

MINUTES

The Board of Trustees of the Municipal Police Employees' Retirement System held a Regular Meeting on Wednesday, October 16, 2019, at 7722 Office Park Boulevard, Baton Rouge, Louisiana.

The meeting was called to order by Chairman G. Scott Ford at 9:10 a.m.

Pledge of Allegiance

Chief Wilrye led the pledge of allegiance.

Moment of Silence in Honor of Captain (ret.) Willie Joe Greene

The Board then held a moment of silence to remember the late longtime trustee Willie Joe Greene and fallen officer Captain Vincent Liberto, Jr. of the Mandeville Police Department, who was killed in the line of duty.

Roll Call

Members Present

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

Members Absent

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
Mr. David Barnes, NEPC, Investment Consultant
Mr. Greg Curran, Actuary
Ms. Sheri Morris, Daigle Fisse & Kessenich
Mr. Michael Spittler, Pacific Asset Management
Mr. Doug Doucette, Investec
Mr. George Varino, Investec
Mr. Jean Beckemeyer, NOPD, Retired
Mr. Wallace Lore, NOPD Retired
Ms. Nicole Edmonson, Louisiana Legislative Auditor

Public Comment

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

REGULAR BUSINESS

Approval of the August 21, 2019 Board Meeting Minutes

Motion by Mr. Reech, seconded by Mr. Villere, to approve the minutes of the meeting held August 21, 2019. Without objection, the motion carried.

NEW BUSINESS

NEPC Report on Investments

Mr. David Barnes represented NEPC and presented the Investment Market Update for September. He noted that the portfolio had a good month. The total market value as of September 30, 2019 was \$2,154,735,769 and performance was up by 1.1% for the month but was flat for the first three months of the fiscal year.

Mr. Barnes made a recommendation to end the relationships with Pinnacle Associates and Dimensional Fund Advisors and move the cash proceeds to index funds with Mellon that track the terminated funds' particular benchmarks (Russell 2500 Growth and MSCI Emerging Markets, respectively). There was a motion by Mr. Reech, seconded by Mr. Villere to make those changes. Without objection the motion carried.

Mr. Barnes then outlined the steps NEPC has taken to look into MPERS's standing as compared to the other state systems. He outlined for the Board that the portfolio appears to be lagging behind its peers in small part due to a disparity in how MPERS reports performance on private market investments.

NEPC was recording private market valuations and returns for MPERS in the time period in which they occurred. Other state and statewide plans in Louisiana are recording their private market investment updates at the time in which they are reported by the investment managers. As such, this was creating a situation in which MPERS was reporting a consistently lower return each quarter to the state legislature in its Act 1004 filing and in NEPC's quarterly performance report compared with the reporting methods that other state pension plans were using.

Following consultation with the MPERS staff and the Louisiana Department of Treasury (which collects and reports the Act 1004 report filing results), NEPC has shifted its reporting methodology for the MPERS private markets investments to be in-line with the methodology used by most other state and statewide plans with significant private markets investments.

Finally, there was a motion by Mr. Burkart, seconded by Mr. Reech for NEPC to carry out fee research, since it has been four years since fees have been reevaluated. Without objection, the motion carried.

Presentation by Pacific Asset Management

Mr. Michael Spitler represented Pacific Asset Management and presented its annual report to the board. The market value as of September 30, 2019 was \$40,522,599 and was up 7.1% for the calendar year to date.

Presentation by Investec

Mr. Doug Doucette and Mr. George Varino represented Investec and presented its annual report to the board. The market value as of September 30, 2019 was \$106,585,916 and was up 7.6% for the calendar year to date.

Actuarial Comments, Including but Not Limited to Discussion of the Long-term Rate of Return Assumption

Mr. Greg Curran discussed his review of the valuation interest rate. He reminded the board that it has been on the path of lowering the rate since 2017 and that MPERS is currently planned to be at 7.125% for the Fiscal Year 2019 valuation. G. S. Curran &

Company, Ltd. determined that the reasonable range for long-term inflation is between 2.2% to 2.7%, and it used 2.5% for this year's analysis of the valuation interest rate. Based on the average real rates of return, standard deviations, and correlation coefficients from nine national consulting firms (including NEPC), and using an assumed rate of inflation of 2.50%, G. S. Curran & Company, Ltd. determined that the annual expected rate of return on the fund's investment portfolio is 6.74%. However, the 7.125% rate is still within the reasonable range. MPERS's probability of exceeding a 7.125% geometric rate of return over 30 years is 42%.

