

MINUTES

The Board of Trustees of the Municipal Police Employees' Retirement System held a Regular Meeting on Wednesday, January 20, 2010, at 7722 Office Park Boulevard, Baton Rouge, Louisiana.

The meeting was called to order by Chairman Reech at 9:06 a.m.

Members Present:

Sgt. (Ret.) Larry Reech, Chairman (New Orleans)
Chief Stephen Caraway (Kenner)
Capt. Henry Dean (New Orleans)
Chief K.P. Gibson (Crowley)
Lt. Kelly Gibson (Lafayette)
Capt. (Ret.) Willie Joe Greene (Shreveport)
Cpl. Mark Huggins (Monroe)
Chief Dwayne Munch (Westwego)
Chief Ronald Schleuter (Monroe)

Members Absent:

Representative Joel Robideaux, 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. Mike Gallagher, JPMorgan
Mr. Jim Percy, Attorney, Jones Walker
Mr. Ben Chavarria, Olde Oaks Golf Club and Stonebridge Golf Club
Mr. Guy Cooper, Mercer
Ms. Tracy Teel, Mercer
Ms. Lauren Bailey, Attorney, Senate Retirement Committee
Mr. Matt Tessier, Attorney, House Retirement Committee
Ms. Laura Gail Sullivan, Senate Counsel
Mr. Eric Franco, Alliance Bernstein
Mr. Joe Lawrence, Alliance Bernstein
Ms. L.A. Tucker, Monroe Police Department
Ms. Michelle Cunningham, DHHM
Mr. Bill Stamm, DHHM
Mr. Jeff Yates, CPERS
Ms. Barbara LeBlanc, CPERS
Mr. Chad King, CPERS

Accept ballot count for Non Chiefs District I:

The results of the Non Chiefs District I Trustee election as certified by Hawthorn, Waymouth & Carroll, L.L.P., are as follows:

Mark E. Huggins (Monroe)	132
Jimmy N. Ray (Shreveport)	121

Motion by Mr. Dean seconded by Mr. Schleuter to accept the ballot count and declare Mark E. Huggins (Monroe) the winner. Without objection the motion carried.

A total of 1,894 ballots were mailed to eligible voting members of MPERS.

Oath of Office:

Mr. Roche administered the Oath of Office to Mark E. Huggins (Monroe) to serve a term from January 1, 2010 thru June 30, 2011.

Approval of minutes:

Motion by Mr. Dean seconded by Mr. Kelly Gibson to approve the minutes of the meeting held November 18, 2009 as presented. Without objection the motion carried.

Approval of retirement applications:

Motion by Mr. Huggins seconded by Mr. Schleuter 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>
Sammy Barker	Natchitoches	01/13/10	14.65	Max
David Freeman	Ruston	12/19/09	12.99	Max
Eric Lirette	Westwego	12/26/09	16.51	3a
Kerry Osborn	Lafayette	12/01/09	20.00	2a
James Parker	Hammond	11/02/09	23.05	2a
Christopher Wadlington	Lafayette	01/01/10	24.58	Max

Motion by Mr. K.P. Gibson seconded by Mr. Munch 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>
Clarence Breland	West Monroe	12/01/09	25.01	2a
Darold Cornelious	Baton Rouge	12/19/09	20.46	2a
Larry Hayes	Baton Rouge	01/02/10	29.80	03
Mark Holley	Shreveport	01/01/10	28.25	2a
Paul Jones	Denham Springs	12/22/09	28.27	03
Don LeDuff	New Orleans	11/20/09	28.50	2a
Robert Richard	Shreveport	01/01/10	25.01	Max
Kevin Ross	Bossier City	12/23/09	24.84	Max
William Scott	Shreveport	01/01/10	25.01	2a
Joe Shumate	Denham Springs	01/01/10	25.43	Max
Ronald Smith	Shreveport	01/16/10	26.50	Max
Josie Young	Port Allen	11/19/09	20.12	Max

Motion by Mr. Greene seconded by Mr. Caraway 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>
Bobby Boyter	Monroe	11/01/09	30.03	Max
Donald Brooks	New Orleans	10/08/09	25.34	Max
Willie Lewis	Shreveport	10/16/09	25.17	Max
Luther Lumpkin, III	New Orleans	10/25/09	27.00	Max
Brenda Miceli	Baton Rouge	11/01/09	29.13	Max
Darrell Newsom	Ruston	12/01/09	30.00	2a
Joseph Pratt	Mansfield	10/30/09	27.16	03
Mary Walsh	Baton Rouge	10/13/09	29.06	3a

Motion by Mr. Kelly Gibson seconded by Mr. Schleuter to approve the application for Early 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>
Debra Durand	Lafayette	11/15/09	23.84	3a

Baton Rouge Merger Adjustments:

Motion by Mr. Kelly Gibson seconded by Mr. Dean to amend the agenda to add Baton Rouge Merger Adjustments. Without objection the motion carried.

