

**HARBOR POLICE RETIREMENT SYSTEM BOARD OF TRUSTEES MEETING  
HARBOR POLICE HEADQUARTERS – ACADEMY CLASSROOM  
WEDNESDAY, JUNE 11, 2014**

TRUSTEES PRESENT:

Robert Hecker	Frank Jobert (joined meeting at 9:44 a.m.)
Kelvin Randall	Warner Tureaud
James C. Randall	Chris Bonura
Steven Dorsey	Benny Harris

ALSO PRESENT:

Patsy Kruebbe of Zenith-American Solutions, Curtis William of Gavion Investment Consulting, Randall Roche, Attorney, and Mike Conefry joined the meeting at 9:47 a.m.

1. Chief Hecker called the meeting to order at 9:35 a.m and it was determined that there was a quorum.
2. No comments from the public.
3. It was noted that Trustee Warner Tureaud's term expired on June 3, 2014. Pat Galwey recommended that Mr. Tureaud serve another 3 year term. Chief Hecker swore Mr. Tureaud in for a 3 year term.
4. Review of Minutes from April 16, 2014.

The following motion was made by Mr. James Randall and seconded by Mr. Dorsey:

MOTION: To accept the minutes from April 16, 2014 as presented.

MOTION PASSED BY 6 TRUSTEES. 1 ABSTAINED.

5. Chief Hecker thanked the Trustees who were available during the Legislative Session for their assistance. He turned it over to Mr. Roche for an explanation of HB 22 and HB 1278.

Mr. Roche indicated that HB 22 passed was the systems bill. This bill passed as the Trustees had wanted. This was a bill for the disabled child, the technical changes needed, and also had a provision in it if the other bill, HB 1278 passed, that HB 22 would become inactive (cease to exist). HB 1278 did pass and has been sent to the governor's office for his signature, and he expects it to become law. This bill incorporates provisions of HB 22 and includes merger of Harbor Police into LASERS.

The highlights of the concerns by HPRS were the disabled child provision and a provision that would protect Mr. Tureaud's benefits as a HPRS Retiree from losing this benefit as he is now employed in a position that is covered by LASERS. The bill provides that all employees hired after July 1, 2014 become members of the LASERS Hazardous Duty Program, and effective July 1, 2015 the merger will take place. The Cooperative Endeavor Agreement (CEA) is to be approved by October 15, 2014. This is the agreement between the Port Retirement System and LASERS whereby the unfunded liabilities be paid to LASERS to pay off the debt owed to the HPRS. This is to be done within 5 years. Thereafter the Port will contribute to the LASERS at the required contribution rate for LASERS. All benefits for Harbor Police System are preserved. The Port must agree to the CEA as they are promising to make the system whole.

Mr. Kelvin Randall questioned if someone who completed DROP but continued to work could buy into LASERS. Mr. Roche indicated that is prohibited.

Chief Hecker said that Mike Orlesh had been invited to attend this meeting but he had a conflict. He did, however, send an e-mail saying that HB 1278 had passed and was waiting for governor signature, and that they were working on a final version of the CEA. This agreement should come to this Board via Mr. Roche. After Mr. Roche reviews it, he will present it to the Board. There must be a meeting of this Board before October as it must be approved by LASERS, Port Commissioners and this Board before October 15.

Chief Hecker discussed that until this System is officially dissolved, the Trustees are still required to follow the laws that govern the Board, specifically the requirements for their education credits as they currently stand. They must also continue to complete their financial disclosure next May, and Mr. Roche indicated they will still be required to fill out a financial disclosure for one year after the System is no longer in existence. That will be until July 1, 2016.

There was discussion on the transition period from HPRS to merger with LASERS. The Trustees will continue to meet, continue to have investment reviews. Mr. Roche indicated most of the transition material for investments will go through Mr. Williams but Argent will also be involved. Zenith will still be involved because they keep the records. This will continue until the CEA is finalized.

Mr. Williams indicated that almost all of HPRS investments can be liquidated within a week or less of June 30, 2015. The only two problems there might be would be Americus and Commonwealth. Mr. Roche said the LASERS may just take this portfolio. This will be addressed in the CEA. Mr. Williams said he will of course be available to help out in any whatever manner is required.

The following motion was made by Mr. James Randall and seconded by Mr. Harris:

MOTION: To accept Mr. Roche's report on the final passage of HB 22 and HB 1278.

MOTION PASSED BY 7 TRUSTEES. ONE ABSENT

6. Report by Curtis Williams of Gavion Investment – Mr. Williams passed out Investment Performance Analysis for Period Ended March 31, 2014; Monthly Preliminary Performance Analysis for Period Ended April 30, 2014, and Convertible Bonds Mutual Fund Presentation June 2014.

