

MINUTES

The Board of Trustees of the Municipal Police Employees' Retirement System held a Regular Meeting on Wednesday, November 19, 2014, at 7722 Office Park Boulevard, Baton Rouge, Louisiana.

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

Pledge of Allegiance:

Chairman Huggins led the pledge of allegiance.

Members Present:

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

Members Absent:

Chief Dwayne Munch
Senator Elbert Guillory
Representative Kevin Pearson

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, G. S. Curran & Co.
Ms. Stephanie Little, Attorney, House Retirement Committee
Ms. L. A. Huggins, Monroe Police Dept.
Mr. Mike Plichta, PERMAL
Mr. Gregg Hymowitz, EnTrust
Mr. David Livingston, EnTrust

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 October 15, 2014 as presented. Without objection the motion carried.

Motion by Mr. Gibson 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>
Kurt Coulon	New Orleans	09/27/14	25.10	2a
Eric Darling	Lake Charles	09/21/14	30.00	Max
Raymond Havlicek	Hammond	10/01/14	22.00	2a
Billy Jordan	Monroe	10/01/14	24.04	3a
Wiley Lindsey, Jr.	Shreveport	10/01/14	21.01	3a
Cheryle Robertson	Sarepta	08/03/14	12.50	3a
Todd Weishar	Baton Rouge	09/08/14	29.23	02

Motion by Mr. Reech 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>
Harry Black	Bastrop	11/15/14	12.15	02
Edward Delery, Jr.	New Orleans	11/02/14	20.00	02
Judy Humble	Monroe	11/01/14	32.10	Max
Lee Leach	Alexandria	11/01/14	31.99	02
Claude Russell	Alexandria	11/01/14	25.26	Max
Kenneth Thomas	New Orleans	11/01/14	26.47	2a
Andrew Washington	New Orleans	10/31/14	29.91	2a

Disability Retirement:

Motion by Mr. Greene seconded by Mr. Normand to approve the non-duty related disability application submitted by Ms. Lynn Bolds (Plaquemine). Without objection the motion carried.

Investment Consultant's Report:

NEPC:

Mr. David Barnes represented NEPC and presented the Investment Market Update for the system. The total market value as of October 31, 2014 was \$1,808,320,908 and performance was 0.7% for the month and -1.2% for the fiscal year to date.

Mr. Barnes announced the recommendation of NEPC to place Sterling Capital Management on watch for performance reasons.

Motion by Mr. Greene seconded by Mr. Burkart to notify Sterling Capital Management that they will be placed on watch status and will be scheduled for an update call to explain performance. Without objection the motion carried.

Mr. Barnes presented the first quarter performance review. As of September 30, 2014, the system's assets totaled \$1.8 billion, a decrease of \$34.6 million during the quarter and posting a -1.9% return (net of fees) during the quarter, ranking the system in the 85th percentile of public funds.

Bank Loan Manager Search

Mr. Barnes explained that MPERS will diversify its investments within the High Yield Bond class by adding a Bank Loan allocation. Bank Loan managers invest primarily in senior secured loans, which are corporate debt instruments underwritten and syndicated by banks. Within the capital structure of a corporation, bank loans are typically the most senior issues, with all secured and unsecured debt classes, preferred equity and equity subordinate in the capital structure. Bank loans usually pay a floating rate coupon calculated as a spread over a reference rate, typically LIBOR. Loans are generally rated below investment grade and are issued by both large and small-cap corporations. Credit research and security selection are very important in managing a portfolio of bank loans. Managers add value in the asset class by avoiding defaulting bonds, by maximizing recovery rates in the event of a default, or by investing in securities that outperform the universe. Portfolios will be diversified across industries.

Mr. Barnes profiled ten Bank Loan managers that offer these products and presented a summary and comparison of each. NEPC's recommendation is to interview Pacific Asset Management and Sankaty Advisors. Ms. Rogers' recommendation is to interview THL Credit SLS.

Motion by Mr. Ford seconded by Mr. Gibson to interview Pacific Asset Management, Sankaty Advisors and THL Credit SLS at the January 21, 2015 board meeting for consideration of hiring as Bank Loan manager. Without objection the motion carried.

Transition Manager Update:

Mr. Barnes gave a brief education on the process of transitioning funds between managers and/or from a terminated manager to a newly hired manager. He explained further how using a transition manager can provide more transparency in the transfer process, retain consist market exposure and provide trading expertise to get best prices in the market.

Mr. Barnes proposed sending out Requests for Information to transition managers in order to use those responses to narrow down to a board approved preferred list of providers.

Mr. Barnes explained that the system used GTS Advisors in the past but recently this transition team switched from GTS to Vertas. He advised that Vertas can still be used as needed but a contract would need to be signed.

Motion by Mr. Gibson seconded by Mr. Villere to sign the contract with Vertas to have as the current transition manager and continue to research additional managers to use. Without objection the motion carried.

Mr. Barnes noted that MPERS' staff will review all manager fees during the upcoming year.

Investment Manager's Presentation:

PERMAL GROUP

Mr. Mike Plichta represented PERMAL to present their annual report. The market value as of October 31, 2014 was \$51,718,051.

ENTRUST Diversified Fund Ltd.

Mr. Gregg Hymowitz represented EnTrust to present their annual report. The market value as of October 31, 2014 was \$33,598,982.

Compliance Questionnaire:

Motion by Mr. Normand seconded by Mr. Suchanek to adopt a resolution authorizing the Chairman of the Board and the System's Director to execute the Annual System's Survey and Compliance Questionnaire as of June 30, 2014 as required by statute. Without objection the motion carried.

2015 Board Meeting Schedule:

Motion by Mr. Gibson seconded by Mr. Greene to adopt the 2015 board meeting schedule as presented. Without objection the motion carried.

January 21, 2015	July 15, 2015
February 11, 2015 *New Orleans	August 19, 2015
March 18, 2015	September 16, 2015 *New Orleans
April 15, 2015	October 21, 2015
May 20, 2015	November 18, 2015
June 17, 2015	December 16, 2015

Presentation of annual Actuarial Report:

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, 2014. 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, 2014</u>	<u>June 30, 2013</u>
Membership Census		
1) Retirees & Survivors	4,444	4,340
2) Actives	5,468	5,602
3) DROP	271	314
4) Vested Deferred	159	145
5) Terminated Due a Refund	1,272	1,252
Annual Benefits	\$118,522,277	\$110,735,234
Total Payroll	\$259,594,435	\$264,711,491
Valuation Assets	\$1,711,268,285	\$1,539,218,085
Investment Yield		
Market Value	18.6%	13.7%
Actuarial Value	11.9%	11.2%
DROP Accounts	11.4%	10.7%
Cost to Fund Annual Pension Accruals (Normal Costs)	\$43,010,879	\$44,231,463
Unfunded Actuarial Accrued Liability	\$801,359,380	\$860,157,735
Funded Percentage Funding Requirements to Pay (Mid-year Payments)	75.10%	66.71%

