

MINUTES

The Board of Trustees of the Municipal Police Employees' Retirement System held a Regular Meeting on Wednesday, December 18, 2019, at 7722 Office Park Boulevard, Baton Rouge, Louisiana.

The meeting was called to order by Chairman G. Scott Ford at 9:05 a.m.

Pledge of Allegiance

Mr. Huxen led the pledge of allegiance.

Roll Call

Members Present

Chief G. Scott Ford, Chairman
Maj. Raymond Burkart, Jr.
Lt. Chad King, Vice-Chairman
Mayor Gerard Landry
Ms. Amy Mathews, State Treasurer Designee
Mr. Rick McGimsey, Commissioner of Administration Designee
Sgt. (Retired) Larry Reech
Mayor Donald Villere
Chief Christopher Wilrye

Members Absent

Rep. Tony Bacala
Chief Michael Glaser
Chief Dwayne Munch
Senator Barrow Peacock

Others Present

Mr. Benjamin Huxen II, MPERS Executive Director and General Counsel
Ms. Ashlee McNeely, MPERS, Executive Management Officer
Ms. Taylor Camp, MPERS, CFO
Ms. Melissa Rayburn, MPERS, Benefits Administrator
Mr. David Barnes, NEPC, Investment Consultant
Mr. Gary Curran, Actuary
Mr. Paul Schmidt, BNY Mellon
Mr. Tony Gelderman, BLB&G
Ms. Kay Burke, BLB&G
Ms. Michelle Cunningham, DHHM
Mr. Jason Montegut, DHHM
Mr. Jean Beckemeyer, NOPD, Retired
Mr. Wallace Lore, NOPD Retired

Public Comment

Chairman G. Scott Ford called for public comment. There was none.

REGULAR BUSINESS

Approval of the November 20, 2019 Board Meeting Minutes

Motion by Mr. Reech, seconded by Mr. Wilrye, to approve the minutes of the meeting held November 20, 2019. Without objection, the motion carried.

NEW BUSINESS

Presentation of the Audit Report for the Fiscal Year ended June 30, 2019

Ms. Michelle Cunningham and Mr. Jason Montegut, CPAs represented Duplantier, Hrapmann, Hogan & Maher, LLP and presented the results of the 6/30/19 Financial Statement and Compliance Audit. The full audit report will be posted on the system's website.

Summary of audit results: There was an unmodified opinion on the basic financial statements, meaning all income statements were materially stated. No significant deficiencies or significant deficiencies that are material weaknesses in internal control, and there were no material violations of laws and regulations that have a direct and material effect on the financial statements.

Pension liability for the end of the 2019 year was \$3.1 billion, which is slightly higher than 2018.

The System's total assets increased from almost \$2.2 billion in 2018 to \$2.236 billion in 2019. There were no significant changes in the system's total liability to pay future benefits to retirees and the system's net position for Restricted for Pension Benefits is \$2.2 billion.

There was an increase in employer contributions by about \$10 million, or 10.99%, to a total of \$100 million. The net investment income for 2019 decreased to \$81 million from \$141.5 million in 2018. This is similar to what they have seen across the board this year. The total additions equaled a total of \$233 million for the year.

Benefit payments increased by roughly \$6 million for the year, for a total of \$159 million. Total deductions for the system also increased to \$170 million, from \$163 million the previous year. This brought the system's total net income for the 2019 year to \$62,506,775 which was a decrease from the previous year, mostly due to the decrease in investment income.

They also noted the system's total pension liability is \$3 billion with a 71% funded ratio.

The auditing firm selected the following municipalities for census data testing: Monroe, Arcadia, Richwood, New Orleans, and West Monroe. There were no significant findings with reporting. Only two of the municipalities, Arcadia and Richwood, had findings of having employees who are not enrolled in the MPERS, which resulted in under reporting of pensionable wages and employee/employer contributions. These issues have since been addressed. There were other minor findings regarding date of birth, date of hire and date of entry data not agreeing with System records.

Additionally, this is year three of the Louisiana Legislative Auditor prescribed statewide agreed-upon procedures to be completed and is applicable to entities required to have an audit performed under the audit law. There were no findings.

The auditors will be performing some GASB 68 audits in the new year and will be issuing a report in February 2020.

Motion by Mr. Reech, seconded by Mr. King to accept the results of the June 30, 2019 Financial Statement and Compliance Audit as presented. Without objection, the motion carried.

