

LSPRS || LOUISIANA STATE POLICE RETIREMENT SYSTEM

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Board Meeting Minutes

Meeting Title	LSPRS Board Meeting
Date of Meeting	October 25, 2023 (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) Kevin Marcel led the Pledge of Allegiance followed by a prayer led by Alan Verhoef, LSPRS Board member.
- 3) Gretchen Marquez, Executive Staff Officer, 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, PRESENT (Arrived after roll call)
Chris LeDay, President, Central State Troopers Coalition, PRESENT
Kevin Marcel, Retired/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
Treasurer John Schroder, Appearing Through Amy Mathews, Designee for State Treasurer, PRESENT
Hackley Willis, Jr., LSTA President, PRESENT
Alan Verhoef, Active Representative, PRESENT
Bryan Zeringue, Retiree Representative, NOT PRESENT

The record reflect that the following persons were also present:

Robin Landa, UBS Institutional Consulting
Racheal Alvey, Griffin & Furman, LLC
Margaret Corley Michel, LSPRS Executive Director
Laura Gail Sullivan, General Counsel
Gretchen Marquez, LSPRS Executive Staff Officer
Joey David, House Retirement Staffer
Greg Curran, Curran Actuarial Consulting Ltd.
Mike Caparotta, Ericksen Krentel
Claude Silverman, Ericksen Krentel

- 4) A **MOTION** was made by Kevin Marcel to approve the Board Minutes from the August 23, 2023, Board Meeting. The motion was seconded by Hackley Willis. No opposition. The motion passed. **(See Exhibit A - attached)**

Amy Matthews, with the assistance of an overview sheet from Doug Hanly (not present), gave the Board a summary of the investment meeting from August 23, 2023. Ms. Matthews mentioned that we terminated service with Vontobel and initiated service with GQG in emerging markets and Templeton has been converted to the Institutional Collective Trust. Private equity will be discussed at the next investment meeting. **(See Exhibit B - attached)**

A **MOTION** was made by Amy Mathews to approve the Investment Committee Minutes from the August 23, 2023, Investment Committee Meeting. The motion was seconded by Andrea Hubbard. No opposition. The motion passed. **(See Exhibit C - attached)**

- 5) Robin Landa, UBS/PaineWebber, presented the Board with the Asset Allocation and Markets Value and Returns Summary as of September 30, 2023. **(See Exhibit D - Attached)** The total equities had a market value of \$567,307,295 equating to 55.9% of the portfolio, the total fixed income equated to 21.8% of the portfolio at \$221,347,659, which is well within the minimum and maximum target allocation. The total alternative investments were 17.8% of the portfolio at \$181,042,680, which is slightly below the 19.5% target, and total cash of 4.4% at \$44,902,610. The month ended with a total fund value of \$1,014,600,244.

Ms. Landa directed the Board to view the Market Value and Returns Summary as of September 30, 2023. **(See Exhibit E - Attached)** Ms. Landa noted that September was a rough month. Focusing on the current month column, total domestic equities were down -4.94%, total equity managers were down -4.43%, total international equities were down -3.56% and total fixed income managers were down -2.26%. Overall, the total fund was down -2.50% for the fiscal year-to-date and 7.21% manager analyzed return since inception.

Ms. Landa presented the committee with the UBS House View Presentation – Chief Investment Office GWM, October 2023. She started by focusing on the “Quilt chart” of select asset classes’ calendar year performance. **(See Exhibit F - Attached)** Focusing on 2023, Ms. Landa highlighted that the 60/40 portfolio is still one of the three top performers this year.

Focusing on the central scenario on page 25 of the House View, Ms. Landa mentioned that it is expected for the equity markets to remain volatile through the end of the year and inflation will fall. Financial conditions are easing gradually and there is less tightening of credit. GDP growth is still slow but is reasonably steady. **(See Exhibit G - attached)**

- 6) Racheal Alvey, Griffin & Co., LLC, presented the Cash Disbursements for August and September 2023. August’s total disbursement amounted to \$127,242.77 due to two LASERS payments. September’s total disbursement amounted to \$83,675.97 with nothing unusual to note. **(See Exhibit H - attached)**

