

MINUTES

The Board of Trustees of the Municipal Police Employees' Retirement System held a Regular Meeting on Wednesday, March 15, 2017, at 7722 Office Park Boulevard, Baton Rouge, Louisiana.

The meeting was called to order by Chairman Mark Huggins at 9:13 a.m.

Pledge of Allegiance:

Chairman Huggins led the pledge of allegiance.

Members Present:

Sgt. Mark Huggins, Chairman
Chief Scott Ford, Vice Chairman
Maj. Raymond Burkart, Jr.
Capt. (Ret.) Willie Joe Greene
Sgt. Chad King
Mayor Gerard Landry
Mr. Rick McGimsey, Div. of Administration Designee
Ms. Amy Mathews, State Treasurer Designee
Chief Dwayne Munch
Sgt. (Ret.) Larry Reech
Chief Michael Suchanek
Mayor Donald Villere

Members Absent:

Rep. Tony Bacala
Chief Carl Dabadie, Jr.
Senator Barrow Peacock

Others Present:

Ms. Kathy Bourque, Director
Ms. Daphne Rusk, Administrative Assistant
Mr. Randy Roche, General Counsel
Mr. David Barnes, NEPC
Mr. Adam Carll, NEPC
Mr. Gary Curran, Actuary
Ms. L. A. Huggins, Monroe Police Dept.
Ms. Michelle Cunningham, Auditor, DHHM
Ms. Margaret Corely, Attorney, Senate Retirement Committee
Ms. Annie Smith, Attorney, House Retirement Committee
Ms. Kelsey Rome, Secretary, Senate Retirement Committee
Mr. Michael Spitler, Pacific Asset Management
Mr. Alvin LaBorde, Oakdale Police Dept.
Ms. Celeste Pitre, Houma Police Dept.

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. Munch to approve the minutes of the meeting held February 15, 2017. Without objection the motion carried.

Approval of retirement applications:

Motion by Mr. Ford seconded by Mr. King 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>
Dowell Brenn	Gonzales	01/14/17	27.99	02
Steven Engel	New Orleans	01/16/17	19.53	03
Odis Laird	West Monroe	01/06/17	22.18	Max
Howard Malone	Shreveport	02/01/17	30.45	02
Anthony Monaco, Jr.	New Orleans	01/06/17	27.26	Max
John Nicholson, Jr.	Bossier City	01/24/17	31.06	2a

Motion by Mr. Reech seconded by Mr. Greene 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>
James Bates	New Orleans	02/22/17	30.38	Max
Wallace Cowart	Baton Rouge	03/24/17	29.00	02
James Haacker	Shreveport	04/01/17	30.17	Max
Darrell Hyde	Baton Rouge	03/24/17	29.00	2a
Danny Joffrion	Alexandria	03/01/17	25.47	Max
Christopher Johnson	Baton Rouge	03/24/17	25.74	Max
Archie Lee	Baton Rouge	03/24/17	29.00	02
John Murnane	Baton Rouge	03/24/17	29.00	3a
Joseph Sammartino, Jr.	Kenner	03/18/17	28.42	3a
Larry Stockton, Jr.	Bossier City	03/04/17	30.02	2a

Motion by Mr. Munch seconded by Mr. Burkart 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>
Robert Grant, Jr.	Shreveport	01/26/17	25.67	2a
Cary Hargrove	Abbeville	02/23/17	13.28	Max
Roy Hughes	Houma	03/30/17	17.70	Max
Matthew Litchfield	Lafayette	03/09/17	16.08	Max
Eric Richardson	Monroe	04/01/17	20.03	2a

Motion by Mr. Reech seconded by Mr. Burkart 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>
Sonia Yearling	Coushatta	02/01/17	20.03	Max

Disability Retirement:

Mr. Alvin LaBorde (Oakdale) attended the board meeting to provide information relative to his non-duty related disability application.

Motion by Mr. Reech seconded by Mr. Suchanek to approve the non-duty related disability application by Mr. Alvin LaBorde (Oakdale). Without objection the motion carried.

Ms. Celeste Pitre (Houma) attended the board meeting to provide information relative to her non-duty related disability application.

Motion by Mr. Reech seconded by Mr. Ford to approve the non-duty related disability application by Ms. Celeste Pitre (Houma). With Mr. Willie Joe Greene objecting, the motion carried.

