

MINUTES

The Board of Trustees of the Municipal Police Employees' Retirement System held a Regular Meeting on Wednesday, November 20, 2013, at 7722 Office Park Boulevard, Baton Rouge, Louisiana.

The meeting was called to order by Chairman Mark Huggins at 9:10 a.m.

Pledge of Allegiance:

Chairman Mark Huggins led the pledge of allegiance.

Members Present:

Cpl. Mark Huggins, Chairman
Capt. Kelly Gibson, Vice Chairman
Mr. John Broussard
Chief Carl Dabadie
Cdr. Henry Dean
Chief Scott Ford
Capt. (Ret.) Willie Joe Greene
Sgt. (Ret.) Larry Reech
Ms. Kerri Traxler
Mayor Donald Villere

Members Absent:

Chief Dwayne Munch
Mayor Joey Normand
Senator Elbert Guillory
Representative Kevin Pearson

Others Present:

Ms. Kathy Bourque, Director
Ms. Daphne Rusk, Administrative Assistant
Mr. Randy Roche, General Counsel
Mr. Greg Curran, GS Curran & Company, Ltd
Mr. David Barnes, NEPC
Ms. L.A. Huggins, Monroe Police Department
Mr. John Weiler, Attorney
Mr. Todd Hearle, Summit Partners
Mr. Chad King, Baton Rouge Police Department
Mr. Michael Montgomery, Baton Rouge Police Department
Mr. Fred Gernant, Jr., Baton Rouge Police Department
Mr. Mark Griffin, Jr., Morgan City Police Department
Mr. Travis Crouch, Chief of Police, Morgan City Police Department

Public Comment:

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

Motion by Mr. Reech seconded by Mr. Dean to suspend the regular order of business to discuss the vacant trustee position for Chief District I. Without objection the motion carried.

Motion by Mr. Reech seconded by Mr. Dean to appoint Chief Travis Crouch (Morgan City) as interim board member to fill the vacancy in Chief District I for 6 months until nominations are mailed out again to the eligible members. Without objection the motion carried.

Motion by Mr. Reech seconded by Mr. Dean to return to the regular order of business. Without objection the motion carried.

Approval of minutes:

Motion by Mr. Gibson seconded by Mr. Greene to approve the minutes of the meeting held October 16, 2013 as presented. Without objection the motion carried.

Approval of retirement applications:

Motion by Mr. Reech seconded by Mr. Dean 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>
Roy Cotton, Sr.	Winnfield	11/01/13	20.01	Mx
Ernest Gleason	Alexandria	09/03/13	24.88	Mx
Michael Johnson	Gonzales	09/16/13	20.01	2a
Raywood Lanthier	Rayne	10/23/13	22.59	02
Ellis Walker	Marksville	11/01/13	17.83	02

Motion by Mr. Greene seconded by Mr. Dean 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>
Kevin Balancien	New Orleans	08/05/13	24.97	2a
Harry Black, Jr.	Bastrop	08/29/13	12.15	02
John Dobard	New Orleans	08/04/13	25.16	03
Steven Kistler	Denham Springs	08/26/13	30.19	3a
Aldon Lanoix, Jr.	New Orleans	09/01/13	19.28	Mx
Roy McCann	Slidell	08/09/13	15.26	02
Dennis Pratt	Shreveport	09/01/13	26.97	02
Kevin Williams	New Orleans	08/12/13	25.75	Mx

Motion by Mr. Dean seconded by Mr. Reech 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>
John Brunet, Jr.	New Orleans	09/30/13	23.59	2a
Charles Cox	Baton Rouge	11/08/13	29.07	3a
Richard Hunter, Jr.	New Orleans	11/01/13	30.39	Mx
Roy McCann	Slidell	11/02/13	16.26	02
Glenn Synigal	Kenner	11/15/13	30.01	Mx
Ronald Vanni	Shreveport	12/01/13	20.01	3a

Disability Retirement:

Motion by Mr. Reech seconded by Mr. Ford to approve Mr. Jose Rodarte (New Orleans) non duty related disability as presented. Without objection the motion carried.

