

## MINUTES

The Board of Trustees of the Municipal Police Employees' Retirement System held a Regular Meeting on Wednesday, December 15, 2010, at 7722 Office Park Boulevard, Baton Rouge, Louisiana.

The meeting was called to order by Chairman Kelly Gibson at 9:00 a.m.

### Pledge of Allegiance:

Chairman Kelly Gibson led the pledge of allegiance.

### Members Present:

Lt. Kelly Gibson, Chairman (Lafayette)  
Sgt. (Ret.) Larry Reech, Vice Chairman (New Orleans)  
Capt. Henry Dean (New Orleans)  
Chief Christopher Elg (West Monroe)  
Chief K.P. Gibson (Crowley)  
Capt. (Ret.) Willie Joe Greene (Shreveport)  
Cpl. Mark Huggins (Monroe)  
Chief Dwayne Munch (Westwego)

### Members Absent:

Chief Stephen Caraway (Kenner)  
Representative Kevin Pearson, Ex-officio  
Senator D.A. "Butch" Gautreaux, Ex-officio

### Others Present:

Ms. Kathy Bourque, Director  
Ms. Daphne Rusk, Administrative Assistant  
Mr. Randy Roche, General Counsel  
Mr. Charles Hall, Actuary  
Mr. Eddie Guerra, Mercer  
Ms. Lauren Bailey, Attorney, Senate Retirement Committee  
Mr. Matt Tessier, Attorney, House Retirement Committee  
Mr. Ben Chavarria, Olde Oaks & Stonebridge Golf Clubs  
Mr. James Percy, Attorney, Jones Walker  
Mr. Mike Gallagher, JPMorgan  
Mr. Charles Roark, Monroe Police Department  
Mr. Hugh Costello, Post Advisory  
Mr. Andrew Berg, Post Advisory  
Ms. Michelle Cunningham, DHHM  
Mr. Bill Stamm, DHHM

### Approval of minutes:

Motion by Mr. Reech seconded by Mr. Dean to approve the minutes of the meeting held November 17, 2010 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>
Edna Hurling	Lafayette	11/03/10	11.04*	Max

\*Reciprocal – 6.34 years of service with MERS

Motion by Mr. Huggins seconded by Mr. K.P. Gibson 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>
Bruce Adams	New Orleans	10/10/10	34.76	2a
Peter Amiot	Lake Charles	10/04/10	25.00	2a
Blaine Austin	New Orleans	10/17/10	25.22	Max
Rodney Bailey	New Orleans	10/15/10	31.43	2a
Steven Becker	Bossier City	11/03/10	27.81	Max
Herbert Bovia	New Orleans	10/25/10	30.99	Max
Kenneth Corkern	Hammond	10/09/10	32.28	2a
Donald Greene	Baton Rouge	10/11/10	28.75	3a
Richard Hunter, Jr.	New Orleans	11/01/10	30.39	Max
Sherman Joseph, Jr.	New Orleans	10/19/10	25.68	2a
Perry Montgomery	Bossier City	10/16/10	29.00	2a
Ronald Sample	DeQuincy	11/01/10	16.79	2a
Lynn Sharp	Covington	10/27/10	25.74	Max

Motion by Mr. Huggins 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>
Glen Berry	Sulphur	01/01/11	26.22	02
Ronnie Coleman	Springhill	01/01/11	21.74	2a
Craig Melancon	Thibodaux	12/13/10	20.15	02
Robert O'Brien	New Orleans	12/14/10	30.68	Max
James Rimes	Kentwood	01/01/11	30.10	2a
Janice Yarborough	Kentwood	01/01/11	12.01	Max
Joseph Young	Oberlin	01/01/11	17.05	2a

Litigation Update:

Motion by Mr. Reech seconded by Mr. Dean to go into executive session at 9:04 a.m. to discuss litigation matters including Boot Ranch, threatened litigation for recovery of Advolurum Taxes for Stonebridge Golf Club and Olde Oaks Golf Club, threatened litigation by MPERS regarding sewer treatment plant at Olde Oaks Development. Without objection the motion carried.

Back to regular business at 10:31 a.m.

