

## MINUTES

The Board of Trustees of the Municipal Police Employees' Retirement System held a Regular Meeting on Tuesday, January 20, 2009, at 7722 Office Park Boulevard, Baton Rouge, Louisiana.

The meeting was called to order by Chairman Halphen at 9:00 a.m.

### Members Present:

Chief Mike Halphen, Chairman (Bossier City)  
Sgt. Samuel Wyatt, Vice Chairman (Bossier City)  
Lt. Henry Dean (New Orleans)  
Chief K.P. Gibson (Crowley)  
Lt. Kelly Gibson (Lafayette)  
Capt. (Ret.) Willie Joe Greene (Shreveport)  
Sgt. (Ret.) Larry Reech (New Orleans)  
Chief Jeff Wesley (Denham Springs)

### 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 Zinna, Attorney  
Mr. Randy Roche, General Counsel  
Mr. Charles Hall, Actuary  
Mr. Joe Lawrence, Alliance Bernstein  
Mr. Eric Franco, Alliance Bernstein  
Ms. Lauren Bailey, Attorney, Senate Retirement Committee  
Mr. Matt Tessier, Attorney, House Retirement Committee

### Approval of minutes:

Motion by Mr. Dean seconded by Mr. Wesley to approve the minutes of the meeting held December 17, 2008. Without objection the motion carried.

### Approval of retirement applications:

Motion by Mr. Greene seconded by Mr. Wyatt 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>
John Arcement	Houma	01-16-09	20.00	Max
Edward Coulter	Baton Rouge	12-21-08	25.94	2a
Warren Cutrer	Roseland	01-01-09	26.33	2a
Phillip Firmin	Lafayette	01-23-09	14.08	Max
Tony Jowers	Shreveport	01-01-09	22.92	2a

Motion by Mr. Kelly Gibson seconded by Mr. Dean 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 Brown	Port Allen	01-01-09	25.83	Max
Thomas Buell	Mandeville	01-01-09	29.27	3a
William Landry	Gonzales	01-01-09	30.17	3a
Luster Price	Monroe	01-01-09	34.70	2a
Steven Robinson	Shreveport	01-16-09	25.13	Max
Lynne Roy	Bossier City	01-05-09	25.01	2a
Vera Ragland	Shreveport	01-01-09	25.46	Max
Stephen Villere	New Orleans	02-01-09	25.00	Max

Motion by Mr. Greene seconded by Mr. K.P. Gibson 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>
Rodney Price	Shreveport	11-16-08	27.84	2a
Jeff Smith	Baton Rouge	11-25-08	28.98	03

Custodian bank report:

Mr. Mike Gallagher represented JPMorgan Chase at the meeting.

	<u>12/31/08</u>	<u>11/30/08</u>
Alliance Capital	\$ 70,669,648.19	\$ 69,932,220.12
SKBA Capital Management	\$ .14	\$ .24
INTECH	\$ 67,164,743.11	\$ 66,768,313.48
Sterling Capital	\$ 52,053,919.29	\$ 50,123,105.69
LSV Asset Management	\$ 36,724,999.18	\$ 34,982,607.72
Pinnacle Associates Ltd	\$ 40,140,199.43	\$ 38,155,079.14
Harris Investment Management	\$ 67,646,814.49	\$ 65,620,316.65
Dimensional	<u>\$ 17,490,626.19</u>	<u>\$ 16,032,854.95</u>
Total Equity	\$351,890,950.02	\$341,614,497.99
William Blair	\$ 98,575,310.54	\$ 94,045,517.05
Pyrford	\$ 200,461.21	\$ 177,290.38
KBC	\$ 29,028,491.19	\$ 27,527,386.86
Alliance Bernstein	\$ 77,042,981.95	\$ 74,229,050.47
Batterymarch Financial Mgt.	<u>\$ 13,555,734.15</u>	<u>\$ 12,838,963.43</u>
Total International	\$ 218,402,979.04	\$208,818,208.19
State Street Bond	\$ 91,107,254.56	\$ 87,720,496.91
Post	\$ 60,911,123.12	\$ 59,324,469.50
Loomis Sayles	<u>\$116,278,945.10</u>	<u>\$108,589,274.00</u>
Total Fixed Income	\$268,297,322.78	\$255,634,240.41
Real Estate	\$ 52,933,906.06	\$ 52,933,906.06
LaSalle Real Estate Mgmt	\$ 37,051,906.39	\$ 40,643,510.84
Principal Global	\$ 92,302,336.95	\$100,544,543.51
Prudential Global	<u>\$ 21,182,449.11</u>	<u>\$ 21,182,449.11</u>
Total Real Estate	\$203,470,598.51	\$215,304,409.52

