

Municipal Police Employees' Retirement System
Minutes of the Meeting of the Board of Trustees
January 18, 2023

The Board of Trustees of the Municipal Police Employees' Retirement System held a Regular Meeting on Wednesday, January 18, 2023.

A. Call to Order

The meeting was called to order by Lt. (Retired) Chad King at 12 pm.

B. Pledge of Allegiance.

Chief Wilrye led the Pledge of Allegiance.

C. Roll Call

Members Present

Rep. Tony Bacala
Major Raymond Burkart, Jr.
Mayor Greg Cromer
Major (Retired) Kelly Gibson
Lt. (Retired) Chad King (Chairman)
Mayor Gerard Landry
Lt. Tyrone Warren
Chief Christopher Wilrye (Vice Chairman)

Members Absent

Chief Edwin Bergeron, Jr.
Asst. Chief Jason DiMarco
Senator Bob Hensgens
Ms. Amy Mathews, State Treasurer Designee
Mr. Rick McGimsey, Commissioner of Administration Designee
Chief Dwayne Munch

Others Present

Mr. Benjamin Huxen II, MPERS Executive Director and General Counsel
Ms. Taylor Camp, MPERS, Chief Financial Officer
Ms. Melissa Frazier, Benefits Administrator
Ms. Emily Thurston, MPERS, Accountant
Ms. Ashlee McNeely, Executive Management Officer (virtual)
Mr. Greg Curran, Curran Actuarial Consulting, Consulting Actuary
Ms. Sheri Morris, Daigle, Fisse & Kessenich Law Firm, Outside Counsel
Mr. Kenny Herbold, LLA (virtual)
Mr. Shinji Hain, LLA (virtual)
Mr. Joe Ebisa, With.Intelligence (virtual)

D. Public Comment

Lt. King asked if there were any public comments. There were no public comments.

E. Approval of the October 19, 2022, Board Meeting Minutes

Motion by Major (Ret) Gibson, seconded by Rep. Bacala, to approve the minutes of the meeting held October 19, 2022. Without objection, the motion carried.

F. Reports of Committees

1. Discussion and Action Regarding Report and Recommendations of the Audit, Finance, and Risk Management Committee.

Mr. Huxen reviewed the motions made by the Audit, Finance and Risk Management Committee on January 18, 2023. A motion was made by Major Burkart and seconded by Mayor Landry to recommend that the Board of Trustees adopt a set of amendments to the Fiscal 2023 operating and capital budgets. The motion passed without objection. First, to move \$16,329 for parking lot work and \$12,672 for furniture (to provide shades for the building) from the Building Maintenance and Supplies line item in the operating budget to create new line items in the capital budget to properly reflect that those items are capital expenses rather than operating expenses. Second, to increase the Attorneys/Legal Services line item by \$45,000 to account for invoices for services rendered during the last fiscal year but paid this fiscal year. Third, to increase Contract Services/Miscellaneous by \$24,000 for the remaining GGA fees. Fourth, to increase Utilities by \$19,000 to account for increased costs due to the tenants. Fifth, to increase the Building Maintenance and Supplies line item by \$91,000 to account for increased costs due to tenants and to hire an engineer to address the air conditioner system issue.

The committee also heard from Jason Montegut from Duplantier, Hrapmann, Hogan, and Maher (the system's auditors) presented the Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022. The audit resulted in a clean unqualified opinion. The committee adopted a motion to recommend adoption of the system's annual audit report.

Motion by Chief Wilrye and second by Maj. (Ret) Gibson to adopt the recommendations of the Audit, Finance, and Risk Committee. Without objection, the motion carried.

2. Discussion and Action Regarding Report and Recommendations of the Legislative Committee.

Major Burkart asked Mr. Huxen to review the recommendations. Mr. Huxen stated that two motions were passed by the Legislative Committee. There was a motion by Lt. (Retired) King and seconded by Mayor Cromer to

recommend that the board authorize the executive director and general counsel to pursue the following legislation on behalf of the board of trustees. The first item was the “do-over” of House Bill 21/Act 360 from last year which is necessary since the enrolled version that was presented to and signed by the governor was not the same as that passed by the legislature. The second item was to authorize the executive director to advertise for a bill pertaining to the definition of earnable compensation subject to him contacting the New Orleans City Council president and chief administrative officer to determine whether employer contributions for retention pay are included in the City’s 2023 budget and also to determine the specifics regarding the possible timing of retention payments. The motion passed without objection.

Motion by Major Burkart and second by Lt. (Retired) King to adopt the recommendations of the Legislative Committee. Without objection, the motion carried.

3. Discussion and Action Regarding Report and Recommendations of the Investment Committee.

Mr. Huxen reported that at the Investment Committee meeting on January 18, 2023, Mr. Barnes presented the NEPC report on investments. The total market value of the portfolio as of December 31, 2022, was \$2,413,528,022 and the overall portfolio performance was down 2% for the month, down 12.1% for the calendar year to date, and up 1.8% for the fiscal year to date. In December, the portfolio underperformed both the total fund allocation index and total fund policy index. Mr. Barnes also presented the 2022 second quarter private equity report.

