



Louisiana State Police Retirement System (LSPRS)

9224 Jefferson Highway, Baton Rouge, LA 70809

(225) 295-8400 or (800) 256-5210

Fax: (225) 295-8408, info@lsprs.org

Board Meeting Minutes

Meeting Title	LSPRS Board Meeting
Date of Meeting	October 26, 2022 (Wednesday)
Where	9224 Jefferson Hwy, Baton Rouge, LA (Dr. Bobby E. Smith Boardroom)
Start Time	1:30 p.m.

- 1) Chairman, Frank Besson called the meeting to order.
- 2) Frank Besson led the Pledge of Allegiance followed by a prayer led by Margaret Michel, LSPRS Acting Executive Director.
- 3) Gretchen Marquez, Administrative Program Specialist, 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 Vanessa LaFleur, Representing the House Committee on Retirement, NOT PRESENT
Chris LeDay, President, Central State Troopers Coalition, PRESENT
Kevin Marcel, Active Representative, Vice-Chairman, NOT PRESENT
Senator Ed Price, Chairman, Senate Retirement Committee, Appearing Through Representative Cleo Fields, Designee for Senator, NOT PRESENT
Doris Prudhomme, Surviving Spouse Representative, PRESENT
Treasurer John Schroder, Appearing Through Amy Mathews, Designee for State Treasurer, PRESENT
Walter W. Smith, Retiree Representative, PRESENT
Hackley Willis, Jr., LSTA President, NOT PRESENT
Alan Verhoef, Retired/Active Representative, PRESENT

The record reflect that the following persons were also present:

Laura Gail Sullivan - Senate Retirement Attorney
Rob Bickham, Rob Bickham, UBS Institutional Consulting (via Zoom)
Gregory Curran, Actuary, G.S Curran & Co
Racheal Alvey, Griffin & Furman, LLC
Andrew Barre, Griffin & Furman, LLC
Margaret Michel, LSPRS Acting Executive Director
Denise Akers, General Counsel, Akers & Wisbar
Gretchen Marquez, LSPRS Administrative Program Specialist
Mei Su – Senate Finance Staffer
Joey David – House Retirement Staffer
Mike Caparotta – Senior Audit Manager, Ericksen Krentel
Kenny Herbold – Legislative Actuary

- 4) A **MOTION** was made by Andrea Hubbard to approve the Board Minutes from the September 18, 2022, Board Meeting. The motion was seconded by Walter Smith. No opposition. The motion passed (**See Exhibit A - attached**).

A **MOTION** was made by Amy Mathews to approve the Investment Committee Minutes from the September 18, 2022, Investment Committee Meeting. The motion was seconded by Andrea Hubbard. No opposition. The motion passed (**See Exhibit B - attached**).

- 5) Rob Bickham, UBS/PaineWebber, presented the Board with the Asset Allocation and Markets Value and Returns Summary as of September 30, 2022 (**See Exhibit C - Attached**). The total equities had a market value of \$545,774,968 equating to 57.7% of the portfolio, the total fixed income of \$184,106,643 being 19.5%, was slightly above the 16.0% target. The total alternative investments were \$193,499,080, being 20.5% of the portfolio, which is slightly above the 19.5% target, and total cash of 2.3% at \$21,924,214, which was slightly above the 2.0% target, and the month ended with a total fund value of \$945,304,905.

Mr. Bickham directed the Board to view the Market Value and Returns Summary as of September 30, 2022. Looking at the Year-To-Date column, he stated that the return for total domestic equity managers was down 26.12% but was up 9.33% when looking at the Manager Analyzed from Inception column. Likewise, the total fixed income managers was down 16.23% but was up 5.17% when looking at the Manager Analyzed from Inception column. Mr. Bickham then noted the positive returns for real estate, noting that JPMCB and PRISA were 9.35% and 18.83%, respectively. (**See Exhibit D - Attached**).

Rob Bickham presented the committee with the UBS House View Presentation – Chief Investment Office GWM, October 2022. Mr. Bickham started by focusing on the “Quilt chart” of select asset classes’ calendar year performance. He mentioned that between 2003 to 2006, Emerging Market Equities had the highest return with US Government fixed income having the lowest return. For the column dated 2022, Mr. Bickham noted that no asset class has a positive rate of return. For 2022, the asset classes that have the highest rate of return are US municipal bonds at -12.1% and US government fixed income at -12.4%. The LSPRS 60/40 portfolio is -19.8% but does have a positive rate of return from 1999-2022 at 5.4%. Mr. Bickham noted that the 60/40 portfolio is the only class that has remained relatively in the middle of all the classes throughout the years in terms of returns. (**See Exhibit E - Attached**)

Focusing on page 10 of the House View, Mr. Bickham noted various percentages of US stocks and bonds with their respective drawdowns that are current compared to drawdowns in 1945. He noted that 100% US bonds currently have the same drawdown that occurred in 1945, 100% US stocks have a drawdown of 23% currently, while the 1945 drawdown of 100% US stocks was 51%.

