

Municipal Police Employees' Retirement System
Minutes of the Meeting of the Board of Trustees
May 17, 2023

The Board of Trustees of the Municipal Police Employees' Retirement System held a regular meeting on Wednesday, May 17, 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 10:20 a.m.

B. Pledge of Allegiance

Mayor Landry thanked the Board members for the support they showed the City of Denham Springs after it Cpl. Shawn Kelly was shot. He asked the Board to observe a moment of silence for the severely injured officer. After the moment of silence, Lt. (Ret) King led the Pledge of Allegiance.

C. Roll Call

Members Present

Chief Edwin Bergeron, 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
Lt. Tyrone Warren
Chief Christopher Wilrye (Vice Chairman)

Members Absent

Rep. Tony Bacala
Major Raymond Burkart, Jr.
Senator Bob Hensgens
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)
Ms. Christie Ziadeh, Benefits Analyst (virtual)
Mr. David Barnes, NEPC, Investment Consultant
Mr. Greg Curran, Curran Actuarial Consulting, Consulting Actuary

Ms. Sheri Morris, Daigle, Fisse & Kessenich Law Firm, Outside Counsel
Mr. Joe Ebisa – Withintelligence (virtual)

D. Public Comment

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

E. Approval of the April 19, 2023, Board Meeting Minutes

Motion by Asst. Chief Jason Dimarco, seconded by Major (Retired) Kelly Gibson, to approve the minutes of the meeting held April 19, 2023. Without objection, the motion carried.

F. Reports of Committees

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

Mr. Huxen reviewed the legislative committee meeting from earlier that day. He stated that the committee approved the April 19, 2023 committee meeting minutes and received an update regarding HB 34 and HCR 70. For HB 34, Executive Director and General Counsel Huxen worked with legislative committee members and the LMA on a compromise that has passed the House. The amended bill stipulates that in addition to the minimum employer contribution rate, the additional rate for future COLAs will be 0.425% for FY 23-24, and 0.85% thereafter. Mr. Huxen stated that LMA has provided assurances that it will not protest the addition of the COLA rate at the board or legislative level in the future. Mr. Huxen stated that they also talked about future legislation for when the employer contribution rate begins to decrease. Mr. Huxen and Mr. Barnes also spoke about HCR 70, which has passed the House and will require certain reporting regarding environmental, social, and governance factors.

Motion by Lt. (Retired) Chad King and second by Chief Wilrye to adopt the report and recommendations of the legislative committee. Without objection, the motion carried.

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

Mr. Huxen stated that the Audit, Finance, and Risk Management Committee met earlier and approved the prior meeting minutes and unanimously recommend that the Board approve the proposed Risk Management Policy and Appetite Framework, subject to revisions by staff working in coordination with NEPC.

Motion by Lt. (Retired) King and second by Chief Wilrye to adopt the report and recommendations of the Audit, Finance and Risk Management Committee. Without objection, the motion carried.

G. New Business

1. Discussion and Action Regarding the Acceptance of Nominations for the Following Trustee Positions:

a. Chiefs District I (Full Term)

Mr. Huxen notified the Board that the only nomination for the Board position for Chiefs District I was Chief Christopher Wilrye.

Motion by Mayor Landry and second by Asst. Chief Dimarco to accept the nomination of Chief Christopher Wilrye to fill the full term of Chiefs District I. Without objection, the motion carried.

b. Chiefs District I (Unexpired Term)

Mr. Huxen stated that the Chiefs District I (Unexpired Term) was related to the position vacated by Chief Scott Ford. He notified the Board that the system did not receive any nominations by the deadline. He added that after the deadline, staff had spoken with someone willing to fill the seat. On May 24th, the system will begin the nomination process again.

c. Chiefs District II (Full Term)

Mr. Huxen notified the Board that the Chiefs District II (Full Term) position was previously the unexpired term for Chief Glaser. He stated that the position was currently Chief Munch's and that this was his last meeting in the position after 14 years on the Board. Mr. Huxen expressed his thanks for the chief's service. The system received a single nomination from Chief Addison of Walker to join the Board in July.

