



Louisiana State Police Retirement System (LSPRS)

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Board Meeting Minutes

Meeting Title	LSPRS Board Meeting
Date of Meeting	October 28, 2021 (Thursday)
Where	9224 Jefferson Hwy, Baton Rouge, LA (Dr. Bobby E. Smith Boardroom)
Start Time	9:30 a.m.

1) Chairman, Frank Besson opened the meeting with the Pledge of Allegiance followed by a prayer led by Byron Juneau. No public comments.

2) Wendy Ingram, Administrative Assistant, called roll as follows:

Colonel Lamar Davis, Superintendent, Office of State Police, Appearing Through
Frank Besson, Designee for Superintendent, PRESENT

Commissioner Jay Dardenne, Division of Administration, Appearing Through
Andrea Hubbard, Designee for DOA Commissioner, PRESENT

Representative Lance Harris, Appearing Through

Representative Gerald "Beau" Beaulieu, Designee for Representative NOT PRESENT

Byron Juneau, President, Central State Troopers Coalition, PRESENT

Kevin Marcel, Active Representative, Vice-Chairman, PRESENT

Senator Ed Price, Chairman, Senate Retirement Committee, Appearing Through

Representative Cleo Fields, Designee for Senator NOT PRESENT

Doris Prudhomme, Surviving Spouse Representative, NOT PRESENT

Jay O'Quinn, LSTA President, NOT PRESENT

Treasurer John Schroder Appearing Through

Amy Mathews, Designee for State Treasurer, PRESENT

Walter W. Smith, Retiree Representative, PRESENT

Hackley Willis, Jr., Active/Retired Representative, NOT PRESENT

The records reflect that the following persons were also present:

Racheal Alvey, Griffin & Co., LLC (via Zoom)

Greg Curran, Actuary, GS Curran & Assoc

Tausha Facundus (via Zoom)

Wendy Ingram, Administrative Assistant

Kevin P. Reed, Executive Director

Rebecca Wisbar, General Counsel, Akers & Wisbar

Rob Bickham, UBS/PaineWebber (via Zoom)

Joey David, House Committee on Retirement

Claire Guidry, Retirement Benefits Analyst

Margaret Michel, Assistant Director

3) A **MOTION** was made by Kevin Marcel to approve the Board Minutes from the August 25, 2021, Board Meeting. The motion was seconded by Andrea Hubbard. No opposition. The motion passed (**See Exhibit A-attached**).

A **MOTION** was made by Amy Matthews to approve the Executive Committee Minutes from the October 25, 2021, Executive Committee Meeting. The motion was seconded by Byron Juneau. No opposition. The motion passed (**See Exhibit B-attached**).

- 4) Rob Bickham, UBS/PaineWebber, presented the Board with the Asset Allocation and Markets Value and Returns Summary as of September 30, 2021 **(See Exhibit C-attached)**. Mr. Bickham noted that after recent rebalancing, total equities were \$713,556,214, equating to 62.6% of the portfolio which is just above allocation target of 62.5%, the total fixed income of \$246,490,613, being 21.6% was slightly above the 20.0% target. The total alternatives were at \$157,434,956, slightly below target of 15.5%, the total cash of 1.9% at \$21,758,156 was slightly below the 2.0% target, and the month ended with a total fund value of \$1,139,239,939.

Mr. Bickham directed the Board to view the Market Value and Returns Summary as of September 30, 2021. For the FYTD period, total equity returns were down at -1.77%, total fixed income returns were -0.61%, while the total fund was down -1.07%, closing with a market value of \$1,139,239,939. **(See Exhibit D-attached)**.

- 5) Rob Bickham reviewed the Risk Profiling for UBS Institutional Consulting, the assessment concluded with a Moderately High-Risk profile for the LSPRS investment portfolio. The UBS House View Presentation **(See Exhibit E-attached)**, specifically focusing on page 19 which notes the three scenarios (Upside, Central and Downside) of inflation. Mr. Bickham also directed attention to page 22 which reflects UBS' expectations as of June 2022.
- 6) Kevin Reed presented the Cash Disbursements for the month ending July 31, 2021, noting the \$6,332.00 expense by Exigo Technology Services, LLC for programming of the PMS Retirement Management Software to properly account for the PBI transaction, and the \$22,200.00 expenditure representing approximately 1/3 the cost of the Retirement Benefits Calculator being developed by G.S. Curran & Company, LTD, with the total monthly expenditures of \$319,168.43. **(See Exhibit F-attached)**.