The Investment Performance Analysis indicates they are not out of compliance anywhere. The report includes Equity Manager evaluations as well as Fixed Income Managers. He also pointed out the 3-year annualized return vs. annualized standard deviation; and the executive summary. The Fund is up 1.7% for the quarter, equity managers up 1.5%, Thornburg was exceptional, up over 4% for the quarter. Mr. Jobert asked if he had a fiscal year to date total. It was up 13% year to date as of April 30. Sands Capital outperformed the index by 10 basis points. Vanguard 500 Index Fund is up just under 2%, Healthcare was up 6%, Utilities were up 9% for the first quarter. Orleans Capital Management had a good quarter but trailed relative to the benchmark. Energy strategy up 2.5%, behind the index about .5%. Small Cap Value Manager was down about .5% but still up about 22.5% over the trailing 1-year.

Fixed Income did very well, up 2.5%. High spots were MFS, up 3%; Brandywine was up 4.5%.

Referring to Alternatives, Ironwood had a very good quarter, up 2.1%; Americus was down 20 basis points; the remaining \$122,631 in Equitas should be paid out in July or August, but he did not have an exact date.

There was discussion on interpretation of Americus' notice of foreclosure. Mr. Williams was not with the Fund at the time the decision was made to invest in this real estate venture, but he said he expressed concern to the consultant at the time. The problem occurred when the re-appraisal of the property was made. Mr. Williams was not advised when the initial foreclosure proceedings began but doesn't know if the original consultant was advised. Mr. Williams said he would like for them to come in and talk with the Board, but Mr. Roche said he feels that the people who originally dealt with the Board are no longer there. There is a possibility that HPRS will get nothing from this investment.

Mr. Jobert asked Mr. Williams how long Equitas will hold the \$122,631. Mr. Williams indicated they are in the process of finishing up their annual audit of the fund now; expecting to be completed by June 30, 2014. This money is not currently being invested.

On the Cash Flow Summary for Fiscal YTD Ending March 31, 2014, the Fund has made \$1.3 million over that time period. It is slightly more with funds through April.

Mr. Williams gave an update on Commonwealth. They sent an e-mail indicating they have discontinued sending out statements and have not been communicating with Gavion at all. He has been unable to get information at all from them. The market value indicated on this report is as of the last statement received by Gavion, which was June 30, 2013. Their notice indicated that as of December 2013 they had distributed the majority of their remaining assets to investors. Gavion has received nothing at all from them. Chief Hecker indicated he also had received nothing. Chief Hecker said the Board had taken a position with them and wanted to know if that would deter the Fund from getting distributions from them. Mr. Roche indicated this should not have. Mr. Williams said he would follow up with them after the meeting to get information from them. The correspondence wasn't actually from Commonwealth, but the group appointed by the bankruptcy court, Delta Advisors Ltd.

Mr. Curtis touched on an update from April 2013 preliminary report. They are up 10 basis points for the month. Growth, Small Cap, and Mid-Cap did not do well, but Thornburg Global Value was up another 2.5%, Orleans Strategic Dividend outperformed, Fixed Income continued to do well, up just under 1%, and Alternatives were down about 20 basis points. They still have not received anything from Americus as they only send out quarterly statements. They had added Ivy Asset Strategy Fund on April 30, 2014, and it performed well, up 1.5% in May.

The following motion was made by Mr. Jobert and seconded by Mr. Tureaud:

MOTION: To accept the investment report from Curtis Williams of Gavion as presented.

MOTION PASSED UNANIMOUSLY

A. Recommendation from Investment Committee Presented by Mr. Jobert

Mr. Jobert reviewed the original vote to place money with Allianz. However, they incurred a problem with their ability to purchase through Argent. This was discussed within the Investment Committee and

Mr. Williams, and Mr. Williams had a couple of other suggestions. As the Board had asked that he stay with Convertible Bond Strategy as this is what the Board had originally voted to approve.

Mr. Williams said the other two Funds he previously reviewed were Fidelity and Franklin Convertible Securities Mutual Fund. He went back to Argent to see if they could actually purchase Franklin and was advised they could not as this System does not have enough in an Omnibus account to meet their minimum requirement. Fidelity was the least expensive of the three former recommendations. It also had very good performance. In 10 of the past 15 years they have outperformed this Fund's actuarial assumption of 7%. He pointed out that this particular Strategy is going to have a little more standard deviation than the index, but this not always a bad thing. The important thing is that their returns are mostly consistently above the index. Mr. Williams is recommending the Board accept this and place it in Alternatives as this a hybrid of Fixed Income and Equities.