Motion by Chief Bergeron and second by Major (Retired) Gibson to accept the nomination of Chief Addison for a full term on the Board of Trustees beginning July 2023. Without objection, the motion carried.

2. NEPC Report on Investments (Qualifies as Investment Training)

Mr. Barnes provided a monthly performance update through the end of April. He stated that the market back drop throughout April was a mixed bag in terms of economic news. He added that they were starting to see signs of a slowing economy with imports down and 1st quarter GDP at a 1.1% annualized rate which represented a slower rate of growth. Pending home sales were also down, but employment remains very strong. He stated that the U.S. unemployment rate was at a 70-year low. Average hourly earnings were up 4.4% year over year in March. In summary, there were general signs of economic slowing, but the unemployment and earnings figures put the Fed in a tough position. The Federal Reserve raised rates again in May by 0.25% as the strong job market put upward pressure on inflation. Fed Chairman Powell said that he felt that this level of rates was adequate, but he did push back on the idea that the Fed would be lowering rates by the end of the year. Mr. Barnes stated that he felt the market was pricing in a lowering of rates by the end of the year. Therefore, we could see a pullback in growth equities more than value equities if rate reductions do not happen.

The debt ceiling is the biggest cloud hanging over markets. The U.S. Treasury reached the maximum capacity for bond issuance, so all eyes have been on the general account. In April, the Treasury got a large inflow from taxes which bought enough time to get the country through early to mid-June without default. If the U.S. government were to have its first default on U.S. government bonds, it would cause significant market disruption. Mr. Barnes stated that in the past these situations have always resulted in a resolution. If the debt ceiling is raised soon, he speculated that there could be a surge in markets before June 30th.

Mr. Barnes reviewed the returns on different asset classes for the month of April. Overall, April was a reasonably good month. The portfolio finished with a market value of \$2,487,598,983 and a return of 0.7%. The fiscal year to date return through April 2023 was 5.7%. Mr. Barnes stated that the system's investment managers as a whole outperformed the policy index. This was mostly driven by strong outperformance in the Emerging Markets equity portfolio where Acadian outperformed by almost 2% in April. Developed markets for international equity underperformed, mostly due to KBI. The system's bond portfolio was roughly in line with the broader fixed income market.

Mr. Barnes stated that since the Board approved asset allocation changes, he had been working with staff to walk through all the changes that need to take place. He stated that he expected to update the NEPC reports for the next meeting to include the new policy targets.

Mr. Barnes stated that markets were down slightly in May through the meeting date. Mayor Cromer asked about a possible bounce in markets if the debt ceiling is increased. Mr. Barnes stated that if the debt ceiling was

solved, he would expect a recovery followed by the markets going back to watching the Fed.

Mr. Roberson asked about the potential of additional rate hikes and bank concerns. Mr. Barnes stated that the Fed's official communication indicates that they feel comfortable at these interest rates. An increase would cause a market correction. He also discussed the issue with high interest rates causing banks difficulty in competing with money market accounts for deposits. Mr. Barnes stated that he expects further bank pressure and some bank consolidation, but that he does not think this is a systemic issue.

3. Actuarial Comments (Qualifies as Actuarial Science Education)

Mr. Curran updated the Board of Trustees on a revision in the Insurance Premium Tax Funds ("IPTF") allocated to the retirement systems for 2022. He stated that the Department of Insurance had provided a letter on October 28, 2022 stipulating that the amount of IPTF ,available for the retirement systems for Fiscal 2022-2023 was \$79,477,750.68. This amount was allocated to the Sheriffs' Pension & Relief Fund, the Municipal Police Employees' Retirement System, the Firefighters' Retirement System, and the Louisiana State Police Retirement System and incorporated in each actuarial valuation report. These reports were then adopted by PRSAC.

On April 28, 2023, a letter from the Department of Insurance detailed an administrative error in the amount previously certified. The new amount was \$76,910,098.32, which meant a reduction in amounts to be received by MPERS.

