

**Municipal Police Employee's Retirement System
Minutes of the Meeting of the Board of Trustees
August 16, 2023**

The Board of Trustees of the Municipal Police Employees' Retirement System held a regular meeting on Wednesday, August 16, 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 9:05 a.m.

B. Pledge of Allegiance

Chairman King led the Pledge of Allegiance.

C. Roll Call

Members Present

Chief David Addison
Chief Edwin Bergeron, Jr
Asst. Chief Jason DiMarco
Lt. (Retired) Chad King (Chairman)
Mr. Rick McGimsey, Commissioner of Administration Designee
Mr. Julius Roberson, State Treasurer Designee
Chief Beth Westlake
Chief Christopher Wilrye (Vice Chairman)

Members Absent

Rep. Tony Bacala
Major Raymond Burkart, Jr
Mayor Greg Cromer
Major (Retired) Kelly Gibson
Senator Bob Hensgens
Mayor Gerard Landry
Lt. Tyrone Warren

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
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. Brad Kelly, Global Governance Advisors
Mr. Peter Landers, Global Governance Advisors

Chairman King welcomed the two new Trustees, Chief David Addison and Chief Beth Westlake.

D. Public Comment

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

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

Motion by Chief Bergeron, seconded by Asst. Chief Jason DiMarco to approve the minutes of the meeting held July 19, 2023. Without objection, the motion carried.

F. New Business

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

a. Findings of Disability For:

- i. Kristi Bagneris (New Orleans)**
- ii. Collin N. Munster (New Orleans)**

b. Consideration of a Proposed Settlement Agreement for MPERS v. Village of Grayson and Wanda Mills Stowe, in Her Official Capacity as Mayor for the Grayson, 19th JDC, Number 732079, Div. "32"

c. Pending Litigation:

- i. MPERS v. Town of Greensburg and Paula McNabb, in Her Official Capacity as Mayor for the Town of Greensburg and Intervenors James R. Webb and John K. Wascom, 19th JDC, Number 729284, Div. "26"**
- ii. MPERS v. Village of Forest Hill and Elizabeth Jeter, in Her Official Capacity as Mayor for the Village of Forest of Hill, 19th JDC, Number 731317, Div. "26"**

Motion by Chief Wilrye and second by Asst. Chief DiMarco to enter Executive Session at 9:10 am to discuss matters noted on the meeting agenda. Without objection, all present voted to enter the executive session.

Motion by Chief Wilrye and second by Asst. Chief DiMarco to return to regular session at 9:45 a.m. Without objection, the motion carried.

Motion by Chief Bergeron and second by Asst. Chief DiMarco to approve the Kristi Bagneris and Collin N. Munster disability applications based on the recommendation of staff. Ms. Bagneris was approved for disability benefits under R.S. 11:2223(E)(2) for total loss of use of limb (retroactive to the date of the amputation), since a board-designated physician certified that her limb was amputated due solely to an injury that occurred

on or after July 1, 2003. The board also provided that, as an amputee, she is exempt under R.S. 11:223 from the reduction of disability benefits due to earnings from gainful employment. Without objection, the motion carried.

Sheri Morris recommended settlement of the Village of Grayson suit through the transfer of funds from MERS, although it has not been fully approved by the council.

Motion by Chief Wilrye and second by Chief Westlake to approve the proposed settlement agreement for the Village of Grayson suit, contingent upon approval of the city council. Without objection, the motion carried.

2. Executive Director & General Counsel Comments, Including but Not Limited to an Overview of Staff and Their Roles and Budgeting Process (Qualifies as Education Regarding the Laws, Rules, and Regulations Applicable to MPERS)

Mr. Huxen gave a presentation including an overview of MPERS staff roles and the budgeting process, in particular for the education of the two new Trustees. Mr. Huxen first reviewed the MPERS staff, its organization, and individual staff roles. The Executive Director & General Counsel (Benjamin Huxen II, CPA) is the head of MPERS staff, followed by the Chief Financial Officer (Taylor Camp, CPA)—who oversees the Accounts Analyst (Sarah Daniel), the Membership Analyst (Karen Correll), and the accountant (Emily Thurston)—and the Benefits Administrator (Melissa Frazier)—who oversees the Benefits Analyst (Christie Ziadeh). The Executive Director, whose powers and duties are defined in the Board charter, is responsible for day-to-day operations, executive leadership, support of the Board, delivering timely benefits to the members, oversight of investment policies and legislative matters, and recommending approval of the actuarial valuation to PRSAC. He also serves as secretary of the Board, custodian of public records, and general counsel for legal matters. The Chief Financial Officer and associated staff are responsible for membership, new enrollments, delinquent municipalities, and monetary matters (*i.e.*, budgets, investments, accounting). The Benefits Administrator and Benefits Analyst handle all retirement benefit issues.

