**Municipal Police Employees' Retirement System**
**Minutes of the HR and Governance Committee Meeting**
**December 17, 2024**

The HR and Governance Committee of the Municipal Police Employees' Retirement System held a Meeting on Tuesday, December 17, 2024.

## I. Call to Order

The meeting was called to order by Chief Christopher Wilrye at 9:32 am.

## II. Roll Call

### Members Present

Chief Edwin Bergeron Jr.
Lt. (Retired) Chad King (virtual)
Chief Christpher Wilrye (Committee Chair)

### Members Absent

Chief David Addison

### Others Present

Mr. Benjamin Huxen II, MPERS Executive Director and General Counsel
Ms. Melissa Frazier, MPERS Benefits Administrator
Ms. Taylor Camp, MPERS, Chief Financial Officer
Ms. Emily Thurston, MPERS, Accountant
Mr. Peter Landers, GGA (virtual)
Mr. Brad Kelly, GGA (virtual)

## III. Public Comment

There were no public comments.

## IV. Approval of the May 8, 2024 Committee Meeting Minutes (Action Item)

**Motion by Lt. (Retired) Chad King, seconded by Chief Edwin Bergeron, Jr., to approve the minutes of the meeting held May 8, 2024. Without objection, the motion carried.**

## V. New Business

A. Global Governance Advisors' System Compensation Review Presentation

Mr. Huxen explained that GGA was engaged to do a salary study every couple of years. Mr. Huxen stated Mr. Kelly and Mr. Landers were there to present and go over the recommendations.

Mr. Kelly stated they have been doing this process for a few years now and commented that MPERS has been able to do a lot with a lot less staff. Mr. Kelly noted MPERS is spending considerably less on staff than their peers. Mr. Kelly stated that because MPERS is running with a team that is substantially smaller than others, MPERS' staff tends to play multiple roles. Mr. Kelly gave Mr. Huxen as an example, stating that he is both the executive director as well as general legal counsel. Mr. Kelly stated that they understand that throughout the organization other roles will often have a dual function as well.

Mr. Kelly noted that GGA did not collect data specifically pertaining to pension system accruals. He stated that this is something that they can go back to the participants and ask them to provide. This information could be used to determine how MPERS is faring on that comparison.

Mr. Kelly explained that the report reflects the peers that MPERS was compared to and stated that each peer generously responded to their survey requests and took the time to provide data. Mr. Kelly noted that in appreciation of that, each respondent received a summary report which is a high-level aggregate of their findings.

Mr. Kelly noted that one recommendation is that MPERS consider implementing a short-term incentive. He stated it is a new trend throughout the United States pension community but has been in the Canadian pension community since the 90s. Mr. Kelly said MPERS may want to start with just Mr. Huxen's position as the top delegated authority individual within the organization. Mr. Kelly explained they recommend establishing a balanced performance scorecard, where you can identify objectives for Mr. Huxen to focus on and define the expected achievements, or targets, that MPERS would like over the coming year. Mr. Kelly stated that they always say if a performance management plan is properly put in place, it is risk mitigated because it should not pay out if the performance does not warrant it. From a cost management perspective, it mitigates the risk because nothing pays out unless the system gets the associated performance.

Mr. Kelly said they looked at each of the 7 key positions within the MPERS organization and stated that the first alternative would be to fill in the observed gaps with the peer group and to deal with internal equity issues through making base salary adjustments. He stated that when looking at the data, they recommended no change for a few of the positions. Mr. Kelly then stated that alternative two would be to fill the overserved gaps with peer groups by making base salary adjustments, and also to help fill that gap by introducing an incentive opportunity for Mr. Huxen's position with risk-mitigation. Mr. Kelly noted that when looking at the positions themselves based on the market positioning, GGA felt that the CFO, membership analyst, and the benefits analyst positions were paid relatively fairly against the market and so therefore GGA recommended no real change. Mr. Kelly stated that for Mr. Huxen's position there is a definite differential and that they feel there should be a slight adjustment for the benefits administrator.