Review of retirement date and benefits of Ms. Brenda Gann (Baton Rouge) may be discussed in executive session under the provisions of R.S. 42:17(1)

Motion by Mr. King seconded by Mr. Reech to enter into executive session at 9:18 a.m. Without objection the motion carried.

Back to regular session at 9:28 a.m.

Chairman Huggins stated that executive session was not needed and this agenda item would be discussed in open session.

Mr. King explained that Ms. Brenda Gann (Baton Rouge) ended her DROP participation early and filed for retirement through the City of Baton Rouge Employees Retirement System (CPERS), as required for certain Baton Rouge employees, with an effective retirement date of January 12, 2017. However, CPERS did not submit the required form to MPERS until January 27, 2017. MPERS marked Ms. Gann's retirement effective date as January 27, 2017. Ms. Gann is seeking the funds not received between the end of DROP participation and the beginning of her retirement benefits.

Ms. Bourque explained that MPERS has a policy dated September 9, 1975: "*Resolved that applications for retirement must be received prior to the retirement date and may not be back dated.*" For this reason, Ms. Gann's benefit date was adjusted.

Mr. King stated that other local retirement systems use the correction of administrative errors provision R.S. 11:407 to correct such administrative errors.

Ms. Mathews explained the Louisiana State Employees' Retirement System (LASERS) prepares an administrative error report from the agencies explaining their errors, then the board approves the corrections as necessary.

Mr. Villere stated this matter is an administrative error and suggested MPERS adjust Ms. Gann's retirement back to January 12, 2017 unless Mr. Roche has a legal opinion against such action. Mr. Roche believes the administrative error was committed by CPERS therefore CPERS should pay for the error. Mr. Villere stated there is no provision for such error.

Ms. Bourque stated this is a common occurrence and asked how to handle future retirement applications. Chairman Huggins stated to place this item on the April 2017 agenda for further discussion.

Motion by Mr. Villere seconded by Mr. Reech to adjust Ms. Brenda Gann's retirement date to reflect January 12, 2017 and pay her retirement benefits effective on such date. Without objection the motion carried.

Motion by Mr. King seconded by Mr. Burkart to suspend current policy regarding the effective date of retirement based on receipt of retirement application until discussed at the April 19, 2017 board meeting. Without objection the motion carried.

Investment Consultant's Report:

Mr. David Barnes represented NEPC and presented the Investment Market Update for the system. The total market value as of February 28, 2017 was \$1,888,615,602 and performance was up 1.8% for the month and up 9.3% for the fiscal year to date.

Mr. Barnes provided a memo regarding Dimensional Fund Advisors' (DFA) announcement of changes within the organization. While two of DFA's top key executives are either leaving the firm or stepping back from day-to-day management responsibilities, NEPC recommends: No Client Action.

Pacific Asset Management:

Mr. Michael Spittler represented Pacific Asset Management and presented their annual report to the board. The market value as of February 28, 2017 was \$45,532,764.

Actuary's Comments:

Mr. Gary Curran referred to his handout provided at the February 15, 2017 meeting regarding MPERS' valuation interest rate. The current rate of interest at which all future payments from the plan are discounted is 7.5%. This means that all invested funds are assumed to earn (on average over time) compound interest of 7.5% per year. If the fund earns less than this amount in the short run, contributions will rise to cover the shortfall. In the long run, a failure to earn the assumed rate of return would jeopardize the ability of the fund to pay promised benefits.

Mr. Curran explained the process in determining future expected returns involves information gathered from NEPC and other national consultants, a consensus set of values and the legislative auditor's recent recommendation report.

After compiling all of the information from multiple resources, G. S. Curran & Company recommends the board set a target assumed rate of return of 7.125 % to be achieved over a three-year time frame with a review at the end of that time period to determine whether any further reduction would be required. Further, the recommendation is to reduce the assumed rate of return by 0.175% in 2017, 0.125% in 2018 and 0.075% in 2019. This would have the following effect of immediately reducing the rate as follows:

- June 30, 2017 valuation date = 7.325%
- June 30, 2018 valuation date = 7.200%
- June 30, 2019 valuation date = 7.125%

Mr. Villere expressed his desire for the board to discuss other options such as changes in benefit structure before making any changes in the assumed rate of return.