G. S. Curran & Company, Ltd. plans to conduct an experience study after this valuation in anticipation of the Fiscal Year 2020 valuation, which would present a good opportunity to discuss any changes the board would like to make from the 7.125%. He then presented the board with the opportunity to lower the assume rate of return now, as opposed to waiting to change in the future. Mr. Curran expressed his support in moving this to a bi-annual discussion as opposed to an annual review, as it diverts his attention from other issues he can handle for the board.

There was some discussion on how low is too low for the assumed rate of return. Mr. Curran outlined the importance of studying mortality for a system. Some members expressed the need to be able to give municipalities an accurate cost for them to plan going forward, as they will be receiving rates from multiple systems. Board members voiced the importance of providing accurate rates, since it significantly impacts the city's decision on how many police officers they will hire in future years.

Mr. Curran noted his confidence in the numbers but did acknowledge the importance of making a plan, noting that the experience study should provide a more complete picture. He did not feel the need to rush to make any change at this point.

Discussion of Potential Legislation for 2020 Regular Legislative Session

Mr. Huxen presented the following potential legislation for consideration by the Board:

1. Permit the board to promulgate any rules necessary for administration. Motion by Mr. Reech to authorize public notice of intent to file legislation. Seconded by Mr. King, without objection motion passed.
2. Require employer contributions during DROP starting July 1, 2021. The board discussed the potential impact on the employer contribution rate. This should result in a reduction. Motion by Ms. Mathews to authorize public notice of intent to file legislation, seconded by Mr. McGimsey. Without objection, the motion carried.
3. Require full amount of contributions for employees receiving workers compensation starting July 1, 2021. This legislation would be effective on July 1, 2021. Motion by Mr. Burkart to authorize public notice of intent to file legislation. Seconded by Mr. Calloway. Without objection, motion carried.
4. Partial dissolution of a participating employer. Cleanup of current law, which presents a timing issue. Motion by Mr. Burkart to authorize public notice of intent to file legislation. Seconded by Mr. Glaser. Without objection, motion carried.
5. Charge penalties for severely delinquent contributions and codify attorney general opinions regarding actuarial costs, starting July 1, 2021. Enact a provision similar to LSPRF, and require that any employer who becomes delinquent for a period of excess of ninety days in collection and remittance to the board of the amounts due as monthly contributions shall be liable to an assessment as penalty therefor of twenty-five per cent of the aggregate monthly contributions due. This legislation would be effective on July 1, 2021. Motion by

Mr. King to authorize public notice of intent to file legislation. Seconded by Mr. Calloway. Mr. Villere opposed but having a majority in favor, the motion carried.

6. Always require employee contributions when not in DROP. This would apply to a member who has earned benefits equal to one hundred percent of his average final compensation on or after July 1, 2021. Motion by Mr. Burkart to authorize public notice of intent to file legislation. Seconded by Mr. Calloway. Without objection motion carried.
7. Eliminate the "Under 50" requirement for membership. This bill applies to any person who becomes an employee who is employed by the employer on a full-time basis on or after July 1, 2021. There were a few questions about the effect this may have on the system's UAL. Additionally, there was concern from the mayors due on the cost to smaller municipalities. A motion to authorize public notice of intent to file legislation was made by Mr. Reech. Seconded by Mr. King. There were two objections from Mr. Landry and Mr. Villere, but having a majority in favor, the motion carried.
8. Clean-up language to Account for Reciprocity. Allows money to stay in system if person is absent from service for more than five years. This applies to those absent from service on or after July 1, 2021.

There was some completely unrelated concern of giving people the ability to spike their pension and make more money. A motion was made by Mr. Burkart to study the ability to bifurcate a benefit for members who were out of service for 5 years or more and didn't obtain a refund. This could also apply to people who want to repay a refund and have been out of service for at least 5 years.