Mr. Tureaud asked, given where the System is now with the merger coming, if the Board should be re-thinking their strategy at all knowing that they want to go into this merger as strong as possible, and whatever isn't made, the Port will have to pay it back. Mr. Williams indicated that he would still make this recommendation based on the projections for Convertible Bonds. He does not foresee a recession. Chief Hecker verified with Mr. Williams that regardless of the merger, this is a prudent investment, the best that he could find in what is available to this Fund in this category. There is \$368,000 which is currently earning nothing. Mr. Jobert asked if this could be put in the S&P 500 Fund. Mr. Williams indicated that is up to the Trustees, but it is a completely different direction than previously approved. Mr. Bonura asked if maybe they should possibly discuss the matter with the Board of Commissioners of the Port of New Orleans as they are responsible for funding this by 100%, to determine their preference.

There was additional discussion on amount that should be kept into cash for payment of expenses and benefits. Chief Hecker indicated he felt it shouldn't be necessary to keep more than about \$150,000 in cash and that the extra \$368,000 is sitting in that account also. Mr. Williams indicated if that full amount was removed, it would leave about \$127,000. He recommended they move \$350,000 from cash. He had no problem with moving the money to the S&P 500 Fund if that is what the Committee wants to do, but reminded Mr. Jobert that the Convertible Bond Strategy has been more than S&P 500 over the 15 years. Mr. Jobert said he may not have meant to necessarily move to S&P 500 but some other place where they were already invested and spread the \$350,000 among the existing managers; just the possibility of re-thinking Convertibles, given the current investment horizon. Mr. Turead said his main concern is to protect the capital. Chief Hecker indicated he would ask Mr. Williams take a few minutes to review the possibility of spreading the money around existing investments while he continued with the agenda. The matter was tabled.

7. Retirement Benefit Issue from Argent Bank.

The Board received correspondence from Lucius McGeehee of Argent Bank including a letter from State Street Bank pertaining to a mishap in the benefit payments that occurred at the end of May 2014. Mr. McGeehee attended to the problem as soon as they became aware to correct it. This is the first problem regarding payment of benefits and it was not Argent's fault, but rather the new bank they were utilizing. The payments have been made and any fees incurred have been taken care of. Mr. James Randall indicated he has dealt with Ms. Holmes at the bank and Ms. Kruebbe said she felt all the problems have been rectified. Chief Hecker will contact Mr. McGeehee to advise him that the matter has been discussed and there is no problem.

8. Personnel Actions

A. Joseph Cook was recently hired as a new officer who has graduated the Academy. He will probably be the last new hire before the System moves into the Hazardous Duty Plan.

B. Sergeant Deidre Trevigne has entered into DROP effective June 2, 2014 under Option 3A and Mr. Conefry has finalized the benefit payment.

There was additional discussion on the 300 hours annual leave which was previously understood as being required to leave in their account when entering DROP. This is not a requirement and each individual is responsible for keeping up with their own leave time.

9. Education Credits – Ms. Kruebbe provided each Trustees with an update on their required Education Credit. They have until the end of August 2014 to make sure they have all the required credit. Ms. Kriebbe also provided each Trustee with the amounts they have used toward their Travel Allowances.

10. Recognition of Representative Kevin Pearson. Chief feels that he did a good job representing this Fund. Chief Hecker will write him a letter thanking him for assistance and for sponsoring the necessity bills.

11. Old Business

A. COLA for Retirees presented by Mr. Jobert. This matter had been deferred at the meeting in December 2013 to the conclusion of the Legislative Session at which point they would know if the State systems, including LASERS, were giving COLAs to their retirees and the status of the merger and what effect the COLA discussion might have on that legislation. Three other systems were able to have a COLA bill through the legislative process for 1.5%. The State Police system has a provision that allows for a supplemental benefit of 2% in addition to the 1.5% for anyone over the age of 65, which is similar to the way the HPRS COLA mechanism is designed. Mr. Jobert asked Mr. Conefry to prepare different scenarios, one showing 1.5% and another with the 1.5% / 3.5% maximums. Mr. Jobert indicates that after joining the LASERS, the current legislations that govern that system automatically precludes getting a COLA next year, which means if one is not granted to the HPRS retirees this year, they cannot get one under LASERS next year under the law. Mr. Jobert recommends that the Trustees grant a COLA for 2014.

Mr. Jobert expressed his concern regarding the inability to grant a retroactive COLA. Under the current language, a retroactive cannot be approved. However, there was discussion that the actual motion was made in December 2013 but was deferred. Therefore, it would not actually be a retroactive benefit.