The second item was a presentation by Kurt Livermore and James Klapman of Acadian Asset Management, LLC. They provided an update related to the \$150 million investment in Acadian Emerging Markets Equity II fund. The fund returned 1.8% since the initial investment in April 2014 which is 0.2% below the benchmark.

The third item was an educational presentation by Dennis Onderick with BNY Mellon regarding Custody and Securities Lending. Mr. Onderick presented an update on the bank services and presented a brief review of the Asset Servicing Digital Update presentation found on BoardPaq.

Motion by Lt. (Retired) King and second by Chief Wilrye to adopt the recommendations of the Investment Committee. Without objection, the motion carried.

G. New Business

1. Actuarial Comments, Including but Not Limited to Discussion and Action Regarding the Actuarial Valuation Report and Employer Allocations of

Information for Financial Reporting Under GASB 68 for Fiscal Year Ended 6/30/22 (Qualifies as Actuarial Science Education)

Mr. Curran presented the system's annual funding valuation. Mr. Curran discussed active membership. He stated that previous reductions in membership led to the partial dissolution bill that is being operated currently. Active membership showed a decrease from 5,414 to 5,269. There was an increase in retiree counts with a total of 5,006 retirees and survivors receiving benefits. The number of DROP participants has remained pretty level - up only one person in the past fiscal year. Mr. Curran stated that overall plan payroll is a key item in determining percentage of pay costs and stated that there were higher than typical salary increases during Fiscal 2022. He stated that overall plan payroll increased from \$293 million to \$301 million. Mr. Curran emphasized that this increase in covered payroll was partially due to the inclusion of more DROP participants on whom employer contributions are now collected. He stated that the payroll listed within the report excludes DROP participants who entered DROP prior to July 1, 2021 since no employer contributions are required for that group. He stated that they were not yet to the point where MPERS is receiving employer contributions on everyone who is participating in DROP. Benefit payments continued to increase as there are more retirees and survivors. Total benefits are around \$175 million.

The accrued liability is the amount of money needed as of June 30, 2022 to be 100% funded. MPERS is currently 77.4% funded. The funded ratio is down slightly from the prior year because the liabilities grew more than assets. There's been an increase in the UAL up from \$733 million to \$788 million. Although the market value of assets declined, because of actuarial smoothing, the actuarial value of assets increased slightly. The actuarial value of assets is above the market value of assets because the system is deferring net losses which means that if there isn't good investment news in the near future, the Board will see that value come down. Actuarial smoothing helps the system to avoid immediately having to deal with a negative year.

The employer normal cost is a representation of how much is needed to pay for the normal benefit of members who are accumulating another year of service. Employer normal costs increased. Administrative costs have gone up slightly. The employer's cost has been offset by insurance premium taxes which have also increased. Mr. Curran discussed why he expected insurance premium tax allocations to MPERS to increase in the near future. Mr. Curran discussed the impact of the plan's maturity on costs and how maturity is measured. He stated that the plan is relatively mature with 5,269 active members and 5,006 retirees and survivors. There was a decrease of 145 members and an increase in DROP participation by one member over the year. The system's employer normal cost increased by 0.13% due to changes in demographics and salaries. He added that assumptions did not change. The most important thing in terms of long-term employer costs is that in 12 years the annual UAL cost will decrease by \$70 million. He added that in 8 years employers would see savings from a reduction in the UAL payment level.

Chairman King asked what the FRS or MERS employer rates would be if they were valued based on the MPERS rate of return assumption of 6.75%. Mr. Huxen stated that the actuary estimated that MERS would be at 28.75% and FRS would be at 35.25% using that assumption. Mr. Curran elaborated on the estimated rates and why MPERS' assumed rate is lower than FRS. He stated that the rate is lower partly based on the plan's maturity compared to other plans and how sensitive the plan is to changes in the investment market compared to others.

Mr. Curran pointed out that Board members also had a report on Information for Financial Reporting. He pointed out that this report was prepared by the actuary to support the system's accounting report and was completed based on the market value of assets in accordance with accounting standards. He stated that the report will be audited by the system's auditors prior to their production of the final 2022 Employer Allocation Report.

Representative Bacala stated that he looked at the proposed legislation and that given the effective date of the act he felt the Board could decide whether or not to add funding to the July 1, 2023 employer rate for future COLAs. Mr. Huxen stated that he planned to propose a policy in the March 2023 meeting regarding the addition to the employer contribution rate for funding future COLAs and that he would incorporate the results of a survey of Board members on the issues.