NEPC:

Mr. David Barnes represented NEPC. Mr. Barnes presented the Investment Market Update and Market Environment Overview. The total market value was \$1,691,534,573 and performance was 2.9% as of October 31, 2013.

Mr. Barnes presented the third quarter performance review. As of September 30, 2013, the total market value was \$1.64 billion, an increase of \$81.2 million during the quarter posting a 5.5% return (net of fees) ranking in the 12th percentile of public funds.

Emerging Market Equity Search:

Mr. Barnes advised that 22 investment managers responded to the Request for Proposals (RFP) issuance for Emerging Market Equity (long only) Strategy and four were eliminated due to not meeting the minimum criteria. The 18 remaining candidates were quantitatively scored using NEPC's proprietary Performance Analytics Statistical Software (PASS) on metrics that identify investment processes expected to consistently outperform the benchmark over the long term. All analysis are based on excess manager returns, net of all fees. For Emerging Markets Equity, strategies are scored 0-100. The PASS results were reviewed with the NEPC Research Team and narrowed down the list of candidates to eight based on a qualitative review of appropriateness for the MPERS mandate. Mr. Barnes will present the board at the December 2013 meeting with the eight remaining candidates and recommend four of the eight to interview at the January 2014 meeting.

Mr. John Broussard arrived at 9:43 a.m.

Summit Partners Credit Advisors:

Mr. Todd Hearle represented Summit Partners Credit Advisors to present their annual report. The Fund portfolio value as of October 31, 2013 was \$26,175,955.

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, 2013. 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, 2013</u>	<u>June 30, 2012</u>
Membership Census		
1) Retirees	4,340	4,230
2) Actives	5,602	5,779
3) DROP	314	284
4) Vested Deferred	145	130
5) Terminated Due a Refund	1,252	1,176
Annual Benefits	\$110,735,234	\$104,988,503
Total Payroll	\$264,711,491	\$272,606,934
Valuation Assets	\$1,539,218,085	\$1,382,503,860
Investment Yield		
Market Value	13.7%	-2.1%
Actuarial Value	11.2%	7.8%
DROP Accounts	10.7%	7.3%
Cost to Fund Annual		

Pension Accruals (Normal Costs)	\$44,231,463	\$45,263,337
Unfunded Actuarial Accrued Liability	\$860,157,735	\$931,247,979
Funded Percentage Funding Requirements to Pay (Mid-year Payments)	64.15%	59.75%
	Fiscal 2014	Fiscal 2013
1) Employee Rate below poverty level	7.5%	7.5%
above poverty level	10.0%	10.0%
2) Employer Rate above poverty level	31.5%	31.0%
below poverty level	34.0%	33.5%
(Current Year)		
Premium Tax Allocation	\$16,628,926	\$15,794,377

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

For the plan year ending June 30, 2013 the funding target is 96.34%, which is greater than the current 64.15% funding ratio. Therefore, the Board is not permitted to consider granting a cost-of-living increase by statute.

Mr. Curran further advised that R.S.11:2225(A)(7)(c) does not require the system to meet the target ratio in order to grant a cost-of-living increase. An increase would be allowable under this provision with the increase in annual benefits being \$3,262,895 for an increase in present value of \$32,980,741. This would result in an increase in employer contributions of from 1 - 1.75% beginning July 1, 2015.

Motion by Mr. Reech seconded by Mr. Greene to grant a cost-of-living increase based on R.S.11:2225(A)(7)(c). Motion failed after roll call vote with Mr. Dean, Mr. Greene and Mr. Reech voting for granting a cost-of-living and Mr. Broussard, Mr. Dabadie, Mr. Ford, Mr. Gibson, Ms. Traxler and Mr. Villere voting against granting a cost-of-living increase.

Act 170 of 2013:

Act 170 creates a new funding criteria a statewide retirement system must meet before granting a benefit increase. It bases cost-of-living increases on the funded level of the system and the number of years since the previous benefit increase. This method must be approved by the individual boards by December 31, 2013 or the system must continue using the old method which uses the "target ratio".