Chief Hecker referred to Mr. Conefry's letter dated June 11, 2014 (Exhibit I) with Alternative I and Alternative 2. Mr. Conefry indicated that Alternative 1 actually reflects his calculations at 1.5% and 3.5% (not 3%) and the date indicated should be 1/1/2014 and the dollar amounts would be slightly different. The monthly benefit indicated would be approximately the same, but the present value would be reduced to approximately \$170,000.

Mr. Roche advised that if someone who was on the prevailing side that the motion to defer the COLA makes a motion today to reconsider the vote by which the motion passed to defer, that item may be brought up in discussion again and voted on again. That can make it effective at the end of 2013 so that the benefit can be made effective January 1, 2014.

The following motion was made by Mr. James Randall and seconded by Mr. Harris:

MOTION: To reconsider the vote by which the motion to defer the COLA was passed at the December 12, 2013 meeting.

MOTION PASSED UNANIMOUSLY.

The following motion was made by Mr. Jobert and seconded by Mr. Harris:

MOTION: To give a 1.5% COLA to all eligible retirees and beneficiaries and an additional 2% supplement for those eligible retirees and beneficiaries 65 and over resulting in a 3.5% COLA for those 65 and over, effective January 1, 2014.

MOTION PASSED UNANIMOUSLY

B. Approval of Invoice from Randall Roche.

The following motion was made by Mr. Tureaud and seconded by Mr. James Randall:

MOTION: To approve the invoice for services rendered by Randall Roche for the 2014 Legislative Package in the amount of \$2150.00.

MOTION PASSED UNANIMOUSLY

C. Approval of agreement with Wolf Haldenstein as additional securities litigation firm as proposed at previous meeting.

Chief Hecker expressed his opinion on the matter. Even though there is no additional cost for this service, it is additional work on his part, completing forms, and Argent has to open their books and facilitate those records. He's not sure that it is appropriate to do so at this time, but he will defer to the other Trustee opinions. There are currently 4 other firms rendering these services. One of them is Kahn, Swik, and Foti who have provided nothing to HPRS since they were approved.

The following motion was made by Mr. Jobert and seconded by Mr. Turead:

MOTION: To remove Kahn, Swik, and Foti from the HPRS litigation firms by cancelling the agreement.

MOTION PASSED WITH 7 VOTES. 1 AGAINST

The following motion was made by Mr. Jobert and seconded by Mr. Tureaud:

MOTION: To consummate the agreement with Wolf Haldenstein as an additional securities litigation firm for the HPRS.

MOTION PASSED WITH 7 VOTES. 1 AGAINST.

Return to Item 6 – Recommendations by Mr. Williams

Mr. Williams recommends that they remove \$300,000 out of cash, leaving \$195,000 in the account. He recommends adding \$150,000 to Thornburg Global Opportunities, \$75,000 to Vanguard Index Fund, and \$75,000 to Scout. That will equal weight Vanguard, Thornburg and Sands.

The following motion was made by Mr. Jobert and seconded by Mr. Turead:

MOTION: To redeploy \$300,000 from cash by adding \$150,000 to Thornburg Global Opportunitives, \$75,000 to Vanguard Index Fund, and \$75,000 to Scout Mid-Cap Fund.

MOTION PASSED UNANIMOUSLY

12. New Business

A. Douglas Toro wanted to know how much it would cost for him to purchase military credit. Ms. Kruebbe said he had been given that figure but it probably has changed by now. She will pull his file and get with Mr. Conefry for any additional interest required for the purchase.

13. LATEC News – Frank Jobert

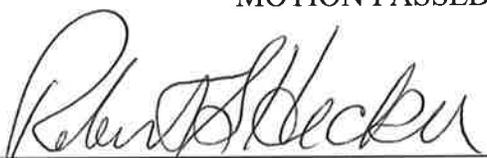
LATEC is shut down for July and August. He will be sending out the educational credits to the appropriate parties. The next LATEC meeting is scheduled for the first Thursday in September 2014.

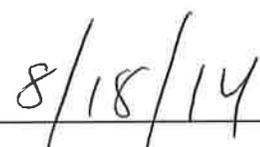
14. Scheduling of next meeting is being deferred until the CEA can be reviewed as a group. This will be sent out to the Trustees in advance of scheduling the meeting.

15. The following motion was made by Mr. Tureaud and seconded by Mr. Jobert:

MOTION: To adjourn meeting.

MOTION PASSED UNANIMOUSLY

  
\_\_\_\_\_  
Robert Hecker

  
\_\_\_\_\_  
Date

  
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Patsy Kruebbe, Administrative Office  
(Transcribed by Linda Stern)

  
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Date