Ms. Alvey then reviewed the Statement of Fiduciary Net Position/Balance Sheet for the month ending September 30, 2023. She pointed out that the bank held \$165,276 in cash, with Total Investments standing at \$1,014,343,237. Total Liabilities were \$3,635,361, resulting in a Net Position of \$1,013,285,641. Next, she discussed the Statement of Changes in Fiduciary Net Position/Income Statement, focusing on the July-September 2023 column. Total Revenues were reflected as a loss of \$9,100,623.03 due to the unrealized gain/loss of investments. Total Expenses were \$22,614,283.66, bringing Net Income to a loss of \$31,714,906.69. **(See Exhibit I - Attached)**

Ms. Alvey reviewed the Budget Summary for the month ending September 30, 2023, focusing on the Over/Under Budget in last column. Ms. Alvey stated that we were under in all categories. The annual death audit was paid in September and an annual State civil service fee was paid last month. Ms. Alvey stated that we were under budget with a Total Operating Budget of \$203,016. **(See Exhibit J - Attached)**

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

- 7) Mike Caparotta, Senior Manager of Ericksen Krentel, presented the system's June 30, 2023, Audit Report **(See Exhibit K - Attached)**. In terms of the audit, Ericksen Krentel provided reasonable assurance that the financial statements are free of material statement, exercised professional judgement and maintains professional skepticism throughout the audit, and concluded whether there are conditions or events that raise substantial doubt about LSPRS's ability to continue as a going concern. LSPRS' total assets were approximately \$1.1B, total revenues were approximately \$135M, and expenses were around \$87M at the end of fiscal year 2023. Mr. Caparotta stated they issued an unmodified opinion on September 25, 2023, meaning that the financial statements were fairly stated in all material respects and in conformity with U.S. generally accepted accounting principles. Mr. Caparotta stated there we no reports of deficiencies or non-compliance.

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

- 8) Greg Curran, Actuary with Curran Actuarial Consulting, LTD, presented copies of the June 30, 2023, Actuarial Report. Mr. Curran directed the Board to page 1 and stated that the active members have decreased only slightly since June 2022, and the new pay scale may have been one factor that contributed to the lesser decline along with new cadet classes. Payroll has increased from 2022 due to members earning more and contributing more than last year. The market rate of return for the year was 7.45%, which is above the 6.95% assumed rate of return, but dropped to 5.12% after the 5-year smoothing period.

Mr. Curran describes LSPRS's investment gains and losses are subject to sensitivity. For each percentage that the actuarial rate of rate is under the assumed rate of return on the actuarial value of assets, there will be a 1.26% increase in the actuarially required contributions as a percentage of projected payroll from the employer. This sensitivity largely comes from the size difference of the retired population versus active trooper population.

Legislative changes that were enacted during the 2023 Regular session of the Louisiana Legislature directly affect the retirement system. Act 184 established a Permanent Benefit Increase (PBI) funding account to allow for funding future permanent benefit increases.

Noting on page 15, Demographics and Liability Experience, Mr. Curran mentioned that the liability experience for the year was unfavorable. The system experienced slightly fewer active member retirements and disabilities accompanied by a greater number of withdrawals and retiree and survivor deaths than projected. Despite these items decreasing plan cost, the significant rate of average salary increase caused an increase in normal cost and accrued liability that led to a net liability loss.

The unfunded accrued liability (UAL), as reflected on page 1, is \$338,420,447, but will go down in terms of impact when we do a reamortization. Furthermore, if a change is made in the experience account, the UAL portion could drop because we would get a gain from that.

Mr. Curran discussed how the low-default risk obligation measure (LDROM) helped quantify the impact of investing in a portfolio that includes risky assets and used a long-term expected rate of return from such a portfolio to discount liabilities. Calculations for LSPRS are based on the effective single discount rate derived from the U.S. Treasury HQM Corporate Bond Yield Curve of 5.19%. The LSPRS funding valuation rate is 6.95%. By accepting added investment risk, LSPRS is expected to significantly reduce the employer's responsibility to fund system liabilities over time, but that decision will likely result in greater variability in employer contributions in the future as risky assets typically experience greater return volatility. **(See Exhibit L - Attached)**

A **MOTION** was made by Hackley Willis to approve the 2023 actuarial valuation. The motion was seconded by Alan Verhoef. No opposition. The motion passed.

