MINUTES

The Board of Trustees of the Municipal Police Employees' Retirement System held a Regular Meeting on Wednesday, January 11, 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
Capt. Kelly Gibson
Capt. (Ret.) Willie Joe Greene
Mayor Tim Matte
Ms. Amy Matthews, designee for State Treasurer
Dr. Steve Procopio, designee for DOA Commissioner
Sgt. (Ret.) Larry Reech

Members Absent:
Chief K.P. Gibson
Chief Dwayne Munch
Senator D.A. "Butch" Gautreaux
Representative Kevin Pearson

Others Present:
Ms. Kathy Bourque, Director
Ms. Daphne Rusk, Administrative Assistant
Mr. Randy Roche, General Counsel
Mr. Brett Hazen, Segal Advisors
Mr. Gary Curran, GS Curran & Company, Ltd
Mr. Greg Curran, GS Curran & Company, Ltd
Ms. Stephanie Little, Attorney House Retirement
Ms. Lauren Bailey, Attorney Senate Retirement
Ms. LA Tucker, Monroe Police Department
Mr. Michael Callaway, Monroe Police Department
Mr. Joel Smith, Lake Charles Police Department
Ms. Michelle Cunningham, DHHM
Mr. Bill Stamm, DHHM
Mr. Wayne Terry, NOPD
Mr. Roddy Devall, Hammond PD
Mr. John Phillips, Jr., Alliance Bernstein
Mr. Joe Lawrence, Alliance Bernstein

Public Comment:

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

Approval of minutes:

Motion by Mr. Kelly Gibson seconded by Mr. Huggins to approve the minutes of the meeting held December 14, 2011 as presented. Without objection the motion carried.

Approval of retirement applications:

Motion by Mr. Greene seconded by Mr. Caraway to approve the application for regular retirement. Without objection the motion carried.

NAME	CITY/TOWN	EFF. DATE	YEARS OF SERVICE	PLAN
David Auger	Monroe	01/05/12	27.20	3a

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

NAME	CITY/TOWN	EFF. DATE	YEARS OF SERVICE	PLAN
Morman Alexander	Jeanerette	08/27/11	17.94	2a
Michael Glasser	New Orleans	11/22/11	34.53	02
Rannie Mushatt, II	New Orleans	11/02/11	28.08	3a
Michelle Stokes	New Orleans	11/09/11	22.33	2a

Motion by Mr. Elg seconded by Mr. Arceneaux to approve the applications for DROP to regular retirement. Without objection the motion carried.

NAME	CITY/TOWN	EFF. DATE	YEARS OF SERVICE	PLAN
Linton Fontenot	Ville Platte	12/16/11	20.54	03
Charles Johnikin	Monroe	01/01/12	14.49	Max
Daniel Pringle	Monroe	01/30/12	23.54	Max
Clarence Taplin	New Orleans	12/16/11	27.38	Max
Kenneth Viola	Bossier City	02/01/12	30.00	Max

Disability Retirement:

Mr. Wayne Terry (New Orleans) attended the board meeting to provide information relative to his application for disability retirement. Chairman Dean advised Mr. Terry that he had the option of having his application discussed in open session or executive session. Mr. Terry opted for executive session.

Motion by Mr. Elg seconded by Mr. Reech to go into executive session at 9:04 a.m. to discuss Mr. Wayne Terry's disability application. Without objection the motion carried.

Back to regular session at 9:16 a.m.

Motion by Mr. Huggins seconded by Mr. Greene to approve Mr. Wayne Terry's (New Orleans) duty related disability application as submitted. Without objection the motion carried.

Investment Manager's Presentation:

Mr. Joe Lawrence and Mr. John Phillips, Jr. represented Alliance Bernstein to present the annual report for the Index Portfolio and the International Value Portfolio. The market value for the S&P 500 Index Portfolio was $137,003,978 as of December 31, 2011. The market value for the International Value Portfolio was $85,797,234 as of December 31, 2011.

Mr. Lawrence presented a proposed amendment to the current investment management agreement dated September 1, 1995. The proposed amendment is to implement a new performance-based fee schedule for the International Value Account and a reduction to the asset-based fee for the S&P 500 Index Account.

Motion by Mr. Reech seconded by Mr. Huggins to table Alliance's proposal to amend the current investment management agreement. Without objection the motion carried.

