

Minutes of the Meeting of the Board of Trustees
October 19, 2022

The Board of Trustees of the Municipal Police Employees' Retirement System held a Regular Meeting on Wednesday, October 19, 2022.

A. Call to Order

The meeting was called to order by Vice Chairman Chad King at 9:50 a.m. Mr. King asked that the Board observe a moment of silence for the passing of Chief Al Gibson.

B. Pledge of Allegiance.

Mr. Huxen led the Pledge of Allegiance.

C. Roll Call

Members Present

Rep. Tony Bacala
Chief Edwin Bergeron, Jr.
Maj. Raymond Burkart, Jr.
Asst. Chief Jason DiMarco
Maj (Retired) Kelly Gibson
Lt. (Retired) Chad King
Mayor Gerard Landry
Ms. Amy Mathews, State Treasurer Designee
Mr. Rick McGimsey, Commissioner of Administration Designee
Lt. Tyrone Warren
Chief Christopher Wilrye

Members Absent

Mayor Greg Cromer
Senator Bob Hensgens
Chief Dwayne Munch

Others Present

Mr. Benjamin Huxen II, MPERS, Executive Director and General Counsel
Ms. Taylor Camp, MPERS, Chief Financial Officer
Ms. Emily Thurston, MPERS, Accountant
Mr. Greg Curran, Curran Actuarial Consulting, Consulting Actuary
Mr. David Barnes, NEPC, Investment Consultant
Ms. Sheri Morris, Daigle, Fisse & Kessenich Law Firm, Outside Counsel
Mr. Wallace Lore, NOPD Retiree
Mr. Jean Beckemeyer, NOPD retiree
Mr. Joey David, Attorney (HOR)
Ms. Alana Perrin, Attorney (S)

D. Public Comment

Mr. King called for public comments. There were no public comments.

E. Approval of the June 22, 2022 Board Meeting Minutes

Motion by Mr. Wilrye, seconded by Ms. Matthews, to approve the minutes of the meeting held August 17, 2022. Without objection, the motion carried.

F. Reports of Committees

1. Discussion and Action Regarding Report and Recommendations of the Human Resources and Governance Committee.

Ms. Amy Matthews reported to the board about the HR and Governance Committee meeting that took place before the board meeting.

Ms. Matthews reviewed the motions approved by the committee. First, the committee approved minutes for its prior meeting. Second, the committee adopted a motion recommending that the Board adopt a draft of the finance and risk committee charter which will set up the audit committee. Ms. Matthews asked for volunteers for this committee. She then reviewed the committee's approval to propose that the board authorize the Executive Director and General Counsel to enter into a contract with GGA with proposed cost of around \$65,000 to be spread over two fiscal years. She stated that this contract would provide further guidance for the Board in governance.

Motion by Ms. Matthews and second by Mr. Gibson to adopt the recommendations of the HR and Governance Committee. Without objection, the motion carried.

G. New Business

1. Discussion and Action Regarding Nominations for Board Chair for the Calendar Year 2023

Mr. Chad King informed the Board that Chairman Ford had retired with MPERS from the St. Francisville Police Department. He stated that they wished Chairman Ford the best and added that he served on the Board for nine years with over one-half of that time serving as Board Chair.

Due to his retirement, the Board of Trustees needed to choose a new Board Chair. Mr. King opened the floor for nominations. Mr. Ray Burkart nominated Chad King for Board Chair for Calendar Year 2023.

Motion by Mr. Burkart, seconded by Mr. Wilrye, to approve the nomination of Mr. Chad King as Board Chair for calendar year 2023. Without objection, the motion carried.

2. Discussion and Action Regarding Nominations for Board Vice-Chair for the Remainder of Calendar Year 2022 and the Entire Calendar Year 2023

Chairman King opened nominations for Board Vice-Chair. Mr. Burkart nominated Chief Wilrye for Vice-Chair for the remainder of calendar year 2022 and the entire calendar year of 2023.

Motion by Mr. Burkart, seconded by Mr. DiMarco, to approve the 2022/2023 Board Vice-Chair nomination of Mr. Wilrye. Without objection, the motion carried.