Mr. Huxen additionally reviewed the MPERS budgeting processes covering the two MPERS budgets—the operating budget (\$2.9m) and the capital budget (\$610k)—for the fiscal year. The capital budget covers the two largest non-investment assets - the building that is owned and leased out by MPERS and the pension administration system. The operating budget covers annual operating expenses, primarily professional services (actuarial, auditing, legal, etc.), staff salaries, staff benefits, and operating costs (utilities, maintenance, etc.). The Human Resources and Governance (HRG) Committee makes recommendations for salaries and benefits, and the Audit, Finance, and the Risk Management Committee makes recommendations for all remaining components and incorporates HRG Committee recommendations.

Recommendations from both committees are reported to the full Board for approval by July 1 and sent to the Joint Legislative Committee on the Budget.

3. Risk Management Education Presentation by Global Governance Advisors (Qualifies as Fiduciary Duty Training)

Mr. Brad Kelly from GGA gave a risk management education presentation to review the Board's fiduciary duties. He reminded the Board that their basic fiduciary duties are loyalty, prudence, and impartiality, and that the fulfillment of these duties require the identification, monitoring, and mitigation of risk. MPERS has recently approved a Risk Appetite Framework to identify and measure risks and define the fund's risk tolerance levels, which should be reviewed annually to ensure relevance. He additionally outlined the Board's roles and responsibilities, including reviewing and approving risk management plans and providing direction for risk tolerance and mitigation, and the staff roles and responsibilities, which includes day-to-day risk management and monitoring.

Mr. Peter Landers from GGA then presented an overview of the risks facing pension systems. He shared case studies involving other public retirement systems to illustrate important areas of risk for the Board to be aware of, particularly outside of investment risk. He stated that the Board's roles in crisis management are crisis prevention, the promotion and safeguard of culture and reputation, and detailed planning.

Following the presentation, Mr. Huxen stated that the staff is working on organizing and consolidating materials from Board education presentations, policies, and charter components.

The Board next took up item F.5 of the meeting agenda.

5. NEPC Report on Investments and Investments 101 Educational Presentation (Qualifies as Investment Training)

Mr. David Barnes from NEPC presented an investment update and provided investment education to the Board. He began by reviewing the Act 1004 summary report generated by the Treasurer's Office which was uploaded to BoardPaq. Over the last fiscal year, MPERS performed in the bottom half of statewide plans, 1-1.5% below most plans with an annual rate of return of 7.8%. However, MPERS performed in the top half of similar plans nationwide, where the median return was 7.7%. He stated that major driving forces behind MPERS performance compared to other plans were 1) moving to a more conservative investment portfolio (higher fixed income allocation, lower equity allocation), which is in line with a lower actuarial assumed rate of return target of 6.75%, and 2) the proportion of the total portfolio in real estate, which was down 10% for the current fiscal year (in contrast to the previous year when real estate was instead up by 25%). He stated that they submitted a \$30 million

redemption request on the real estate allocation 10 months ago that still has not been fulfilled due to the stagnating real estate transaction market.

Mr. McGimsey asked Mr. Barnes what the System should be doing in response to the instability and downward trend in commercial real estate markets. Mr. Barnes responded that his firm is looking at adjusting the target allocation. He stated that his larger concern is liquidity; when the redemption request was submitted, the real estate market was up 25%, but the money was not returned before the market was down 10%. He suggested either moving the illiquid portion of the portfolio into something that will generate larger returns or putting that portion somewhere more liquid that will generate reasonable returns. He stated that the Board should receive an update on the \$30 million redemption request from their real estate manager, Principal, at the October meeting.

Mr. McGimsey asked whether individual properties in their commercial investments could be affected by bankruptcy, and Mr. Barnes responded that he would leave that matter to the real estate managers, although he stated that the System was not invested in high risk real estate. Rather, their real estate investments typically have 90-95% occupancy with high credit-worthy tenants and low leverage (20-25%).

Mr. Barnes then presented the monthly flash report on performance for July 2023. He stated that July was a strong month for risk market performance based on strong economic news throughout the month (including a strong GDP report, increased consumer spending and confidence, as well as inflation moderation). Overall, high risk and equity markets were up meaningfully. The top end of the Fed fund's target range is 5.5% after the Federal Reserve raised rates by another 25 basis points, but the market is not expecting another rate increase in September. Core inflation is still elevated at 4.5%, well above the Fed's 2% target. High risk bond and equity markets were all up meaningfully. The MPERS portfolio finished July with a market value of \$2.6 billion, representing investment gains of \$58 million and a return of 2.3% (predicting an annual return of 6%).

