



Louisiana State Police Retirement System

Board Meeting Minutes

Meeting Title	Louisiana State Police Retirement System Board Meeting
Date of Meeting	October 23, 2019
Where	9224 Jefferson Hwy, Baton Rouge, LA 70809
Start Time	1:30 p.m.

1) Chairman Frank Besson opened the meeting with the pledge of allegiance. The prayer was led by Byron Juneau, Jr.

2) Jordan P. Armstrong, Administrative Assistant, called roll as follows:

Commissioner Jay Dardenne, Div. Of Administration, Appearing Thru
Andrea Hubbard, Designee for DOA Commissioner, PRESENT
Col. Kevin Reeves, Superintendent, Office of State Police, Appearing Thru
Frank Besson, Designee for Superintendent, PRESENT
John Schroder, State Treasurer, Appearing Thru
Amy Mathews, Designee for State Treasurer, PRESENT
Rep. Sam Jones, House Retirement Committee, NOT PRESENT
Byron Juneau, President, Central State Troopers Coalition, PRESENT
Kevin Marcel, Active Representative, Vice Chairman, PRESENT
Sen. Barrow Peacock, Senate Retirement Committee, NOT PRESENT
Doris Prudhomme, Surviving Spouse Representative, NOT PRESENT
Jay O'Quinn, LSTA President, PRESENT (entered after roll call)
Baxter Welch, Retiree Representative, PRESENT
Hackley Willis, Jr., Active/Retired Representative, PRESENT

The records reflect that the following persons were also present:

Denise Akers, Akers & Wisbar	Stephen Griffin, Griffin & Co, LLC
Racheal Alvey, Griffin & Co, LLC	Robin Landa, UBS/Paine Webber
Jordan P. Armstrong, Admin Asst	Philip Qualls, State Treasurer's Office
Mike Caparotta, Hientz & Malacuso	Kevin P. Reed, Executive Director
Greg Curran, G. S. Curran & Co.	John Schroder, State Treasurer
Kimberly A. Gann, Assistant Director	

Public Comments – No public comments.

3) Kimberly Gann summarized the minutes from the August 28, 2019 Board Meeting. She pointed out that LSPRS has been doing a lot of investigative work regarding allocation of benefits to children with disabilities, and we will be discussing that issue later in the meeting. A **MOTION** was made by Kevin Marcel to approve the minutes. The motion was seconded by Byron Juneau. No opposition. The motion passed.

4) Kimberly Gann summarized the minutes from the September 25, 2019 Executive Committee minutes. She pointed out that this is the meeting where the Committee approved a proposed policy regarding handicap children. The policy will provide consistency across the new and old state police

plans and give guidance to staff on the requirements to qualify for a disabled child benefit. Denise Akers stated that the Board has a right to approve or deny adopting any policies. A **MOTION** was made by Amy Mathews to approve the minutes. The motion was seconded by Byron Juneau. No opposition. The motion passed.

- 5) Amy Mathews summarized the minutes from September 25, 2019 Investment Committee meeting. Mrs. Mathews pointed out that this is the meeting where they reviewed the capital market assumptions analysis. She also pointed out that the committee re-visited the capital market assumptions for the benefit of Mr. Kevin Reed, Executive Director, so that he may get to know how UBS operates. At this meeting, the Committee also discussed the UBS disclosure report, noting that UBS is a fiduciary to LSPRS. Mrs. Mathews announced that in November the committee will review and evaluate all managers. A **MOTION** was made by Amy Mathews to approve the minutes. The motion was seconded by Hackley Willis. No opposition. The motion passed.
- 6) Robin Landa, UBS, presented the Board with the flash report and asset allocation as of September 30, 2019. Ms. Landa noted that the month of September was stagnant to the portfolio. The month of September has resulted in a monthly return of 0.86%. The total fund return for the fiscal year to date is -.73%. LSPRS has total assets of \$882,238,339. Since inception the system continues to earn well above the established actuarial rate of return (7%) with a total since inception of 7.44% through September. The Board accepted the report (**See Exhibit A Attached**).
- 7) Racheal Alvey, Griffin & Co., reviewed the Cash Disbursement for the month of August and September. Ms. Alvey then presented the Statement of Fiduciary Net Position and Budget Summary as of September 30, 2019 (**Exhibit B Attached**). The Board accepted the report.
- 8) A **MOTION** was made by Kevin Marcel to approve the Retirement/DROP and Elimination/Awarding Benefits to Spouse Children report (**See Exhibit C Attached**), in globo. The motion was seconded by Hackley Willis. No opposition. The motion passed.
- 9) Kimberly Gann reviewed the 2020 Meeting Schedule. Mrs. Gann noted that the investment committee meeting in November is on the Wednesday before Thanksgiving and asked if the Board wanted to change the meeting. Amy Mathews asked if we could make that change. Kimberly Gann noted that we could approve "as is" and make the change later in the year (2020). The Board agreed. (**See Exhibit D Attached**). A **MOTION** was made by Hackley Willis to approve the meeting schedule. The motion was seconded by Byron Juneau. No opposition. The motion passed.
- 10) Kimberly Gann updated the Board on the active position election. She announced that Kevin Marcel will be the active representative for another five-year term, beginning January 1, 2019. The Board congratulated Mr. Marcel.
- 11) Stephen Griffin reviewed the proposed 2021 budget. Mr. Griffin noted the change from the 2020 Fiscal year budget is less than 2%. He also noted that the budget increased due to having five employees for the year instead four last year, and attorney fees relative to the SCS pending matter (**See Exhibit E Attached**). A **MOTION** was made by Amy Mathews to approve the budget. The motion was seconded by Andrea Hubbard. No opposition. The motion passed.
- 12) Denise Akers and Kevin Reed stated that there will be no new legislation proposed this year. There are a few issues the staff is working on but nothing that requires immediate legislation.
- 13) Kevin Reed updated the Board on the staff's efforts regarding Cyber Security. Mr. Reed stated that the LSPRS pension management system is a semi-closed system, so it has minimal risk for hacking. He noted that the LSPRS email could be hacked; however, that hacking would have no effect on the PMS system since it is a separate system. Mr. Reed has coordinated a meeting of LSPRS IT representative Carlo MacDonald with two individuals from DOA IT, Richard Howze and Dustin