Actuarial Comments, Including but Not Limited to Discussion and Action Regarding a Declaration of Intent to Lower the Valuation Rate to be Used in Future Years' Valuations

Mr. Gary Curran presented on the status of MPERS current valuation rate. This target was set 2-3 years ago based on recommendations by consultants. At the time it was believed that MPERS would stay at that level for some reasonable amount of time but in reality, we are shooting at a moving target. The system is not in the same position it was in a few years ago. All of variables are estimates because the inputs are estimates. Our

current valuation rate of 7.125% is in higher part of the range. Based on the recent data collected, the center point is around 6.75% and is the same distance below where we are now, from where we currently are to where we started to decrease the valuation increase rate. He recommended that the Board wait for more data to be collected before making concrete decisions to lower the rate, but he did suggest that there should be a sense of the board that we will need to reduce the rate to around 6.75% over the next three years. The exact point and path should be determined after the next round of data is collected in the spring.

A motion was made by Mr. Reech, seconded by Mr. Villere, to make the following statement to PRSAC regarding the valuation interest rates to be used in future years' valuations:

Once the MPERS Board of Trustees receives the results of the 2020 actuarial experience study, it will consider gradually lowering the valuation interest rate from 7.125% to 6.75% over a certain period of time.

Without objection, the motion carried.

There followed some back and forth conversation on the impact that changing the valuation rate would have on a future cost of living increase for retirees.

NEPC Report on Investments and Investment Education

Mr. David Barnes represented NEPC and presented the Investment Market Update for November. The total market value as of November 30, 2019 was \$2,207,997,159 and performance was up by 1.3% for the month and was up by 3.0% for the fiscal year to date.

Mr. Barnes also presented an asset education presentation to the Board. He gave the board a review of the basic concepts, and discussed the different terms and asset classes that will be mentioned at the January 2020 meeting. This was to serve as a review for trustees to up to speed on asset allocation for future investment discussion. Mr. Barnes will also present some suggested adjustments to the portfolio at the next meeting.

A question was raised by Mayor Landry about what needs to be done to address the problem of increasing employer contribution rates MPERS is in the bottom 1/3 of the state systems and there does not appear to be any relief coming for municipalities. There was a great deal of concern from the mayors on the Board and there was some discussion regarding setting a cap on the maximum employer contribution rate.

Presentation by BNY Mellon Custody and Securities Lending

Mr. Paul Schmidt with BNY Mellon Custody and Securities Lending made a presentation to the board as our system custodian bank. The system's lendable assets are down slightly from last year to \$907,348,291 due to a shift in investments. The assets on loan for the year are up to \$67,845,153, but the gross earnings are down to \$256,645.

Executive Session

There was a motion by Mr. King, seconded by Mr. Reech to enter into executive session to discuss *Ethan E. Silverman v. Baxter International Inc., et al.*, Case No. 1:19-cv-07786. Without objection, motion carried. The board entered into executive session at 11:32 am.

A motion by Mr. King, seconded by Mr. Villere to return from executive session at 11:55am. Without objection the motion carried.

A motion was then made by Mr. King, seconded by Mr. Reech for MPERS to seek to be appointed as lead plaintiff in the case of *Ethan E. Silverman v. Baxter International Inc.*, et al., Case No. 1:19-cv-07786. Ms. Mathews opposed the motion, but having a majority in favor, the motion passed.

Executive Director and General Counsel Comments

Mr. Huxen updated the board on the need for additional pieces of legislation for the 2020 Regular Session.

- The first piece of legislation was brought to us by the Firefighters' Retirement System. It would clarify current law that a member must first join MPERS before being able to opt out.
- The second cleans up current law stating that an elected police chief must be a member of MPERS. The system is encountering several instances of elected chiefs not joining the system, especially in the smaller municipalities.
- The third item deals with subplans created in 2013. This will clean up current language that states that you must have 10 years of credit to receive a benefit if killed in the line of duty. This would change the law to say that you will receive a benefit regardless of how many years of service the member has. The system has been paying these benefits anyway.

A motion was made by Mr. Burkart, seconded by Mr. Villere. Without objection, the motion carried.

Mr. Huxen then updated the Board on the status of the PATROLE project. They are currently 64% complete and on target to finish on schedule.

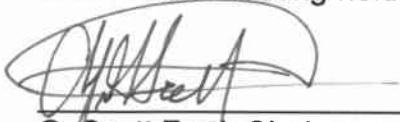
The next item was to discuss the Board Effectiveness Assessment. The system will be working with Global Governance Advisors to conduct an assessment on the roles of the board of trustees, staff, committees, and policies and procedures. GGA will be coming in to meet with members of the Board and will be collecting information.

Other Business

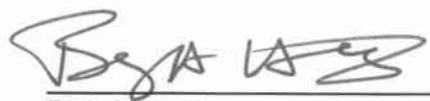
There was no other business to come before the Board.

A motion was made by Mr. Landry, seconded by Mr. Villere, to adjourn the meeting at 12:03pm. Without objection, the motion carried.

To the best of my knowledge, the foregoing minutes accurately represent the actions taken at the meeting held December 18, 2019.



G. Scott Ford, Chairman



Ben Huxen,
Executive Director and General Counsel