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

Mr. David Barnes stated that he had a flash report for September to review. He stated that although it was mostly negative news, markets through October 18th were back up. He stated that August CPI was up 0.1% with 8.3% CPI year over year. He added that energy costs were down but that was more than offset by increases in food and shelter costs. The Federal Reserve Bank on September 22nd raised the Fed Funds Rate by 0.75% pushing the target rate to 3.25%. A survey of Fed officials finds that the Federal Reserve Bank target rate is expected to reach a top range of 4.5% by the end of 2022 and to peak at 4.75% in 2023. Therefore, Mr. Barnes stated that the Fed was expected to approve a 0.75% rate hike at the November 2nd meeting, a 0.50% rate hike at the December meeting, and a 0.25% rate hike in early 2023.

Mr. Barnes stated that most of the economic data through September has been the opposite of what the Fed is trying to accomplish. Mr. Barnes discussed the Atlanta Federal Reserve forecasts of 2.4% GDP growth for 3rd quarter. Unemployment was reported in early October falling to 3.5%. He stated that at any other time, the market would celebrate this news. In this market, as the Fed is trying to raise interest rates to reduce economic output, the job market remaining strong caused the market to tumble based on the fear that the Fed may have to do more. Mr. Barnes stated that there is typically a lag effect from Fed interest rate increases. Recent reports on company earnings have shown a majority beating expectations. Outside of the U.S., Europe is still in an energy crisis with an increase in energy cost

representing about 40% of German inflation. With OPEC cuts, the energy crisis will not end any time soon.

Mr. Barnes reviewed asset class returns for September. He stated that other than having money in cash, investors lost value. He discussed how the overall portfolio performed. He mentioned that seeing these negative numbers is never enjoyable, but there is some good news for the board. The portfolio finished the month of September with a market value of \$2,283,000,000 after net losses of about \$151.8 million for the month of September. The rate of return for the month of September in the portfolio was -6.2%. However, if you compare that to the total fund allocation index at -6.6%, the system's managers preserved value as they saved the system about \$12.2 million. For the 1st quarter of fiscal 2023, the portfolio is down roughly 4.5%.

The equity portfolio was in line with the global benchmark. Mr. Barnes stated that NEPC would be watching the markets closely but at this time does not recommend that clients rebalance back into equities given the continued Federal Reserve policies which produce uncertainty and volatility. When the Fed's opportunity to pivot occurs, the opportunity to rebalance will be better.

In the MPERS portfolio, a portion previously allocated to the S&P 500 was moved into the Russell 1000 Value index. This move preserved value in September and outperformed so far in October. Small cap investments matched their indexes. Through October 18th, small cap stocks were up more than the large cap markets with returns of 5.5% for the month as of the prior day. The international equity portfolio was down about 9.2%. The managers did outperform their index. A move earlier in the year to rebalance from an overweight to growth by taking away from the international growth manager and adding to the value manager had worked well, with value outperforming.

The emerging markets portfolio performed generally in line with the broad emerging markets index. The bond portfolio preserved a little value. A prior move to split the high yield portfolio between high yield bonds and bank loans has benefited the system. High yield bank loans are senior, secured by the assets of the companies, and typically have adjustable interest rates. In an increasing rate environment like now, the interest rate being paid is adjusting. The system added high yield loans as a cushion in a rising rate environment and this has preserved value.

Even with the negative values shown in this monthly report, Mr. Barnes pointed out that the managers are preserving value that would be otherwise lost. He stated that the more the managers save in the down markets the more funds they will have to invest when the market goes up.

Representative Bacala asked if it would be likely or unlikely that the system would come close to their targets this year. Mr. Barnes stated that it was really tough to say because of how volatile the market is at the moment. He stated that the stock market is a leading indicator and if data comes through suggesting that the Federal Reserve may be able to pivot by June 30th, we could see a fairly significant correction.

Representative Bacala also asked about potential impacts on employer contributions. Mayor Landry also commented. They discussed the need to project impacts to provide cities with some idea of expected costs and discussed the timing of employer contribution rate changes.

