

Municipal Police Employees' Retirement System
Minutes of the Meeting of the Board of Trustees
March 15, 2023

The Board of Trustees of the Municipal Police Employees' Retirement System held a Regular Meeting on Wednesday, March 15, 2023 at the system's office at 7722 Office Park Boulevard in Baton Rouge, Louisiana.

A. Call to Order

The meeting was called to order by Lt. (Retired) Chad King at 10:08 a.m.

B. Pledge of Allegiance.

Chief Wilrye led the Pledge of Allegiance.

C. Roll Call

Members Present

Chief Edwin Bergeron, Jr
Major Raymond Burkart, Jr.
Mayor Greg Cromer
Asst. Chief Jason DiMarco
Major (Retired) Kelly Gibson
Lt. (Retired) Chad King (Chairman)
Mayor Gerard Landry
Mr. Julius Roberson, State Treasurer Designee
Mr. Rick McGimsey, Commissioner of Administration Designee
Lt. Tyrone Warren
Chief Christopher Wilrye (Vice Chairman)

Members Absent

Rep. Tony Bacala
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. Melissa Frazier, Benefits Administrator
Ms. Emily Thurston, MPERS, Accountant
Ms. Ashlee McNeely, Executive Management Officer (virtual)
Ms. Christie Ziadeh, Benefits Analyst (virtual)
Mr. David Barnes, NEPC, Investment Consultant
Ms. Michelle Cunningham, CPA, DHM audit partner (virtual)
Mr. Jason Montegut, CPA, DHM audit partner (virtual)
Mr. Greg Curran, Curran Actuarial Consulting, Consulting Actuary
Ms. Sheri Morris, Daigle, Fisse & Kessenich Law Firm, Outside Counsel
Mr. Joey David, Legislative analyst, House Retirement Committee
Mr. Claude Schlesinger, FOP and N.O. retiree
Ms. Kay Burke, BLB&G

Others Present (continued)

Mr. Kenny Herbold, LLA (virtual)

Mr. Shinji Hain, LLA (virtual)

Mr. Kevin Balaod, With.Intelligence (virtual)

D. Public Comment

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

E. Approval of the January 18, 2023, Board Meeting Minutes

Motion by Mayor Landry, seconded by Asst. Chief Jason Dimarco, to approve the minutes of the meeting held January 18, 2023. Without objection, the motion carried.

F. Reports of Committees

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

The committee met on February 15, 2023 and discussed staff salaries and cost of living adjustments. Mr. Huxen recommended an increase of 2% for merit and a CPI adjustment of about 6%. The committee discussed a recommendation of 4% raises and agreed to look at inflation again in 6 months.

Mr. Huxen reviewed the motion from the HRG committee – He stated that the Committee voted to recommend to the full board a 4% increase in salaries plus associated costs plus an additional budget for part-time workers.

Major (Retired) Gibson asked what the cost of the 4% raise would be. Mr. Huxen asked Taylor Camp to answer. She found the annual cost to be about \$30,000. Mr. Huxen stated that the difference in annual cost between his request and the 4% was about \$23,000. Mr. Huxen stated that he could take the difference between his original request and the 4% raise from the additional budget for part-time workers. Chief Bergeron suggested that the Board provide the Director's requested pay increase for the retention of employees. Mayor Cromer agreed.

Major (Retired) Kelly Gibson asked about the total cost of the 6% increase. Ms. Camp stated that the annual cost of the pay increase would be \$59,900. The Board further discussed the relevant figures.

Motion by Chief Bergeron and second by Mayor Cromer to approve the recommendation of the Human Resources and Governance

Committee, but to take the additional budget for part-time workers and apply it to the salaries of full-time employees in order to provide the recommended pay increases.

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

Mr. Huxen discussed the recommendations made by the Legislative Committee. He stated that during the committee meeting, upon motion by Major (Retired) Kelly Gibson and second by Lt. (Retired) King, the committee recommended that the Board of Trustees ask the system's actuary to study the Back-DROP with all implications for the Board to consider.

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

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

Mr. Huxen reported that at the Policy Committee meeting on March 15, 2023, the committee discussed the system's travel policy. He added that upon motion by by Asst. Chief Jason Dimarco and Lt. Tyrone Warren, the committee voted unanimously to recommend that the Board of Trustees make a change in the travel policy to reduce the required radius from home to receive mileage reimbursement from 30 miles to 20 miles.

Motion by Chief Wilrye and second by Asst. Chief Jason Dimarco to adopt the recommendations of the Policy Committee. Without objection, the motion carried.