Hedge Fund	<u>\$ 21,201,849.35</u>	<u>\$ 37,938,735.54</u>
Total Hedge Fund	\$ 21,201,849.35	\$ 37,938,735.54

Cash	<u>\$ 12,827,254.85</u>	<u>\$ 197,849.33</u>
Total Cash	\$ 12,827,254.85	\$ 197,849.33

TOTAL ASSETS	\$1,076,090,954.55	\$1,059,507,940.98
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Securities Lending Report:

	<u>Fixed Income</u>	<u>Equities</u>
Current Month	\$ 12,619.81	\$ 67,052.19
Calendar Year	\$ 123,322.72	\$ 1,277,770.69

Amendment to minutes:

Motion by Mr. Reech seconded by Mr. Dean to amend the December 17, 2008 meeting minutes to include the election schedule to fill the unexpired term for Tom Buell, Chief's District II. Without objection the motion carried.

Investment consultant's report:

Mr. Dan Holmes represented Summit Strategies at the meeting.

Economic and Capital Market Highlights:

The U. S. unemployment rate rose to 7.2% in December, the highest level in almost 16 years. U.S. job growth fell by 524,000, reflecting the 12<sup>th</sup> straight month of losses. The total loss for the year has reached close to 2.6 million, just shy of the 2.75 million declines at the end of World War II.

The Fed lowered the overnight lending rate to a range between 0.0% and 0.25% in December. Yields fell across the entire curve in December with the 30-year Treasury yield declining the most, down 76 bps to 2.68%. The 10-years Treasury yield fell 71 bps to reach 2.21%. The yield spread between 2-year and 30 year Treasuries narrowed to 191 bps (previously 246 bps).

The equity markets held in positive territory for the month, but experience little relief for the year. The S&P 500 Index earned 1.1% for the month while the Nasdaq gained 2.7%. The developed international equity index, MSCI EAFE, gained 6.0%, outperforming the S&P 500 by 495 bps. For the year, developed international equity fell 43.4%, trailing the domestic market by almost 640 bps. The emerging markets reflected a significant gain of 7.8% in December, recovering all losses experienced in November. The losses in 2008 were still significant, down 53.3%. Emerging markets trailed developed countries by 995 bps in 2008.

The Fed continued its aggressive monetary policy lowering the overnight lending rate to a range of 0.0% to 0.25%, causing yields to drop and the dollar to experience a significant decline. Government bonds returned 3.4% this month, led by agencies up 3.6%. In 2008, government bonds returned the most, up 12.4%. Corporate bonds rose 6.8% as investors were drawn to the highest yields on record, but still posted as a loss of 4.9% for the year. In December, high yield bonds earned 7.7% as spreads tightened 210 bps to 17.9%. For the year, highest yield trailed the rest of the fixed income market, down a substantial 26.2%.

Invitation to bid:

Motion by Mr. Reech seconded by Mr. Greene to direct Mr. Roche to provide research for an invitation to bid for an Investment Consultant and to have Mr. Roche prepare a report of services provided, services available, differences between consultants, list of public clients, and menu pricing. Without objection the motion carried.

Hedge Fund of Fund Search:

Mr. Holmes recommended that UBP be eliminated from the Hedge Fund of Funds search due to their exposure to Madoff through a feeder fund run by Ezra Merkin.

Motion by Mr. Dean seconded by Mr. Reech to move forward and hire one or two Hedge Fund of Funds Managers.

Substitute motion by Mr. Reech seconded by Mr. Greene to have Summit update all Hedge Fund of Funds Managers performance through December 2008 before a final decision is made. Without objection the motion carried.

Energy Implementation:

In 2008, Summit began educating the System on energy as an enhancement to its Real Assets allocation (now just primarily real estate). Summit prefers allocating to energy through private energy funds and master limited partnerships (MLPs). Current common stock managers have the ability/do invest in energy common stocks. By making an allocation to Energy Opportunities Capital Management, the System is disintermediating its current common stock managers and current common stock managers do not invest in MLP's.

Mr. Holmes reiterates Summit's opposition to invest in Energy Opportunities Capital Management (Orleans/Simmons or the Fund) because they believe that they currently have better alternatives to achieve this exposure.