Representative Bacala asked how much MPERS spends on investment managers each year. Mr. Curran stated that within the audited financials the total investment expense is \$7.5 million. Rep. Bacala then asked where MPERS would be today if the system had been indexed over the past ten years versus spending \$7.5 million dollars a year on investment managers. Mr. Curran stated that David Barnes would be able to answer that question and stated that the NEPC report has some figures that could answer the question. Mr. Huxen stated that in NEPC's report it stated that over the past 10 years the system earned on average 0.1% above an indexed portfolio. It was decided that this question would be addressed more in depth in the next meeting and that Mr. Barnes would be asked to take a look at that 10-year period and provide more details to the board.

Mayor Landry discussed the LMA request to the Board to consider waiting a year to implement the additional funding for future COLAs given the added cost of the COLA just granted. Mr. Huxen stated that he had heard from the LMA and had sent out a survey to Board members. He made additional comments and stated that it would be discussed in March.

Motion by Major (Retired) Gibson and seconded by Chief Wilrye to accept the actuarial valuation reports. Without objection, the motion carried.

2. Executive Director and General Counsel Comments

a. Update on Delinquent Municipalities

Mr. Huxen updated the board on delinquent municipalities. He stated that some delinquent municipalities were about to be sued, including Ferriday, Cottonport, and Greensburg. He also discussed how New Orleans failed to report state supplemental pay in two reporting periods going as far back as December 2019. He added that when they failed to report, that would affect benefit accruals. There are retirees who are receiving lower benefits than they should have because of this mistake, and Melissa Frazier is in the process of getting their benefits corrected which will allow the retirees to get their benefits adjusted in the future possibly through back pay. Mr. Huxen mentioned that Mr. Curran will have to calculate how much New Orleans owes MPERS based on these failures to contribute on supplemental pay.

Rep. Bacala asked if the system knew whether everyone involved actually received supplemental pay for those periods. Ms. Taylor Camp answered that they received the pay, but it was not reported to MPERS and contributions were not remitted. Mr. Huxen discussed the review that the actuary would have to do related to this non-reporting of salaries.

- b. Discussion and Action Regarding Ratification of a Lease Agreement with the Louisiana Uniform Local Sales Tax Board

Mr. Huxen stated that due to the Board's meeting schedule he was unable to bring the lease to the Board prior to its signing. He has signed the lease agreement with the Louisiana Uniform Sales Tax Board but asked the Board of Trustees to ratify the lease agreement. The renting process locks them in for another 5 years and all appropriate provisions are in the lease, including those that require that rent increases over time. He added that the lease was in accordance with state guidelines.

Motion by Chief Wilyre and seconded by Lt. (Retired) King to Ratify the Lease Agreement with the Louisiana Uniform Local Sales Tax Board. Without objection, the motion carried.

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

- a. Consideration of Proposed Settlement Offers With the Following Municipalities Regarding Their Failure to Enroll Employees and Pay Contributions:
 - i. Town of Bernice
 - ii. Village of Gilbert
 - iii. Town of Sarepta

- b. 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
- c. Discussion and Action Regarding the Implications of La. Atty. Gen. Op. No. 22-0113

Motion by Major (Retired) Gibson and seconded by Chief Wilrye to enter into Executive Session to discuss item 3 under the provisions of R.S. 42:17(A)(10) to Facilitate Privileged Communications Under La. Code Evid. art. 506.

Motion by Chief Wilrye and seconded by Major (Retired) Gibson to go back into regular session. Without objection, the motion passed.

Motion by Major (Retired) Gibson and seconded by Mayor Landry to approve the proposed settlement offers with the Town of Bernice, the Village of Gilbert, and the Town of Sarepta regarding their failure to enroll employees and pay contributions. Without objection, the motion carried.

Mr. Huxen stated that he did not need any other action by the Board following the executive session.

H. Other Business

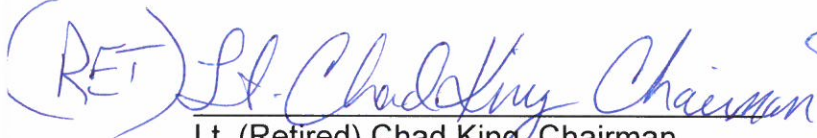
There was no other business to come before the board.

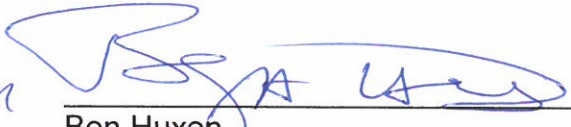
I. Adjourn

A motion was made by Mayor Cromer, seconded by Major (Retired) Gibson, to adjourn the meeting at 1:44 pm. Without objection, the motion carried.

Next Meeting Date: March 15, 2023. Baton Rouge, Louisiana.

To the best of my knowledge, the foregoing minutes accurately represent the actions taken at the meeting held on January 18, 2023.


Lt. (Retired) Chad King, Chairman


Ben Huxen,
Executive Director and General Counsel