G. New Business

1. NEPC Report on Investment (Qualifies as Investment Training)

Mr. Barnes gave a brief recap of February returns. He stated that the markets were generally lower due to worries that strong employment and consumer sentiment could cause the Federal Reserve to be more hawkish. He added that there were continued strong retail sales and a recent decline in CPI. He informed the Board that the Federal Reserve raised interest rates to 4.75% earlier in the month. He stated that prior to Silicon Valley Bank's collapse, the market had anticipated a 50 b.p. rate hike.

Mr. Barnes stated that Silicon Valley Bank (SVB) in California was a significant banking institution for venture capital firms. He added that there was a run on the bank from customers wanting to redeem cash. Since banks hold only fractional reserves and loan out much of the deposits, when a large portion of depositors ask for their money, banks don't have that much available. On Friday, the Fed

stepped in and took over SVB and Signature bank. The Fed and FDIC insured all deposits by Monday morning. This brought stability to markets. Mr. Barnes stated that prior to the Fed/FDIC action, NEPC reached out to the system's investment managers about exposure to SVB and found that there was no direct depository exposure in the portfolio. HarborVest had no direct exposure or lines of credit in the funds MPERS invests in. Apogem, LLC had no fund balances. Collier had no direct exposure. He added that because SVB and Signature banks were taken over, their stocks have been written down to zero. Both banks were part of the S&P500 and other indices. Therefore, the portfolio had minor impacts from index stock exposure. For instance, the Mellon Large Cap value fund included them both.

Mayor Landry asked how the run on the bank started on Friday. Mr. Barnes stated that with interest rates increasing, a large portion of deposits were invested in bonds. Many of the bonds had been taking losses as interest rates increased further. When customers got concerned about the bank's ability to meet demand for funds, there was a movement among customers to remove their funds. This forced the bank to sell bonds at a loss to meet cash demands. SVB told the market they would need to issue new equity to raise money. This caused others to ask for their money and led to the bank being shut down. Mr. Barnes stated that MPERS had a very small exposure to SVB bonds in the bond index.

For the month of February, the portfolio was down 2.2%. Small cap was down 1.4% vs. 1.7% for the index. International equities down 2.0% vs. 2.1% due to William Blair outperforming. EM Equities down 5.5% vs. 6.5%. EnTrustPermal had to write down their one remaining investment. There has been an overall profit on the EnTrust account. Mr. Barnes stated that NEPC believes that now that they won the arbitration, they would be able to go to the market and liquidate the remaining balance in the portfolio.

Mr. King asked if bailing out the banks was a good move. Mr. Barnes stated that he expected litigation related to CEO sale of stock. There is additional heightened concern in banking. Mr. Barnes stated that the Fed did its job in minimizing the risk related to the banking industry. The failure of SVB would have interrupted the innovation of upstart companies that used the bank. All of that is why the Fed acted so quickly. Lt. (Retired) Chad King asked if the government could make money on the deal. Mr. Barnes stated that SVB was a pretty healthy bank that had a depository withdrawal issue.

2. Presentation and Acceptance of the GASB 68 Report for the Fiscal Year Ended June 30, 2022

Michelle Cunningham and Jason Montegut, partners with Duplantier, Hrapmann, Hogan & Maher presented the audit results for the GASB 68 employer pension schedules.

Ms. Cunningham stated that the system received an unmodified opinion on the schedule of employer allocations, the schedule of net pension liability, total deferred inflows and outflows, and pension expense. She added that they found no material deficiencies or material weaknesses in internal controls.

Ms. Cunningham reviewed the emphasis of matter paragraph regarding the use of actuarial assumptions in determining system liabilities. She then reviewed important policies and discussed GASB Statements 67 and 68. She stated that they reviewed the system's schedule of employer allocations and the schedule of pension amounts by employer along with supplementary information.

Mr. Montegut reviewed the schedule of employer allocations. His portion of the presentation provided figures for a few employers, including employer contributions and allocation percentages. He stated that the Net Pension Liability equals the Total Pension Liability minus the Plan Fiduciary Net Position (or market value of assets). The Net Pension Liability as of June 30, 2022 was \$1,022,177,525. He added that market losses led to an increase in this amount. Mr. Montegut stated that the collective pension expense was \$174 million and added that non-employer contributions totaled \$22 million with employer contributions totaling \$91 million.