Motion by Mr. Dean seconded by Mr. Gibson to defer action on Act 170 of 2013 until the December meeting. Without objection the motion carried.

Unfunded accrued liability:

Mr. Curran discussed his concerns about the payment structure for the systems' unfunded accrued liability. The current payment structure as defined by statute requires amortization of actuarial gains and losses over a thirty year period. The deferral of payments can lead to an ever increasing unfunded liability which can ultimately place the solvency of the fund in jeopardy. For this reason, Mr. Curran recommends that the payment structure of the system's unfunded liability be revised in two ways. First, they recommend that the existing set of UAL amortization schedules be combined and offset to a single payment set amortized as level payments over twenty years. Secondly, they recommend that all future gains and losses or changes in benefits or assumptions be amortized over a period of fifteen years with level payments. Mr. Curran believes that

restructuring of the UAL payment schedule would be a first step in dealing with the structural problems faced by the system.

Mr. Curran advised that legislation would be required in order to change the payment structure of the system's unfunded accrued liability.

Motion by Mr. Broussard seconded by Mr. Dean to advertise legislation for a change in the amortization method. Without objection the motion carried.

Consideration of DROP interest:

The Actuarial Value on the investments of the system for the period from July 1, 2012 to June 30, 2013 was 11.2%. Therefore, the Board is allowed to post interest to eligible DROP/IBO accounts at the rate of 10.7%.

Employer contribution rate:

Mr. Curran reported that his recommendation to the Public Retirement System's Actuarial Committee (PRSAC) will be to increase the employer contribution rate for employees with earnings above poverty level to an estimated 31.5% and 34% for employees with earnings below poverty level beginning July 1, 2014. The actuarial committee will either ratify that rate or the committee can change the rate with justification.

Motion by Mr. Dean seconded by Mr. Greene to approve the Actuarial Valuation as of June 30, 2013 as submitted by G.S. Curran & Company, Ltd. Without objection the motion carried.

Attorney General's Opinion:

Mr. Roche advised that the Attorney General's opinion has been received regarding "attained age" in accordance with DROP withdrawals. The opinion states that it is possible for MPERS and CPERS to use different definitions of the term "attained age" for the same purpose.

Mr. John Weiler, MPERS' tax attorney recommends that the DROP distribution provisions be the same for members who retire pre age 50 vs. post age 50 with the recognition that the IRS may impose an early distribution penalty tax on distributions made to a member depending upon the type of distribution chosen by that member.

Motion by Mr. Dean seconded by Mr. Broussard to defer action on the recommendation from Mr. John Weiler until the Attorney and Director can formulate the correct verbiage for the change in DROP distribution. Without objection the motion carried.

2014 Board Meeting Schedule:

Motion by Mr. Dean seconded by Mr. Gibson to adopt the 2014 board meeting schedule as presented. Without objection the motion carried.

January 15, 2014	July 16, 2014
February 19, 2014	August 20, 2014
March 19, 2014	September 10, 2014 *New Orleans
April 16, 2014	October 15, 2014
May 21, 2014	November 19, 2014
June 18, 2014	December 17, 2014

Structure and Staffing:

Mr. Broussard advised that language was added to the job descriptions for the proposed positions for a Chief Financial Officer, In-House Attorney and Chief Investment Officer stating that all three proposed positions would report directly to the

Director. Mr. Broussard also presented an organizational chart indicating that all staff report directly to the Director.

The board will review the changes and discuss at a later meeting.

Other Business:

Compliance Questionnaire:

Motion by Mr. Dean seconded by Mr. Villere to adopt a resolution authorizing the Chairman of the Board and the System's Director to execute the Annual Systems Survey and Compliance Questionnaire as of June 30, 2013 as required by statute. Without objection the motion carried.

Motion by Mr. Gibson seconded by Mr. Ford to adjourn the meeting at 12:09 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 November 20, 2013.

Mark Huggins, Chairman

Kathy Bourque, Director