Mr. Reed also presented the Cash Disbursements for the month ending August 31, 2021, noting two expenses for office facility electrical work totaling \$1,126.50, and a \$1,975.00 expense for power washing of the parking lot, all exterior concrete, and soft washing the building and LSPRS sign marquee. Also notable is a \$12,055.56 Payroll & Leave expense for former Assistant Director, Kim Gann which was paid at the time of her retirement. The ending total for the month was \$110,350.66. **(See Exhibit G-attached)**.

Mr. Reed presented the final report of Cash Disbursements for the month ending September 30, 2021, with one notable expense of \$17,225.00 for Annual Insurance Premiums paid to the Office of Risk Management. Mr. Reed elaborated on the increase in the ORM insurance premium relative to prior years, with the increase being primarily related to the defense expenses associated with legal matters that have been taken up by the ORM and AG's office. The total expenditures for the month was \$94,193.77. **(See Exhibit H-attached)**.

Mr. Reed then reviewed the Statement of Fiduciary Net Position for the three months ending September 30, 2021, noting the ending Net Position of \$1,136,711,680. Most notable were the YTD this year vs YTD last year in Benefits Paid (\$17,233,909.77 vs \$14,960,890.78), DROP/IBO/Leave Distributions (\$3,728,870.81 vs \$2,117,885.06) and Investment Management (\$673,874.40 vs \$570,746.70). **(See Exhibit I-attached)**.

Mr. Reed directed the Board to the Budget Summary for the three months ending September 30, 2021, focusing on the third (Actual for the Three Months 30-Sep-21) and fourth column ((Over) Under Budget). Kevin noted the Actual of \$12,449 in Salaries-Regular which is \$12,526 under budget due to an open administrative position. The Other Compensation of \$9,674 was also under budget by \$18,805 due to fewer hours for the WAE employees. Kevin also pointed out the Legal Fees of \$16,312 which is \$6,312 over budget as well as the Major Acquisitions of \$9,528 for the LSPRS facilities' Audio, Video and Teleconferencing equipment and installation, being \$7,347 under budget. **(See Exhibit J-attached)**.

A **MOTION** was made by Kevin Marcel to accept the financial reports. The motion was seconded by Byron Juneau. No opposition. The motion passed.

- 7) Kevin Reed presented the October 18, 2021, management representation letter to Mike Caparotta, Senior Audit Manager with Ericksen Krentel, LLP in reference to Mr. Caparotta's findings during his recent audit of LSPRS. Mr. Reed noted several key items of importance for the Board, concluding with no material findings nor issues of concern have been identified. The letter was signed by both Kevin P. Reed, Executive Director and Margaret C. Michel, Assistant Director. **(See Exhibit K-attached)**. A **MOTION** was made by Amy Mathews to accept the letter. The motion was seconded by Walter Smith. No opposition. The motion passed.
- 8) Kevin Reed directed the Board to the September 20, 2021, letter to Colonel Lamar A. Davis concerning the Valuation Interest Rate (VIR) used by the Plan. Most importantly, Mr. Reed states in the letter that it would be prudent to lower the VIR by 0.05% from 7.00% to 6.95% for the 2022-2023 FY. Mr. Reed also reviewed the chart showing the estimated projected impact in the ECR by change in the VIR, with estimated payroll. **(See Exhibit L-attached)**
- 9) Greg Curran, Actuary, G.S. Curran & Company, LTD, presented copies of the June 30, 2021 Actuarial Report. **(See Exhibit M-attached)** *1 Hour Actuarial Educational Credit

Mr. Curran directed the Board to page 4 explaining how the lowering of the system's valuation interest rate (VIR) to 6.95% resulted in the payments on the system's unfunded accrued liability to be adjusted. He noted on page 7 the ratio of the actuarial value of assets, or funded ratio, is 77.54% as of June 30, 2021, while with the lowering of the VIR from 7.00% to 6.95% contributes to a corresponding increase in the actuarially required contribution of projected payroll by 1.23% of the fund. On page 8, he illuminated one of the measures of risk when reviewing a pension plan, being the ratio of total benefit payments to active payroll, for 2021 this ratio is 85%, while ten years ago it stood at only 62%. He highlighted the sensitivity of the Plan's contribution rate to a change in the VIR, noting that a 1% reduction in the VIR would result in a 23% increase in the employer contribution rate.