Mr. Curran stated that he spoke with Senator Ed Price, Chairman of PRSAC and the Senate staff and recommended that they not seek to have another meeting of PRSAC to adopt valuations based on the revised amounts given the lack of time before the July 1st change in employer rates. He stated that the reports showed IPTF funds as projected amounts and that although in most years the amount received did match that figure, it would be reasonable to simply let the difference flow through the next valuation within the contribution shortfall/excess. He stated that a letter was prepared for the Treasurer's Office with the updated allocations signed by himself and Senator Ed Price.

Mr. Roberson confirmed that payment of those amounts was going out that day.

4. Executive Director and General Counsel Comments

- a. Discussion Regarding Retention Payments Qualifying as "Earnable Compensation"

The agenda item was put on the agenda when questions arose from New Orleans F.O.P. members, but their questions were answered by staff. Mr. Huxen stated that the system had been sued by the City of New Orleans over the payment of contributions on retention payments. He stated that the issue would be further discussed in executive session.

5. 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. Legal Strategy Regarding Delinquent Municipalities, Whose Failure to Enroll Eligible Police Officers Has Resulted in a Higher Employer Contribution Rate for All Participating Municipalities and Deprives Police Officers and Their Families of Valuable Disability, Survivor, and Retirement Benefits
 - b. MPERS vs. Village of Baskin, 19th JDC, Number 729037, Div. "26." Subject Matter: Consideration of a Proposed Settlement Offer With the Village of Baskin Regarding Its Failure to Enroll Employees and Pay Contributions.
 - c. 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

Mr. Huxen stated that prior to entering executive session, Sheri Morris would be providing the Board with background information on the issues being discussed. Ms. Morris stated that the staff had been working hard on a number of compliance issues including a number of municipalities that were not enrolling any or all of their officers without filing required affidavits to opt out of membership (if applicable). She stated that Mr. Huxen has sent public record requests to check on who should be enrolled.

To date, the Board has accepted several settlements, but a number of municipalities have not turned over public records despite potential penalties. Some requests are overdue by well more than a year. Ms. Morris reminded the Board that with their approval, the system has filed suits with sixteen municipalities. The system has settled with many municipalities and last week had two default judgments against municipalities that did not show up in court.

In addition, Mr. Huxen has looked at the budgets of municipalities to see if they are paying police officers. The system has hearings scheduled for three more municipalities during May. Ms. Morris discussed the situation with Zwolle. They have officers enrolled in MPERS, but their police chief qualifies for membership and has not been enrolled. Lawyers hired by RMI at the Louisiana Municipal

Association met with Ms. Morris to discuss the situation. For Zwolle they had filed exceptions for a Monday hearing.

Ms. Morris discussed her concerns that the LMA pool paying legal fees for cities could be costing cities who are enrolling officers and paying contributions. She added that they have tried to negotiate payment plans to help cities settle. The priority has been to get current employees enrolled and pay contributions going forward and then to deal with past amounts owed and past employees that should have been enrolled.

Chairman King expressed concern that MPERS should send communications to the smaller towns reminding them that officers could be killed in the line of duty and not being enrolled could affect their survivors' benefits. He also stated concern about how these issues impact the costs of other employers.

Ms. Morris stated that they had problems with injury to officers who have never been in the system and stated that it could be a liability to the municipalities. She added that RMI provides workers compensation coverage that could be affected. Ms. Morris described the meeting with RMI attorneys and stated that she had reached out to LMA and the Louisiana Association of Chiefs of Police. Some municipalities have reached out, and MPERS' staff have spent a lot of time working with their complex situations. She stated that these efforts have gotten more officers enrolled in MPERS and there have been payments. She mentioned that these situations did require calculations to be made by the system's actuary. Ms. Morris worries that if the cities do not have to pay for legal counsel that it could cause this project to lengthen.

Mr. Huxen stated that to him it did not make sense that RMI would be involved in providing legal counsel to cities on this issue. He stated that several municipalities are using attorneys provided by their insurance companies.