Index Portfolio performance summary as of December 31, 2011:

	2011	Five Years	Since Inception*
MPERS	2.2%	-0.1%	6.9%
S&P 500 Index	2.1%	-0.2%	6.9%

*Inception 9/5/95

International Portfolio performance summary as of December 31, 2011:

	2011	2010	Since Inception*
MPERS	-17.8%	5.0%	-13.9%
MSCI EAFE Index	-12.1%	7.8%	-8.2%

*Inception 9/28/07

Investment Consultant's Report:

Mr. Brett Hazen represented Segal Advisors at the meeting and advised that since the meeting was moved up a week, he did not have a flash report.

GTAA Search:

Mr. Hazen advised that interviews are scheduled for the March 21, 2012 meeting. Putnam Investments, LLC, Standard Life Investments and Wellington Management Company, LLP are the three finalists that will be interviewed to cover a broad range of asset classes in their GTAA approach.

Motion by Mr. Kelly Gibson seconded by Mr. Huggins to interview the three GTAA finalists, Putnam Investment, LLC, Standard Life Investments and Wellington Management Company, LLP the morning of March 21, 2012 and begin the regular scheduled meeting immediately after the interviews. Without objection the motion carried.

Redemption of Maverick Hedge Fund:

Mr. Hazen advised that the lock up period has expired for the redemption of funds currently held by Maverick Fund, Ltd. and recommends liquidating the investment.

Motion by Mr. Greene seconded by Mr. Reech to liquidate Maverick Fund, Ltd. Hedge Fund. Without objection the motion carried.

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, 2011.

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 2011 by $1,440,795,586 which represents an increase from last fiscal year. The net assets held in trust for pension benefits increased by $265,711,880 or 22.61%. The increase was due primarily to appreciation in the various investment portfolios.

- Contributions to the plan by members and employers totaled $90,615,648, an increase of $38,640,491 or 74.34% over the prior year.

- Funds apportioned by the Public Employees' Retirement Systems' Actuarial Committee from available insurance premiums tax totaled $15,430,686, an increase of $318,206 or 2.11% over the prior year.

- The System experienced a net investment income in the amount of $274,858,285 during the year ended June 30, 2011. This is a 109.78% increase from net investment loss of $131,019,272 during the year ended June 30, 2010. 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 23.50% based on the market value. This is higher than last year's positive 12.37% rate of return.

- Pension benefits paid to retirees and beneficiaries increased by $8,108,845 or 7.93%. This increase is due to an increase in retirees.

- Administrative expenses totaled $1,077,990 a decrease of $43,661 or 3.89%. The cost of administering the System per member during 2011 was $92.07 per individual compared to $95.63 per individual in 2010.

Ms. Cunningham advised that certain deficiencies were identified during the audit in internal controls over financial reporting and recommends that management review their system to determine if it would become cost effective to develop and implement internal controls over the preparation of their annual financial statements. Ms. Cunningham advised that this deficiency has been noted in the last few audits and the system has determined that it is the most cost effective and prudent use of the system funds to engage the auditor to propose certain year-end adjusting entries and to prepare the System's annual financial reports. As such, the system feels that no action is necessary at this time.

Motion by Dr. Procopio seconded by Mr. Caraway to form an audit committee to study the deficiency issues and come up with the most cost effective procedure to alleviate the deficiencies. Without objection the motion carried.

Chairman Dean appointed Mr. Huggins to chair and select the members of the audit committee. Chairman Dean requested that Mr. Huggins and his committee stay in constant contact with Mr. Roche, Ms. Bourque and Ms. Cunningham.

Ms. Cunningham provided the findings from the agreed upon procedures engagement which was requested by the Legislative Auditor. The procedures performed were financial management, credit cards, travel and expense reimbursement, contracts and payroll and personnel. The findings were that the system does not have any policies and procedures in written form and recommend that the system develop written policies and procedures immediately.

Motion by Ms. Matthews seconded by Mr. Reech to prepare a positive response to the findings from the agreed upon procedures and to compile all policies and procedures in written form within the next three months. Without objection the motion carried.

Mr. Roche advised that he could not guarantee that the policies and procedures be done in three months but he would try to have it as soon as possible.

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

Presentation of Annual Actuarial Valuation:

Motion by Mr. Elg seconded by Mr. Caraway to go into executive session at 10:36 a.m. to discuss potential litigation regarding the actuarial report. Without objection the motion carried.

Back to regular session at 11:02 a.m.

