

**Municipal Police Employee's Retirement System**  
**Minutes of the Meeting of the Board of Trustees**  
**November 15, 2023**

The Board of Trustees of the Municipal Police Employees' Retirement System held a regular meeting on Wednesday, November 15, 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 10:44 a.m.

**B. Pledge of Allegiance**

Chief Wilrye led the Pledge of Allegiance.

**C. Roll Call**

**Members Present**

Chief David Addison  
Rep. Tony Bacala  
Chief Edwin Bergeron, Jr  
Major Raymond Burkart, Jr  
Asst. Chief Jason DiMarco  
Major (Retired) Kelly Gibson  
Lt. (Retired) Chad King (Chairman)  
Mayor Gerard Landry  
Mr. Julius Roberson, State Treasurer Designee  
Chief Christopher Wilrye (Vice Chairman)

**Members Absent**

Mayor Greg Cromer  
Senator Bob Hensgens  
Mr. Rick McGimsey, Commissioner of Administration Designee  
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, MPERS, Benefits Administrator  
Ms. Emily Thurston, MPERS, Accountant  
Mr. David Barnes, NEPC, Investment Consultant  
Mr. Greg Curran, Curran Actuarial Consulting, Consulting Actuary  
Tyler Brannon, PhD, Curran Actuarial Consulting, Actuarial Analyst  
Chief Beth Westlake (virtual)  
Mr. Claude Schleslinger, NOPD retired (virtual)  
Mr. Kevin Balaod, With.Intelligence (virtual)

**D. Public Comment**

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

**E. Approval of the October 18, 2023 Board Meeting Minutes**

**Motion by Asst. Chief Jason DiMarco, seconded by Chief Wilrye to approve the minutes of the meeting held October 18, 2023. Without objection, the motion carried.**

**F. Reports of Committees**

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

Mr. Huxen presented the report and recommendations of the Legislative Committee from their November 15, 2023 meeting. The Legislative Committee unanimously passed a motion made by Lt. (Retired) Chad King and seconded by Major (Retired) Kelly Gibson to recommend that the Board of Trustees advertise and seek authorization for all bills necessary for the 2024 Regular Legislative Session as described in Exhibit A and presented by Mr. Ben Huxen to the Legislative Committee.

**Motion by Chief Edwin Bergeron, seconded by Asst. Chief Jason DiMarco to accept the recommendation of the legislative committee. Without objection, the motion carried.**

**G. New Business**

**1. Executive Director & General Counsel Comments**

**i. Update on Delinquent Municipalities**

Mr. Huxen updated the Board on delinquent municipalities, for which there are no current lawsuits or settlements. The delinquent municipalities are as follows: Arcadia, Athens, Baskin, Blanchard, Bogalusa, Breaux Bridge, Elton, Gramercy, Grand Cane, Hodge, Krotz Springs, Oberlin, New Orleans, Shreveport, and St. Francisville.

He additionally presented two judgments for the Board's review (available as attachments on BoardPaq): one against the Village of Grayson and one against the Town of Melville.

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

Mr. David Barnes from NEPC presented an investment update to the Board. He presented the monthly performance report for October. He stated that markets were down across the board for October due to the realization that the Fed would likely keep interest rates higher for longer than previously expected. He discussed a number of positive economic values in the economy including a strong GDP report, higher than expected retail sales, higher industrial production, low unemployment, and increased wage growth. This positive news changed expectations related to Fed policy causing investment markets to be down in October. However, through November, markets have been up across the board after a CPI report and softer economic news which some believe could lead to the Fed lowering rates earlier than expected.

The MPERS portfolio finished October with a market value of investment assets at \$2.415 billion representing investment losses of \$54 million and a return of -2.2%. This puts the fiscal YTD return at -4.5% through the first quarter of the new fiscal year. Overall, the MPERS portfolio performed in line with broader markets. However, Mr. Barnes estimates that the plan is up about 4.5% based on the first half of November, evening out returns for the fiscal YTD. Mr. Barnes then reviewed the performance of the various sectors of the portfolio.

Major Burkart asked for clarification on the plan's poor hedge fund performance. Mr. Barnes explained that most of the hedge fund investments have been liquidated, and as the single remaining asset is quite small, losses in that asset appear disproportionately large in the performance report. The fund is looking to additionally liquidate the last remaining asset.