Mr. Roberson asked about the statutory language around membership and participation in social security. Mr. Huxen stated that generally employees of those employers that entered into a Section 218 agreement before MPERS was formed with mandatory membership can opt out. He added that mandatory enrollment rules would reduce the ambiguity.

The Board discussed what could happen when officers who are not enrolled reach retirement age. From the MPERS standpoint, they do not receive service credit if the system is not receiving contributions. Mr. Huxen stated that municipalities should budget for retirement contributions in MPERS even if a member opts out because the next employee in that position could elect not to opt out. The Board then discussed if towns could receive refunds from Social Security. Ms. Morris stated that they do have the ability to file for refunds but that there would be limits on how far they could go back.

Chief Bergeron stated that the Board should discuss whether MPERS retirees should be allowed to continue working without a benefit reduction if they go to

work for a small municipality as a chief of police. Mr. Huxen stated that the issue would be referred to the legislative committee for the upcoming year.

Motion by Julius Roberson and second by Mayor Cromer to enter into executive session at 11:22 a.m. to discuss items noticed on the Board agenda under section G(5). Without objection, the motion carried.

Motion by Chief Wilrye and second by Asst. Chief Jason Dimarco to resume regular session at 12:35 p.m. Without objection, the motion carried.

On item a, Ms. Morris stated that she recommended that the Board authorize the Executive Director to settle the pending claims and the not-yet-filed claims against municipalities for failure to enroll employees as mandated by law and to set a deadline for all municipalities that have been provided a public records request from MPERS for receiving the requested information of June 1st. For those that answer the request within the deadline, the executive director would be authorized to waive 75% of the non-refundable employer contributions for employees who are no longer employed by an employer covered by MPERS and to waive the 25% late penalty that would apply under the statute, provided the employer contributions for the current employees are paid and a portion of any attorney costs, actuarial costs, and court costs are reimbursed by the municipality up to a maximum of \$5,000.

Motion by Asst. Chief Jason Dimarco and second by Mayor Cromer to approve the recommendation. Without objection, the motion carried.

On item b, the Village of Baskin, Ms. Morris recommended that the Board settle the case involving four officers, including 3 current officers already enrolled and paying monthly contributions. The settlement would be for back contributions on a payment plan with interest at the actuarial rate of return and to have the Village reimburse MPERS for attorney fees and other costs not to exceed \$2,500.

Motion by Mayor Cromer and second by Asst. Chief Jason Dimarco to approve the settlement as presented by Ms. Morris. Without objection, the motion carried.

Ms. Morris recommended that the Board of Trustees amend the agenda to include the consideration of a settlement with the Town of Gramercy so that the settlement can be presented to the town council prior to the next MPERS meeting.

Motion by Asst. Chief Jason Dimarco and second by Chief Wilrye to amend the agenda to consider a settlement with the Town of Gramercy. Without objection, the motion carried.

Ms. Morris recommended settlement with the Town of Gramercy to allow the police chief who is enrolled and paying contributions on a forward basis to receive service credit by making the employee contributions that would have been paid by the employee and to allow the Town to pay the employer contributions that would have been collected if paid timely with interest at the actuarial valuation interest rate over a four year period.

Motion by Chief Wilrye and second by Mayor Cromer to approve the recommended settlement related to the Town of Gramercy. Without objection, the motion carried.

H. Other Business

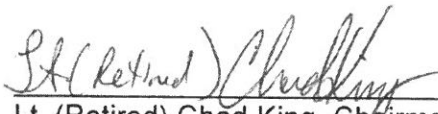
There was no other business to come before the board.

I. Adjourn

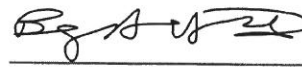
A motion was made by Mayor Cromer, seconded by Asst. Chief Jason DiMarco, to adjourn the meeting at 12:40 pm. Without objection, the motion carried.

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

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



Lt. (Retired) Chad King, Chairman



Ben Huxen,
Executive Director and General Counsel