

**Municipal Police Employees' Retirement System  
Minutes of the Meeting of the Investment Committee  
April 19, 2023**

The Investment Committee of the Municipal Police Employees' Retirement System held a Regular Meeting on Wednesday, April 19, 2023.

**A. Call to Order**

The meeting was called to order by Major (Retired) Kelly Gibson at 10:48 a.m.

**B. Roll Call**

**Members Present**

Major Raymond Burkart, Jr.  
Mayor Greg Cromer  
Major (Retired) Kelly Gibson  
Mr. Julius Roberson  
Chief Christopher Wilrye

**Members Absent**

None

**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. Christie Ziadeh, Benefits Analyst (virtual)  
Mr. David Barnes, NEPC, Investment Consultant  
Ms. Vivienne Taberer - Ninety One, Portfolio Specialist  
Mr. Doug Doucette - Ninety One, Head of Client Mgmt, N. America Institutional  
Mr. Cameron Tripp - Ninety One, Associate, N. America Institutional  
Ms. Sheri Morris - Daigle, Fisse, & Kessenich  
Mr. Greg Curran - Curran Actuarial Consulting, Actuary  
Chief Edwin Bergeron, Jr., MPERS Board member  
Lt. (Retired) Chad King, MPERS Board member  
Mayor Gerard Landry, MPERS Board member

**C. Public Comment**

Major (Retired) Gibson called for public comments. There were no public comments.

**D. Approval of the January 18, 2023 Committee Meeting Minutes**

**Motion by Chief Wilrye, seconded by Major Burkart, to approve the minutes of the meeting held January 18, 2023. Without objection, the motion carried.**

**E. New Business**

**1. Election of Committee Chair**

**Motion by Chief Wilrye and second by Lt. (Retired) King to appoint Major (Retired) Kelly Gibson as Chair of the Investment Committee. Without objection, the motion carried.**

**4. Presentation by Ninety One (Qualifies as Investment Training)**

The committee took item 4 out of order. Vivienne Taberer (Portfolio Specialist), Doug Doucette (Head of Client Management), and Cameron Tripp (Associate) joined the meeting remotely to make a presentation.

Mr. Doucette gave an overview of the emerging market debt investments with Ninety One. He stated that the investments were focused on sovereign debt in the local currency. He added that this investment was part of the return seeking fixed income component of the portfolio meant to add yield.

Ms. Taberer stated that the asset class has grown since 2008 but it is still an underinvested asset class. Emerging market debt is a good diversifier used by pension funds to achieve their target returns. The correlation of the asset class with many common investments helps to improve the efficient frontier for portfolios. Ms. Taberer reviewed Ninety One's investment team and approach. The management approach for the portfolio is a top-down approach to determine overall risk exposure. This is paired with a bottom-up approach to select sectors.

Ms. Taberer reviewed emerging market debt over the latest quarter. She stated that the asset class provides alpha opportunities with a big diversion between the best and worst countries and currencies.

David Barnes asked about two areas of interest in emerging markets – Russia, given the Ukraine war, and China. He asked about the Ninety One allocations in those areas. Ms. Taberer stated that Ninety One sold as many Russia bonds as possible leading up to the invasion. After the invasion, foreign investors could not trade. Ninety One elected to hold those bonds without giving new money to Russia. As those bonds increased in value to about 2% of the portfolio, Ninety One reduced exposure. The remaining bonds have been basically marked down near zero recently.

China is 10% of the benchmark. Ninety One has a big corporate team so they purchased China corporates in addition to sovereign debt. Part of that was in the real estate sector which was not a good investment decision. Two thirds of offshore China property bonds have defaulted or conducted bond exchange transactions or maturity extensions on their U.S. dollar bonds.

Ninety One is only holding high conviction China bonds at this time. Ms. Taberer discussed real estate outlooks in China. She stated that she expects them to continue to be volatile. China reopening is helping Emerging Markets. Ninety One has moved from a relative underweight to China in recent quarters to a more market weight allocation.

Ms. Taberer stated that the March quarter was a disappointing performance. The performance over the one year, they are still adding alpha over the benchmark. Russia being written down detracting from returns on the quarter. Chile also hurt returns. Thailand doing well.

Mr. Barnes explained that the emerging market debt portfolio is used as a diversifier and also compared returns with the remainder of the portfolio over the last year, fiscal year to date, and last 3 years.