Mr. Gary Curran and Mr. Greg Curran of G.S. Curran & Company, Ltd 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, 2011. A brief summary of the more important figures developed in this valuation, with comparable results from the previous valuation are as follows:

		June 30, 2011	June 30, 2010
Membership Census			
1) Retirees		4,165	4,028
2) Actives		5,933	6,197
3) DROP		231	194
4) Vested Deferred		128	112
Annual Benefits		$99,863,547	$ 93,382,980
Total Payroll		$273,348,634	$ 280,977,278
Valuation Assets		$1,286,287,651	$ 1,247,546,395
Investment Yield			
Market Value		23.5%	12.37%
Actuarial Value		3.9%	-0.75%
DROP Accounts		3.4%	-1.25%
Cost to Fund Annual Pension Accruals (Normal Costs)		$45,607,236	$47,706,782
Unfunded Actuarial Accrued Liability		$929,386,692	$836,262,926
Funded Percentage		58.05%	59.9%
Funding Requirements to Pay (Mid-year Payments)			
1) Employee Rate	below poverty level	7.5%	7.50%
	above poverty level	10.0%	
2) Employer Rate	above poverty level	31.0%	28.25%
	below poverty level	33.5%	
(Current Year) Premium Tax Allocation		$15,637,701(est)	$15,430,686

COMMENTS ON ACTUARIAL METHODS AND ASSUMPTIONS

This valuation is based on the Entry Age Normal actuarial cost method. Prior to fiscal 2002, experience gains and losses as well as contribution gains and losses were amortized over fifteen years with level amortization payments. Act 1079 of 2003 explicitly changed the amortization period for experience gains and losses, changes in assumptions, changes in methods, cost of living increases, and changes in plan benefit provisions to thirty years with level amortization payments.

Since it was not practical to perform a detailed analysis of plan experience, the assumptions utilized in this report, with the exception of active and healthy annuitant mortality, were designed to match, to the extent possible, those used by the prior actuary for the fiscal 2010 valuation. Adjustments to some non-mortality decrements were necessary due to differences in software design. Nevertheless, a comparative valuation utilizing the same mortality assumptions produced aggregate normal cost and accrued liability values that were within 1% of the published values for June 30, 2010. Differences in the total accrued liabilities produced by the two valuations as of June 30, 2010 amounted to a decrease of $12,158,673. The prior valuation used the 2000 RP Combined Healthy table for both employees and healthy annuitants. Based upon our review of similar law enforcement mortality, in accordance with current standards of practice, and in order to provide for future improvement in mortality, for this valuation we have used the sex distinct 2000 RP Employee Tables set back 1 year for active participants and the sex distinct 2000 RP Healthy Annuitant Tables set back 1 year for non-disabled, inactive participants. This change led to an increase in the accrued liability for fiscal 2011 of $14,425,073.
In addition, we have changed the method for determining the actuarial value of assets. The prior valuation utilized a four year phase-in of all unrealized capital gains and losses at 25% per year. With this valuation, we have begun to transition to a five year phase-in of all market earnings above or below the valuation interest rate, subject to a corridor with a maximum of 115% of the market value of assets and a minimum of 85% of the market value of assets. In the event that the preliminary value of the actuarial value of assets falls outside of the corridor, the final value will be determined by averaging the preliminary value with the nearest corridor limit. In order to transition to the new method for calculating the actuarial value of assets, the deferral of capital gains for all years before fiscal 2011 was based upon the prior method. The deferral of all gains and losses for fiscal 2011 and later was based on the new method.
The current year actuarial assumptions utilized for the report are outlined on pages thirty-seven through forty-one. In aggregate the assumptions represent our "best estimate" of future long-term experience for the fund. All calculations, recommendations, and conclusions are based on the assumptions specified. To the extent that prospective experience differs from that assumed, adjustments will be required to contribution levels. Such differences will be revealed in future actuarial valuations.

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, 2011 the funding target is 93.19%, which is greater than the current 58.05% funding ratio. Therefore, the Board is not permitted to consider granting a cost-of-living increase by statute.

Consideration of DROP interest:

The Actuarial Value on the investments of the system for the period from July 1, 2010 to June 30, 2011 was 3.9%. Therefore, the Board is allowed to post interest to eligible DROP/IBO accounts at the rate of 3.4%.

Employer contribution rate:

Mr. Curran reported that his recommendation to the Actuarial Forecast Committee will be to increase the employer contribution rate for employees with earnings below poverty level to an estimated 31% and 33.5% for employees with earnings below poverty level beginning July 1, 2012. The actuarial committee will either ratify that rate or the committee can change the rate with justification.

Motion by Mr. Kelly Gibson seconded by Mr. Greene to approve the actuarial valuation as of June 30, 2011 as submitted by G.S. Curran & Company, Ltd and to maintain the mortality tables as used in the previous years. Without objection the motion carried.

