

MINUTES

The Board of Trustees of the Municipal Police Employees' Retirement System held a Regular Meeting on Wednesday, January 21, 2015, at 7722 Office Park Boulevard, Baton Rouge, Louisiana.

The meeting was called to order by Chairman Mark Huggins at 9:19 a.m.

Pledge of Allegiance:

Chairman Huggins led the pledge of allegiance.

Members Present:

Cpl. Mark Huggins, Chairman
Capt. (Ret.) Willie Joe Greene, Vice Chairman
Maj. Raymond Burkart, Jr.
Chief Scott Ford
Maj. Kelly Gibson
Ms. Ashlee McNeely
Ms. Lori Pierce
Chief Michael Suchanek
Mayor Donald Villere

Members Absent:

Chief Carl Dabadie
Senator Elbert Guillory
Chief Dwayne Munch
Mayor Joey Normand
Representative Kevin Pearson
Sgt. (Ret.) Larry Reech

Others Present:

Ms. Kathy Bourque, Director
Ms. Daphne Rusk, Administrative Assistant
Ms. Kelli Rogers, CFO
Mr. Randy Roche, General Counsel
Mr. David Barnes, NEPC
Mr. Greg Curran, Actuary
Ms. Stephanie Little, Attorney, House Retirement Committee
Ms. Margaret Corley, Attorney, Senate Retirement Committee
Ms. L. A. Huggins, Monroe Police Dept.
Mr. Gary Welchel, Energy Opportunities
Mr. Ferrell Crane, Energy Opportunities
Mr. Mike Plichta, PERMAL

Public Comment:

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

Approval of minutes:

Motion by Mr. Gibson seconded by Mr. Greene to approve the minutes of the meeting held December 17, 2014 as presented. Without objection the motion carried.

Approval of retirement applications:

Motion by Mr. Greene seconded by Mr. 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>
Lee Brandly	Tallulah	11/02/14	23.32	02
Calvin Brazley	New Orleans	11/25/14	25.38	2a
Joseph Culpepper	Bogalusa	12/01/14	28.02	3a
Gordon Fontenot	Lake Charles	12/01/14	39.39	02
Bruce Hanna	Ruston	12/01/14	29.99	3a
Mark Michaud	Slidell	11/03/14	20.06	3a

Motion by Mr. Suchanek seconded by Mr. 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>
Michael Banks	Morgan City	01/01/15	28.11	2a
Alford Cherry	Monroe	01/01/15	33.66	2a
Lynette Colgin	Scott	01/01/15	17.44	Max
Earl Menard	Youngsville	01/01/15	25.00	3a
Michael Montgomery	Baton Rouge	01/02/15	27.68	2a
John Norwood, Jr.	Baton Rouge	01/02/15	25.03	2a
Debra O'Neill	Baton Rouge	01/16/15	21.08	Max
Benjamin Raynor	Pearl River	01/01/15	22.00	Max

Motion by Mr. Suchanek seconded by Mr. Greene 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>
John Gallow	Opelousas	01/01/15	25.24	02
Jimmy Sparacello	Tickfaw	01/01/15	29.89	3a

Interviews for Bank Loan Manager:

Interviews proceeded as follows:

Pacific Asset Management
Michael Spitler
Jason Rosiak

Sankaty Advisors
Dorothy Sumption
Andrew Carlino

THL Credit
Brian W. Good
Patrick Glavey

NEPC:

Mr. David Barnes represented NEPC and explained that this investment class is to help diversify the High Yield portfolio. He explained that this segment tends to have lower default rates and higher recovery rates. Also, these bank loans have adjustable rates and tend to outperform bonds and stocks in a rapidly rising rate environment.

After an overview of the presentations, including highlights of each manager, NEPC's recommendation is Pacific Asset Management if the board wants a low cost manager with performance that is a small amount above the index. Also, Pacific Asset Management would be a good complement to Guggenheim Investments, our recently hired manager for High Yield Fixed Income in that Pacific focuses on loans with large companies while Guggenheim focuses on small to mid-size companies.

If the board prefers more enhanced returns then NEPC would recommend Sankaty Advisors or THL Credit. Sankaty Advisors is currently on NEPC's focus placement list and would be recommended at this time. THL Credit is not currently on NEPC's focus placement listing but has potential after sufficient due diligence.

