August 11, 2026
Minutes #645

Minutes of the Board of Trustees' Meeting -1-

Call to Order: Chairman Molan called the meeting to order at 8:30 a.m.

Present: Trustees: Richard Molan, Sharon Wickens, Mat Ciechon, John Baron, and Peter Capano

MECRS Staff: Melanie Murray, Kimberly Barrett and Karianne MacIntosh

In Attendance: Attorney John Rich from McLane Middleton, Mark LaPrade & Kaylee Cavagnaro from Berry Dunn

Excused: John Clayton

Absent: Mayor Jay Ruais

Approval of the Minutes of the Previous Board Meeting:

Chairman Molan entertained a motion to approve the previous Board meeting minutes of July 14, 2026.

Trustee Capano moved to approve the minutes of July 14, 2026, seconded by Trustee Baron, and approved by all those Trustees present.

Approval of the Immediate Meeting Agenda:

Chairman Molan entertained a motion to approve the immediate meeting agenda.

Trustee Capano moved to approve the immediate meeting agenda, seconded by Trustee Wickens, and approved by all those Trustees present.

Presentation to the Board:

Mr. LaPrade CPA, CGMA and Kaylee Cavagnaro CPA, from Berry Dunn were in attendance to deliver the results of the MECRS 2025 Audit.

Mr. LaPrade began by directing the Board's attention to page 3 of the presentation booklet, Financial Statement Audit. He reviewed the purpose of an audit and explained that they follow specific auditing standards when designing and performing the audit. The audit is conducted to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatements. He explained that this does not mean every transaction is tested, but rather that samples of the underlying financial data and information included in the footnotes are reviewed to ensure they are properly accounted for and presented.

Mr. LaPrade noted that the audit requires an understanding of the organization's internal controls. Each year, they review the systems and processes in place and determine whether there have been any significant changes to the controls. This understanding helps them design appropriate audit procedures based on the circumstances.

He further explained that, within the larger financial reporting package, their audit focuses on the basic financial statements. Although the package contains additional reports, the auditors do not perform separate audit procedures on those reports and therefore do not provide an opinion on them. They do, however, review the additional information in relation to the financial statements to ensure that it is consistent. He noted that some of the additional information may include prospective or other non-auditable information, which is why an audit opinion is not issued on those portions of the report.

He concluded by highlighting that the financial statements received an unmodified opinion. He explained that, although an unmodified opinion may sound routine, it represents the highest-level assurance provided through an audit and is considered a positive result.

Turning to page 4, Ms. Cavagnaro reviewed the Key Financial Information presented in the financial statements for the past three years. The presentation showed that the Fiduciary Net Position at the end of the year increased from $294.963 million in 2023 to $322.864 million in 2024 and $366.577 million in 2025. She noted that the Fiduciary Net Position has steadily increased during this period, largely as a result of strong investment performance and the related increased investment income. Net Investment income was $33.542 million in 2023, $29.789 million in 2024, and $46.398 million in 2025.

Ms. Cavagnaro further explained, over the past three years, benefit payments have exceeded contributions. The presentation reflected total contributions of $25.419 million in 2023, $27.201 million in 2024, and $28.488 million in 2025, compared with benefit payments of $26.074 million, $27.498 million, and $29.237 million, respectively. Despite benefit payments exceeding contributions, the overall fiduciary net position continued to increase, primarily due to strong investment returns. Other deductions remained relatively minimal, consisting mainly of administrative expenses which totaled $1.583 million in 2023, $1.591 million in 2024, and $1.936 million in 2025. The resulting net increase in fiduciary net position was $31.303 million in 2023, $27.901 million in 2024, and $43.713 million in 2025.

The chart also showed the fiduciary net position as a percentage of total pension liability at 59.50% in 2023, 62.85% in 2024, and 67.39% in 2025. She noted that this measure has remained relatively consistent and has gradually increased over the past three years. The fiduciary net position as a percentage of total other post-employment benefit (OPEB) liability was 61.30% in 2023, 66.45% in 2024, and 63.04% in 2025. She noted the slight decrease from 2024 to 2025 and explained that this was the result of the other pension liability increasing at a greater percentage than the fiduciary net position.

Mr. LaPrade added that these measures should not be directly compared with the actuarial funded position because the fiduciary net position is a point-in time measurement as of December 31, while the actuarial funded position uses a different calculation that incorporates investment performance over a five-year period.