Mr. Kelly said the accounts analyst position was relatively well positioned when originally looking at it, but after speaking with Mr. Huxen and Ms. Camp, it was pointed out that the individual within this role is doing additional work on the membership analyst side as well as the benefits side and so therefore, GGA felt that there should be an adjustment given the fact that this is a blended role within the organization. The higher responsibilities would warrant a bigger base pay.

Mr. Kelly went on to discuss the accounting side. He stated that this is generally more a junior position, but the accounting function itself, when compared to peers, automatically warrants higher pay.

Mr. Landers then added that these recommendations are largely based on their understanding of the role itself, and the role the individual plays. He stated it is not necessarily looking at the performance of the individual. Mr. Landers stated that Mr. Huxen has a memo that speaks more to the individual and their performance in the role and their duties they have taken on. Mr. Landers said that GGA does not have as much transparency into that. He stated they are just looking at the salary adjustments that they are seeing based on the nature of the role and the slight gap to market-based adjustments. Mr. Landers went on to state that it would be customary if MPERS feels that someone is performing at a high enough level that MPERS would provide at least a standard 3% or higher adjustment annually. Mr. Landers explained that their recommendations looked at market-based adjustments and did not necessarily look at the performance of individuals in the role. Employee performance may then lead to slightly different recommendations being brought forward by Mr. Huxen based on his knowledge of the role that each of these individuals plays within MPERS.

Mr. Kelly then stated that with Mr. Huxen's position, they suggest a target incentive of 10%, and that is the absolute bare minimum that would incentivize any sort of psychological motivation or any change in behavior. Mr. Kelly said they would like to see this incentive higher at the top executive level. They suggested that it is usually at least 25%. Mr. Kelly noted that they felt starting with a target of 10% was fair and at least allowed MPERS to adopt a process that is open and transparent and enforces accountability.

Chief Bergeron asked how long the incentive opportunity under scenario 2 would last. Mr. Kelly answered that it is typically an annual incentive, but some of the objectives can be multiple years, especially with MPERS since it's a long-term investment entity. Mr. Kelly stated that by no means should MPERS be looking at short-term investments or investment opportunities because they are in it for the long haul. He said a lot of pension systems will use a 3 to 5 year rolling investment performance. Mr. Kelly noted using multiple years can also help buffer some of the anomalies.

Mr. Landers said that non-investment related metrics may also be used. He mentioned metrics surrounding plan member services for a given year. He stated that these would be more annual in nature and would be reassessed each year. Mr. Landers said overall it's supposed to be an annual scorecard that gets reviewed and refreshed every year with fresh new objectives set on an annual basis.

Chief Bergeron asked Mr. Huxen how often a salary study must be done according to Mr. Huxen's employment contract. After checking, Mr. Huxen stated that it stated that one would be performed every three years. Chief Bergeron stated that realistically the Board is reevaluating every three years anyway.

Mr. Kelly stated that in addition to the recommendations that have been provided regarding the 3% COLA adjustment, given the fact that this is something that happened after the beginning of MPERS' fiscal year, GGA feels that it is fine. He went on to explain that he and Mr. Landers both feel some of the retention elements that have been recommended, especially in terms of the education opportunities, are a market best practice from a recruitment and retention perspective. He stated it also helps further the skills and development of individuals within MPERS team and helps to enforce the overall effectiveness within their roles of their organization.

Mr. Landers said that at the end of the day none of what was being recommended looked egregious to GGA. He stated it all looked to be reasonable and in line with what GGA typically sees. Mr. Landers noted they are not as close to the budget numbers as MPERS is. He stated that if the committee and the board are comfortable and they know these adjustments that are being recommended and these additional educational opportunities are all affordable to the organization and are sustainable, GGA feels like they make a lot of good sense to put in place. Mr. Landers said it can attract and retain people to the MPERS organization.