The strong dollar environment over the past year made it difficult for emerging market debt to outperform. The dollar is starting to decline, and emerging market currencies are performing better, and emerging market fundamentals are starting to look stronger. One of the reasons that emerging markets are holding up better is that emerging markets are ahead of developed markets in making policy changes. They provide higher yields and have higher volatility.

2. Discussion and Action Regarding NEPC Report on Investments and Asset Allocation Update (Qualifies as Investment Training)

Mr. Barnes reviewed the system's flash report. He stated that the month of March started with a banking crisis. The government stepped in and removed the market's focus on a systemic issue. He added that the Federal Reserve raised interest rates by 0.25% to get to a top end rate of 5%. He stated that most professionals believed that the Fed would hike interest rates in May by 0.25% based on Core-CPI. Mr. Barnes stated that there were some indications that interest rate hikes were starting to have an impact. He also discussed the rate moves in Europe and China. He stated that China was coming out their zero Covid rules and expected GDP over 6%.

The portfolio finished March at \$2.477 billion with gains of 1.2% for the month and a fiscal year to date return of about 5%. He stated that through April 11<sup>th</sup> the markets were still up. He stated that in March value investments underperformed because the value index included 23% in financials.

Financials were hit hard in March but were outperforming in April. The small/mid cap portfolio had slightly underperformed, and the international equity portfolio outperformed – driven by KBI outperforming. The EM portfolio outperformed due to Acadian and has outperformed the broader market by 3.5% over the Fiscal Year to Date timeline. Fixed income performance was slightly below the policy index with Loomis lagging the market. Ninety One was up 4.0% for the month, roughly in line with the benchmark. Orleans lagged a little relative to the broader market. Real Estate is starting to experience some markdowns and some negative returns.

Major (Retired) Gibson asked if the system had seen the end of the banking crisis. Mr. Barnes stated that the Fed takeover helped avoid a systemic problem. He added that the Fed gave banks a year to get their balance sheets in order. The more the Fed raises rates, the harder the situation for the banks because they are competing with interest rates for deposits. He added that he did not believe that the economy was out of the woods, but the likelihood of a systemic banking problem had been alleviated.

Mr. Barnes then discussed his asset allocation update. He stated that NEPC provides an update each year regarding what they feel returns will be on each asset class. Then, using those returns, NEPC models forecast returns over the coming 10 and 30 years. Nearly all return forecasts have increased compared with a year ago. With stocks down significantly in 2022 and bonds down due to rate increases, forecasts are up.

Mr. Barnes stated that on page 7 were comparisons of two potential mixes of assets compared to the current policy target. He stated that MPERS could currently expect to earn an average return of 6.78% over the next 10 years and 7.42% over the next 30 years. He added that NEPC focused more on the 30-year time horizon. Given the changes in expectations, NEPC recommended Mix A or Mix B. Both mixes reduce stock allocations and put more into bonds. If investors are able to generate higher returns in the bond market with lower risk, that allows the system to move investments from the highly volatile stock market to the lower volatility bond market. Mr. Barnes stated that they were only recommending small changes to allow greater stability and reduce reliance on the stock market. Right now the system holds 55.5% in stocks. Mix A would reduce that to 53% and Mix B would reduce that to 52%. There are also some shifts in the stock allocations by increasing large cap, lowering allocations to small and mid-cap, reducing international, and reducing emerging markets.

Mr. Barnes stated that NEPC recommends Mix B but is comfortable with either. Mix B has a slight overweight to US equity and small cap and underweight to international equity while paring down the current overweight to emerging markets.

The committee discussed the possibility of a recession. The committee also discussed risk and return measures. Mr. Barnes stated that, with the alternative mixes, they were giving up more risk than return.

**Motion by Major Burkart and second by Chief Wilrye to accept NEPC's report and to make Mix B the new target asset allocation. Without objection, the motion carried.**

3. Presentation of CEM Investments Benchmarking Results (Qualifies as Investment Training)

This item was deferred until a later meeting.

**F. Other Business**

There was no other business to discuss.

**G. Adjourn**

**A motion was made by Chief Wilrye, seconded by Lt. (Retired) King, to adjourn the meeting at 11:57 a.m. Without objection, the motion carried.**

Next Meeting Date is July 19, 2023.

To the best of my knowledge, the foregoing minutes accurately represent the actions taken at the meeting held April 19, 2023.

Major (Retired) Kelly Gibson, Chairman

Ben Huxen,  
Executive Director and General Counsel