

Municipal Police Employees' Retirement System
Minutes of the Meeting of the Board of Trustees
June 22, 2022

The Board of Trustees of the Municipal Police Employees' Retirement System held a Regular Meeting Regarding COLA Consideration on Wednesday, June 22, 2022.

A. Call to Order

The meeting was called to order by Chairman G. Scott Ford at 9:11 a.m.

B. Pledge of Allegiance.

Mr. Chad King led the Pledge of Allegiance.

C. Roll Call

Members Present

Maj. Raymond Burkart, Jr
Mayor Greg Cromer
Chief G. Scott Ford, Chairman
Maj (Retired) Kelly Gibson
Chief Michael Glaser
Mayor Gerard Landry
Ms. Amy Mathews, State Treasurer Designee
Chief Dwayne Munch
Sgt. (Retired) Larry Reech
Lt. Tyrone Warren
Chief Christopher Wilrye

Members Absent

Rep. Tony Bacala
Asst. Chief Jason DiMarco
Senator Bob Hensgens
Mr. Rick McGimsey, Commissioner of Administration Designee

Others Present

Mr. Benjamin Huxen II, MPERS Executive Director and General Counsel
Ms. Ashlee McNeely
Ms. Melissa Frazier, MPERS, Benefits Administrator
Ms. Taylor Camp, MPERS, Chief Financial Officer
Ms. Emily Thurston, MPERS, Accountant
Mr. Greg Curran, G.S. Curran & Co, Consulting Actuary
Mr. Rhett Humphreys (Remotely attended)
Mr. Kenny Herbold (Remotely attended)
Media

Members of the Public Present

Mr. Chad King, Board Member elect

Mr. William Roth, Retired NOPD Officer
Mr. Christopher Landry, Retired NOPD Officer
Mr. Gary Gremillon
Mr. David Tregre
Mr. John Riviere
Mr. Michael Sposito
Mr. Jean Beckemeyer
Mr. Robert O'Brien Sr.
Mr. Peter Menkiewicz
Mr. Mark Willow
Ms. Cynthia Watermeier
Ms. Wallace Lore

D. Public Comment

Mr. Ford called for public comments. There were public comments from Mr. Chad King, Mr. William Roth, and Mr. Christopher Landry.

Mr. Chad King stated that he was pleased to be rejoining the MPERS Board of Trustees after his recent election as a retired representative and asked the Board to grant retirees the available COLA given the recent year of high inflation. He recognized Mr. Reech for his service to the Board.

Mr. William Roth stated that he was retired from the New Orleans Police Department (NOPD) and that he agreed with Mr. King that retirees deserve a COLA. He stated that he has been retired since 1995 and has averaged a \$21.50 raise since retiring. He requested the 3% COLA.

Mr. Christopher Landry stated that he was retired from the New Orleans Police Department (NOPD) and that he was the 1st Vice President of the FOP Crescent City. He stated that he supported the 3% COLA raise and stated that he had defended the Board of Trustees in past years where retirees did not have all the facts, but he added that he could not defend the Board if they did not grant a COLA at this time.

Ms. Emily Thurston read the names of other members present but not asking to address the board.

E. Approval of the May 18, 2022, Board Meeting Minutes

Motion by Mr. Landry, seconded by Mr. Reech, to approve the minutes of the meeting held May 18, 2022. Without objection, the motion carried.

F. New Business

1. Discussion and Action Regarding the Acceptance of Nominations for the Following Trustee Positions:

a. Chiefs District II (Full Term)

Chief Bergeron, Hammond PD

b. Chiefs District II (Term Expiring June 30, 2023)

Chief Munch, Westwego PD

Mr. Ford explained that the only nominations received were for Chief Bergeron and Chief Munch and stated that Mr. Huxen reported that all requirements have been met.

Motion by Mr. Gibson, seconded by Mr. Burkart, to accept the nomination of Chief Edwin Bergeron, Jr. for the Chiefs District II (Full Term) Trustee position. Without objection, the motion carried.

Motion by Mr. Glaser, seconded by Mr. Reech, to accept the nomination of Chief Dwayne Munch for the Chiefs District II (Term through June 30, 2023) Trustee position. Without objection, the motion carried.

2. NEPC Report on Investments (Qualifies as Investment Training)

Mr. Rhett Humphreys reviewed the presentation "Monthly Performance Report." Mr. Humphreys updated the Board of Trustees on the recent investment market environment and stated that inflation was key theme in the portfolio. He discussed MPERS returns for the month of May 2022. He informed the Board that the total fund composite return for the month of May 2022 was 0.6% and that given this return for May, the fiscal year to date return for MPERS was -5.0%. Mr. Humphreys discussed manager returns as well as benchmark returns. He highlighted that the MPERS Bond investments outperformed the index by almost 1.5%. He stated that NEPC had no concerns about managers in the portfolio at this time.