Chief Bergeron asked if both alternatives included the 3% coming into play. Mr. Kelly stated that they did. Chief Bergeron asked about whether the 3% COLA adjustment applied to the Executive Director. Mr. Huxen stated that his contract had three different calculations that included a percentage of the highest paid director for a statewide system, the GGA recommendation, and an inflation component. Mr. Huxen stated that he would review his recommendations to the committee.

B. Consideration of Retroactive and Prospective Adjustment to Staff Salaries for Fiscal Year 2024-2025 and Adoption of Staff Education Policy (Action Item)

Mr. Huxen stated that in May, the Board approved a 3% increase for staff and approved the Executive Director's minimum salary. In addition, the Board gave this committee the authority to make GGAs recommendations retroactive to July 1 and directed Mr. Huxen to provide the GGA recommendations to the Board. Mr. Huxen recommended that the HR and Governance Committee, pursuant to the previous authority given by the Board, vote to increase the budget to reflect any additional base pay identified by position within GGAs review (Alternative number 1 on page 8). Mr. Huxen stated that this did not include any incentive pay components. He suggested that if the committee was interested in implementing an incentive program, first the strategic plan should be completed. The second component would be to recommend that the full

Board approve an additional 3% for the CFO, benefits analyst, and membership analyst positions that did not have a recommended increase in base pay.

Chief Bergeron clarified that if they gave the additional 3% in addition to the previously granted 3%, they would be essentially giving 6% for this year. Mr. Kelly reminded the committee that the study incorporated the first 3% increase in the numbers that were compared to peers.

Mr. Huxen stated that the other recommendation was that the committee recommend that the Board adopt the same staff education policy as MERS.

Mr. Huxen stated that he had spoken with Chief Bergeron about doing more frequent salary studies and outlined a possible approach of having a study done in advance of fiscal 2027. Chief Bergeron stated that he wasn't against giving annual raises, but he did not think 3% would always be in line with what every employee is entitled to. He stated that the only thing he was hung up on was whether the committee was accepting the GGA recommendation on the base salary or the base salary plus 3%. Mr. Huxen stated that for him, the benefits administrator, the accounts analyst, and the accountant positions would follow column 3 on page 8 of the GGA report. For those positions with no change in column 3 on page 8, the pay would increase by 3%.

Chief Wilrye asked if part-time positions would get the additional 3%. Ms. Camp stated that they have some wiggle room on the pay for student workers and they were comfortable with the current budget for them.

Chief Bergeron and Mr. Huxen discussed the accrual rate differentials between MPERS staff and other systems. Chief Bergeron stated that he would only be comfortable voting to have GGA study the staff's accrual rate differential if they agreed to have someone look at the impact of the lower accrual rate in the newest tier of benefits affecting police officers too. He expressed his belief that officers should not have had their accrual rate decreased in 2013.

**Motion by Chief Edwin Bergeron Jr. and seconded by Lt. (Retired) Chad King to accept the recommendation shown in GGA alternative #1, to provide a 3% merit increase retroactive to July 1, 2024 to the three positions listed with "No Change", to recommend that the Board adopt the same staff education policy as that being used by MERS, and to authorize Ben Huxen to hire GGA and Curran Actuarial to evaluate the accrual rate differential for both staff and police employees. After a roll call vote, the motion passed unanimously.**

## VI. Other Business

There was no other business to come before the committee.

## VII. Adjourn

**A motion was made by Lt. (Retired) Chad King, seconded by Chief Edwin Bergeron, Jr. to adjourn the meeting at 10:08 am. Without objection, the motion carried.**

To the best of my knowledge, the foregoing minutes accurately represent the actions taken at the meeting held on December 17, 2024.

Chief Christopher Wilrye
HR and Governance Committee
Chairman

Ben Huxen,
Executive Director and General Counsel