Olde Oaks and Stonebridge Golf:

Mr. Ben Chavarria presented profit and loss statements for Stonebridge and Olde Oaks Golf Club for the month ending November, 2010.

Mr. Chavarria advised that Mr. Jim Hutchinson of the Louisiana Office of Tourism and serves on the Audubon Golf Trail Advisory Board visited Olde Oaks. Mr. Hutchinson inquired about whether or not Olde Oaks had any plans for repairing the bunkers and replacing many of the cart paths. Since Olde Oaks is a course of the Audubon Golf Trail, Mr. Chavarria requested that all improvements required by the AGT be put in writing.

Mr. Chavarria advised that during the winter months, Olde Oaks Golf might begin closing one day a week due to slow play.

Custodian Report by JPMorgan:

Mr. Mike Gallagher represented JPMorgan at the meeting. Total market value as of November 30, 2010 was \$1,293,259,483.46.

Investment Managers Presentation:

Mr. Hugh Costello and Mr. Andrew Berg represented Post Advisory Group to present the annual report. The market value was \$62,951,956.71 as of November 30, 2010.

Investment Consultant's Report:

Mr. Eddie Guerra represented Mercer Investment Consulting at the meeting.

Market Update:

In the month of November, equity results were mixed but generally positive in the United States. Small cap equity outperformed large and mid-cap equity. For the month and recent three months, growth outperformed value across all asset classes. International equity continued to trail domestic in November and emerging markets posted mixed relative results versus the MSCI EAFE and MSCI ACWI indices; emerging markets outpaced both indices for the recent three months ended November 30, 2010. High yield lost 1.08% for the month but posted a 4.29% return for the recent three months. The Barclays Aggregate returned -0.57% for the month and 6.04% for the rolling one-year period. The NAREIT Equity Index posted a loss of 1.96% for the month, and returned 30.99% for the one-year period.

Mr. Guerra reported that the plan totaled \$1.27 billion as of November 30, 2010.

Presentation of Annual Actuarial Valuation:

Mr. Charles Hall of Hall Actuarial Associates presented the results of the actuarial valuation of assets and liabilities, as well as funding requirements for the Municipal Police Employees' Retirement System as of June 30, 2010. A brief summary of the more important figures developed in this valuation, with comparable results from the previous valuation are as follows:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
I. Membership Census		
1) Retirees	4,028	3,984
2) Actives	6,197	6,071
3) DROP	194	185
4) Vested Deferred	112	112
II. Annual Benefits	\$ 93,382,980	\$ 90,285,300
III. Total Payroll	\$ 280,977,278	\$ 270,236,561
IV. Valuation Assets	\$ 1,247,546,395	\$ 1,297,128,398
V. Investment Yield		
Market Value	12.37%	<u>-24.24%</u>
5 year avg.	-0.09%	0.64%
10 year avg.	1.56%	0.74%
Actuarial Value	<u>-0.75%</u>	<u>-16.71%</u>
5 year avg.	2.49%	4.51%
10 year avg.	1.95%	2.71%
DROP Accounts	<u>-1.25%</u>	<u>-17.23%</u>
VI. Cost to Fund Annual		

	Pension Accruals (Normal Costs)	\$47,706,782 16.98%	\$45,725,218 16.92%
VII.	Unfunded Actuarial Accrued Liability	836,262,926	691,265,960
VIII.	Funded Percentage	59.9%	65.2%
IX.	Funding Requirements to Pay (Mid-year Payments)		
	1) Employee Rate	7.50%	7.50%
	2) Employer Rate (Current Year)	28.25%	24.00%
	Premium Tax Allocation	15,430,686(est)	15,112,480
	3) Projected Employer Rate (Next Year)	28.00%	25.00%

*Consideration of cost-of-living adjustments (COLA):*

The Development of the Target Ratio makes specific provisions for the determination of whether or not a retirement system is systematically approaching the targeted funding ratio. This is an important consideration for both retired members and the Board of Trustees. The Board is specifically prohibited from granting a cost-of-living raise to retirees and survivors by Act 256 of the 1986 regular session unless the system has met the Funding Target or unless the Legislature authorizes a COLA.

For the plan year ending June 30, 2010 the funding target is .95647, which is greater than the current .59869 funding ratio. Therefore, the Board is not permitted to consider granting a cost-of-living increase by statute.