Mr. Charles Hall stated that he has received a list of adjustments from CPERS and is currently working on the adjustment totals. Mr. Hall should have the calculations completed within the next couple of weeks.

Investment Managers Presentation:

Mr. Joe Lawrence and Mr. Eric Franco represented Alliance Bernstein to present the annual report for the Index Portfolio and the International Value Portfolio. The market value for the Index Portfolio was \$117,454,840 as of December 31, 2009. The market value for the International Value Portfolio was \$109,239,613 as of December 31, 2009.

Index Portfolio performance summary as of December 31, 2009:

	<u>2009</u>	<u>Five Years</u>	<u>Since Inception*</u>
MPERS	26.8%	0.5%	6.7%
S&P 500 Index	26.5%	0.4%	6.7%

International Portfolio performance summary as of December 31, 2009:

	<u>2009</u>	<u>Since Inception*</u>
MPERS	35.2%	-19.5%
MSCI EAFE Index	31.8%	-12.9%

Boot Ranch Update:

Motion by Mr. Dean seconded by Mr. K.P. Gibson to go into executive session at 9:40 a.m. to discuss Boot Ranch Development with attorney Mr. Jim Percy. Without objection the motion carried.

Motion by Mr. K.P. Gibson seconded by Mr. Dean to return to regular business at 11:00 a.m. With no objections the motion carried.

Real Estate Update:

Mr. Ben Chavarria presented the budget comparisons, projected capital improvements, loss of revenue, projected revenue and current payables for both Olde Oaks Golf Course and Stonebridge Golf Club. Mr. Chavarria advised that due to the weather conditions the loss of revenue has resulted in \$193,859.00 of unpaid bills at Olde Oaks Golf Course and \$180,210.00 at Stonebridge Golf Club.

Motion by Mr. Dean seconded by Mr. Kelly Gibson to fund Olde Oaks Golf Club \$193,859.00 and Stonebridge Golf Club \$180,210.00 to cover unpaid bills. With Mr. Schleuter opposing, the motion carried.

Chairman Reech asked Mr. Chavarria to present at the February 2010 board meeting an amended budget for Olde Oaks Golf Course and Stonebridge Golf Course for the remainder of the fiscal year (June 30, 2010).

Motion by Mr. Dean seconded by Mr. Kelly Gibson to afford Stonebridge Golf Club \$125,000.00 and Olde Oaks Golf Club \$165,000.00 as a reserve fund to be used as operating expenses when income is slow with such expenditures to be reviewed by the real estate committee upon consultation with the Director. With Mr. Schleuter opposing the motion carried.

Chairman Reech appointed, Mr. Roche, Mr. Caraway, Mr. Huggins, Mr. Schleuter and Mr. Kelly Gibson to the real estate committee.

Custodian bank report:

Mr. Mike Gallagher represented JPMorgan at the meeting.

	<u>12/31/09</u>	<u>11/30/09</u>
Alliance Capital	\$117,473,808.24	\$118,727,929.26
INTECH	\$ 82,694,453.41	\$ 79,788,218.03
Sterling Capital	\$ 50,505,121.42	\$ 47,857,214.28
LSV Asset Management	\$ 26,502,462.65	\$ 24,804,081.21
Pinnacle Associates Ltd	\$ 47,371,978.48	\$ 43,654,907.49
Harris Inv. Management	\$ 78,404,196.61	\$ 76,870,529.69
Dimensional	\$ 47,505,559.09	\$ 46,954,235.59
Energy Opportunities	<u>\$ 24,516,329.60</u>	<u>\$ 23,539,430.06</u>
Total Equity	\$474,973,909.50	\$462,196,545.61
William Blair	\$142,550,292.30	\$138,618,346.70
Pyrford	\$ 184,266.21	\$ 190,063.22
KBC	\$ 38,079,129.67	\$ 37,489,402.15
Alliance Bernstein	\$103,669,059.17	\$101,708,618.40
Batterymarch	<u>\$ 24,583,062.74</u>	<u>\$ 23,525,807.31</u>
Total International	\$309,065,810.09	\$301,532,237.78
State Street Bond	\$ 96,652,812.04	\$ 98,181,578.04
Post	\$ 75,807,721.28	\$ 74,445,496.59
Loomis Sayles	<u>\$110,993,475.42</u>	<u>\$110,712,610.18</u>
Total Fixed Income	\$283,454,008.74	\$283,339,684.81
Real Estate	\$ 50,286,590.74	\$ 50,286,590.73
LaSalle Real Estate Mgmt	\$ 22,942,669.23	\$ 22,942,669.23
LaSalle Growth Fund V	\$ 5,795,875.83	\$ 5,795,875.83
Principal Global	\$ 71,813,398.90	\$ 71,813,399.08
Prudential Global	<u>\$ 15,369,201.52</u>	<u>\$ 14,843,201.52</u>
Total Real Estate	\$166,207,736.22	\$165,681,736.39
Hedge Fund	<u>\$ 12,303,028.67</u>	<u>\$ 12,302,953.85</u>
Total Hedge Fund	\$ 12,303,028.67	\$ 12,302,953.85
Cash	<u>\$ 12,761,955.27</u>	<u>\$ 14,752,943.76</u>
Total Cash	\$ 12,761,955.27	\$ 14,752,943.76
TOTAL ASSETS	\$1,258,766,448.49	\$1,239,806,102.20

