

**Municipal Police Employees' Retirement System
Minutes of the Meeting of the Investment Committee
January 18, 2023**

The Investment Committee 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 10:55 a.m.

B. Roll Call

Members Present

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

Members Absent

Chief Edwin Bergeron, Jr.
Asst. Chief Jason DiMarco
Senator Bob Hensgens
Ms. Amy Mathews, Chair
Mr. Rick McGimsey
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, MPERS, Benefits Administrator
Ms. Emily Thurston, Accountant
Ms. Ashlee McNeely, Exec. Management Officer (virtual)
Mr. David Barnes, NEPC, Investment Consultant
Mr. Kurt Livermore - Acadian, Sr. VP Portfolio Manager
Mr. James Klapman - Acadian, Sr. VP Relationship Manager
Mr. Dennis Onderick - BNY (virtual)
Ms. Sheri Morris - Daigle, Fisse, & Kessenich
Mr. Greg Curran - Curran Actuarial Consulting, Actuary
Mr. Kenny Herbold, LLA (virtual)
Mr. Shinji Hain, LLA (virtual)
Mr. Joe Ebisa, With.Intelligence (virtual)

C. Public Comment

Lt. (Retired) King called for public comments. There were no public comments.

D. Approval of the August 17, 2022 Committee Meeting Minutes

Motion by Chief Wilrye, seconded by Major Burkart, to approve the minutes of the meeting held August 17, 2022. Without objection, the motion carried.

E. New Business

1. Discussion and Action Regarding NEPC Report on Investments (Qualifies as Investment Training)

Mr. Barnes presented the NEPC Report on Investments. In December, the November CPI was reported at 7.1% year over year with PPI at 7.4% above expectations. The Federal Reserve increase in rates of 0.5% brings the top end of the Fed Funds rate to 4.5%. Chairman Powell commented that there was still “a ways to go.” Mr. Barnes mentioned that at the end of December the Fed Funds futures were forecasting a top rate of about 5% with wage growth over 5.1% for the year putting upward pressure on inflation. Mr. Barnes stated that the prior week’s CPI figure was down 0.1% which caused a favorable market reaction and added that the Fed was expected to increase rates by only 0.25% in its next move.

The plan’s total portfolio was up over 5% for the month of November. The fiscal year to date returns were positive at 1.8% through the first 6 months of the fiscal year. Stocks and bonds were up for the month. He stated that the plan’s asset allocation and money managers preserved value in a down market. In Large Cap Equity, the fund lost 5.2% versus a 5.8% loss on the S&P 500. Value stocks continued to outperform growth through December.

The international equity portfolio was down 0.3% for the month while the International market index was up 0.1%, largely due to manager performance. KBI and William Blair lagged their benchmark and the system shifted the amount in the two accounts to be more balanced. This move was good for the portfolio. The emerging markets portfolio was down 1.2% versus the index which was down 1.4%, mostly due to underperformance from Acadian. Fixed income was down 0.1% versus the index that was flat for the month. Mr. Barnes mentioned that the hedge fund reporting has a delay and in looking at their communications, the majority of the remaining \$3.7 million which is in liquidation, will be returned to MPERS during 2023.

Mr. Barnes then reviewed the Private Equity report dated June 30, 2022 and

said that quarterly report showed that the overall private equity performance was down 2.3%. Mr. Barnes stated that they were starting to see markdowns in private markets but that since inception the overall return in the private equity portfolio was 17.4% annualized.

So far, about \$182 million had been invested in the Private Equity portfolio and approximately \$102 million of that capital had been returned back to MPERS. Mr. Barnes mentioned that HarborVest shows two tranches and have made investments in secondaries, private debt, co-investments and about 14 commitments to new PE funds. He also mentioned that in 2023, they are looking at another \$36 million in commitments including US buyout funds. Lastly, Mr. Barnes discussed that the Tranche-L piece included legacy investments on which HarborVest took over the administrative burden. He stated that this arrangement was meant to reduce the MPERS staff workload and the legacy tranche continues to perform well. Lt. (Retired) Chad King asked if the numbers were all net of fees and Mr. Barnes answered that it was.

Overall, the total market value of the portfolio as of December 31, 2022 was \$2,413,528,022. Performance was down 2% for the month and for the fiscal year to date, and down 12.1% for the calendar year to date. In December, MPERS underperformed both their Total Fund Allocation Index and their Total Fund Policy Index.

