

Municipal Police Employees' Retirement System
Minutes of the Audit, Finance, and Risk Management Committee Meeting
May 17, 2023

The Audit, Finance, and Risk Management Committee of the Municipal Police Employees' Retirement System held a Regular Meeting on Wednesday, May 17, 2023.

A. Call to Order

The Chairman of the MPERS Board of Trustees, Lt. (Retired) Chad King, appointed himself and Chief Christopher Wilrye to serve on the Audit, Finance, and Risk Management Committee for the day in place of Chief Edwin Bergeron, Jr. and Major Raymond Burkart, Jr. The meeting was called to order by Lt. (Retired) Chad King at 9:20 a.m.

B. Roll Call

Members Present

Lt. (Retired) Chad King
Mayor Gerard Landry
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. Emily Thurston, MPERS, Accountant
Ms. Melissa Frazier, Benefits Administrator
Ms. Christie Ziadeh, Benefits Analyst (virtual)
Mr. Greg Curran - Curran Actuarial Services, Actuary
Mr. David Barnes, NEPC, Investment Consultant
Mr. Brad Kelly, Global Governance Advisors (virtual)
Mr. Peter Landers, Global Governance Advisors (virtual)
Major (Retired) Kelly Gibson, MPERS Trustee
Mr. Julius Roberson, State Treasurer Designee
Asst. Chief Jason DiMarco
Lt. Tyrone Warren
Chief Edwin Bergeron (joined the meeting in progress)

C. Public Comment

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

D. Approval of the April 19, 2023 Committee Meeting Minutes

Motion by Mayor Landry, seconded by Lt. (Retired) King, to approve the minutes of the committee meeting held April 19, 2023. Without objection, the motion carried.

E. New Business

1. Discussion and Action Regarding the Proposed Risk Management Policy and Appetite Framework

Brad Kelly and Peter Landers from GGA made a presentation regarding the proposed risk management policy and appetite framework prepared for the Board of Trustees.

Mr. Kelly stated that GGA was asked to review Board policies. Ideally, the Board wants the system to have long-term sustainability but requires the Board to be invested, which has risk. The proposed policy provides the Board with a concrete framework related to risk oversight activities. Mr. Kelly stated that the policy discussed monitoring and measuring and was developed with conversations with Board members around this issue.

The document includes a policy statement and a section on general definitions. Mr. Kelly stated that on page 7 the document discusses the management framework and identifies 17 key business processes that include risk. The chart provided in the document states who is responsible for managing that risk and provides a description of the process. These 17 business processes are:

1. Actuarial
2. Asset Management
3. Administration & Operation
4. Communication to Members
5. Policy Development
6. Ethical Values
7. Performance Monitoring
8. Regulatory Compliance
9. Policy Compliance
10. Records Management
11. Legal Liability
12. Recruitment and Retention
13. Knowledge Transfer & Succession Planning
14. Business Planning and Execution
15. Cost Management
16. Electronic Data Integrity/Security/Privacy Protection
17. Financial Health Governance

On page 8 the document identifies 14 different process components that the policy will identify and help manage, including:

1. Policy
2. Roles & Responsibilities
3. Procedures for processes
4. Risk assessment metrics
5. Risk tolerance & appetite statement
6. Risk categories
7. Risk matrix
8. Risk register
9. Risk owners
10. Key risks
11. Key risk indicators & dashboards
12. Key risk mitigation plans
13. Formate for presenting to the Board
14. Procedures for monitoring & communication

Mr. Kelly reviewed systemic risks and non-systemic risks. He stated that the policy takes systemic and non-systemic risk areas and discusses the implications on consequence, likelihood, velocity, and knock-on reputational effect.

The proposed criteria for consequence was size adjusted to the system. Mr. Kelly asked the committee if there were any questions or concerns. Lt. (Retired) King asked what would be done if the Board were uncomfortable with the dollar figures. The committee discussed the EnTrust investment as an example. What if the system experienced a loss of over half of the EnTrust value in one month. Mr. Barnes stated that even though such a loss would be \$1.5 million in that investment, it would not move the needle on the overall portfolio. Mr. Barnes stated that NEPC already reports such losses to the Board on a monthly basis.

Lt. (Retired) King asked if GGA would notify the Board if the policy was triggered. Mr. Huxen stated that staff would let the Board know. Chief Bergeron joined the meeting at 9:30 am.

Mr. Barnes stated that with a \$2.5 billion portfolio, he was not sure that a loss of \$180 million would be considered catastrophic. He stated that NEPC provided analysis in their latest asset allocation review related to portfolio stress tests. In the stress tests, losses of \$329 million in the first year (about a 13% loss) would be major but still not catastrophic. He likened the catastrophic loss level to the NEPC depression scenario which showed losses of \$921 million (30-40% loss in a given year). Given this, Mr. Barnes stated that the proposed dollar figures in the policy seemed low. Mr. Huxen stated that the Committee could approve the policy as presented while giving NEPC and GGA time to work on specific criteria.

Mr. Kelly stated that they were producing a framework to operate under. When the system deviates outside of the goal posts, the policy would be used to take action. He stated that GGA would work with Mr. Barnes to nail down the numbers on page 10.

He then reviewed a heat map approach to risk for ongoing assessment. The proposed policy provides a register for staff to use in discussing risks, likelihoods, mitigation efforts, priority. The Board will receive an annual report on the register with color coding to make it easy to review.

He stated that the policy describes roles and responsibilities of the Board and staff along with procedures and who is responsible for reporting. He directed the Board to page 19 for a discussion of tolerance levels. Mr. Kelly stated that some of the proposed values were based on other funds and that they needed feedback from the board on their risk appetite.

Mayor Landry commented that this policy will be an ongoing document that will be reviewed and updated in the future. Mr. Landers stated that the dollar values will need updating as the portfolio level grows. Mr. Huxen recommended that the committee recommend adoption of the policy to the full board while allowing GGA to work with staff and NEPC to set appropriate dollar amounts.

Motion by Mayor Landry and seconded by Chief Wilrye to recommend approval of the Risk Management Policy & Framework while allowing GGA to work with staff and NEPC to set appropriate dollar amounts. Without objection, the motion carried.

F. Other Business

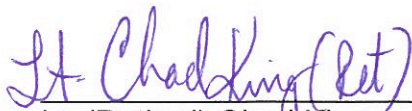
There was no other business presented to the committee.

G. Adjourn

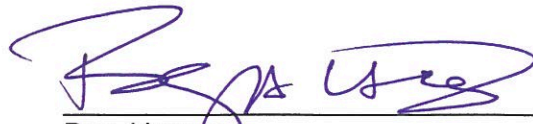
A motion was made by Chief Wilrye and seconded by Mayor Landry to adjourn the meeting at 9:50 a.m. Without objection, the motion carried.

The next meeting date is October 18, 2023.

To the best of my knowledge, the foregoing minutes accurately represent the actions taken at the meeting held May 17, 2023.



Lt. (Retired) Chad King
Audit, Finance, and Risk Management
Committee Chairman (For May 17, 2023)



Ben Huxen,
Executive Director and General Counsel