Next, on page 5, Ms. Cavagnaro reviewed several footnotes contained in the Annual Comprehensive Financial Report (ACFR). Footnote 3 provides information related to investments, including net appreciation by investment category for 2025 and 2024, investments representing five percent or more of the Retirement System's fiduciary net position, and the fair value hierarchy applicable to the investment categories at December 31, 2025 and 2024, and the fair value hierarchy of each investment category.

Footnote 7 addresses Deposit and Investment Risks Disclosures inherent to the plan and summarizes the Board's continued oversight and policies intended to mitigate those risks.

Footnote 8 relates to the Net Pension Liability and corresponds to the GASB 67 reporting requirements, including the fiduciary net position percentage discussed previously.

Footnote 9 addresses the Net Other Post-Employment Benefit Liability (OPEB) under GASB 74, disclosing the same categories of information along with the corresponding funded percentage, which has decreased slightly from 2024 to 2025 because the liability grew at a somewhat faster percentage rate than the fiduciary net position.

Footnote 10 describes the Actuarial methods and assumptions used to determine the net pension and OPEB liabilities, including the 6.75% investment return assumption, 2.5% wage inflation assumption, updated demographic assumptions based on the Retirement System's 2020–2024 actuarial experience study, and a 6.75% discount rate. This also represents the impact on the liabilities if the discount rate were increased or decreased by one percentage point.

Turning to page 7, Mr. LaPrade reviewed the Required Auditor Communications Responsibilities. He noted that MECRS is responsible for the preparation of the financial statements and commended them for the quality of the financial statements and the limited involvement required from the audit team in their preparation. He identified management override of controls, investments, and contributions and benefit obligations as areas of audit focus. He explained that these areas received additional attention because of the nature and size of the Retirement System's operations, although other areas of the financial statements are also audited.

Continuing onto page 8, of the Required Auditor Communications, Mr. LaPrade reviewed the Accounting Policies and noted the adoption of GASB Statement No. 102, Certain Risk Disclosures, which had no impact on the financial statements. He confirmed that there were no other significant accounting policies or changes from the prior year. He also reviewed the financial statement cutoff and confirmed that transactions were properly recorded in the appropriate fiscal year and that the cutoff was appropriate from a materiality standpoint. He further explained the auditors focus additional attention on the estimates embedded in the financial statements and, based on their work, were comfortable that the estimates were reasonable.

Mr. LaPrade then discussed the Audit Adjustments and emphasized that the audit resulted in no audit adjustments, representing a clean audit. He explained that there was an uncorrected misstatement arising purely from timing. Because the financial statements must be finalized as of a set date, investment information received after the cutoff may reflect additional investment income or changes in market value. Investments were understated by approximately $575,000 in 2024, and approximately $1.013 million in the current year, resulting in a net understatement of approximately $438,000 of income on the Statement of Changes in Fiduciary Net Position. Mr. LaPrade noted that because the actuary spreads investment income over a five-year period, the impact becomes even less material when considered for actuarial purposes. He further noted that an approximately $1 million understatement of investments at year-end was not material in relation to the Retirement System's overall asset size.

Turning to page 9, in reviewing the Required Audit Communications section, Mr. LaPrade reported no disagreements with management and no difficulties performing the audit. Berry Dunn obtained a signed letter from management attesting to certain representations made during the audit. Mr. LaPrade stated that Berry Dunn is not aware of management having consultations with other accountants and that Berry Dunn communicated with management throughout the year on a variety of matters. He noted that those discussions were in the ordinary course of business and not a condition of Berry Dunn's retention.

Moving onto page 11, Ms. Cavagnaro introduced the Yellow Book Report required as part of the governmental audit. She explained that the auditors consider internal controls over financial reporting when designing audit procedures but do not issue an audit opinion on internal controls. They also perform certain tests related to compliance with laws, regulations, contracts, and agreements but do not issue an opinion on compliance. Based on this work, no issues were identified with internal controls or compliance as a result of the auditors' procedures.

Trustee Capano asked to clarify the distinction between consideration of the internal controls and an audit of the internal controls.