4. Actuarial Comments (Qualifies as Actuarial Science Education)

Mr. Curran commented that his office was working on the actuarial valuation. With a known investment loss during fiscal 2022 of approximately 10.3%, he estimated that the employer rate would increase by about 1.4% from investments with other items also affecting costs. He mentioned that even with smoothing if the next year was also bad it would pile up and make the employer rate go up even more. He stated that when the valuation is presented at an upcoming meeting, he would have greater details to share related to cost projections.

Representative Bacala asked when it would be appropriate to give the mayors an early indication from the board of what the rates are likely to be so that they could consider this in their budget process, as well as how the Board could make sure that all the mayors are aware that there may be an increase in employer rates. Mr. Huxen said that the earliest they would be able to let the mayors know would be December. He stated that the system would put out a publication to the mayors. Ms. Camp stated that the publication would also be on the MPERS website. There was a discussion about the timing of the PRSAC meeting where the valuation would be accepted. Mr. Curran stated that typically PRSAC met for the statewide systems in February.

Mr. Curran stated that even if the system met its assumed rate of return in fiscal 2023, the employer rate could increase by another 2% in the following valuation. He stated that the system needed to have investment gains to avoid such an increase. Mr. Curran stated that he had other concerns, like lower plan payroll and liability experience from things like higher-than-expected pay increases to keep officers.

Chief Bergeron discussed his concerns about the vicious cycle between higher costs and the potential loss of members.

Mr. Curran mentioned that the previously approved COLA will have an impact on the costs contained in the upcoming valuation. Mayor Landry asked if there is a plan in place to make sure that COLAs are available. Mr. Curran answered that there was legislation that says that COLAs will not be paid unless employers put money aside to prefund them. He stated that the statute gives MPERS the right as a board to decide whether it is appropriate to put money aside. There will be a yearly discussion starting this year on whether the Board wants to require employers to pay up to 0.85% more than the minimum to fund future COLAs.

Mayor Landry stated that unfunded liabilities were a big burden that the employers must carry and asked whether they are looking at thirteen to fourteen years of UAL payments. Mr. Curran stated that UAL costs were set to go down significantly in twelve years.

Mr. Burkhardt asked if there was any thought to look for another funding source. There was a discussion on looking at what other systems receive as a revenue source. Mr. Huxen agreed to look at other systems. Mr. Burkhardt suggested that in the coming two years the Board should explore options.

Mr. Huxen stated that the Board would have a Legislative Committee meeting in December. Mr. Curran stated that the committee might want to discuss additional amendments to the partial dissolution law. Mayor Landry stated that the law was like a penalty to a mayor thinking of shrinking the size of their department. Mr. Curran stated that the law did not protect MPERS as much as it protected one department from another. Mr. Curran stated that current rules did not really affect the mid-sized employers in the same way they affect the largest and smallest. He also discussed the need for more of a cumulative test to avoid a drastic reduction in membership numbers slowly over time.

Mr. Dimarco agreed that these issues were not going away. The Board continued to discussed dissolution and potential impacts from current issues in policing.

5. Approval of Louisiana Compliance Questionnaire (For Audit Engagements of Governments) For FY 22

Mr. Huxen stated that a compliance questionnaire was required every year and that it requires Board approval.

Motion by Mr. Wilrye, seconded by Mr. Gibson, to approve the Louisiana Compliance Questionnaire. Without objection, the motion carried.

6. Executive Director and General Counsel Comments

a. Update on Delinquent Municipalities

Mr. Huxen updated the Board on delinquent municipalities. New Orleans owes MPERS at least \$513,000 for unpaid leave conversion. They are still in litigation with Killian and Stonewall. Oberlin has paid the money owed. Opelousas owes MPERS some money, likely due to their clerk being out. Harahan owes money related to an employee who was not enrolled on time.

b. Review of First Quarter FY 2023 Operating and Capital Budgets to Actuals

Mr. Huxen stated that he was providing the comparison for the Board's information. He added that as of September 30th there were no budget concerns.