Seconded by Mr. Reech. Without objection the motion carried.

The discussion returned to the potential legislation. Motion by Mr. Reech to authorize public notice of intent to file legislation. Seconded by Mr. Villere. Without objection, motion carried.

9. Make Non-Line-of Duty Disability Benefits vest from the date of receipt of the physical examination. MPERS has been having trouble getting exams from municipalities. This puts incentive on employee and applies to members hired on or after July 1, 2021. Motion by Mr. Reech to authorize public notice of intent to file legislation. Seconded by Mr. Villere. Without objection, motion carried.
10. Define "full time" as employment on a permanent, regularly scheduled basis of at least an average of thirty-five hours per week. There was some discussion of the legal definition of "full-time." Ms. Morris informed the board that there is no single definition of the term. This legislation would apply beginning July 1, 2021. A motion was made by Mr. Reech to define full time as 30 hours per week. The motion was seconded by Mr. Burkart, and without objection, the motion carried.
11. Limit the amount part-time retirees can earn and require contributions during their employment. This will apply to any retired member first reemployed on or after July 1, 2021 receiving normal benefits. A motion by Mr. Reech and second by Mr. Burkart to publish the notice of intent to introduce a bill limiting the amount part-time retirees can earn and require contributions during their employment and also designate an amount of time the retiree shall be retired before returning to work. There was some discussion on how MPERS staff will be able to track this information. It would be the responsibility of the employer to report that information. There was also some discussion on restrictions of how long you were retired before returning back to work and Mr. Curran noted that we may need to revisit the language of the bill after the advertisement period to make some adjustments. Without objection the motion carried.

12. Fix survivor law remarriage discrepancies and require annual certification. This bill is clean-up that would change the age from sixty to fifty-five. It would also enact a new provision to, beginning July 1, 2021, require every surviving spouse under age fifty-five who received survivor benefits to submit to the board, by a specified date, a notarized statement attesting marital status throughout the prior fiscal year. Mr. Landry made the motion to authorize the public notice of intent to file legislation. The motion was seconded by Mr. Reech and without objections, the motion carried.
13. Set a specific prescriptive period for certain MPERS overpayments. Enact a provision to provide that the board of trustees shall use all reasonable means to collect benefits paid by the system to an individual who was not due the benefit. Motion made by Mr. Reech to authorize the public notice of intent to file legislation. Seconded by Mr. Calloway. Without objection, the motion carried.
14. Permit a special needs trust to be an options or survivor beneficiary for disabled children. Would permit a member to designate all of a portion of the survivor or optional benefit to be paid in a trust for the benefit of his surviving minor child or a child with a physical or mental disability if the terms of the trust are provided and the system has the proper documentation. A motion was made by Mr. Reech to authorize the public notice of intent to file legislation. It was seconded by Mr. Calloway and without objection, the motion carried.
15. Let MPERS pick up the tab of have disability retiree reevaluated. There was some concern of the system being taken advantage of by those who might attempt to defraud the system. Mr. Huxen committed to looking at some language to protect the system in these cases. Motion by Mr. Reech to authorize the public notice of intent to file legislation and add language dealing with potential fraud issues. Seconded by Mr. Burkart and without objection, the motion carried.
16. Time for filing claim. Would set a time limit of filing a claim for death of disability to within one year from the date of the disability or death. Motion by Mr. Burkart to authorize the public notice of intent to file legislation. Seconded by Ms. Mathews. Without objection, motion carried.
17. Codify spousal consent requirement that currently only exists in regulations. Motion by Mr. Burkart to authorize the public notice of intent to file legislation. Seconded by Mr. Glaser. There was some discussion on the specifics of the bill and a request by Mr. Burkart to add the parish in which the pre-nuptial agreement was recorded. Without objection, the motion carried.
18. Close a hazardous duty subplan "loophole". This bill would clarify that a member would have to meet qualifications of both subplans before being able to retire. This applies to all members whose first employment making them eligible for membership in the subplan occurred on or after July 1, 2021. A motion was made by Mr. Reech to authorize the public notice of intent to file legislation. It was seconded by Mr. Glaser and without objection, the motion carried.
19. Clean-up early retirement language for non-hazardous duty subplan. Motion by Mr. McGimsey to authorize the public notice of intent to file legislation. Second by Mr. Reech and without objection the motion carried.
20. COLAs/PBI. Seek to establish a funding deposit account to be used to pay PBIs. This would allow MPERS to increase the employer contribution rate by up to six tenths of one percent to fund PBIs. The bill would also, after the next PBI is granted, restrict PBIs to retirees and beneficiaries over the age of 65 and equal