Securities Lending Report:

	<u>Fixed Income</u>	<u>Equities</u>
Current Month	\$ 5,882.73	\$ 20,326.81
Calendar Year	\$ 105,758.85	\$496,748.10

Investment consultant's report:

Mr. Guy Cooper and Ms. Tracy Teel represented Mercer Investment Consulting at the meeting.

Mr. Cooper discussed the Hedge Fund of Funds manager interviews that were scheduled for the December meeting. He also discussed the educational session to be given by Mercer.

Motion by Mr. Kelly Gibson seconded by Mr. Munch to interview Hedge Fund of Fund Managers, Aurora, EnTrust and Common Sense at the February 24, 2010 meeting. Without objection the motion carried.

Mr. Cooper recommended that the board replace Intech as a large cap equity manager. Mercer has downgraded Intech from an "A" manager to a "B" manager.

Mr. Greene asked for updated numbers on all managers before making a decision to terminate a manager.

Mr. Cooper stated that he will postpone his recommendation for replacing Intech until next meeting when updated numbers are available.

Mr. Dean suggested that Mercer look at a copy of a previous RFP conducted by Summit Strategies and follow their guidelines for any future RFP's.

Market Update:

Ms. Tracy Teel gave a brief update on the market for the periods ending December 2009. Small cap equity outperformed large cap. Growth outperformed value for the month and for the recent three months. International trailed domestic for the month and emerging markets outperformed developed markets. High yield posted positive returns for the month and strong absolute returns for the recent three months. The Barclays Aggregate returned -1.56% for the month and 5.93% year-to-date.

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, 2009.

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 2009 by \$1,084,169,309 which represents a decrease from last fiscal year. The net assets held in trust for pension benefits decreased by \$392,483,152 or 26.58%. The decrease was due primarily to depreciation in the various investment portfolios as a result of the current economic climate.
- Contributions to the plan by members and employers totaled \$45,428,340, a decrease of \$8,383,709 or 15.58% over the prior year.
- Funds apportioned by the Public Employees' Retirement Systems' actuarial committee from available insurance premiums tax totaled \$15,071,968, an increase of \$616,680 or 4.27% over the prior year.
- The System experienced a net investment loss in the amount of \$352,370,843 during the year ended June 30, 2009. This is a 186.71% decrease from net investment income of \$122,903,195 during the year ended June 30, 2008. The

decrease was due primarily to lower equity market returns available in the market place due to the current economic climate.

- The rate of return on the System's investments was negative 24.24% based on the market value. This is lower than last year's negative 7.63% rate of return due, primarily, to the lower equity market value returns available in the market place.
- Pension benefits paid to retirees and beneficiaries increased by \$3,285,649 or 3.54%. This increase is due to an increase in retirees.
- Administrative expenses totaled \$1,223,868 an increase of \$129,357 or 11.82%. The cost of administering the System per member during 2009 was \$105.97 per individual compared to \$97.50 per individual in 2008.

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.