2. Presentation by Acadian Asset Management

Kurt Livermore and Jim Klapman from Acadian Asset Management LLC provided an update on MPERS' \$114,959,039 investment in Acadian Emerging Markets Equity II. Mr. Klapman presented an organizational overview where he stated that Acadian considers themselves pioneers of systematic investing. Systematic investing is an approach that is well-suited for delivering returns. Acadian looks at the same type of information that any fundamental equity analyst or portfolio manager would look at, but they take lots of data and technology and automate the role of the traditional analyst. They believe this is important for a couple reasons but mainly because humans can make behavioral errors and due to those errors equities can be mispriced. By taking the human emotion out of the process they believe they can capture a lot of the inefficiencies in a very systematic manner. Jim Klapman went on to say that with this automation they are able to have a wide universe of stocks to choose from where a traditional firm is bound by the number of analysts they have. Acadian starts with 16,500 stocks and own over 700 individual positions. The Acadian return forecast has three major parts: a stock-specific review comparable to its competition, a peer process that is about thinking about the stock's ecosystem and identifying

relationships among businesses to see if a company is benefiting from relationships, and finally macro models that allow them to look at forecasts for each industry and country. He added that the value added by Acadian versus the benchmark was 0.3%. He mentioned the geopolitical tensions with Russia amassing forces on the border with Ukraine and the invasion. He stated they were underweight Russia versus the benchmark. Mr. Barnes asked about Acadian's Russian holdings and they answered stating that Acadian is looking at opportunities to sell their Russian holdings, but added that they must be cautious about who they are selling to. They are holding these stocks at zero dollar value in the portfolio and hope to get something out of them at the appropriate point in the future. Mr. Barnes asked about Acadian's view on China. Mr. Livermore answered that China is a bigger overweight in the portfolio as assets were seen by Acadian as too oversold since China has done a 180 degree change in COVID policy, added support for their property sector and have announced to the world they are open for business. Mayor Cromer asked about Acadians references to ESG. Mr. Livermore discussed their view and gave an example of how they accounted for corruption in Russia.

Overall, the fund has returned 1.8% since the initial investment in April of 2014, which is 0.2% below the benchmark (MSCI Emerging Markets (net)).

3. Presentation by BNY Mellon Custody and Securities Lending (Qualifies as Investment Training)

Mr. Dennis Onderick, BNY Mellon Custody and Securities Lending, presented an update on the bank's services. He presented a brief review of the "Asset Servicing Digital Update" presentation found in the BoardPaq documents. Mr. Onderick stated that while they are a bank, they are different from most banks. Custodian banks are concerned with the safekeeping of financial assets and may offer services related to that primary role. They don't offer services of other banks. BNY Mellon provides expertise and scale others cannot achieve on their own. More than 75% of revenue is generated in this area and the remainder is in asset management and wealth management. They presented strong financials and credit ratings. They are a number 1 provider for top 100 public funds with 140 public fund clients. He said that asset servicing is focused on 3 key areas – enhancing core capabilities – enhancing custody and accounting services with automation, delivering client-centric digital experiences that allow MPERS to use dashboards for many needs, and deepening data management services where their team is discussing a data vault with clients to facilitate client setups. He stated the firm spent over \$3 billion annually on investment in technology and that the BNY Mellon open architecture allows clients to work with many companies. He then discussed the group of employees overseeing the MPERS account

and providing services. He stated that they focus on accurate trade processing and daily cash management as well as collecting dividends and income reconciliation. He then reviewed the securities lending program and said that MPERS participates in the country's largest program. He also said that there are earnings of approximately \$82,000 from the fund.

F. Other Business

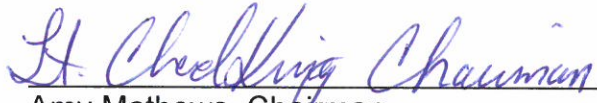
There was no other business to discuss.

G. Adjourn

A motion was made by Mayor Cromer, seconded by Chief Wilrye, to adjourn the meeting at 11:50 a.m. Without objection, the motion carried.

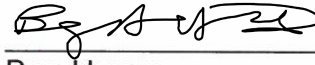
Next Meeting Date is April 19, 2023.

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



~~Amy Mathews, Chairman~~

Lt. (Retired) Chad King



Ben Huxen,
Executive Director and General Counsel