Funding Review Panel Update:

Dr. Procopio advised that at the last funding review panel meeting, the following three motions were made and approved by the panel requesting review and feedback by MPERS, MERS, FRS and LMA:

- That each of the three retirement system boards review the Louisiana Municipal Association's proposal to create a sub-plan for new hires for each system, which the LMA drafted based on its review of Act 992 of 2010, and for the three systems to present at the FRP's next meeting their evaluation of the impact such a sub-plan would have on their system.
- That the three retirement systems bring any cost-saving ideas to the panel for discussion, to include reviewing and providing feedback on an idea drafted by the Louisiana Fire Chiefs' Association for a cost-reducing affordable benefit.
- That the three system boards, the Louisiana Municipal Association, and the panel review the feasibility of extending DROP from three years to five years as a cost-saving measure for the municipalities that would also provide savings for the employees.

Mr. Curran advised that he will calculate an analysis of the LMA proposal and send to the board prior to the next funding review panel meeting.

2012 Legislation:

Mr. Roche presented proposed legislation for the 2012 regular session:

Mr. Roche explained proposed legislation which is relative to the payment of disability benefits. When any member becomes disabled on or after July 1, 2012 and is entitled to a disability benefit from MPERS, the benefit payable for any month that the member is also receiving worker's compensation benefits shall be reduced, if necessary, so that the total of both benefits shall not exceed the member's average final compensation. The benefit to be paid shall be computed such that the disability benefit from MPERS and the worker's compensation benefit shall each be paid in respect to the ratio that each individual benefit bears to the total of both benefits, to which the member would be entitled prior to reduction, multiplied by the average final compensation.

Motion by Mr. Huggins seconded by Mr. Greene to accept the proposed legislation relative to the payment of disability benefits. Without objection the motion carried.

Mr. Roche explained proposed legislation which is relative to the definition of employee for persons hired on or after July 1, 2012 and the effective date of retirement benefits. Mr. Roche advised that the definition of employee would revert back to the original definition prior to 2000. "Employee" shall mean any of the following classifications of persons hired on or after July 1, 2012: Any full-time police officer empowered to make arrest, who is under the direction of a chief of police, and who is paid from the budget of the applicable police department. Any full-time police officer, decommissioned due to illness or injury, employed by a municipality of the state of Louisiana, and engaged in law enforcement, who is under the direction of a chief of police, and who is paid from the budget of the applicable police department. Any person listed in this Item shall only be defined as an employee if he is earning at least three hundred seventy-five dollars per month excluding state supplemental pay. Any elected chief of police whose salary is at least one hundred dollars per month. Any academy recruit, who shall be defined as a full-time municipal employee, who is participating in, or who is awaiting participation in, a formal training program as required by Peace Officer Standards and Training Certification, previous to commission as a municipal police officer, with complete law enforcement officer authority. Any full-time secretary to an appointed chief or elected chief of police. Any full-time employee of this system. Employee shall not mean a city or ward marshal or deputy marshal, shall this term be construed to include any elected councilman or mayor of any city. This proposed legislation would also provide that no application for benefits pursuant to a retirement shall be effective prior to receipt of the application by MPERS and no benefit shall be payable prior to termination of employment.

Motion by Mr. Greene seconded by Mr. Reech to accept the proposed legislation relative to the definition of employee and effective date of retirement. With Mr. Elg and Mr. Huggins opposing, the motion carried.

Motion by Mr. Huggins seconded by Mr. Kelly Gibson to draft legislation that would reflect an equal split of the insurance premium tax between MPERS, Sheriff's Pension & Relief Fund and State Police Retirement System. With Ms. Matthews and Dr. Procopio abstaining, the motion carried.

<u>Other Business:</u>

<u>Real Estate Committee Update:</u>

Mr. Roche advised that the real estate committee which included Mr. Kelly Gibson, Mr. Huggins, Mr. Caraway and Mr. Elg met yesterday to discuss golf course issues.

Motion by Mr. Elg seconded by Mr. Huggins to authorize Mr. Roche to investigate the process in conducting a real estate auction and identify potential firms that are available to conduct an auction on behalf of MPERS should the board opt to exercise this option in the future. Without objection the motion carried.

<u>Mineral Rights Update:</u>

Chairman Dean requested a written update from attorney Mr. James Percy on the mineral rights for the February 2012 meeting.

February 2012 Meeting:

Ms. Bourque reminded everyone that the February 2012 meeting will be held on February 15, 2012 at the Crowne Plaza Astor Hotel in New Orleans at 10:00 a.m. in conjunction with the LATEC Conference.

Motion by Mr. Caraway seconded by Mr. Reech to adjourn the meeting at 12:20 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 January 11, 2012.

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Henry Dean, Chairman	Kathy Bourque, Director