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, 2009. 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, 2009</u>	<u>June 30, 2008</u>
I. Membership Census		
1) Retirees	3,984	3,896
2) Actives	6,071	5,908
3) DROP	185	213
4) Vested Deferred	112	114
II. Annual Benefits	\$ 90,285,300	\$85,848,060
III. Total Payroll	270,236,561	252,562,020
IV. Valuation Assets	1,297,128,398	1,600,941,810
V. Investment Yield		
Market Value	<u>-24.24%</u>	<u>-7.63%</u>
5 year avg.	0.64%	7.61%
10 year avg.	0.74%	4.50%
Actuarial Value	<u>-16.71%</u>	<u>6.41%</u>
5 year avg.	4.51%	10.04%
10 year avg.	2.71%	5.90%
DROP Accounts	<u>-17.23%</u>	<u>5.91%</u>
VI. Cost to Fund Annual Pension Accruals (Normal Costs)	45,725,218 16.92%	43,428,131 17.20%
VII. Unfunded Actuarial Accrued Liability	691,265,960	240,293,185
VIII. Funded Percentage	65.2%	86.9%
IX. Funding Requirements to Pay (Mid-year Payments)		

1) Employee Rate	7.50%	7.50%
2) Employer Rate (Current Year)	24.00%	10.50%
Premium Tax Allocation	15,112,480(est)	15,000,000(est)
3) Projected Employer Rate (Next Year)	25.00%(est)	11.00%(est)

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, 2009 the funding target is .94938, which is greater than the current .65235 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, 2008 to June 30, 2009 was -16.71%. Therefore, the Board is allowed to post interest to eligible DROP/IBO accounts at the rate of -17.23%.

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 25.00% beginning July 1, 2010. The actuarial committee will either ratify that rate or the committee can change the rate with justification.

Motion by Mr. K.P. Gibson seconded by Mr. Greene to approve the actuarial valuation as of June 30, 2009 as submitted by Hall Actuarial Associates.

Consideration of forensic auditor:

Mr. Roche advised that hiring a forensic auditor was suggested by the Inspector General's Office and Mr. James Percy for Olde Oaks Golf Club, Stonebridge Golf Club and Olde Oaks Development. A forensic audit is currently being performed on Boot Ranch, LLC through MPERS' attorney Mr. James Percy.

Motion by Mr. Kelly Gibson seconded by Mr. Huggins to hire Postlethwaite and Netterville, CPA's to perform a forensic audit on Olde Oaks Golf Club, Stonebridge Golf Club and Olde Oaks Development. Without objection the motion carried.

Consideration of RFP for annual audit:

Motion by Mr. Kelly Gibson seconded by Mr. Dean to remove the item from the agenda. Without objection the motion carried.

2010 Legislation:

Mr. Roche advised that the deadline for advertising legislation is fast approaching and if anyone has any proposed legislation, please let him know.

Motion by Mr. Dean seconded by Mr. Greene to authorize Mr. Roche to file a blanket advertisement to cover any proposed legislation that may be offered by the system. Without objection the motion carried.

Election of Chairman and Vice Chairman for 2010:

Mr. K.P. Gibson nominates Mr. Kelly Gibson as Chairman for 2010. There were no further nominations.

Motion by Mr. K.P. Gibson seconded by Mr. Munch to accept Mr. Kelly Gibson as Chairman for 2010. Without objection the motion carried.

Mr. Dean nominates Mr. Schleuter as Vice Chairman for 2010. Mr. Kelly Gibson nominates Mr. Reech as Vice Chairman for 2010.

Motion by Mr. Kelly Gibson seconded by Mr. K.P. Gibson to accept Mr. Larry Reech as Vice Chairman for 2010. After roll call vote, the motion carried.

Adoption of board meeting schedule:

The proposed dates for board meetings in 2010 are as follows:

January 20	July 21
February 24	August 18
March 17	September 21
April 21	October 20
May 19	November 17
June 16	December 15

Motion by Mr. Schleuter seconded by Mr. K.P. Gibson to approve the board meeting schedule for 2010 as presented subject to changes as may become necessary. Without objection the motion carried.

Other Business:

Motion by Mr. Dean seconded by Mr. Schleuter to grant a 3% pay increase to the staff effective January 1, 2010. After a roll call vote of 4-4, motion died.

Motion by Mr. Greene seconded by Mr. Dean to grant a 2% pay increase to the staff effective January 1, 2010. After roll call vote of 5-2 the motion failed.

Motion by Mr. Schleuter seconded by Mr. Dean to grant a 3% pay increase to the staff effective January 1, 2010. After roll call vote of 4-4 the motion died.

Newsletter to members:

Mr. Kelly Gibson requested that the newsletter on the website be updated frequently to reflect current activities of the board.

Motion by Mr. Huggins seconded by Mr. Greene to adjourn the meeting at 1:56 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 20, 2010.

Larry Reech, Chairman

Kathy Bourque, Director