Senate referred to House Committee)

SB 16 Sen Cortez Increases trustee education, actuarial from 2 to 4 hours, system laws, rules and regulations from 1 to 2 hours, fiduciary duty and ethics from 1 to 2 hours. Also provides that no new board member shall be permitted to vote on any matter until he has completed the fiduciary and ethics requirement and one hour of education in each of the required areas. (Effective 8/31/12) (Passed Senate referred to House Committee)

SB 33 Sen Guillory Would require employers to continue contributing to state and statewide public retirement systems for the duration of DROP participation. (Scheduled to be heard 4/16/2012)

SB 34 Sen Cortez Provides relative to membership, contributions, eligibility for and calculation of benefits for employees of certain municipalities. (Technical changes)

Motion by Mr. K.P. Gibson seconded by Mr. Elg to instruct Mr. Roche to notify both committees in written form and in person of the errors in HB 1174. Without objection the motion carried.

Motion by Mr. Procopio seconded by Mr. Greene to notify the author of HB 1174 Representative Danahay in written form and in person of the errors in HB 1174. Without objection the motion carried.

Mr. Chris Nassif with the Alexandria Police Department addressed the board regarding HB 1174 stating that changing the average final compensation to 60 months will reduce the benefits without changing the accrual rates and changing both accrual rate and average final compensation would reduce the benefits even further.

Discussion was held regarding the pros and cons of SB 33.

Motion by Mr. Huggins seconded by Mr. Elg to oppose SB 33 as submitted and attempt to have MPERS excluded from the bill. Without objection the motion carried.

Election Schedule for Chief District I:

Motion by Mr. Kelly Gibson seconded by Mr. Huggins to adopt the election schedule for Chief District I. Without objection the motion carried.

Election Schedule for Chief District II:

Motion by Mr. Kelly Gibson seconded by Mr. Reech to adopt the election schedule for Chief District II. Without objection the motion carried.

Election Schedule for Retiree District I:

Motion by Mr. Kelly Gibson seconded by Mr. Reech to adopt the election schedule for Retiree District I. Without objection the motion carried.

Election Schedule for Retiree District II:

Motion by Mr. Kelly Gibson seconded by Mr. Greene to adopt the election schedule for Retiree District II. Without objection the motion carried.

<u>April 27, 2012</u>	Election Schedule, Rules and Petitions mailed to eligible voting members
<u>May 11, 2012</u>	Petitions due in the post office box of Hawthorn, Waymouth & Carroll by 4:30 p.m.
<u>May 16, 2012</u>	Nominations accepted by Board of Trustees
<u>May 25, 2012</u>	Ballots mailed to eligible voting members
<u>June 15, 2012</u>	Ballots due in the post office of Hawthorn, Waymouth & Carroll by 4:30 p.m.
<u>June 19, 2012</u>	Ballots counted and verified beginning at 10:00 a.m. at the office of Hawthorn, Waymouth & Carroll, 8555 United Plaza Blvd., Baton Rouge, LA 70809
<u>June 20, 2012</u>	Board accepts certified ballot count and publishes results
<u>July 1, 2012</u>	Elected trustee takes office

Other Business:

Early Distribution Penalty:

Mr. Jeff Yates Retirement Administrator of CPERS addressed the board regarding the early distribution penalty on DROP distributions. He advised that he is representing CPERS because of the effect this issue has when counseling members. Mr. Yates stated that CPERS counseled Sgt. Montgomery upon his entering CPERS DROP and was not aware of the mandatory DROP distribution for members who retire under the age of 50 from MPERS.

Mr. Yates advised that CPERS practice is an employee who separates from service during the year he/she attains age 50, the employee is then exempt from the mandatory DROP disbursement. Mr. Yates requested a change or exception to MPERS' DROP distribution rules which would exempt retirees from Baton Rouge from mandatory DROP distribution if they retire during the year they attain age 50.

Mr. Roche stated that MPERS received a letter from tax attorney, John Weiler which states "The word "attained" is not defined in the MPERS legislative provisions. However, as stated above, it is my understanding that the Board of Trustees has defined age as having attained the age. This has been the interpretation that has consistently been used by the Board of Trustees. A retirement plan, such as MPERS, is free to adopt its own substantive distribution rules. Thus, the Plan is not required to adopt as a substantive distribution rule the more liberal definition of "attained" age which the Internal Revenue Service uses for the imposition of early distribution penalty taxes, that being, the attainment of the age within the same calendar year."

Mr. Roche stated he was uncertain of the effect of changing MPERS rule on previous, current or future DROP participants, or what the effective date should be, but that an opinion could be obtained from Mr. Weiler, which he recommended.

Motion by Mr. Kelly Gibson seconded by Mr. K.P. Gibson to have Mr. Roche seek an opinion from Mr. Weiler. Without objection the motion carried.

Real Estate Update:

Mr. Roche advised that he received a response from Hilda Allen Real Estate Company which is a firm specializing in auctioning golf courses, which is interested in auctioning both courses.

Motion by Mr. Matte seconded by Mr. Elg to invite Hilda Allen Real Estate Company to the May meeting to make a presentation. Without objection the motion carried.

Motion by Mr. Reech seconded by Mr. Elg to adjourn the meeting at 12:40 p.m. Without objection the motion carried.

To the best of my knowledge, the foregoing minutes accurately represent the actions taken at the meeting held April 18, 2012.

Henry Dean, Chairman

Kathy Bourque, Director