Ms. Amy Matthews asked Mr. Humphreys if it was time to sell some of the plan's real estate investments. Mr. Humphreys stated that real estate had been roaring so it could be used in the future to rebalance since it is richly priced.

3. Executive Director & General Counsel Comments

a. Update on Delinquent Municipalities

Mr. Huxen mentioned that the delinquent municipality list had not changed since the prior meeting. The list includes Killian, Moreauville, Port Barre, and Stonewall.

4. Actuarial Comments, Including but Not Limited To, Discussion and Action Regarding the Possible Granting of a Cost-Of-Living Increase Authorized by R.S. 11:2225(A)(7)(b) (Qualifies as Actuarial Science Education)

a. Inflation Assumption Memorandum:

Mr. Curran addressed his Inflation Assumption Memorandum. He stated that the memorandum focuses on how G.S. Curran & Company plans to deal with inflation and reviewed how the firm had addressed it in the past. Mr. Curran stated that he did not recommend changing the reasonable range for inflation based on a survey of professional economists and financial forecasters. He stated that given the large swing in recent inflation, he believed it was appropriate to make no changes. He reviewed statements included in the firm's 2020 memorandum on inflation where he expressed concerns that central banks may not be able to control inflation in all environments and warned of recency bias.

Mr. Curran stated that the Cleveland Federal Reserve publishes a 30-year expected inflation number each month. The expectation in February 2020 was 2.03% and in May 2022 was 2.44%. He added that this change represented recency bias as the FED significantly increased their 30-year inflation rate assumption after a short-term increase in inflation. He finished by stating that he felt the prudent thing to do was to not overreact to recent news.

b. Setting the Valuation Interest Rate for Fiscal 2022 Valuation:

Mr. Curran then addressed his June 22, 2022, letter related to setting the valuation interest rate. He stated that the current employer contribution rate is 31.25% for Fiscal Year 2023 (July 1, 2022, through June 30, 2023) and that any change in the valuation interest rate used in the Fiscal 2022 valuation would affect the employer contribution rate beginning July 1, 2023. He added that it was important to consider other items that might impact employer costs and to consider the changes already made. Mr. Curran discussed a number of items that can impact the required employer contributions, such as assumption changes, investment experience, liability experience, contribution experience, the impact of changes in plan payroll on UAL payments as a % of payroll, and the impact of Insurance Premium Taxes and Administrative Expenses. After he provided his best estimate of the impact of these items, he reviewed the 2022 update to the

reasonable range for the valuation interest rate. He stated that the current assumption of 6.75% is within the updated reasonable range of 6.00% to 7.19% and added that there was not a strong case for further lowering the valuation interest rate.

c. Making a Decision Related to Granting a COLA Effective July 1, 2022:

Mr. Curran reviewed the legislation passed in the 2022 Regular Session that was signed by the Governor on June 10, 2022. House Bill 21 changed the way MPERS may provide cost-of-living increases following July 1, 2022. He added that MPERS would only be allowed to pay future COLAs if it collects employer contributions above the minimum recommended net direct employer contribution rate. Any additional contributions collected to fund COLAs would be deposited into the system's Funding Deposit Account.

Mr. Curran stated that pursuant to the June 30, 2021 actuarial valuation, the Board may elect to grant its last ad hoc COLA under the previous statutes. He reviewed the laws related to the rules to qualify for a COLA and provided an estimated cost. The cost estimate for a 2% COLA for those retired 1 full year was \$31,480,981 which would increase employer costs by 1.08% of payroll and for a 3% COLA was \$47,221,459, or 1.62% of payroll.

Mr. Curran provided the Board with his best estimate of the likely increase in the employer contribution rate for Fiscal 2023, stating that negative investment returns, potential salary increases, and lower overall payroll could cause increases in plan costs. The Board also discussed added future costs for funding future COLAs under the new statute.

After extensive Board discussion about the cost of COLAs, recent inflation, and expected employer costs, a motion was made by Mr. Reech, seconded by Mr. Burkart to provide the system's retirees and survivors who qualify under R.S. 11:2225(A)(7)(b) a 3% cost-of-living increase as of July 1, 2022. Without objection, the motion carried.

G. Other Business


There was no other business to come before the board.

H. Adjourn

A motion was made by Mr. Reech, seconded by Mr. Landry, to adjourn the meeting at 10:49 a.m. Without objection, the motion carried.

Next Meeting Date: August 17, 2022. Baton Rouge, LA.

To the best of my knowledge, the foregoing minutes accurately represent the actions taken at the meeting held on June 22, 2022.



G. Scott Ford, Chairman



Ben Huxen,
Executive Director and General Counsel