Finally, Mr. Montegut discussed items that were allocated to each employer based on their allocation percentages. He stated that these figures would be picked up by system employers on their own audited financials. He then reviewed items contained in the various footnotes and discussed the sensitivity of the Net Pension Liability to a change in the discount rate.

Motion by Chief Bergeron and second by Asst. Chief Jason Dimarco to accept the GASB 68 employer allocation report. Without objection, the motion carried.

3. Actuarial Comments, Including but Not Limited to Discussion and Action Regarding a Determination of Municipalities That Partially Dissolved Their Police Departments in FY 2022 (Qualifies as Actuarial Science Education)

Mr. Curran stated that no employers fully dissolved during the year, but a few employers did meet the definition regarding partial dissolution. He mentioned that attached to the letter was a chart showing the number of participating employees from each employer found to partially dissolve. The number of participating employees were shown as of the end of Fiscal 2021 and Fiscal 2022. The Town of Homer, Village of Port Vincent, and Village of Georgetown all had more than a 30% reduction in membership. Mr. Curran stated that employers had to reduce membership by at least 2 employees to trigger a dissolution unless they went to zero employees. Homer and Port Vincent reduced by 2 employees and Georgetown reduced to zero. The City of New Orleans experienced a decrease in membership of 138 employees which exceeds the 50 person threshold for a partial dissolution. Mr. Curran stated that the portion of UAL allocated to each

partially dissolving employer was determined based on the June 31, 2021 GASB 68 allocations and UAL (the allocations and UAL in effect at the beginning of the year of dissolution). He reviewed the amount of UAL allocated to each (\$212,262 to the Town of Homer; \$117,035 to the Village of Port Vincent; \$80,964 to the Village of Georgetown; and \$18,846,890 to the City of New Orleans). He stated that each amount was then used to determine a monthly payment beginning July 1, 2024 payable over a fifteen year period (\$1,844.77 per month for the Town of Homer; \$1,017.16 per month for the Village of Port Vincent; \$703.66 per month for the Village of Georgetown; and \$163,798.57 per month for the City of New Orleans). Mr. Curran stated that the New Orleans amount was noted on the chart to be added to the amount determined in the prior year, or \$50,314.10 for a total payment of \$214,112.67 per month)

Mr. Curran stated that municipalities that partially dissolve can grow their membership to a point that allows them to stop making the payments. For example, if the City of New Orleans' membership levels returned to above 1,119, the \$163,798.57 per month payments would cease. If their membership levels returned to above the prior year's level of 1,185 they could stop making the \$50,314.10 per month payments calculated in the prior year.

Mr. Curran stated that Exhibit 2 showed all past dissolutions and tracked whether each municipality had returned to their previous membership level. The exhibit shows Franklin, St. Francisville, Maringouin, Gueydan, Oakdale, and Livingston all returned to a membership level that caused payments to no longer be due. MPERS still shows prior dissolutions from Bunkie, Ferriday, Jackson, Mamou, and New Orleans.

Chief Bergeron asked if any of the municipalities were paying. Ms. Camp answered that Maringouin and Gueydan had made payments. Mr. Huxen stated that New Orleans will have to start paying in July. Ferriday had already been sued on another matter and if they do not begin payments, this issue could be added to the lawsuit.

Mr. Curran stated that the legislative committee may need to look at an amendment to the partial dissolution law to create a cumulative test. He described his concerns related to municipalities that have had pretty large reductions over time with smaller reductions each year.

Motion by Chief Wilrye and second by Asst. Chief Jason Dimarco to accept the actuary's certification of employers that have partially dissolved their police departments and the amounts presented to the Board in the March 7, 2023 letter. Without objection, the motion carried.

4. Discussion and Action Regarding a Standing Resolution to Require Additional Employer Contributions Pursuant to R.S. 11:2225.5 for Fiscal Year 2024 Onwards

Mr. Curran reviewed his letter dated April 3, 2023 which describes the Board's options in response to Act 360 of the 2022 session. He stated that his letter is based on the premise that the Board may act according to Act 360 even though the bill will be introduced in 2023 for reenactment. He stated that the Board had the right under the act to set the employer contribution rate higher in order to fund the system's Funding Deposit Account to provide future COLAs. He added that the act changed the law to restrict future COLAs that were not prefunded in this way. The Board has the right to set the actual employer contribution rate up to 0.85% above the minimum in order to prefund COLAs. In addition, in years where the employer rate is scheduled to decrease, the Board may keep the employer rate from decreasing by up to one-half of the scheduled decrease amount in order to pay down the oldest positive outstanding base in the system's UAL. This would reduce the outstanding balance without resetting the employer's contribution on that base. This would result in the UAL base being paid off earlier than originally planned.