Mr. Curran noted, as reflected on page 10, the market value investment rate of return for 2021 was 32.10%, the highest for any of his clients, congratulating Kevin Reed. The return, based on the actuarial value for 2021, is smoothed, resulting in a return of 11.38%, which will factor into returns over the next four years. Also notable is the 30-year geometric average market rates of return of 7.87% for the retirement plan.

Noting on page 11, Demographics and Liability Experience, the key points over the past five years has been the variability in the number of active contributing members, noting that over this period they have decreased by 90, while annual benefit payments have increased by \$22.9 million.

The unfunded accrued liability (UAL), as reflected on page 12, is \$295,150,724, while the table reflects the change in costs of the plan, concluding with total normal cost and amortization payments of \$45,729,637 which is 60.52% of the system's payroll.

Mr. Curran directed the attention of the Board to pages 13 and 14, highlighting the aspects of the Permanent Benefit Increases (PBI) or a COLA. Given the investment returns and funding levels of the Plan, the experience account (EA) was sufficiently funded for a statutory two percent experience account PBI and the supplemental PBI, with the EA having a balance of \$9,497,110. Mr. Curran concluded with an overview of the amortization of the UAL, the amortization base adjustments, and the year-to-year comparison as reflected in Exhibit IX, on page 39, noting the importance and impact of payroll to the Plan.

Kevin Reed confirmed with Mr. Curran the interest rate to credit DROP accounts, the rate being 10.88%, as reflected on page 10.

A **MOTION** was made by Kevin Marcel to approve the 2021 Actuarial Report. The motion was seconded by Walter Smith. No opposition. The motion passed.

10) Kevin Reed discussed the October 20, 2021, letter from Akers & Wisbar, LLC which details the agreement to engage Akers & Wisbar, LLC as general counsel for LSPRS for the 2022 calendar year; moving from a blended retainer and hourly based agreement to one being based on hourly work performed. **(See Exhibit N-attached)**

11) A **MOTION** was made by Kevin Marcel to **enter** executive session. The motion was seconded by Amy Mathews. No opposition. The motion passed.

A **MOTION** was made by Kevin Marcel to **exit** Executive Session. The motion was seconded by Amy Mathews. No opposition. The motion passed.

A **MOTION** was made by Walter Smith that the board interprets La. R.S. 11:1318(A) "Any child of a deceased member whose first employment making him eligible for membership in one of the state systems occurred on or before December 31, 2010, whether under or over the age of eighteen years, shall be entitled to the same benefits, payable in the same manner as provided by this Chapter for surviving spouses, if the child has a total physical disability or mental disability." to mean that the "same benefit" equals the one benefit to which a survivor is entitled and that one benefit is to be divided evenly between the eligible survivors, and that "in the same manner" is interpreted to mean the manner of distribution—for example—benefits distributed monthly and benefits cease at death. The motion was seconded by Andrea Hubbard. No Opposition. The motion passed.

12) Kevin Reed and Margaret Michel reviewed the Proposed 2023 Budget Summary focusing on the third column (Proposed Operating Budget FY 22-23). A **MOTION** was made by Kevin Marcel to accept the proposed budget. The motion was seconded by Walter Smith. No opposition. The motion passed. **(See Exhibit O-attached)**

13) A **MOTION** was made by Kevin Marcel to approve the Benefits Change Report, in globo. The motion was seconded by Byron Juneau. No opposition. The motion passed **(See Exhibit P-attached)**.

14) Margaret Michel presented information to the Board regarding 2022 Proposed Legislation. **(See Exhibit Q-attached)**.

- 15) Kevin Reed updated the Board on a list of projects currently ongoing and/or recently completed. These items included Technology (Cyber Security, Scanning, and the recoding of the Pension Management System), building and facilities, the new retirement calculator, the New Plan handbook, banking (online bill pay and payroll processes) and the board room AV system. Margaret Michel spoke about updates to the Member Handbook, banking processes, and schedule changes for the remaining 2021 meeting dates. Claire Guidry, Benefits Analyst, gave a brief overview the estimate calculator under development and explained how test trials have been successful with only minor adjustments.
- 16) In other business, Margaret Michel, updated the Board regarding the Educational Training Report and required educational training for trustees (**See Exhibit R-attached**). She also spoke about the WEP/GPO meeting with Representative Mike Johnson. Kevin Reed spoke about the 3rd Quarter newsletter and recent BBQ4BLUE event in which LSPRS staff participated.
- 17) A **MOTION** was made by Walter Smith to adjourn the meeting. The motion was seconded by Byron Juneau. No opposition. The motion passed.



Frank Besson, Chairman
Louisiana State Police Retirement System
Board of Trustees