

MINUTES

The Board of Trustees of the Municipal Police Employees' Retirement System held a Regular Meeting on Wednesday, December 16, 2015, 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. (Ret.) Willie Joe Greene, Vice Chairman
Maj. Raymond Burkart, Jr.
Chief Carl Dabadie
Chief Scott Ford
Ms. Kelli Rogers, State Treasurer Designee
Sgt. Chad King
Mayor Joey Normand
Sgt. (Ret.) Larry Reech
Chief Michael Suchanek
Ms. Ashlee McNeely, Div. Of Administration Designee
Mayor Donald Villere

Members Absent:

Senator Elbert Guillory
Chief Dwayne Munch
Representative Kevin Pearson

Others Present:

Ms. Kathy Bourque, Director
Ms. Daphne Rusk, Administrative Assistant
Mr. Randy Roche, General Counsel
Mr. David Barnes, NEPC
Mr. Rhett Humphreys, NEPC
Mr. Gary Curran, Actuary
Mr. Greg Curran, Actuary
Ms. L. A. Huggins, Monroe Police Dept.
Mr. Michael Calloway, Monroe Police Dept.
Mr. Carlton "Trey" Jones, Attorney
Ms. Michelle Cunningham, DHHM, Auditors
Mr. Paul Schmidt, BNY Mellon
Mr. David Settles, State Street Global Advisors

Public Comment:

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

Approval of minutes:

Motion by Mr. Greene seconded by Mr. Ford to approve the minutes of the meeting held November 18, 2015 as presented. Without objection the motion carried.

Approval of retirement applications:

Motion by Mr. Suchanek seconded by Mr. Greene 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>
William Bates	Alexandria	10/15/15	27.12	Max
Terri Braud	Baton Rouge	10/05/15	26.80	Max
Rita James	Shreveport	11/01/15	28.38	2a
Benja Johnson	New Orleans	10/18/15	25.20	Max
Donald Kelly	Baton Rouge	10/19/15	28.96	3a

Motion by Mr. Reech seconded by Mr. Burkart 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>
Roddy Devall	Hammond	11/10/15	40.03	Max
Byron Mitchell	New Orleans	11/02/15	28.42	2a
Barbara Watson	Bastrop	12/15/15	22.40	3a

Motion by Mr. King seconded by Mr. Burkart to approve the application 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>
Donald Shirley	Baton Rouge	11/28/15	25.36	2a

Motion by Mr. Reech seconded by Mr. Greene 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>
Nathan McGhee, Sr.	New Orleans	11/15/15	23.66	3a

Disability Retirement:

Motion by Mr. Reech seconded by Mr. Burkart to approve the duty-related disability application submitted by Mr. John Passaro (New Orleans) at 100% of benefits. After a roll call vote to approve the duty-related disability application at 100% of benefits, the motion carried with the following result:

Yeas: Burkart, Ford, King, Rogers, McNeely, Normand, Reech, Suchanek, Villere, Greene, Huggins

Nays: None

Discussion of Dipaola vs. MPERS:

Motion by Mr. Suchanek seconded by Mr. Reech to enter into executive session to discuss Dipaola vs. MPERS, 19th JDC, No. 591,844, Sec "26." After a roll call vote to enter into executive session at 9:16 a.m., the motion carried with the following result:

Yeas: Burkart, Ford, Rogers, McNeely, Normand, Reech, Suchanek, Villere, Greene, Huggins

Nays: None

Recused: King

Return to regular session at 9:34 a.m.

Mr. Carl Dabadie arrived at the meeting at 9:20 a.m.

Motion by Mr. Villere seconded by Mr. Greene to have Mr. Jim Percy, Attorney with Jones Walker, file an injunction in the Dipaola vs. MPERS lawsuit regarding overtime issues with the City of Baton Rouge, within one week. With Mr. Dabadie and Mr. King abstaining, the motion carried.

Motion by Mr. Reech seconded by Mr. Burkart to have Mr. Carlton "Trey" Jones, Attorney with Roedel Parsons, file an injunction to prohibit the City of Baton Rouge from submitting overtime contributions on members that joined MPERS after the City of Baton Rouge merger date of February 26, 2000 and for MPERS to refund overpaid contributions to the City of Baton Rouge. With Mr. Dabadie and Mr. King abstaining, the motion carried.

Investment Consultant's Report:

Mr. David Barnes presented the Investment Market Update for the system. The total market value as of November 30, 2015 was \$1,770,093,423 and performance was down -0.3% for the month and down -2.7% for the fiscal year to date.

Mr. Barnes gave a presentation on the Real Estate Program and the 2016 Strategic Investment Plan. He explained MPERS' current real estate target allocation is 10% and the current plan allocation is at 10.6% which consists of two managers in the core strategies and two managers in the non-Core strategies. However, the non-core real estate funds are closed-end funds with only 0.1% of capital commitments remaining.

NEPC's long-term target sub-strategy allocation recommendations are approximately as follows and represents a decrease in the core allocation and an increase in the non-core allocation as such: 50% Core real estate, 20% Value-add real estate, 20% Opportunistic real estate and 10% Real estate debt.

NEPC's immediate recommendation is to make a \$25 million commitment to a closed-end non-core real estate fund and begin collecting dividends from Principal US Property Fund while already collecting dividends from Prudential.

Motion by Ms. Rogers seconded by Mr. Reech to approve NEPC's recommendation to commit \$25 million to a closed-end non-core real estate fund and begin collecting dividends from Principal. Without objection, the motion carried.