Mr. Bickham then directed the Board to view the graph on page 39 of the House View detailing returns and drawdowns (**See Exhibit F - Attached**) during a 40-year period. The graph shows brown bars with eight different periods in which the S&P has a negative calendar return, while the other 32 bars have a positive return. Recently, in 2020, the S&P 500 was down -35% but finished the year at 20%. The takeaway is that it is impossible to know when the bottom has been hit during periods like we are currently experiencing.

- 6) Racheal Alvey, Griffin & Co., LLC, presented the Cash Disbursements for the months ending August 31, 2022, and September 30, 2022, noting nothing unusual other than an Exigo payment for the LSPRS retirement software upgrade in September. The total disbursements for August were \$149,605.82 and September were \$77,721.40. (**See Exhibit G - attached**).

Ms. Alvey then reviewed the Statement of Fiduciary Net Position/Balance Sheet for the month ending September 30, 2022, noting cash held in the bank was \$39,817, and Total Investments was

\$937,620,930. Total Liabilities were at \$3,266,968 bringing the Net Position to \$936,466,630. The Statement of Changes in Fiduciary Net Position/Income Statement was reviewed next. Ms. Alvey focused on the Fiscal Year-To-Date column with Total Revenues were at -\$37,196,968.08, largely due to investment unrealized gain/loss. The Total Expenses were at \$22,212,026.58, bringing the Net Income to -\$59,408,994.66. **(See Exhibit H - Attached)**.

Ms. Alvey reviewed the Budget Summary for three months ending September 30, 2022, focusing on the last column, Over/Under Budget. Ms. Alvey stated that the Total Operating Budget was under budget \$261,582. **(See Exhibit I - Attached)**.

A **MOTION** was made by Amy Mathews to accept the financial reports. The motion was seconded by Doris Prudhomme. No opposition. The motion passed.

- 7) Mike Caparotta, Senior Manager of Ericksen Krentel, presented the system's June 30, 2022 Audit Report **(See Exhibit J - Attached)**. LSPRS' total assets and deferred outflows for 2022 were \$1,047,990,901 and net position was \$997,876,785. Mr. Caparotta noted that the financial statements presented fairly in all material aspects with no noted matters involving internal controls. He stated that staff was complimentary and able to help with retrieving files whenever needed. A **MOTION** was made by Chris LeDay to approve the audit report. The motion was seconded by Doris Prudhomme. No opposition. The motion passed.
- 8) Greg Curran, Actuary, G.S. Curran & Company, LTD, presented copies of the June 30, 2022 Actuarial Report. **(See Exhibit K - Attached)** Mr. Curran directed the Board to page 1 explaining that because the system's valuation interest rate was lowered to 6.95% with the 2021 actuarial valuation, the payments on the system's unfunded accrued liability were adjusted to account for the change in interest rate. In return, that change caused payments on bases lowered by the priority allocation to be determined based on the original balance prior to impact of past priority allocations. He noted on page 7 the ratio of the actuarial value of assets, or funded ratio, is 77.91% as of June 30, 2022. Mr. Curran noted that this value gives some indication of the financial strength of the plan but it cannot guarantee the ability of the fund to pay benefits in the future.

Mr. Curran noted, as reflected on page 9, the market value investment rate of return for 2022 was down 12.37% with the actuarial value being 6.76%. Also notable is the 30-year geometric average market rates of return of 7.04% for the retirement plan.

Noting on page 10, 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 215, while annual benefit payments have increased by \$25.3 million.

The unfunded accrued liability (UAL), as reflected on page 11, is \$302,965,699, while the table reflects the change in costs of the plan, concluding with total normal cost and amortization payments of \$48,441,459 which is 67.33% of the system's payroll.

Mr. Curran noted that the system granted a 2% standard PBI plus a 2% supplemental PBI as of July 1, 2022. The system does not meet the requirements under R.S. 11:1332 to be permitted to grant an additional permanent benefit increase as of July 1, 2023.

A **MOTION** was made by Amy Mathews to approve the 2022 actuarial valuation. The motion was seconded by Alan Verhoef. No opposition. The motion passed.

- 9) Margaret Michel presented the Board with the 2024 budget worksheet. Ms. Michel noted areas under budget including reduction of WAE hours, less postage being paid out due to the stoppage of mailing retiree paystubs unless changes were made, and less investment management cost.