Mr. Huxen informed the Board that MPERS was given a major award from the Government Finance Officers Association. It was a certificate of achievement for excellence in financial reporting. He stated that it was the highest level of recognition in governmental accounting. He recognized Taylor Camp who put a lot of work into the financials and stated that only a few other systems had received this award. He also thanked David Barnes, Greg Curran, and the system's auditors for their hard work on it.

Mr. Huxen stated that the Board discussed the Chad Landreneau proposed settlement at the last meeting. He stated that Mr. Landreneau accepted the settlement.

Mr. Huxen stated that he spoke with the LMA Executive Committee related to the proper enrolling of members. He also gave a CLE presentation with Maris LeBlanc of MERS to the LMA city attorneys. Also, Mr. Huxen, Melissa Frazier, and Karen Correll went to the Louisiana Association of Chiefs of Police conference in Alexandria to discuss enrollment issues.

The Board discussed complaints from chiefs at the conference about the system's work to require enrollment of officers in MPERS.

Mr. Huxen stated that Melissa Frazier and Karen Correll are at a Thibodeaux Health and Benefits Fair. Staff would be attending the LMA Clerks Conference in the following week.

7. Executive Session (Under the Provisions of R.S. 42:17(A) (10) To Facilitate Privileged Communications Under La. Code Evid. art. 506)

Motion by Mr. DiMarco, seconded by Mr. Gibson, to enter into executive session at 11:15 am to discuss items noticed on the meeting agenda. Without objection, the motion carried.

Motion by Mr. Burkart, seconded by Mr. DiMarco to resume regular session. Without objection, the motion carried.

- a. Consideration of Proposed Settlement Offer Regarding Recovery of Overpayments of Benefits Paid to Douglas P. Foster Due to a Mistake of Fact.

Motion by Mr. Burkart, seconded by Mr. DiMarco and Wilrye, to approve the Douglas Foster settlement offer. Without objection, the motion carried.

- b. Consideration of Proposed Settlement Offers With the Following Municipalities Regarding Their Failure to Enroll Employees and Pay Contributions:

1. Town of Basile
2. Town of Church Point
3. Town of Dubach
4. Village of Plaquemine

Motion by Mr. Wilrye, seconded by Mr. DiMarco to approve the proposed settlement offers to the Town of Basile, Town of Church Point, Town of Dubach, and Village of Plaquemine regarding failure to enroll employees and pay contributions. Without objection, the motion carried.

- c. MPERS vs. City of New Orleans, 19th JDC, Number 717119, Div. "25" and City of New Orleans v. MPERS, *et al.*, 19th JDC, Number 724562, Div. "24"
Subject Matter: Leave Conversion Issues

Sheri Morris suggested that the Board move to inform the city council for New Orleans that the forms that are being used to report leave to the retirement board are unacceptable and that they should use a form recommended by MPERS. She also suggested

that New Orleans pay the benefits associated with leave conversion and that MPERS amend the lawsuits that are pending to request that the court give the relief that MPERS needs to have New Orleans make the required payments for leave conversion.

The Board discussed providing a reason for the need to use the MPERS form. They added that the official resolution be made available publicly to officers in New Orleans.

Motion by Mr. DiMarco, seconded by Mr. Bacala, to approve Ms. Morris' suggested language with regard to action to be taken regarding the New Orleans leave conversion issue. Without objection, the motion carried.

H. Other Business

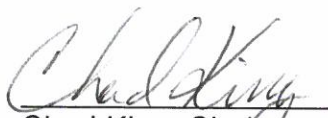
There was no other business to come before the board.

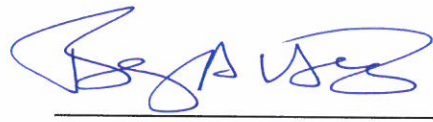
I. Adjourn

A motion was made by Mr. Bacala, seconded by Mr. DiMarco, to adjourn the meeting. Without objection, the motion carried.

Next Meeting Date: December 14, 2022. Baton Rouge, LA.

To the best of my knowledge, the foregoing minutes accurately represent the actions taken at the meeting held on October 19, 2022.


Chad King, Chairman


Ben Huxen,
Executive Director and General Counsel