to 2% of the benefit in payment on 10/1/1977, or the date the benefit was originally received if retirement commenced after that date. A motion by Mr. Reech to authorize the public notice of intent. Seconded by Mr. Calloway. There was discussion on the details of how this works and some concern was raised over the cost to the municipalities. There was one vote in opposition by Mr. Villere but having a majority in support, the motion carried.

Executive Director and General Counsel Comments

Mr. Huxen presented and asked for approval of the Louisiana Compliance Questionnaire, which provides for audit engagement of governments. A motion was made by Mr. Villere, seconded by Mr. Reech to approve the questionnaire. Without objection, the motion carried.

Mr. Huxen reviewed four regulations to be promulgated. The first allows group trust investments. Second regulation defines true annuity and other approved methods under new DROP legislation. The third regulation deals with military service purchases and compliance with the uniformed services employment and reemployment rights act. The final regulation pertains with the renunciation of benefits. A motion was made by Mr. Reech to approve the promulgation of these regulations, while modifying the fourth regulation to allow for partial renunciation. The motion was seconded by Ms. Mathews, and without objection, the motion carried.

Mr. Huxen reviewed the 2020 operating and capital budgets. He noted that the budgets are looking fine, apart from unexpected elections that have arisen. He will move money between line items to accommodate for this and will report back to the board at a later date if more funds are needed.

Mr. Huxen updated the board on the rehired-retiree settlements and informed them that all settlements were accepted by employees and municipalities.

He then updated the board on the Baton Rouge MOU and noted that staff is still waiting on agreements on the exhibits and hopes it will come by the next board meeting.

The next update was on the self-directed program for the Deferred Retirement Option Plan. Staff has begun working with Empower, which currently handles DROP for all state and statewide plans who offer this option. Empower offers the lowest fees of all firms researched. The legal contracts should be available for approval by the next meeting.

Mr. Huxen updated the Board on the status of the PATROLE pension administration system and informed them that we are currently 57% complete. Staff is currently working on test files, and the go-live date will be in August 2020.

Additionally, Mr. Huxen noted that MPERS has about \$17,000 in collections with the Attorney General, referenced the retiree list for member's review, and noted that MPERS staff was currently representing the system at the Chief's Conference.

Executive Session

The board chose not to go into executive session. Mr. Reech made the motion to approve the disability for Jason T. McGee. The motion was seconded by Mr. Calloway and without objection, the motion carried.

Mr. Huxen then provided updates regarding pending litigation. Mr. Burkart noted that there is a lawsuit that was brought by April Overman against the City of New Orleans that involves an MPERS issue, although MPERS was not named as a party. It is still in litigation. He recommended that MPERS should send a letter to the city attorney regarding the leave conversion. Mr. Huxen reported that the system has been having trouble with the City of New Orleans on leave conversion. Specifically, the City refuses to follow the law and convert all leave on a one-to-one basis.

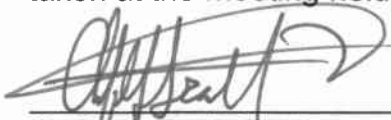
Ms. Morris also noted that a 30-day extension for discovery to depose the principal was recently signed in the G2 Golf, LLC, case, after having difficulties getting requested information.

Other Business

MPERS staff presented a plaque to Mr. Calloway to commemorate his retirement and years of service on the Board of Trustees.

Motion by Mr. Reech, seconded by Ms. Mathews, to adjourn the meeting at 12:59 p.m. Without objection, the motion carried.

To the best of my knowledge, the foregoing minutes accurately represent the actions taken at the meeting held October 16, 2019.



G. Scott Ford, Chairman



Ben Huxen,
Executive Director and General Counsel