Conversely, some higher expenses include CIO salary, insurance and LASERS increases, increased utilities from high fuel costs, a new accounting engagement for 2023-2024, and a new actuary contract. Overall, the total operating budget would decrease by \$430,342 compared to the 2023 annual budget. Compared to 2023, the operating budget would increase 5.64% and investments management would decrease 13.29%, bringing the total change to -8.61% for the 2024 proposed annual budget. A **MOTION** was made by Amy Mathews to approve the 2024 budget. The motion was seconded by Andrea Hubbard. No opposition. The motion passed. (**See Exhibit L - Attached**)

- 10) Margaret Michel presented the Board with potential legislation for 2023. The four State retirement systems are working to provide an alternative mechanism for permanent benefit increases (PBIs). The funding source would not be tied to market performance, making granting PBIs more probable. The PBI cap would be lowered which would allow older retirees more of an increase. The alternative mechanism would also establish a reliable source of PBI funding, establish employer protections, and preserve legislative pension reforms.

Andrea Hubbard asked how the PBIs will affect cost for all of the systems. Margaret Michel mentioned that cost will affect each of the four systems differently and independent of one another. Laura Gail Sullivan added that there will be a vote requirement of 2/3 for the new legislation to pass. Kenny Herbold also added that there is a difference in cost/pricing between Greg Curran's actuarial findings and the Louisiana Legislative Auditor. Ms. Michel mentioned that updated information in regard to the proposal should be available at the December board meeting. (**See Exhibit M - Attached**)

- 11) A **MOTION** was made by Alan Verhoef to **enter** Executive Session. The motion was seconded by Andrea Hubbard. No opposition. The motion passed.

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

A **MOTION** was made by Alan Verhoef to approve the Executive Committee Minutes from the October 4, 2022, Executive Committee Meeting, specifically to hire Margaret Michel as the executive director and to utilize the former assistant director position as a CIO position going forward. The motion was seconded by Doris Prudhomme. No opposition. The motion passed (**See Exhibit N - Attached**).

A **MOTION** was made by Alan Verhoef to hire Ms. Margaret Michel as the new executive director and approve a salary of \$155,000 with a 10% increase at the end of the fiscal year and to set the sick and annual leave accrual at a combined 14.768 hours for every bi-weekly pay period. The motion was seconded by Doris Prudhomme. Amy Mathews objected to Ms. Michel's salary.

A vote for the approved salary is as follows:

Amy Matthews: No
Andrea Hubbard: Yes
Frank Besson: Yes
Doris Prudhomme: Yes
Chris LeDay: Yes
Alan Verhoef: Yes

The motion passed.

A **MOTION** was made by Andrea Hubbard to adopt the new CIO position description and the revised organizational chart which includes the CIO. The motion was seconded by Doris

Prudhomme. No opposition. The motion passed.

A **MOTION** was made by Amy Mathews to approve to begin the search of a CIO through Friday, December 23, 2022, for accepting applications and to advertise for the LSPRS CIO position. Additionally, the Board authorizes the Executive Committee to make decisions on candidate selection and interview process of a CIO. The motion was seconded by Doris Prudhomme. No opposition. The motion passed.

- 12) A **MOTION** was made by Alan Verhoef to approve the Benefits Change Report, in globo. The motion was seconded by Chris LeDay. No opposition. The motion passed. **(See Exhibit O - Attached)**.
- 13) Margaret Michel provided the Board with an update of several ongoing projects. The upgrade of the pension management software system is making progress. There on ongoing weekly meetings to discuss website progress and they are working to migrate data.

The LSPRS website needs a new design to have better organization, increase ease of access, and be user friendly. We are currently working on collecting several quotes to estimate the cost of the project.

The Old Plan handbooks will be going to the printer next week. This will conclude printing of the old and new plan handbook project. We will be working to add the handbooks to the website with working links to forms so members can also access via the internet.

The policy and procedures manual needs to be updated due to revisions in position changes and needs of the System. It is also currently organized in chronological order instead of by pertinent information. A draft of the new manual will be available within the next two board meetings.

- 14) In other business, Margaret Michel directed the Board to view the new ADA policy that was adopted for LSPRS as a small agency. This new policy was a requirement as part of Act 103 of the 2022 regular legislative session which requires agencies to adopt an ADA policy. A **MOTION** was made by Doris Prudhomme to accept the new ADA policy. The motion was seconded by Alan Verhoef. No opposition. The motion passed.

Gretchen Marquez directed the Board to view the up-to-date educational training sheet that showed the current hours of each Board member. Ms. Marquez also mentioned that additional hours could be found on the LAPERS website with the password that was emailed to all members if any trustee wanted training hours that did not attend the seminar. She also mentioned another email that was sent out to trustees regarding a civil law training if anyone wanted extra hours for rules and regulations.

- 15) A **MOTION** was made by Alan Verhoef to adjourn the meeting. The motion was seconded by Chris LeDay. No opposition. The motion passed.



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