Motion by Mr. Greene seconded by Mr. Ford to hire Pacific Asset Management for Bank Loan Manager. Without objection the motion carried.

Investment Consultant's Report:

Mr. Barnes presented the Investment Market Update for the system. The total market value as of December 31, 2014 was \$1,796,074,465 and performance was down -1.0% for the month and -1.4% for the fiscal year to date.

Energy Opportunities:

Mr. Gary Welchel and Mr. Ferrell Crane represented Energy Opportunities Capital Management to present their annual report. The market value as of December 31, 2014 was \$41,343,684.

PERMAL:

Mr. Michael Plichta represented Permal for further explanation on one of their underlying hedge fund managers, Contrarian Capital, which has recently discovered that their financial controller was embezzling money but has since been terminated.

Mr. Plichta explained that Contrarian discovered an employee of theirs has been misappropriating trade allocations over a period of 10 years by taking a small amount of each trade claim, about 0.1% to 0.2% at a rate of \$30K to \$50K per trade adding up over the 10 year period to about \$12 million. Being a \$4 billion dollar company, these amounts were below the threshold for auditors to be aware. Once discovered, they immediately notified the SEC, an investigation was done and the employee was arrested in October 2014. Contrarian notified Permal the following day and during the month of November 2014 Permal's Operational Due Diligence team went to Contrarian regarding the event that happened and in December 2014 decided to redeem in full from that fund. As a result, Contrarian paid back all losses in full and agreed to repay any losses if any further misappropriation is found. The total impact of Permal's investment was \$600,000 which has been paid back in cash to the fund. The full redemption will be in June 2015.

Mr. Plichta explained that Permal has a dedicated Operational Due Diligence team of 11 people that combined has over 50 years of relevant experience in operations, audit and financial services. Every manager that enters the fund receives a full Operational Due Diligence approval and receives a full review at a minimum one year.

Update on proposed Legislation

Mr. Roche explained that MPERS has one proposed bill which would require any municipality that dissolves its police department, to pay their portion of the unfunded accrued liability to MPERS. The author of the bill is Representative Greg Miller.

Discussion of providing amended IRS forms 1099-R:

Ms. Rogers explained that certain members that had DROP or IBO accounts may have received improperly coded 1099-Rs.

Motion by Mr. Ford seconded by Mr. Greene to go into executive session to discuss matters of potential litigation at 12:20 p.m. Without objection the motion carried.

Back in regular session at 12:38 p.m.

Motion by Mr. Ford seconded by Mr. Greene to make changes to 1099-R forms prospectively. Without objection the motion carried.

Election schedule for Chiefs District I:

Ms. Bourque presented the election schedule for Chiefs District I. The board appointed trustee, Chief Michael Suchanek has announced that he will run for reelection.

<u>January 22, 2015</u>	Election Schedule, Rules and Petitions mailed to eligible voting members
<u>February 6, 2015</u>	Petitions due in the post office box of Hawthorn, Waymouth & Carroll by 4:30 p.m.
<u>February 11, 2015</u>	Nominations accepted by Board of Trustees
<u>February 20, 2015</u>	Ballots mailed to eligible voting members
<u>March 13, 2015</u>	Ballots due in the post office of Hawthorn, Waymouth & Carroll by 4:30 p.m.
<u>March 17, 2015</u>	Ballots counted and verified beginning at 2:00 p.m.at the office of Hawthorn, Waymouth & Carroll, 8555 United Plaza Blvd., Baton Rouge, LA 70809
<u>March 18, 2015</u>	Board accepts certified ballot count and publishes results
<u>April 1, 2015</u>	Elected trustee takes office

Motion by Mr. Gibson seconded by Mr. Ford to accept the election schedule for Chiefs District I. Without objection the motion carried.

Updated 2015 Board Meeting Schedule:

Ms. Rogers explained that there were two minor issues with the previously approved schedule in regards to the manager presentations listed and all dates remain the same.

Mr. Greene pointed out that a few current managers are not listed and instructed Ms. Rogers to include every manager that MPERS does business with to make an annual presentation.

Motion by Mr. Suchanek seconded by Mr. Villere to adjourn the meeting at 12:42 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 21, 2015.

Mark Huggins, Chairman

Daphne Rusk, Administrative Assistant