Mr. Barnes additionally presented the quarterly performance report for the private equity portfolio, which returned 1.8% in the 1st quarter of 2023 versus 1.37% over the last year. Despite the current year's lag in private equity compared to public equity (up 19% over the last year), this private equity portfolio returned 24.5% and 20.3% over the last 3 and 5 years, respectively. He stated that NEPC anticipates that private equity has the opportunity for outsized returns in the long-term, even though the public market might be ahead in a given year. For every \$1 of the initial \$453 million invested in private equity so far, the managers have returned about \$0.50 to the System in cash from successful investments, and the remaining portfolio value to invest and liquidate is about \$233 million. Mr. Barnes stated that this part of the portfolio continues to perform well and will be important going forward to generate attractive returns.

Mr. Barnes then presented Investment Education 101, which included a review of asset classes, asset allocation, and the role that different asset classes play in the MPERS portfolio.

Mr. Roberson asked Mr. Barnes to clarify the difference between private and public real estate investments. Mr. Barnes stated that the two main forms of real estate investment are 1) securitized real estate portfolios that trade public shares of a portfolio of private real estate (Real Estate Investment Trust, or REIT fund) and 2) direct investment in the private real estate market. He explained that public REIT investments behave according to the stock market, while direct investments in private real estate behave independently, and that private investments come with much less liquidity.

The Board next took up item F.4 of the meeting agenda.

4. Actuarial Comments, Including but Not Limited to a Presentation Regarding Actuarial Valuation for Public Retirement Systems (Qualifies as Actuarial Science Education)

Mr. Curran presented education on the actuarial valuation process used to calculate employer contribution rates. His presentation covered the preparation for annual valuations, the collection and review of valuation data, the building of a proper valuation model, a review of actuarial valuation results, and discussed information included within the annual valuation report.

Chief Wilrye asked for clarification on an error related to insurance premium taxes that Mr. Curran mentioned in his presentation. Mr. Curran stated that the Department of Insurance (DOI) collects insurance premiums and taxes, a portion of which are remitted to four public safety retirement systems in the state. DOI provides a certification to the legislature around October of each year detailing the total funding that will be provided to the four systems, and Mr. Curran's firm allocates the funds and incorporates them into the actuarial valuation. After the 2022 valuation was already approved by PRSAC, DOI informed Mr. Curran that they had a correction in the value of the insurance premium taxes allocated to the retirement systems. The correction would result in less money going to the four systems than estimated. Since the correction was not provided until late March, rather than redoing all four valuations and getting PRSAC to approve revised valuations, the Chairman of the Senate Retirement Committee and PRSAC decided, based on Mr. Curran's recommendation, to incorporate the loss from lower insurance premium taxes in the coming year's valuation. Mr. Curran clarified that the funds are not split equally between the four systems, but that the Firefighters' Retirement System receives the largest portion to cover the cost of past mergers. He added that, as those mergers are paid off beginning in the next few years, MPERS will begin to receive a larger portion of the total funds.

Next, the Board took up item F.2.a and F.2.b of the meeting agenda.

a. Update on Delinquent Municipalities

Mr. Huxen stated that the trustees have access to the document addressing delinquent municipalities on BoardPaq.

b. Reminder About the 2023 LAPERS Louisiana Public Retirement Seminar (September 10-12, 2023 at the Roosevelt New Orleans)

Mr. Huxen reminded the Board about the 2023 LAPERS Seminar in New Orleans and asked trustees to get in touch with Emily to book accommodation.

G. Other Business

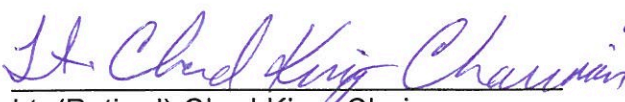
There was no other business to come before the board.

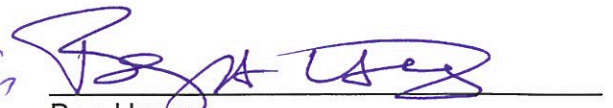
H. Adjourn

A motion was made by Chief Wilrye, seconded by Asst. Chief DiMarco, to adjourn the meeting at 12:10 pm. Without objection, the motion carried.

Next Meeting Date: October 18, 2023. Baton Rouge, Louisiana.

To the best of my knowledge, the foregoing minutes accurately represent the actions taken at the meeting held on August 16, 2023.


Lt. (Retired) Chad King, Chairman


Ben Huxen,
Executive Director and General Counsel