The 2022 actuarial valuation set a minimum employer rate of 33.50% for Fiscal 2024 which exceeds the Fiscal 2023 minimum employer rate. Therefore, the Board does not have the right to set the employer contribution rate higher than the minimum in order to reduce UAL. The Board would have the right to set the employer rate anywhere between 33.50% to 34.35%. Setting the rate 0.85% above the minimum would be expected to generate about \$2,760,000 in the Funding Deposit Account. He then directed the Board to a paragraph detailing the cost of a couple of COLA designs. He stated that it would take many years to prefund a lifetime COLA. He reminded the Board that as of 2021, the cost of a 3% of current benefit COLA to retirees who had been retired 1 year had a lifetime cost of \$47.2 million. A 2% of original benefit COLA only to retirees at least age 65 would have a lifetime cost of \$13.3 million. He stated that the new statute gives the Board a lot of flexibility in defining a COLA. He added that at the 0.85% level, the Funding Deposit Account is not likely to provide frequent lifetime COLAs. He estimated that a 2% of original benefit to retirees at least age 65 would take 4 to 5 years to prefund. Even a 1% COLA to all retired at least 1 year would cost \$15.8 million and would take about 5 years to prefund.

Mr. Huxen then reviewed a draft resolution created based upon the feedback he received from a poll of the Board. The draft states that the Board shall set the amount to be added to the minimum employer contribution rate each year to 0.85% beginning in Fiscal 2024 in order to prefund future COLAs and that the Board hold the rate above minimum in years where the minimum rate is set to decline in order to pay off the oldest positive amortization base sooner. He highlighted that the employer rate could be about 11% if the oldest base were paid off. The Board highlighted a letter from LMA provided in BoardPaq asking the Board to defer implementation of the 0.85% for one year as a show of good faith.

Mayor Landry stated that the representatives of the LMA had worked hard to accept the plan to prefund COLAs and that they simply wanted the Board to delay implementation given the recent increases in the employer rate. He stated

that the Board needed to worry about the financial stability of the municipalities. Major Burkhart agreed that they needed to worry about cities like New Orleans being able to pay the higher rates.

Chief Bergeron asked about the impact of not implementing the 0.85% for one year. Mr. Huxen stated that it depends on the COLAs that the Board wants to grant. Mr. Curran stated that the Board would be deferring the next COLA by a year.

Chief Bergeron asked if a COLA was granted in the prior year. Mr. Huxen said a 3% permanent increase to benefits was paid. He added that prior to Act 360 COLAs were essentially put on the charge card. The 2022 COLA was estimated to cost employers 1.69% of payroll per year for 15 years.

Major (Retired) Gibson asked how long it would take to prefund a COLA like the one given in the prior year. Mr. Curran stated that he didn't have the time period calculated, but stated that such a COLA would cost \$47.2 million, so if the Board collected \$2,760,000 per year it would take many years. He added that unfortunately, if overall payroll in the system shrinks and the cost of COLAs increases, it could take even longer. He stated that funding lifetime COLAs would eventually require the Board to consistently require the 0.85% funding.

Mr. Curran stated that it appeared that employer costs were likely to increase in the coming years. Mayor Landry stated that he felt the system was making significant headway in the long-term health of the system and in the long-term ability to give COLAs to retirees through prefunding. He stated that a 1 year postponement was reasonable.

Chief Bergeron asked what the rates were going to be without the additional 0.85%. Mr. Curran stated that the minimum employer contribution rate beginning July 1, 2023 would be 33.50%, up from 31.25% in the previous year. Much of the difference in cost was related to the impact of the COLA paid in 2022. With the 0.85% added, the rate beginning July 1, 2023 would be 34.35%

Mr. Julius Roberson asked Mr. Curran to discuss the 2014 UAL amortization. Mr. Curran stated that in 2014, legislation bundled all remaining UAL to be paid out over the next 20 years. This one amortization base results in employers paying about \$70 million per year. After 12 years, the amortization base will be paid off and that payment will cease. This single amortization represents about 23% of pay. In 11 years from July 1, 2023, the future employer rate will drop by approximately 23%.

Chief Bergeron asked about the last COLA to retirees prior to the 2022 COLA. The prior COLA was in 2014. Mr. Curran discussed the likely frequency of COLAs and stated that it would heavily depend on the size of COLAs. He added that he hoped once the oldest UAL base was paid off and the employer rate dropped, a larger allocation to future COLAs could be made.