Motion by Mr. Munch seconded by Mr. Reech to accept the recommendation by G. S. Curran & Company to lower the valuation interest rate according to the following schedule:

- June 30, 2017 valuation date = 7.325%
- June 30, 2018 valuation date = 7.200%
- June 30, 2019 valuation date = 7.125%

With Mr. Burkart, Mr. Landry and Mr. Villere objecting, the motion carried.

Chairman Huggins asked Mr. Curran to provide the board with some options to discuss benefit structure changes to help enhance the health of MPERS.

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.

Election schedules for Chief District I and II, Retiree District I and II:

<u>March 22, 2017</u>	Election Schedule, Rules and Petitions mailed to eligible voting members
<u>April 17, 2017</u>	Petitions due in the post office box of Hawthorn, Waymouth & Carroll by 4:30 p.m.
<u>April 19, 2017</u>	Nominations accepted by Board of Trustees
<u>May 3, 2017</u>	Ballots mailed to eligible voting members
<u>June 12, 2017</u>	Ballots due in the post office of Hawthorn, Waymouth & Carroll by 4:30 p.m.
<u>June 14, 2017</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>June 21, 2017</u>	Board accepts certified ballot count and publishes results
<u>July 1, 2017</u>	Elected trustee takes office

Four board members' terms are ending on June 30, 2017. All of the incumbents have declared to run for re-election. The incumbents are Chief Ford, Chief District I, Chief Munch, Chief District II, Willie Joe Greene, Retiree District I and Larry Reech, Retiree District II.

Motion by Mr. Reech seconded by Mr. Suchanek to accept the election schedules as presented for Chief District I and II, along with Retiree District I and II. Without objection the motion carried.

Discuss Audit Services:

Ms. Michelle Cunningham with Duplantier, Hrapmann, Hogan and Maher, LLP (DHMM) gave a detailed explanation of the professional accounting services provided by the firm. She described the relationship developed with the system's actuary and investment consultant. She explained that her firm is educated on the complicated GASB 67/68 standards and has extensive experience in governmental pension accounting.

Motion by Mr. Reech seconded by Mr. Munch to reconsider the ITB of auditing services. After a roll call vote, the motion failed with the following result:

Yays: Burkart, Greene, Reech

Nays: Ford, King, Landry, Mathews, McGimsey, Munch, Suchanek, Villere

Discussion of interviews for General Counsel position:

Mr. McGimsey stated that he was not in attendance for the interview of candidates for general counsel but read over the three applications and felt all of the applicants are qualified. He feels the board should prioritize on hiring an executive director before a general counsel and stated his reasons why. 1) He feels an executive director provides a certain degree of expertise and guidance that any board should want to have. 2) The board needs to improve professional staff as compared to other systems and he thinks the executive director should be in place before counsel so that this person can participate in selecting the new counsel. And considering that some of the applicants for executive director are attorneys, determine if this position may be consolidated. 3) He also stated a concern over salaries of the current applicants are almost doubled over the current general counsel so there is a significant cost increase in hiring counsel before the executive director. 4) The board originally decided to hire an executive director, advertised and accepted applications but then instead moved on to hire general counsel. He feels the board should go back to original intent to hire executive director before general counsel.

Motion by Mr. McGimsey seconded by Ms. Mathews to suspend hiring of general counsel and move forward with hiring an executive director.

Substitute motion by Mr. Munch seconded by Mr. Burkart to hire Mr. Ben Huxen as Executive Director and General Counsel. After a roll call vote, the substitute motion failed with the following result:

Yays: Greene, Munch, Reech
Nays: Burkart, Ford, King, Landry, Mathews, McGimsey, Suchanek, Villere

After a roll call vote of the original motion to suspend hiring of general counsel and move forward with hiring an executive director, the motion carried with the following result:

Yays: Burkart, Ford, King, Landry, Mathews, McGimsey, Suchanek, Villere
Nays: Greene, Munch, Reech

Other Business:

Interviews of the three applicants for executive director will be held on April 19, 2017 starting at 9:00 a.m. with the board meeting to follow.

Motion by Mr. Munch seconded by Mr. Ford to adjourn the meeting at 12:10 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 March 15, 2017.

Mark Huggins, Chairman

Daphne Rusk, Administrative Assistant