BNY Mellon Custody and Securities Lending:

Mr. Paul Schmidt represented BNY Mellon to present their annual report. Mr. Schmidt presented the board with a review of their services provided to MPERS and financial highlights. The annual earnings from Securities Lending for the year of 2015 was approximately \$634,000.00.

State Street Global Advisors:

Mr. David Settles represented State Street Global Advisors to present their annual report. The market value as of November 30, 2016 was \$81,085,124.

Presentation of the annual audit report:

Ms. Michelle Cunningham represented Duplantier, Hrapmann, Hogan and Maher CPA's to present the annual report for Municipal Police Employees' Retirement System for the fiscal year ended June 30, 2015.

The following financial highlights were presented as part of Management's Discussion and Analysis:

* The Municipal Police Employees' Retirement System ended the 2015 fiscal year with \$1.9 billion in net position restricted for pension benefits. This is an increase of \$6 million or 0.32% from the 2014 fiscal year, primarily due to income returns on the System's investments.

* Contributions to the plan by members and employers totaled \$110.4 million, an increase of \$2.3 million or 2.09% over the prior year. This increase is due to a net increase in the number of active plan members and an increase in the employer contribution rate.

* Fund apportioned by the Public Employees' Retirement Systems' actuarial committee from available insurance premiums tax totaled \$17.7 million, an increase of \$1.1 million or 6.47% over the prior year.

* The System experienced a net investment income in the amount of \$26.6 million during the 2015 fiscal year. This is a 91.02% decrease from net investment income of \$296.6 million during the 2014 fiscal year. The decrease was due primarily to lower market returns due to the current economic climate.

* Pension benefits paid to retirees and beneficiaries increased by \$9.4 million or 8.22%. This increase is due to larger benefits paid to new retirees.

* DROP and IBO withdrawals increased by 4.2 million or 32.29%. This increase is due to mandatory withdrawals in addition to large withdrawals during the fiscal year.

* Administrative expenses totaled \$1.4 million, an increase of 2.81%. The cost of administering the system per member during 2015 was \$120.50 per individual compared to \$118.97 per individual in 2014.

Ms. Cunningham stated the audit will include a management letter in regards to the City of Baton Rouge reporting overtime wages on participants who became members of the System subsequent to the merger on February 26, 2000. This practice is not in compliance with the law and therefore should be resolved.

Ms. Cunningham stated the audit included testing on polices and use of System's credit card and employee reimbursements with the recommendation that the board approve a credit card use policy and update travel and business reimbursement policy to include limits on spending and restriction on payment for alcohol. DHHM also recommends updating and board approving the policies and procedures manual.

Presentation of the annual actuarial valuation report:

Mr. Gary 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, 2015. 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, 2015</u>	<u>June 30, 2014</u>
Membership Census		
1) Retirees & Survivors	4,538	4,444
2) Actives	5,535	5,468
3) DROP	228	271
4) Vested Deferred	168	159
5) Terminated Due a Refund	1,320	1,272
Annual Benefits	\$128,050,009	\$118,522,277

Total Payroll	\$265,089,428	\$259,594,435
Valuation Assets	\$1,871,160,542	\$1,711,268,285
Investment Yield		
Market Value	1.4%	18.6%
Actuarial Value	10.6%	11.9%
DROP Accounts	10.1%	11.4%
Cost to Fund Annual Pension Accruals (Normal Costs)	\$48,835,622	\$43,010,879
Unfunded Actuarial Accrued Liability	\$805,312,224	\$801,359,380
Funded Ratio (AVA/Entry Age Normal Accrued Liability)	69.91%	68.11%

	Fiscal 2017	Fiscal 2016
<u>Hazardous</u>		
1) Employee Rate below poverty level	7.5%	7.5%
above poverty level	10.0%	10.0%
2) Employer Rate below poverty level	34.25%	32.0%
above poverty level	31.75%	29.5%
<u>Non-Hazardous</u>		
1) Employee Rate	8.0%	8.0%
2) Employer Rate	33.75%	31.5%
(Current Year)		
Premium Tax Allocation	\$18,605,064	\$17,704,000

Motion by Mr. Reech seconded by Mr. Greene to approve the Actuarial Valuation as of June 30, 2015 as submitted by G.S. Curran & Company, Ltd. Without objection the motion carried.

Election of Chairman and Vice Chairman for 2016:

Mr. Greene nominated Mr. Mark Huggins as Chairman for 2016. There were no further nominations.

Motion by Mr. Reech seconded by Mr. Villere to accept Mr. Mark Huggins as Chairman for 2016. Without objection the motion carried.

Mr. Reech nominated Mr. Willie Joe Greene as Vice Chairman for 2016. There were no further nominations.

Motion by Mr. Reech seconded by Mr. Normand to accept Mr. Willie Joe Greene as Vice Chairman for 2016. Without objection the motion carried.

Director's Report:

Ms. Bourque provided the Board with a list of invoices paid by the retirement system during the prior month for their review. The Board had no questions regarding any payments issued.

Chairman Huggins asked Ms. Bourque to have a draft credit card and travel policy available at the January 20, 2016 meeting for the board's review.

Other Business:

Mr. Roche informed the board that MPERS has advertised for amendment to Act 43 of the 2015 Regular Session of the Louisiana Legislature which requires employers who fully or partially terminate participation in MPERS to pay the portion of the system's unfunded accrued liability attributable to the employer's participation in the system.

Mr. Roche presented a list of securities litigation firms to be invited to participate in the system's search for a provider of these services.

Motion by Mr. Reech seconded by Mr. Greene to adjourn the meeting at 12:27 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 December 16, 2015.

Mark Huggins, Chairman

Daphne Rusk, Administrative Assistant