3. Actuarial Comments, Including but Not Limited to Discussion and Action Regarding the Actuarial Valuation Report and Employer Allocations of Information for Financial Reporting Under GASB 68 for Fiscal Year Ended 6/30/23 (Qualifies as Actuarial Science Education)

Mr. Curran stated that he would not spend time reviewing the details of the provided GASB report which is required to complete the annual audit. He stated that the report had been provided to the system's auditors. Mr. Curran then presented the MPERS funding valuation report, which determines the employer contribution rate for the year. He stated that the increase in cost shown in this report was mitigated somewhat by an increase in active members and payroll for the year. One factor influencing the cost increase was a significant loss in annual investment returns relative to the actuarial assumed rate of return. Mr. Curran stated that the proportion of insurance premium taxes paid to MPERS grew this year and will continue to grow in the next few years as payments to the Firefighters' Retirement System for merger notes end.

The actuarially required net direct employer contribution is \$122.6 million for Fiscal 2024 (increased from \$107 million last year). The actuarially required contribution rate increased from 34.33% to 35.39%. Mr. Curran stated that the minimum recommended employer contribution rate Fiscal 2024 of 33.5% increased to 34.75% for Fiscal 2025. Mr. Curran stated that the Board has

made significant movements to lower the assumed rate of return (from 7.5% ten years ago to 6.75% today), which decreases the level of plan risk and mitigates the magnitude of future investment losses. Mr. Curran discussed the actuary's work to review the reasonable range for the assumed rate of return. The current 6.75% rate is toward the bottom of the updated reasonable range. Therefore, Mr. Curran stated that he does not recommend lowering the assumed rate of return. He reminded the Board that MPERS is a mature plan with high sensitivity to investment gains and losses and to changes in the valuation interest rate. The actuarial loss on investments resulted in increased payments on the unfunded accrued liability (UAL) which amount to \$5.4 million (or 1.58% of projected payroll) annually. This actuarial loss contributed to the increase in the employer contribution rate.

Mr. Curran directed the Board to the Demographics and Liability Experience section. Mr. Curran stated that, while the increase in payroll due to new active members mitigated the UAL costs, the large pay increases exceeded assumptions and caused increases in the system's normal cost and projected benefits. Cost increases have been offset by withdrawals above projected levels, retiree deaths above projected levels, and disabilities, DROP entries, and retirements of employees once in DROP all below projected levels. The two factors primarily responsible for the cost increase within the valuation are the high level of active member retirements and the larger than expected salary increases. Based on current assumptions, the plan will experience a significant change in cost structure due to drastically lower UAL payments after the oldest amortization base is paid off, around 2034. Dr. Tyler Brannon then presented a summary of the factors impacting the change in costs from Page 16 of the valuation report.

Mr. Curran presented a new standard of actuarial practice, called Low-Default Risk Obligation Measure (LDROM). The new measure aims to address the inherent risk in calculating assumed rates of return based on risky investments or assets (e.g., equities, fixed income assets, real estate investments, etc.). Higher risk investments can be beneficial in the long-term to the employer costs, but the new standard has been put in place to facilitate comparison of plan costs and liabilities between a portfolio that incorporates risky assets and investments in low-default-risk fixed income assets. The standard recommends treasury rates, municipal bond rates, and high quality corporate bond rates as possible examples of low-default-risk investments. Mr. Curran stated that he views treasuries as risk-free assets, not low-default-risk assets. He therefore selected high-quality corporate bonds as the most reasonable measure of a low default risk investment portfolio. The LDROM valuation, compared to the actuarial funding valuation, utilized a discount rate of 5.20% rather than 6.75%. This results in a higher accrued liability which would result in higher employer costs. Mr. Curran stated that this measure points out the risk taken on by the Board by investing in a portfolio that includes risky assets. He added that the LDROM additionally demonstrates that the investment in a portfolio that includes risky assets leads to a higher discount rate that saves employers money and puts the plan at a higher funded ratio.

Mr. Curran reminded the Board that, due to a change in the law, they can no longer provide COLAs without sufficient funds in the funding deposit account, the current balance of which is \$0. In the future, the plan will fund this account through employer contributions made at a rate set above the minimum employer contribution rate. Mr. Curran then drew the Board's attention to Page 27 of the valuation which details the amortization of the system's unfunded actuarial accrued liability. He pointed out that the oldest amortization base, with an annual cost of approximately \$70 million, will disappear after the remaining 11 years and significantly alter the plan's cost structure by lowering employer costs. He indicated that the Board could find a 10-year summary of important plan numbers on Pages 39-40.