Mr. Julius Roberson asked if there had been a reduction in the discount rate. Mr. Curran stated that the discount rate had been decreased to 6.75%.

Lt. (Retired) King thanked the mayors for their forethought in working to help the system pay off debt. He added that he represented retirees so he wanted to see the Board take action today and asked if there was a possibility of going up by less than the 0.85%. Mr. Curran stated that the law allowed up to 0.85%. Chief Bergeron stated that he felt that if the Board was going to set the rate above the minimum they should do it at the 0.85% level. He suggested that they increase it by 0.85%.

Motion by Asst. Chief Jason DiMarco and second by Major (Retired) Gibson to set the employer rate at 34.35% effective July 1, 2023. This rate equals the minimum recommended rate of 33.50% plus 0.85% to add funds for future COLA prefunding to the Funding Deposit Account. Due to an objection by Mayor Cromer and Mayor Landry, the Board voted by roll call vote. Motion passed with six yes votes, three no votes and one abstention.

Yes votes – Bergeron, Burkart, DiMarco, Gibson, Warren, and Wilrye

No votes – Cromer, Landry, McGimsey

Abstention – Roberson

5. Executive Director and General Counsel Comments

a. Update on Delinquent Municipalities

Mr. Huxen stated that the system filed about seven lawsuits . He mentioned that lawsuits were filed against Baskin, Cottonport, Dodson, Elton, Ferriday, and Greensburg. He also stated that litigation was ongoing against Killian, Moreauville, Simmesport and Stonewall, and Moreauville. New Orleans owed for unpaid leave conversions and interest for incorrect prior reports. Oberlin and Sunset paid so they should no longer be on the list of delinquent municipalities.

Major Burkart asked how much was owed. Mr. Huxen stated that for some they don't even have the information to calculate the amount.

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

a. Finding of Disability for Ricky B. Faust (Baton Rouge)

b. Finding of Disability for Kellie A. Hobbs (New Orleans)

- c. Consideration of Proposed Settlement Offers With the Following Municipalities or Persons Regarding Their Failure to Enroll Employees and Pay Contributions:
 - i. Village of Angie and Gilbert Hartzog, Jr.
 - ii. Town of Campti
 - iii. Village of Chatham
 - iv. Town of Delcambre
 - v. Town of Sterlington, Barry Bonner, Cobi Brown, and Calvin Presley
 - vi. Town of Wisner and William Beach
- d. 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"
- e. Subject Matter: Leave Conversion Issues
- f. Implications of La. Atty. Gen. Op. Nos. 22-0055 and 22-0109

Motion by Major (Retired) Gibson and second by Asst. Chief Jason DiMarco to enter into executive session to discuss items noticed on the Board agenda. Without objection, the motion carried.

Lt. (Retired) Chad King stated for the record that the Board was back in regular session at 12:04 p.m. He asked if there was a motion to accept the finding of disability for Rickey Faust of Baton Rouge and Kellie Hobbs of New Orleans.

Motion by Mayor Cromer and second by Chief Wilrye to approve the disability findings for Rickey Faust of Baton Rouge and Kellie Hobbs of New Orleans. Without objection, the motion carried.

Lt. (Retired) Chad King asked for a motion to accept the proposed settlement offers for the Village of Angie and Gilbert Hartzog, Jr, Town of Campti, Town of Delcambre, Town of Sterlington, Barry Bonner, Cobi Brown, and Calvin Presley, Town of Wisner and William Beach.

Motion by Chief Wilrye and second by Mayor Cromer to accept the proposed settlement offers for the Village of Angie and Gilbert Hartzog, Jr, Town of Campti, Town of Delcambre, Town of Sterlington, Barry Bonner, Cobi Brown, and Calvin Presley, Town of Wisner and William Beach. Without objection, the motion carried.

H. Other Business

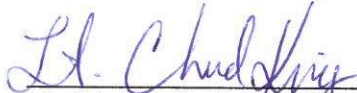
There was no other business to come before the board.

I. Adjourn

A motion was made by Mayor Landry, seconded by Chief Wilrye, to adjourn the meeting at 12:05 pm. Without objection, the motion carried.

Next Meeting Date: April 19, 2023. Baton Rouge, Louisiana.

To the best of my knowledge, the foregoing minutes accurately represent the actions taken at the meeting held on March 15, 2023.



Lt. (Retired) Chad King, Chairman



Ben Huxen,
Executive Director and General Counsel