Glover, to review controls and identify weaknesses, and ultimately make suggestions on improvement. He will report to the Board the additional findings.

- 14) Denise Akers requested an approval from the Board to proceed with the adoption of an Administrative Rule Re: Group Trust and USERRA. The Group Trust administrative rule would revise the Group Trust language giving LSPRS the authority to contract with third parties and allow funds to be rolled into a group trust for the retirees/members. The USERRA Administrative Rule is simply following federal law with regard to military leave and service. She noted that the language for both rules has been proved by the Board's tax attorney, John Weiler. A **MOTION** was made by Kevin Marcel to allow Ms. Akers to proceed with the two Administrative Rules and to take the steps necessary to accomplish this goal. The motion was seconded by Amy Mathews. No opposition. The motion passed.

Denise Akers also requested that the Board review the updated LSPRS USERRA policy (**See Exhibit F Attached**). This policy states that if an employee is called into military service, they have a certain period to pay back their retirement contributions for the time that they were in the military. After much discussion, Kimberly Gann announced that there is a current USERRA policy that LSPRS has been following for years. A few recent issues have identified a breakdown of communication between DPS and LSPRS with regard to military leave. Ms. Gann has notified DPS and requested notification when individuals are called to active duty. The Board decided that the military policy needs further review and asked that this be an agenda item at the meeting in December.

- 15) Mike Caparotta, Hienz & Macaluso, LLC, presented the 2019 Audit Report. Mr. Caparotta reported the following opinions; (**Exhibit G Attached**)

Audit Opinion, the financial statements present fairly, in all material respects, the fiduciary net position and changes in fiduciary net position of the System in accordance with accounting principles generally accepted in the United States of America

Internal Control, no matters involving internal control that are required to be reported

Compliance with Laws and Regulations, no instances of noncompliance that is required to be reported herein under Government Auditing Standards

A **MOTION** was made by Kevin Marcel to approve the 2019 Audit performed by Hienz & Macaluso, LLC. The motion was seconded by Hackley Willis. No opposition. The motion passed.

- 16) Greg Curran, G.S. Curran & Co., presented the 2019 Actuarial Report (**Exhibit H Attached**). The summary of valuation results are as follows:

	<u>6/30/19</u>	<u>6/30/18</u>
Unfunded Actuarial Accrued Liability	\$310,622,407	\$292,799,239
Experience Account	\$ 2,079,574	\$ 1,957,062
Ratio of AVA to Actuarial Accrued Liability	74.19%	74.34%
Market Rate of Return (Excluding DROP funds)	4.12%	9.40%
Actuarial Rate of Return (Excluding DROP funds)	6.22%	8.22%
Non-Money Market DROP Account Interest	5.76%	7.72%

Recommended Employer Contribution Rate: FY 2021 = 52.4% FY 2020 = 49.1%

There was discussion regarding the Experience Account and LSPRS' ability to pay a COLA. The account is not yet funded to cover the cost of the COLAs. Based on current law, the system will not

be able to pay a COLA next year.

Kimberly Gann questioned Mr. Curran on the current poverty level. She noted that years ago the system was successful in paying a "poverty level" COLA, with legislation. At that time the poverty level was \$1,200 per month and she would be interested to know the current poverty level. Mr. Curran stated he would investigate this matter.

A **MOTION** was made by Kevin Marcel to accept the 2019 Actuarial Report. The motion was seconded by Hackley Willis. No opposition. The motion passed.

17) Other Business:

A **MOTION** was made by Hackley Willis to amend the agenda to add discussing the engagement of the Weiler & Reese Law Firm, the LSPRS tax attorneys. The motion was seconded by Kevin Marcel. No opposition. The motion passed.

Kevin Reed provided the Board with a brief overview as to the engagement of the Weiler & Reese Law Firm, which specializes in tax law and how it pertains to state pension plans. The firm has been engaged to review the LSPR Plan and Internal Revenue Code as it pertains to various limitations on benefits and contributions under a qualified defined benefit plan. In particular, limitations of annual benefits that may exceed the lesser of \$160,000 (indexed for inflation) or 100 percent of the participant's average compensation. Annual benefits being in the form of a straight life annuity versus a joint and survivor annuity. Additionally, the special limitation for State defined benefit plans, and in particular police or firefighters.

They additionally researched various definitions and terms, along with the use within the LSPR Plan and the IRC, and the applicability of such. The Weiler Firm will also provide recommendations to the LSPRS as to the definitional terms and as to those areas in the Plan that may be unclear or ambiguous as it relates to the limitation of benefits.

18) A **MOTION** was made by Byron Juneau to adjourn. The motion was seconded by Kevin Marcel. No opposition. The motion passed.



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