Mr. Curran pointed out differences between the actuarial valuation and the GASB report. He stated that differences occur due to requirements in the GASB standards that require the use of the market value of assets and change the timing of modeling the DROP. He stated that exhibits broken down by employer can be found in the GASB report. Mr. Curran stated that the auditors would be auditing the GASB 68 allocations.

Representative Bacala asked for clarification of the geometric average market rates of return on Page 12 of the actuarial valuation report. Mr. Curran stated that these values represent the geometric average of all rates of returns over the indicated time periods. Representative Bacala asked about the discrepancy between the 20-year S&P return (8.19%) and MPERS returns over that period (5.9%). Mr. Curran clarified that MPERS owns more investments than simply stocks and that the timing of these averages is critical. Representative Bacala asked whether it would be prudent for the Board to self-direct investments into the S&P, rather than investing through third parties with high fees and commissions that seem to be underperforming compared to the S&P. Mr. Curran suggested that David Barnes should speak about the importance of investing outside of the S&P.

Mr. Barnes stated first that the S&P 500 is the largest individual component of the MPERS portfolio and is being managed with a very low fee structure already. He then told the Board that, if they had only invested in the S&P for those 20 years, the employer contribution rate would have been extremely volatile. The average returns don't show the instances when the S&P was down 28% in 2008 and what the corresponding employer contribution rate would have been. The balanced MPERS portfolio including bonds allows the plan to withstand the volatility of the stock market, even though it results in lower long-term average returns.

Chief Edwin Bergeron asked Mr. Barnes how the MPERS investment portfolio outside of the S&P compares to other retirement systems. Mr. Barnes stated the plan has performed very well in the past year in many sectors, including emerging markets and bond investments, compared to the broader market. Mr. Roberson then asked Mr. Barnes why, when looking at the most recent Act 1004 Retirement Systems Returns report, MPERS seems to be



underperforming relative to other systems. Mr. Barnes explained that MPERS has a more conservative portfolio that looks much better than other plans in years when the market is down but conversely ranks lower in years when the market is doing well. This conservative portfolio is consistent with a lower discount rate than other plans and significantly reduces the investment risk. Mr. Roberson asked whether that was related to the cash flow needs of the system, to which Mr. Barnes replied that the method of calculating return accounts for cash flow needs and allows for direct comparison between plans. Chief Bergeron pointed out that MPERS performed toward the bottom of Louisiana retirement systems over the last 10 years, while the Board spends a lot of time discussing employee-focused legislation to fund the retirement system, and wondered whether the Board should consider a more aggressive approach to improve returns.

Ms. Taylor Camp explained that the MPERS also must be more conservative than other plans given the maturity of the system. Mr. Barnes reiterated that his firm will continue to recommend a conservative approach to protect the plan from volatility in employer contribution rates and meet the risk tolerance goals of the individual plan, rather than outcompete the other retirement systems. He stated, however, that his firm can investigate a more aggressive strategy if the Board agrees on a higher risk tolerance level and different investment goals. Major Burkart stressed that as a city plan there were differences with other plans. Mr. Curran reassured that Board that, by using an assumed rate of return at the bottom of the reasonable range based on the expectations of a collection of investment professionals, the plan is expected to earn more than the expected rate of return on average over the long-term. Representative Bacala reiterated that the plan could have been better off financially had the plan been fully invested in the S&P over the last 30 years. Mr. Curran and Mr. Barnes clarified again that the risk and volatility involved could have jeopardized the survival of the plan. Chief Bergeron again questioned the approach of changing legislation unfavorably for employees while striving for a conservative rate of return. Mr. Barnes stated that in February the Board would again have the opportunity to define their risk level tolerances and adjust asset allocation. Major Burkart suggested that Mr. Barnes bring several possible investment plans to that meeting, and Mr. Barnes stated that he would provide multiple scenarios at different risk tolerance levels and reminded the Board that he does that annually at the asset allocation meeting.

**Motion by Mayor Landry, seconded by Chief Wilrye to accept the actuarial valuation reports. 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 Landry, seconded by Chief Bergeron, to adjourn the meeting at 11:54 pm. Without objection, the motion carried.**

Next Meeting Date: December 13, 2023. Baton Rouge, Louisiana.

To the best of my knowledge, the foregoing minutes accurately represent the actions taken at the meeting held on November 15, 2023.

  
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Lt. (Retired) Chad King, Chairman

  
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Ben Huxen,  
Executive Director and General Counsel