Mr. LaPrade explained that, as part of the audit, they obtain an understanding of the processes used to account for benefits, contributions, and investment income, identify where controls are in place, and perform walkthroughs and selected testing, including sample selections of benefit payments throughout the year. This work allows them to determine whether the processes described by management are operating as represented and helps the auditors design appropriate audit procedures. He clarified that this does not constitute a full audit of internal controls, which would require substantially more extensive testing and significantly larger samples of transactions. He noted that while certain benefit payments and other transactions are tested as part of the financial statement audit, they do not test every transaction or every control. Mr. LaPrade stated that based on the procedures performed, no issues were identified.

Turning to page 13, Mr. LaPrade reviewed the GASB 68 pension and GASB 75 OPEB reports issued to the City. Each report includes schedules of employer allocations, which assists the City in allocating the plan's liabilities among individual departments based on payroll, as well as schedules presenting the components used in the City's financial statements. He further stated that they audit the totals of the departmental schedules, which agree to the actuarial report, rather than auditing every individual component. He reported unmodified opinions on both the pension and OPEB reports.

During the discussion, Attorney Rich referred to pension information that was identified on pages 10 and 11 of the GASB 74 report. Mr. LaPrade agreed that it would be reviewed and corrected as appropriate.

In closing the presentation, Mr. LaPrade asked the Board, as well as staff members, if they had any concerns regarding fraud or noncompliance that they would like to express, for which the response was, "none."

Chairman Molan thanked Mr. LaPrade and Ms. Cavagnaro for their report, and they left the meeting at 8:50 a.m.

Chairman Molan then entertained a motion to accept the 2025 Audit as presented.

Trustee Ciechon moved to accept the MECRS 2025 Audit Report, seconded by Trustee Baron, and passed unanimously by all those trustees present.

Chairman's Comments:

Chairman Molan advised that a pending matter is expected to be brought before the Board for consideration at the September 8, 2026 meeting. Chairman Molan noted he and Trustee Wickens would be recusing themselves from the matter, meaning that all other Trustees must be present for a quorum. He further asked that Trustee Ciechon chair that portion of the meeting.

Report of the Executive Director:

Ms. Murray reported that, since last month's meeting, she was able to work with the internet fiber vendor to make the necessary connections. It has since been functioning as expected, with no issues. As a result, a request was submitted to cancel service with the previous provider.

She also reported a recent computer malfunction. The IT vendor responded promptly and sourced and deployed a replacement computer. As there are two remaining computers which are approximately 11 years old, she plans to proactively replace them in the coming months.

Representatives from Lexington Capital Partners visited New England in July and requested a visit to the MECRS office. Ms. Murray stated she met with them and received an update on the Plan's investments in Lexington's Fund VII and Fund VIII. Both were reported to have an internal rate of return of approximately 14%. Fund VII is nearing completion, while Fund VIII is in its later stages. Lexington is currently raising capital for Fund XI.

Ms. Murray also reported attending the annual Public Fund Summit in Newport, Rhode Island, during the last week of July. She encouraged Trustees to consider attending the conference in future years, noting the educational content and networking opportunities. She further noted an educational opportunity offered by the Louisiana Trustee Education Council (LATEC), which hosts an annual investment education symposium in New Orleans. She encouraged the Trustees to consider attending.

Report of Monthly Cash Balance:

Ms. Murray reported that the cash balance at the beginning of July was nearly $12 million. During the month, there were several distributions, including a sizable $2 million capital call to Willow Tree. Despite these outflows, the System ended the month with just over $11 million, a healthy balance. As of the August meeting, approximately $600,000 in capital calls had already been received.

Trustee Capano asked whether additional capital calls were anticipated.

Ms. Murray explained that the timing and amount of future capital calls depend on the investment activity of the respective funds. The System has already made its commitment to the funds, and capital is drawn down as the investment managers identify investments requiring funds.

Chairman Molan entertained a motion to accept the Cash Balance Report.

Trustee Capano moved to accept the Cash Balance Report, seconded by Trustee Ciechon, and approved by all those Trustees present.

Consent Agenda:

Chairman Molan entertained a motion to accept the Consent Agenda Items.

Trustee Ciechon moved approve the Consent Agenda Items, seconded by Trustee Capano, and approved by all those Trustees present.

Motion to Adjourn:

With no other business to come before the Board, Chairman Molan entertained a motion to adjourn the meeting.

Trustee Capano moved to adjourn the meeting at 9:06 a.m., seconded by Trustee Ciechon, and approved by all those Trustees present.

Respectfully submitted,

Melanie Murray
Executive Director