- 9) Ms. Michel directed the Board to view the 2025 budget proposal. Ms. Michel noted that total personnel services was a slight increase from Fiscal Year 2024 budget due to not renewing the previous assistant director's contract, adding a WAE salary, and a decrease in the LASERS employer contribution rate. The budget also includes the salary increases for classified and unclassified staff. There is an increase in travel and seminars due to more traveling for due diligence with the CIO position, as well as possibly offering our trustees to attend the NCPERS conference. Staff education and development was also added to segregate from seminars and meetings. Our insurance has also increased but maintenance and equipment rentals will stay the same. Dues and subscriptions are increasing due to obtaining scanning software that will give us a greater level of audit controls on all files. Postage, miscellaneous, supplies, major acquisitions and legal fees are reduced. Accounting, audit, and actuarial services are all on a 3-year contract and have step increases built into the budget. Investment consultant and custodial fees have increased, while investment management has decreased.

A **MOTION** was made by Kevin Marcel to approve the 2025 budget. The motion was seconded by Amy Mathews. No opposition. The motion passed. **(See Exhibit M - Attached)**

- 10) A **MOTION** was made by Alan Verhoef to approve the Benefits Change Report, in globo. The motion was seconded by Amy Mathews. No opposition. The motion passed. **(See Exhibit N -Attached)**

- 11) Ms. Michel stated that Greg Curran informed her that with the changes with the PBI/COLA funding mechanism moving forward, there is an extra percentage that may be added to the employer rate. The current LSPRS transfer statute references the employer rate being transferred out. In recognition of the fact that there will be an add on to the employer rate, Ms. Michel feels that the policy needs to be updated to recognize that we should not be sending out COLA money on an employee that is transferring out. LSPRS has very few employees transferring and will not be largely affected.

A **MOTION** was made by Hackley Willis to propose potential legislation to update the transfer statute in recognition of the changes to the PBI funding. The motion was seconded by Kevin Marcel. No opposition. The motion passed.

- 12) Ms. Michel directed the Board to view the document scanning project memo. LSPRS has received four different quotes from scanning companies. The bids include picking up the documents, scanning and returning documents, as well as software cost. Ms. Michel's recommendation is to choose MoeBiz, who also manages Clerk of Courts documents. Three other retirement systems also utilize the same software (PaperVision) that MoeBiz uses. The project will take approximately four to five months due to holidays.

A **MOTION** was made by Amy Mathews to approve MoeBiz for scanning and document retention. The motion was seconded by Kevin Marcel. No opposition. The motion passed.

- 13) Ms. Michel directed the Board to view the strategic planning memo. Currently, LSPRS does not have a strategic plan. The plan would detail where LSPRS has been and where we would like to go in the future. Ms. Michel reviewed and met with two local companies to head the strategic plan. Ms. Michel believed that Doreen Brasseaux with Sequitur would align more with the LSPRS mission due to having expertise working with other State agencies. The strategic plan could be presented to the Board in February and adopted in April. The plan would involve interviews with Board members and staff.

A **MOTION** was made by Kevin Marcel to engage Doreen Brasseaux for a strategic plan formation. The motion was seconded by Vanessa Lafleur. No opposition. The motion passed.

- 14) Ms. Michel met with Doug Hanly who wanted to mention to the Board that LSPRS is holding higher cash. Mr. Hanly mentioned that we need to be aware of the yield curve. It is returning right now but there could be a time where it is not, and we would have to move it. In March, we may move some of the U.S. Equity S & P 500 money to a new value index manager. More will be discussed at the December investment committee meeting.

- 15) As part of the budget proposal, Frank Besson presented two option choices to the Board for a 5-6% increase over three years, as opposed to a lump sum like in the past, for the executive director and chief investment officer positions. The proposal would allow for those positions to be more in line with other State retirement systems and bring them up to market value. Vanessa Lafleur suggested incorporating a performance review before an increase. Mr. Besson also added that the adopted budget proposal already had the figures added in, but it does not mean that the amount must be utilized.

Ms. Michel stated that the increases are based on available information from other State systems with a one-year lag time. Ms. Michel also stated that both options assist LSPRS with not being behind the peer group in pay.

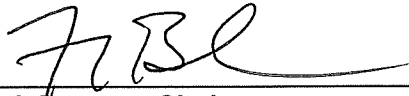
The Board elected to review the information and defer the vote for position increases to the December board meeting.

- 16) In other business, Ms. Michel stated that PRSAC has tentatively been set for December 14, 2023, at 9:00 AM.

Ms. Michel also mentioned that the LAPERS educational videos are on their website for anyone who needs educational hours.

Additionally, the next investment committee meeting is at 9:30 AM on December 13, 2023, with the board meeting immediately following.

- 17) A **MOTION** was made by Amy Mathews to adjourn the meeting. The motion was seconded by Alan Verhoef. No opposition. The motion passed.



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