*Consideration of DROP interest:*

The interest yield on the investments of the system for the period from July 1, 2009 to June 30, 2010 was -0.75%. Therefore, the Board is allowed to post interest to eligible DROP/IBO accounts at the rate of -1.25%.

*Employer contribution rate:*

Mr. Hall reported that his recommendation to the Actuarial Forecast Committee will be to increase the employer contribution rate to an estimated 28.00% beginning July 1, 2011. The actuarial committee will either ratify that rate or the committee can change the rate with justification.

Motion by Mr. Huggins seconded by Mr. Greene to approve the actuarial valuation as of June 30, 2010 as submitted by Hall Actuarial Associates.

Funding Review Panel Update:

Mr. Dean advised that the Funding Review Panel requested that MPERS provide actuarial calculations to illustrate the change in funding requirement associated with various changes to the system. Final recommendations for increasing the actuarial soundness of the system and for providing an affordable benefit for members of the system is due to the House and Senate committees on or before March 15, 2011.

Presentation of the annual audit report:

Ms. Michelle Cunningham and Mr. Bill Stamm represented Duplantier, Hrapmann, Hogan and Maher CPA's to present the annual report for Municipal Police Employees' Retirement System and Subsidiaries for the fiscal year ended June 30, 2010.

The following financial highlights were presented as part of Management's Discussion and Analysis:

- The Municipal Police Employees' Retirement System's assets exceeded its liabilities at the close of fiscal year 2010 by \$1,175,083,706 which represents an increase from last fiscal year. The net assets held in trust for pension benefits increased by \$90,914,397 or 8.39%. The increase was due primarily to appreciation in the various investment portfolios.
- Contributions to the plan by members and employers totaled \$51,975,157, an increase of \$6,546,817 or 14.41% over the prior year.
- Funds apportioned by the Public Employees' Retirement Systems' Actuarial Committee from available insurance premiums tax totaled \$15,112,480, an increase of \$40,512 or 0.27% over the prior year.
- The System experienced a net investment income in the amount of \$131,019,272 during the year ended June 30, 2010. This is a 137.18% increase from net investment loss of \$352,370,843 during the year ended June 30, 2009. The increase was due primarily to higher equity market returns available in the market place due to the current economic recovery.
- The rate of return on the System's investments was positive 12.37% based on the market value. This is higher than last year's negative 24.24% rate of return due, primarily, to the higher equity market value returns available in the market place.
- Pension benefits paid to retirees and beneficiaries increased by \$6,169,578 or 6.42%. This increase is due to an increase in retirees.
- Administrative expenses totaled \$1,121,651 a decrease of \$102,217 or 8.35%. The cost of administering the System per member during 2010 was \$95.63 per individual compared to \$105.97 per individual in 2009.

Motion by Mr. Dean seconded by Mr. Greene to accept the annual report as submitted by Duplantier, Hrapmann, Hogan and Maher. Without objection the motion carried.

Election of Chairman and Vice Chairman for 2011:

Mr. Larry Reech nominates Mr. Kelly Gibson as Chairman for 2011. There were no further nominations.

Motion by Mr. Huggins seconded by Mr. Munch to accept Mr. Kelly Gibson as Chairman for 2011. Without objection the motion carried.

Mr. Huggins nominates Mr. Henry Dean as Vice Chairman for 2011.

Mr. Dean declined.

Mr. Munch nominates Mr. Larry Reech as Vice Chairman for 2011.

Motion by Mr. Munch seconded by Mr. Huggins to accept Mr. Larry Reech as Vice Chairman for 2011. Without objection the motion carried.

Other Business:

Motion by Mr. Dean seconded by Mr. Reech to approve Duplantier, Hrapmann, Hogan and Maher's engagement letter to perform quarterly review of investments for fiscal year July 1, 2010 thru June 30, 2011 as presented. Without objections the motion carried.

Motion by Mr. Dean seconded by Mr. Greene to adjourn the meeting at 12:47 a.m. Without objection the motion carried.

To the best of my knowledge, the foregoing minutes accurately represent the actions taken at the meeting held December 15, 2010.

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Kelly Gibson, Chairman

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Kathy Bourque, Director