Motion by Mr. Dean seconded by Mr. Reech to fund Energy Opportunities immediately with \$5 million, not to exceed \$25 million. With Mr. Greene opposing the motion carried.

Portfolio Rebalancing:

Mr. Holmes made the following recommendations for rebalancing the portfolio:

- \$15 million from LSV Asset Management
- \$15 million from Sterling Capital Management
- \$ 5 million from Intech
- \$ 6 million from Post Advisory Group
- \$37 million from Loomis Sayles
- \$78 million

- \$15 million to Batterymarch Financial Management
- \$15 million to Dimensional Fund Advisors
- \$ 5 million to Energy Opportunities
- \$38 million to Alliance S&P 500 Index Fund
- \$2.5 million to LaSalle V
- \$2.5 million to Cash
- \$78 million

Motion by Mr. Dean seconded by Mr. Wyatt to rebalance the portfolio as recommended by Mr. Holmes. Without objection the motion carried.

Mr. Wesley requested that Energy Opportunities submit performance through January 2009.

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 \$70,669,325 as of December 31, 2008. The market value for the International Value Portfolio was \$76,784,254 as of December 31, 2008.

Index Portfolio performance summary as of December 31, 2008:

	<u>YTD</u>	<u>Five Years</u>	<u>Since Inception*</u>
MPERS	-36.7%	-2.1%	5.4%
S&P 500 Index	-37.0%	-2.2%	5.3%

International Portfolio performance summary as of December 31, 2008:

	<u>4<sup>th</sup>Qtr</u>	<u>One Year</u>	<u>Since Inception*</u>
MPERS	-27.0%	-51.8%	-46.9%
MSCI EAFE Index	-20.0%	-43.4%	-37.5%
MSCI EAFE Value Index	-19.8%	-44.1%	-38.9%

2009 Legislation:

Mr. Roche and Mr. Zinna advised that the 2009 session will begin April 17, 2009.

Ms. Bailey advised that the House Retirement Committee has scheduled a meeting for February 4, 2009 to discuss state and statewide system's target ratio.

February 2009 meeting:

Motion by Mr. Dean seconded by Mr. Wesley to change the February 2009 board meeting to Tuesday, February 17, 2009 because of a conflict with the LATEC conference. Without objection the motion carried.

Motion by Mr. Dean seconded by Mr. Reech to change the date to accept nominations by the board for the two elections of Chiefs District II to February 17, 2009. Without objections the motion carried.

Real Estate Update:

Mr. Halphen reported that MPERS has not received any bonus money to date from the Oil and Gas Lease at Stonebridge Golf Club.

Motion by Mr. Wyatt seconded by Mr. Dean to go into executive session to discuss litigation Gautreaux vs. MPERS at 12:10 p.m. Without objection the motion carried.

Motion by Mr. Wyatt seconded by Mr. Dean to return to regular session at 12:40 p.m. Without objection the motion carried.

Motion by Mr. Dean seconded by Mr. Reech to move the May 20, 2009 meeting from Baton Rouge to Bossier City. Without objection the motion carried.

Motion by Mr. Dean seconded by Mr. Reech to move Prudential Real Estate Investors annual presentation to the meeting that will be held in Bossier City in conjunction with the NICE tournament. Without objection the motion carried.

Motion by Mr. Dean seconded by Mr. K.P. Gibson to authorize payment of invoices totaling \$22,910.00 for repair work done at Stonebridge Golf Club. Without objection the motion carried.

Amendment to minutes:

Mr. Reech seconded by Mr. Dean to reconsider the motion previously made to amend the December 17, 2008 minutes to leave the minutes unchanged. Without objection the motion carried.

Election Schedule for Chiefs District II:

Motion by Mr. Dean seconded by Mr. Reech to adopt the election schedule for Chiefs District II as presented for the unexpired term of Chief Jeff Wesley. Without objection the motion carried.

Other Business:

Mr. Roche advised that the system is having problems with Chiefs refusing to sign disability applications. He explained that the Chiefs are not signing the application because the Chiefs are under the impression that they would be agreeing or disagreeing with the disability when in fact they are just signing the application certifying the job description and whether or not the injury was in the line of duty.

Motion by Mr. Dean seconded by Mr. K.P. Gibson to adjourn the meeting at 12:40 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, 2009.

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K.M. Halphen, Chairman

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Kathy Bourque, Director